



Altus Group



Q2 2018

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

FOR THE SIX MONTHS ENDED JUNE 30, 2018

Altus Group Limited



Management's Discussion & Analysis June 30, 2018

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Management's Discussion & Analysis

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The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited (the "Company" or "Altus Group"), its business environment, strategies, performance, and outlook and the risks applicable to Altus Group. It should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "financial statements") for the three and six months ended June 30, 2018, 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.

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 MD&A is dated as of August 7, 2018.

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 and operating initiatives, focuses and strategies, our expectations of future performance for our various business units and our consolidated financial results, 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" and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

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 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 were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the 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; no disruptive changes in the technology environment; the opportunity to acquire accretive businesses; the successful integration of acquired businesses; and the 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, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; currency risk; ability to maintain profitability and manage growth; commercial real estate market; competition in the industry; acquisitions; oil and gas sector; ability to attract and retain professionals; information from multiple sources; reliance on larger enterprise transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change and develop products on a timely basis; protection of intellectual property or defending against claims of intellectual property rights



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of others; ability to implement technology strategy and ensure workforce adoption; information technology governance and security, including cyber security; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; weather; legislative and regulatory changes; customer concentration and loss of material clients; interest rate risk; credit risk; income tax matters; revenue and cash flow volatility; health and safety hazards; performance of contractual obligations and client satisfaction; risk of legal proceedings; insurance limits; ability to meet solvency requirements to pay dividends; leverage and financial covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders' interests, as well as those described in our publicly filed documents, including the Annual Information Form for the year ended December 31, 2017 (which are available on SEDAR at www.sedar.com).

Given these risks, uncertainties and other factors, 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.

Adoption of Recent Accounting Pronouncements

We adopted the new accounting standards for revenue recognition and financial instruments effective January 1, 2018. These new standards had a material impact on our consolidated financial statements as at and for the year ended December 31, 2017. Beginning with the first quarter of 2018, our financial results reflect adoption of the standards with prior periods restated accordingly. Refer to Note 2 – Adoption of Recent Accounting Pronouncements in the notes to financial statements for further discussion.

IFRS 15, *Revenue from Contracts with Customers*, impacts the Company if our customers choose to license our on-premise versions rather than licensing hosted versions of ARGUS software solutions. The associated revenue will shift from being recognized over the contract term for the entire contract value to a portion of the contract value being recognized at the time of the transaction and the remainder over the contract term.

IFRS 9, *Financial Instruments*, impacts the accounting for expected credit losses of financial assets, more specifically, trade receivables and contract assets for unbilled revenue on customer contracts. Under IFRS 9, the Company will apply an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. This will result in losses being recognized earlier.

Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial 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



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comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA"), represents profit (loss) before income taxes adjusted for the effects of finance costs (income), amortization of intangibles, depreciation of property, plant and equipment, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged and other costs or income of a non-operating and/or non-recurring nature. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. Refer to page 23 for a reconciliation of Adjusted EBITDA to our financial statements.

Adjusted Earnings (Loss) per Share, ("Adjusted EPS"), represents basic earnings (loss) per share adjusted for the effects of amortization of intangibles acquired as part of business acquisitions, non-cash finance costs (income) related to the revaluation of amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, interest accretion on contingent consideration payables, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature. All of the adjustments are made net of tax. Refer to page 24 for a reconciliation of Adjusted EPS to our financial statements.

Overview of the Business

Altus Group Limited is a leading provider of independent advisory services, software and data solutions to the global commercial real estate ("CRE") industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants.

We have three reporting business segments - Altus Analytics, Commercial Real Estate Consulting ("CRE Consulting") and Geomatics.

Altus Analytics

Altus Analytics provides data, analytics software and technology-related services. Our clients consist of large owners and managers of CRE assets, including public and private investment funds, pension funds, asset managers, real estate investment trusts ("REITs"), corporate investors, developers, brokers, governments and financial institutions.



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Our ARGUS software solutions are among the most recognized in the CRE industry. Our flagship ARGUS Enterprise (“AE”) software is the leading global solution for valuation and portfolio management. It provides the industry valuation standard in the U.S., the U.K. and Australia and enables global portfolio analytical capabilities with multi-currency adaptability. AE’s suite of functionality offers valuation and cash flow analysis, property budgeting and strategic planning, investment and fund structure forecasting, dynamic reporting capabilities, and scenario and risk analysis. The recent acquisition of Taliance allows ARGUS to provide collaborative business solutions to alternative investment firms globally allowing them to improve their modelling, forecasting and risk management processes in real time. Other software products include ARGUS Developer and ARGUS EstateMaster (software for development feasibility analysis), ARGUS on Demand (“AOD”) (a hosted version of AE and ARGUS Developer), and ARGUS Voyanta (a cloud-based data management solution). ARGUS branded products are sold as perpetual licenses, with ongoing maintenance, or on a subscription basis.

In addition to our global software solutions, in the U.S., we offer appraisal management solutions with data and analytics functionality that allows institutional real estate investors to perform quarterly performance reviews, benchmarking and attribution analysis of their portfolios with the use of our proprietary data analytics platforms. This offering is now also available in Europe and Asia. The contractual terms of our appraisal management agreements are generally for three to five year terms and pricing is primarily based on the number of real estate assets on our platform, adjusted for frequency of valuations and complexity. Our appraisal management teams are engaged from time to time to perform due diligence assignments in connection with CRE transactions.

In Canada, Altus Analytics also includes data subscription products, such as RealNet and Altus InSite, which provide comprehensive real estate information on the Canadian residential, office, industrial and investment markets.

A significant portion of Altus Analytics revenues is comprised of recurring revenues. Recurring revenues represent revenues related to software and data subscriptions, maintenance for perpetual licenses and appraisal management solutions, where the contract value for software subscriptions is recognized ratably over the contract term. Consistent with recurring revenues disclosed in prior years, this depicts the economics of our renewable contracts.

Expert Services

Expert Services consists of CRE Consulting and Geomatics.

Commercial Real Estate Consulting

CRE Consulting services - Property Tax, and Valuation and Cost Advisory services - span the life cycle of commercial real estate - feasibility, development, acquisition, management and disposition. With offices in Canada, the U.S. and the U.K., our team of Property Tax professionals help clients minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, management and appeals, as well as in the U.S., personal property and state and local tax advisory services. Valuation services, which are predominantly provided in Canada, consist of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting. Our Cost practice, offered in both the private and public sectors in North America and Asia Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Given the strength of our brand, our independence and quality of



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our work, we enjoy a high rate of client renewals across all of our service lines. Pricing for our services is based on a fixed fee or time and materials fee basis, and for a significant number of projects in Property Tax, on a contingency basis.

