

RITCHIE BROS AUCTIONEERS INC
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**^X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2018

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-13425

Ritchie Bros. Auctioneers Incorporated

(Exact Name of Registrant as Specified in its Charter)

Canada

(State or other jurisdiction of incorporation or organization)

N/A

(R.S. Employer Identification No.)

9500 Glenlyon Parkway
Burnaby, British Columbia, Canada
(Address of Principal Executive Offices)

V5J 0C6
(Zip Code)

(778) 331-5500

(Registrant's Telephone Number, including Area Code)

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 108,208,237 common shares, without par value, outstanding as of August 8, 2018

RITCHIE BROS. AUCTIONEERS INCORPORATED

FORM 10-Q

For the quarter ended June 30, 2018

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Ritchie Bros.

PART I – FINANCIAL INFORMATION**ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS****Condensed Consolidated Income Statements**

(Expressed in thousands of United States dollars, except share and per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Service revenues	\$214,346	\$172,749	\$390,362	\$296,128
Revenue from inventory sales	94,184	79,864	178,346	155,912
Total revenues	308,530	252,613	568,708	452,040
Operating expenses:				
Costs of services	43,033	36,292	79,690	60,632
Cost of inventory sold	81,702	71,726	157,493	135,127
Selling, general and administrative expenses	101,259	74,377	198,729	144,952
Acquisition-related costs	1,399	22,948	3,032	31,575
Depreciation and amortization expenses	16,537	11,872	32,728	22,210
Gain on disposition of property, plant and equipment	(271)	(308)	(616)	(1,029)
Impairment loss	-	8,911	-	8,911
Foreign exchange loss (gain)	76	(93)	(16)	(823)
Total operating expenses	243,735	225,725	471,040	401,555
Operating income	64,795	26,888	97,668	50,485
Interest expense	(10,937)	(8,620)	(22,247)	(16,753)
Other income, net	900	3,470	1,813	5,754
Income before income taxes	54,758	21,738	77,234	39,486
Income tax expense	9,031	4,025	14,300	11,340
Net income	\$45,727	\$17,713	\$62,934	\$28,146
Net income attributable to:				
Stockholders	\$45,717	\$17,635	\$62,855	\$28,012
Non-controlling interests	10	78	79	134

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Net income	\$45,727	\$17,713	\$62,934	\$28,146
Earnings per share attributable to stockholders:				
Basic	\$0.42	\$0.16	\$0.58	\$0.26
Diluted	\$0.42	\$0.16	\$0.58	\$0.26
Weighted average number of shares outstanding:				
Basic	107,864,030	107,004,902	107,610,679	106,928,672
Diluted	109,019,708	108,238,660	108,832,776	108,014,228

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net income	\$45,727	\$17,713	\$62,934	\$28,146
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustment	(12,691)	9,373	(7,784)	16,813
Total comprehensive income	\$33,036	\$27,086	\$55,150	\$44,959
Total comprehensive income (loss) attributable to:				
Stockholders	\$33,056	\$26,976	\$55,089	\$44,789
Non-controlling interests	(20)	110	61	170
	\$33,036	\$27,086	\$55,150	\$44,959

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets

(Expressed in thousands of United States dollars, except share data)

(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$210,566	\$ 267,910
Restricted cash	118,714	63,206
Trade and other receivables	188,993	92,105
Inventory	63,636	38,238
Other current assets	28,765	27,610
Income taxes receivable	12,988	19,418
Total current assets	623,662	508,487
Property, plant and equipment	512,527	526,581
Equity-accounted investments	6,674	7,408
Other non-current assets	26,188	24,146
Intangible assets	253,036	261,094
Goodwill	672,909	670,922
Deferred tax assets	22,530	18,674
Total assets	\$2,117,526	\$ 2,017,312
Liabilities and Equity		
Auction proceeds payable	\$324,505	\$ 199,245
Trade and other payables	150,785	164,553
Income taxes payable	6,874	732
Short-term debt	4,056	7,018
Current portion of long-term debt	9,086	16,907
Total current liabilities	495,306	388,455
Long-term debt	741,278	795,985
Other non-current liabilities	39,130	46,773
Deferred tax liabilities	37,348	32,334
Total liabilities	1,313,062	1,263,547
Contingencies		
Contingently redeemable performance share units	12,965	9,014
Stockholders' equity:		

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Share capital:

Common stock; no par value, unlimited shares authorized, issued and outstanding shares: 108,202,351 (December 31, 2017: 107,269,783)	166,898	138,582
Additional paid-in capital	41,410	41,005
Retained earnings	628,341	602,609
Accumulated other comprehensive loss	(50,280)	(42,514)
Stockholders' equity	786,369	739,682
Non-controlling interest	5,130	5,069
Total stockholders' equity	791,499	744,751
Total liabilities and equity	\$2,117,526	\$ 2,017,312

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of United States dollars, except where noted)

(Unaudited)

	Attributable to stockholders		Additional paid-In capital	Retained earnings	Accumulated other comprehensive loss	Non- controlling interest ("NCI")	Total equity	Contingently redeemable performance share units ("PSUs")
	Common stock Number of shares	Amount						
Balance, December 31, 2017	107,269,783	\$ 138,582	\$ 41,005	\$ 602,609	\$ (42,514)	\$ 5,069	\$ 744,751	\$ 9,014
Net income	-	-	-	62,855	-	79	62,934	-
Other comprehensive loss	-	-	-	-	(7,766)	(18)	(7,784)	-
	-	-	-	62,855	(7,766)	61	55,150	-
Stock option exercises	772,599	23,155	(5,106)	-	-	-	18,049	-
Issuance of common stock related to vesting of share units	159,969	5,161	(1,662)	-	-	-	3,499	(6,856)
Stock option compensation expense	-	-	4,483	-	-	-	4,483	-
Modification of PSUs	-	-	703	(134)	-	-	569	6,132
Equity-classified PSU expense	-	-	1,885	-	-	-	1,885	4,376
Equity-classified PSU dividend equivalents	-	-	102	(324)	-	-	(222)	222
Change in fair value of contingently redeemable PSUs	-	-	-	(77)	-	-	(77)	77
Cash dividends paid	-	-	-	(36,588)	-	-	(36,588)	-
Balance, June 30, 2018	108,202,351	\$ 166,898	\$ 41,410	\$ 628,341	\$ (50,280)	\$ 5,130	\$ 791,499	\$ 12,965

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

Six months ended June 30,	2018	2017
Cash provided by (used in):		
Operating activities:		
Net income	\$62,934	\$28,146
Adjustments for items not affecting cash:		
Depreciation and amortization expenses	32,728	22,210
Impairment loss	-	8,911
Stock option compensation expense	4,483	8,076
Equity-classified PSU expense	6,261	2,045
Deferred income tax expense (recovery)	922	(4,823)
Unrealized foreign exchange loss (gain)	92	(1,487)
Amortization of debt issuance costs	2,073	1,057
Other, net	(4,879)	(1,820)
Net changes in operating assets and liabilities	3,244	53,692
Net cash provided by operating activities	107,858	116,007
Investing activities:		
Acquisition of IronPlanet, net of cash acquired	-	(674,080)
Property, plant and equipment additions	(5,802)	(4,274)
Intangible asset additions	(12,273)	(10,124)
Proceeds on disposition of property, plant and equipment	1,633	