

Desautels Capital Management

Honours in Investment Management

Ritchie Bros. Auctioneers

RBACN 4.950% 2029

Fixed Income Fund

Grace Danner, Strategist

Mirella Deng, Senior Analyst

Collin Wang, Junior Analyst

Larry Ge, Junior Analyst

Rachel Tang, Junior Analyst

Wenhan Hu, Junior Analyst

February 23rd, 2022



Fixed Income Analysis on Ritchie Bros

Company overview



Founded in 1958, **Ritchie Bros. Auctioneers** is an **asset management and disposition company** that sells industrial equipment and other durable assets through its unreserved live on-site auctions (40+ permanent sites), online marketplaces, listing services, and private brokerage services



Investment theses

1

Thesis 1: Mitigation of acquisition-related risks

We consider growth risk, execution risk, and financial policy risk (which, together, covers a majority of Moody's' scorecard) to be less significant than the market expects

2

Thesis 2: RB's defensibility across cycles is underappreciated given its ability to alleviate information asymmetry

We identify certain inefficiencies within the auction markets – and how RB's scale, network, and appraisal expertise mitigate them

Valuation preamble



Issuer Name	Mkt Cap	Bond Metrics			Revenue Growth			EBITDA Margin			AR TO			Net Debt / EBITDA			Coverage Ratio		
		YTM	OAS	MD	2019	2020	LTM	2019	2020	LTM	2019	2020	LTM	2019	2020	LTM	2019	2020	LTM
Mean	9,063	4.77%	274.5	4.15	7.00%	12.41%	19.38%	18.47%	16.72%	18.87%	7.87x	8.75x	8.22x	3.62x	4.01x	3.21x	4.59x	4.55x	9.02x
Median	4,674	5.08%	270.3	5.02	8.29%	-8.78%	13.90%	16.38%	12.56%	13.75%	7.24x	7.37x	7.39x	3.79x	3.67x	3.32x	3.81x	3.90x	6.39x
Ritchie Bros Auctioneers	5,726	5.17%	305.1	6.34	12.70%	4.45%	2.88%	19.88%	23.12%	22.64%	11.25x	12.09x	12.60x	1.45x	1.50x	4.48x	5.33x	7.69x	7.29x

Current Price
\$99.00

Current YTM
5.165%

Current OAS
305.1 bps

We recommend a **BUY** on **RBACN 4.950% 2029** – it is currently trading at a premium to peers, we expect future spread compression

Source: Company Filings.

Desautels Capital Management

Honours in Investment Management

Company Overview

Section I

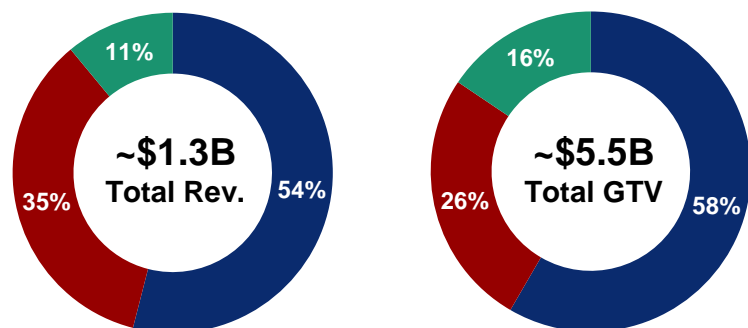


Adding a Modern Touch to Legacy Auctions

Global leader in commercial asset mgmt since 1958

- Based in Vancouver, Canada, **Ritchie Bros. Auctioneers** operates as an **asset management and disposition company** serving the construction (55% of GTV), transportation (22% of GTV), and other sectors like agriculture, O&G, mining, and forestry
- As of Q4'21, they owned **42 main auction sites** including 3,146 acres owned and 383 acres leased
- Market Share:** ~18% dominantly in global auctions channel and ~2% in global used equipment market
- COVID Impact:** Shift to **100% online** bidding
- Corporate Strategy:** Using **Inventory Management System (IMS)** to host a suite of services for customers

Revenue segment & GTV by geography breakdown



■ Service ■ Inventory Sales ■ Other ■ US ■ Canada ■ International

Tapping Into IMS Through Acquisitions: At Least An Incremental \$150B Market

Parts & Services

(\$100B - \$150B Annual Rev.)



Data Monetization

(Market Size TBD)



Financial Services

(\$25B - \$35B in Annual Rev.)



Global Listings

(\$75M Direct Annual Rev.)



Asset Management

(Market Size TBD)



Revenue Drivers

1. Commissions

- ~34% of Rev.
- Generate from live auctions, online marketplaces, private brokerage services
- Includes straight commission contracts, guarantee and inventory contracts which are considered "at risk" due to fixed costs

2. Fees

- ~31% of Rev.
- Includes inspection fees, fees from value-added services

3. Inventory Sales

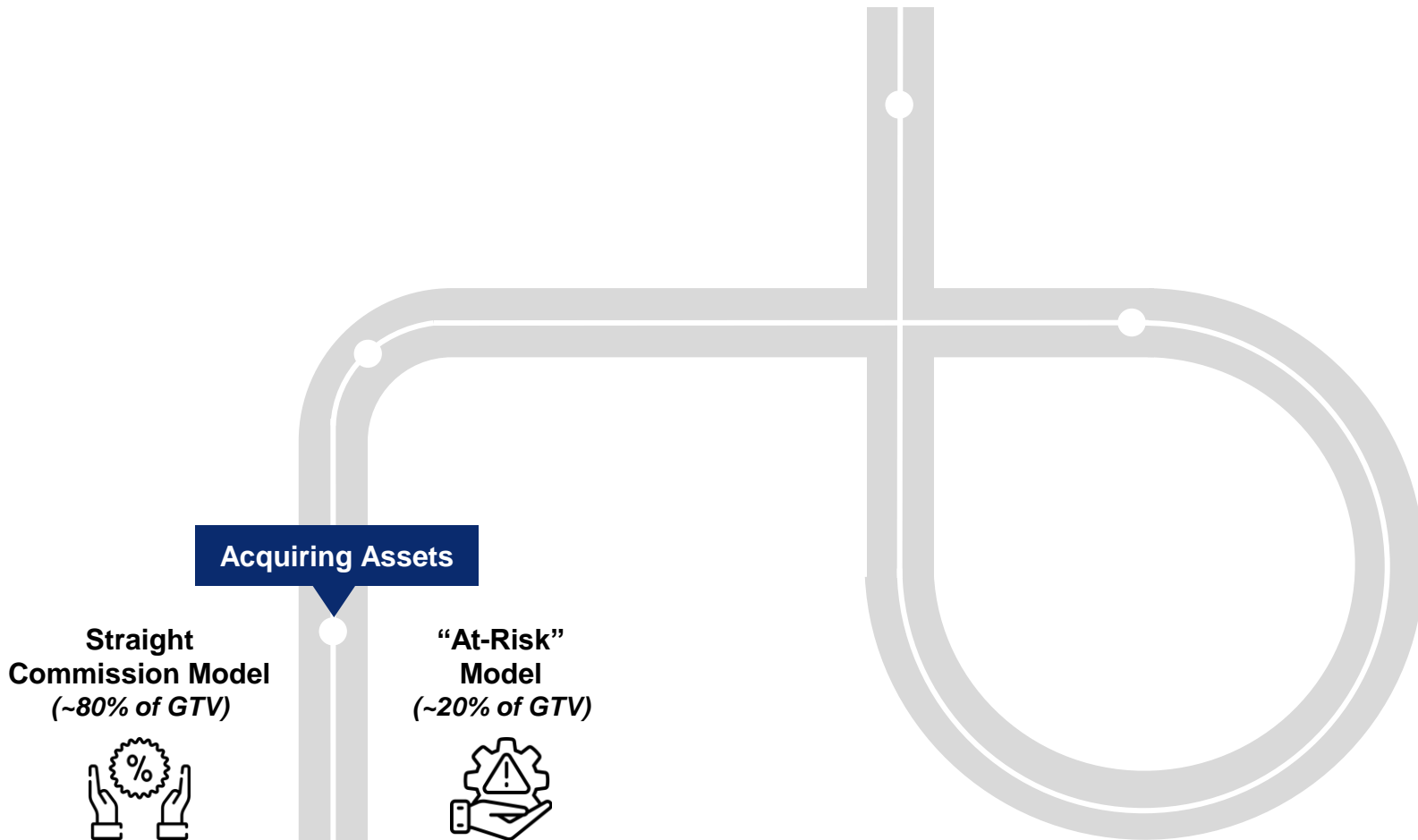
- ~35% of Rev.
- RB purchases and holds the asset before they are resold
- Gross value is treated as revenue and associated cost is recorded as COGS

The auctions channel only accounts for ~10% of the ~\$300B global annual used equipment market → RB is expanding its TAM

Source: Company Filings, Equity Research. Note: Revenue segments service and inventory sales is collectively known as "Auctions & Marketplaces (A&M)"

Building Relationships and Delivering Exceptional Service in a Trust-Based Business

A stickier ecosystem: from auctioneer to trusted tech-driven marketplace

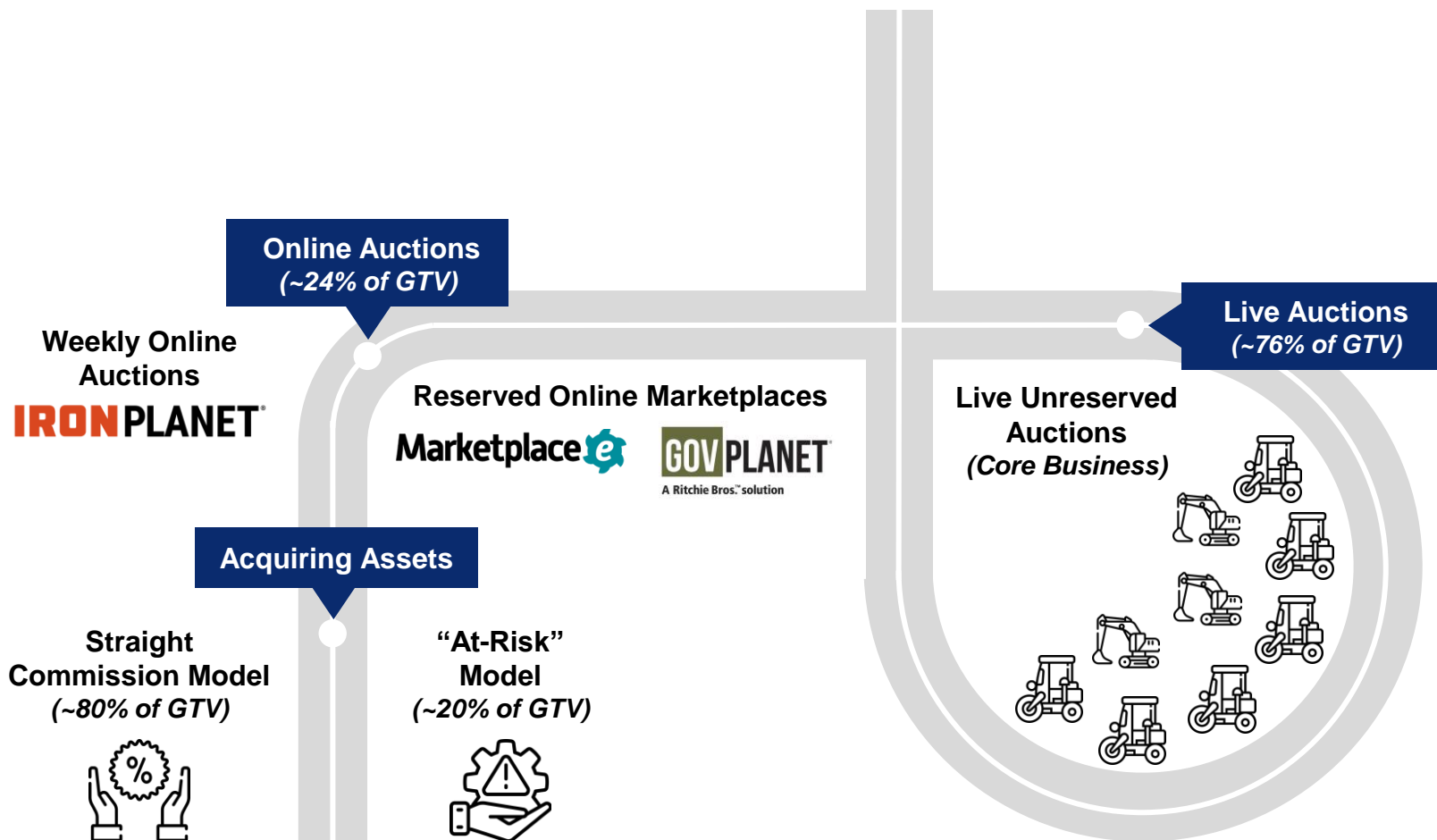


Live on-site and online auctions are both scalable b/c the marginal cost of adding incremental lots is low since majority of required capital is there

Note: “At-risk model” includes inventory and guarantee contracts

Building Relationships and Delivering Exceptional Service in a Trust-Based Business

A stickier ecosystem: from auctioneer to trusted tech-driven marketplace

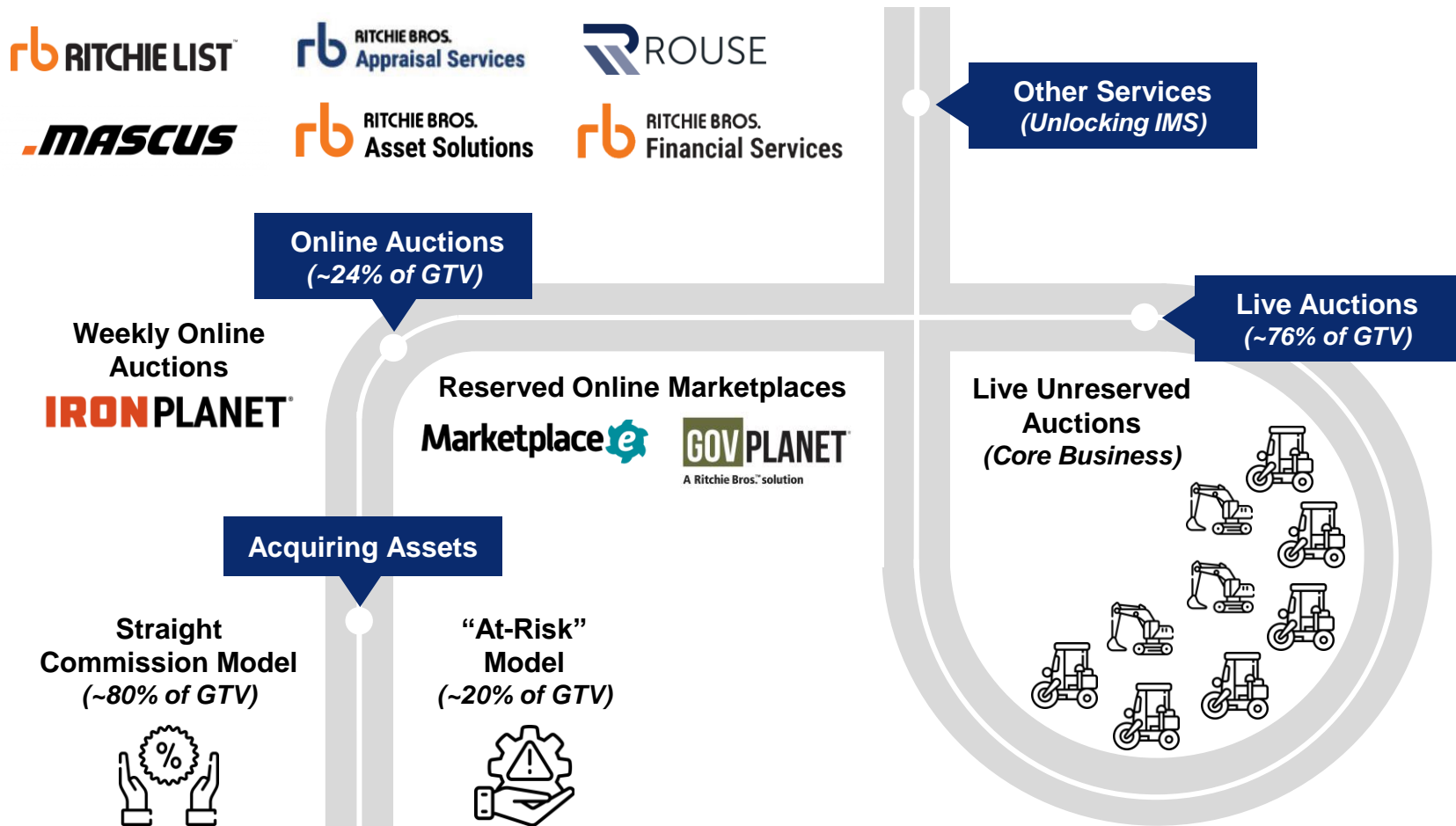


Live on-site and online auctions are both scalable b/c the marginal cost of adding incremental lots is low since majority of required capital is there

