RB Global Inc. (RBA)

Updated February 26th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$77	**5 Year CAGR Estimate:**	6.6%	**Market Cap:**	$14.1 B
Fair Value Price:	$68	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	02/08/2024
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	03/01/2024
Dividend Yield:	1.4%	**5 Year Price Target**	$100	**Years Of Dividend Growth:**	18
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

RB Global offers end-to-end solutions for buying and selling used heavy equipment, trucks, and other assets. The company's primary selling channels include Ritchie Bros. Auctioneers, the world's largest industrial auctioneer featuring online bidding, IronPlanet, an online marketplace with weekly auctions, and IronClad Assurance, which provides equipment condition certification. The company has a market cap of $14.1 billion, generates around $3.7 billion in annual revenues, and is based in Burnaby, Canada. Investors can trade its shares both on the TSX and NYSE. All figures in this report are in US dollars.

On May 9th, 2023, following the successful closing of the IAA acquisition, the company changed its name from Ritchie Bros. Auctioneers to RB Global.

On February 23rd, 2024, RB Global reported its Q4 and full-year results for the period ending December 31st, 2023. For the quarter, revenues rose 134% year-over-year to $1.0 billion. The significant increase in revenues was mainly due to the company acquiring IAA, which contributed $488 million to the top line for the period.

Adjusted net income and adjusted EPS rose by 98% and 21% to $150.6 million and $0.82, respectively. This was due to strong growth in operating income. The per-share figure grew at a lower rate due to the dilution that took place as a result of the IAA acquisition. For the year, adjusted EPS was $2.99, up 24% year-over-year. On a GAAP basis, EPS was $1.04 due to the one-off $216.1 million spent on acquisition-related and integration costs.

Our adjusted EPS estimate for FY2024 now stands at $3.16. That said, all figures in our tables reflect GAAP metrics.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$0.85	$1.27	$0.86	$0.70	$1.12	$1.37	$1.54	$1.36	$2.86	$1.04	***$3.16***	***$4.64***
DPS	$0.55	$0.62	$0.67	$0.68	$0.71	$0.78	$0.86	$0.97	$1.06	$1.08	***$1.08***	***$1.59***
Shares[1]	107	107	107	107	108	109	109	110	111	167	***167***	***200***

Despite RB Global consistently growing revenues over the past decade, profitability had lagged, particularly in the 2016-2019 time period, as the company was reinvesting toward growth. We have set our EPS growth estimate at 8% over the medium term to reflect the company's growing GMV and synergies to be achieved from its IAA acquisitions. In fact, IAA has already proved be accretive to EPS, and is expected to achieve $100 million to $120+ million in annual run-rate cost synergies by the end of 2025.

The company also sees strong demand for its auction services, while its acquisitions should unlock cost efficiencies, boosting net income. We believe strongly in Ritchie's potential synergies amongst its services (for example, certification provision before auction listing and vertical integration). Hence EPS growth is likely to remain solid. Due to profitability improving drastically, management has been accelerating its dividend growth recently. Dividend growth had fallen to as low as 3% in 2017, in line with stagnating EPS. We have set our dividend growth expectations at 8% in the medium-term,

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[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

as this rate can be supported by the company's underlining net income. RB Global has been growing its dividends annually without any exception since 2005, marking an 18-year dividend growth record.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	27.9	30.6	25.0	25.8	43.7	31.2	42.5	51.4	20.0	---	***24.5***	***21.5***
Avg. Yld.	2.2%	2.2%	2.2%	2.2%	2.0%	1.9%	1.9%	1.4%	1.8%	1.8%	***1.4%***	***1.6%***

RB Global's valuation had been quite consistent prior to 2020, typically hovering from 25X to 30X earnings-per-share. Between 2020 and 2021, the stock's P/E skyrocketed. It currently hovers at 24.5 our projected earnings, with earnings growth still catching up to the stock price. Despite retaining solid earnings growth prospects, we believe shares are slightly overvalued here, and have priced in a 2.6% annual valuation headwind over next five years. Regarding the dividend, its yield of 1.4% might be low for the current interest rates environment. That said, RB's dividend growth potential and overall dividend growth track record are noteworthy.

Safety, Quality, Competitive Advantage, & Recession Resiliency

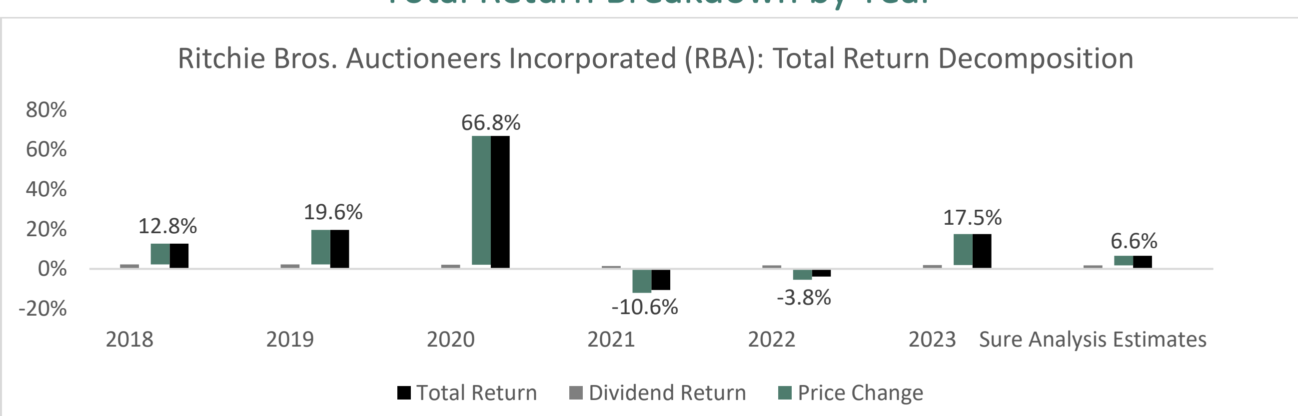
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	65%	49%	78%	97%	63%	57%	56%	71%	37%	104%	***34%***	***34%***

RB Global's dividend coverage remains quite healthy. Despite the recent acceleration in dividend growth, the stock's payout ratio based on the company's expected FY2024 EPS is just around 34%. The company is the largest industrial-equipment auctioneer in the world, holding a significant competitive advantage due to its long-term expertise in the sector and the wide network effect of its online participants. Additionally, while its business model sounds sensitive to the industrial sector's cyclicality, the company is benefiting during such times as more equipment is brought forward to be auctioned (e.g., amid a company's liquidation), increasing its fees. During the Great Financial Crisis, for example, the company continued to enjoy revenue growth, despite the overall challenges in the economy. Hence, the company should remain resilient during a potential recession, enjoying robust cash flows.

Final Thoughts & Recommendation

RB Global has achieved great shareholder value creation over the years, both in terms of share price gains and a growing dividend. Its most recent FY2023 results were solid, with the IAA acquisition already bearing fruits both top and bottom-line-wise. We forecast annualized returns of 6.6% through 2029, to be driven by an 8% annual growth in earnings and an initial yield of 1.4%, partially offset by a 2.6% annual valuation headwind. Thus, we downgrade RB Global to a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	467	481	516	1,127	971	1,170	1,319	1,377	1,417	1,734
Gross Profit	413	423	460	500	532	637	673	762	822	957
Gross Margin	88.4%	88.0%	89.1%	44.4%	54.7%	54.4%	51.0%	55.3%	58.1%	55.2%
SG&A Exp.	244	248	254	284	323	383	382	418	465	540
D&A Exp.	43	45	42	41	53	67	83	87	101	117
Operating Profit	126	130	163	176	156	187	220	269	270	320
Operating Margin	27.0%	27.1%	31.7%	15.6%	16.0%	16.0%	16.7%	19.5%	19.1%	18.5%
Net Profit	94	91	136	92	75	121	149	170	152	320
Net Margin	20.0%	18.9%	26.4%	8.1%	7.7%	10.4%	11.3%	12.3%	10.7%	18.5%
Free Cash Flow	95	110	166	141	108	101	292	215	274	391
Income Tax	40	36	38	37	2	31	42	66	152	86

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	1,162	1,122	1,120	1,600	2,017	2,052	2,229	2,352	3,593	2,864
Cash & Equivalents	234	140	210	208	268	238	360	279	326	494
Accounts Receivable	61	61	50	45	78	113	122	112	123	144
Inventories	52	43	58	28	38	113	65	86	102	103
Goodwill & Int. Ass.	121	128	138	170	932	917	906	1,142	1,298	1,271
Total Liabilities	468	430	413	908	1,273	1,217	1,322	1,339	2,522	1,574
Accounts Payable	31	47	38	39	78	93	73	76	86	78
Long-Term Debt	182	119	110	620	820	731	650	666	1,744	611
Shareholder's Equity	694	692	703	687	740	831	902	1,007	1,071	1,290
LTD/E Ratio	0.26	0.17	0.16	0.90	1.11	0.88	0.72	0.66	1.63	0.47

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	8.2%	8.0%	12.2%	6.8%	4.1%	6.0%	7.0%	7.4%	5.1%	9.9%
Return on Equity	13.9%	13.1%	19.5%	13.2%	10.5%	15.5%	17.2%	17.8%	14.6%	27.1%
ROIC	10.6%	10.8%	16.7%	8.6%	5.2%	7.8%	9.5%	10.5%	6.8%	13.6%
Shares Out.	106.8	107.3	107.1	106.6	107	108.1	108.5	110.3	111.4	111.9
Revenue/Share	4.36	4.47	4.80	10.49	8.98	10.70	12.01	12.49	12.72	15.50
FCF/Share	0.89	1.02	1.54	1.31	1.00	0.93	2.66	1.95	2.46	3.50

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.