Geomatics

Geomatics is the practice of recording and managing spatially referenced information, including land surveying, geographic information systems, global positioning systems and light detection and ranging. Our services, performed by highly qualified certified professionals, include land surveys and mapping for setting of property boundaries, route and corridor selection, land settlement, construction developments, and oil field and well-sites. Our competitive advantages include the depth of our team's experience and specialized training, our strong track record of safety, the timeliness and quality of our work, and our geographic strength in Western Canada. Our services are primarily charged on a time and materials fee basis.

Strategy

Our key competitive strengths in the marketplace are comprised of our independence, our industry expertise, the breadth and diversity of our offerings, our differentiated data and software solutions, and our growing global scale. Our independence, which has earned us a reputation for unbiased and objective advice, remains an important factor in winning competitive bids, attracting strategic partnerships and offering industry-standard data and software solutions that are trusted by many market participants. We empower our clients through our expert services, data, analytical tools and software solutions, to make better informed decisions and maximize the value of their real estate investments.

We continue to see long-term industry growth prospects supported by favourable market trends driven by greater institutional global investments in CRE. CRE owners are managing increasingly complex global portfolios, and investors and regulators are demanding greater transparency to better understand and analyze risks, returns and opportunities. Our platform offerings serve these growing requirements as they provide industry standard solutions on a global basis.

We are developing a focused and integrated business model which scales our expert services, data, analytics and software capabilities on a global basis, and our independent and technology-enabled real estate consulting services is a critical enabler of value for our clients.

We now have over 40,000 expert services clients and over 6,000 software clients globally and tens of thousands of users. We also have strategic relationships with the largest, global CRE clients and are supporting their efforts to have common visibility, strong governance and investment knowledge on their diverse portfolios. We are organizing our business to leverage our enhanced capabilities across our full suite of software, data and expert services. We see significant expansion potential from globalization, new functionality and cloud solutions and the monetization of data across all of our products. With the strong client base of our expert services, we will continue to differentiate our offering with software and data to drive productivity for our consultants, repurpose data for productivity and aggregate data for insights and eventual monetization.



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Strategic Initiatives

1. Globalization

There is significant upside opportunity for Altus Analytics software products and services globally.

Top global firms are requiring greater insights and transparency into the performance of their CRE portfolios. Both the right technology and expert knowledge are key enablers of timely information and decisions. Our appraisal management solutions with data and analytics functionality are already a standard in the U.S. The Altus Analytics advisory team enjoys strategic relationships with the ODECE funds and over 80 of the top 100 real estate owners / investment managers in the U.S. In Canada where there is a significant number of important global players and large real estate owners we have significant market share. These relationships give us broad credentials and are a gateway for our Expert Services and Altus Analytics offerings. We plan to leverage our existing base in Luxembourg to expand our offering of these solutions across Europe. We have signed agreements with several of the largest global real estate companies to support them with Altus Analytics advisory services in continental Europe.

AE which provides global portfolio analytical capabilities with multi-currency adaptability is quickly being adopted as a solution that provides consistent visibility and data normalcy to the complex world of real estate investment. It has enjoyed strong success in the marketplace with over 3,500 AE clients and over 600 AOD clients. It has been established as the standard in North America and is in the full upgrade cycle towards becoming the standard in the U.K. with increasingly strong adoption across EMEA and Australia/Asia. Our goal is to position AE as a global standard within our Top 200 client base, and thereby continue to create a network effect throughout the industry, by increasing our sales and marketing efforts in new markets with a road map of local functionality that expands the use of AE in target markets. Our Top 200 clients are among the world's largest CRE investors, many are planning projects to deploy AE globally. We have developed support programs and partnerships to help our clients more efficiently and effectively deploy globally.

We are achieving a critical mass in every market building on our privileged position in North America. With 70 offices around the world, we are one of the leading providers of services, software and data to the global CRE markets. In the U.K., our acquisition of CVS (Commercial Valuers & Surveyors) Limited ("CVS") in our Property Tax business takes our headcount across all business units to over 2,500 employees. Our acquisition of EstateMaster Group Holdings Pty Limited ("EstateMaster") compliments our strong market position in Australia so we have critical mass and a technology client base of over 1,000 clients and the acquisition of Taliance adds a customer base of alternative investment firms and allows us to expand our position in Europe and the fund management segment of the market globally.

i. New Functionality and Cloud Solutions

We are extending our Altus Analytics advisory solutions to a wider managed service offering targeting the Top 100 global investment firms. The new service provides data aggregation and reporting, asset and portfolio management and fund and investment management. This solution will involve existing technologies such as ARGUS Voyanta, AE, Taliance, external partner capabilities, and our internal expert services. We will continue to offer and extend our application



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solutions on the AE platform including budgeting, sensitivity analysis and other capabilities. With AE, we will also ensure that we build further capability that allows the broad use of AE throughout an organization.

We have increased investment spending in our development teams and will continue to add resources as we modernize the current AE platform and develop new cloud-based applications. The early phases of our cloud strategy consist of first developing new applications that will be cloud-based but synchronize with the AE on-premise solutions and AOD product through application programming interfaces (API) and portal functionality. We believe these applications will bring new users to the AE environment. The web applications will be sold separately on a SaaS basis and should generate incremental sales to existing customers as well as bring new customers to the AE platform. We believe that as a result of cloud products and geographic expansion, as discussed above, it is our intention to extend our AE customer base from approximately 3,500 today to 8,500 in future years.

ii. Data Products

Our leading Expert Services and Altus Analytics offerings, including AE in the cloud, collect valuable and detailed CRE industry data. This provides us with a unique long-term opportunity to re-purpose and eventually monetize this data to drive differentiation, launch new products and strengthen our recurring revenue streams. We have been laying the groundwork for this opportunity by developing technology that captures and organizes the data that we collect across each of our businesses and through partnerships. In the long term, this infrastructure will enable us to better integrate our current products, to pursue more data-sharing partnerships, and to leverage the data to develop new applications and data-driven products. Our goal is to use this infrastructure and capabilities to ultimately launch new products globally.

2. Scale Global Property Tax to Market Prominence

Our Property Tax practice continues to represent an attractive growth area for our Company. With the recent acquisition of CVS, we have more than doubled our market share in the U.K. as measured by volume of appeals. Despite this increase, we believe we can still drive significantly more share through organic growth with continued sales and marketing efforts as well as through additional 'tuck-in' opportunities. In the U.S., the market remains fragmented. Our strategy is to continue to pursue acquisition opportunities as well as to invest for organic growth. We are focused on new client acquisition strategies as well as leveraging current client databases within Altus Analytics. A key strategic initiative currently underway which will provide market differentiation is the new tax platform tailored for North America. This platform will leverage our proprietary database, improve internal efficiencies and drive client value.