Note: "At-risk model" includes inventory and guarantee contracts

Building Relationships and Delivering Exceptional Service in a Trust-Based Business

A stickier ecosystem: from auctioneer to trusted tech-driven marketplace

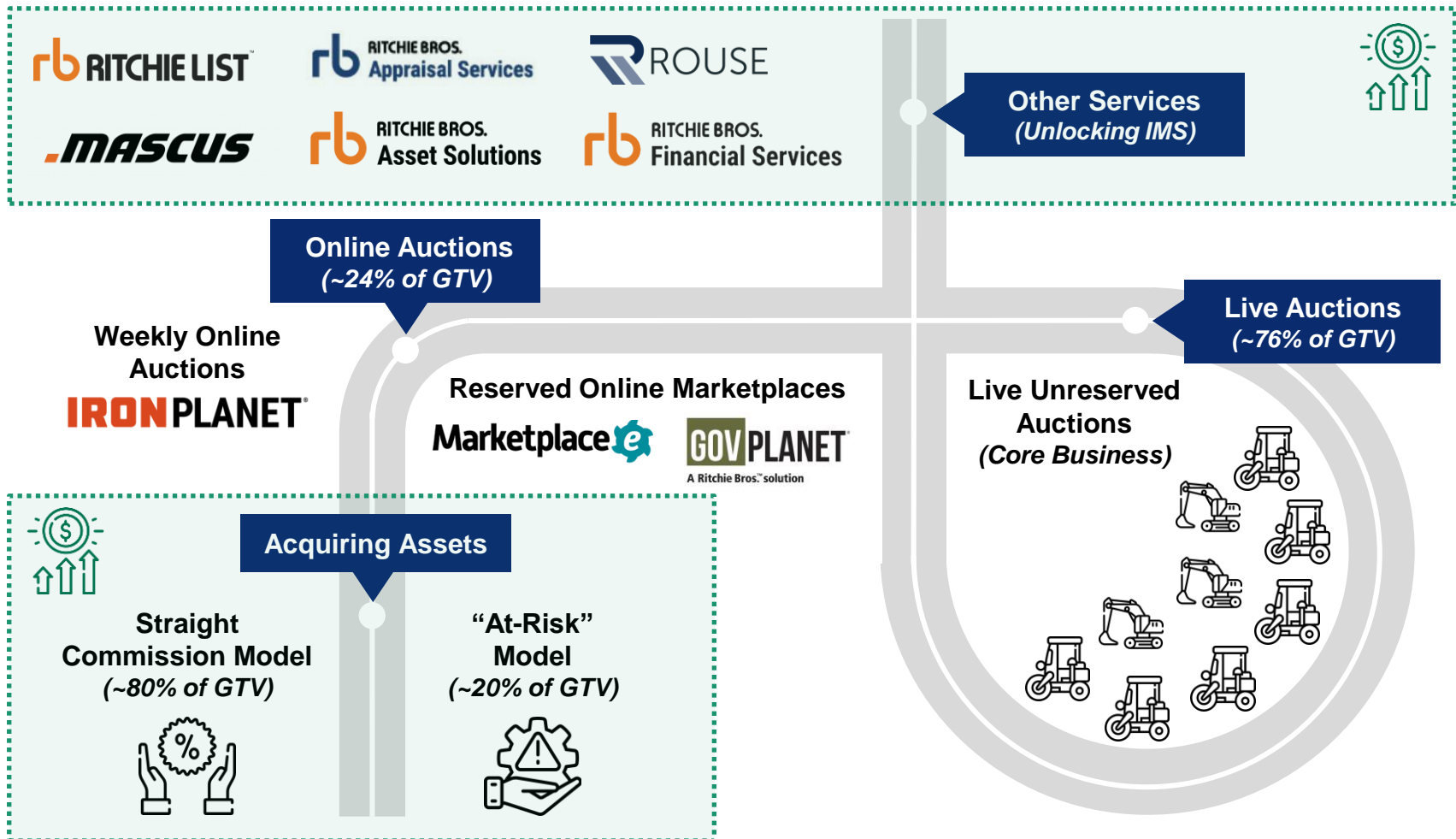


Live on-site and online auctions are both scalable b/c the marginal cost of adding incremental lots is low since majority of required capital is there

Note: “At-risk model” includes inventory and guarantee contracts

Building Relationships and Delivering Exceptional Service in a Trust-Based Business

A stickier ecosystem: from auctioneer to trusted tech-driven marketplace



Live on-site and online auctions are both scalable b/c the marginal cost of adding incremental lots is low since majority of required capital is there

Note: "At-risk model" includes inventory and guarantee contracts

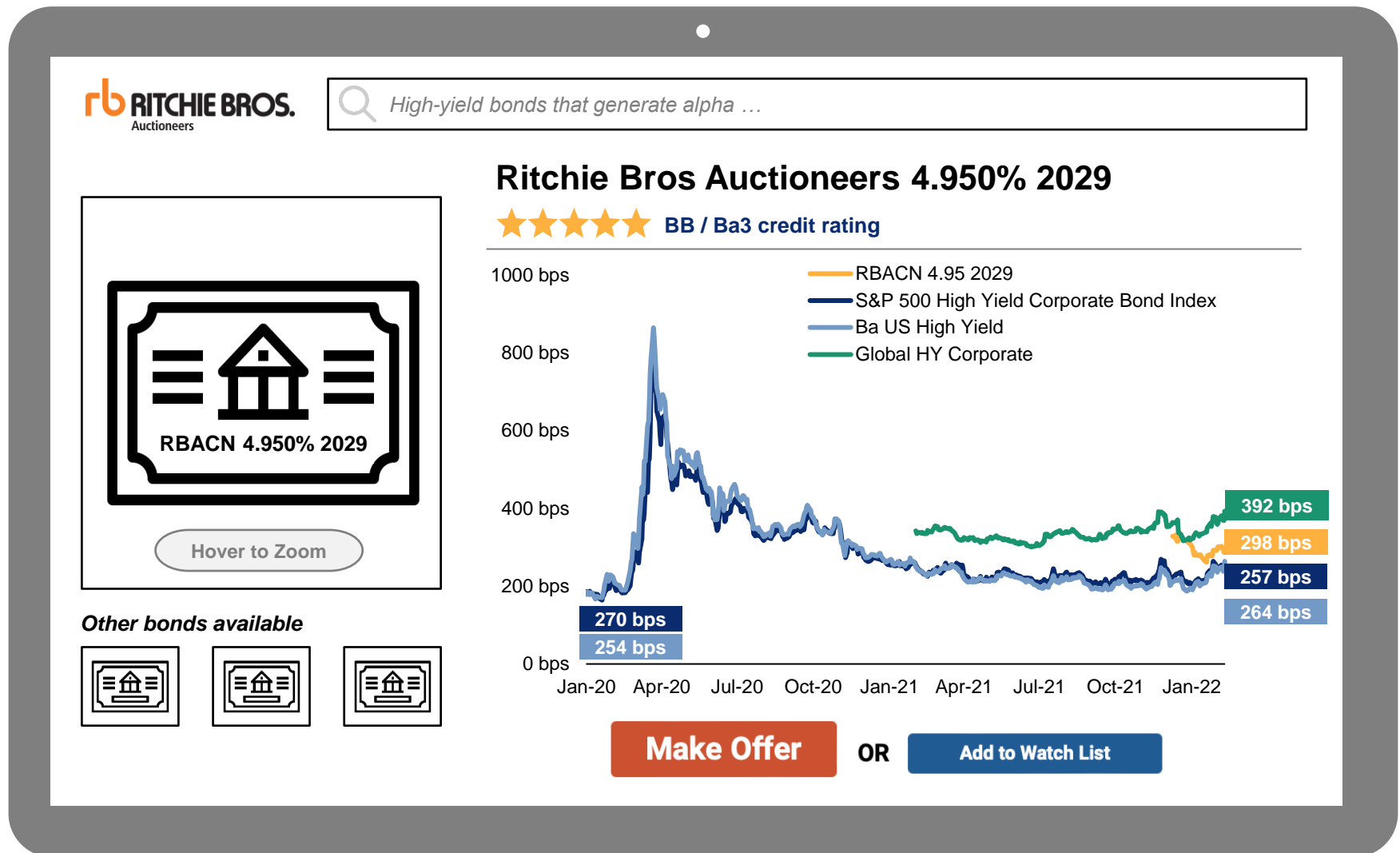
Desautels Capital Management

Honours in Investment Management

Security Overview

Section II

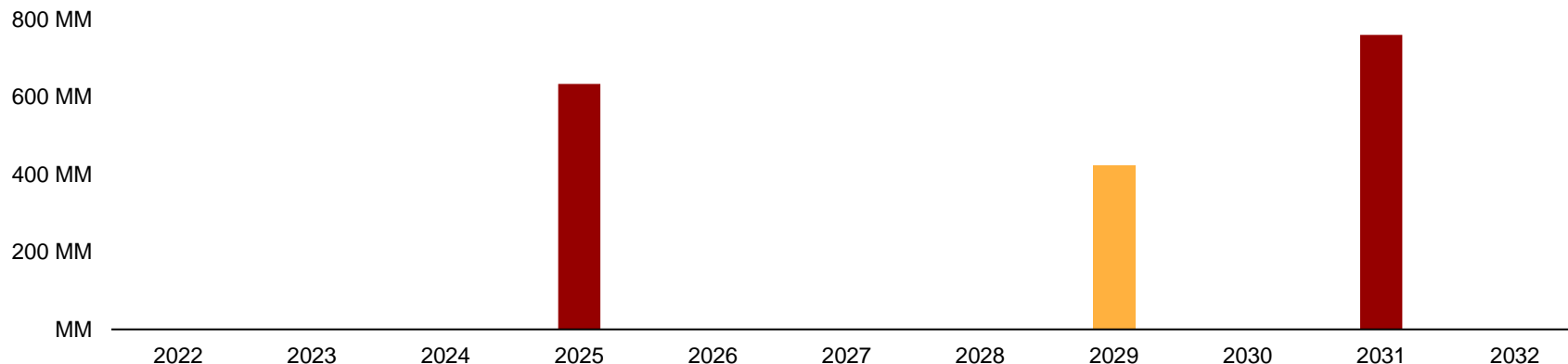




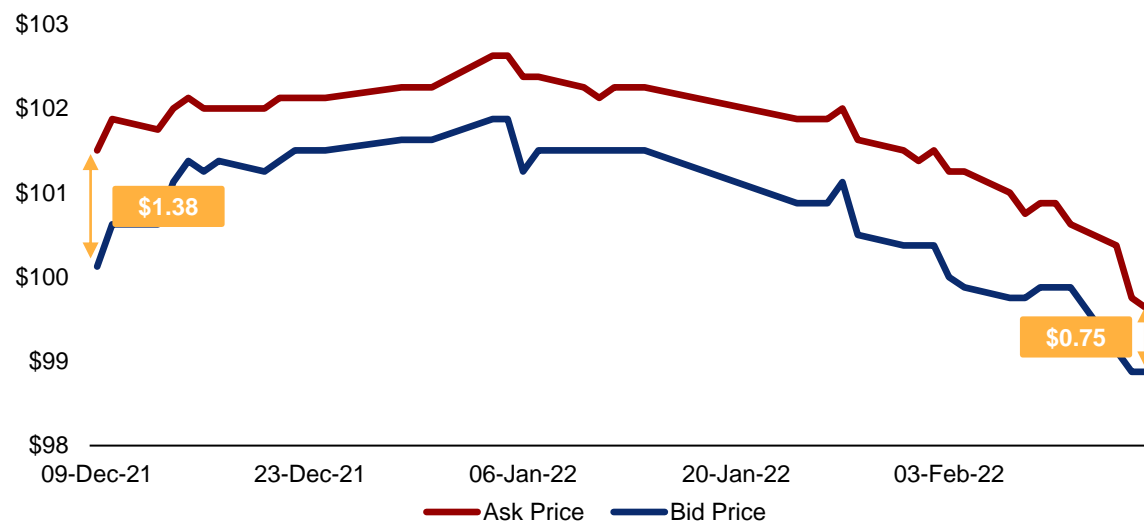
Source: Bloomberg, CapIQ, Company Filings.

Brief Overview of The Bond Structure

Debt maturity schedule: only 1 bond maturing prior to the 2029 bond



Trading liquidity: average bid-ask spread of \$0.8 over the life of the bond



Bond Metrics: Senior Unsecured

Issue Date	12/09/2021
Maturity	12/15/2029
Price	\$99.00
Coupon	4.95
YTM	5.17%
OAS	305.1
M. Duration	6.34
Outstanding	\$425 MM
Issue Rating	BB/Ba3

Source: Bloomberg, CapIQ, Company Filings.

