

RITCHIE BROS AUCTIONEERS INC

Form 6-K

May 05, 2004

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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Form 6-K  
REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934

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For the month of May 2004

Commission File Number: 001-13425

**Ritchie Bros. Auctioneers Incorporated**

6500 River Road  
Richmond, BC, Canada  
V6X 4G5  
(604) 273 7564  
*(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- \_\_\_\_\_

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**PART 1. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements do not include all information and footnotes required by Canadian or United States generally accepted accounting principles for a complete set of annual financial statements. However, in the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the relevant periods have been made. Results for the interim periods are not necessarily indicative of the results to be expected for the year or any other period. These financial statements should be read in conjunction with the summary of accounting policies and the notes to the consolidated financial statements included in the Company's Annual Report on Form 40-F for the fiscal year ended December 31, 2003, a copy of which has been filed with the Securities and Exchange Commission. These policies have been applied on a consistent basis.

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**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Operations

(Expressed in thousands of United States dollars, except per share amounts)  
(Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
Auction revenues	\$37,670	\$36,381
Direct expenses	<u>4,547</u>	<u>4,650</u>
	33,123	31,731
Expenses:		
Depreciation and amortization	2,962	2,646
General and administrative	<u>19,417</u>	<u>16,935</u>
	22,379	19,581
Earnings from operations	10,744	12,150
Other income (expenses):		
Interest expense	(960)	(908)
Other	<u>111</u>	<u>283</u>
	<u>(849)</u>	<u>(625)</u>
Earnings before income taxes	9,895	11,525
Income taxes:		
Current	3,061	2,715
Future	<u>244</u>	<u>235</u>
	<u>3,305</u>	<u>2,950</u>
Net earnings	<u>\$ 6,590</u>	<u>\$ 8,575</u>
Net earnings per share (in accordance with Canadian and United States GAAP):		
Basic	\$ 0.39	\$ 0.51
Diluted	\$ 0.38	\$ 0.51

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Balance Sheets

(Expressed in thousands of United States dollars)

	<b>March 31, 2004</b>	<b>December 31, 2003</b>
	<b>(unaudited)</b>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 155,934	\$ 119,009
Accounts receivable	63,743	17,064
Inventory	9,324	9,690
Funds committed for debt repayment (note 5)	13,000	13,000
Prepaid expenses and deposits	1,825	2,553
	<hr/>	<hr/>
	243,826	161,316
Capital assets (note 4)	209,609	210,416
Funds committed for debt repayment (note 5)	5,572	5,107
Other assets	538	537
Goodwill	36,722	35,632
	<hr/>	<hr/>
	\$496,267	\$ 413,008
	<hr/>	<hr/>
Liabilities and Shareholders' Equity		
Current liabilities:		
Auction proceeds payable	\$ 129,868	\$ 44,186
Accounts payable and accrued liabilities	28,555	35,150
Income taxes payable	2,689	3,196
Current bank term loans (note 5)	43,056	43,438
	<hr/>	<hr/>
	204,168	125,970
Bank term loans (note 5)	26,893	27,350
Other liabilities	2,397	2,375
Future income taxes	4,709	4,534
Shareholders' equity:		
Share capital (note 6)	75,066	72,794
Additional paid-in capital	6,471	6,075
Retained earnings	165,224	161,183
Foreign currency translation adjustment	11,339	12,727

	_____	_____
	258,100	252,779
Commitments and contingencies (note 7)	_____	_____
	\$496,267	\$ 413,008
	<b>_____</b>	<b>_____</b>

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Shareholders Equity

(Expressed in thousands of United States dollars)  
(Unaudited)