3. Enhance the Value Proposition of our Expert Services Through Data and Technology

We enjoy a long legacy of being a leading expert services provider in the fields in which we operate, including Property Tax, Valuation and Cost Advisory and Geomatics services. In order to enhance the value of our market leadership, we will continue to invest in these businesses with the use of data and technology. As an example, in addition to the tax platform discussed above, we are currently implementing ARGUS EstateMaster within our Australian and Canadian Cost practices. Similar



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initiatives are underway in our Valuation practice. These initiatives will have the benefit of enhancing our Expert Services capabilities, enable productivity for our consultants and will contribute data for future opportunities.



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Financial and Operating Highlights

Selected Financial Information	Three months ended June 30,		Six months ended June 30,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
<i>In thousands of dollars, except for per share amounts</i>				
Revenues	\$ 134,218	\$ 127,880	\$ 258,908	\$ 237,173
Canada	39%	43%	42%	46%
U.S.	34%	40%	34%	38%
Europe	21%	11%	18%	10%
Asia Pacific	6%	6%	6%	6%
Adjusted EBITDA	\$ 23,771	\$ 24,017	\$ 39,279	\$ 37,386
Adjusted EBITDA margin	17.7%	18.8%	15.2%	15.8%
Profit (loss)	\$ 330	\$ 104,927	\$ (1,997)	\$ 105,478
Earnings (loss) per share:				
Basic	\$0.01	\$2.75	\$(0.05)	\$2.80
Diluted	\$0.01	\$2.72	\$(0.05)	\$2.76
Adjusted	\$0.40	\$0.40	\$0.63	\$0.62
Dividends declared per share	\$0.15	\$0.15	\$0.30	\$0.30

⁽¹⁾ Restated for the impact of IFRS 15.

Financial Highlights

- Revenues** were \$134.2 million for the three months ended June 30, 2018, up 5.0% or \$6.3 million from \$127.9 million in the same period in 2017. For the six months ended June 30, 2018, revenues were \$258.9 million, up 9.2% or \$21.7 million from \$237.2 million in the same period in 2017. Acquisitions contributed 5.5% and 5.2% to revenues for the quarter and year-to-date, respectively, while organic growth contributed (0.5%) and 4.0%, respectively. Exchange rate movements against the Canadian dollar impacted revenues by (1.5%) and (1.2%) for the quarter and year-to-date, respectively. The revenue growth in the quarter was led by our global Property Tax practices in our CRE Consulting segment, offset partly by a downturn in our Geomatics business. Our Property Tax practice was up 13.4% as we experienced strong organic and acquisitive growth in the U.K. Altus Analytics grew by 3.9% on a constant currency basis. Our Valuation and Cost Advisory practices had healthy growth on the strength of our global Cost practices and Geomatics revenues declined by 12.0% for the quarter due to weaker oil and gas drilling activity.
- Adjusted EBITDA** was \$23.8 million for the three months ended June 30, 2018, down 1.0% or \$0.2 million from \$24.0 million in the same period in 2017. For the six months ended June 30, 2018, Adjusted EBITDA was \$39.3 million, up 5.1% or \$1.9 million from \$37.4 million in the same period in 2017. Exchange rate movements against the Canadian dollar impacted Adjusted EBITDA by (3.0%) and (3.1%), respectively. Earnings held steady in the quarter, despite currency headwinds and a tough compare for our Altus Analytics business.
- Profit (loss)** for the three months ended June 30, 2018 was \$0.3 million, down 99.7% or \$104.6 million from \$104.9 million in the same period in 2017. For the six months ended June 30, 2018, profit (loss) was \$(2.0) million, down 101.9% or \$107.5 million from \$105.5 million in the same period in 2017. In addition to the impacts on Adjusted EBITDA as discussed above, there were employee compensation expenses and amortization of intangibles from recent acquisitions, in addition to a gain on a partial



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deemed disposition and re-measurement of our retained interest in Real Matters Inc. ("Real Matters") that did not reoccur in 2018, offset by a decrease in income tax expense.

- For the three months ended June 30, 2018, earnings (loss) per share was \$0.01, basic and diluted, as compared to \$2.75, basic and \$2.72, diluted, in the same period in 2017. For the six months ended June 30, 2018, earnings (loss) per share was \$(0.05), basic and diluted, as compared to \$2.80, basic and \$2.76, diluted, in the same period in 2017. In Q2 of 2017, we benefitted from a gain of \$115.7 million on a partial deemed disposition and re-measurement of our retained interest in Real Matters that did not reoccur in 2018. As a result, our earnings (loss) per share, basic and diluted, declined as compared to the corresponding periods in 2017.
- For the three months ended June 30, 2018, Adjusted EPS was \$0.40, in line with the same period in 2017. For the six months ended June 30, 2018, Adjusted EPS was \$0.63, up 1.6% from \$0.62 in the same period in 2017.
- We returned \$5.9 million to shareholders in the quarter through quarterly dividends of \$0.15 per common share.
- As at June 30, 2018, our bank debt was \$189.2 million, representing a funded debt to EBITDA leverage ratio of 2.28 times (compared to 1.84 times as at December 31, 2017). As at June 30, 2018, cash on hand was \$48.0 million (compared to \$28.1 million as at December 31, 2017). Our bank debt and cash on hand included \$27.9 million of funds drawn in anticipation of the acquisition of Taliance which closed on July 1.

Operating Highlights

Acquisition of New Market Real Estate Group, LLC

On January 1, 2018, we acquired certain operating assets of New Market Real Estate Group, LLC ("New Market") for \$1.0 million in common shares. Based in Maryland and founded in 2001, New Market offers a full range of real estate services throughout the United States including real estate research, valuation, acquisition, investment analysis and counseling services.

Acquisition of Aspect Property Consultants LLP

On February 14, 2018, we acquired certain operating assets of Aspect Property Consultants LLP ("Aspect") for £3.0 million (CAD\$5.2 million) in cash, common shares and contingent consideration, subject to working capital adjustments, with an upward adjustment to the purchase price of £2.0 million (CAD\$3.5 million) provided for in the purchase agreement. As consideration for these assets, we paid cash of £1.8 million (CAD\$3.1 million) and common shares of £0.6 million (CAD\$1.1 million) and we estimated contingent consideration of £1.9 million (CAD\$3.3 million). The purchase agreement provides for maximum contingent consideration of £2.6 million, subject to certain performance targets being achieved over a two-year period from the closing date. With offices located in London, Heathrow and Basingstoke, U.K. and founded in 2009, Aspect is a commercial property consultancy firm specializing in the South East business space market with a particular focus on the West London warehouse market.