Desautels Capital Management

Honours in Investment Management
















Relative Valuation

Section III



Relative Valuation Peers

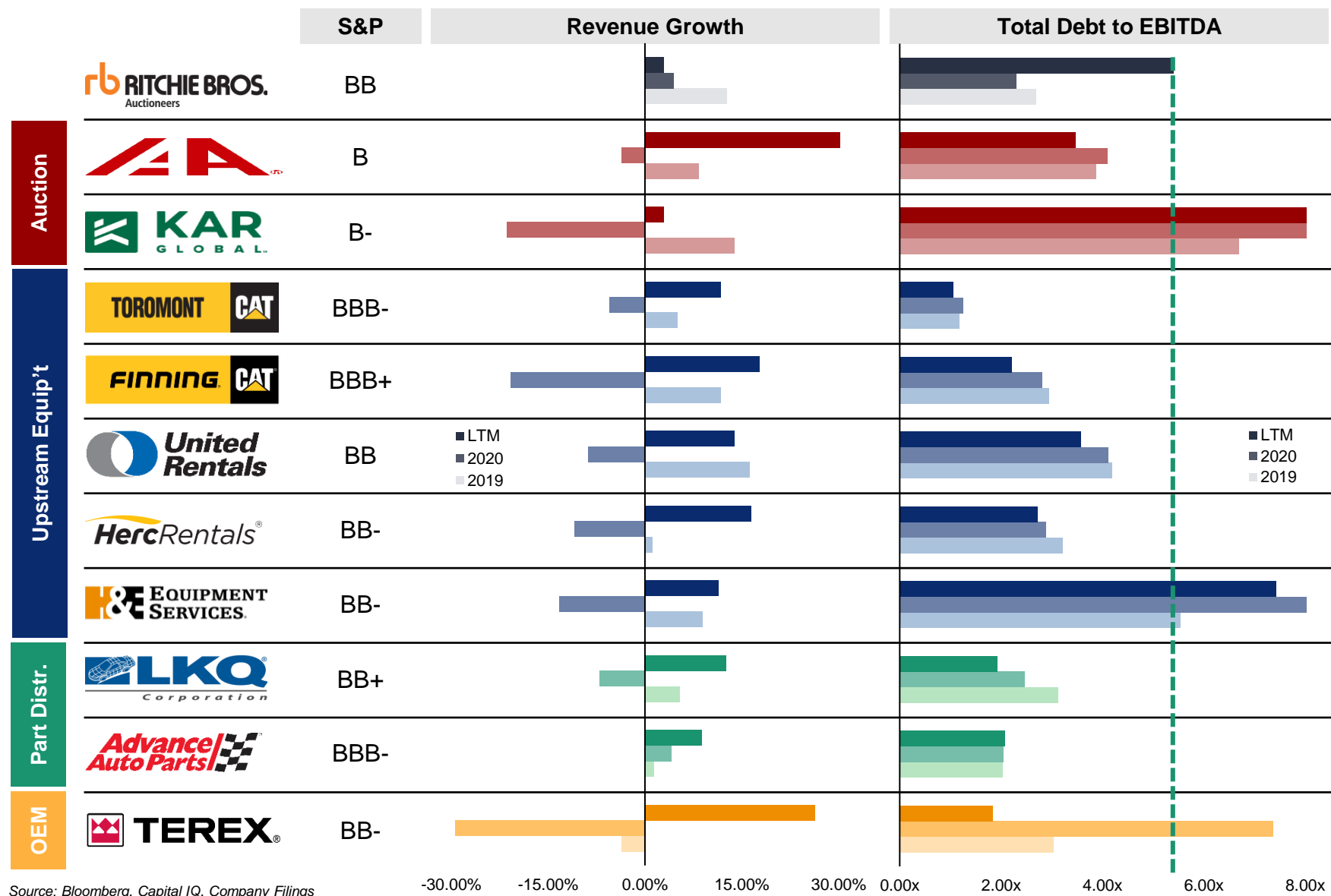
Shopping the online marketplace for some public auctioneers

	Market Cap	Geography	Take Rate	Price Model	Appraisal?
Industrial Equip.	 Medium		16.6%	Unreserved	
	 Small		2.7%	Both	
Light Vehicle, Leaders	 Large		9.4%	Both	
	 Medium		11.3%	Reserved	
Light Vehicle, 2nd Tier	 Small		5.4%	Both	
	 Small		4.1%	Reserved	

Source: Bloomberg, Capital IQ, Company Filings, Thomson Reuters

Relative Valuation Peers

Which similarly-rated issuers are worth further inspection?



Source: Bloomberg, Capital IQ, Company Filings

Reduced Peer Group

Relative valuation post-screen

Issuer Name	Mkt Cap	EV	Bond Metrics								Operating Metrics								
			Coupon	Maturity	Price	YTM	OAS	MD	S&P	Moody	Revenue Growth			EBITDA Margin			AR TO		
											2019	2020	LTM	2019	2020	LTM	2019	2020	LTM
IAA, Inc.	4,674	6,980	5.50%	06/2027	\$ 101.98	5.08%	270.3	2.97	B	B2	8.29%	-3.61%	32.67%	28.29%	28.38%	29.59%	7.24x	13.55x	6.29x
H&E Equip. Services	1,379	2,559	3.88%	12/2028	\$ 92.13	5.29%	334.1	5.81	BB-	B2	8.83%	-13.29%	11.41%	16.38%	12.56%	13.75%	6.85x	6.28x	7.39x
Terex Corporation	2,838	3,339	5.00%	05/2029	\$ 98.26	5.31%	317.2	5.90	BB-	B2	-3.63%	-29.33%	26.34%	8.84%	4.31%	9.76%	8.21x	7.37x	8.75x
United Rentals	22,619	32,983	5.25%	01/2030	\$ 103.76	4.71%	220.8	5.02	BB	Ba2	16.20%	-8.78%	13.90%	28.37%	26.76%	27.70%	6.08x	6.00x	6.49x
LKQ Corp	13,805	17,794	4.13%	04/2028	\$ 103.94	3.46%	230.1	1.05	BB+	Ba1	5.30%	-7.01%	12.55%	10.49%	11.60%	13.58%	10.95x	10.55x	12.20x
High	22,619	32,983	5.50%		\$ 103.94	5.31%	334.12	5.90			16.20%	-3.61%	32.67%	28.37%	28.38%	29.59%	10.95x	13.55x	12.20x
Mean	9,063	12,731	4.75%		\$ 100.01	4.77%	274.5	4.15			7.00%	-12.41%	19.38%	18.47%	16.72%	18.87%	7.87x	8.75x	8.22x
Median	4,674	6,980	5.00%		\$ 101.98	5.08%	270.3	5.02			8.29%	-8.78%	13.90%	16.38%	12.56%	13.75%	7.24x	7.37x	7.39x
Low	1,379	2,559	3.88%		\$ 92.13	3.46%	220.8	1.05			-3.63%	-29.33%	11.41%	8.84%	4.31%	9.76%	6.08x	6.00x	6.29x
Ritchie Bros	5,726	7,289	4.95%	12/2029	\$ 99.00	5.17%	305.1	6.34	BB	Ba3	12.70%	4.45%	2.88%	19.88%	23.12%	22.64%	11.25x	12.09x	12.60x

Issuer Name	Mkt Cap	EV	Bond Metrics								Credit Metrics								
			Coupon	Maturity	Price	YTM	OAS	MD	S&P	Moody	Net Debt / EBITDA			Leverage Ratio			Coverage Ratio		
											2019	2020	LTM	2019	2020	LTM	2019	2020	LTM
IAA, Inc.	4,674	6,980	5.50%	06/2027	\$ 101.98	5.08%	270.3	2.97	B	B2	3.79x	3.67x	3.32x	NM	3162.82%	724.04%	5.71x	5.57x	9.64x
H&E Equip. Services	1,379	2,559	3.88%	12/2028	\$ 92.13	5.29%	334.1	5.81	BB-	B2	5.48x	6.49x	6.19x	438.17%	593.75%	545.36%	2.76x	1.83x	2.42x
Terex Corporation	2,838	3,339	5.00%	05/2029	\$ 98.26	5.31%	317.2	5.90	BB-	B2	1.79x	3.56x	1.19x	140.12%	139.48%	69.16%	3.81x	1.26x	6.39x
United Rentals	22,619	32,983	5.25%	01/2030	\$ 103.76	4.71%	220.8	5.02	BB	Ba2	4.18x	4.04x	3.52x	316.95%	229.02%	175.40%	3.47x	3.90x	5.89x
LKQ Corp	13,805	17,794	4.13%	04/2028	\$ 103.94	3.46%	230.1	1.05	BB+	Ba1	2.83x	2.29x	1.80x	106.95%	76.35%	72.70%	7.22x	10.16x	20.74x
High	22,619	32,983	5.50%		\$ 103.94	5.31%	334.12	5.90			5.48x	6.49x	6.19x	438.17%	3162.82%	724.04%	7.22x	10.16x	20.74x
Mean	9,063	12,731	4.75%		\$ 100.01	4.77%	274.5	4.15			3.62x	4.01x	3.21x	250.55%	840.28%	317.33%	4.59x	4.55x	9.02x
Median	4,674	6,980	5.00%		\$ 101.98	5.08%	270.3	5.02			3.79x	3.67x	3.32x	228.53%	229.02%	175.40%	3.81x	3.90x	6.39x
Low	1,379	2,559	3.88%		\$ 92.13	3.46%	220.8	1.05			1.79x	2.29x	1.19x	106.95%	76.35%	69.16%	2.76x	1.26x	2.42x
Ritchie Bros	5,726	7,289	4.95%	12/2029	\$ 99.00	5.17%	305.1	6.34	BB	Ba3	1.45x	1.50x	4.48x	85.76%	78.60%	176.32%	5.33x	7.69x	7.29x

Relative valuation post-screen – Operating Metrics

Issuer Name			Bond Metrics							Operating Metrics						AR TO			
			Mkt Cap	EV	Coupon	Maturity	Price	YTM	OAS	MD	Revenue Growth			EBITDA Margin					
											S&P	Moody	2019	2020	LTM	2019	2020	LTM	2019
IAA, Inc.	4,674	6,980	5.50%	06/2027	\$ 101.98	5.08%	270.3	2.97	B	B2	8.29%	-3.61%	32.67%	28.29%	28.38%	29.59%	7.24x	13.55x	6.29x
H&E Equip. Services	1,379	2,559	3.88%	12/2028	\$ 92.13	5.29%	334.1	5.81	BB-	B2	8.83%	-13.29%	11.41%	16.38%	12.56%	13.75%	6.85x	6.28x	7.39x
Terex Corporation	2,838	3,339	5.00%	05/2029	\$ 98.26	5.31%	317.2	5.90	BB-	B2	-3.63%	-29.33%	26.34%	8.84%	4.31%	9.76%	8.21x	7.37x	8.75x
United Rentals	22,619	32,983	5.25%	01/2030	\$ 103.76	4.71%	220.8	5.02	BB	Ba2	16.20%	-8.78%	13.90%	28.37%	26.76%	27.70%	6.08x	6.00x	6.49x
LKQ Corp	13,805	17,794	4.13%	04/2028	\$ 103.94	3.46%	230.1	1.05	BB+	Ba1	5.30%	-7.01%	12.55%	10.49%	11.60%	13.58%	10.95x	10.55x	12.20x
High	22,619	32,983	5.50%		\$ 103.94	5.31%	334.12	5.90			16.20%	-3.61%	32.67%	28.37%	28.38%	29.59%	10.95x	13.55x	12.20x
Mean	9,063	12,731	4.75%		\$ 100.01	4.77%	274.5	4.15			7.00%	-12.41%	19.38%	18.47%	16.72%	18.87%	7.87x	8.75x	8.22x
Median	4,674	6,980	5.00%		\$ 101.98	5.08%	270.3	5.02			8.29%	-8.78%	13.90%	16.38%	12.56%	13.75%	7.24x	7.37x	7.39x
Low	1,379	2,559	3.88%		\$ 92.13	3.46%	220.8	1.05			-3.63%	-29.33%	11.41%	8.84%	4.31%	9.76%	6.08x	6.00x	6.29x
Ritchie Bros	5,726	7,289	4.95%	12/2029	\$ 99.00	5.17%	305.1	6.34	BB	Ba3	12.70%	4.45%	2.88%	19.88%	23.12%	22.64%	11.25x	12.09x	12.60x

Rating agency misalignment

BB vs **BB-**
S&P Global vs MOODY's

1. Perspective on Euro Auction Execution
2. Disagreement on cyclicity of the business

Consistently higher receivables turnover



In-House financing



Scale & reputation



Quality client profile

Desautels Capital Management

Honours in Investment Management

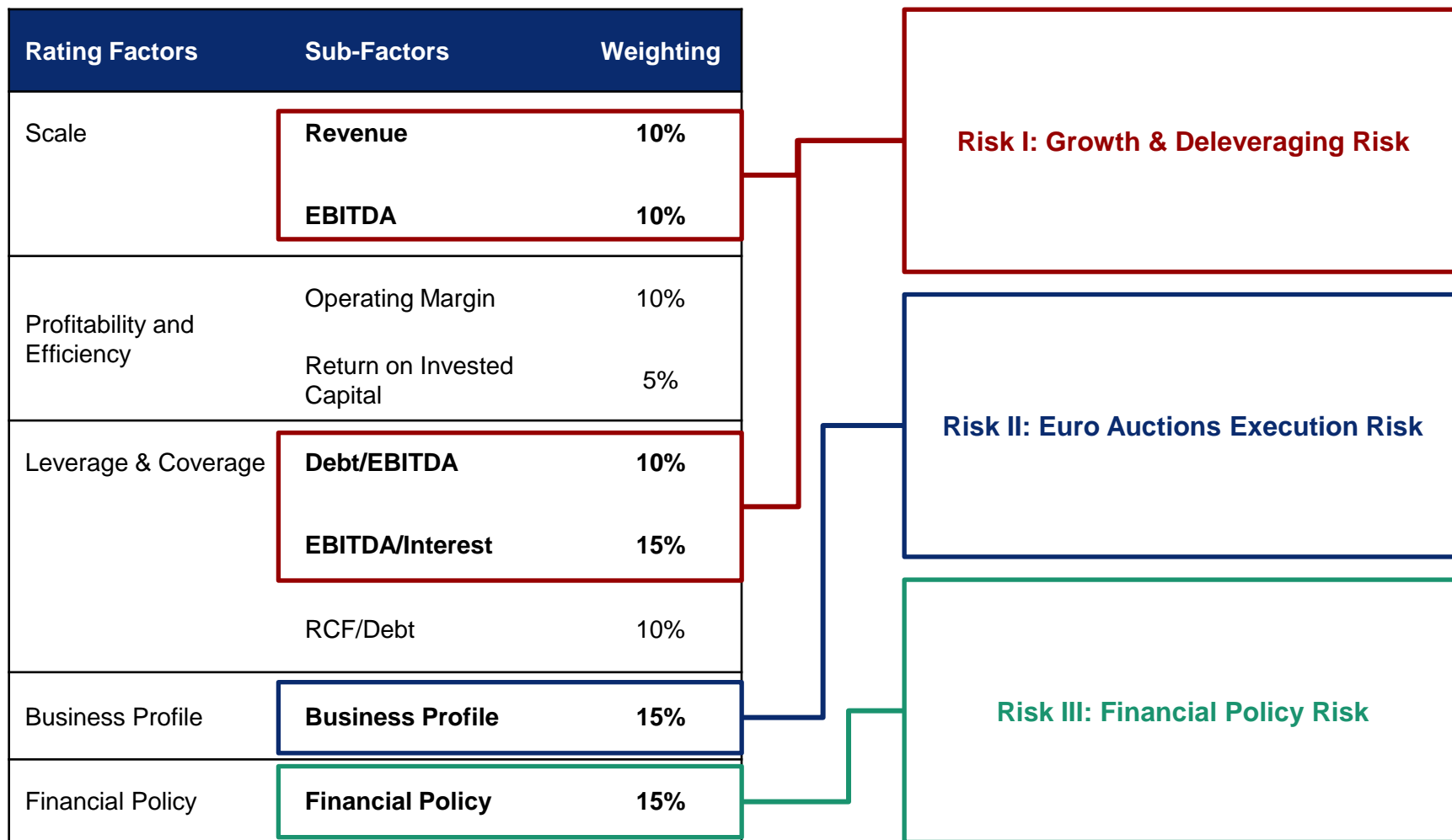
Thesis 1: Mitigation of acquisition-related risks