	<u>Share Capital</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Foreign Currency Translation Adjustment</u>	<u>Total Shareholders Equity</u>
Balance, December 31, 2002	\$69,499	\$4,646	\$129,682	\$ (4,453)	\$199,374
Net earnings			8,575		8,575
Stock compensation		260			260
Net proceeds on stock options exercised	389				389
Foreign currency translation adjustment				4,589	4,589
	<u>69,888</u>	<u>4,906</u>	<u>138,257</u>	<u>136</u>	<u>213,187</u>
Balance, March 31, 2003	69,888	4,906	138,257	136	213,187
Net earnings			12,881		12,881
Stock compensation		261			261
Net proceeds on stock options exercised	1,027				1,027
Foreign currency translation adjustment				7,272	7,272
	<u>70,915</u>	<u>5,167</u>	<u>151,138</u>	<u>7,408</u>	<u>234,628</u>
Balance, June 30, 2003	70,915	5,167	151,138	7,408	234,628
Net earnings			2,721		2,721
Cash dividends paid			(2,545)		(2,545)
Stock compensation		263			263
Net proceeds on stock options exercised	1,783				1,783
Foreign currency translation adjustment				754	754
	<u>72,698</u>	<u>5,430</u>	<u>151,314</u>	<u>8,162</u>	<u>237,604</u>
Balance, September 30, 2003	72,698	5,430	151,314	8,162	237,604
Net earnings			12,417		12,417
Cash dividends paid			(2,548)		(2,548)
Stock compensation tax adjustment		382			382
Stock compensation		263			263
Net proceeds on stock options exercised	96				96
Foreign currency translation adjustment				4,565	4,565



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	_____	_____	_____	_____	_____
Balance, December 31, 2003	72,794	6,075	161,183	12,727	252,779
Net earnings			6,590		6,590
Cash dividends paid			(2,549)		(2,549)
Stock compensation		396			396
Net proceeds on stock options exercised	2,272				2,272
Foreign currency translation adjustment				(1,388)	(1,388)
	_____	_____	_____	_____	_____
Balance, March 31, 2004	<u>\$75,066</u>	<u>\$6,471</u>	<u>\$165,224</u>	<u>\$11,339</u>	<u>\$258,100</u>

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)  
(Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 6,590	\$ 8,575
Items not involving cash:		
Depreciation	2,962	2,646
Stock compensation expense	396	260
Future income taxes	175	157
Net (gain) loss on disposition of capital assets	(48)	18
Changes in non-cash working capital:		
Accounts receivable	(46,679)	(36,239)
Inventory	366	(1,825)
Prepaid expenses and deposits	728	420
Income taxes payable	(507)	
Income taxes recoverable		1,707
Auction proceeds payable	85,682	118,881
Accounts payable and accrued liabilities	(6,595)	(11,313)
Other	325	(1,340)
	<u>43,395</u>	<u>81,947</u>
Investing activities:		
Acquisition of business	(1,164)	
Capital asset additions	(3,591)	(4,945)
Proceeds on disposition of capital assets	330	514
Increase in other assets	(1)	(31)
	<u>(4,426)</u>	<u>(4,462)</u>
Financing activities:		
Issuance of share capital	2,272	389
Dividends on common shares	(2,549)	
Repayment of bank term loans	(628)	(611)
Increase in other liabilities	22	50
Decrease in short-term debt		(271)
Increase in funds committed for debt repayment	(465)	(3,714)
	<u>(465)</u>	<u>(3,714)</u>

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Effect of foreign currency rates on cash and cash equivalents	(1,348)	(4,157)
	(696)	1,144
	<u>          </u>	<u>          </u>
Increase in cash and cash equivalents	36,925	74,472
Cash and cash equivalents, beginning of period	119,009	62,222
	<u>          </u>	<u>          </u>
Cash and cash equivalents, end of period	\$155,934	\$136,694
	<u>          </u>	<u>          </u>
Supplemental information:		
Interest paid	\$ 859	\$ 1,238
Income taxes paid	\$ 4,280	\$ 2,482

See accompanying notes to consolidated financial statements.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**1. Significant accounting policies:**

(a) Basis of presentation:

These unaudited consolidated financial statements present the financial position, results of operations, changes in shareholders' equity and cash flows of Ritchie Bros. Auctioneers Incorporated (the Company) and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim financial information and are based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements. These consolidated financial statements are not materially different from those that would be presented in accordance with United States GAAP. The interim consolidated financial statements should be read in conjunction with the December 31, 2003 audited consolidated financial statements.