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Restructuring Activities

In Q1 of 2018, we undertook restructuring activities in Geomatics to reduce costs as we continue to closely monitor market conditions. This restructuring plan was completed in Q1 of 2018. In connection with these restructuring activities, a total of \$(0.1) million and \$2.9 million in restructuring costs were recorded in the quarter and year-to-date, respectively. These charges relate primarily to employee severance costs and onerous leases.

In Q2 of 2018, we undertook restructuring activities in our Property Tax practice as a result of our integration efforts in the U.K. following the acquisition of CVS. Completion of this restructuring plan is expected to be in Q3 of 2018. In connection with these restructuring activities, a total of \$3.9 million in restructuring costs were recorded in the quarter. These charges relate primarily to employee severance costs and onerous leases.

Operating Highlights – Subsequent Events

On July 1, 2018, we acquired all the issued and outstanding shares of Taliance Group SAS and its subsidiaries (“Taliance”) for €20.0 million (CAD\$30.7 million) in cash and common shares, subject to closing adjustments. On closing, €2.2 million (CAD\$3.3 million) of common shares were issued from treasury and the remainder of the purchase price was drawn from the revolving term facility.

Taliance provides cloud-based collaborative business solutions to alternative investment firms globally allowing them to improve their modelling, forecasting and risk management processes in real time. Based in Paris, Taliance also has offices in London and New York. The addition of Taliance, which can be deployed and integrated with ARGUS Enterprise, allows us to expand our position in Europe and to deliver software solutions with a comprehensive investment management capability that provides flexibility and transparency to manage the most complex investment structures and scenarios. Taliance also provides a foundation for growth in the fund management segment of the market globally.



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Discussion of Operations

Three and Six Months Ended June 30, 2018

<i>In thousands of dollars, except for per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues	\$ 134,218	\$ 127,880	\$ 258,908	\$ 237,173
Expenses				
Employee compensation	83,412	77,621	165,521	148,983
Occupancy	5,244	5,051	10,651	10,068
Office and other operating	24,827	23,186	47,450	44,105
Depreciation and amortization	12,681	8,896	25,225	17,074
Acquisition and related transition costs (income)	1,339	574	2,073	868
Share of (profit) loss of associates	-	1,288	-	2,420
Restructuring costs	3,789	3,563	6,642	4,558
(Gain) loss on investments	46	(115,671)	(39)	(115,179)
Finance costs (income), net	1,690	650	3,118	1,898
Profit (loss) before income taxes	1,190	122,722	(1,733)	122,378
Income tax expense (recovery)	860	17,795	264	16,900
Profit (loss) for the period	\$ 330	\$ 104,927	\$ (1,997)	\$ 105,478

⁽¹⁾ Restated for the impact of IFRS 15.

Revenues

Revenues were \$134.2 million for the three months ended June 30, 2018, up 5.0% or \$6.3 million from \$127.9 million in the same period in 2017. For the six months ended June 30, 2018, revenues were \$258.9 million, up 9.2% or \$21.7 million from \$237.2 million in the same period in 2017. For the three and six months ended June 30, 2018, exchange rate movements against the Canadian dollar impacted revenues by (1.5%) and (1.2%), respectively. The increase in revenues in the quarter was driven by organic and acquisitive growth in our U.K. Property Tax business. Our Altus Analytics business held steady despite currency headwinds and a tough compare to prior year. Our Geomatics business continued to be negatively impacted by lower activity levels in the oil and gas sector.

Employee Compensation

Employee compensation was \$83.4 million for the three months ended June 30, 2018, up 7.5% or \$5.8 million from \$77.6 million in the same period in 2017. For the six months ended June 30, 2018, employee compensation was \$165.5 million, up 11.1% or \$16.5 million from \$149.0 million in the same period in 2017. For the three and six months ended June 30, 2018, the increase in compensation was mainly due to acquisitions, primarily CVS and EstateMaster, and headcount additions mostly to support product development within Altus Analytics. As a partial offset to the increases, there was a decline in employee compensation at Geomatics, due to reduced activity levels and headcount reductions. For the three and six months ended June 30, 2018, employee compensation as a percentage of revenues was 62.1% and 63.9%, as compared to 60.7% and 62.8% in the corresponding periods in 2017, respectively.



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Occupancy

Occupancy was \$5.2 million for the three months ended June 30, 2018, up 3.8% or \$0.1 million from \$5.1 million in the same period in 2017. For the six months ended June 30, 2018, occupancy was \$10.7 million up 5.8% or \$0.6 million from \$10.1 million in the same period in 2017. For the three and six months ended June 30, 2018, occupancy costs increased as a result of the CVS acquisition. For the three and six months ended June 30, 2018, occupancy as a percentage of revenues was 3.9% and 4.1%, as compared to 3.9% and 4.2% in the corresponding periods in 2017, respectively.

Office and Other Operating Costs

Office and other operating costs were \$24.8 million for the three months ended June 30, 2018, up 7.1% or \$1.6 million from \$23.2 million in the same period in 2017. For the six months ended June 30, 2018, office and other operating costs were \$47.5 million up 7.6% or \$3.4 million from \$44.1 million in the same period in 2017. For the three and six months ended June 30, 2018, the increase was from acquisitions. For the three and six months ended June 30, 2018, office and other operating costs as a percentage of revenues was 18.5% and 18.3%, as compared to 18.1% and 18.6% in the corresponding periods in 2017, respectively.

Depreciation and Amortization

Depreciation and amortization was \$12.7 million and \$25.2 million for the three and six months ended June 30, 2018, as compared to \$8.9 million and \$17.1 million in the corresponding periods in 2017, respectively. For the three and six months ended June 30, 2018, the increase in depreciation and amortization was due to amortization of intangibles acquired on recent acquisitions.

Acquisition and Related Transition Costs (Income)

Acquisition and related transition costs (income) was \$1.3 million and \$2.1 million for the three and six months ended June 30, 2018, as compared to \$0.6 million and \$0.9 million in the corresponding periods in 2017, respectively. For the three and six months ended June 30, 2018, expenses were primarily related to New Market, Aspect, CVS and Taliance.

Share of (Profit) Loss of Associates and (Gain) Loss on Investments

Share of (profit) loss of associates was \$Nil for the three and six months ended June 30, 2018, as compared to \$1.3 million and \$2.4 million in the corresponding periods in 2017, respectively. In 2017, the amount represents our proportionate share in the loss as well as an amortization charge on acquired intangibles for Real Matters; however, it is not applicable after its initial public offering in Q2 of 2017. (Gain) loss on investments was \$0.05 million and \$(0.04) million for the three and six months ended June 30, 2018, as compared to \$(115.7) million and \$(115.2) million in the corresponding periods in 2017, respectively. In 2017, the amount represents the net gain on a partial deemed disposition and re-measurement of our retained interest in Real Matters, as compared to revaluations of our investments in partnerships in 2018.