Section IV



Three-pronged Focus

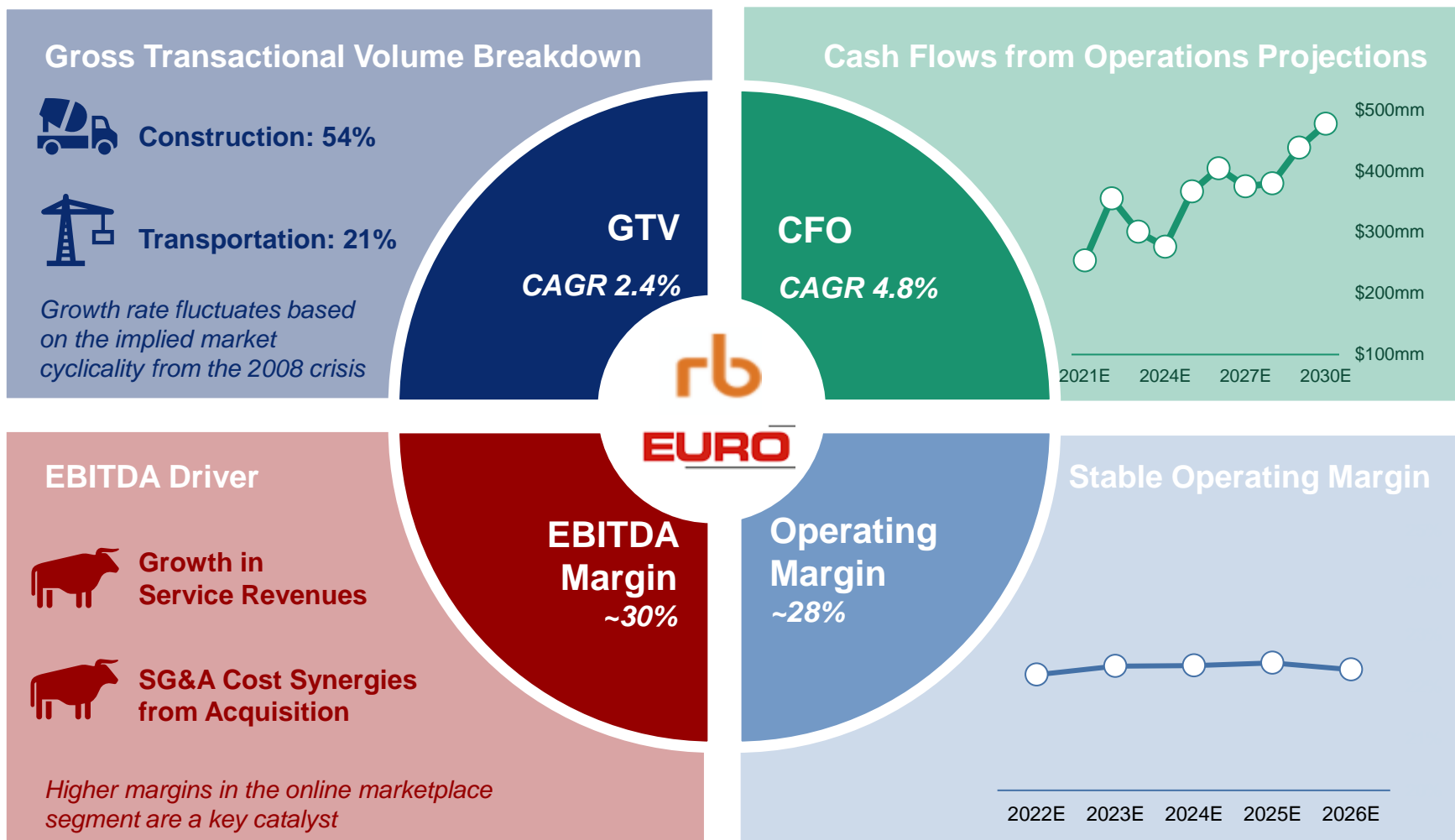
Moody's Methodology



All three prongs hold up better than the market expects post-acquisition

Source: Moody's

10 years down the road



Strong top-line and bottom-line growth underpin cash flow generation

Source: DCM

10 years down the road

Model Assumptions (In USD thousands, except percentage)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Drivers									
GTV Growth	6%	0%	(6%)	5%	5%	0%	0%	5%	9%
Construction GTV Growth Rate	5%	0%	(5%)	5%	5%	0%	0%	5%	10%
Transportation GTV Growth Rate	10%	0%	(10%)	5%	5%	0%	0%	10%	10%
Revenue Growth	14%	(0%)	(3%)	4%	5%	1%	0%	5%	8%

Output Snapshot (In USD thousands, except %)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
---	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Operating Metrics												
Revenue	678,823	740,043	759,303	886,029	886,029	860,118	883,815	931,385	935,890	931,761	977,563	1,063,596
YOY Growth	13%	4%	3%	14%	0%	-3%	4%	5%	1%	0%	5%	8%
Adj. EBITDA	295,578	335,372	328,324	481,299	486,990	484,783	496,770	522,550	530,262	533,374	558,519	600,679
YOY Growth	19%	13%	-2%	47%	1%	0%	2%	5%	1%	1%	5%	8%
Adj. EBITDA Margin	22%	24%	23%	30%	30%	31%	31%	31%	31%	31%	31%	31%
EBIT	219,935	273,510	239,501	440,529	446,076	443,724	455,565	481,198	488,760	491,721	516,714	558,720
YOY Growth	17%	24%	-12%	84%	1%	-1%	3%	6%	2%	1%	5%	8%
EBIT Margin	30%	32%	37%	17%	27%	28%	29%	28%	28%	29%	29%	29%
Net Income	149,039	170,095	149,123	295,145	299,527	297,669	307,024	327,273	333,248	335,587	355,331	388,516
YOY Growth	18%	12%	-14%	49%	1%	-1%	3%	6%	2%	1%	6%	9%
Net Income Margin	19%	22%	23%	11%	18%	19%	19%	19%	19%	20%	20%	20%

Source: DCM

Euro Auctions EV

\$1,443mm

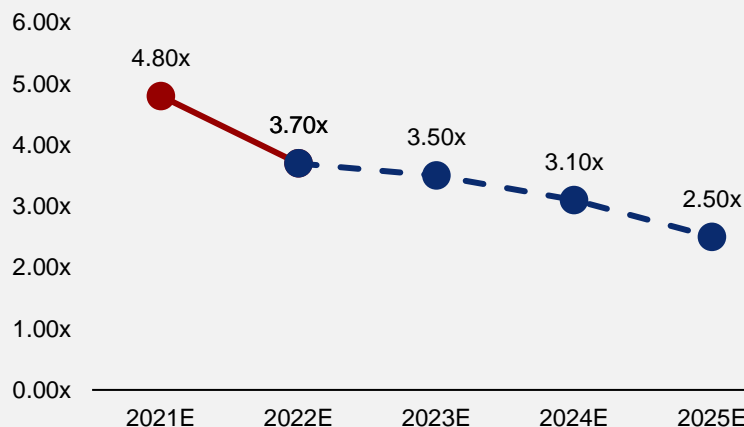
Financing

All Debt

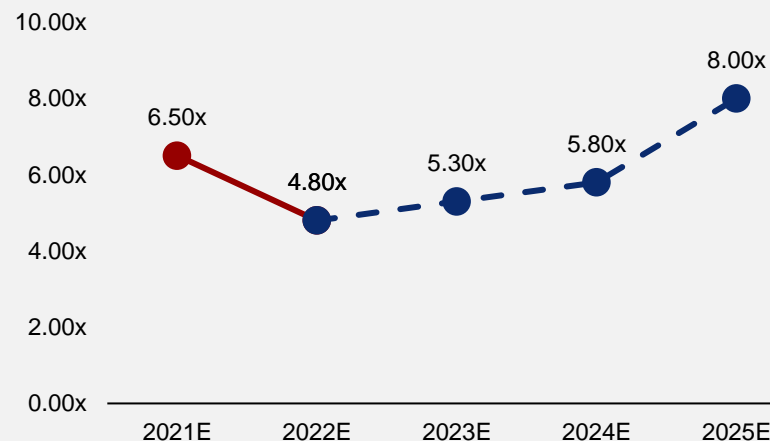
Deleverage at 2025E

2.5x Net Debt/EBITDA

Net Leverage Ratio



EBIT Coverage Ratio

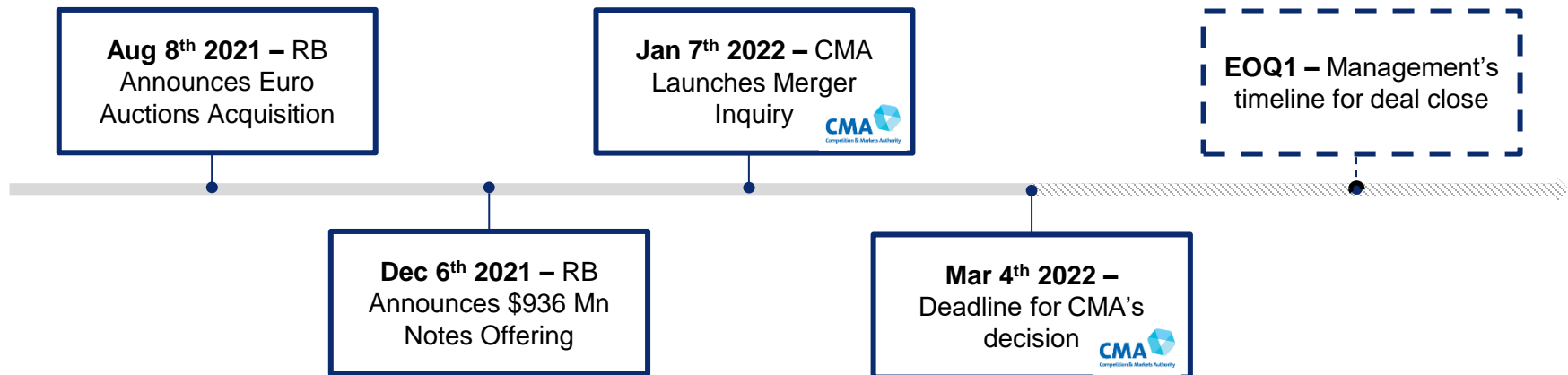


Debt Metrics	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<i>(In USD'000, except in ratios)</i>												
Net Debt	437,048	530,498	1,579,661	1,545,946	1,484,645	1,417,843	1,341,164	1,252,072	1,170,762	1,091,912	983,902	864,685
Interest Expense	41,300	35,600	37,000	66,928	66,928	66,928	66,928	66,928	66,928	66,928	66,928	66,928
Leverage Ratio	1.5x	1.6x	4.8x	3.7x	3.5x	3.1x	2.5x	-	-	-	-	-
EBIT Coverage	5.3x	7.7x	6.5x	4.8x	5.3x	5.8x	8.0x	-	-	-	-	-
EBITDA Coverage	7.2x	9.4x	8.9x	5.2x	5.7x	6.3x	8.7x	-	-	-	-	-

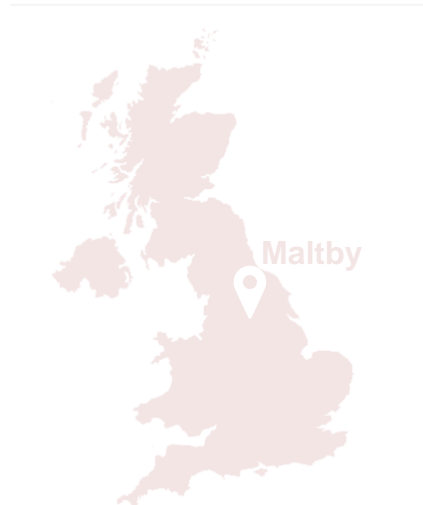
Note: Assume GBP:CAD exchange rate to be 0.58; assume 8% transaction fee; Source: DCM

Acquisition Backdrop

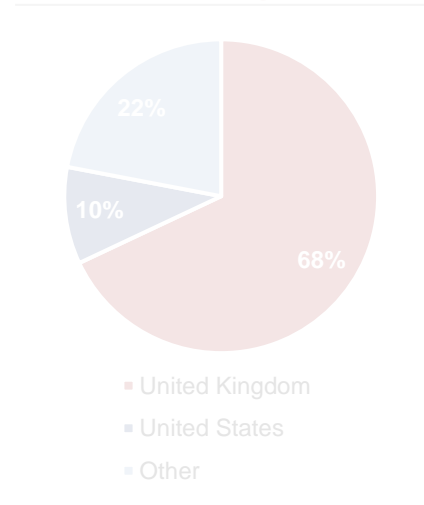
Regulatory Process



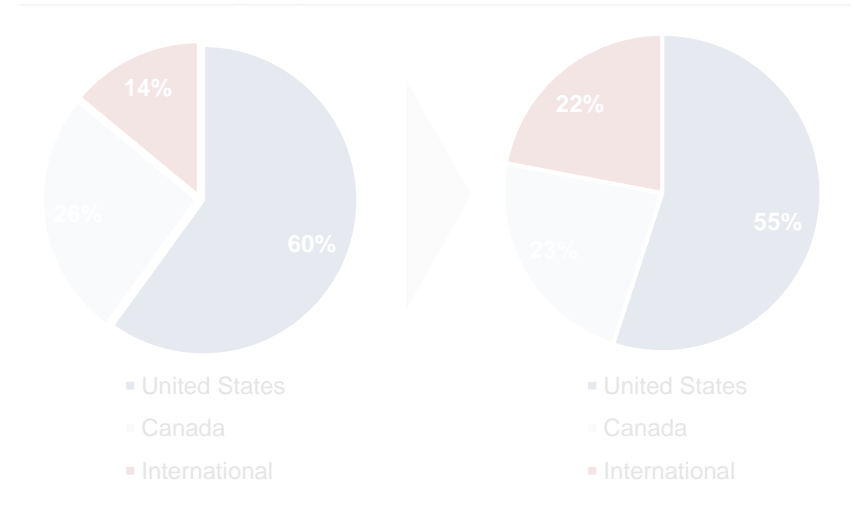
RBA Current UK Exposure



Euro Auctions Exposure



Combined Entity Exposure

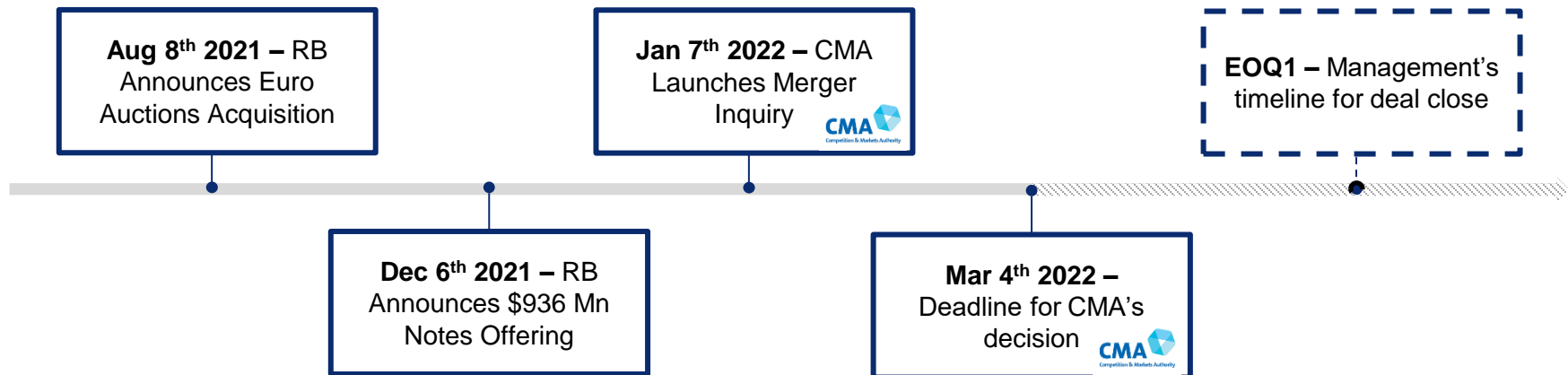


RBA's very limited exposure to the UK makes anti-trust concerns less likely

Source: Company Filings and Presentations

Acquisition Backdrop

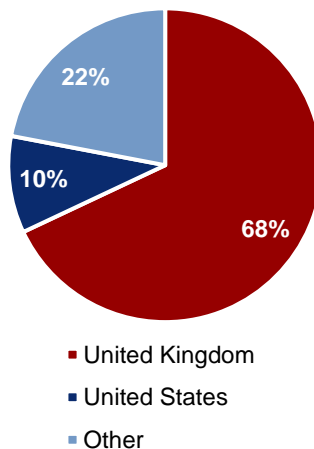
Regulatory Process



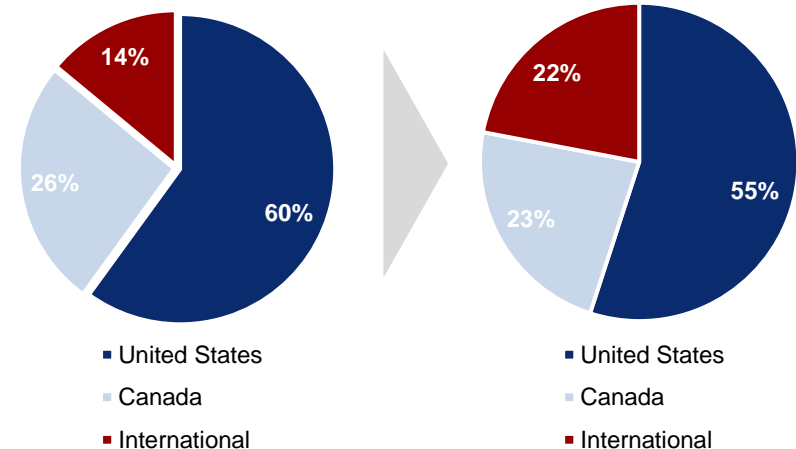
RBA Current UK Exposure



Euro Auctions Exposure



Combined Entity Exposure



RBA's very limited exposure to the UK makes anti-trust concerns less likely

Source: Company Filings and Presentations

Risk II: Euro Auctions Execution Risk

Market Fundamentally Misunderstands Euro Auctions Acquisition

Street Focus

“

[Ritchie Bros.] has **not** been as successful in capturing share in **Europe** as it historically had been in the **U.S.**....Euro Auctions [is seen] as the most likely avenue for Ritchie Bros. to establish a **sizable footprint in Europe.**