(b) Revenue recognition:

Auction revenues earned in the Company's capacity as agent for consignors of equipment are comprised mostly of auction commissions, but also include net profits on the sale of inventory, incidental interest income, internet and proxy purchase fees, and handling fees on the sale of certain lots. All revenue is recognized when the auction sale is complete and the Company has determined that the auction proceeds are collectible.

Auction commissions represent the percentage earned by the Company on the gross proceeds from equipment sold at auction. The majority of auction commissions is earned as a fixed rate of the gross selling price. Other commissions are earned when the Company guarantees a certain level of proceeds to a consignor. This type of commission includes a percentage of the guaranteed gross proceeds plus a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, commission is reduced; if proceeds are sufficiently lower, the Company can incur a loss on the sale. The Company's exposure from these guarantee contracts fluctuates over time (see note 7). Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is held.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**1. Significant accounting policies (continued):**

(b) Revenue recognition (continued):

Auction revenues also include net profit on the sale of inventory items. In some cases, incidental to its regular commission business, the Company temporarily acquires title to items for a short time prior to a particular auction sale. The auction revenue recorded is the net gain or loss on the sale of the items.

(c) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

**2. Seasonality of operations:**

The Company's operations are both seasonal and event driven. Mid-December through mid-February and July through August are traditionally less active periods. Auction revenues tend to be highest during the second and fourth calendar quarters. The Company generally conducts more auctions during these quarters than during the first and third calendar quarters.

In addition, the Company's revenue is dependent upon the timing of such events as fleet upgrades and realignments, contractor retirements, and the completion of major projects, among other things. These events are not predictable and are usually unrelated to fiscal quarters, making quarter-to-quarter comparability difficult.

**3. Change in accounting policy:**

The Company adopted the fair-value based method of accounting for stock-based compensation in 2003 on a prospective basis. Certain comparative figures have been restated to give effect to the change in accounting policy as if it had been adopted on January 1, 2003.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**4. Capital assets:**

<b>March 31, 2004</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Buildings	\$ 110,494	\$ 15,006	\$ 95,488
Land and improvements	93,696	3,424	90,272
Land and buildings under development	4,004		4,004
Automotive equipment	10,667	3,747	6,920
Yard equipment	8,540	3,930	4,610
Office equipment	5,671	3,292	2,379
Computer equipment	4,355	2,133	2,222
Computer software	9,019	6,083	2,936
Leasehold improvements	1,509	731	778
	\$247,955	\$38,346	\$209,609
<b>December 31, 2003</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Buildings	\$ 112,133	\$ 15,198	\$ 96,935
Land and improvements	94,253	3,453	90,800
Land and buildings under development	3,143		3,143
Automotive equipment	10,219	3,766	6,453
Yard equipment	8,558	3,951	4,607
Office equipment	5,716	3,245	2,471
Computer equipment	4,076	2,032	2,044
Computer software	8,751	5,531	3,220
Leasehold improvements	1,430	687	743
	\$248,279	\$37,863	\$210,416

During the three months ended March 31, 2004 the Company capitalized interest of \$47,000 (three months ended March 31, 2003 \$93,000) to the cost of land and buildings under development.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**5. Bank term loans:**

