Altus Group

# Shareholders' Report
Q2 2023

For the six months ended June 30, 2023

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**Interim Condensed Consolidated Financial Statements**

The following Management's Discussion and Analysis (the "MD&A") is intended to assist readers in understanding Altus Group Limited's consolidated business, its business environment, strategies, performance, outlook and applicable risks. References to the "Company" or "Altus Group" are to the consolidated group of entities, and this should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "interim financial statements") as at and for the three and six months ended June 30, 2023, which have been prepared on the basis of International Financial Reporting Standards ("IFRS") and reported in Canadian dollars. Unless otherwise indicated herein, references to "$" are to Canadian dollars and percentages are in comparison to the same period in 2022.

Unless the context indicates otherwise, all references to "we", "us", "our" or similar terms refer to Altus Group, and, as appropriate, our consolidated operations.

This document also includes certain non-GAAP and other measures as denoted by a "*". This includes non-GAAP financial measures such as Adjusted Earnings (Loss), and Constant Currency; non-GAAP ratios such as Adjusted EPS; total of segments measures such as Adjusted EBITDA; capital management measures such as Free Cash Flow; and supplementary financial and other measures such as Adjusted EBITDA margin, Net debt to Adjusted EBITDA leverage ratio, New Bookings, Organic New Bookings, Recurring New Bookings, Non-Recurring New Bookings, Organic Revenue, Recurring Revenue, Non-Recurring Revenue, Organic Recurring Revenue, DSO, AE Software Maintenance Retention Rate, and Cloud Adoption Rate. Since the measures, used herein, are not standard measures under IFRS, they may not be comparable to similar measures reported by other entities. Refer to the "Non-GAAP and Other Measures" section for definitions of, and more information on, each measure. For non-GAAP financial measures and total of segments measures, refer to the "Reconciliation of Non-GAAP Measures" section for reconciliations to the most directly comparable IFRS measure. For capital management measures, refer to the "Free Cash Flow" section for a reconciliation to the most directly comparable IFRS measure.

This MD&A is dated as of August 10, 2023.

# 1. Forward-looking Information

Certain information in this MD&A may constitute "forward-looking information" within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of our business, strategies and expectations of future performance, including any guidance on financial expectations, and our expectations with respect to cash flows and liquidity. Generally, forward-looking information can be identified by use of words such as "may", "will", "expect", "believe", "plan", "would", "could", "remain" and other similar terminology.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may not be known and may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that we identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: engagement and product pipeline opportunities in Analytics will result in associated definitive agreements; continued adoption of cloud subscriptions by our customers; retention of material clients and bookings; sustaining our software and subscription renewals; settlement volumes in the Property Tax reportable segment occurring on a timely basis and assessment authorities processing appeals in a manner consistent with expectations; successful execution of our business strategies; consistent and stable economic conditions or conditions in the financial markets; consistent and stable legislation in the various countries in which we operate; consistent and stable foreign exchange conditions; no disruptive changes in the technology environment; opportunity to acquire accretive businesses and the absence of negative financial and other impacts resulting from strategic investments or acquisitions on short term results; successful integration of acquired businesses; and continued availability of qualified professionals.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks include, but are not limited to: the general state of the economy; our financial performance; our financial targets; the commercial real estate market; our international operations; acquisitions; industry competition; business interruption events; third party information; cybersecurity; professional talent; our cloud subscriptions transition; software renewals; our sales pipeline; enterprise transactions; client concentration and loss of material clients; product enhancements and new product introductions; technological strategy; intellectual property; property tax appeals and seasonality; legislative and regulatory changes; privacy and data protection; our brand and reputation; fixed-price and contingency engagements; the Canadian multi-residential market; currency fluctuations; interest rates; credit; income tax matters; health and safety hazards; our contractual obligations; legal proceedings; regulatory review; our insurance limits; our ability to meet the solvency requirements necessary to make dividend payments; our leverage and financial covenants; our share price; our capital investments; the issuance of additional common shares and debt, our internal and disclosure controls; environmental, social and governance ("ESG") matters; and catastrophic or geo-political conditions such as the COVID-19 pandemic, as well as those described in our annual publicly filed documents, including the Annual Information Form for the year ended December 31, 2022 (which are available on SEDAR at www.sedar.com).

Investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Altus Group, our financial or operating results, or our securities.

Certain information in this MD&A, including sections entitled "Business Outlook", may be considered as "financial outlook" within the meaning of applicable securities legislation. The purpose of this financial outlook is to provide readers with disclosure regarding Altus Group's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

# 2. Non-GAAP and Other Measures

We use certain non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures, and supplementary and other financial measures as defined in National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure* (“NI 52-112”). We believe that these measures may assist investors in assessing an investment in our shares as they provide additional insight into our performance. Readers are cautioned that they are not defined performance measures, and do not have any standardized meaning under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. These measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS.

## 2.1. Non-GAAP Financial Measures

| **Adjusted Earnings (Loss)** | |
|---|---|
| How is it useful: | We use Adjusted Earnings (Loss) to facilitate the calculation of Adjusted Earnings (Loss) per Share (“Adjusted EPS”). |
| How we calculate it | Profit (loss) added or (deducted) by: profit (loss) from discontinued operations; occupancy costs calculated on a similar basis prior to the adoption of IFRS 16; depreciation of right-of-use assets; amortization of intangibles of acquired businesses; acquisition and related transition costs (income); unrealized foreign exchange losses (gains); (gains) losses on disposal of right-of-use assets, property, plant and equipment and intangibles; share of (profit) loss of joint venture; non-cash share-based compensation costs; (gains) losses on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs; (gains) losses on derivatives; interest accretion on contingent consideration payables; restructuring costs (recovery); impairment charges; (gains) losses on investments; (gains) losses on hedging transactions and interest expense (income) on swaps; other costs or income of a non-operating and/or non-recurring nature; finance costs (income), net - leases; and the tax impact of these items.<br><br>Refer to page 32 for a reconciliation of Adjusted Earnings (Loss) to our interim financial statements. |
| Most directly comparable IFRS financial measure: | Profit (loss) |

| Constant Currency | |
| --- | --- |
| How is it useful: | We use Constant Currency to allow current financial and operational performance to be understood against comparative periods without the impact of fluctuations in foreign currency exchange rates against the Canadian dollar. |
| How we calculate it | The financial results and non-GAAP measures presented at Constant Currency within this document are obtained by translating monthly results denominated in local currency (U.S. dollars, British pound, Euro, Australian dollars, and other foreign currencies) to Canadian dollars at the foreign exchange rates of the comparable month in the previous year.<br><br>Refer to page 34 for a reconciliation of Constant Currency between foreign exchange rates used. |
| Most directly comparable IFRS financial measure: | Corresponding IFRS amount, as presented |

## 2.2. Non-GAAP Ratios

| Adjusted EPS | |
| --- | --- |
| How is it useful: | We use Adjusted EPS to assess the performance of our business, on a per share basis, before the effects of the noted items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. |
| How we calculate it | Adjusted Earnings (Loss) divided by basic weighted average number of shares, adjusted for the effects of the weighted average number of restricted shares. |

## 2.3. Total of Segments Measures

| Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) | |
|---|---|
| How is it useful: | We use Adjusted EBITDA to evaluate the performance of our business, as well as when making decisions about the ongoing operations of the business and our ability to generate cash flows. |
| How we calculate it | Profit (loss) added or (deducted) by: profit (loss) from discontinued operations; occupancy costs calculated on a similar basis prior to the adoption of IFRS 16; depreciation of right-of-use assets; depreciation of property, plant and equipment and amortization of intangibles; acquisition and related transition costs (income); unrealized foreign exchange (gains) losses; (gains) losses on disposal of right-of-use assets, property, plant and equipment and intangibles; share of (profit) loss of joint venture; non-cash share-based compensation costs; (gains) losses on equity derivatives net of mark-to market adjustments on related restricted share units (“RSUs”) and deferred share units (“DSUs”); (gains) losses on derivatives, restructuring costs (recovery); impairment charges; (gains) losses on investments; other costs or income of a non-operating and/or non-recurring nature; finance costs (income), net - leases; finance costs (income), net - other; and income tax expense (recovery).<br><br>Refer to page 32 for a reconciliation of Adjusted EBITDA to our interim financial statements. This measure represents Adjusted EBITDA determined on a consolidated basis as a total of our reportable segments. All other Adjusted EBITDA references are disclosed in our interim financial statements and are not considered to be non-GAAP financial measures pursuant to NI 52-112. |
| Most directly comparable IFRS financial measure: | Profit (loss) |

## 2.4. Capital Management Measures

| Free Cash Flow | |
|---|---|
| How is it useful: | We use Free Cash Flow to understand how much of the cash generated from operating activities is available to repay borrowings and to reinvest in the Company. |
| How we calculate it | Net cash provided by (used in) operating activities deducted by capital expenditures.<br><br>Refer to page 31 for a reconciliation of Free Cash Flow to our interim financial statements. |
| Most directly comparable IFRS financial measure: | Net cash provided by (used in) operating activities |

## 2.5. Supplementary Financial and Other Measures

| **Adjusted EBITDA Margin** | |
|---|---|
| How is it useful: | We use Adjusted EBITDA margin to evaluate the performance of our business, as well as when making decisions about the ongoing operations of the business and our ability to generate cash flows. |
| How we calculate it | Adjusted EBITDA divided by revenue. |

| **Net debt to Adjusted EBITDA leverage ratio** | |
|---|---|
| How is it useful: | We use Net debt to Adjusted EBITDA leverage ratio as a measure of our ability to service our debt and other long-term obligations. |
| How we calculate it | Net debt (total borrowings less cash and cash equivalents, net of short-term deposits) divided by Adjusted EBITDA. |

| **New Bookings, Organic New Bookings, Recurring New Bookings and Non-Recurring New Bookings** | |
|---|---|
| How is it useful: | For our Analytics reportable segment, we use New Bookings, Organic New Bookings, Recurring New Bookings and Non-Recurring New Bookings as measures to track the performance and success of our sales initiatives, and as an indicator of future revenue growth.<br><br>New Bookings is inclusive of any new signed contracts as well as any additional solutions and services added by existing customers within our Analytics reportable segment. The contract value of renewals is excluded from this metric with the exception of additional capacity or products purchased at the time of renewal. |
| How we calculate it: | New Bookings: The total of annual contract values for new sales of our recurring solutions and services (software subscriptions, Valuation Management Solutions, and data subscriptions) plus the total of contract values for one-time engagements (consulting, training, and due diligence). The value of contract renewals is excluded from this metric with the exception of additional capacity or products purchased at the time of renewal.<br><br>Organic New Bookings: The total of New Bookings deducted by New Bookings from business acquisitions that are not fully integrated (up to the first anniversary of the acquisition).<br><br>Recurring New Bookings: The total of annual contract values for new sales of our recurring solutions and services.<br><br>Non-Recurring New Bookings: The total of contract values for one-time engagements. |

| Organic Revenue | |
|---|---|
| How is it useful: | We use Organic Revenue to evaluate and assess revenue trends in our business on a comparable basis versus the prior year, and as an indicator of future revenue growth. |
| How we calculate it: | Revenue deducted by revenues from business acquisitions that are not fully integrated (up to the first anniversary of the acquisition). |

| Recurring Revenue, Non-Recurring Revenue, Organic Recurring Revenue | |
|---|---|
| How is it useful: | For our Analytics reportable segment, we use Recurring Revenue, Non-Recurring Revenue, and Organic Recurring Revenue as measures to assess revenue trends in our business, and as an indicator of future revenue growth. |
| How we calculate it: | Recurring Revenue: Revenue from software subscriptions recognized on an over time basis in accordance with IFRS 15, software maintenance revenue associated with our legacy licenses sold on perpetual terms, Valuation Management Solutions, and data subscriptions.<br><br>Non-Recurring Revenue: Revenue deducted by Recurring Revenue.<br><br>Organic Recurring Revenue: Recurring Revenue deducted by Recurring Revenue from business acquisitions that are not fully integrated (up to the first anniversary of the acquisition). |

| Days Sales Outstanding ("DSO") | |
|---|---|
| How is it useful: | We use DSO as a measure of our ability to convert our revenue into cash. |
| How we calculate it: | Five-quarter average balance of net trade receivables and unbilled revenue on customer contracts net of deferred revenue, divided by the trailing 12-month revenues plus any pre acquisition revenues (as applicable), and multiplied by 365 days. |

| ARGUS Enterprise ("AE") Software Maintenance Retention Rate | |
|---|---|
| How is it useful: | For our Analytics reportable segment, we use AE Software Maintenance Retention Rate as a measure to evaluate our success in retaining our AE software customers.<br>With the majority of our AE customer base having now converted from legacy maintenance contracts to subscription contracts this metric is now less relevant and will be updated in the future. |
| How we calculate it: | Percentage of the available AE software maintenance renewal opportunity in a fiscal period that renews, calculated on a dollar basis, excluding any growth in user count or product expansion. |

| Cloud Adoption Rate | |
|---|---|
| How is it useful: | For our Analytics reportable segment, we use Cloud Adoption Rate as a measure of our progress in transitioning the AE user base to our cloud-based platform, a key component of our overall product strategy. |
| How we calculate it: | Percentage of the total AE user base contracted on the ARGUS Cloud platform. |

# 3. Business Overview

## 3.1. About Altus Group

Altus Group (TSX: AIF) is a leading provider of asset and fund intelligence for commercial real estate ("CRE"). We deliver intelligence as a service to our global client base through a connected platform of industry-leading technology, advanced analytics and advisory services.

Trusted by the largest CRE leaders, our capabilities help commercial real estate investors, developers, proprietors, lenders, and advisors manage risk and improve performance throughout the asset and fund lifecycle.

Altus Group is a global company headquartered in Toronto with approximately 2,900 employees across North America, EMEA and Asia Pacific. For more about Altus Group, please visit altusgroup.com.

## 3.2. Understanding our Business

**Valuations are at the core of everything we do**

The value of a commercial property is one of the most important factors for CRE investment, ownership and development. It drives decision making across the CRE value chain – from discovery to acquisition/disposition, development, leasing and planning, property tax and debt management, and portfolio strategy. Our business reaches across the entire value chain through our two business units: Analytics and CRE Consulting.

We apply our expertise in valuations towards various use cases across our business units. The primary use cases include: tax appeals, fund mark-to-market reporting, equity and debt portfolio appraisals, transactions, and development investments. Our business units generate highly differentiated, high quality exhaust data. As we connect this data, we are building out new advanced analytics capabilities that also expand our use cases to performance management. By leveraging our asset and fund intelligence at scale, we can correlate valuations with asset performance attributes to help our clients maximize performance and better manage risk.

Our valuation capabilities, data and expertise are relied on by many CRE professionals in the industry to reduce their risks and maximize returns. In our Analytics business unit, our AE software valuation methodology has been deployed for over 30 years for property cash flow and valuation modelling throughout North America and the U.K., and is taught in over 200 academic institutions worldwide. In collaboration with the National Council of Real Estate Investment Fiduciaries ("NCREIF") our Valuation Management Solutions data forms the benchmark for the Open-End Diversified Core Equity ("ODCE") index, the official institutional real estate performance benchmark in the U.S. In our CRE Consulting business unit, our expertise in valuations is a key differentiator in our ability to maximize successful client outcomes.

**Serving a global and diverse client base**

Our customers include many market participants across the CRE industry. Key customer segments include CRE investors, developers, proprietors, lenders and their advisors. We have the privilege of having long-standing relationships with many of the world's largest CRE leaders and enjoy a strong network effect by leveraging our mission-critical AE software.

Our customers vary in size, focus and complexity. Our go-to-market plans segment customers under two categories to optimize how we serve them: high touch (strategic customers or those who require more hands-on support); and scale (those who are more self-reliant). Our approach also segments customers by geography, by offers that can best solve their unique challenges, and specific client personas. The majority of our revenues come from medium-to-large firms.

**Enhancing client value through our Intelligence as a Service offer portfolio**

With the mounting challenges of increased competition, globalization, regulatory pressures, and ever-changing market dynamics, CRE professionals are looking for objective expert advice and actionable insights to make faster and data-informed decisions. Our end-to-end technology, analytics and advisory services help our clients manage and react to key asset, fund and market events, helping them to improve performance and manage risk.

One of our key competitive differentiators is our unique combination of deep CRE industry expertise and proprietary technology tailored for the CRE industry. Altus Group professionals are not only experts in their practice areas but also in the CRE industry, earning us the reputation as trusted advisors to many of our clients. Our technology and data analytics solutions are trusted by the industry and embedded in key client workflows, with our AE software regarded as a mission critical application for the valuation of commercial assets. This combination of industry and technology expertise enables us to help our clients navigate complex business challenges and gives us a significant advantage compared to single-focus traditional consulting or technology firms.

In 2022, Altus Group initiated the transition from selling individual products and services to a model that combines our technology, analytics and advisory capabilities under offers. Each offer category includes a variety of capabilities for each of our key customer profiles so that our sales professionals can easily identify which offer will drive the greatest impact for their clients' business and help them solve their most critical business problems. Our offers are delivered as intelligence as a service.

Value selling under offers simplifies our customers' experience with us and enables us to serve them better while enhancing our prospects for higher value enterprise contracts that broaden our engagement. Recognizing that customer requirements differ by client type, we sell our offers under three editions: essentials, advanced, and premium:

| | |
|---|---|
| **Essentials**<br>"Do it myself" | • Provides clients with base editions that are self-service and technology led.<br>• Products and services can still be purchased stand-alone. |
| **Advanced**<br>"Show me" | • Combines the essentials edition with added capabilities.<br>• Includes technology with added data, analytics or services. |
| **Premium**<br>"Do it for me" | • Combines the advanced edition with added capabilities.<br>• Includes technology-enabled, expert-led, outcome-based delivery services. |

We have four offer categories that support different critical asset and fund-level challenges:

| Offer category | Offer description | Includes the following legacy solutions and services |
|---|---|---|
| Altus Valuation | An offer for cash flow modelling, valuations and reporting.<br>We help clients produce reliable valuations of assets, investments and loans that are trusted by partners, investors and regulators. | Software products (including ARGUS Enterprise, ARGUS Developer and ARGUS EstateMaster) and Valuation Management Solutions (including ARGUS ValueInsight). |
| Altus Portfolio Performance | An offer to connect asset data, modelling, and analytics to optimize asset and portfolio management.<br>We help clients maximize financial performance across real estate investments by identifying risks, understanding portfolio impacts and finding opportunities to add value throughout their lifecycle. | Software products (including ARGUS Enterprise, ARGUS Developer, ARGUS EstateMaster, ARGUS Taliance, and Fairways Debt), as well as advisory solutions previously sold under the One11 brand and our Development Advisory services. |
| Altus Market Insights | An offer to provide instant access to asset, market and fund-level intelligence.<br>We help clients make faster, informed decisions in key CRE workflows and activities by leveraging market data and predictive analytics. | Data and analytics tools (including Altus Data Studio, Reonomy and StratoDem Analytics), including related advisory services. |
| Altus Property Tax | An offer to reduce property tax liability.<br>We help clients optimize and effectively manage a CRE portfolio's largest operating expense, property taxes. | Our property tax management and appeal services, as well as the itamlink property tax management software. |

Our Intelligence as a Service offer portfolio is powered by our internal Altus Performance Platform ("APP"). The APP delivers a scalable, diverse, and extensible data model designed to support advanced analytics applications. The APP is where we house the most relevant industry asset data, apply that data for performance and risk management use cases, and derive insight and intelligence through advanced analytics. We are transitioning our entire technology stack onto this platform.

**Our reportable segments**

We report the results of our operations through the following reportable segments: (1) Analytics; (2) Property Tax and (3) Appraisals and Development Advisory (rebranded from Valuation and Cost Advisory). Our business units are also supported by a corporate centre that primarily includes our finance, information technology, human resources, marketing, legal, corporate development and communications functions.

| Analytics | |
|---|---|
| Principal activities | • Our Analytics portfolio includes software, data analytics and advisory solutions used primarily to support and facilitate CRE asset valuations for the purpose of performance, development and investment management.<br>• Key offers include: Altus Valuation, Altus Performance and Altus Market Insights |
| Key revenue streams<br>*89% of Q2 2023 Analytics revenue was Recurring Revenue* | • Our key revenue streams comprise software, data analytics, market data, Valuation Management Solutions, and technology consulting services. We help clients gain data-based transparency and digitize their CRE asset and fund management valuation processes to empower better decision-making to maximize valuations, reduce risk, and enhance the value of their CRE investments.<br>○ Our software suite includes ARGUS-branded solutions (including the flagship AE product) and Finance Active-branded debt management solutions. Our software |

| Analytics | |
|---|---|
| | solutions are deployed globally and primarily used to value, manage and increase the transparency of equity and debt CRE portfolios.<br>o Our market data and related data analytics capabilities cover key North American markets and are used to support acquisition, investment, and development decisions.<br>o Our Valuation Management Solutions (formerly referred to as appraisal management), primarily offered in the U.S., include valuation management and advisory services for CRE portfolios and funds with tools for attribution analysis and data-benchmarking.<br>o Our technology consulting services include strategic advisory for front-to-back-office strategies, processes and technology. It also captures traditional software services related to education, training, and implementation.<br>• Approximately 90% of our Analytics revenues are Recurring Revenue. Our Recurring Revenue includes software subscription revenues recognized on an over time basis, market data and data analytics subscription offerings, fees from our Valuation Management Solutions that are supported by multi-year contracts, as well as legacy software maintenance fees (which we continue to upgrade to cloud subscriptions).<br>• Our Non-Recurring Revenue includes services related to technology consulting as well as software education, training, and implementation. Although diminishing in size, for customers who have on-premise software and wish to add more on-premise seats, the software license component of the subscription contract is captured as point-in-time revenue when delivered as required by IFRS, and captured in this revenue. |
| Revenue model | • Our Recurring Revenue streams are sold primarily on subscription contracts supported by cloud-based solutions. Recurring Revenue provides us with a stable and predictable revenue base that we expect the high majority to repeat every year. Our Analytics subscription agreements vary in length between one to five years with the fee primarily dependent on the number of users and applications deployed. Many of our high touch client contracts, particularly for our Valuation Management Solutions, are priced based on the number of real estate assets on our platform and subject to adjustments based on complexity of asset type and frequency of valuations. An asset-based pricing model allows us to grow with our customers, while also enhancing our opportunity to expand the users on our platform and broaden our reach across workflows.<br>• Our Non-Recurring Revenue service engagements are charged primarily on a time and materials basis, billed and recognized as delivered. |
| Key geographies | • Our Analytics solutions are sold globally, primarily targeting our Tier 1 geographies including the U.S., Canada, U.K., France, and Australia (*a geographic revenue split is provided in section 6.2. Operations by Reportable Segment*). |
| Key customer segments | • Our key client segments include high touch and scale clients. The high touch clients include large, global, and strategic firms that account for the majority of our revenues. The scale segment clients predominately include small-to-medium sized businesses.<br>• Our customer base is globally dispersed and diversified by type. Key customers include equity and debt investors, service providers, owner operators and developers. |
| Primary revenue growth drivers | • Our existing customer base continues to represent an attractive opportunity to deepen our engagement with them and cross-sell new capabilities. As we continue to make deeper inroads across our clients' organizations and become more embedded in their workflows, our "land-and-expand" approach allows us to efficiently increase revenue from our existing customer base. Growth within our existing customer base also captures higher-value contracts from multi-solution sales facilitated through offer selling and migration of customers to our cloud-based subscription pricing. Albeit additive, price increases are not a material driver of growth at this stage. |

| Analytics | |
|---|---|
| | • New customers also represent an attractive opportunity, including outside of North America where our market penetration is still modest relative to the opportunity. As we expand our capabilities, we have increased opportunities to capture new customer segments and user types/personas in the industry that we have not served historically. |

| Property Tax | |
|---|---|
| Principal activities | • Our Property Tax portfolio includes expert services and technology for property tax management. Our core offering is conducting property tax assessment reviews for commercial properties of our clients, based on which we selectively pursue appeals with government agencies to minimize our clients' tax liability.<br>• Key offer includes: Altus Property Tax |
| Key revenue streams | • Property tax is influenced by government-assessed asset valuations and often represents the largest operating expense in CRE property ownership after debt service. Additionally, property tax obligations and processes vary significantly between jurisdictions, requiring regional and asset specific expertise. We help clients proactively manage this expense and their complex appeal processes through our technology-enabled expert services and software, striving to help them minimize the tax burden. |
| Revenue model | • Approximately 70% of our revenues are derived on a contingency basis, where we receive a percentage of the savings we achieve for our clients. As such, we recognize contingency revenues only when settlements are made, which in some cases could span multiple years. Approximately 30% of our Property Tax fees are based on a time and materials basis. We also have a growing recurring revenue stream related to the itamlink software from our 2022 acquisition of Rethink Solutions Inc. ("Rethink Solutions"), which we sell on recurring subscription contracts.<br>• Of note, this business has an element of cyclicality in the U.K., its biggest geographic market. Starting in the second year of the national multi-year U.K. cycle, we record annuity billings in the U.K. that occur only in the second quarter beginning in the second year of the national multi-year tax cycle. Unlike the North American practice where we bill a client once for the savings we achieve for them for an entire cycle, we bill our clients in the U.K. annually based on savings for that year. Revenues from the annuity billings generally grow over the cycle as we add more clients and as more cases are settled with the volume of billable clients increasing concurrently with case settlements. |
| Key geographies | • Our Property Tax services are offered in Canada, the U.S. and the U.K. where we are relied on by our clients to help manage their property tax and business rates liabilities. |
| Key customer segments | • Our key client segments include proprietors in the high touch segments in North America (where the property tax obligations are with landlords and owners), and largely property tenants under the scale segment in the U.K. (where the property tax obligation rests predominantly with tenants). |
| Primary revenue growth drivers | • Revenue growth is primarily driven by increasing both the volume and value of our appeal settlement pipeline and our ability to leverage data and automation to scale successful client outcomes. Market share gains drive volume, and value is driven by our expertise and data which allows us to selectively pursue appeals that have a high probability of successful client outcomes. Our ongoing digitization efforts support revenue growth by helping us scale, better identify high-margin opportunities, and increase our sales productivity. |

| Appraisals and Development Advisory | |
|---|---|
| Principal activities | • Our Appraisals and Development Advisory portfolio includes expert services in the areas of commercial property valuation appraisals and commercial development advisory.<br>• Key offers include: Altus Valuation, Altus Performance and Altus Market Insights |
| Key revenue streams | • The Appraisals practice core services include valuation appraisals of real estate portfolios. Additional related services include valuation appraisals of properties for transactional purposes, due diligence and litigation support and economic consulting. The Development Advisory practice provides services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and construction project management. |
| Revenue model | • Pricing is primarily based on a fixed fee or time and materials basis. Many of our Development Advisory contracts are multi-year. |
| Key geographies | • Our Appraisals services are primarily offered in Canada, and our Development Advisory services are primarily offered in Canada and Australia. |
| Key customer segments | • Our key client segments primarily include high touch clients. Our Appraisals customers include institutional CRE clients, whereas our Development Advisory clients include CRE developers, lenders, and government agencies for infrastructure related projects. |
| Primary revenue growth drivers | • Growth is primarily driven by an expansion of market size and by market share gains. |

# 4. Business Strategy

**Market opportunity**

Commercial real estate is one of the largest asset classes in the world yet despite its scale and influence, the CRE industry has historically been slow to digitize. Consequently, CRE asset and fund intelligence remains largely fragmented and behind in comparison to other established industries such as financial services.

This is rapidly changing as the influx of institutional ownership, together with globalization and demographic shifts, demands more sophisticated processes and data-driven transparency. Jobs, functions and workflows are changing and challenging the status quo of how this industry has historically operated. With ever increasing competition, intensifying reporting requirements, and the desire to modernize, the industry is looking for partners to help it innovate, unlock insights, discover new opportunities, and better manage risks and costs.

**Value creation strategy**

Our strategic focus is to deliver actionable asset and fund level intelligence to help our clients improve performance and better manage risk. Our long-term value creation strategy is grounded in this mission.

Our strategic intent is to maximize client value, enhance our foundational capabilities – *organically and through partnerships and acquisitions* – continuously improve our operational effectiveness, and methodically allocate capital to drive profitable growth as measured by Adjusted EBITDA margin expansion, Adjusted EPS growth and optimized Free Cash Flow.

Our growth strategy is focused on: 1) defending, connecting and growing our core business units; 2) extending those business units through carefully selected adjacencies; and 3) reaching into new market segments through advanced analytics-driven capabilities.

To deliver on our mission, effectively and at scale, we are completing our business transformation to operate more efficiently. This includes integrating all aspects of our business – *optimizing our operating model, our go-to-market approach, platform architecture, as well as our front and back-office infrastructure* – to deliver an exceptional experience for our clients and employees. We believe this critical initiative will drive operational excellence, platform economics, and maximize our operating leverage so that we can scale more effectively as we grow.

To meet the evolving needs of our clients and position ourselves for our next phase of growth we are on a journey to deliver comprehensive asset and fund level intelligence through advanced analytics. Our strategy entails connecting high quality asset data and technology with advanced analytics, complemented by our deep industry expertise, to deliver predictive and prescriptive foresight essential to CRE performance. Our future-state predictive and prescriptive models will deliver intelligence at scale, enabling our clients to improve and de-risk their performance by helping them better anticipate opportunities and adapt accordingly.

**Strategic priorities in 2023**

In 2023, our strategic priorities move from business transformation to scaling profitable growth. The following four 2023 strategic priorities will drive the growth and long-term success of Altus Group:

| | |
|---|---|
| 1. Scale Altus Group | Accelerate the expansion of Altus Group by defending and extending our core business units and reaching into new market segments |
| 2. Operate efficiently | Maximize operating leverage through improved efficiencies, prudent expense management and optimized investments |
| 3. Create customer value | Build on and evolve our capabilities to meet client needs for improved performance and better risk management |
| 4. Engage talent | Place best people in the right roles and empower colleagues for greater performance in an inclusive environment |

Our key success measures include revenue growth, continued New Bookings growth, Adjusted EBITDA margin expansion, Adjusted EPS growth, optimized Free Cash Flow and employee retention.

We believe that delivering on these objectives will position Altus Group for sustainable and profitable growth over the long term. It strengthens our foundation to be an efficient, growth-oriented company that delivers exceptional stakeholder value.

# 5. Financial and Operating Highlights

## 5.1. Financial Highlights

| Selected Financial Information | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *In thousands of dollars, except for per share amounts* | **2023** | 2022 | **2023** | 2022 |
| Revenues | $ 205,213 | $ 206,414 | $ 396,037 | $ 373,998 |
| Canada | 24% | 24% | 28% | 27% |
| U.S. | 50% | 39% | 47% | 41% |
| EMEA | 22% | 33% | 21% | 28% |
| Asia Pacific | 4% | 4% | 4% | 4% |
| Adjusted EBITDA* | $ 44,695 | $ 49,743 | $ 71,223 | $ 67,484 |
| Adjusted EBITDA margin* | 21.8% | 24.1% | 18.0% | 18.0% |
| Profit (loss) | $ 11,856 | $ 12,499 | $ 9,443 | $ 1,043 |
| Earnings (loss) per share: | | | | |
| Basic | $0.26 | $0.28 | $0.21 | $0.02 |
| Diluted | $0.26 | $0.28 | $0.21 | $0.02 |
| Adjusted* | $0.53 | $0.77 | $0.86 | $1.04 |
| Dividends declared per share | $0.15 | $0.15 | $0.30 | $0.30 |
| Free Cash Flow* | $ 19,110 | $ 25,777 | $ (15,304) | $ 16,072 |

| | As at June 30, | |
|---|---|---|
| | **2023** | 2022 |
| Funded debt to EBITDA ratio | 2.19:1 | 2.63:1 |
| Net debt to Adjusted EBITDA leverage ratio* | 2.10:1 | 2.37:1 |

# 6. Discussion of Operations

**Three and Six Months Ended June 30, 2023**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | **2023** | 2022 |
| **Revenues** | $ 205,213 | $ 206,414 | $ 396,037 | $ 373,998 |
| **Expenses** | | | | |
| Employee compensation | 121,878 | 118,481 | 245,432 | 235,448 |
| Occupancy | 1,970 | 1,748 | 4,008 | 3,520 |
| Other operating | 45,881 | 45,061 | 91,802 | 81,144 |
| Depreciation of right-of-use assets | 2,871 | 3,060 | 5,782 | 6,264 |
| Depreciation and amortization | 11,885 | 11,978 | 24,346 | 24,257 |
| Acquisition and related transition costs (income) | (153) | 2,421 | 24 | 4,282 |
| Share of (profit) loss of joint venture | (634) | (539) | (1,140) | (1,145) |
| Restructuring costs (recovery) | (757) | 5,494 | 56 | 13,850 |
| (Gain) loss on investments | 87 | 24 | (326) | (142) |
| Finance costs (income), net - leases | 307 | 463 | 678 | 960 |
| Finance costs (income), net - other | 1,130 | 995 | 7,504 | 2,474 |
| **Profit (loss) before income taxes** | 20,748 | 17,228 | 17,871 | 3,086 |
| Income tax expense (recovery) | 8,892 | 4,729 | 8,428 | 2,043 |
| **Profit (loss) for the period** | $ 11,856 | $ 12,499 | $ 9,443 | $ 1,043 |

### Revenues

Revenues were $205.2 million for the three months ended June 30, 2023, down 0.6% (4.1% on a Constant Currency* basis) or $1.2 million ($8.5 million on a Constant Currency basis) from $206.4 million in the same period in 2022. For the six months ended June 30, 2023, revenues were $396.0 million, up 5.9% (2.6% on a Constant Currency* basis) or $22.0 million ($9.7 million on a Constant Currency basis) from $374.0 million in the same period in 2022. Analytics delivered robust double-digit revenue growth, while the Property Tax results reflect the cyclicality of the U.K. annuity billings (which on a year-over-year view were compared to a record prior quarter when the annuity billings peaked). Adjusting for the non-recurring impact of the $33.2 million annuity billings in the prior year, consolidated revenue growth in the second quarter was 18.4% on an as reported basis (14.3% on a Constant Currency basis).

### Employee Compensation

Employee compensation represents amounts pertaining to employee salaries, bonuses, benefits, share-based compensation, and gains or losses on equity derivatives related to our RSUs and DSUs. Employee compensation was $121.9 million for the three months ended June 30, 2023, up 2.9% or $3.4 million from $118.5 million in the same period in 2022. This increase was primarily driven by our investments in Service Delivery, Sales and Customer Success ($4.4 million). For the six months ended June 30, 2023, employee compensation was $245.4 million, up 4.2% or $10.0 million from $235.4 million in the same period in 2022, driven primarily by the same investments in Service Delivery, Sales, and Customer Success ($6.8 million) in addition to headcount additions from the acquisition of Rethink Solutions ($1.0 million), which acquisition closed on May 1, 2022. For the three and six months ended June 30, 2023, employee compensation as a percentage of revenues were 59.4% and 62.0%, as compared to 57.4% and 63.0% in the corresponding periods in 2022, respectively.

### Occupancy

Occupancy represents amounts pertaining to short-term leases, low-value assets, and variable lease payments including property taxes, utilities, and common area maintenance costs. Occupancy was $2.0 million for the three months ended June 30, 2023, up 12.7% or $0.3 million from $1.7 million in the same period in 2022, driven by an increase in property taxes, utilities and outsourced office space ($0.5 million) which was partially offset by lower fixed rent ($0.3 million). For the six months ended June 30, 2023, occupancy was $4.0 million, up 13.9% or $0.5 million from $3.5 million in the same period in 2022, driven by the same movements for property taxes, utilities and outsourced office space costs ($0.6 million) against lower rent ($0.2 million). Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 would have been $4.9 million and $10.0 million for the three and six months ended June 30, 2023, as compared to $4.8 million and $9.7 million in the corresponding periods in 2022, respectively. For the three and six months ended June 30, 2023, occupancy as a percentage of revenues was 1.0% and 1.0%, as compared to 0.8% and 0.9% in the corresponding periods in 2022, respectively. Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 as a percentage of revenues would have been 2.4% and 2.5% for the three and six months ended June 30, 2023, as compared to 2.3% and 2.6% in the corresponding periods in 2022, respectively.

### Other Operating Costs

Other operating costs (previously presented as ‘Office and other operating costs’) represent amounts related to hosting fees, software and data subscriptions, professional fees, travel and entertainment, insurance, office supplies, foreign exchange gains or losses, bad debt expenses, and other service costs. From time to time, it also includes income or costs not classified elsewhere in the statement of comprehensive income (loss). Other operating costs were $45.9 million for the three months ended June 30, 2023, up 1.8% or $0.8 million from $45.1 million in the same period in 2022, which were primarily driven by increased hosting fees, software subscription and maintenance costs ($0.9 million). For the six months ended June 30, 2023, other operating costs were $91.8 million, up 13.1% or $10.7 million from $81.1 million in the same period in 2022, which were primarily due to increased hosting fees, software subscription and maintenance costs ($3.1 million) and investments to support the growth of our Property Tax reportable segment ($2.5 million), in addition to advisory and consulting spend relating to the implementation of our new technology infrastructure systems ($5.5 million). For the three and six months ended June 30, 2023, other operating costs as a percentage of revenues were 22.4% and 23.2%, as compared to 21.8% and 21.7% in the corresponding periods in 2022, respectively.

### Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets represents the depreciation charge of our office and equipment leases that are capitalized as right-of-use assets and was $2.9 million and $5.8 million for the three and six months ended June 30, 2023, as compared to $3.1 million and $6.3 million in the corresponding periods in 2022, respectively. The decrease was primarily due to benefits being realized from our efforts to rationalize our leased office space.

### Depreciation and Amortization

Depreciation and amortization represent the depreciation charge of our property, plant and equipment and amortization charge of our intangible assets, and were $11.9 million and $24.3 million for the three and six months ended June 30, 2023, as compared to $12.0 million and $24.3 million in the corresponding periods in 2022, respectively. Depreciation and amortization remained relatively consistent year-over-year mainly due to the higher amortization of intangible assets related to the acquisition of Rethink Solutions made in the prior year, offset by lower depreciation of our property, plant and equipment.

### Acquisition and Related Transition Costs (Income)

Acquisition and related transition costs (income) represent amounts related to professional fees for due diligence and facilitating the purchase and integration of our acquisitions, and the subsequent changes in the fair value of our acquisition-related contingent consideration payables. Acquisition and related transition costs (income) were $(0.2) million and $nil for the three and six months ended June 30, 2023, as compared to $2.4 million and $4.3 million in the corresponding periods in 2022, respectively. The decrease was primarily due to prior year costs relating to the acquisition of Rethink Solutions and the integrations of previous acquisitions in 2021.

### Share of (Profit) Loss of Joint Venture

Share of (profit) loss of joint venture represents our share of the profits or losses in GeoVerra Inc. (“GeoVerra”) and was $(0.6) million and $(1.1) million for the three and six months ended June 30, 2023, as compared to $(0.5) million and $(1.1) million in the corresponding periods in 2022, respectively.

### Restructuring Costs (Recovery)

Restructuring costs (recovery) represent amounts related to employee termination benefits, lease and other contract terminations, and professional fees to facilitate the reorganization of our functions and structure and the closure of offices. Restructuring costs (recovery) were $(0.8) million and $0.1 million for the three and six months ended June 30, 2023, as compared to $5.5 million and $13.9 million in the corresponding periods in 2022, respectively. For the three months ended June 30, 2023, the decrease in restructuring costs (recovery) related to the realization of gains on sub-leases of leased office space in certain markets ($1.4 million), partially offset by adjustments made to existing estimates for the rationalization of other leased office space ($0.4 million) during the quarter. For the six months ended June 30, 2023, the decrease primarily related to adjustments made to existing estimates for employee benefits ($0.2 million) and leased offices ($0.4 million), partially offset by the realization of gains on sub-leases of leased office space as part of the global restructuring program that was completed at the end of 2022.

### (Gain) Loss on Investments

(Gain) loss on investments represents the changes in the fair value of our investments in partnerships and was $0.1 million and $(0.3) million for the three and six months ended June 30, 2023, as compared to $nil and $(0.1) million in the corresponding periods in 2022, respectively.

### Finance Costs (Income), Net

Finance costs (income), net represents amounts related to interest incurred on our credit facility borrowings, lease liabilities, or long-term payables. It also includes income received from short-term investments and deposits, and gains or losses from changes in fair value of interest rate swaps. Finance costs (income), net for the three months ended June 30, 2023 were $1.4 million, down 1.4% or $0.1 million from $1.5 million in the same period in 2022. For the three months ended June 30, 2023, our finance costs increased from higher interest rates and costs on our bank credit facilities ($2.8 million), but were offset by an increase in the fair value of our interest rate swaps ($2.7 million). For the six months ended June 30, 2023, finance costs (income), net were $8.2 million, up 138.3% or $4.8 million from $3.4 million in the same period in 2022 and were driven by the same increase in interest rates ($6.4 million).

### Income Tax Expense (Recovery)

Income tax expense (recovery) for the three and six months ended June 30, 2023 was $8.9 million and $8.4 million, as compared to $4.7 million and $2.0 million in the corresponding periods in 2022, respectively. A significant amount of our earnings is derived outside of Canada and as a result a change in the mix of earnings and losses in countries with differing statutory tax rates has impacted our effective tax rates for the three and six months ended June 30, 2023.

**Profit (loss)**

Profit (loss) for the three months ended June 30, 2023 was $11.9 million and $0.26 per share, basic and diluted, as compared to $12.5 million and $0.28 per share, basic and diluted, in the same period in 2022. Our profit (loss) for the three months ended June 30, 2023 was impacted by higher income taxes from changes in the mix of our earnings, partially offset by lower costs due to the completion of our 2022 global restructuring program. For the six months ended June 30, 2023, profit (loss) was $9.4 million and $0.21 per share, basic and diluted, as compared to $1.0 million and $0.02 per share, basic and diluted, in the same period in 2022. Profit (loss) for the six months ended June 30, 2023 was, in addition to the above, impacted by stronger revenues, partially offset by higher interest rates on our bank credit facilities.

## 6.1. Revenues and Adjusted EBITDA by Reportable Segment

| **Revenues** | **Three months ended June 30,** | | | | **Six months ended June 30,** | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | % Change | Constant Currency % Change | **2023** | 2022 | % Change | Constant Currency % Change |
| Analytics | $ 99,740 | $ 82,133 | 21.4% | 15.5% | $ 194,385 | $ 162,443 | 19.7% | 13.9% |
| Property Tax | 75,121 | 93,543 | (19.7%) | (22.4%) | 141,805 | 152,011 | (6.7%) | (8.7%) |
| Appraisals and Development Advisory | 30,532 | 30,913 | (1.2%) | (1.0%) | 60,244 | 59,894 | 0.6% | 0.6% |
| Intercompany eliminations | (180) | (175) | (2.9%) | (7.5%) | (397) | (350) | (13.4%) | (15.2%) |
| **Total** | $ 205,213 | $ 206,414 | (0.6%) | (4.1%) | $ 396,037 | $ 373,998 | 5.9% | 2.6% |

| **Adjusted EBITDA** | **Three months ended June 30,** | | | | **Six months ended June 30,** | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | % Change | Constant Currency % Change | **2023** | 2022 | % Change | Constant Currency % Change |
| Analytics | $ 23,772 | $ 13,758 | 72.8% | 59.0% | $ 43,985 | $ 24,989 | 76.0% | 62.1% |
| Property Tax | 28,227 | 42,051 | (32.9%) | (35.3%) | 43,298 | 55,358 | (21.8%) | (23.5%) |
| Appraisals and Development Advisory | 3,339 | 4,508 | (25.9%) | (25.3%) | 6,317 | 7,422 | (14.9%) | (14.4%) |
| Corporate | (10,643) | (10,574) | (0.7%) | 2.5% | (22,377) | (20,285) | (10.3%) | (7.1%) |
| **Total** | $ 44,695 | $ 49,743 | (10.1%) | (15.3%) | $ 71,223 | $ 67,484 | 5.5% | 0.0% |

## 6.2. Operations by Reportable Segment

| Analytics | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months ended June 30, | | | | Six months ended June 30, | | | |
| *In thousands of dollars* | **2023** | 2022 | % Change | Constant Currency % Change | **2023** | 2022 | % Change | Constant Currency % Change |
| Revenues | $ 99,740 | $ 82,133 | 21.4% | 15.5% | $ 194,385 | $ 162,443 | 19.7% | 13.9% |
| Adjusted EBITDA | $ 23,772 | $ 13,758 | 72.8% | 59.0% | $ 43,985 | $ 24,989 | 76.0% | 62.1% |
| Adjusted EBITDA margin | 23.8% | 16.8% | | | 22.6% | 15.4% | | |
| **Other Measures** | | | | | | | | |
| Recurring Revenue* | $ 88,785 | $ 70,912 | 25.2% | 19.0% | $ 174,109 | $ 138,960 | 25.3% | 19.2% |
| New Bookings* | $ 24,610 | $ 23,453 | 4.9% | 0.4% | $ 46,018 | $ 51,502 | (10.6%) | (15.1%) |
| Recurring New Bookings* | $ 18,356 | $ 17,013 | 7.9% | 3.4% | $ 32,420 | $ 36,126 | (10.3%) | (14.6%) |
| Non-Recurring New Bookings* | $ 6,254 | $ 6,440 | (2.9%) | (7.6%) | $ 13,598 | $ 15,376 | (11.6%) | (16.4%) |
| AE Software Maintenance Retention Rate* | 94% | 95% | | | 96% | 95% | | |
| Geographical revenue split | | | | | | | | |
| North America | 76% | 78% | | | 77% | 77% | | |
| International | 24% | 22% | | | 23% | 23% | | |
| Cloud Adoption Rate* (as at end of period) | - | - | | | 70% | 52% | | |

### Revenues

Revenues for the three months ended June 30, 2023 were $99.7 million, up 21.4% (15.5% on a Constant Currency basis) or $17.6 million ($12.8 million on a Constant Currency basis) from $82.1 million in the same period in 2022.

For the six months ended June 30, 2023, revenues were $194.4 million, up 19.7% (13.9% on a Constant Currency basis) or $31.9 million ($22.6 million on a Constant Currency basis) from $162.4 million in the same period in 2022. Our revenue for the six months ended June 30, 2023 is all Organic Revenue.

Revenue growth continues to be driven by strong Recurring Revenue performance, which is where our go-to-market efforts and investments are focused. We had double-digit growth, benefitting from our ongoing transition to cloud subscriptions, new sales, and Valuation Management Solutions asset expansion. Overall, a high percentage of our Recurring Revenue growth continues to be driven by customer expansion, supported by steady new customer additions. Non-Recurring Revenue* declined modestly.

While most of our growth continues to come from North America, we also posted notable growth internationally in Europe and Asia Pacific.

### Recurring Revenue

Recurring Revenue for the three months ended June 30, 2023 was $88.8 million, up 25.2% (19.0% on a Constant Currency basis) or $17.9 million ($13.5 million on a Constant Currency basis) from $70.9 million in the same period in 2022. Sequentially, Recurring Revenue increased 4.1% from $85.3 million in the first quarter of 2023.

For the six months ended June 30, 2023, Recurring Revenue was $174.1 million, up 25.3% (19.2% on a Constant Currency basis) or $35.1 million ($26.7 million on a Constant Currency basis) from $139.0 million in the same period in 2022.

### New Bookings

New Bookings for the three months ended June 30, 2023 were $24.6 million, up 4.9% (0.4% on a Constant Currency basis) or $1.2 million ($0.1 million on a Constant Currency basis) from $23.5 million in the same period in 2022. Recurring New Bookings were up 7.9% (3.4% on a Constant Currency basis) year-over-year, and Non-Recurring New Bookings were down 2.9% (7.6% on a Constant Currency basis) year-over-year for the three months ended June 30, 2023. Sequentially, Recurring New Bookings for the quarter were up 30.5%.

For the six months ended June 30, 2023, New Bookings were $46.0 million, down 10.6% (15.1% on a Constant Currency basis) or $5.5 million ($7.8 million on a Constant Currency basis) from $51.5 million in the same period in 2022. Recurring New Bookings were down 10.3% (14.6% on a Constant Currency basis), and Non-Recurring New Bookings were down 11.6% (16.4% on a Constant Currency basis) for the six months ended June 30, 2023.

### Adjusted EBITDA

Adjusted EBITDA for the three months ended June 30, 2023 was $23.8 million, up 72.8% (59.0% on a Constant Currency basis) or $10.0 million ($8.1 million on a Constant Currency basis) from $13.8 million in the same period in 2022. Adjusted EBITDA margin was 23.8%, up 700 basis points. Adjusted EBITDA growth and margin expansion benefitted from higher revenues, operating efficiencies, ongoing cost optimization efforts, and foreign exchange fluctuations.

For the six months ended June 30, 2023, Adjusted EBITDA was $44.0 million, up 76.0% (62.1% on a Constant Currency basis) or $19.0 million ($15.5 million on a Constant Currency basis) from $25.0 million in the same period in 2022. Adjusted EBITDA margin was 22.6%, up 720 basis points.

| Property Tax | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months ended June 30, | | | | Six months ended June 30, | | | |
| *In thousands of dollars* | **2023** | 2022 | % Change | Constant Currency % Change | **2023** | 2022 | % Change | Constant Currency % Change |
| Revenues | $ 75,121 | $ 93,543 | (19.7%) | (22.4%) | $ 141,805 | $ 152,011 | (6.7%) | (8.7%) |
| Adjusted EBITDA | $ 28,227 | $ 42,051 | (32.9%) | (35.3%) | $ 43,298 | $ 55,358 | (21.8%) | (23.5%) |
| Adjusted EBITDA margin | 37.6% | 45.0% | | | 30.5% | 36.4% | | |

### Revenues

Revenues for the three months ended June 30, 2023 were $75.1 million, down 19.7% (22.4% on a Constant Currency basis) or $18.4 million ($20.9 million on a Constant Currency basis) from $93.5 million in the same period in 2022. We had double-digit growth in the U.S. and Canada, while the U.K. was impacted by the cyclicality of the annuity billings that reset in the quarter. On a comparative view, the second quarter of 2022 was a historic record for the Company, driven by a $33.2 million contribution from the U.K. annuity billings that reset in 2023. Adjusting for the impact of the U.K. annuity billings in 2022, revenues would have grown 24.5% (20.4% on a Constant Currency basis).

For the six months ended June 30, 2023, revenues were $141.8 million, down 6.7% (8.7% on a Constant Currency basis) or $10.2 million ($13.2 million on a Constant Currency basis) from $152.0 million in the same period in 2022.

### Adjusted EBITDA

Adjusted EBITDA for the three months ended June 30, 2023 was $28.2 million, down 32.9% (35.3% on a Constant Currency basis) or $13.9 million ($14.9 million on a Constant Currency basis) from $42.1 million in the same period in 2022. Adjusted EBITDA benefitted from the revenue growth in the U.S. and Canada but was impacted by the absence of the U.K. annuity billings from the previous year.

For the six months ended June 30, 2023, Adjusted EBITDA was $43.3 million, down 21.8% (23.5% on a Constant Currency basis) or $12.1 million ($13.0 million on a Constant Currency basis) from $55.4 million in the same period in 2022.

| Appraisals and Development Advisory | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Three months ended June 30, | | | | Six months ended June 30, | | | |
| *In thousands of dollars* | **2023** | 2022 | % Change | Constant Currency % Change | **2023** | 2022 | % Change | Constant Currency % Change |
| Revenues | $ 30,532 | $ 30,913 | (1.2%) | (1.0%) | $ 60,244 | $ 59,894 | 0.6% | 0.6% |
| Adjusted EBITDA | $ 3,339 | $ 4,508 | (25.9%) | (25.3%) | $ 6,317 | $ 7,422 | (14.9%) | (14.4%) |
| Adjusted EBITDA margin | 10.9% | 14.6% | | | 10.5% | 12.4% | | |

### Revenues

Revenues for the three months ended June 30, 2023 were $30.5 million, down 1.2% (1.0% on a Constant Currency basis) or $0.4 million ($0.3 million on a Constant Currency basis) from $30.9 million in the same period in 2022. Growth from strong performance in Development Advisory was offset by a decline in Appraisals.

For the six months ended June 30, 2023, revenues were $60.2 million, up 0.6% (0.6% on a Constant Currency basis) or $0.4 million ($0.3 million on a Constant Currency basis) from $59.9 million in the same period in 2022.

**Adjusted EBITDA**

Adjusted EBITDA for the three months ended June 30, 2023 was $3.3 million, down 25.9% (25.3% on a Constant Currency basis) or $1.2 million ($1.1 million on a Constant Currency basis) from $4.5 million in the same period in 2022. Adjusted EBITDA declined from lower revenues and increasing expenditures related to compensation and our new technology infrastructure.

For the six months ended June 30, 2023, Adjusted EBITDA was $6.3 million, down 14.9% (14.4% on a Constant Currency basis) or $1.1 million ($1.1 million on a Constant Currency basis) from $7.4 million in the same period in 2022.

## 6.3. Corporate Costs

**Corporate costs**

Corporate costs were $10.6 million for the three months ended June 30, 2023, in line with the same period in 2022. For the six months ended June 30, 2023, corporate costs were $22.4 million, as compared to $20.3 million in the same period in 2022. The increase in corporate costs for the six months ended June 30, 2023 was primarily from higher costs related to organizational and strategic initiatives.

# 7. Business Outlook

*Forecasting future results or trends is inherently difficult for any business and actual results or trends may vary significantly. The discussion of our expectations relating to the business outlook in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading "Forward-Looking Information" beginning on page 1 of this MD&A.*

Altus Group is well positioned in 2023 to sustain year-over-year Constant Currency growth in our consolidated revenue and Adjusted EBITDA. The changes we made to the operating model, cost structures, and client facing architecture in 2022 enables continued momentum to respond to growing demand for advanced analytics and expert services. Our outlook is underpinned by the execution of our go-to-market strategies, the visibility we have into our revenue backlog and continued conversion of customers to the cloud. Our business outlook for 2023 includes double-digit revenue and Adjusted EBITDA growth in Analytics, a decline in Property Tax due to market cyclicality, and single-digit revenue growth in Appraisals and Development Advisory – all on an organic, Constant Currency basis over fiscal year 2022.

We continue to closely monitor leading indicators and the impact of inflation and interest rate increases on our industry and customer activity. Our business continues to be resilient, and we have flexibility to respond to changing client needs and to pursue our business strategy across various economic cycles and market environments. The investments and changes we made in 2022 to enhance our operational effectiveness provide us with sustainable improvements in our cost structure that give us confidence in our ability to successfully navigate a dynamic global business environment.

Beyond 2023, we maintain a positive growth outlook and are poised for continued profitable growth as we maximize revenue opportunities and enhance our operating leverage.

| 2023 outlook by reportable segment | |
|---|---|
| Analytics | • Analytics remains well positioned to deliver double-digit revenue growth and expanded Adjusted EBITDA margins. This is underpinned by a strong Recurring Revenue base and additional New Bookings. We expect that margin expansion will be driven by higher revenues, disciplined expense management and an overall improvement in operating efficiencies.<br>• With 70% of our AE user base contracted on the cloud as at the end of the second quarter, we expect to capture the large majority of users by the end of 2023. |
| Property Tax | • Property Tax revenues and Adjusted EBITDA are expected to be down year-over-year primarily driven by cyclicality of the U.K. tax assessments. The anticipated growth from other markets are not expected to fully offset the impact of the U.K. annuity billings. We will continue to invest in our go-to-market activities to expand our client base and backlog of tax appeals. |
| Appraisals and Development Advisory | • Appraisals and Development Advisory revenue is expected to continue growing in the single-digits. We are pursuing operating efficiencies to improve Adjusted EBITDA performance. |

**The business outlook is presented on an organic Constant Currency basis over fiscal 2022.*

### Seasonality and Cyclicality

Some of our businesses are subject to cyclical trends and seasonality that may impact overall quarterly results.

As is typical for many technology companies, Analytics tends to have a seasonally stronger fourth quarter, and first quarter revenue and Adjusted EBITDA margins of a new year may be sequentially lower than in the fourth quarter of the preceding year (excluding the impact of unusual or nonrecurring items). We believe the strength in the fourth quarter generally reflects customer spending patterns and budget cycles, as well as the impact of incentive compensation plans for our sales personnel. The first quarter of a new year also includes additional expenses, such as payroll taxes, that impact the sequential Adjusted EBITDA margin trend. Also, our Valuation Management Solutions business may experience seasonality around our second and fourth quarters due to clients who conduct bi-annual and annual appraisals.

Property Tax experiences stronger second quarters driven by the annuity billings in the U.K. (as described above and on page 12 of the MD&A), however only starting in the second year of a new U.K. cycle. In the U.S., where market cycles are annual, we also tend to experience higher volumes of settlements in the second and third quarters. Overall, Property Tax tends to experience more quarterly variability due to timing of contingency settlements and other factors, such as the wide-ranging variety of tax cycles across our various jurisdictions (which range from annual to several years). It should also be noted that since a higher portion of our revenues come from contingency contracts, the front-end of a cycle typically requires a ramp-up period in preparation for the appeals. Therefore, it tends to have lower earnings than later in the cycle, when more settlements are made and a high majority of those revenues flow directly to the bottom line.

While these seasonal and cyclical factors have historically been relevant, given the evolution of our businesses through our growth and acquisitions, this pattern should not be considered as a reliable indicator of our future revenue or financial performance. Many other factors, including general economic conditions, may also have an impact on our business and financial results, and are described in our Annual Information Form for the year ended December 31, 2022.

# 8. Liquidity and Capital Resources

| Cash Flow | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | **2023** | 2022 |
| Net cash related to operating activities | $ 21,699 | $ 32,653 | $ (9,283) | $ 25,453 |
| Net cash related to financing activities | (21,434) | 26,176 | 422 | 32,580 |
| Net cash related to investing activities | 758 | (37,103) | (2,674) | (39,732) |
| Effect of foreign currency translation | (809) | (1,446) | (657) | (2,448) |
| Change in cash position during the period | $ 214 | $ 20,280 | $ (12,192) | $ 15,853 |
| Free Cash Flow | $ 19,110 | $ 25,777 | $ (15,304) | $ 16,072 |
| Dividends paid | $ (6,591) | $ 5,847 | $ (13,167) | $ 11,878 |

We expect to fund operations with cash on hand and cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Our liquidity may be affected by a reduction to future cash generated from operating activities, or by a limitation of access to short-term financing and tightening credit markets due to factors such as a significant erosion in the general state of the economy. In 2022, we further amended and expanded our bank credit facilities to continue strengthening our liquidity position. For further details regarding the amendments, refer to the "Cash from Financing Activities" discussion below and Note 11 - Borrowings in the notes to the interim financial statements.

We returned $6.9 million to shareholders in the quarter through quarterly dividends of $0.15 per common share.

## 8.1. Cash from Operating Activities

| Working Capital | | |
|---|---|---|
| *In thousands of dollars* | **June 30, 2023** | December 31, 2022 |
| Current assets | $ 355,966 | $ 319,878 |
| Current liabilities | (223,627) | (239,860) |
| **Working capital** | $ 132,339 | $ 80,018 |

Current assets are composed primarily of cash and cash equivalents and trade receivables and other. It also includes income taxes recoverable and derivative financial instruments for our equity derivatives on RSUs and DSUs. The increase is primarily due to additional contract assets (unbilled revenue on customer contracts) from operations offset by a decrease in our trade receivables.

Current liabilities are composed primarily of trade payables and other, and lease liabilities. It also includes income taxes payable. The decrease is primarily due to a decrease in our restructuring provisions due to the completion of our 2022 global restructuring program and the payment of accrued variable compensation costs, partially offset by an increase in trade payables.

As at June 30, 2023, trade receivables, net and contract assets (unbilled revenue on customer contracts) net of contract liabilities (deferred revenue) were $173.3 million, up 28.5% or $38.4 million from $134.9 million as at December 31, 2022. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue was 22.9% as at June 30, 2023, as compared to 18.3% as at December 31, 2022.

Our DSO* was 69 days as at June 30, 2023, as compared to 62 days as at December 31, 2022. We transitioned to a new enterprise resource planning system in the first quarter of 2023, resulting in anticipated billing and collection delays impacting our DSOs. In addition, we had higher revenues at the end of the second quarter that increased the balance of our contract assets (unbilled revenue on customer contracts).

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, contingent consideration payable, deferred purchase price payments and other closing adjustments. As at June 30, 2023, the amounts owing to the vendors of acquired businesses were $5.7 million, as compared to $7.5 million as at December 31, 2022.

We expect to satisfy the balance of our current liabilities through the realization of our current assets.

**Changes in working capital affecting net cash generated by (used in) operations**

| *In thousands of dollars* | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Net changes in: | | |
| Operating working capital | $ (64,143) | $ 177 |
| Liabilities for cash-settled share-based compensation | (4,083) | (5,303) |
| Deferred consideration payables | (1,706) | (3,384) |
| Contingent consideration payables | - | 3,010 |
| **Net changes** | $ (69,932) | $ (5,500) |

Operating working capital is composed primarily of trade receivables and other, trade payables and other excluding the impacts of liabilities for cash-settled share-based compensation and contingent consideration payables, and income taxes recoverable and payable. The decrease in operating working capital was primarily driven by an increase in our contract assets (unbilled revenue on customer contracts) in combination with a decrease in the balance of our accruals and payments in our restructuring provisions associated with our 2022 global restructuring program.

Liabilities for cash-settled share-based compensation represent awards granted through our Long-Term Incentive Restricted Share Unit Plan, Restricted Share Unit Plan, or Deferred Share Unit Plan, which are to be settled in the future. These liabilities are linked, and therefore exposed, to movements in the price of our common shares. The movement in our liabilities for cash-settled share-based compensation was due to the decrease in the closing price of our common shares from $54.04 per share on December 31, 2022 to $43.93 per share on June 30, 2023 offsetting settlements during the period. For further details regarding liabilities for cash-settled share-based compensation, refer to Note 14 - Share-based Compensation in the notes to the interim financial statements.

From time to time, we become party to deferred or contingent consideration payables which are assumed as part of an acquisition. Deferred consideration payments represent unconditional portions of the purchase consideration of our acquisitions that are payable at a date after the closing date of the related transaction. Contingent consideration payments are generally based on acquired businesses achieving certain future-oriented performance targets from the date of acquisition and may differ from our initial estimates.

## 8.2. Cash from Financing Activities

Our revolving bank credit facilities are unsecured and used for general corporate purposes and the funding of our acquisitions. From time to time, we amend our bank credit facilities to further strengthen our liquidity position. Most recently, on June 28, 2022, we further amended our bank credit facilities to increase our borrowing capacity from $400.0 million to $550.0 million, with certain provisions that allow us to further increase the limit to $650.0 million. The bank credit facilities mature on March 24, 2027, with an additional two-year extension available at our option.

As at June 30, 2023, our total borrowings on our bank credit facilities amounted to $335.8 million, an increase of $16.2 million from December 31, 2022, primarily to support our working capital and operational requirements. In the second quarter we drew a total of $10.2 million on our bank credit facilities, as compared to $44.0 million during the same period in the prior year. We repaid $21.7 million in the quarter, as compared to $6.3 million during the same period in the prior year. We continue to pay down the total outstanding balance with cash flows generated from our operations.

Loans under the bank credit facilities bear interest at a floating rate, based on the Canadian prime rates, Canadian bankers' acceptance rates, U.S. base rates, or SONIA, SOFR, and €STR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian bankers' acceptance and SONIA, SOFR and €STR borrowings depends on a trailing four-quarter calculation of the Funded debt to EBITDA ratio. The weighted average effective rate of interest for the three and six months ended June 30, 2023 on our bank credit facilities was 5.90% and 5.92%, as compared to 2.89% and 2.90% in the corresponding periods in 2022, respectively. To mitigate our exposure to interest rate fluctuations, on April 29, 2022, we entered into interest rate swap agreements for a total notional amount of GBP57.0 million to pay the counterparties a fixed interest rate of 2.07% per annum in exchange for an amount equal to the GBP - SONIA.

In addition, the Company and certain of its subsidiaries, collectively the guarantors, must account for at least 80% of consolidated revenues on a trailing 12-month basis. The bank credit facilities require repayment of the principal at such time as we receive proceeds of insurance, equity or debt issuances, or sale of assets in excess of certain thresholds. Letters of credit are also available on customary terms for bank credit facilities of this nature. Furthermore, we have provided a security interest to the lenders over certain of our assets in connection with the bank credit facilities.

We also have outstanding letters of credit under our bank credit facilities in the total amount of $1.0 million (December 31, 2022 - $1.5 million).

As at June 30, 2023, we were in compliance with the financial covenants and other requirements of our amended bank credit facilities. The financial covenants are summarized below:

| | June 30, 2023 |
|---|---|
| Funded debt to EBITDA (maximum of 4.50:1) | 2.19:1 |
| Interest coverage (minimum of 3.00:1) | 7.73:1 |

Other than long-term debt and letters of credit, we are subject to other contractual obligations, such as leases and amounts owing to the vendors of acquired businesses as discussed above.

| Contractual Obligations [1] | Payments Due by Period (undiscounted) | | | | |
|---|---|---|---|---|---|
| *In thousands of dollars* | Total | Less than 1 year | 1 to 3 years | 4 to 5 years | Over 5 years |
| Bank credit facilities | $ 335,766 | $ - | $ 335,766 | $ - | $ - |
| Lease obligations | 58,599 | 17,092 | 22,270 | 12,484 | 6,753 |
| Deferred consideration payables | 1,733 | 1,733 | - | - | - |
| Contingent consideration payables | 3,200 | 3,000 | 200 | - | - |
| Other liabilities | 168,966 | 127,309 | 24,600 | 3,404 | 13,653 |
| **Total contractual obligations** | $ 568,264 | $ 149,134 | $ 382,836 | $ 15,888 | $ 20,406 |

[1] Contractual obligations exclude aggregate unfunded capital contributions of $4.0 million to certain partnerships as the amount and timing of such payments are uncertain.

## 8.3. Cash from Investing Activities

We invest in property, plant and equipment and intangible assets to support the activities of the business. Capital expenditures for accounting purposes include property, plant and equipment in substance and in form, and intangible assets.

Capital expenditures are reconciled as follows:

| Capital Expenditures | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | **2023** | 2022 |
| Property, plant and equipment additions | $ 1,117 | $ 1,243 | $ 2,673 | $ 2,339 |
| Intangibles additions | 1,472 | 5,633 | 3,348 | 7,042 |
| **Capital expenditures** | $ 2,589 | $ 6,876 | $ 6,021 | $ 9,381 |

We continue to make further investments in 2023 to transform how we operate, collaborate and go-to-market. These incremental investments improve how we engage with our employees and customers and enable us to efficiently and effectively scale as we continue to grow and enhance our productivity metrics. We have upgraded certain of our leased properties to better align with our continued rationalization of office space and have made certain investments to our software applications to better serve our markets.

## 8.4. Free Cash Flow

We proactively manage and optimize our Free Cash Flow available for reinvestment in our business. Free Cash Flow is reconciled as follows:

| **Free Cash Flow** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| *In thousands of dollars* | **2023** | 2022 | **2023** | 2022 |
| Net cash provided by (used in) operating activities | $ 21,699 | $ 32,653 | $ (9,283) | $ 25,453 |
| Less: Capital Expenditures | 2,589 | 6,876 | 6,021 | 9,381 |
| **Free Cash Flow** | $ 19,110 | $ 25,777 | $ (15,304) | $ 16,072 |

We use Free Cash Flow to understand how much of the cash generated from operating activities is available to repay borrowings and to reinvest in the Company.

For the six months ended June 30, 2023, Free Cash Flow reflects the temporarily higher working capital balances which have increased as we ramp the new enterprise resource planning system as described above.

# 9. Reconciliation of Non-GAAP Measures

## 9.1. Reconciliation of Profit (Loss) to Adjusted EBITDA and Adjusted Earnings (Loss)

The following table provides a reconciliation of Profit (Loss) to Adjusted EBITDA and Adjusted Earnings (Loss):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *In thousands of dollars, except for per share amounts* | **2023** | 2022 | **2023** | 2022 |
| **Profit (loss) for the period** | $ 11,856 | $ 12,499 | $ 9,443 | $ 1,043 |
| Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 (1) | (2,979) | (3,037) | (5,981) | (6,220) |
| Depreciation of right-of-use assets | 2,871 | 3,060 | 5,782 | 6,264 |
| Depreciation of property, plant and equipment and amortization of intangibles (7) | 11,885 | 11,978 | 24,346 | 24,257 |
| Acquisition and related transition costs (income) | (153) | 2,421 | 24 | 4,282 |
| Unrealized foreign exchange (gain) loss (2) | 391 | (903) | 826 | (293) |
| Gain (loss) on disposal of right-of-use assets, property, plant and equipment and intangibles (2) | 14 | - | 12 | (13) |
| Share of (profit) loss of joint venture | (634) | (539) | (1,140) | (1,145) |
| Non-cash share-based compensation costs (3) | 4,904 | 5,584 | 10,737 | 10,204 |
| (Gain) loss on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs (3) | 4,243 | 1,780 | 3,671 | 4,221 |
| Restructuring costs (recovery) | (757) | 5,494 | 56 | 13,850 |
| (Gain) loss on investments (4) | 87 | 24 | (326) | (142) |
| Other non-operating and/or non-recurring (income) costs (5) | 2,638 | 5,195 | 7,163 | 5,699 |
| Finance costs (income), net - leases | 307 | 463 | 678 | 960 |
| Finance costs (income), net - other (8) | 1,130 | 995 | 7,504 | 2,474 |
| Income tax expense (recovery) (9) | 8,892 | 4,729 | 8,428 | 2,043 |
| **Adjusted EBITDA** | $ 44,695 | $ 49,743 | $ 71,223 | $ 67,484 |
| Depreciation of property, plant and equipment and amortization of intangibles of non-acquired businesses (7) | (3,799) | (2,404) | (6,789) | (4,251) |
| Finance (costs) income, net - other (8) | (1,130) | (995) | (7,504) | (2,474) |
| (Gain) loss on hedging transactions, including currency forward contracts and interest expense (income) on swaps | (4,172) | (1,504) | (2,964) | (1,504) |
| Interest accretion on contingent consideration payables | - | - | - | 6 |
| Tax effect of adjusted earnings (loss) adjustments (9) | (11,397) | (10,199) | (14,611) | (12,664) |
| **Adjusted earnings (loss)*** | $ 24,197 | $ 34,641 | $ 39,355 | $ 46,597 |
| Weighted average number of shares - basic | 45,361,155 | 44,507,718 | 45,187,697 | 44,339,681 |
| Weighted average number of restricted shares | 486,009 | 626,009 | 524,125 | 653,752 |
| Weighted average number of shares - adjusted | 45,847,164 | 45,133,727 | 45,711,822 | 44,993,433 |
| **Adjusted earnings (loss) per share (6)** | $0.53 | $0.77 | $0.86 | $1.04 |

(1) Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing financial and operating performance.
(2) Included in other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).
(3) Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).
(4) Gain (loss) on investments relates to changes in the fair value of investments in partnerships.
(5) Other non-operating and/or non-recurring income (costs) for the three and six months ended June 30, 2023 relate to legal, advisory, and other consulting costs related to organizational and strategic initiatives. These are included in other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).
(6) Refer to page 4 of this MD&A for the definition of Adjusted EPS.
(7) For the purposes of reconciling to Adjusted Earnings (Loss), the amortization of intangibles of acquired businesses is adjusted from Profit (loss) for the period. Per the quantitative reconciliation above, we have added back depreciation of property, plant and equipment and amortization of intangibles and then deducted the depreciation of property, plant and equipment and amortization of intangibles of non-acquired businesses to arrive at the amortization of intangibles of acquired businesses.
(8) For the purposes of reconciling to Adjusted Earnings (Loss), the interest accretion on contingent consideration payables and (gains) losses on hedging transactions and interest expense (income) on swaps is adjusted from Profit (loss) for the period. Per the quantitative reconciliation above, we have added back finance costs (income), net – other and then deducted finance costs (income), net – other prior to adjusting for interest accretion on contingent consideration payables and (gains) losses on hedging transactions and interest expense (income) on swaps.
(9) For the purposes of reconciling to Adjusted Earnings (Loss), only the tax impacts for the reconciling items noted in the definition of Adjusted Earnings (Loss) is adjusted from Profit (loss) for the period. Please refer to page 3 of this MD&A for the definition of Adjusted Earnings (Loss).

## 9.2. Constant Currency

The following tables provide a summarization of the foreign exchange rates used as presented based on the average monthly rates, and the foreign exchange rates used for Constant Currency for currencies in which we primarily transact in:

| | Three months ended June 30, 2023 | | Six months ended June 30, 2023 | |
|---|---|---|---|---|
| | As presented | For Constant Currency | As presented | For Constant Currency |
| Canadian Dollar | 1.000 | 1.000 | 1.000 | 1.000 |
| United States Dollar | 1.343 | 1.276 | 1.347 | 1.271 |
| Pound Sterling | 1.681 | 1.604 | 1.661 | 1.652 |
| Euro | 1.462 | 1.359 | 1.456 | 1.390 |
| Australian Dollar | 0.897 | 0.912 | 0.911 | 0.914 |

| | Three months ended June 30, 2022 | | Six months ended June 30, 2022 | |
|---|---|---|---|---|
| | As presented | For Constant Currency | As presented | For Constant Currency |
| Canadian Dollar | 1.000 | 1.000 | 1.000 | 1.000 |
| United States Dollar | 1.276 | 1.229 | 1.271 | 1.247 |
| Pound Sterling | 1.604 | 1.716 | 1.652 | 1.731 |
| Euro | 1.359 | 1.480 | 1.390 | 1.503 |
| Australian Dollar | 0.912 | 0.945 | 0.914 | 0.962 |

# 10. Summary of Quarterly Results

| | **2023** | | 2022 | | | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of dollars, except for per share amounts* | **Jun 30** | Mar 31 | Fiscal 2022 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Fiscal 2021 | Dec 31 | Sep 30 |
| **Results of Operations** | | | | | | | | | | |
| Revenues | $ 205,213 | $ 190,824 | $ 735,451 | $ 183,762 | $ 177,691 | $ 206,414 | $ 167,584 | $ 625,387 | $ 162,909 | $ 151,797 |
| Adjusted EBITDA | $ 44,695 | $ 26,528 | $ 135,322 | $ 34,928 | $ 32,910 | $ 49,743 | $ 17,741 | $ 109,755 | $ 25,861 | $ 24,415 |
| Adjusted EBITDA margin | 21.8% | 13.9% | 18.4% | 19.0% | 18.5% | 24.1% | 10.6% | 17.5% | 15.9% | 16.1% |
| Profit (loss) for the period | $ 11,856 | $ (2,413) | $ (889) | $ (8,759) | $ 6,827 | $ 12,499 | $ (11,456) | $ 25,573 | $ 6,890 | $ (295) |
| Basic earnings (loss) per share: | $0.26 | $(0.05) | $(0.02) | $(0.20) | $0.15 | $0.28 | $(0.26) | $0.62 | $0.16 | $(0.01) |
| Diluted earnings (loss) per share: | $0.26 | $(0.05) | $(0.02) | $(0.20) | $0.15 | $0.28 | $(0.26) | $0.60 | $0.15 | $(0.01) |
| Adjusted earnings (loss) per share | $0.53 | $0.33 | $1.89 | $0.44 | $0.42 | $0.77 | $0.27 | $1.90 | $0.42 | $0.39 |
| Weighted average number shares ('000s): | | | | | | | | | | |
| Basic | 45,361 | 45,012 | 44,635 | 44,715 | 44,609 | 44,508 | 44,171 | 41,684 | 43,945 | 41,159 |
| Diluted | 45,816 | 45,012 | 44,635 | 44,715 | 45,382 | 45,179 | 44,171 | 42,899 | 45,269 | 41,159 |

# 11. Share Data

As at August 8, 2023, 45,418,963 common shares were outstanding and are net of 475,655 escrowed shares. These escrowed shares are subject to restrictive covenants and may or may not vest. Accordingly, these shares are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at June 30, 2023, there were 2,297,634 share options outstanding (December 31, 2022 - 2,330,062 share options outstanding) at a weighted average exercise price of $48.10 per share (December 31, 2022 - $45.42 per share) and 852,286 share options were exercisable (December 31, 2022 - 561,324). All share options are exercisable into common shares on a one-for-one basis.

Shareholders who are resident in Canada may elect to automatically reinvest quarterly dividends in additional Altus Group common shares under our Dividend Reinvestment Plan ("DRIP").

Pursuant to the DRIP, and in the case where common shares are issued from treasury, cash dividends will be reinvested in additional Altus Group common shares at the weighted average market price of our common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount, currently set at 4%. In the case where common shares will be purchased on the open market, cash dividends will be reinvested in additional Altus Group common shares at the relevant average market price paid in respect of satisfying this reinvestment plan.

For the three and six months ended June 30, 2023, 5,246 and 9,639 common shares, respectively (2022 - 18,741 and 29,499 common shares, respectively) were issued under the DRIP.

# 12. Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our unaudited interim condensed consolidated balance sheet as at June 30, 2023 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding contract liabilities), income taxes recoverable and payable, investments, borrowings and derivative financial instruments. We do not enter into financial instrument arrangements for speculative purposes.

The fair values of the short-term financial instruments approximate their carrying values. The fair values of borrowings are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of other long-term assets and liabilities, and contingent consideration payables are measured using a discounted cash flow analysis of expected cash flows in future periods. The investments in equity instruments are measured based on valuations of the respective entities. Investments in partnerships are measured in relation to the fair value of assets in the respective partnerships.

The fair value of the liabilities for our RSUs and DSUs as at June 30, 2023 was approximately $18.8 million, based on the published trading price on the TSX for our common shares.

We are exposed to interest rate risk in the event of fluctuations in the Canadian prime rates, Canadian bankers' acceptance rates, U.S. base rates, or SONIA, SOFR, and €STR rates, as the interest rates on the bank credit facilities fluctuate with changes in these rates.

To mitigate our exposure to interest rate fluctuations, we monitor interest rates and consider entering into interest rate swap agreements in connection with our bank credit facilities. On April 29, 2022, we entered into interest rate swap agreements for a total notional amount of GBP57.0 million. The net fair value of this derivative is $10.6 million in our favour.

We are exposed to price risk as the liabilities for cash-settled plans are classified as fair value through profit or loss, and linked to the price of our common shares.

We enter into equity derivatives to manage our exposure to changes in the fair value of RSUs and DSUs, issued under their respective plans, due to changes in the fair value of our common shares. Changes in the fair value of these derivatives are recorded as employee compensation expense and offset the impact of mark-to-market adjustments on the RSUs and DSUs that have been accrued.

As at June 30, 2023, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of $24.0 million. The net fair value of these derivatives is $5.5 million in our favour.

We are exposed to credit risk with respect to our cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of our business, it is often common business practice of our customers to pay invoices over an extended period of time and/or at the completion of the project or on receipt of funds. We assess lifetime expected credit losses for all trade receivables and contract assets for unbilled revenue on customer contracts by grouping customers with shared credit risk characteristics, the days past due, and by incorporating forward-looking information as applicable.

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. We manage liquidity risk through the management of our capital structure and financial leverage. We also manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenues and receipts and the maturity profile of our financial assets and liabilities. Our Board of Directors reviews and approves our operating and capital budgets, as well as any material transactions outside the ordinary course of business, including proposals on mergers, acquisitions or other major investments.

# 13. Contingencies

From time to time, we or our subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the final outcome of such matters, based on all currently available information, we believe that our liabilities, if any, arising from such matters will not have a material adverse effect on our financial position or results of operations and have been adequately provided for in the interim financial statements.

In the ordinary course of business, we are subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions we made in our tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on our financial position or results of operations.

# 14. Changes in Significant Accounting Policies and Estimates

## 14.1. Adoption of Recent Accounting Pronouncements

**Amendments to IAS 8: Definition of Accounting Estimate**

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify the measurement techniques and inputs used to develop accounting estimates.

The new guidance is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. These amendments did not have a material impact on our interim financial statements.

**Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies**

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgments*, to provide guidance in the application of materiality judgments to accounting policy disclosures. These amendments also replaced the requirement for disclosures around ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies.

The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted as long as this fact is disclosed. The amendment did not have a material impact on our interim financial statements.

**Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the IASB issued amendments to IAS 12, *Income Taxes*, to provide clarity to whether certain deductions are attributable for tax purposes to the liability recognized in the interim financial statements or to the related asset component. These amendments also narrow the scope for exemption when recognizing deferred taxes under the initial recognition exemption.

These amendments are effective for annual periods beginning on or after January 1, 2023 and should apply these amendments to transactions that occur on or after the beginning of the earliest comparative period presented. These amendments did not have a material impact on our interim financial statements.

## 14.2. Future Accounting Pronouncements

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date**

In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether we have a right to defer settlement of a liability by at least twelve months;
- require disclosures around the relevant information about the covenants to be complied with in order to have the right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether we will exercise our rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On October 31, 2022, the IASB issued a deferral of the effective date for the new guidance to annual periods beginning on or after January 1, 2024 and is to be applied retrospectively. We have not yet determined the impact of these amendments on our financial statements.

# 15. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

Management has caused such DC&P to be designed under its supervision to provide reasonable assurance that our material information, including material information of our consolidated subsidiaries, is made known to our Chief Executive Officer and our Chief Financial Officer for the period in which the annual and interim filings are prepared. Further, such DC&P are designed to provide reasonable assurance that information we are required to disclose in our annual filings, interim filings or other reports we have filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the applicable securities legislation.

Management has caused such ICFR to be designed under its supervision using the framework established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition. Management has not limited the scope of the design of DC&P and ICFR to exclude controls, policies and procedures of any acquired businesses as at June 30, 2023.

In January 2023, we upgraded certain of our technology infrastructure systems, which included the implementation of new enterprise resource planning, customer relationship management, and contract lifecycle management systems across core business processes. Accordingly, we have modified a number of internal controls. Management is taking actions to monitor and maintain appropriate internal controls during the transition period following the implementation. These include performing additional controls, verifications and testing to ensure data integrity.

There have been no other significant changes in our internal controls over financial reporting that occurred for the quarter ended June 30, 2023, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the interim financial statements as at and for the three and six months ended June 30, 2023.

# 16. Additional Information

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our corporate website at www.altusgroup.com under the Investors tab. Our common shares trade on the TSX under the symbol “AIF”.

# Altus Group Limited

## Interim Condensed Consolidated Financial Statements
## June 30, 2023 and 2022
## (Unaudited)
**(Expressed in Thousands of Canadian Dollars)**

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
## For the Three and Six Months Ended June 30, 2023 and 2022
## (Unaudited)

**(Expressed in Thousands of Canadian Dollars, Except for Per Share Amounts)**

| | Notes | Three months ended June 30 2023 | Three months ended June 30 2022 | Six months ended June 30 2023 | Six months ended June 30 2022 |
|---|---|---|---|---|---|
| **Revenues** | 5 | **$ 205,213** | $ 206,414 | **$ 396,037** | $ 373,998 |
| **Expenses** | | | | | |
| Employee compensation | | **121,878** | 118,481 | **245,432** | 235,448 |
| Occupancy | | **1,970** | 1,748 | **4,008** | 3,520 |
| Other operating | | **45,881** | 45,061 | **91,802** | 81,144 |
| Depreciation of right-of-use assets | | **2,871** | 3,060 | **5,782** | 6,264 |
| Depreciation of property, plant and equipment | | **1,733** | 1,814 | **3,083** | 3,408 |
| Amortization of intangibles | | **10,152** | 10,164 | **21,263** | 20,849 |
| Acquisition and related transition costs (income) | | **(153)** | 2,421 | **24** | 4,282 |
| Share of (profit) loss of joint venture | | **(634)** | (539) | **(1,140)** | (1,145) |
| Restructuring costs (recovery) | 10 | **(757)** | 5,494 | **56** | 13,850 |
| (Gain) loss on investments | | **87** | 24 | **(326)** | (142) |
| Finance costs (income), net - leases | 6 | **307** | 463 | **678** | 960 |
| Finance costs (income), net - other | 6 | **1,130** | 995 | **7,504** | 2,474 |
| **Profit (loss) before income taxes** | | **20,748** | 17,228 | **17,871** | 3,086 |
| Income tax expense (recovery) | 7 | **8,892** | 4,729 | **8,428** | 2,043 |
| **Profit (loss) for the period** | | **$ 11,856** | $ 12,499 | **$ 9,443** | $ 1,043 |
| **Profit (loss) for the period attributable to:** | | | | | |
| Non-controlling interest | | **$ -** | $ (65) | **$ -** | $ (3) |
| Shareholders of the Company | | **$ 11,856** | $ 12,564 | **$ 9,443** | $ 1,046 |
| **Other comprehensive income (loss):** | | | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | | | |
| Currency translation differences | | **(7,894)** | (2,126) | **(4,513)** | (11,480) |
| Items that are not reclassified to profit or loss in subsequent periods: | | | | | |
| Changes in investments measured at fair value through other comprehensive income, net of tax | 9 | **(69)** | (1,508) | **577** | (2,370) |
| **Other comprehensive income (loss), net of tax** | | **(7,963)** | (3,634) | **(3,936)** | (13,850) |
| **Total comprehensive income (loss) for the period, net of tax** | | **$ 3,893** | $ 8,865 | **$ 5,507** | $ (12,807) |
| **Comprehensive income (loss) for the period, net of tax, attributable to:** | | | | | |
| Non-controlling interest | | **$ -** | $ (65) | **$ -** | $ (3) |
| Shareholders of the Company | | **$ 3,893** | $ 8,930 | **$ 5,507** | $ (12,804) |
| | | | | | |
| **Earnings (loss) per share attributable to the shareholders of the Company during the period** | | | | | |
| Basic earnings (loss) per share | 15 | **$0.26** | $0.28 | **$0.21** | $0.02 |
| Diluted earnings (loss) per share | 15 | **$0.26** | $0.28 | **$0.21** | $0.02 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Balance Sheets
## As at June 30, 2023 and December 31, 2022
## (Unaudited)
**(Expressed in Thousands of Canadian Dollars)**

| | Notes | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **$ 43,075** | $ 55,267 |
| Trade receivables and other | 8 | **305,310** | 255,518 |
| Income taxes recoverable | | **6,720** | 7,399 |
| Derivative financial instruments | | **861** | 1,694 |
| **Total current assets** | | **355,966** | 319,878 |
| **Non-current assets** | | | |
| Trade receivables and other | 8 | **12,017** | 6,969 |
| Derivative financial instruments | | **15,216** | 18,519 |
| Investments | 9 | **16,711** | 19,313 |
| Investment in joint venture | | **20,649** | 19,509 |
| Deferred tax assets | | **26,362** | 28,855 |
| Right-of-use assets | | **28,731** | 38,873 |
| Property, plant and equipment | | **20,585** | 21,582 |
| Intangibles | | **271,399** | 292,806 |
| Goodwill | | **492,816** | 497,582 |
| **Total non-current assets** | | **904,486** | 944,008 |
| **Total assets** | | **$ 1,260,452** | $ 1,263,886 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables and other | 10 | **$ 203,367** | $ 222,941 |
| Income taxes payable | | **5,519** | 2,063 |
| Lease liabilities | | **14,741** | 14,856 |
| **Total current liabilities** | | **223,627** | 239,860 |
| **Non-current liabilities** | | | |
| Trade payables and other | 10 | **24,815** | 27,265 |
| Lease liabilities | | **39,392** | 45,459 |
| Borrowings | 11 | **334,411** | 317,828 |
| Deferred tax liabilities | | **29,814** | 33,604 |
| **Total non-current liabilities** | | **428,432** | 424,156 |
| **Total liabilities** | | **652,059** | 664,016 |
| **Shareholders' equity** | | | |
| Share capital | 13 | **767,141** | 747,668 |
| Contributed surplus | | **45,914** | 48,608 |
| Accumulated other comprehensive income (loss) | | **41,697** | 47,165 |
| Retained earnings (deficit) | | **(246,359)** | (243,571) |
| **Total shareholders' equity** | | **608,393** | 599,870 |
| **Total liabilities and shareholders' equity** | | **$ 1,260,452** | $ 1,263,886 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
Commitments and contingencies (Note 18)

# Interim Condensed Consolidated Statements of Changes in Equity
# For the Six Months Ended June 30, 2023 and 2022
# (Unaudited)
## (Expressed in Thousands of Canadian Dollars)

| | Notes | Share Capital | Contributed Surplus | Accumulated Other Comprehensive Income (Loss) | Other Equity | Retained Earnings (Deficit) | Total | Non-controlling Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at January 1, 2022** | | $ 726,325 | $ 42,364 | $ 38,439 | $ (244) | $ (217,406) | $ 589,478 | $ (115) | $ 589,363 |
| Profit (loss) for the period | | - | - | - | - | 1,046 | 1,046 | (3) | 1,043 |
| Other comprehensive income (loss), net of tax: | | | | | | | | | |
| Currency translation differences | | - | - | (11,480) | - | - | (11,480) | - | (11,480) |
| Changes in investments measured at fair value through other comprehensive income | | - | - | (2,370) | - | - | (2,370) | - | (2,370) |
| **Total comprehensive income (loss) for the period** | | - | - | (13,850) | - | 1,046 | (12,804) | (3) | (12,807) |
| Change in fair value of non-controlling interest liability | | - | - | - | 258 | - | 258 | - | 258 |
| Purchase of subsidiary shares from non-controlling interest | | - | - | - | (14) | (104) | (118) | 118 | - |
| Share repurchase commitment under the automatic share purchase plan | | - | (15,000) | - | - | - | (15,000) | - | (15,000) |
| Transactions with owners: | | | | | | | | | |
| Dividends declared | | - | - | - | - | (13,537) | (13,537) | - | (13,537) |
| Share-based compensation | | - | 12,677 | - | - | - | 12,677 | - | 12,677 |
| Dividend Reinvestment Plan | | 1,598 | - | - | - | - | 1,598 | - | 1,598 |
| Shares issued on exercise of options | | 2,541 | (374) | - | - | - | 2,167 | - | 2,167 |
| Shares issued for share-based compensation | | 8,677 | (3,264) | - | - | - | 5,413 | - | 5,413 |
| Treasury shares reserved for share-based compensation | | (10,112) | - | - | - | - | (10,112) | - | (10,112) |
| Cancellation of shares | | (10,099) | - | - | - | - | (10,099) | - | (10,099) |
| Release of treasury shares | | 15,636 | (13,388) | - | - | - | 2,248 | - | 2,248 |
| Gain (loss) on sale of RSs and shares held in escrow | | - | (64) | - | - | - | (64) | - | (64) |
| **Total** | | 8,241 | (19,413) | - | 244 | (13,641) | (24,569) | 118 | (24,451) |
| **As at June 30, 2022** | | $ 734,566 | $ 22,951 | $ 24,589 | $ - | $ (230,001) | $ 552,105 | $ - | $ 552,105 |
| **As at January 1, 2023** | | $ 747,668 | $ 48,608 | $ 47,165 | $ - | $ (243,571) | $ 599,870 | $ - | $ 599,870 |
| Profit (loss) for the period | | - | - | - | - | 9,443 | 9,443 | - | 9,443 |
| Other comprehensive income (loss), net of tax: | | | | | | | | | |
| Currency translation differences | | - | - | (4,513) | - | - | (4,513) | - | (4,513) |
| Changes in investments measured at fair value through other comprehensive income | | - | - | 577 | - | - | 577 | - | 577 |
| **Total comprehensive income (loss) for the period** | | - | - | (3,936) | - | 9,443 | 5,507 | - | 5,507 |
| Transfer of gain on disposal of FVOCI investments | | - | - | (1,532) | - | 1,532 | - | - | - |
| Transactions with owners: | | | | | | | | | |
| Dividends declared | 16 | - | - | - | - | (13,763) | (13,763) | - | (13,763) |
| Share-based compensation | 14 | - | 12,961 | - | - | - | 12,961 | - | 12,961 |
| Dividend Reinvestment Plan | 13 | 528 | - | - | - | - | 528 | - | 528 |
| Shares issued on exercise of options | 13, 14 | 9,450 | (1,428) | - | - | - | 8,022 | - | 8,022 |
| Shares issued for share-based compensation | 13, 14 | 4,931 | (4,931) | - | - | - | - | - | - |
| Treasury shares reserved for share-based compensation | 13, 14 | (5,085) | - | - | - | - | (5,085) | - | (5,085) |
| Release of treasury shares | 13, 14 | 9,666 | (9,296) | - | - | - | 370 | - | 370 |
| Cancellation of shares | 13 | (17) | - | - | - | - | (17) | - | (17) |
| **Total** | | 19,473 | (2,694) | (1,532) | - | (12,231) | 3,016 | - | 3,016 |
| **As at June 30, 2023** | | **$ 767,141** | **$ 45,914** | **$ 41,697** | **$ -** | **$ (246,359)** | **$ 608,393** | **$ -** | **$ 608,393** |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Cash Flows
# For the Six Months Ended June 30, 2023 and 2022
# (Unaudited)

**(Expressed in Thousands of Canadian Dollars)**

| | | Six months ended June 30 | |
|---|---|---|---|
| | Notes | **2023** | **2022** |
| **Cash flows from operating activities** | | | |
| Profit (loss) before income taxes | | **$ 17,871** | $ 3,086 |
| Adjustments for: | | | |
| Depreciation of right-of-use assets | | **5,782** | 6,264 |
| Depreciation of property, plant and equipment | | **3,083** | 3,408 |
| Amortization of intangibles | | **21,263** | 20,849 |
| Finance costs (income), net - leases | 6 | **678** | 960 |
| Finance costs (income), net - other | 6 | **7,504** | 2,474 |
| Share-based compensation | 14 | **12,961** | 12,677 |
| Unrealized foreign exchange (gain) loss | | **826** | (293) |
| (Gain) loss on investments | | **(326)** | (142) |
| (Gain) loss on disposal of right-of-use assets, property, plant and equipment and intangibles | | **12** | (13) |
| (Gain) loss on equity derivatives | | **7,261** | 13,625 |
| Share of (profit) loss of joint venture | | **(1,140)** | (1,145) |
| Impairment of right-of-use assets, net of (gain) loss on sub-leases | 10 | **(611)** | 4,260 |
| Net changes in: | | | |
| Operating working capital | | **(64,143)** | (12,596) |
| Liabilities for cash-settled share-based compensation | | **(4,083)** | (11,909) |
| Deferred consideration payables | | **(1,706)** | (3,642) |
| Contingent consideration payables | | **-** | 3,009 |
| Net cash generated by (used in) operations | | **5,232** | 40,872 |
| Less: interest paid on borrowings | | **(10,039)** | (3,758) |
| Less: interest paid on leases | | **(678)** | (960) |
| Less: income taxes paid | | **(3,798)** | (10,806) |
| Add: income taxes refunded | | **-** | 105 |
| **Net cash provided by (used in) operating activities** | | **(9,283)** | 25,453 |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of options | 13, 14 | **8,022** | 2,167 |
| Financing fees paid | | **(5)** | (1,776) |
| Proceeds from borrowings | 11 | **48,154** | 74,500 |
| Repayment of borrowings | 11 | **(31,233)** | (10,712) |
| Payments of principal on lease liabilities | | **(7,142)** | (7,107) |
| Proceeds from right-of-use asset lease inducements | | **525** | - |
| Dividends paid | 16 | **(13,167)** | (11,878) |
| Treasury shares purchased for share-based compensation | 13, 14 | **(4,715)** | (4,613) |
| Cancellation of shares | | **(17)** | (8,001) |
| **Net cash provided by (used in) financing activities** | | **422** | 32,580 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | 9 | **(152)** | (503) |
| Purchase of intangibles | | **(3,348)** | (7,042) |
| Purchase of property, plant and equipment | | **(2,673)** | (2,339) |
| Proceeds from investments | 9 | **28** | 22 |
| Proceeds from disposal of investments | 9 | **3,471** | - |
| Acquisitions, net of cash acquired | | **-** | (29,870) |
| **Net cash provided by (used in) investing activities** | | **(2,674)** | (39,732) |
| Effect of foreign currency translation | | **(657)** | (2,448) |
| **Net increase (decrease) in cash and cash equivalents** | | **(12,192)** | 15,853 |
| Cash and cash equivalents, beginning of period | | **55,267** | 51,271 |
| **Cash and cash equivalents, end of period** | | **$ 43,075** | $ 67,124 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# 1. Business and Structure

Altus Group Limited (the “Company”) is a leading provider of asset and fund intelligence for commercial real estate. The Company delivers intelligence as a service to its global client base through a connected platform of industry-leading technology, advanced analytics and advisory services. The Company is a global company headquartered in Toronto with approximately 2,900 employees across North America, EMEA and Asia Pacific.

The Company conducts its business through two business units: Analytics and Commercial Real Estate Consulting.

The address of the Company’s registered office is 33 Yonge Street, Suite 500, Toronto, Ontario, Canada. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol AIF and is domiciled in Canada.

“Altus Group” refers to the consolidated operations of the Company.

# 2. Basis of Preparation

These interim condensed consolidated financial statements (“interim financial statements”) as at and for the period ended June 30, 2023 follow the same accounting policies and methods of their application as those used in the Company’s most recent audited annual consolidated financial statements as at and for the year ended December 31, 2022.

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2022.

These interim financial statements were approved by the Board of Directors for issue on August 10, 2023.

# 3. Changes in Significant Accounting Policies and Estimates

**Adoption of Recent Accounting Pronouncements**

***Amendments to IAS 8: Definition of Accounting Estimate***

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify the measurement techniques and inputs used to develop accounting estimates.

The new guidance is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted, and applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. These amendments did not have a material impact on the interim financial statements.

# 3. Changes in Significant Accounting Policies and Estimates, cont'd

***Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies***
In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgments*, to provide guidance in the application of materiality judgments to accounting policy disclosures. These amendments also replaced the requirement for disclosures around 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted as long as this fact is disclosed. The amendment did not have a material impact on the interim financial statements.

***Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***
In May 2021, the IASB issued amendments to IAS 12, *Income Taxes*, to provide clarity to whether certain deductions are attributable for tax purposes to the liability recognized in the financial statements or to the related asset component. These amendments also narrow the scope for exemption when recognizing deferred taxes under the initial recognition exemption.

These amendments are effective for annual periods beginning on or after January 1, 2023 and should apply these amendments to transactions that occur on or after the beginning of the earliest comparative period presented. These amendments did not have a material impact on the interim financial statements.

**Future Accounting Pronouncements**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

***Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date***
In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months;
- require disclosures around the relevant information about the covenants to be complied with in order to have the right to defer settlement of a liability by at least 12 months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On October 31, 2022, the IASB issued a deferral of the effective date for the new guidance to annual periods beginning on or after January 1, 2024, and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its interim financial statements.

# 4. Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. It also requires management to exercise judgment in applying the Company's accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures. Estimates and judgments are continually evaluated and are based on current facts, historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the most recent annual financial statements.

# 5. Segmented Information

The Company's segmentation reflects the way the Chief Executive Officer ("CEO") allocates resources and assesses the performance of operating segments, as well as when making decisions about the ongoing operations of the business and the Company's ability to generate cash flows based on the measures of revenue and Adjusted EBITDA. The CEO considers the business from a core services perspective, which are Analytics and Commercial Real Estate ("CRE") Consulting. The Company reports the results of its operations through reportable segments: (1) Analytics; and under CRE Consulting services, (2) Property Tax and (3) Appraisals and Development Advisory (rebranded from Valuation and Cost Advisory). These reportable segment results include directly attributable items as well as those that can be allocated on a reasonable basis. Corporate and eliminations include the Company's interests in investments and other businesses that are not reportable operating segments, corporate administrative functions, and eliminations of inter-segment revenue and costs.

Adjusted EBITDA represents profit (loss) adjusted for the effects of: profit (loss) from discontinued operations; occupancy costs calculated on a similar basis prior to the adoption of IFRS 16; depreciation of right-of-use assets; depreciation of property, plant and equipment and amortization of intangibles; acquisition and related transition costs (income); unrealized foreign exchange (gains) losses; (gains) losses on disposal of right-of-use assets; property, plant and equipment and intangibles; share of (profit) loss of joint venture; non-cash share-based compensation costs; (gains) losses on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs; (gains) losses on derivatives; restructuring costs (recovery); impairment charges; (gains) losses on investments; other costs or income of a non-operating and/or non-recurring nature; finance costs (income), net - leases; finance costs (income), net - other; and income tax expense (recovery).

# 5. Segmented Information, cont'd

The following table provides a reconciliation between Adjusted EBITDA and profit (loss):

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Profit (loss) for the period** | **$ 11,856** | $ 12,499 | **$ 9,443** | $ 1,043 |
| Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 [1] | **(2,979)** | (3,037) | **(5,981)** | (6,220) |
| Depreciation of right-of-use assets | **2,871** | 3,060 | **5,782** | 6,264 |
| Depreciation of property, plant and equipment and amortization of intangibles | **11,885** | 11,978 | **24,346** | 24,257 |
| Acquisition and related transition costs (income) | **(153)** | 2,421 | **24** | 4,282 |
| Unrealized foreign exchange (gain) loss [2] | **391** | (903) | **826** | (293) |
| (Gain) loss on disposal of right-of-use assets, property, plant and equipment and intangibles [2] | **14** | - | **12** | (13) |
| Share of (profit) loss of joint venture | **(634)** | (539) | **(1,140)** | (1,145) |
| Non-cash share-based compensation costs [3] | **4,904** | 5,584 | **10,737** | 10,204 |
| (Gain) loss on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs [3] | **4,243** | 1,780 | **3,671** | 4,221 |
| Restructuring costs (recovery) | **(757)** | 5,494 | **56** | 13,850 |
| (Gain) loss on investments [4] | **87** | 24 | **(326)** | (142) |
| Other non-operating and/or non-recurring (income) costs [5] | **2,638** | 5,195 | **7,163** | 5,699 |
| Finance costs (income), net - leases | **307** | 463 | **678** | 960 |
| Finance costs (income), net - other | **1,130** | 995 | **7,504** | 2,474 |
| Income tax expense (recovery) | **8,892** | 4,729 | **8,428** | 2,043 |
| **Adjusted EBITDA** | **$ 44,695** | $ 49,743 | **$ 71,223** | $ 67,484 |

(1) Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing financial and operating performance.
(2) Included in other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).
(3) Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).
(4) Gain (loss) on investments relates to changes in the fair value of investments in partnerships.
(5) Other non-operating and/or non-recurring income (costs) for the three and six months ended June 30, 2023 relate to legal, advisory, and other consulting costs related to organizational and strategic initiatives. These are included in other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

# 5. Segmented Information, cont'd

The following summary presents certain financial information regarding the Company's segments:

### Segment Revenues and Expenditures

| | | | | | | Three months ended June 30, 2023 |
|---|---|---|---|---|---|---|
| | Analytics | Commercial Real Estate Consulting | | Corporate [1] | Eliminations | **Total** |
| | | Property Tax | Appraisals and Development Advisory | | | |
| Revenues from external customers | $ 99,560 | $ 75,121 | $ 30,532 | $ - | $ - | **$ 205,213** |
| Inter-segment revenues | 180 | - | - | - | (180) | **-** |
| **Total segment revenues** | 99,740 | 75,121 | 30,532 | - | (180) | **205,213** |
| **Adjusted EBITDA** | 23,772 | 28,227 | 3,339 | (10,643) | - | **44,695** |
| Depreciation of right-of-use assets | 1,187 | 621 | 230 | 833 | - | **2,871** |
| Depreciation of property, plant and equipment and amortization of intangibles | 3,550 | 2,230 | 126 | 5,979 | - | **11,885** |
| Finance costs (income), net - leases | 79 | 100 | 10 | 118 | - | **307** |
| Finance costs (income), net - other | - | - | - | 1,130 | - | **1,130** |
| Income tax expense (recovery) | - | - | - | 8,892 | - | **8,892** |

[1] Corporate includes global corporate office costs, finance costs (income), net - other, and income tax expense (recovery).

| | | | | | | Three months ended June 30, 2022 |
|---|---|---|---|---|---|---|
| | Analytics | Commercial Real Estate Consulting | | Corporate [1] | Eliminations | Total |
| | | Property Tax | Appraisals and Development Advisory | | | |
| Revenues from external customers | $ 81,887 | $ 93,543 | $ 30,984 | $ - | $ - | $ 206,414 |
| Inter-segment revenues | 246 | - | (71) | - | (175) | - |
| **Total segment revenues** | 82,133 | 93,543 | 30,913 | - | (175) | 206,414 |
| **Adjusted EBITDA** | 13,758 | 42,051 | 4,508 | (10,574) | - | 49,743 |
| Depreciation of right-of-use assets | 1,615 | 601 | 595 | 249 | - | 3,060 |
| Depreciation of property, plant and equipment and amortization of intangibles | 7,407 | 3,520 | 398 | 653 | - | 11,978 |
| Finance costs (income), net - leases | 102 | 120 | 99 | 142 | - | 463 |
| Finance costs (income), net - other | - | - | - | 995 | - | 995 |
| Income tax expense (recovery) | - | - | - | 4,729 | - | 4,729 |

[1] Corporate includes global corporate office costs, finance costs (income), net - other, and income tax expense (recovery).

# 5. Segmented Information, cont'd

| | Analytics | Property Tax | Appraisals and Development Advisory | Corporate [1] | Eliminations | **Total** |
|---|---|---|---|---|---|---|
| | | Commercial Real Estate Consulting | | | | **Six months ended June 30, 2023** |
| Revenues from external customers | $ 193,988 | $ 141,805 | $ 60,244 | $ - | $ - | **$ 396,037** |
| Inter-segment revenues | 397 | - | - | - | (397) | **-** |
| **Total segment revenues** | 194,385 | 141,805 | 60,244 | - | (397) | **396,037** |
| **Adjusted EBITDA** | 43,985 | 43,298 | 6,317 | (22,377) | - | **71,223** |
| Depreciation of right-of-use assets | 1,833 | 1,090 | 387 | 2,472 | - | **5,782** |
| Depreciation of property, plant and equipment and amortization of intangibles | 6,933 | 4,234 | 244 | 12,935 | - | **24,346** |
| Finance costs (income), net - leases | 95 | 170 | 18 | 395 | - | **678** |
| Finance costs (income), net - other | - | - | - | 7,504 | - | **7,504** |
| Income tax expense (recovery) | - | - | - | 8,428 | - | **8,428** |

[1] Corporate includes global corporate office costs, finance costs (income), net - other, and income tax expense (recovery).

| | Analytics | Property Tax | Appraisals and Development Advisory | Corporate [1] | Eliminations | Total |
|---|---|---|---|---|---|---|
| | | Commercial Real Estate Consulting | | | | Six months ended June 30, 2022 |
| Revenues from external customers | $ 161,966 | $ 152,011 | $ 60,021 | $ - | $ - | $ 373,998 |
| Inter-segment revenues | 477 | - | (127) | - | (350) | - |
| **Total segment revenues** | 162,443 | 152,011 | 59,894 | - | (350) | 373,998 |
| **Adjusted EBITDA** | 24,989 | 55,358 | 7,422 | (20,285) | - | 67,484 |
| Depreciation of right-of-use assets | 3,345 | 1,231 | 1,209 | 479 | - | 6,264 |
| Depreciation of property, plant and equipment and amortization of intangibles | 15,794 | 6,804 | 791 | 868 | - | 24,257 |
| Finance costs (income), net - leases | 205 | 254 | 205 | 296 | - | 960 |
| Finance costs (income), net - other | - | - | - | 2,474 | - | 2,474 |
| Income tax expense (recovery) | - | - | - | 2,043 | - | 2,043 |

[1] Corporate includes global corporate office costs, finance costs (income), net - other, and income tax expense (recovery).

# 6. Finance Costs (Income), Net

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Interest on bank credit facilities | **$ 5,286** | $ 2,501 | **$ 10,418** | $ 4,031 |
| Interest on lease liabilities | **307** | 463 | **678** | 960 |
| Interest - other | **58** | 22 | **131** | 62 |
| Change in fair value of interest rate swaps | **(4,172)** | (1,504) | **(2,964)** | (1,504) |
| **Finance costs** | **1,479** | 1,482 | **8,263** | 3,549 |
| **Finance income** | **(42)** | (24) | **(81)** | (115) |
| **Finance costs (income), net** | **$ 1,437** | $ 1,458 | **$ 8,182** | $ 3,434 |

# 7. Income Taxes

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Income tax expense (recovery)** | | | | |
| Current | **$ 8,797** | $ 9,443 | **$ 8,072** | $ 6,343 |
| Deferred | **95** | (4,714) | **356** | (4,300) |
| **Income tax expense (recovery)** | **$ 8,892** | $ 4,729 | **$ 8,428** | $ 2,043 |

## 8. Trade Receivables and Other

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Trade receivables | **$** | **181,064** | $ | 188,596 |
| Less: loss allowance provision | | **(17,324)** | | (19,163) |
| Trade receivables, net | | **163,740** | | 169,433 |
| Contract assets: unbilled revenue on customer contracts (1) | | **99,689** | | 56,028 |
| Deferred costs to obtain customer contracts | | **5,773** | | 4,598 |
| Prepayments | | **34,223** | | 23,777 |
| Net investment in sub-leases | | **10,308** | | 5,221 |
| Other receivables | | **3,594** | | 3,430 |
| **Total trade receivables and other** | | **317,327** | | 262,487 |
| Less: non-current portion | | **(12,017)** | | (6,969) |
| **Trade receivables and other - current** | **$** | **305,310** | $ | 255,518 |

(1) As at June 30, 2023, contract assets are stated net of expected credit losses of $1,866 (December 31, 2022 - $1,028).

For the three and six months ended June 30, 2023, amortization associated with deferred costs to obtain customer contracts of $1,336 and $2,173, respectively, was expensed to the interim condensed consolidated statements of comprehensive income (loss) (2022 - $797 and $1,769, respectively). For the three and six months ended June 30, 2023 and 2022, no impairment losses on deferred costs were recognized.

## 9. Investments

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Investments in equity instruments | **$** | **8,951** | $ | 11,856 |
| Investments in partnerships | | **7,760** | | 7,457 |
| **Investments** | **$** | **16,711** | $ | 19,313 |

# 10. Trade Payables and Other

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Trade payables | **$ 20,174** | $ 7,348 |
| Accrued expenses | **94,111** | 117,563 |
| Contract liabilities: deferred revenue | **90,151** | 90,565 |
| Deferred consideration payables | **1,578** | 3,284 |
| Contingent consideration payables | **3,189** | 3,189 |
| Dividends payable (Note 16) | **6,882** | 6,816 |
| Provisions | **12,097** | 21,441 |
| **Total trade payables and other** | **228,182** | 250,206 |
| Less non-current portion: | | |
| Accrued expenses | **16,447** | 20,609 |
| Contract liabilities: deferred revenue | **4,154** | 495 |
| Deferred consideration payables | **-** | 1,543 |
| Contingent consideration payables | **-** | 189 |
| Provisions | **4,214** | 4,429 |
| **Trade payables and other - non-current** | **24,815** | 27,265 |
| **Trade payables and other - current** | **$ 203,367** | $ 222,941 |

### Provisions

| | Restructuring | Other | Total |
|---|---|---|---|
| Balance as at January 1, 2023 | $ 21,235 | $ 206 | $ 21,441 |
| Additional provisions, net of releases | 623 | - | 623 |
| Used during the period | (9,947) | - | (9,947) |
| Unwinding of discount | - | 4 | 4 |
| Exchange differences | (14) | (10) | (24) |
| **Balance as at June 30, 2023** | 11,897 | 200 | 12,097 |
| Less: non-current portion | (4,203) | (11) | (4,214) |
| **Provisions - current** | **$ 7,694** | **$ 189** | **$ 7,883** |

The global restructuring program was completed in 2022, with adjustments to existing estimated restructuring costs to be incurred in and the remaining restructuring provisions relating to employee severance costs to be released in 2023. During the six months ended June 30, 2023, in connection with the global restructuring program completed in 2022, the Company incurred adjustments to existing estimated restructuring costs of $56 of which $(567) related to the net impairment of right-of-use assets and (gain) loss on sub-leases, and the remainder primarily related to onerous lease and employee severance costs.

# 11. Borrowings

| | June 30, 2023 | | December 31, 2022 |
|---|---|---|---|
| Bank credit facilities | **$** | **335,766** | $ 319,584 |
| Less: deferred financing fees | | **(1,355)** | (1,756) |
| **Net borrowings** | **$** | **334,411** | $ 317,828 |

On June 28, 2022, the Company amended its bank credit facilities to further strengthen its liquidity position by increasing the Company's borrowing capacity to $550,000 from $400,000 with certain provisions that allow the Company to further increase the limit to $650,000. The amended bank credit facilities also include an increase to the maximum Funded debt to EBITDA financial covenant ratio from 4.0 to 4.5 with provisions that allow for a short-term increase up to 5.0 following certain business acquisitions, and are secured on certain assets of the Company. The bank credit facilities mature on March 24, 2027, with an additional two-year extension available at the Company's option.

As at June 30, 2023, the Company was in compliance with the financial covenants of the amended bank credit facilities, which are summarized below:

| | June 30, 2023 |
|---|---|
| Funded debt to EBITDA (maximum of 4.50:1) | **2.19:1** |
| Interest coverage (minimum of 3.00:1) | **7.73:1** |

# 12. Non-controlling Interest

On May 3, 2022, the Company purchased the remaining 30% minority interest in Verifino GmbH & Co. KG and settled the non-controlling interest liability for $2,802 in cash. Prior to the transaction, a fair value loss of $258 was recorded through other equity. Upon settlement, the cumulative changes in the fair value of the non-controlling interest liability in other equity and the carrying amount of the non-controlling interest's share of equity were transferred to retained earnings (deficit).

# 13. Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value and rank equally with regard to the Company's residual assets. Holders of these shares are entitled to participate equally in dividends. Common shares issued and outstanding are as follows:

| | Common Shares | |
|---|---|---|
| | Number of Shares | Amount |
| Balance as at January 1, 2023 | 44,869,676 | $ 747,668 |
| Issued on exercise of options (Note 14) | 234,970 | 9,450 |
| Issued under the Dividend Reinvestment Plan | 9,639 | 528 |
| Issued for share-based compensation (Note 14) | 206,206 | 4,931 |
| Treasury shares reserved for share-based compensation (Note 14) | (50,957) | (5,085) |
| Release of treasury shares (Note 14) | 145,505 | 9,666 |
| Cancellation of shares | (278) | (17) |
| **Balance as at June 30, 2023** | **45,414,761** | **$ 767,141** |

As at June 30, 2023, the 45,414,761 common shares (December 31, 2022 - 44,869,676) are net of 475,655 treasury shares (December 31, 2022 - 570,203) with a carrying value of $29,983 (December 31, 2022 - $34,564) that are held in escrow until vesting conditions are met (Note 14).

On February 3, 2022, the Company announced that the TSX had approved the Company's notice of intention to enter into a Normal Course Issuer Bid ("NCIB"), which allowed the Company to purchase up to 1,345,142 common shares for cancellation during the period from February 8, 2022 to February 7, 2023, subject to certain daily limitations.

On February 3, 2023, the TSX approved the renewal of the Company's NCIB, which allows the Company to purchase up to 1,364,718 for cancellation during the period from February 8, 2023 to February 7, 2024, subject to certain daily limitations.

On February 28, 2023, the Company entered into an automatic share purchase plan ("ASPP") with a designated broker for the purpose of permitting the Company to purchase its common shares under the NCIB during self-imposed blackout periods. The volume of purchases is determined by the broker in its sole discretion based on maximum purchase price and volume parameters established by the Company under the ASPP. All purchases made under the ASPP will be included in computing the number of common shares purchased under the NCIB. As at June 30, 2023, there is no obligation to purchase common shares under the ASPP.

The Company has not made any purchases under the renewed NCIB during the three and six months ended June 30, 2023.

# 14. Share-based Compensation

The activity in the Company's share-based compensation plans during the period is as follows:

**(i) Executive Compensation Plan and Long-Term Equity Incentive Plan**

The following is a summary of the Company's share option activity:

Movements in the number of options outstanding and the weighted average exercise price are as follows:

| | Number of Options Outstanding | Weighted Average Exercise Price |
|---|---|---|
| Balance as at January 1, 2023 | 2,330,062 | $45.42 |
| Granted | 247,122 | $59.70 |
| Exercised | (234,970) | $34.14 |
| Forfeited | (44,580) | $45.87 |
| **Balance as at June 30, 2023** | **2,297,634** | **$48.10** |

Information about the Company's share options outstanding and exercisable as at June 30, 2023 is as follows:

| Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Number of Options Exercisable |
|---|---|---|---|
| $25.56 - $26.30 | 126,669 | 0.67 years | 126,669 |
| $31.96 - $37.93 | 89,001 | 1.12 years | 65,558 |
| $43.38 - $50.19 | 1,539,982 | 3.24 years | 563,664 |
| $52.84 - $65.67 | 541,982 | 3.91 years | 96,395 |
| **$48.10** | **2,297,634** | **3.17 years** | **852,286** |

The options granted vest over a period of up to 48 months. The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | 2023 |
|---|---|
| Risk-free interest rate | 3.62% |
| Expected dividend yield | 1.0% |
| Expected volatility | 30.38% - 31.83% |
| Expected option life | 3.00 - 4.50 years |
| Exercise price | $59.70 |
| Weighted average grant-date fair value per option | $14.21 - $16.80 |

# 14. Share-based Compensation, cont'd

The following is a summary of the activity related to common shares held in escrow under the Long-Term Equity Incentive Plan:

| | Number of common shares |
|---|---|
| Balance as at January 1, 2023 | 3,091 |
| Settled | (3,091) |
| **Balance as at June 30, 2023** | **-** |

The Company settled vested PSUs under the Long-Term Equity Incentive Plan through the issuance of common shares:

| | Number of common shares |
|---|---|
| Settled in March 2022 | 310,991 |
| Settled in March 2023 | 206,206 |

The Company granted the following PSUs under the Long-Term Equity Incentive Plan:

| | Number of PSUs |
|---|---|
| Granted in 2022 | 233,898 |
| Granted in 2023 | 126,269 |

**(ii) Long-Term Incentive Restricted Share Plan and Long-Term Incentive Restricted Share Unit Plan**

The following is a summary of the Company's LTIRS Plan activity:

| | Number of LTIRSs |
|---|---|
| Balance as at January 1, 2023 (all unvested) | 26,782 |
| Granted | 13,654 |
| Settled | (2,027) |
| **Balance as at June 30, 2023 (all unvested)** | **38,409** |

In 2023, the Company granted a total value of $1,368 under the LTIRS Plan and purchased 13,654 common shares in the open market.

# 14. Share-based Compensation, cont'd

The following is a summary of the Company's LTIRSU Plan activity:

| | Number of LTIRSUs |
|---|---|
| Balance as at January 1, 2023 (all unvested) | 126,846 |
| Granted | 73,964 |
| Settled | (11,169) |
| Forfeited | (7,007) |
| **Balance as at June 30, 2023 (all unvested)** | **182,634** |

### (iii) Deferred Compensation Plans

The following is a summary of the Company's RS Plan activity:

| | Number of RSs |
|---|---|
| Balance as at January 1, 2023 (all unvested) | 110,881 |
| Granted | 37,303 |
| Settled | (49,113) |
| Forfeited | (134) |
| **Balance as at June 30, 2023 (all unvested)** | **98,937** |

In connection with the 2022 performance year, the Company granted a total value of $3,717 under the RS Plan. In March 2023, the Company purchased 37,303 common shares in the open market.

The following is a summary of the Company's RSU Plan activity:

| | Number of RSUs |
|---|---|
| Balance as at January 1, 2023 (all unvested) | 236,942 |
| Granted | 126,960 |
| Settled | (63,368) |
| Forfeited | (21,677) |
| **Balance as at June 30, 2023 (all unvested)** | **278,857** |

# 14. Share-based Compensation, cont'd

### (iv) Deferred Share Unit Plans

The following is a summary of the Company's DSU Plans activity:

| | Number of DSUs |
|---|---|
| Balance as at January 1, 2023 | 196,860 |
| Granted | 14,672 |
| **Balance as at June 30, 2023** | **211,532** |

### (v) Other Share-Based Awards

The following is a summary of the activity related to common shares held in escrow and subject to continued employment related to the Company's acquisition of Property Tax Assistance Company Inc., Finance Active SAS, StratoDem Analytics, LLC, ArGil Property Tax Services Paralegal Professional Corporation, Scryer, Inc. (d/b/a Reonomy), and Rethink Solutions Inc.:

| | Number of common shares |
|---|---|
| Balance as at January 1, 2023 | 429,448 |
| Settled | (90,862) |
| Forfeited | (278) |
| **Balance as at June 30, 2023** | **338,308** |

### (vi) Compensation Expense by Plan

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Equity Compensation Plan | **$ -** | $ - | **$ -** | $ 85 |
| Long-Term Equity Incentive Plan | **3,284** | 3,144 | **6,954** | 3,375 |
| LTIRS Plan | **291** | 201 | **548** | 391 |
| LTIRSU Plan [1] | **56** | 256 | **541** | 336 |
| RS Plan | **605** | 852 | **1,676** | 2,082 |
| RSU Plan [2] | **(1,061)** | 490 | **885** | (2,029) |
| DSU Plans [3] | **(2,215)** | (281) | **(1,351)** | (3,732) |
| Other share-based awards | **1,620** | 2,440 | **3,783** | 6,744 |

(1) For the three and six months ended June 30, 2023, the Company recorded mark-to-market adjustments of $(631) and $(555), respectively (2022 - $(132) and $(396), respectively).

(2) For the three and six months ended June 30, 2023, the Company recorded mark-to-market adjustments of $(1,836) and $(1,383), respectively (2022 - $(561) and $(4,439), respectively).

(3) For the three and six months ended June 30, 2023, the Company recorded mark-to-market adjustments of $(2,624) and $(2,188), respectively (2022 - $(503) and $(4,346), respectively).

# 14. Share-based Compensation, cont'd

### (vii) Liabilities for Cash-settled Plans [(1)]

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| LTIRSU Plan | **$ 2,241** | $ 2,290 |
| RSU Plan | **7,339** | 10,021 |
| DSU Plans | **9,182** | 10,534 |

(1) The carrying value of the liability related to these plans is recorded in accrued expenses within trade payables and other.

# 15. Earnings (Loss) per Share

For the three and six months ended June 30, 2023, 1,692,049 and 832,864 share options, respectively, 59,578 and 59,421 RSs (including common shares issued in escrow as part of the LTIRS Plan), respectively, and 117,760 and 83,926 PSUs, respectively, were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

For the three and six months ended June 30, 2022, 1,412,951 share options, 74,042 and 73,871 RSs (including common shares issued in escrow as part of the LTIRS Plan), respectively, and 186,041 and 186,057 PSUs, respectively, were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

The following table summarizes the basic and diluted earnings (loss) per share and the basic and diluted weighted average number of common shares outstanding:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Profit (loss) for the period attributable to Shareholders of the Company - basic and diluted | **$ 11,856** | $ 12,564 | **$ 9,443** | $ 1,046 |
| Weighted average number of common shares outstanding - basic | **45,361,155** | 44,507,718 | **45,187,697** | 44,339,681 |
| Dilutive effect of share options | **104,688** | 203,315 | **182,230** | 268,655 |
| Dilutive effect of equity awards and PSUs | **96,117** | 201,011 | **111,815** | 222,316 |
| Dilutive effect of RSs | **253,903** | 267,352 | **325,542** | 368,310 |
| Weighted average number of common shares outstanding - diluted | **45,815,863** | 45,179,396 | **45,807,284** | 45,198,962 |
| Earnings (loss) per share: | | | | |
| Basic | **$0.26** | $0.28 | **$0.21** | $0.02 |
| Diluted | **$0.26** | $0.28 | **$0.21** | $0.02 |

# 16. Dividends Payable

The Company declared a $0.15 dividend per common share to shareholders of record on the last business day of each quarter, and dividends were paid on the 15th day of the month following quarter end. Dividends are declared and paid in Canadian dollars.

# 17. Financial Instruments and Fair Values

The Company's financial instruments consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments), investments in equity instruments, investments in partnerships, derivative financial instruments, trade payables and other (excluding contract liabilities, LTIRSU Plan, RSU Plan and DSU Plan payables, contingent consideration payables, and deferred consideration payables), contingent consideration payables, deferred consideration payables, and borrowings.

**Financial Instruments by Category**

The Company classifies its financial assets as FVPL, FVOCI, or amortized cost. The tables below indicate the carrying values of financial assets and liabilities for each of the following categories:

| | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortized Cost | FVPL | FVOCI | Amortized Cost |
| Assets as per Consolidated Balance Sheets: | | | | | | |
| Cash and cash equivalents | **$ -** | **$ -** | **$ 43,075** | $ - | $ - | $ 55,267 |
| Trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments) | **-** | **-** | **277,331** | - | - | 234,112 |
| Investments in equity instruments | **-** | **8,951** | **-** | - | 11,856 | - |
| Investments in partnerships | **7,760** | **-** | **-** | 7,457 | - | - |
| Derivative financial instruments | **16,077** | **-** | **-** | 20,213 | - | - |
| **Total** | **$ 23,837** | **$ 8,951** | **$ 320,408** | $ 27,670 | $ 11,856 | $ 289,379 |

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | FVPL | Amortized Cost | FVPL | Amortized Cost |
| Liabilities as per Consolidated Balance Sheets: | | | | |
| Trade payables and other (excluding contract liabilities, LTIRSU Plan, RSU Plan and DSU Plans payables, deferred consideration payables, and contingent consideration payables) | **$ -** | **$ 114,502** | $ - | $ 130,323 |
| Lease liabilities | **-** | **54,133** | - | 60,315 |
| Deferred consideration payables | **1,578** | **-** | 3,284 | - |
| Contingent consideration payables | **3,189** | **-** | 3,189 | - |
| Borrowings | **-** | **334,411** | - | 317,828 |
| **Total** | **$ 4,767** | **$ 503,046** | $ 6,473 | $ 508,466 |

# 17. Financial Instruments and Fair Values, cont'd

**Fair Values**

The following tables present the fair value hierarchy under which the Company's financial instruments are valued:

| | | | | | | | | June 30, 2023 |
|---|---|---|---|---|---|---|---|---|
| | | Level 1 | | Level 2 | | Level 3 | | **Total** |
| **Assets:** | | | | | | | | |
| Investments in equity instruments | $ | - | $ | - | $ | 8,951 | **$** | **8,951** |
| Investments in partnerships | | - | | - | | 7,760 | | **7,760** |
| Derivative financial instruments | | - | | 16,077 | | - | | **16,077** |
| **Liabilities:** | | | | | | | | |
| Borrowings | | - | | 335,766 | | - | | **335,766** |
| Deferred consideration payables | | - | | - | | 1,578 | | **1,578** |
| Contingent consideration payables | | - | | - | | 3,189 | | **3,189** |

| | | | | | | | | December 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| | | Level 1 | | Level 2 | | Level 3 | | Total |
| **Assets:** | | | | | | | | |
| Investments in equity instruments | $ | 2,708 | $ | - | $ | 9,148 | $ | 11,856 |
| Investments in partnerships | | | | | | 7,457 | | 7,457 |
| Derivative financial instruments | | - | | 20,213 | | - | | 20,213 |
| **Liabilities:** | | | | | | | | |
| Borrowings | | - | | 319,584 | | - | | 319,584 |
| Deferred consideration payables | | - | | - | | 3,284 | | 3,284 |
| Contingent consideration payables | | - | | - | | 3,189 | | 3,189 |

For the three and six months ended June 30, 2023 and 2022, there were no transfers between the levels in the hierarchy.

On April 29, 2022, the Company entered into interest rate swap agreements for a total notional amount of GBP57,000. The Company is obligated to pay the counterparty to the swap agreements an amount based upon a fixed interest rate of 2.07% per annum, and the counterparty is obligated to pay the Company an amount equal to the GBP - SONIA. These agreements expire on April 13, 2027. These interest rate swaps are not designated as cash flow hedges.

## 17. Financial Instruments and Fair Values, cont'd

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments) due within one year, and trade payables and other (excluding contract liabilities, LTIRSU Plan, RSU Plan and DSU Plans payables, deferred consideration payables, and contingent consideration payables) due within one year, are all short-term in nature and, and as such, their carrying values approximate their fair values. The fair values of non-current trade receivables and other and trade payables and other are estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximate their carrying values.

Derivative financial instruments are recorded in Level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of equity derivatives is calculated based on the movement in the Company's common share price between the initial common share price on the effective date and the reporting date, which are observable inputs. The fair value of currency forward contracts is calculated based on the spread between the currency forward rate and the rate on the reporting date, which are observable inputs, and applied to the notional amount.

The fair value of the bank credit facilities approximates its carrying value, as the instruments bear interest at rates comparable to current market rates. The fair value of deferred consideration payables approximates its carrying value, as the valuation techniques and discount rates applied are comparable to those based on observable market data, where available.

## 18. Commitments and Contingencies

As at June 30, 2023, the Company provided letters of credit of approximately $980 to its lessors (December 31, 2022 - $1,499).

As at June 30, 2023, the Company has committed to aggregate capital contributions of $4,039 (Note 9) to certain partnerships (December 31, 2022 - $3,874).

From time to time, the Company or its subsidiaries are involved in legal proceedings, claims, and litigation in the ordinary course of business with customers, former employees, and other parties. Although it is not possible to determine the final outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from such matters will not have a material adverse effect on the Company's financial position or results of operations and have been adequately provided for in these interim financial statements.

In the ordinary course of business, the Company is subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions made by the Company in its tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on the Company's financial position or results of operations.

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Stock trading symbol: AIF

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