– Equity Research

”

Other Considerations

1

Euro Auctions' Keys Brothers

- **Keys Brothers** play a significant role in sourcing inventory deals
- Ritchie Bros. to retain Keys Brothers for **at least three years** post-acquisition

2

A Disproportionate Emphasis on Inventory Segment

- **81% of revenue** in 2020 generated from sourced inventory deals

Euro Auctions' Go-to-market Model (Inventory)

Country	% Externally Sourced
Germany	64%
UAE	50%
Spain	50%
United States	47%

Higher GTV conversion (take-rate)

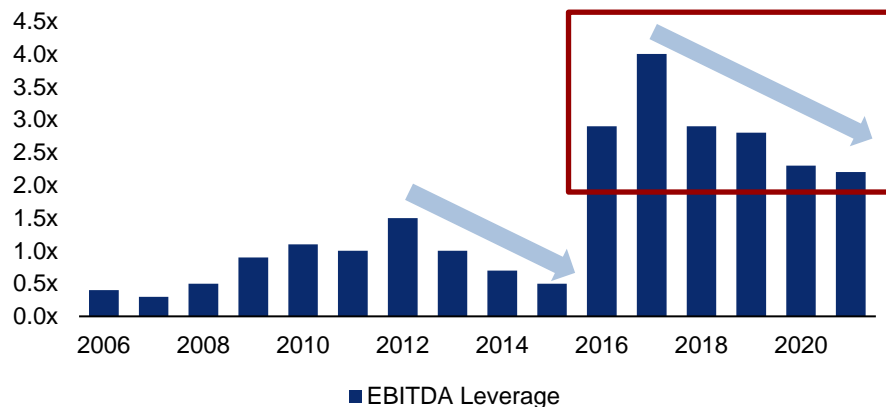
	Ritchie Bros.	Euro Auctions
GTV	\$5.5 Bn	£480 Mn
Revenue	\$1.4 Bn	£220 Mn
Take-rate	25%	46%

Euro's differentiated expertise as a driver for higher RBA take-rates

Source: Company Filings and Presentations, RBC

Firms Characteristics Mitigate Financial Policy Risk

Track Record



4.0x to 2.3x leverage in three years

- Track Record of swift deleveraging after major acquisition (IronPlanet)
- Management's current long-term leverage target:

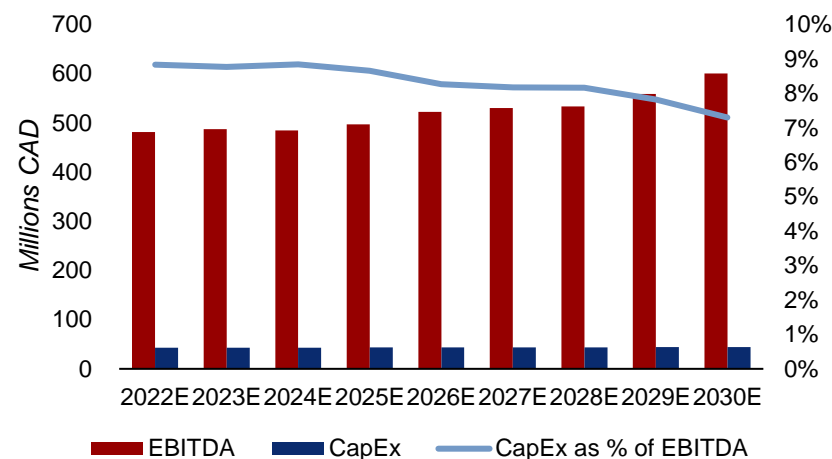
2.5x

Cap-light Moving Forward

“

We note that Ritchie Bros.' **live on-site auctions** and **online marketplaces** are both **scalable** – in other words, the **marginal cost** of adding incremental “lots” is **low**

”



Given their previous moderations in capital structure, we think a 2.5x medium-term leverage target is very achievable

Source: CapIQ, Company Filings and Presentations, DCM

Desautels Capital Management

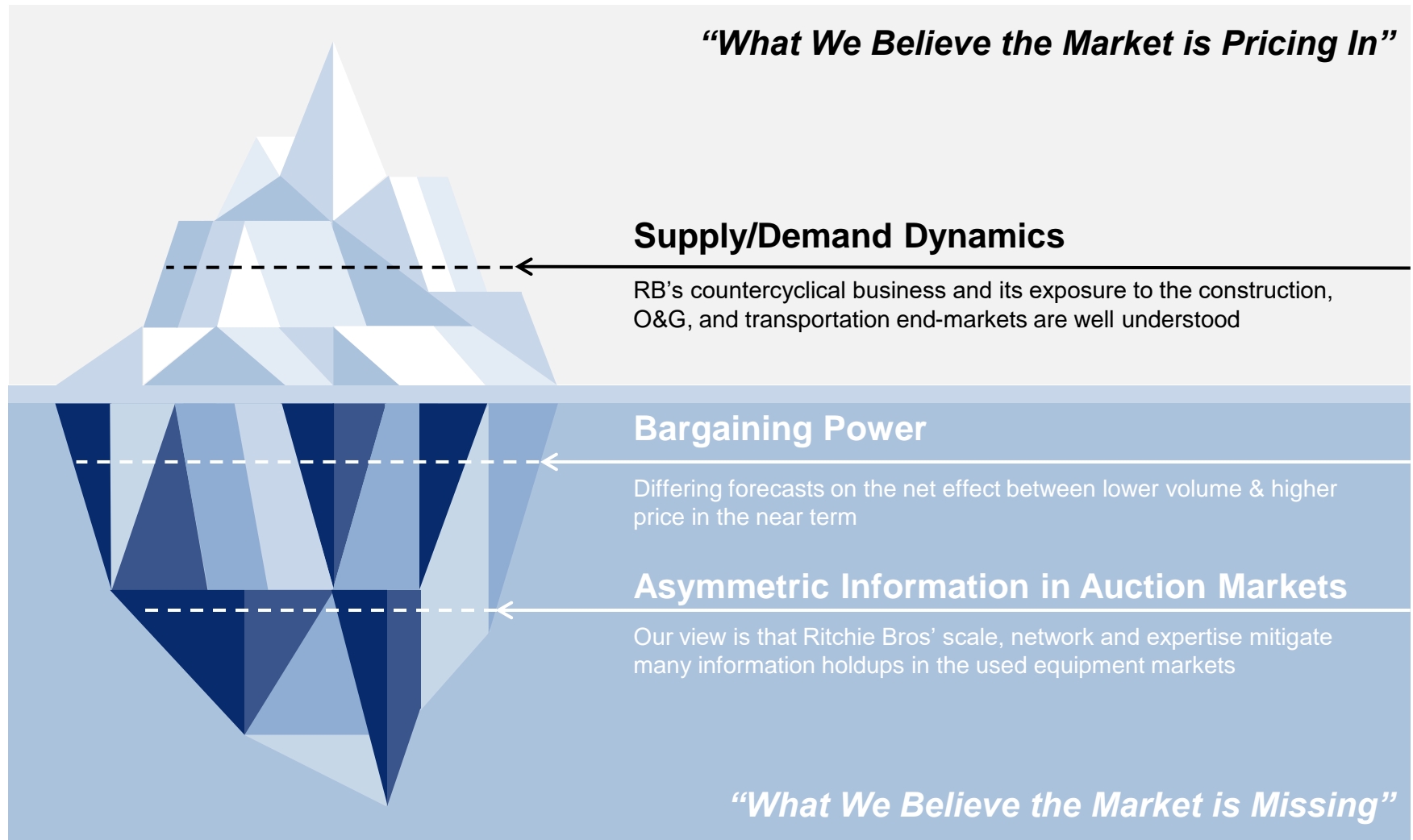
Honours in Investment Management

Thesis 2: RB's defensibility across cycles is underappreciated given its ability to alleviate information asymmetry within fragmented auction markets

Section V







Wenhan's Iceberg Analogy



Mirella builds really cool slides

Source: Call Notes.

Insights from Scuttlebutt

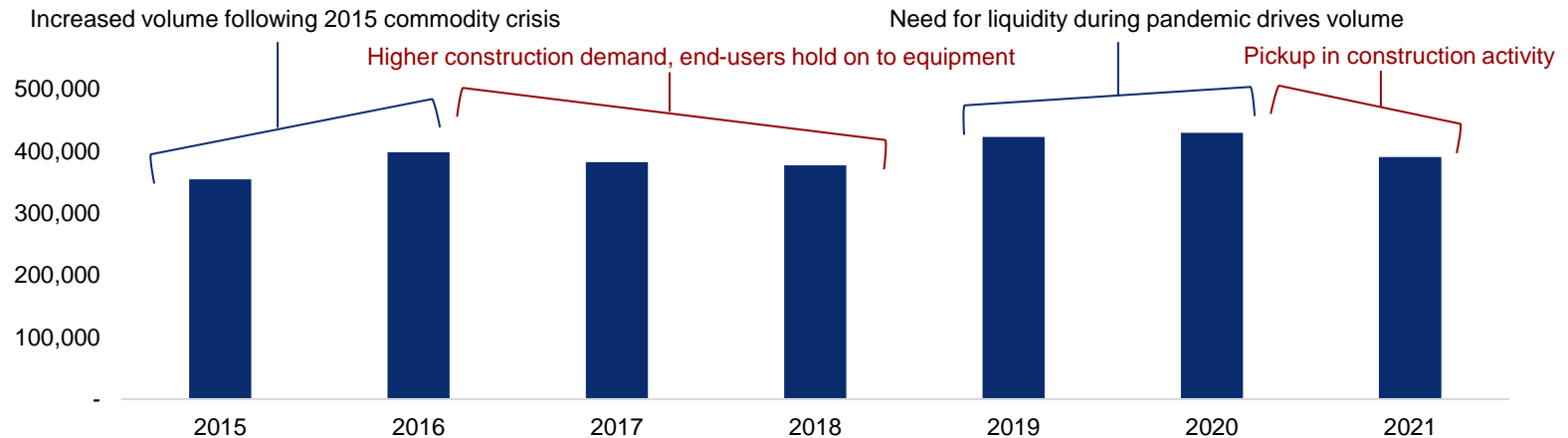
Source	Key Insight	Thesis Development
 <p>Chris Bagley Regional Operations Manager Ontario</p>	<ul style="list-style-type: none"> ▪ Information flow in live auctions ▪ Appraisals were more accurate pre-pandemic 	<ul style="list-style-type: none"> ▪ George Akerlof's 1970 Market for Lemons paper
 <p>Jonathan Reid Credit Analyst (issued negative outlook report in Aug 2021)</p>	<ul style="list-style-type: none"> ▪ RB exercises pricing power through solid understanding of analytics and equipment value 	<ul style="list-style-type: none"> ▪ Peterson and Schneider (2014)'s part level analysis on information asymmetry and its effects on turnover
 <p>Mark Rutherford Buy-side analyst covering Ritchie Bros.</p>	<ul style="list-style-type: none"> ▪ Analogy with the used car market ▪ Auctioneers operate as local monopolies 	<ul style="list-style-type: none"> ▪ Insights from market participants indicate some degree of inefficiency in pricing and turnover
 <p>Sabahat Khan ER analyst (issued initiating coverage in Sep 2021)</p>	<ul style="list-style-type: none"> ▪ Believes lower volume vs higher pricing is a net positive 	<ul style="list-style-type: none"> ▪ Ritchie Bros' scale, network, and fleet appraisal expertise can alleviate the information asymmetry

We believe Ritchie Bros' scale and ancillary services can mitigate some of the inefficiencies within the auction markets

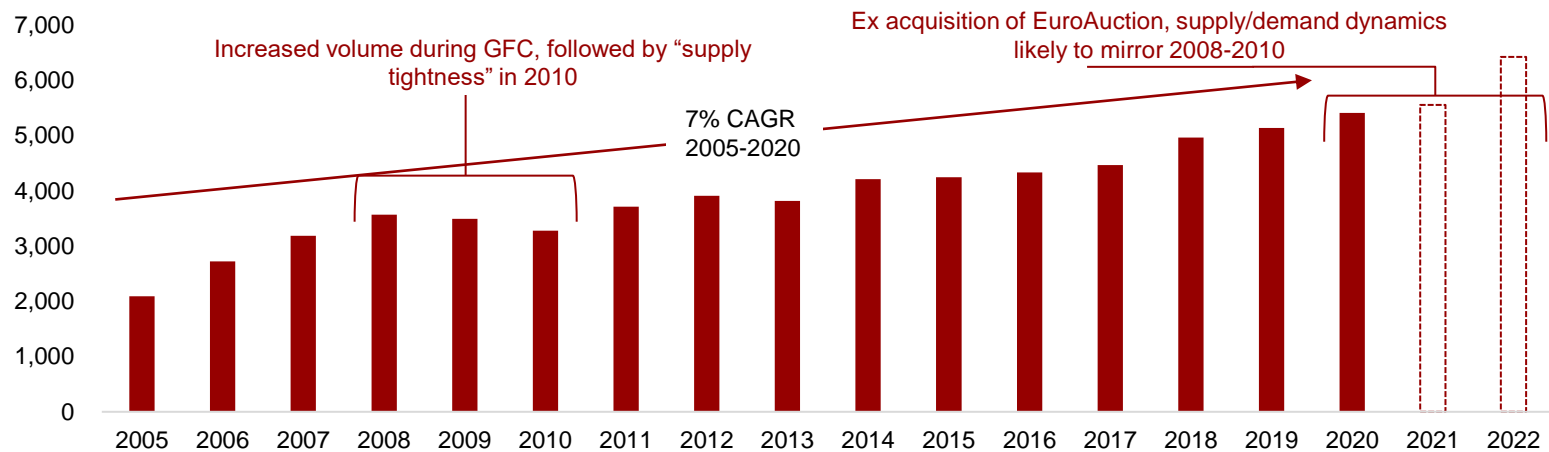
Source: Chris Bagley (RB), Mark Rutherford (Mawer), Jonathan Reid (Moody's), Sabahat Khan (RBC CM)

We believe information asymmetry is an overlooked cause for supply/demand tightness

Auction lots (volume) driven by activity level in end markets



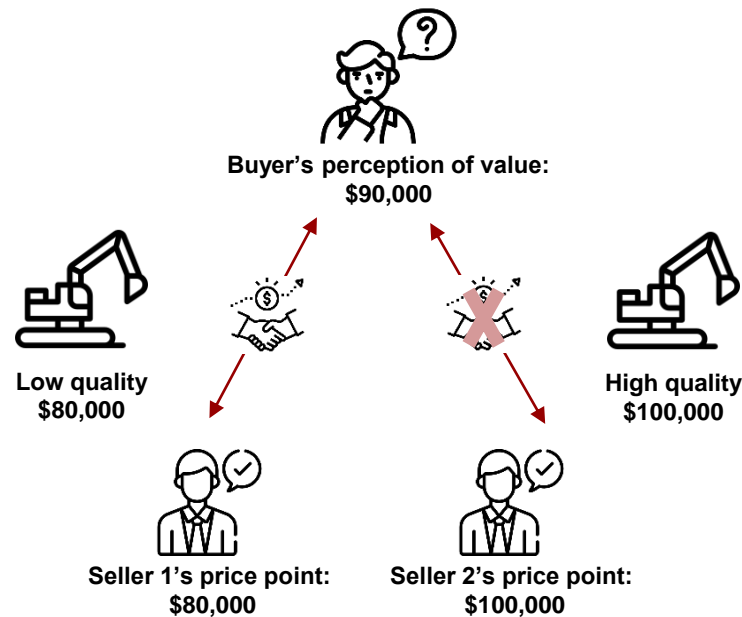
GTV (price and volume) driven by supply/demand dynamics



RB is exposed to cyclical end markets, but we believe supply/demand dynamics are also driven by information asymmetry

Source: Company Filings, RBC Research

Auctions display similar characteristics to Akerlof's market for lemons



1

Buyer cannot assess value through visual inspection

- Heavy equipment/machinery are complex durable goods
 - Peterson & Schneider (2014): asymmetries arise in markets for durable goods with **multiple parts**
- Info asymmetry exacerbated within online markets

2

Sellers lack credible disclosure technologies

- Smaller players within fragmented markets do not have access to **accurate appraisal or analytics technology**
- Multiple private auctions complicate the flow of information

3

Lemon market buyers are pessimistic about quality

- Incentive exists for sellers to pass off low-quality equipment as high-quality
- Transactional relationship between smaller auctioneers and buyers

Demand

$$\left(\begin{array}{ll} D(p, \mu) = (y_1 + y_2)/p & \text{if } p < u \\ D(p, \mu) = y_2/p & \text{if } u < p < \frac{3u}{2} \\ D(p, \mu) = 0 & \text{if } p > \frac{3u}{2} \end{array} \right)$$

$u = \text{value}$
 $P = \text{price}$
 $Y = \text{income}$

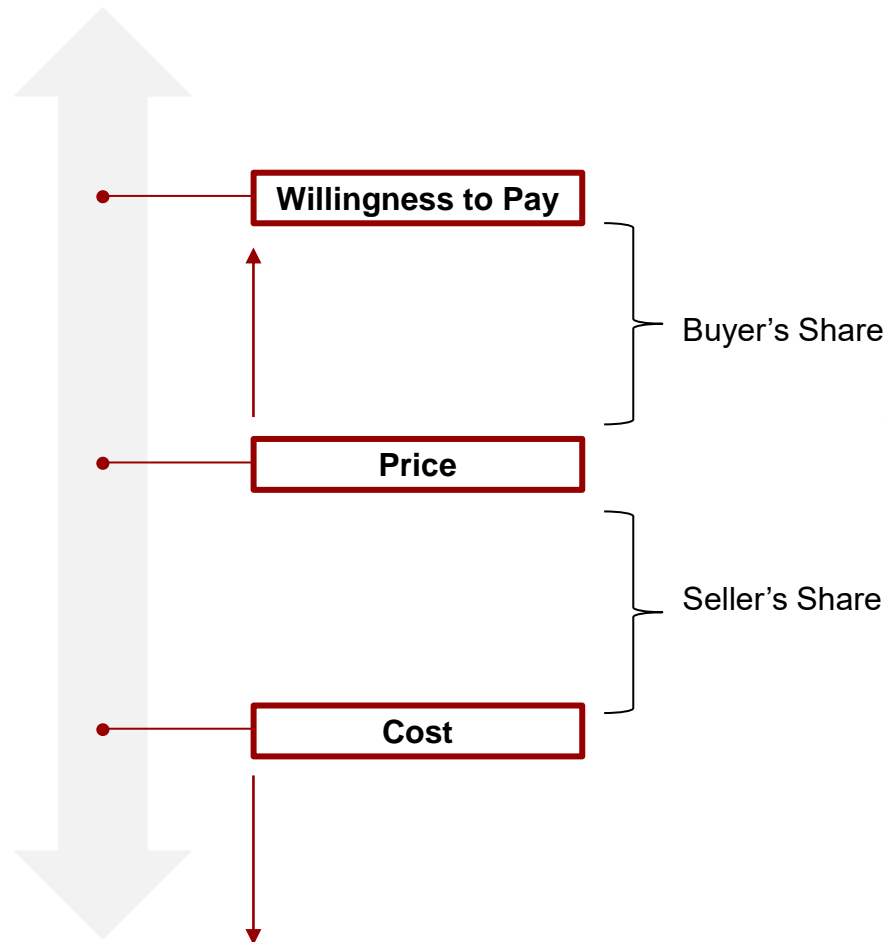


At price P, average quality = $p/2$, and at no price will there be any trade

Inefficiencies are likely to exist within the complex and fragmented used equipment market

Source: The Market for "Lemons": Quality Uncertainty and the Market Mechanism, Akerlof

2-way “pricing” power



Asymmetry between seller and auctioneer

Consignor

rb RITCHIE BROS.

Buyer typically has less info than the seller

Buyer either:

- 1) Asks to be compensated for uncertainty
- 2) Overpays for equipment

From our conversation with **Chris Bagley**, Operations Director (Toronto):

“

We mitigate uncertainty with knowledge. We believe in our valuation and appraisal process. To get some of the nicer gear, we must put the money where our mouth is, but we also know when to walk away (from bad deals)

”

1

Fair appraisals and market knowledge reduce asymmetry

2

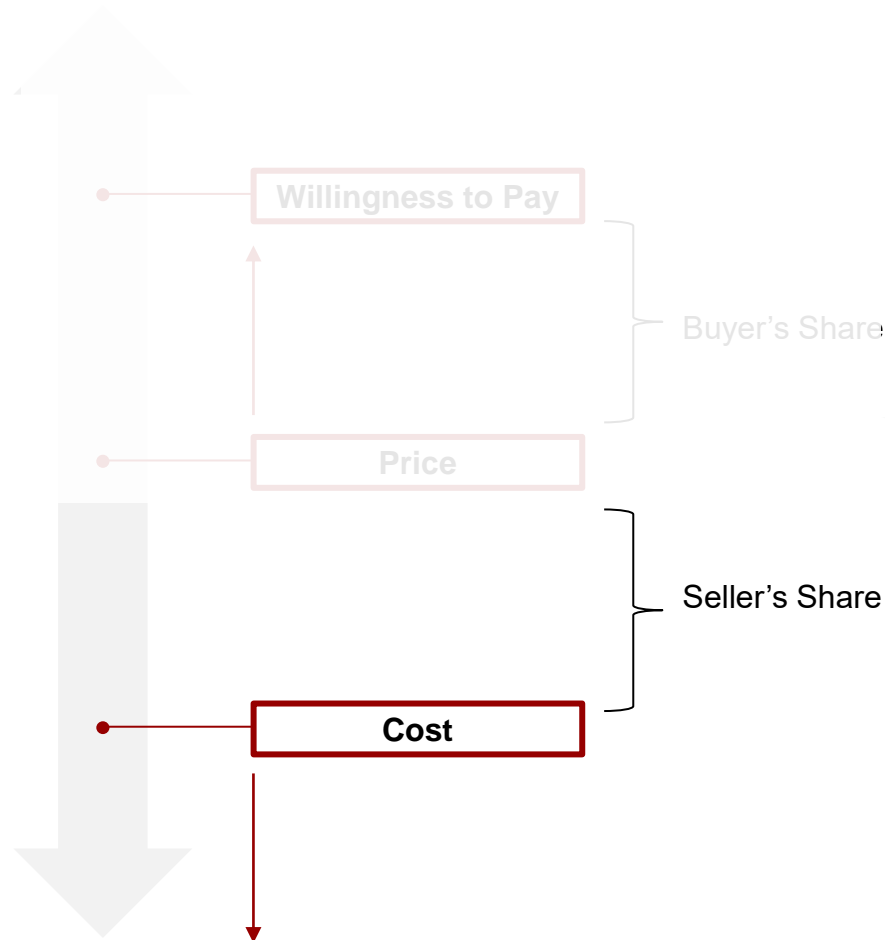
Ability to walk away from NPV-negative deals

3

Increases volumes and reduces indirect costs

Examining the effects of information asymmetry on RB's value capture

2-way “pricing” power



Asymmetry between seller and auctioneer

Consignor

rb RITCHIE BROS.

Buyer typically has less info than the seller

Buyer either:

- 1) Asks to be compensated for uncertainty
- 2) Overpays for equipment

From our conversation with **Chris Bagley**, Operations Director (Toronto):

“

We mitigate uncertainty with knowledge. We believe in our valuation and appraisal process. To get some of the nicer gear, we must put the money where our mouth is, but we also know when to walk away (from bad deals)

”

1

Fair appraisals and market knowledge reduce asymmetry

2

Ability to walk away from NPV-negative deals

3

Increases volumes and reduces indirect costs

Asymmetric information between consignors and auctioneers

Source: Chris Bagley (Ritchie Bros)

RB's analytics edge

We believe the benefits of RB's digital shift compound in regional winner-takes-all markets



What we think is underappreciated		If we're right....
1	Concerns on the Street over IMS adoption	Higher penetration into midstream
2	Lack of coverage around data monetization revenues	Increase in take rate
3	Information exchange across online vs in-person auctions	Increase in auction lots

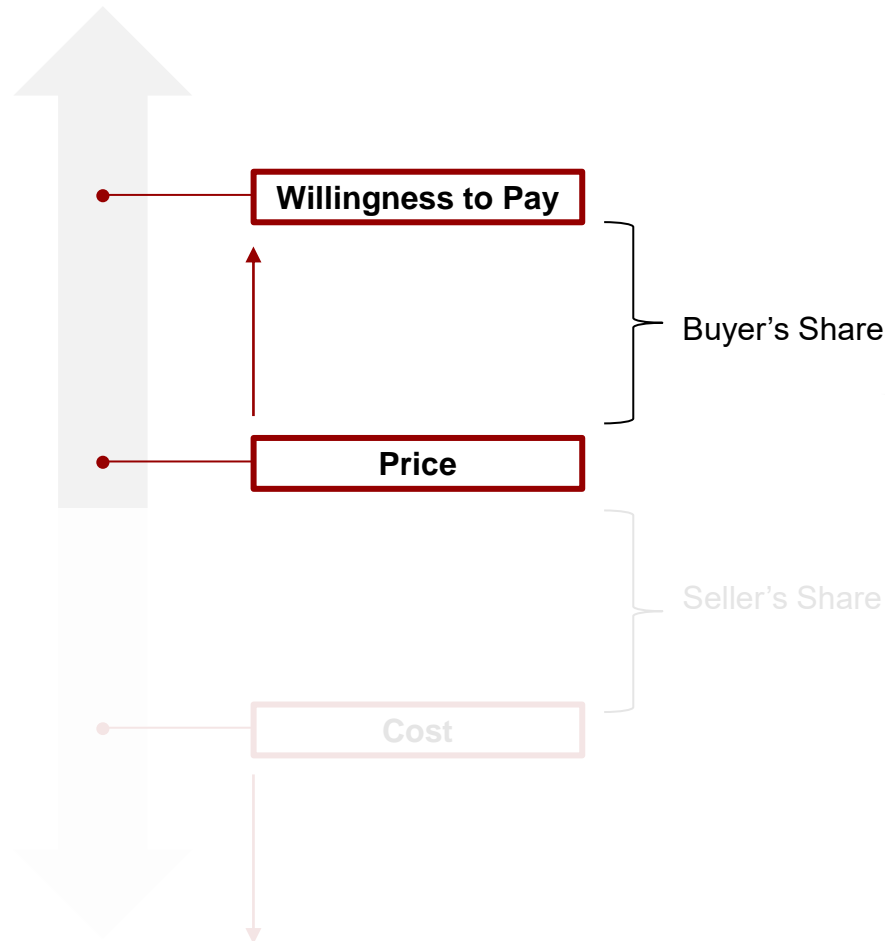
RB is the only equipment auctioneer to offer a full suite of appraisal services

Auction Peers	Appraisal / Analytics Offering	Description	Vs Ritchie Bros
	IntelliSeller	Use of vehicle utilization data to establish minimum bid price	Constrained to road vehicles
	NA	NA	Constrained to road vehicles
	IAA Inspection Services	Remote appraisal to reduce rental costs and storage fees	Similar full-suite services, but constrained to vehicles
	NA	NA	Lower scale, different geographic network, less value-add services

The market agrees with RB's rebranding, but we believe it may be underappreciating the effects on GTV

Source: Company filings

2-way “pricing” power



Asymmetry between auctioneer and buyers

rb RITCHIE BROS.

Buyers

- Buyer:
- 1) Uncertainty surrounding equipment value decreases # auction lots
 - 2) Asymmetry pronounced in smaller/private auctions

“

Customers benefit from RB's knowledge, convenience – the used equipment market is highly fragmented and sometimes inefficient – and scale

– **Mark Rutherford**, buy-side analyst at Mawer ”

“

We're currently realizing retail pricing. Customers are willing to pay a bit more as we save them the hassle of dealing with sellers themselves

– **Chris Bagley**, operations director at RB ”

Value maximization through network and data

- Access to historical auction data, market trends, and pricing indices through RBAS and Rouse
- auctioneers operate as local monopolies

Higher volume, take rates and lower at-risk contracts across market cycles

Company	Service Revenue	Total GTV	Implied Take Rate
Ritchie Bros Auctioneers	917.8	5,533.9	16.6%
Auctioneers			
Auction Technology Group plc	59.9	2,200.0	2.7%
KAR Auction Services	737.4	30,000.0	2.5%
IAA, Inc.	1,233.1	12,255.8	11.3%
ACV Auctions Inc.	221.6	5,400.0	4.1%
Copart, Inc.	2,291.9	18,300.0	12.5%

1

Auction networks and scale economies

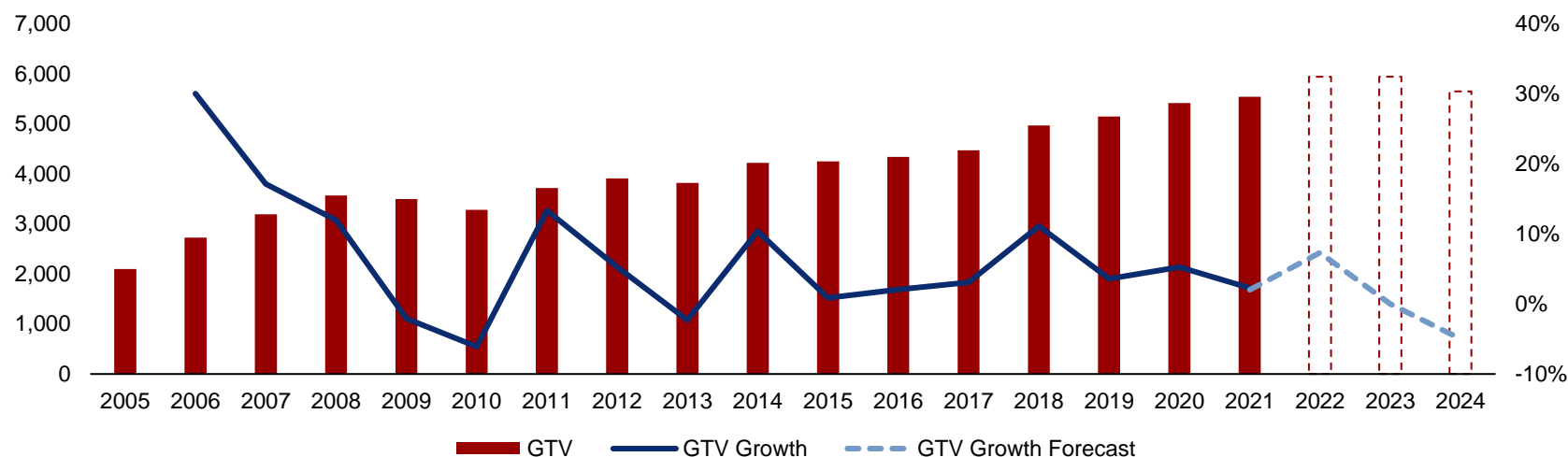
- Auctions operate as local monopolies
 - Smaller players get squeezed out
 - Increased bargaining and pricing power on both ends
- Efficiency in pricing, data management

2

Our view on take rates

- We assume a stickier take rate ranging from **15% - 16%**
- Street estimates hover around 13% - 15%

We forecast stickier volume and less volatile GTV growth vs Street



Our FCF forecasts are less sensitive to cyclicalities after incorporating stickier GTV and a lower % of inventory sales

Desautels Capital Management

Honours in Investment Management

Model Outputs

Section VI



Desautels Capital Management

Honours in Investment Management

Appendix

Section VII





Supply Chain

Longer than expected supply constraints pushing up input costs



Satellite Sites Project

Requires high upfront Capex and has uncertain cash flow generation



M&A

Challenges with regulatory clearances of the Euro Auctions deal



FX Risks

Since ~40% of GTV is generated in countries outside of the US

Relative valuation post-screen – Credit Metrics

Issuer Name	Mkt Cap	EV	Bond Metrics								Credit Metrics								
			Coupon	Maturity	Price	YTM	OAS	MD	S&P	Moody	Net Debt / EBITDA			Leverage Ratio			Coverage Ratio		
											2019	2020	LTM	2019	2020	LTM	2019	2020	LTM
IAA, Inc.	4,674	6,980	5.50%	06/2027	\$ 101.98	5.08%	270.3	2.97	B	B2	3.79x	3.67x	3.32x	NM	3162.82%	724.04%	5.71x	5.57x	9.64x
H&E Equip. Services	1,379	2,559	3.88%	12/2028	\$ 92.13	5.29%	334.1	5.81	BB-	B2	5.48x	6.49x	6.19x	438.17%	593.75%	545.36%	2.76x	1.83x	2.42x
Terex Corporation	2,838	3,339	5.00%	05/2029	\$ 98.26	5.31%	317.2	5.90	BB-	B2	1.79x	3.56x	1.19x	140.12%	139.48%	69.16%	3.81x	1.26x	6.39x
United Rentals	22,619	32,983	5.25%	01/2030	\$ 103.76	4.71%	220.8	5.02	BB	Ba2	4.18x	4.04x	3.52x	316.95%	229.02%	175.40%	3.47x	3.90x	5.89x
LKQ Corp	13,805	17,794	4.13%	04/2028	\$ 103.94	3.46%	230.1	1.05	BB+	Ba1	2.83x	2.29x	1.80x	106.95%	76.35%	72.70%	7.22x	10.16x	20.74x
High	22,619	32,983	5.50%		\$ 103.94	5.31%	334.12	5.90			5.48x	6.49x	6.19x	438.17%	3162.82%	724.04%	7.22x	10.16x	20.74x
Mean	9,063	12,731	4.75%		\$ 100.01	4.77%	274.5	4.15			3.62x	4.01x	3.21x	250.55%	840.28%	317.33%	4.59x	4.55x	9.02x
Median	4,674	6,980	5.00%		\$ 101.98	5.08%	270.3	5.02			3.79x	3.67x	3.32x	228.53%	229.02%	175.40%	3.81x	3.90x	6.39x
Low	1,379	2,559	3.88%		\$ 92.13	3.46%	220.8	1.05			1.79x	2.29x	1.19x	106.95%	76.35%	69.16%	2.76x	1.26x	2.42x
Ritchie Bros	5,726	7,289	4.95%	12/2029	\$ 99.00	5.17%	305.1	6.34	BB	Ba3	1.45x	1.50x	4.48x	85.76%	78.60%	176.32%	5.33x	7.69x	7.29x

Full Auctioneer & Marketplace Comparisons

Company	Size	Geography	ESG Score	Rating	Reserved or Unreserved	Product	Take Rate	Deal Activity
Ritchie Bros Auctioneers	Mid Cap	US, CAN, EU, AU	B-	BB	Unreserved	Industrial equipment	16.6%	Euro Auction for \$1,08bn (08/21); \$1bn debt issuance (12/21); SmartEquip for \$175mm (11/21)

Auctioneers

Auction Technology Group plc	Small Cap	NA, UK, GER	C-	--	Both (default reserved)	Industrial equipment, Art	2.7%	IPO Feb 2021
Copart, Inc.	Large Cap	US	C	--	Both (default reserved)	Light vehicles	9.4%	Issued \$416.44mm stock (03/21)
IAA, Inc.	Mid Cap	US	C+	B	Reserved	Light vehicles	11.3%	Marisat for undisclosed amount; \$400mm buyback
KAR Auction Services	Small Cap	US, CAN, UK	C	B-	Both (default reserved)	Light vehicles	5.4%	\$160mm private placement (Q2/21)
ACV Auctions Inc.	Mid Cap	US, CAN	--	--	Reserved	Light vehicles	4.1%	IPO March 2021
Ehli Turner Auctions	Private	US	--	--	Reserved	Industrial equip., building mats, vehicles. etc.	--	--
GoIndustry DoveBid plc	Private	UK	--	--	Reserved	Industrial equipment	--	--

Used Goods Marketplaces

eBay Inc.	Large Cap	US, UK, APAC, EU, CAN, SA, MEA	C+	BBB+	Both	Consumer	--	--
Sotheby's	Private	US, UK, APAC, EU	--	B+	Reserved	Fine art and collectables	--	--
Openn Negotiation Limited	Small Cap	AUS	--	--	Reserved	Real estate	--	--

Industrial Equipment Value Chain

Company	Size	Geography	ESG Score	Rating
Equipment Dealers				
Toromont Industries Ltd.	Mid Cap	CAN	C	BBB-
Finnish International Inc.	Mid Cap	CAN, SA, UK	B-	BBB+
Wajax Corporation	Small Cap	CAN	C+	--
Titan Machinery Inc.	Small Cap	US	D+	--
Equipment Rentals				
United Rentals, Inc.	Large Cap	US	A-	BB
Ashtead Group plc	Large Cap	US, UK, CAN	B-	BBB-
Herc Holdings, Inc.	Mid Cap	US	A-	BB-
H&E Equipment Services	Small Cap	US	C-	BB-
Custom Truck One Source	Small Cap	US	C-	B
Part Distribution				
WW Grainger Inc.	Large Cap	US, EU, CAN, JAP	B+	A+
LKQ Corp	Large Cap	US, GER, UK, CAN, AUS, EU	C-	BB+
Advance Auto Parts	Large Cap	US	B-	BBB-
Global OEM				
Caterpillar Inc.	Large Cap	US, EMEA, APAC, CAN, LATAM	B+	A
Deere & Company	Large Cap	US, EU, APAC, LATAM, CAN	B+	A
Terex Corporation	Mid Cap	NA, EU, APAC	B	BB-
Ritchie Bros Auctioneers	Mid Cap	US, CAN, EU, AU	B-	BB

Relative Valuation – Bond Metrics

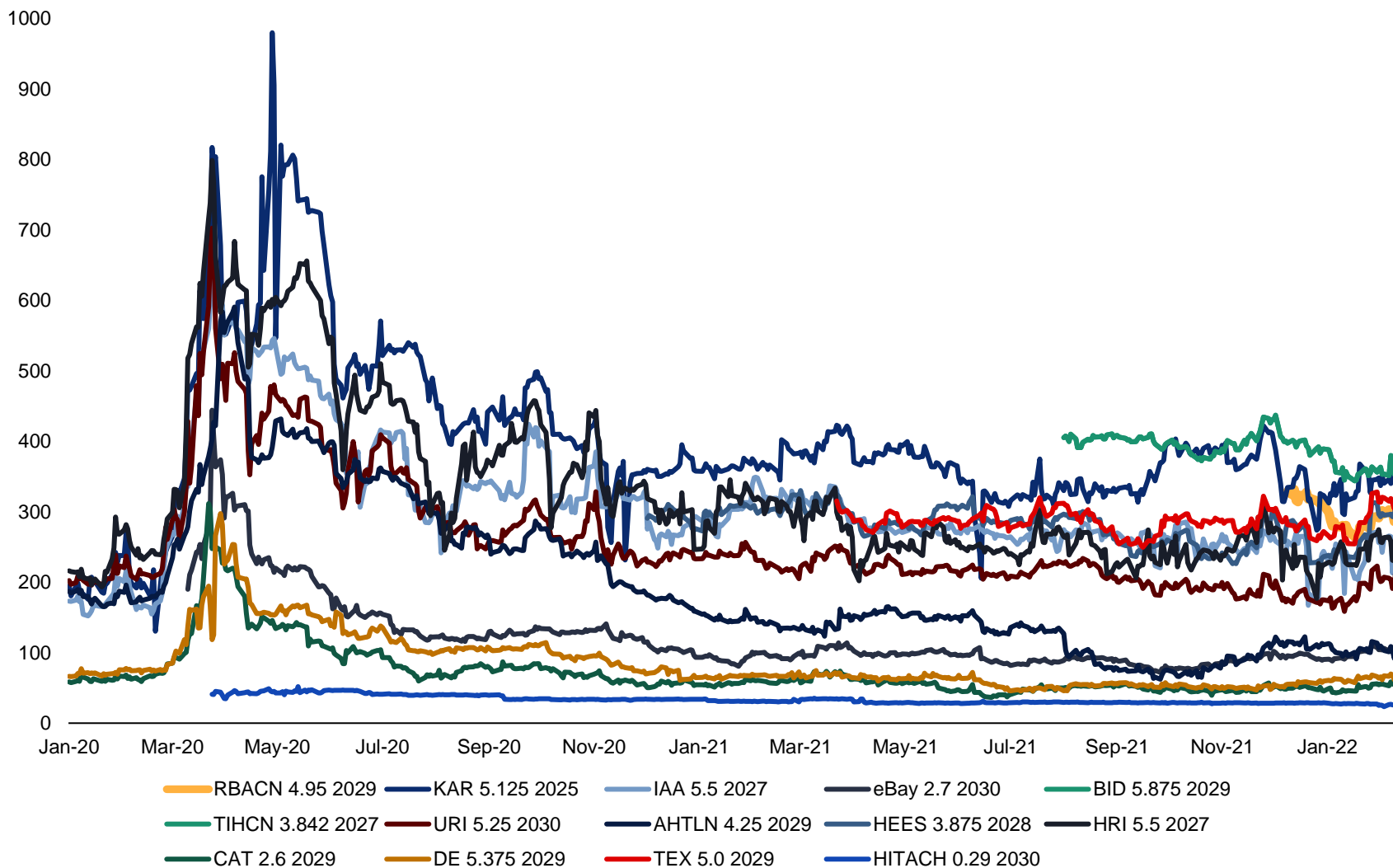
Full Bond + Credit Metrics

Issuer Name	Mkt Cap	EV	Bond Metrics								Credit Metrics								
			Coupon	Maturity	Price	YTM	OAS	MD	S&P	Moody	Total Debt / EBITDA			Leverage Ratio			Coverage Ratio		
											2019A	2020A	LTM	2019A	2020A	LTM	2019A	2020A	LTM
Auctioneers																			
IAA, Inc.	4,674	6,980	5.500	6/15/2027	101.98	5.08	269.7	2.97	B	B2	3.88x	4.11x	3.48x	NM	3162.82%	724.04%	5.71x	5.57x	9.64x
KAR Auction Services	1,676	5,361	5.125	6/1/2025	99.48	5.32	323.3	2.94	B-	Caa1	6.70x	8.76x	8.60x	228.54%	164.53%	256.14%	1.66x	1.20x	1.63x
Online Marketplaces																			
eBay Inc.	34,524	29,270	2.700	3/11/2030	97.19	3.11	115.1	7.07	BBB+	Baa1	3.05x	2.37x	2.55x	291.71%	233.56%	85.03%	6.19x	8.91x	10.35x
Sotheby's	N/A	N/A	5.875	6/1/2029	99.47	5.99	379.4	5.76	B+	B2	--	--	--	--	--	--	--	--	--
Equipment Dealers																			
Toromont Industries Ltd.	8,817	8,567	3.842	10/27/2027	103.94	3.10	127.0	4.82	BBB-	--	1.18x	1.25x	1.05x	44.13%	39.56%	34.09%	14.89x	12.42x	16.90x
Finning International Inc.	5,924	7,255	2.626	8/14/2026	98.88	2.92	115.3	4.18	BBB+	--	2.95x	2.81x	2.22x	99.34%	76.97%	77.38%	4.52x	4.18x	8.80x
Wajax Corporation	499	833	6.000	1/15/2025	99.94	6.24	423.0	2.60	--	--	3.68x	3.17x	2.12x	128.41%	116.46%	88.37%	4.01x	4.08x	6.48x
Average	5,080	5,552	4.156		100.92	4.09	221.8	3.87			2.60x	2.41x	1.80x	90.63%	77.66%	66.61%	7.81x	6.89x	10.73x
Equipment Rentals																			
United Rentals, Inc.	22,619	32,983	5.250	1/15/2030	103.76	4.71	220.7	5.02	BB	Ba2	4.20x	4.12x	3.57x	316.95%	229.02%	175.40%	3.47x	3.90x	5.89x
Ashtead Group plc	20,846	25,543	4.250	11/1/2029	104.45	3.60	90.7	2.50	BBB-	Baa3	1.78x	2.36x	1.87x	134.18%	188.56%	135.60%	7.92x	5.11x	6.10x
Herc Holdings, Inc.	4,587	7,021	5.500	7/15/2027	102.19	5.03	262.7	3.05	BB-	B1	3.21x	2.89x	2.72x	374.39%	276.01%	252.70%	1.43x	2.20x	4.38x
H&E Equipment Services, Inc.	1,379	2,559	3.875	12/15/2028	92.13	5.29	334.1	5.81	BB-	B2	5.54x	8.32x	7.43x	438.17%	593.75%	545.36%	2.76x	1.83x	2.42x
Average	12,358	17,026	4.719		100.63	4.66	227.1	4.09			3.68x	4.42x	3.90x	315.92%	321.83%	277.26%	3.89x	3.26x	4.70x
Parts Distribution																			
WW Grainger Inc.	24,327	26,848	1.850	2/15/2025	98.94	2.24	46.9	2.87	A+	A3	1.35x	1.63x	1.53x	107.52%	124.99%	127.87%	17.81x	14.45x	17.78x
LKQ Corp	13,805	17,794	4.125	4/01/2028	103.94	3.46	229.7	1.05	BB+	Ba1	3.13x	2.47x	1.93x	106.95%	76.35%	72.70%	7.22x	10.16x	20.74x
Advance Auto Parts	12,521	15,757	3.900	04/15/2030	103.61	3.42	143.0	6.68	BBB-	Baa2	2.03x	2.04x	2.08x	91.36%	98.61%	122.66%	17.03x	17.06x	23.86x
Average	16,885	20,133	3.292		102	3	140	4			2.17x	2.05x	1.84x	101.94%	99.98%	107.74%	14.02x	13.89x	20.79x
Global OEM																			
Deere & Company	109,034	152,750	5.375	10/16/2029	119.02	2.66	69.1	6.31	A	A2	7.35x	8.23x	5.53x	397.46%	358.41%	265.67%	18.58x	14.91x	26.04x
Caterpillar Inc.	102,467	132,517	2.600	9/19/2029	99.90	2.66	66.1	6.75	A	A2	3.49x	5.02x	3.56x	261.92%	245.73%	232.78%	19.27x	9.41x	16.95x
Terex Corporation	2,838	3,339	5.000	5/15/2029	98.26	5.31	317.2	5.90	BB-	B2	3.04x	7.37x	1.83x	140.12%	139.48%	69.16%	3.81x	1.26x	6.39x
Average	71,446	96,202	4.325		105.73	3.54	150.8	6.32			4.63x	6.87x	3.64x	266.50%	247.87%	189.20%	13.89x	8.53x	16.46x
High	109,034	152,750	6.000		119.02	6.24	423.0	7.07			9.04x	15.39x	12.64x	438.17%	3162.82%	724.04%	40.74x	43.25x	65.66x
Mean	22,250	28,015	4.317		101.59	4.13	207.8	4.49			3.67x	4.60x	3.61x	198.98%	361.51%	184.00%	9.90x	8.91x	13.89x
Median	10,669	12,162	4.250		99.94	3.60	220.7	4.82			3.17x	3.03x	2.38x	137.15%	164.53%	125.26%	5.95x	5.34x	9.22x
Low	499	833	1.850		92.13	2.24	46.9	1.05			0.51x	0.55x	0.36x	22.56%	20.83%	12.85%	1.22x	0.48x	0.07x
Ritchie Bros Auctioneers	5,726	7,289	4.950	12/15/2029	99.00	5.17	305.1	6.34	BB	Ba3	2.69x	2.31x	5.41x	85.76%	78.60%	176.32%	5.33x	7.69x	7.29x

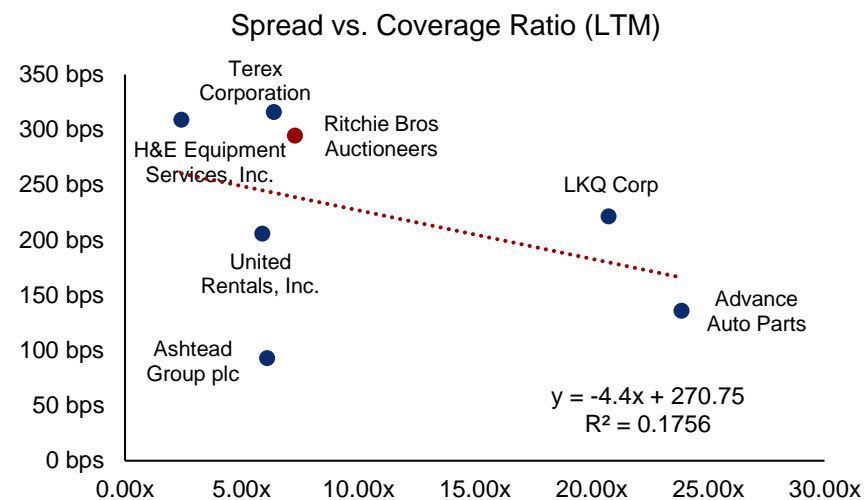
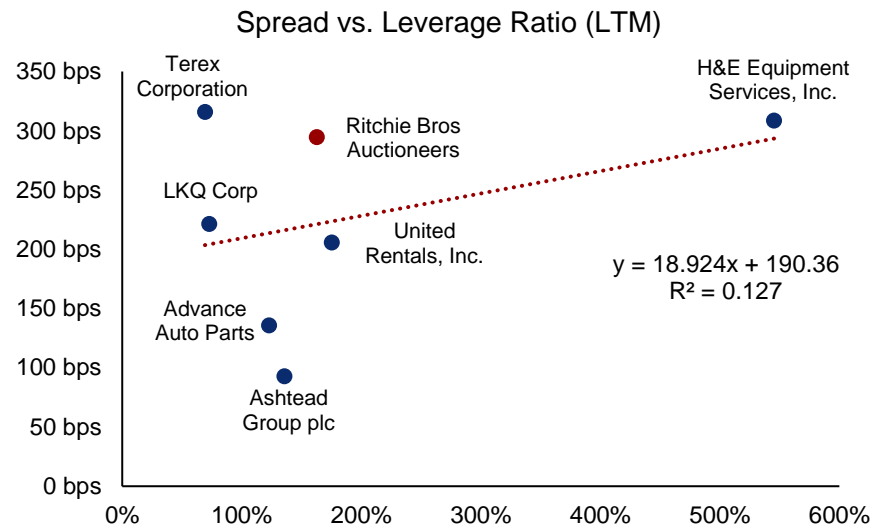
Full Operating Metrics

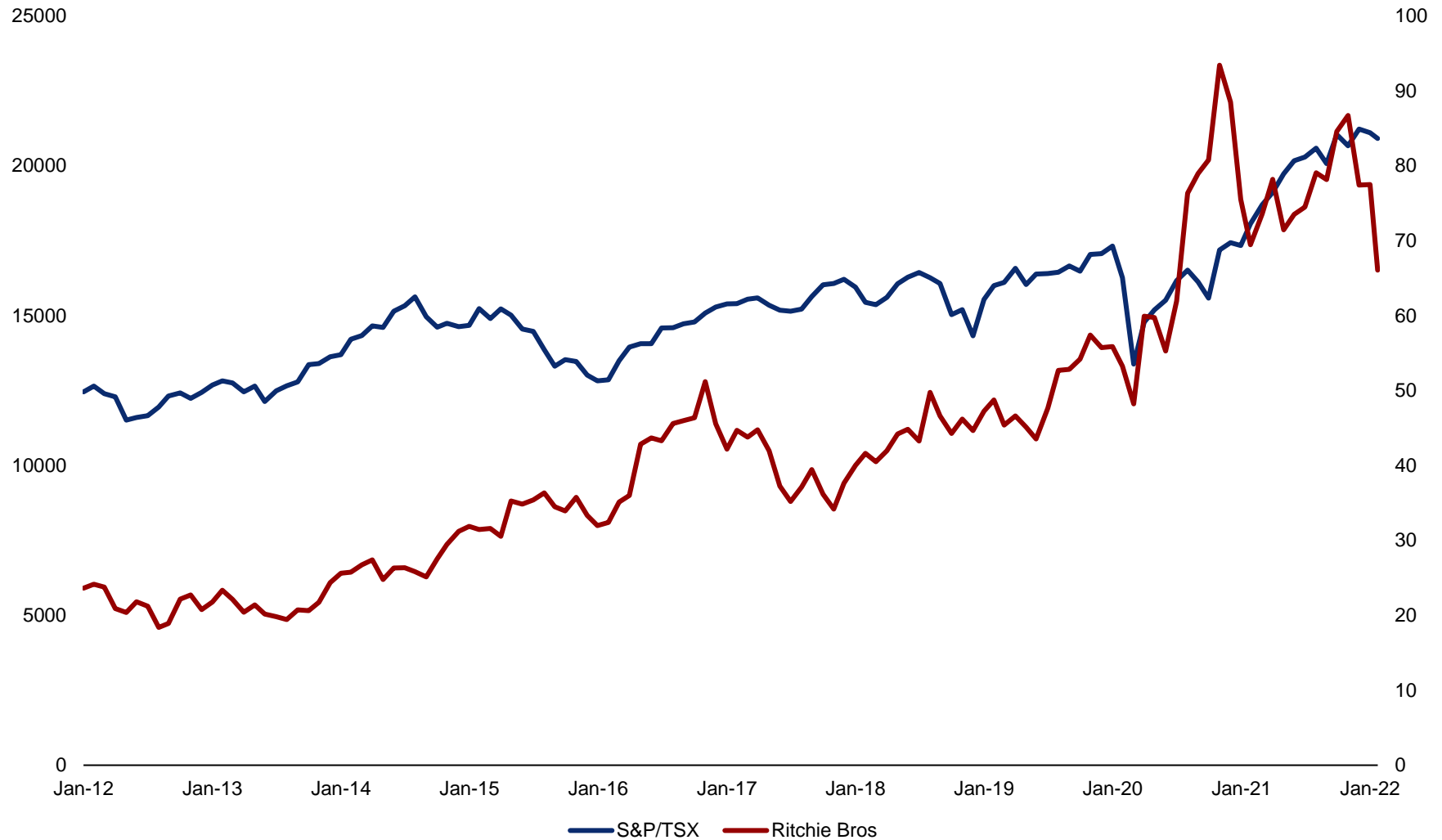
Issuer Name	Mkt Cap	EV	Operating Metrics											
			Revenue Growth			Gross Margin			EBITDA Margin			AR TO		
			2019A	2020A	LTM	2019A	2020A	LTM	2019A	2020A	LTM	2019A	2020A	LTM
Auctioneers														
Auction Technology Group plc	1,092	845	11.56%	82.94%	54.64%	69.53%	61.84%	64.98%	33.31%	29.75%	15.93%	8.37x	8.26x	9.64x
Copart, Inc.	28,878	28,057	13.08%	8.01%	38.24%	45.49%	47.59%	49.61%	38.87%	41.13%	45.07%	20.01x	25.61x	8.75x
IAA, Inc.	4,674	6,980	8.29%	-3.61%	32.67%	38.18%	38.85%	39.44%	28.29%	28.38%	29.59%	7.24x	13.55x	6.29x
KAR Auction Services	1,676	5,361	13.88%	-21.36%	2.92%	41.87%	41.27%	42.10%	18.07%	15.83%	17.32%	1.11x	0.91x	0.85x
Average	9,080	10,311	11.70%	16.50%	32.12%	48.77%	47.39%	49.03%	29.64%	28.77%	26.98%	9.18x	12.08x	6.38x
Online Marketplaces														
eBay Inc.	34,524	29,270	-0.16%	18.93%	34.79%	75.27%	75.92%	72.73%	29.57%	32.38%	29.80%	6.74x	8.12x	20.51x
Equipment Dealers														
Toromont Industries Ltd.	8,817	8,567	4.98%	-5.43%	11.72%	24.63%	24.02%	24.95%	15.30%	15.09%	16.02%	7.33x	6.84x	8.12x
Finnish International Inc.	5,924	7,255	11.74%	-20.74%	17.72%	23.01%	25.34%	24.69%	8.01%	8.31%	9.99%	7.10x	5.90x	7.05x
Wajax Corporation	499	833	4.82%	-8.40%	11.76%	18.79%	18.41%	20.13%	5.64%	6.73%	8.33%	6.95x	6.37x	7.13x
Titan Machinery Inc.	643	878	5.78%	3.46%	23.80%	18.36%	19.22%	18.66%	4.25%	4.07%	5.58%	21.99x	20.11x	23.85x
Average	5,080	5,552	7.18%	-11.52%	13.73%	22.15%	22.59%	23.26%	9.65%	10.04%	11.45%	7.13x	6.37x	7.43x
Equipment Rentals														
United Rentals, Inc.	22,619	32,983	16.20%	-8.78%	13.90%	40.05%	37.89%	40.04%	28.37%	26.76%	27.70%	6.08x	6.00x	6.49x
Ashtead Group plc	20,846	25,543	21.41%	12.31%	18.62%	96.45%	95.45%	95.80%	46.80%	45.18%	43.89%	6.65x	6.82x	6.84x
Herc Holdings, Inc.	4,587	7,021	1.13%	-10.89%	16.38%	27.13%	26.05%	33.21%	35.90%	37.79%	41.79%	6.26x	5.86x	6.02x
H&E Equipment Services, Inc.	1,379	2,559	8.83%	-13.29%	11.41%	37.02%	34.44%	36.06%	16.38%	12.56%	13.75%	6.85x	6.28x	7.39x
Custom Truck One Source	2,018	3,628	7.20%	14.66%	201.27%	31.79%	24.28%	17.03%	18.29%	9.27%	3.55%	4.26x	4.58x	8.07x
Average	12,358	17,026	11.89%	-5.16%	15.08%	50.16%	48.46%	51.28%	31.86%	30.57%	31.78%	6.46x	6.24x	6.68x
Parts Distribution														
WW Grainger Inc.	24,327	26,848	2.36%	2.71%	10.38%	38.28%	35.92%	36.25%	14.24%	12.94%	13.30%	8.18x	8.14x	8.07x
LKQ Corp	13,805	17,794	5.30%	-7.01%	12.55%	38.96%	39.56%	40.67%	10.49%	11.60%	13.58%	10.95x	10.55x	12.20x
Advance Auto Parts	12,521	15,757	1.34%	4.09%	8.82%	43.82%	44.38%	44.84%	9.45%	10.39%	10.56%	24.64x	23.90x	23.55x
Average	16,885	20,133	3.00%	-0.07%	10.59%	40.35%	39.95%	40.58%	11.40%	11.64%	12.48%	14.59x	14.20x	14.60x
Global OEM														
Deere & Company	109,034	152,750	5.13%	-9.48%	20.05%	23.39%	25.16%	26.48%	13.25%	15.35%	19.25%	6.59x	6.44x	7.93x
Caterpillar Inc.	102,467	132,517	-1.68%	-22.40%	22.09%	26.88%	24.26%	25.88%	19.87%	17.41%	20.68%	5.90x	4.98x	6.25x
Terex Corporation	2,838	3,339	-3.63%	-29.33%	26.34%	20.39%	17.53%	19.49%	8.84%	4.31%	9.76%	8.21x	7.37x	8.75x
Average	71,446	96,202	-0.06%	-20.40%	22.83%	23.56%	22.31%	23.95%	13.99%	12.35%	16.56%	6.90x	6.26x	7.64x
High	109,034	152,750	21.41%	82.94%	54.64%	96.45%	95.45%	95.80%	46.80%	45.18%	45.07%	24.64x	25.61x	23.55x
Mean	22,250	28,015	6.92%	-1.76%	20.28%	40.51%	39.66%	40.96%	21.15%	20.66%	21.46%	8.62x	8.99x	8.99x
Median	10,669	12,162	5.22%	-7.71%	17.05%	38.23%	36.91%	37.84%	17.23%	15.59%	16.67%	7.02x	6.83x	7.66x
Low	499	833	-3.63%	-29.33%	2.92%	18.79%	17.53%	19.49%	5.64%	4.31%	8.33%	1.11x	0.91x	0.85x
Ritchie Bros Auctioneers	5,726	7,289	12.70%	4.45%	2.88%	51.02%	55.30%	58.02%	19.88%	23.12%	22.64%	11.25x	12.09x	12.60x

OAS: Ritchie Bros vs Reduced Peers



Identifying a relationship between spread and debt ratios for reduced peer group





RB currently trading at ~\$65

Disclaimer

The print and digital material ("the material") for this presentation was prepared by the analyst team of Desautels Capital Management ("DCM"). The qualitative and statistical information ("the information") contained in the material is based upon various sources and research believed to be reliable and DCM makes every effort to ensure that the information is accurate and up to date, but DCM accepts no responsibility and gives no guarantee, representation or warranty regarding the accuracy or completeness of the information quoted in the material. For reasons of succinctness and presentation, the information provided in the material may be in the form of summaries and generalizations, and may omit detail that could be significant in a particular context or to a particular person. Any reliance placed on such information by you shall be at your sole risk.

Opinions expressed herein are current opinions as of the date appearing in this material only and are subject to change without notice. In the event any of the assumptions used herein do not prove to be true, results are likely to vary substantially. All investments entail risks. There is no guarantee that investment strategies will achieve the desired results under all market conditions and each investor should evaluate its ability to invest for a long term especially during periods of a market downturn. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those discussed, if any. This information is provided with the understanding that with respect to the material provided herein, that you will make your own independent decision with respect to any course of action in connection herewith and as to whether such course of action is appropriate or proper based on your own judgment, and that you are capable of understanding and assessing the merits of a course of action. DCM shall not have any liability for any damages of any kind whatsoever relating to this material. You should consult your advisors with respect to these areas. By accepting this material, you acknowledge, understand and accept the foregoing.

No part of this document may be reproduced in any manner, in whole or in part, without the prior written permission of DCM, other than current DCM employees. Should you wish to obtain details regarding the various sources or research carried out by DCM in the compilation of this marketing presentation please email mcgillhim@gmail.com.