	<b>March 31, 2004</b>	<b>December 31, 2003</b>
	<u>          </u>	<u>          </u>
Term loans, unsecured, bearing interest at 1.95%, due in minimum annual installments of \$5 million (\$1.75 million towards principal, \$3.25 million towards a sinking fund), plus interest, with the final payment occurring in 2004	\$28,000	\$ 28,000
Term loans, denominated in Canadian dollars, unsecured, bearing interest between 6.36% and 7.20%, due in monthly installments of interest only, with the full amount of the principal due in 2004	11,441	11,568
Term loans, unsecured, bearing interest between 1.87% and 7.91%, due in minimum annual installments of \$500,000 plus interest, with the final payments due in 2005	8,250	8,500
Term loans, unsecured, bearing interest between 5.95% and 7.91%, due in minimum annual installments of \$2.9 million (\$1.0 million towards principal, \$1.9 million towards a sinking fund), with the final payments occurring in 2005 and 2006	17,000	17,250
Term loans, denominated in Australian dollars, secured by deeds of trust on specific property, bearing interest between the Australian prime rate and 6.50%, due in quarterly installments of AUD75,000, plus interest, with final payment occurring in 2008	1,071	1,111
Term loan denominated in Euros, secured by deeds of trust on specific property, bearing interest at the Amsterdam Interbank Offered Rate plus 0.88%, due in quarterly installments of EUR56,723 including interest, with the final payment occurring in 2013	4,187	4,359
	<u>          </u>	<u>          </u>
	\$69,949	\$ 70,788
Current portion of bank term loans	43,056	43,438
	<u>          </u>	<u>          </u>
	\$26,893	\$ 27,350
	<u>          </u>	<u>          </u>
Funds committed for debt repayment	18,572	18,107
	<u>          </u>	<u>          </u>
	\$ 8,321	\$ 9,243
	<u>          </u>	<u>          </u>

Subsequent to March 31, 2004 the Company repaid the term loan denominated in Euros in the amount of \$4,187,000.



**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**6. Share capital:**

## (a) Shares issued:

Common shares issued and outstanding are as follows:

Issued and outstanding, December 31, 2003	16,983,822
Common shares issued during the three months ended March 31, 2004:	
For cash, pursuant to stock options exercised	<u>83,601</u>
Issued and outstanding, March 31, 2004	<u>17,067,423</u>

## (b) Stock option plan:

Stock option activity for the three months ended March 31, 2004 is as follows:

	<u>Common Shares Under Option</u>	<u>Weighted Average Exercise Price</u>
Outstanding, December 31, 2003	406,727	\$ 26.64
Granted	145,000	52.92
Exercised	<u>(83,601)</u>	<u>27.16</u>
Outstanding, March 31, 2004	<u>468,126</u>	<u>\$ 34.69</u>
Exercisable, March 31, 2004	<u>327,126</u>	<u>\$ 27.43</u>

The options outstanding at March 31, 2004 expire on dates ranging to February 13, 2014.

**RITCHIE BROS. AUCTIONEERS INCORPORATED**

## Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**6. Share capital (continued):**

(b) Stock option plan (continued):

The following is a summary of stock options outstanding and exercisable at March 31, 2004:

Range of Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.10	12,926	0.33	\$ 0.10	12,926	\$ 0.10
\$23.35 - \$31.05	308,200	7.68	27.53	302,200	27.59
\$38.625 - \$52.92	147,000	9.81	52.73	12,000	52.92
	<u>468,126</u>	<u>          </u>	<u>          </u>	<u>327,126</u>	<u>          </u>

(c) Stock based compensation:

The Company uses the fair value based method to account for employee stock-based compensation awards. During the three month period ended March 31, 2004, the Company recognized compensation cost of \$396,000 (2003 \$260,000) in respect of options granted in 2003 and 2004 under its stock option plan.

For the purposes described above, the fair value of the stock option grants was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	<u>2004</u>	<u>2003</u>
Risk free interest rate	3.0%	3.1%
Dividend yield	1.15%	0%
Expected lives	5 years	5 years
Volatility	19.6%	18.3%

The weighted average grant date fair value of options granted during the three month period ended March 31, 2004 was \$10.68 per option (2003 \$7.34). The fair value method requires that this amount be amortized over the relevant vesting periods of the underlying options.



**RITCHIE BROS. AUCTIONEERS INCORPORATED**

Notes to Consolidated Financial Statements

Three months ended March 31, 2004 and 2003

(Tabular dollar amounts expressed in thousands of United States dollars, except share and per share amounts)

(Information as at March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003 is unaudited)

**6. Share capital (continued):**

(d) Net earnings per share: