

RITCHIE BROS AUCTIONEERS INC
Form 6-K
March 21, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2013

Commission File Number: 001-13425

Ritchie Bros. Auctioneers Incorporated

9500 Glenlyon Parkway

Burnaby, BC, Canada

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(778) 331 5500

(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F Form 40-F

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

indicate by check mark whether by furnishing information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RITCHIE BROS. AUCTIONEERS INCORPORATED

(Registrant)

Date: March 21, 2013

By: */s/ DARREN WATT*
Darren Watt,
Corporate Secretary

RITCHIE BROS. AUCTIONEERS INCORPORATED

Annual Report

2012

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The discussion in this Annual Report includes forward-looking statements, which involve risks and uncertainties as to possible future outcomes. Readers should refer to the discussion concerning forward-looking statements and risk factors included in our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2012, which is included in the Financial Information section of this Annual Report.

To Our Fellow Shareholders:

When we sat down in 2010 to craft a new mission statement built on our core values, the global business environment was in turmoil and economic uncertainty was the order of the day. Fast forward to the present and things have not changed much. The eye of the storm may have passed but the uncertainty remains. Throughout this time, a few things remained constant and helped us navigate through uncharted waters – our mission statement, our GROW-ADD-PERFORM strategic pillars and the underlying core values that all Ritchie Bros. employees live and breathe. These constants were the backdrop for our 2012 performance, and they are the foundation of our future plans.

2012: The Year in Review

Production levels finally caught up with demand for many categories of equipment and lead times for new equipment came down to more reasonable levels. This impacted dealer inventory for both new and used equipment, causing most dealers to cut back on their orders. The combination of manufacturer and dealer activities together with reduced capital expenditures in some sectors inevitably led to volatility in used equipment prices. Even with this choppy price environment, some of our global markets experienced strong volumes in 2012, particularly Canada and Australia. In the USA, lower dealer inventory levels in the early part of the year contributed to continuing intense competition for equipment in many regions, and as a result our USA operating performance was flat overall.

Europe also remained challenging, particularly in the north, although we made some important inroads in the region. Southern Europe is still coping with their financial crisis, but that has generated equipment transactions and good volumes for Ritchie Bros. Early in the year, we had a successful first auction at our new auction site in the UK, which we believe has set the stage for our growth in that market. Our business model and our unique global presence enable us to match domestic supply with global demand, an extremely valuable proposition for equipment owners, especially in countries such as Spain, Italy and Greece that saw domestic demand shrink.

We reached some important milestones during the year including significant gains in our online presence, with over 5 million unique visitors to our website and \$1.3 billion in sales to online bidders at our auctions. All this contributed to another growth year, with gross auction proceeds (GAP) increasing to \$3.9 billion. Our Canadian team recorded over \$1 billion in GAP for the year, an amazing feat given that GAP for the entire company was \$1 billion only 15 years ago.

During the year we continued to make strategic investments in our infrastructure, people and processes that have created the capacity for our future growth, although we have not yet realized the full leverage and benefits of these investments. We see improving economic signs on the horizon in many parts of the world, particularly in the USA, and we believe in the prospects for further growth in our business in 2013 and beyond.

2013 and Beyond

When one is planning for the future, it is good practice to reflect on the past. Looking back at 2012, we asked ourselves, *If we could have done a few things differently, what would they have been?* We identified two answers: hire more territory managers and deliver better results on our at-risk business. Territory managers are critical to our ability to deliver GAP and auction revenues, and we didn't hire enough of them in 2012. The poor performance of our at-risk business negatively impacted our auction revenues. We felt 2012 was not an optimal year, even with adjusted net earnings growth of 17% (excluding costs associated with AssetNation). If we had executed as planned we would have had an even stronger year. So, we kept these misses in mind when we were setting our goals for 2013 and beyond, and identified the Big 3 to focus on: grow, add and perform. If we execute like we know we can and achieve success in these three areas, we believe 2013 will be a very good year for Ritchie Bros.

Our business is not complicated—it's all about customer service and it's based on relationships. To achieve our sales objectives for 2013 and to set the stage for the ongoing growth of our core auction business, we will focus on strengthening our existing customer relationships, and developing new ones.

We are entering a more familiar business environment within the equipment market and don't expect to face the same degree of headwinds that we have been dealing with in recent years. Against that backdrop, we will focus on high potential growth areas in new and existing markets. This includes holding our first auction in China and opening our newest auction site in Melbourne (Geelong), Australia, as well as increased sales and management focus in the Middle East, African and Asian markets. Early in the year our at-risk business performed below historical levels but after our corrective action mid-year we enjoyed good success with our at-risk business in the fourth quarter; we plan to continue this performance going forward. We will continue with our efforts to enhance our customers' experiences with Ritchie Bros., whether they are viewing equipment specifications online, walking through our yards on auction day or simply needing a question answered at the registration desk. We intend to maintain our position as the customer service leader in our industry.

These are exciting times for our core unreserved auction business and we will not let anything distract us from pursuing the tremendous growth potential we see in front of us.

We pride ourselves on being an innovative company. To stand still would be a disservice to our customers, our employees and our shareholders. As our mission statement says, we are in the solutions business. We exist to help the world's builders exchange equipment. When we crafted our mission statement in 2010, we explicitly acknowledged that some of the world's builders have needs that are not met by our unreserved auctions. We also recognized that Ritchie Bros. was uniquely positioned with our brand, our reputation, our experience and our expertise to create a solution to meet those needs. Ritchie Bros. EquipmentOne is complementary to our flagship auction business and allows us to open up an entirely new segment of the equipment market. With the launch of Ritchie Bros. EquipmentOne in January 2013, we believe we will be able to double our addressable market, which will create value for our shareholders and opportunities for our employees.

All members of the Ritchie Bros. team are important; but in 2013, we will be placing extra emphasis on the development of our sales team. A key focus for 2013 is to hire, train and develop the territory managers we need to achieve our growth objectives. We weren't good enough in this area in 2012 and we have no intention of repeating that performance. We have also simplified the compensation structures for our sales management and territory managers, and placed a renewed emphasis on arming our sales team with the right support resources and tools to help them grow their business. In addition, we have enhanced our sales management training. Recognizing the link between sales performance and sales targets, we intend to make the growth and development of our sales team one of our top three focuses in 2013.

In Conclusion

We have a number of initiatives underway in addition to the three outlined above; but we are highlighting these three because we believe achieving these objectives will enable us to hit our 2013 targets and set us up for many years of growth and success.

Through the market turbulence, the resiliency and resolve of our people enabled us to achieve some significant milestones during 2012. Our guiding lights have been our core values, which empower every single employee to do what's right for our customers and to have fun doing it. We could not have succeeded or reached our current heights without the hard work and determination of the men and women that make up the Ritchie Bros. team. We are lucky and grateful to work with such a dedicated and passionate team and we look forward to their continuing contributions in the coming years as we help the world's builders to easily and confidently exchange equipment.

Our shareholders also deserve thanks, for their continued support and for trusting management's abilities to set the appropriate course for the future. We would also like to thank the growing community of equipment owners who are choosing to work with Ritchie Bros. when they need to buy or sell equipment. We truly appreciate your support and loyalty and are pleased and honoured that you find good value in the services we provide.

Robert W. Murdoch
Chairman

Peter J. Blake
Chief Executive Officer

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. These statements are based on current expectations and estimates about our business, and include, among others, statements relating to:

our future performance and long-term financial objectives;

impact of market uncertainty on equipment seller behaviour;

competition in the used equipment market;

anticipated pricing environment for late model equipment;

growth of our operations, including replacement of existing auction sites and adding new auction sites;

growth potential in established and emerging markets;

our internet initiatives and the level of participation in our auctions by internet bidders, including the timing of the next major release and full commercial launch of our new online marketplace;

integration of AssetNation's personnel, technology and e-commerce expertise to reach new segments of the equipment market;

growth of used equipment and truck markets;

increases in the number of consignors and bidders participating in our auctions;

our principal operating strengths, our competitive advantages, and the appeal of our auctions to buyers and sellers of industrial assets;

our ability to draw consistently significant numbers of local and international end-user bidders to our auctions;

our ability to continue to grow our share of the used equipment market and to meet the needs of our customers;

our ability to partner with our customers and potential customers;

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our ability to utilize the excess capacity in our sales team and auction site network to help sustain our growth;

our ability to grow our core auction business, including our ability to increase our market share with traditional customer groups and do more business with new customer groups in new markets, among others;

our ability to add new business and information solutions, including, among others, utilizing technology to enhance our auction services and support additional value added services;

our ability to perform by building an inspired high-performance customer focused team, to improve sales force productivity and growth in our sales force;

our ability to improve sales force productivity, employee engagement and management bench strength and increase operational efficiency of our sales and operations teams;

our ability to leverage our Ritchie Bros. brand;

the relative percentage of Gross Auction Proceeds represented by straight commission, guarantee and inventory contracts, and its impact on auction revenues and profitability;

our Auction Revenue Rates, the sustainability of those rates, the impact of our commission rate and fee changes, and the seasonality of Gross Auction Proceeds and auction revenues;

our direct expense and income tax rates, depreciation and amortization expenses and general and administrative expenses;

our future capital expenditures;

our future plans with regard to our strategic pillars;

the proportion of our revenues and operating costs denominated in currencies other than the US dollar or the effect of any currency exchange and interest rate fluctuations on our results of operations;

the impact of our new initiatives and services on us and our customers; and

financing available to us and the sufficiency of our working capital to meet our financial needs.

Forward-looking statements are typically identified by such words as anticipate, believe, could, feel, continue, estimate, expect, inter-ongoing, plan, potential, predict, will, should, would, could, likely, generally, future, period to period, long term, or and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed under Risk Factors below are among those that we consider may affect our performance significantly or could cause our actual financial and operational results to differ significantly from our predictions. Except as required by applicable securities law and regulations of relevant securities exchanges, we do not intend to update publicly any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of the factors listed under Risk Factors below and other relevant factors.

Introduction

The following discussion summarizes significant factors affecting the consolidated operating results and financial condition of Ritchie Bros. Auctioneers Incorporated (Ritchie Bros. , the Company , we or us) for the year ended December 31, 2012 compared to the year ended December 31, 2011. This discussion should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2012, and with the disclosures herein regarding forward-looking statements and risk factors.

The date of this discussion is as of February 22, 2013. Additional information relating to our Company, including our Annual Information Form, is available on our website at www.rbauction.com, on SEDAR at www.sedar.com or on EDGAR at www.sec.gov. None of the information on the SEDAR or EDGAR website is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS. Amounts discussed below are based on our audited consolidated financial statements and are presented in US dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars, except per share amounts.

Annual Review of the Used Equipment Market

In 2012 OEM production finally caught up with demand for many categories of equipment and lead times for new equipment came down to more reasonable time frames. This impacted dealer inventory levels, for both new and used equipment, which rose steadily causing most dealers to cut back on purchase orders to allow these levels to flatten or reduce. We believe this resulted in more used equipment transactions which will have a positive effect on our business volumes.

The year started with robust used equipment pricing as demand for good quality, low hour equipment was strong at our auctions across all regions and supply remained tight. The pricing momentum carried forward before reaching a plateau at mid-year when there was gradual softening of prices for older equipment though prices for well maintained, low hour machines remained steady. Through the remainder of the year, used equipment prices remained volatile and choppy across many equipment categories sold at our auctions.

Some of our global markets experienced strength through most of the year, particularly Canada and Australia. Our largest market, the United States remained flat overall with the Eastern and Central United States making up for weakness in the West. After years of pessimistic economic news in the United States, there was an inflection in some of these indicators at the end of the year as the political landscape became clear and a potential path towards an economic recovery took shape. Europe remained challenging with Southern Europe in particular still coping with the fallout from their financial crisis, but this created some opportunities which we were able to capitalize on during the year.

Consolidated Highlights

Years ended December 31

(\$ millions, unless noted otherwise)	2012	2011	% Change
Consolidated Income Statements			
Auction revenues	\$ 437,955	\$ 396,099	11%
Earnings from operations	120,039	103,712	16%
Net earnings	79,546	76,633	4%
Diluted EPS	0.74	0.72	4%
Cash Flows			
Net cash generated by operating activities	\$ 134,060	\$ 141,146	5%
Net cash used in investing activities	(110,870)	(70,101)	-58%
Net cash generated by (used in) financing activities	43,414	(24,674)	276%
Other highlights			
Gross Auction Proceeds ^{(1),(2)}	\$ 3,907,991	\$ 3,714,281	5%
Auction Revenue Rate ^{(1),(3)}	11.21%	10.66%	0.55 pts.
EBITDA Margin ^{(1),(4)}	36.8%	36.9%	(0.01) pts.
Adjusted Net Earnings ^{(1),(5)}	82,550	73,638	12%
Adjusted Diluted EPS	0.77	0.69	12%
Dividends Paid	50,042	46,183	8%

- (1) These are non-IFRS measures that do not have a standardized meaning, and are therefore unlikely to be comparable to similar measures presented by other companies. We believe that comparing Adjusted Net Earnings, diluted Adjusted Net Earnings per Share, Gross Auction Proceeds and EBITDA Margin for different financial periods provides more useful information about our performance for the relevant financial period. A reconciliation of Adjusted Net Earnings to net earnings is given below under Adjusted Net Earnings.
- (2) Gross Auction Proceeds represents the total proceeds from all items sold at our auctions. It is not a measure of our financial performance, liquidity or revenue and is not presented in our consolidated financial statements. We believe that auction revenues, which is the most directly comparable measure in our Income Statements, and certain other line items, are best understood by considering their relationship to Gross Auction Proceeds.
- (3) Auction Revenue Rate is our auction revenues divided by our Gross Auction Proceeds.
- (4) Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated using the information disclosed in our annual consolidated financial statements by adding back depreciation and amortization expense to earnings from operations. EBITDA is a non-IFRS measure. The EBITDA Margin is EBITDA as a proportion of auction revenues.
- (5) We define Adjusted Net Earnings as financial statement net earnings excluding the after-tax effects of excess property sales and other non-recurring items, and we have provided a reconciliation below.

Auction revenues increased by 11% in 2012 and were a record high for the Company. Revenues increased as a result of record Gross Auction Proceeds and the increase in our Auction Revenue Rate resulting from the revised administrative fee which we introduced on July 1, 2011. Revenue growth was particularly strong in Canada and Europe which were up 24% and 18% respectively. U.S. revenue growth was more muted at 8% over 2011 while auction revenues generated by the rest of the world were down by 15%.

Earnings from operations grew by 16% over 2011 as SG&A expenses grew by 10%; a slightly lower rate than auction revenues. The increase in SG&A was primarily attributable to the acquisition and operating costs of AssetNation as well as our expenses related to our strategic initiatives. Depreciation and amortization expense decreased slightly year over year.

Net Earnings grew by 4% over 2011. In 2012, the company incurred other expenses of \$4.7 million related to the disposition and write-down of auctions sites. This contrasted with 2011 when the company had a gain on the sale of a former auction site. Finance costs increased slightly due to increased borrowings related to our AssetNation acquisition. Our tax rates remained consistent year over year.

Net cash generated by operating activities was down by 5% as changes in working capital and an increase in cash taxes paid offset the increase as a result of net earnings.

Net cash used in investing activities was up by 58% as result of our acquisition of AssetNation during the year. However, our capital expenditures decreased by approximately \$15 million or 19% as a result of our reduced development of new auction sites compared to recent years passed.

Net cash generated by financing activities was up by over 200% due to our \$64 million in long-term borrowings related to our acquisition of AssetNation and our short-term borrowings. During the year dividends paid increased by almost \$4 million or approximately 8%.

Gross Auction Proceeds grew by 5% during the year compared to 2011. Growth was strong in Canada with the Company for the first time exceeding \$1 billion of Gross Auction Proceeds. In addition, the Company saw positive growth in Australia and Europe. Gross Auction Proceeds were relatively flat in the U.S. with decreases in the rest of the world. Applying 2011 foreign exchange rates, our Gross Auction Proceeds would have been nearly \$50 million higher. This was mainly due to the decreased value of the Euro.

Auction Revenue Rate increased by 55 basis points in 2012 as a result of the full year effect of our revised administrative fee, offset by a small decrease in our commission rate during the year.

Our *EBIDTA Margin* in 2012 decreased by 1 basis point to 36.8% when compared to 2011 as our expenses grew consistently with our auction revenues.

Adjusted Net Earnings for the year ended December 31, 2012 were \$82.6 million, or \$0.77 per diluted share, compared to adjusted net earnings of \$73.6 million, or \$0.69 per diluted share for the year ended December 31, 2011, an increase of approximately 12% compared to 2011. The increase is primarily a result of higher auction revenues offset by the acquisition and operating costs related to AssetNation. Excluding these costs, our Adjusted Net Earnings growth would have been 17%.

A reconciliation of our net earnings to adjusted net earnings is as follows:

	Years ended December 31,	
	2012	2011
Net earnings	\$ 79,546	\$ 76,633
After-tax loss (gain) on excess property ^(1, 2)	3,004	(2,995)
Adjusted Net Earnings	\$ 82,550	\$ 73,638

- (1) Net earnings for the twelve months ended December 31, 2011 included a gain of \$3,482 (\$2,995 after tax, or \$0.03 per diluted share) recorded on the sale of the Company's former Vancouver, British Columbia permanent auction site.
- (2) Net earnings for the twelve months ended December 31, 2012 included a loss of \$1,946 (\$1,197 after tax, or \$0.01 per diluted share) recorded on the sale of the Company's former Olympia, Washington permanent auction site; a net impairment loss of \$2,172 (\$1,336 after tax, or \$0.01 per diluted share) recorded against the Company's former permanent auction site that is held for sale in Statesville, North Carolina; and, an impairment loss of \$632 (\$471 after tax, or \$0.01 per diluted share) recorded against the Company's former permanent auction site in London, Ontario.

Our Strategy

Ritchie Bros. is the world's largest auctioneer of used industrial equipment. Our world headquarters are located in Vancouver, British Columbia, Canada, and as of the date of this discussion, we operated from over 110 locations in more than 25 countries, including 44 auction sites worldwide. **Our mission** is to create compelling business solutions that enable the world's builders to easily and confidently exchange equipment. We sell, primarily through unreserved public auctions, a broad range of used and unused industrial assets, including equipment, trucks and other assets used in the construction, transportation, agricultural, material handling, mining, forestry, petroleum and marine industries.

Value Proposition

Ritchie Bros. helps sellers achieve their objectives by bringing the global marketplace to the sale of their assets, and providing them the certainty of sale that an unreserved auction ensures. We do this by attracting large and diverse bidding audiences from around the world, comprised primarily of end users, and allowing them to compete in a transparent and fair bidding environment using a variety of on-site and online participation options. Ritchie Bros. helps buyers achieve their objectives by centrally displaying the equipment in our purpose built facilities and providing a truly transparent marketplace where buyers can be confident they are only bidding against other market participants. In 2012, Ritchie Bros. moved to expand our value proposition by adding additional transaction services (see our strategy under ADD on the following pages).

Some specific Ritchie Bros. strengths include:

1. Our brand, which is supported by our reputation for conducting fair and transparent unreserved auctions and our widely recognized commitment to honesty, integrity and fair dealing.
2. Our ability to market equipment to our extensive customer base (over 560,000 customers from roughly 190 countries).
3. Our industry-leading 21-language web site on which all equipment is marketed including related high-resolution photos and equipment specifications.
4. Our ability to provide an equipment-owner access to a global market of retail equipment buyers and sell equipment at global market values.
5. Our ability to attract end users, specifically 70-80% of sales go to end users, such as contractors with the remaining being purchased by dealers and brokers.
6. Our international network of auction sites provides high value and consistent service to our customers as evidenced by approximately 55% of sales going to buyers from outside the region of sale.

Growth potential

We recently updated our analysis of the used equipment marketplace and estimate that the annual value of used equipment transactions, worldwide, is in excess of \$200 billion. In this market:

1. The market is highly fragmented and Ritchie Bros. is the largest player in this space with only a small share of the total market
2. Private sales between equipment owners are the dominant form of transaction in the used equipment business

3. Ritchie Bros. has a long history of growth and innovation and continues to expand its customer base.

Strategy

In 2010, Ritchie Bros. adopted a new mission statement that transitioned us from strictly an auction company to a company that provides solutions for the exchange of equipment. This mission is supported by our three strategic pillars and our core values as outlined below:

Our three strategic pillars can be expanded upon as follows:

GROW

We believe unreserved public auctions offer significant benefits over other sales channels, including certainty of sale, fairness and transparency. We continue to focus on increasing our market share with our traditional customer groups, while simultaneously seeking to do more business with new customer groups and in new markets.

We believe that most of our near-term growth will come from our established regions, primarily the United States and Western Europe, and that emerging markets, such as China, Brazil and other developing countries offer significant potential for growth in the long-term.

In addition, we intend to continue to invest in our network of auction sites by adding or replacing existing auction sites as necessary to provide capacity for increased consignment volumes. Our auction site network supports our long-term growth and is a critical competitive advantage, which helps us to sustain efficient and scalable growth and give our customers confidence. We also intend to continue to hold offsite auctions in new regions to expand the scope of our operations.

Another key focus of this pillar is to streamline and simplify our auctions, to make them easy for our customers. Many of our new customers have little or no experience buying or selling at unreserved auctions; we want to make the process as easy and customer friendly as possible, so they feel confident on auction day and throughout the whole process.

Lastly, as a part of this strategic initiative we are pursuing opportunities to partner with our customers and potential customers by making strategic investments in various entities that we expect will generate equipment consignments to our auctions over the long term.

ADD

We intend to add new business and information solutions that will assist the world's builders to easily and confidently exchange equipment.

Technology and innovation have played key roles in our business in the past, allowing us to enhance our auctions and broaden their appeal to more equipment owners. We will continue to investigate new services to meet the needs of equipment owners, and harness the latest technology to supplement and enhance our auction services.

We are investing in new solutions enhanced business intelligence and data analysis tools to improve our understanding of the equipment market, and position Ritchie Bros. as a knowledge and information authority. We intend to continue to enhance our website at www.rbaction.com by making it easier to use, more powerful and more valuable to equipment owners, with the goal of making it the preferred global equipment website.

We have also invested in new solutions for equipment owners whose needs may not be met by our unreserved auctions. Most significantly, on May 15, 2012, we purchased AssetNation, an online marketplace and solutions provider for surplus and salvage assets. We will leverage AssetNation's technology and e-commerce expertise to develop new solutions that we believe will double our addressable market and help us meet the diverse and evolving preferences of a segment of the equipment market that we have not traditionally reached with our unreserved auctions. While we believe that the opportunity is significant we expect that it will take several years to have a material impact on our overall business results. We believe that we will be able to significantly leverage our Ritchie Bros. brand through this strategy and that this is a unique opportunity for our business.

PERFORM

To maintain our high standards of customer service we employ people who we believe embody our core values, especially the value of putting our customers first. In order to grow our business we believe that we must continue to build a high performance customer focused team, particularly our sales team.

Our primary focus areas in the coming years will be improving our sales force productivity and the efficiency of our auction operations, as well as further enhancing employee engagement and management bench strength. We are focused on developing future managers and we are taking steps to improve our ability to attract, develop and retain key employees.

These strategic pillars help us focus our time money and talent to ensure we are meeting our mission. The table below outlines our recent and future priorities with regards to these pillars:

Our Strategic Pillars	What we accomplished in 2012	Our plans for 2013
Grow our core auction business	<p>We added a new regional auction site in Donington Park, United Kingdom. Opened two replacement sites in Raleigh- Durham, North Carolina and Chehalis, Washington.</p> <p>Achieved our record Gross Auction Proceeds and largest ever Auction Revenues in the Company's history.</p>	<p>To focus on high potential growth opportunities in existing markets and break our records for Gross Auction Proceeds and Auction Revenues and to focus on and improve our at risk deal performance.</p> <p>Hold our first auction in China in 2013.</p>
Add new business and information solutions	<p>On May 15, 2012 we purchased AssetNation, an online marketplace and solutions provider for surplus and salvage assets. We leveraged AssetNation's technology and e-commerce expertise to develop new solutions for our customers.</p>	<p>Launch and grow our new online marketplace, Ritchie Bros. EquipmentOne. Ritchie Bros. EquipmentOne is a complementary solution to our flagship unreserved auction business. This marketplace will allow buyers and sellers to negotiate, complete and settle their transactions in a safe and transparent environment. A full commercial launch will be scheduled for the second quarter of 2013.</p>
Perform by building a high performance customer focused Ritchie Bros. team	<p>We expanded Ritchie Bros. Financial Services to Europe, Mexico and Australia.</p> <p>We realigned our organization into Sales and Operations groups allowing these respective teams to focus on what they do best; furthering our employee engagement and management bench strength.</p> <p>We increased the number of Sales personnel and Trainee Territory Managers on our team.</p> <p>We introduced and launched the first phase of our new Regional Sales Manager Training program focusing on sales leadership with 100% of our RSMs taking part.</p>	<p>Continue our focus on improving our Business Intelligence and our marketing insights.</p> <p>We will hire additional Territory Managers, Trainee Territory Managers and Territory Sales Support Staff. We will provide additional and enhanced training to our Regional Sales Managers.</p> <p>We will continue to support our sales team by introducing better sales tools and processes.</p>

Our plans for 2013 reflect our urgent focus on specific strategies to grow both Gross Auction Proceeds and auction revenues while achieving the leverage inherent in our business model resulting in increased profitability and driving shareholder value.

Long-Term Financial Objectives

Our long-term financial objectives⁽¹⁾ are the targets that our strategic initiatives and investments are designed to drive. These objectives reflect the growth, leverage and cash flow generation inherent in our business model, and are presented below:

Adjusted EPS⁽²⁾ growth of at least 15% on average

ROIC⁽³⁾ of at least 15%

EBITDA Margin⁽⁴⁾ of at least 40%

Prior to 2009 we had a history of achieving these targets. Since 2009 we have not achieved these targets due to a number of factors including the severity of the global economic crisis which affected all our markets but most significantly for our business, the United States. We believe this reduced the volume of transactions in the used equipment marketplace and affected our ability to grow our Gross Auction Proceeds. Additionally, we continued our long term capital investment program during this period and built capacity for future growth, although in the short term this raised our fixed costs and our invested capital.

Our focus continues to be on achieving these long term financial objectives by driving growth in our Gross Auction Proceeds and leveraging our infrastructure that is in place.

We believe our investment and operating decisions over the last few years have positioned us well, allowing us to grow our share of the used equipment market and to deliver compelling solutions to meet the needs of our customers. Through these decisions we are building a well developed sales team and an auction site network with considerable capacity, both of which we anticipate will help sustain our growth. We also believe that, over the long-term, designing and executing an appropriate growth strategy will continue to be a significant determinant of our ability to grow our earnings and our margins, in part because our share of the world market for used equipment is so small.

⁽¹⁾ *These are objectives of the Company and whether we can achieve them will depend on a number of factors, some of which may not be within our control. Please refer to the discussion under "Risk Factors" below. As these are objectives, there is no assurance that we will be able to achieve these objectives as set out above.*

⁽²⁾ *Adjusted EPS is a non-IFRS measure that does not have a standardized meaning, and is therefore unlikely to be comparable to similar measures presented by other companies.*
We define adjusted net earnings per share (Adjusted EPS) as financial statement net earnings per share excluding the after-tax effects of sales of excess properties and other non-recurring items.

⁽³⁾ *ROIC is a non-IFRS measure that does not have a standardized meaning, and is therefore unlikely to be comparable to similar measures presented by other companies.*
Return on invested capital (ROIC) is calculated using the information disclosed in our consolidated financial statements by dividing Adjusted Net Earnings into average invested capital, defined as average shareholders' equity plus average non-current borrowings for the financial year.

⁽⁴⁾ *EBITDA Margin is a non-IFRS measure that does not have a standardized meaning, and is therefore unlikely to be comparable to similar measures presented by other companies. This measure has been defined above in the "Consolidated Highlights" section.*

Our Business and its Drivers

Our core business is our auctions and the adherence to the unreserved auction process is one of our founding principles and, we believe, one of our most significant competitive advantages. When we say unreserved we mean that there are no minimum bids or reserve prices on anything sold at a Ritchie Bros. auction each item sells to the highest bidder on sale day, regardless of the price. In addition, consignors (or their agents) are not allowed to bid on or buy back or in any way influence the selling price of their own equipment. We maintain this commitment to the unreserved auction process because we believe that an unreserved auction is an efficient, effective and fair way to exchange equipment.

The world market for used equipment and trucks is driven by the cumulative supply of used equipment and trucks, which is affected by the ongoing production of new equipment and trucks and the motivation of equipment owners to realign and replace their fleets.

Consignment volumes at our auctions are affected by a number of factors, including regular fleet upgrades and reconfigurations, financial pressure, retirements, and inventory reductions, as well as by the timing of the completion of major construction and other projects.

We believe that our ability to consistently draw significant numbers of local and international bidders from many different end markets to our auctions, most of whom are end users rather than resellers, is appealing to sellers of used equipment and trucks and helps us to attract consignments to our auctions. Higher consignment volumes attract more bidders, which in turn attract more consignments, and so on in a self-reinforcing process that has helped us to achieve a history of significant growth and momentum in our business which is reflected in our Gross Auction Proceeds growth. We generally cannot influence the decision of an equipment owner whether to sell or not, but once they have made the decision to sell, our sales team's opportunity is to demonstrate the Ritchie Bros. Auctioneers value proposition and have the equipment contributed to one of our unreserved auctions.

Gross Auction Proceeds represent the value of the equipment we sell at our auctions. Auction revenues represent the revenue we earn in the course of conducting our auctions. The portion of Gross Auction Proceeds that we do not retain is remitted to our customers who consign the items to our auctions.

Auction revenues are comprised of auction commissions and auction fees. Auction commissions are earned from consignors through straight commission and guarantee auction contracts as well as the net profits or losses on the sale of inventory items. Auction fees, primarily collected from our buyers are made up of administrative fees, internet purchase fees, proxy purchase fees, documentation fees and storage fees. Beginning July 1, 2011 the internet purchase and proxy fees were eliminated and we expanded and simplified our administrative fee to be applicable to all buyers at our auctions. We also earn revenue from our insurance, warranty and customer finance programs and this revenue has been recorded as a part of auction fees as they are not material. Our Auction Revenue Rate is our auction revenues divided by our Gross Auction Proceeds. Our expected annual Auction Revenue Rate is in the range of 11.0% to 11.75%.

All auction revenues are recognized when the auction sale is complete and we have determined that the auction proceeds are collectible.

Auction Commissions

Straight commission contracts are our most common type of auction contract and are used by us when we act as agent for consignors and earn a pre-negotiated, fixed commission rate on the Gross Auction Proceeds of the consigned equipment at auction. Straight commission sales were approximately 68% of our Gross Auction Proceeds in the year ended December 31, 2012 and 72% for the fourth quarter of 2012. This is a slight increase over 2011 but lower than our historic range of approximately 75-80% of our annual Gross Auction Proceeds.

We generally refer to our guarantee and outright purchase business as our **at risk, or underwritten, business** and we are generally indifferent between a guarantee contract and an inventory contract. As we do not control the sale price of items sold at our auctions, both a guarantee contract and an inventory contract represent a similar nature of risk and opportunity for us. Our customers' circumstances, risk tolerance and sale objectives will ultimately determine the final form of the contract.

Our at risk business represented approximately 32% of our Gross Auction Proceeds in 2012, and 28% for the fourth quarter of 2012. This is a decrease over 2011 but is higher than our historic levels of approximately 20% to 25% of our annual Gross Auction Proceeds.

In the normal course of business, we guarantee minimum sales proceeds to a consignor and earn a commission based on the actual results of the auction, typically includin