Restructuring Costs

In Q1 of 2018, we undertook restructuring activities in Geomatics to reduce costs as we continue to closely monitor market conditions. This restructuring plan was completed in Q1 of 2018. In connection with these restructuring activities, a total of \$(0.1) million and \$2.9 million in restructuring costs were recorded for the three and six months ended June 30, 2018, respectively. These charges relate primarily to employee severance costs and onerous leases.



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In Q2 of 2018, we undertook restructuring activities in our Property Tax practice as a result of our integration efforts in the U.K. Completion of this restructuring plan is expected to be in Q3 of 2018. In connection with these restructuring activities, a total of \$3.9 million in restructuring costs were recorded in the quarter. These charges relate primarily to employee severance costs and onerous leases.

In addition, in Q1 of 2018, restructuring provisions made in prior years in the amount of \$0.2 million were released and credited to profit (loss).

Finance Costs (Income), Net

In thousands of dollars	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Interest on borrowings	\$ 1,536	\$ 1,199	28.1%	\$ 2,904	\$ 2,394	21.3%
Unwinding of discount	178	24	641.7%	338	48	604.2%
Change in fair value of amounts payable to U.K. unitholders, net of change in fair value of related equity derivatives	-	-	-	-	32	(100.0%)
Change in fair value of interest rate swaps (not designated as cash flow hedges)	31	(520)	(106.0%)	(14)	(510)	(97.3%)
Other	(55)	(53)	3.8%	(110)	(66)	66.7%
Finance costs (income), net	\$ 1,690	\$ 650	160.0%	\$ 3,118	\$ 1,898	64.3%

Finance costs (income), net for the three months ended June 30, 2018 was \$1.7 million, up 160.0% or \$1.0 million from \$0.7 million in the same period in 2017. For the six months ended June 30, 2018, finance costs (income), net was \$3.1 million, up 64.3% or \$1.2 million from \$1.9 million in the same period in 2017. Our finance costs increased due to higher borrowings for acquisitions.

Income Tax Expense (Recovery)

Income tax expense (recovery) for the three and six months ended June 30, 2018 was \$0.9 million and \$0.3 million, as compared to \$17.8 million and \$16.9 million in the corresponding periods in 2017, 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 have impacted our effective tax rates for the three and six months ended June 30, 2018.

Profit (Loss)

Profit (loss) for the three months ended June 30, 2018 was \$0.3 million and \$0.01 per share, basic and diluted, as compared to \$104.9 million and \$2.75 per share, basic and \$2.72 per share, diluted, in the same period in 2017. For the six months ended June 30, 2018, profit (loss) was \$(2.0) million and \$(0.05) per share, basic and diluted, as compared to \$105.5 million and \$2.80 per share, basic and \$2.76 per share, diluted, in the same period in 2017.



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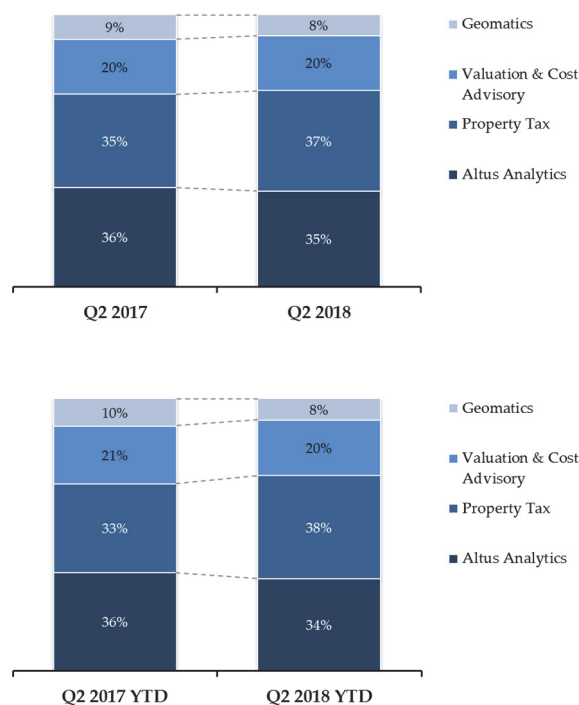
Revenues and Adjusted EBITDA by Business Unit

Revenues	Three months ended June 30,			Six months ended June 30,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
<i>In thousands of dollars</i>						
Altus Analytics	\$ 46,972	\$ 46,497	1.0%	\$ 87,508	\$ 85,767	2.0%
Expert Services:						
Commercial Real Estate Consulting	77,062	69,824	10.4%	150,930	127,550	18.3%
Geomatics	10,367	11,775	(12.0%)	20,813	24,367	(14.6%)
Intercompany eliminations	(183)	(216)	(15.3%)	(343)	(511)	(32.9%)
Total	\$ 134,218	\$ 127,880	5.0%	\$ 258,908	\$ 237,173	9.2%

Adjusted EBITDA	Three months ended June 30,			Six months ended June 30,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
<i>In thousands of dollars</i>						
Altus Analytics	\$ 12,870	\$ 15,496	(16.9%)	\$ 21,100	\$ 28,247	(25.3%)
Expert Services:						
Commercial Real Estate Consulting	19,128	18,398	4.0%	34,796	25,508	36.4%
Geomatics	859	726	18.3%	909	1,972	(53.9%)
Corporate	(9,086)	(10,603)	(14.3%)	(17,526)	(18,341)	(4.4%)
Total	\$ 23,771	\$ 24,017	(1.0%)	\$ 39,279	\$ 37,386	5.1%

⁽¹⁾ Restated for the impact of IFRS 15.

Revenue Contribution for the Quarter and Year-to-Date ⁽¹⁾:



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Altus Analytics

<i>In thousands of dollars</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues	\$ 46,972	\$ 46,497	1.0%	\$ 87,508	\$ 85,767	2.0%
Adjusted EBITDA	\$ 12,870	\$ 15,496	(16.9%)	\$ 21,100	\$ 28,247	(25.3%)
Adjusted EBITDA Margin	27.4%	33.3%		24.1%	32.9%	

⁽¹⁾ Restated for the impact of IFRS 15.

Quarterly Discussion

Revenues were \$47.0 million for the three months ended June 30, 2018, up 1.0% or \$0.5 million from \$46.5 million in the same period in 2017. Revenue growth would have been 3.9% if the impact from foreign exchange movements was excluded. ARGUS product software revenues were flat for the quarter as compared to the second quarter of 2017, during which we saw historical high sales of AE, significantly impacted by conversions due to the end of DCF support. Due diligence assignments were lower in the quarter impacting revenues. Recurring revenues, as described above in the Overview of the Business, were \$32.6 million for the three months ended June 30, 2018, up 6.1% or \$1.9 million from \$30.7 million in the same period in 2017. Movements in the exchange rate against the Canadian dollar impacted revenues by (2.9%).

Adjusted EBITDA was \$12.9 million for the three months ended June 30, 2018, down 16.9% or \$2.6 million from \$15.5 million in the same period in 2017. Changes in foreign exchange impacted Adjusted EBITDA by (3.9%). Adjusted EBITDA decreased because of higher expenses as we made significant incremental investments for ARGUS product development activities.

Year-to-Date Discussion

Revenues were \$87.5 million for the six months ended June 30, 2018, up 2.0% or \$1.7 million from \$85.8 million in the same period in 2017. Revenue growth would have been 4.8% if the impact from foreign exchange movements was excluded. On a constant currency basis, revenue growth for the six months ended June 30, 2018 was driven by higher revenues from ARGUS software sales, Altus Data Solutions subscriptions and appraisal management, partly offset by lower revenues from due diligence assignments. Recurring revenues, as described above in the Overview of the Business, were \$62.2 million for the six months ended June 30, 2018, up 3.7% or \$2.3 million from \$59.9 million in the same period in 2017. Movements in the exchange rate against the Canadian dollar impacted revenues by (2.8%).

Adjusted EBITDA was \$21.1 million for the six months ended June 30, 2018, down 25.3% or \$7.1 million from \$28.2 million in the same period in 2017. Changes in foreign exchange impacted Adjusted EBITDA by (4.2%). Adjusted EBITDA decreased because of higher expenses as we made significant incremental investments for ARGUS product development activities.

Outlook

We expect to continue to benefit from growing global demand and favorable trends to increase use of technology and data in the CRE marketplace. Our product offerings stand to serve the growing needs from professional asset and investment managers for data, analytic tools and software solutions that help them make more timely and informed decisions.



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In 2018, we expect our software revenues to be driven primarily by growth in new customer sales, especially in Europe and Asia, and additional license sales for new users and of new modules to our existing customer base of AE, ARGUS Developer and ARGUS EstateMaster as the use and adoption of our solutions become more entrenched. In addition, the recent acquisition of Taliance is expected to enhance our value proposition to investment management firms while contributing to revenue growth. We also expect continued growth in our existing cloud solutions, AOD and Voyanta, as clients trend toward cloud-based technologies. As well in 2018, we expect to see the launch of our first web application along with a cloud platform enabling further applications. We have been investing significantly in new technology and will continue to do so in order to sustain our long-term growth objectives.

We are targeting new customers in appraisal management and advisory services and see a growing opportunity for new engagements in international markets as we continue to work with the large global firms.

Given the current exchange rate environment, we expect foreign exchange tailwinds in the second half of 2018.

Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues						
Property Tax	\$ 50,059	\$ 44,127	13.4%	\$ 98,678	\$ 77,339	27.6%
Valuation and Cost Advisory	27,003	25,697	5.1%	52,252	50,211	4.1%
Revenues	\$ 77,062	\$ 69,824	10.4%	\$ 150,930	\$ 127,550	18.3%
Adjusted EBITDA						
Property Tax	\$ 15,418	\$ 15,706	(1.8%)	\$ 28,491	\$ 19,927	43.0%
Valuation and Cost Advisory	3,710	2,692	37.8%	6,305	5,581	13.0%
Adjusted EBITDA	\$ 19,128	\$ 18,398	4.0%	\$ 34,796	\$ 25,508	36.4%
Adjusted EBITDA Margin	24.8%	26.3%		23.1%	20.0%	

⁽¹⁾ Restated for the impact of IFRS 15.

Quarterly Discussion

Revenues were \$77.1 million for the three months ended June 30, 2018, up 10.4% or \$7.3 million from \$69.8 million in the same period in 2017. The growth in revenues was driven by our Property Tax business. Property Tax revenues increased by 13.4%, primarily due to strong organic and acquisitive growth from our U.K. Property Tax practice. Exchange rate fluctuations impacted Property Tax revenues by (0.8%). Our Valuation and Cost Advisory revenues increased by 5.1% on stronger performance from our global Cost Advisory practice, where we experienced growth in both Canada and Australia. Changes in exchange rates impacted CRE Consulting revenues by (0.7%).

Adjusted EBITDA was \$19.1 million for the three months ended June 30, 2018, up 4.0% or \$0.7 million from \$18.4 million in the same period in 2017, largely driven by an increase in earnings from our Valuation and Cost Advisory business. Changes in exchange rates impacted CRE Consulting Adjusted EBITDA by (0.6%).



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Year-to-Date Discussion

Revenues were \$150.9 million for the six months ended June 30, 2018, up 18.3% or \$23.3 million from \$127.6 million in the same period in 2017. Property Tax revenues increased by 27.6%, as we had a strong start to the year across our global Property Tax practices. Exchange rate fluctuations impacted Property Tax revenues by (0.3%). Our Valuation and Cost Advisory revenues increased by 4.1% on stronger performance from our global Cost practice, where we experienced growth in both Canada and Australia. Changes in exchange rates impacted CRE Consulting revenues by (0.3%).

Adjusted EBITDA was \$34.8 million for the six months ended June 30, 2018, up 36.4% or \$9.3 million from \$25.5 million in the same period in 2017, largely driven by an increase of 43.0% or \$8.6 million in Property Tax. The increase in Property Tax earnings was driven by higher revenues. Changes in exchange rates impacted CRE Consulting Adjusted EBITDA by 0.1%.

Outlook

Property Tax continues to represent an attractive growth area for our business, both in the U.S. and the U.K. Our North American platform with our existing network of offices in Canada and the U.S. provides us with enhanced capabilities geographically to service large clients anywhere across North America. In the U.K., the acquisition of CVS in 2017 substantially increased our market share and positions us well to grow our business over the course of the new cycle. However, as we are still in the early years of the valuation cycles for both Ontario and the U.K., we expect to experience the typical quarterly variability patterns in 2018 in our global Property Tax practice. In Ontario, we have a strong pipeline of work, however, new scheduling processes put in place by the assessment authorities is causing deferral of appeals settlements. Nonetheless, we expect to benefit from increasing value and volume of appeals over the course of the new cycles. The opportunities to grow market share remain vibrant in this segment both organically and through accretive acquisitions in both the U.S. and U.K.

Our Valuation and Cost Advisory practices enjoy significant market share in Canada and as a result, continue to grow modestly. We expect moderate growth in the near to medium term. Our Valuation practice, predominately operating in Canada, continues to benefit from strong client retention. Our Cost practice in North America continues to diversify its client and industry focus and in Asia Pacific, we continue to leverage our global relationships to drive opportunities.

Geomatics

<i>In thousands of dollars</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017 ⁽¹⁾	% Change	2018	2017 ⁽¹⁾	% Change
Revenues	\$ 10,367	\$ 11,775	(12.0%)	\$ 20,813	\$ 24,367	(14.6%)
Adjusted EBITDA	\$ 859	\$ 726	18.3%	\$ 909	\$ 1,972	(53.9%)
Adjusted EBITDA Margin	8.3%	6.2%		4.4%	8.1%	

⁽¹⁾ Restated for the impact of IFRS 15.

Quarterly Discussion

Revenues were \$10.4 million for the three months ended June 30, 2018, down 12.0% or \$1.4 million from \$11.8 million in the same period in 2017. We experienced lower revenues as activity levels remain depressed in oil drilling and gas exploration.



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Adjusted EBITDA was \$0.9 million for the three months ended June 30, 2018, up 18.3% or \$0.2 million from \$0.7 million in the same period in 2017. Earnings improved on headcount reductions.

Year-to-Date Discussion

Revenues were \$20.8 million for the six months ended June 30, 2018, down 14.6% or \$3.6 million from \$24.4 million in the same period in 2017. We experienced lower revenues as activity levels remain depressed in oil drilling and gas exploration.

Adjusted EBITDA was \$0.9 million for the three months ended June 30, 2018, down 53.9% or \$1.1 million from \$2.0 million in the same period in 2017. Earnings were impacted by lower revenues.

Outlook

We maintain a cautious outlook for our Geomatics business for 2018. Although oil prices have recently improved, which should translate into improved activity levels for oil drilling, gas prices remain depressed and, as a result, we are seeing lower planned capital expenditures within this segment. Furthermore, pricing pressures in our industry continue to persist. As a result, we have taken further actions to reduce costs in 2018 and will continue to closely monitor market conditions.

Corporate Costs

Quarterly Discussion

Corporate costs (recovery) were \$9.1 million for the three months ended June 30, 2018, as compared to \$10.6 million in the same period in 2017. During the quarter, corporate costs decreased on lower technology related spend and lower variable compensation. For the three months ended June 30, 2018, corporate costs as a percentage of revenues was 6.8%, as compared to 8.3% in the same period in 2017.

Year-to-Date Discussion

Corporate costs (recovery) were \$17.5 million for the six months ended June 30, 2018, as compared to \$18.3 million in the same period in 2017. Corporate costs declined on lower technology related spend and lower variable compensation. For the six months ended June 30, 2018, corporate costs as a percentage of revenues was 6.8%, as compared to 7.7% in the same period in 2017.

Liquidity and Capital Resources

Cash Flow	Three months ended June 30,		Six months ended June 30,	
<i>In thousands of dollars</i>	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Net cash related to operating activities	\$ 11,573	\$ 17,805	\$ 6,796	\$ 16,508
Net cash related to financing activities	20,713	(2,566)	25,484	10,181
Net cash related to investing activities	(3,248)	(8,209)	(11,612)	(24,283)
Effect of foreign currency translation	(1,644)	(342)	(728)	(471)
Change in cash position during the period	\$ 27,394	\$ 6,688	\$ 19,940	\$ 1,935
Dividends paid	\$ 5,169	\$ 5,592	\$ 10,355	\$ 11,087

⁽¹⁾ Restated for the impact of IFRS 15.

We expect to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis



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with bank indebtedness or on a permanent basis with offerings of securities. Significant erosion in the general state of the economy could affect our liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Cash from Operating Activities

Working Capital			
<i>In thousands of dollars</i>	June 30, 2018		December 31, 2017 ⁽¹⁾
Current assets	\$	219,946	\$ 178,438
Current liabilities		100,275	105,920
Working capital	\$	119,671	\$ 72,518

⁽¹⁾ Restated for the impact of IFRS 15.

Current assets are composed primarily of cash and cash equivalents, trade receivables and other and income taxes recoverable. Current liabilities are composed primarily of trade payables and other, income taxes payable and borrowings.

As at June 30, 2018, trade receivables, net and unbilled revenue on customer contracts net of deferred revenue was \$111.3 million, up 9.1% or \$9.3 million from \$102.0 million as at December 31, 2017. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue, was 21.9% as at June 30, 2018, as compared to 20.7% as at December 31, 2017 (restated for the impact of IFRS 15).

Our Days Sales Outstanding ("DSO") was 74 days as at June 30, 2018, as compared to 73 days as at December 31, 2017 (restated for the impact of IFRS 15). We calculate DSO by taking the five-quarter average balance of trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and the result is then divided by the trailing 12-month revenues plus any pre-acquisition revenues, as applicable, and multiplied by 365 days. Our method of calculating DSO may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures used by other issuers. We believe this measure is useful to investors as it demonstrates our ability to convert trade receivables and unbilled revenue into cash.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at June 30, 2018, the amounts owing to the vendors of acquired businesses were \$14.2 million, as compared to \$12.5 million as at December 31, 2017. We intend to satisfy the payments with the revolving term facility (as described below) or cash on hand.

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

Cash from Financing Activities

Our revolving term facility is a senior secured revolving term facility used for general corporate purposes that will mature on April 28, 2020. In June 2018, we increased our borrowing capacity under the revolving term facility from \$200.0 million to \$220.0 million in accordance with certain provisions of the agreement.



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The borrowing capacity can be further increased to \$250.0 million. All other terms of the bank credit facilities remain the same.

As at June 30, 2018, our total borrowings on our revolving term facility amounted to \$189.2 million, an increase of \$38.8 million from December 31, 2017.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$0.7 million to secure a credit facility for operating leases (December 31, 2017 - \$0.6 million).

The cost of our bank credit facilities is tied to the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates. As at June 30, 2018, \$65.0 million was subject to interest rate swap agreements to fix the interest rate. We are obligated to pay the counterparty to the swap agreements an amount based upon a fixed interest rate of 1.48% per annum and the counterparty is obligated to pay us an amount equal to the Canadian Bankers' Acceptance rate. These agreements expire on May 15, 2020. These interest rate swaps are not designated as cash flow hedges for accounting purposes. The effective annual rate of interest for the three and six months ended June 30, 2018 on our bank credit facilities was 3.42% and 3.36%, respectively, as compared to 2.97% and 2.97% in the corresponding periods in 2017.

As at June 30, 2018, we were in compliance with the financial covenants of our bank credit facilities, which are summarized below:

	June 30, 2018
Funded debt to EBITDA (maximum of 3.00:1)	2.28:1
Fixed charge coverage (minimum of 1.20:1)	3.82:1
Funded debt to capitalization (maximum of 55%)	31%

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

Contractual Obligations ⁽¹⁾	Payments Due by Period (undiscounted)				
	Total	Less than			
<i>In thousands of dollars</i>		1 year	1 to 3 years	4 to 5 years	Over 5 years
Bank credit facilities	\$ 189,200	\$ -	\$ 189,200	\$ -	\$ -
Leasehold improvement loans	579	124	148	148	159
Operating lease obligations	106,235	18,632	30,628	23,104	33,871
Finance lease obligations	486	363	117	6	-
Contingent consideration payables	14,789	1,148	13,641	-	-
Other liabilities	71,630	62,644	4,699	516	3,771
Total contractual obligations	\$ 382,919	\$ 82,911	\$ 238,433	\$ 23,774	\$ 37,801

⁽¹⁾ Contractual obligations exclude aggregate unfunded capital contributions of \$1.6 million to certain partnerships as the amount and timing of such payments are uncertain.



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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, including assets under finance leases and intangible assets.

Capital expenditures are reconciled as follows:

Capital Expenditures	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<i>In thousands of dollars</i>				
Property, plant and equipment additions	\$ 2,987	\$ 4,017	\$ 6,788	\$ 4,639
Intangibles additions	327	163	354	371
Proceeds from disposal of property, plant and equipment and intangibles	(90)	(283)	(90)	(312)
Capital expenditures	\$ 3,224	\$ 3,897	\$ 7,052	\$ 4,698



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Reconciliation of Adjusted EBITDA to Profit (Loss)

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

<i>In thousands of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Adjusted EBITDA	\$ 23,771	\$ 24,017	\$ 39,279	\$ 37,386
Depreciation and amortization	(12,681)	(8,896)	(25,225)	(17,074)
Acquisition and related transition (costs) income	(1,339)	(574)	(2,073)	(868)
Share of profit (loss) of associates	-	(1,288)	-	(2,420)
Unrealized foreign exchange gain (loss) ⁽²⁾	(242)	(526)	807	(297)
Gain (loss) on disposal of property, plant and equipment ⁽²⁾	(713)	203	(1,092)	(116)
Non-cash Executive Compensation Plan costs ⁽³⁾	(1,588)	(1,279)	(2,811)	(2,113)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽³⁾	(667)	(355)	(1,050)	(805)
Gain (loss) on hedging transactions ⁽²⁾	224	-	272	-
Restructuring costs	(3,789)	(3,563)	(6,642)	(4,558)
Gain (loss) on investments ⁽⁴⁾	(46)	115,671	39	115,179
Other non-operating and/or non-recurring income (costs) ⁽⁵⁾	(50)	(38)	(119)	(38)
Finance (costs) income, net	(1,690)	(650)	(3,118)	(1,898)
Profit (loss) before income taxes	1,190	122,722	(1,733)	122,378
Income tax recovery (expense)	(860)	(17,795)	(264)	(16,900)
Profit (loss) for the period	\$ 330	\$ 104,927	\$ (1,997)	\$ 105,478

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

⁽³⁾ Included in employee compensation expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

⁽⁴⁾ Gain (loss) on investments for the three and six months ended June 30, 2018 relate to changes in fair value of investments in partnerships. Gain (loss) on investments for the three and six months ended June 30, 2017 relate to the partial deemed disposition of our investment in Real Matters and re-measurement of our retained interest.

⁽⁵⁾ Other non-operating and/or non-recurring income (costs) for the three and six months ended June 30, 2018 relate to (i) non-recurring legal matters and related costs and (ii) transactional costs for tax planning and restructuring of legal entities within the group. Other non-operating and/or non-recurring income (costs) for the three and six months ended June 30, 2017 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).



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Adjusted Earnings (Loss) Per Share

<i>In thousands of dollars, except for per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Profit (loss) for the period	\$ 330	\$ 104,927	\$ (1,997)	\$ 105,478
Amortization of intangibles of acquired businesses	10,304	6,711	20,294	12,351
Non-cash finance costs (income) related to amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives	-	-	-	32
Share of loss (profit) of associates	-	1,288	-	2,420
Unrealized foreign exchange loss (gain)	242	526	(807)	297
Loss (gain) on disposal of property, plant and equipment	713	(203)	1,092	116
Non-cash Executive Compensation Plan costs	1,588	1,279	2,811	2,113
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	667	355	1,050	805
Interest accretion on contingent consideration payables	175	22	333	44
Restructuring costs	3,789	3,563	6,642	4,558
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps not designated as cash flow hedges	(193)	(520)	(286)	(510)
Acquisition and related transition costs (income)	1,339	574	2,073	868
Loss (gain) on investments	46	(115,671)	(39)	(115,179)
Other non-operating and/or non-recurring (income) costs	50	38	119	38
Tax impact on above	(3,574)	12,461	(6,907)	10,248
Adjusted earnings (loss) for the period	\$ 15,476	\$ 15,350	\$ 24,378	\$ 23,679
Weighted average number of shares - basic	38,700,049	38,108,467	38,600,800	37,693,037
Weighted average number of restricted shares	312,488	347,702	315,217	350,291
Weighted average number of shares - adjusted	39,012,537	38,456,169	38,916,017	38,043,328
Adjusted earnings (loss) per share	\$0.40	\$0.40	\$0.63	\$0.62

⁽¹⁾ Restated for the impact of IFRS 15.



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Summary of Quarterly Results

In thousands of dollars, except for per share amounts	2018		2017					2016		
	Jun 30	Mar 31	Fiscal 2017 ⁽¹⁾	Dec 31 ⁽¹⁾	Sep 30 ⁽¹⁾	Jun 30 ⁽¹⁾	Mar 31 ⁽¹⁾	Fiscal 2016 ⁽²⁾	Dec 31 ⁽²⁾	Sep 30 ⁽²⁾
Results of Operations										
Revenues	\$ 134,218	\$ 124,690	\$ 476,562	\$ 122,317	\$ 117,072	\$ 127,880	\$ 109,293	\$ 442,891	\$ 115,334	\$ 110,899
Adjusted EBITDA	\$ 23,771	\$ 15,508	\$ 80,645	\$ 19,949	\$ 23,310	\$ 24,017	\$ 13,369	\$ 74,088	\$ 22,120	\$ 21,298
Adjusted EBITDA margin	17.7%	12.4%	16.9%	16.3%	19.9%	18.8%	12.2%	16.7%	19.2%	19.2%
Profit (loss) for the period	\$ 330	\$ (2,327)	\$ 109,417	\$ (3,388)	\$ 7,327	\$ 104,927	\$ 551	\$ 14,268	\$ 8,892	\$ (5,071)
Earnings (loss) per share:										
Basic	\$0.01	\$(0.06)	\$2.88	\$(0.09)	\$0.19	\$2.75	\$0.01	\$0.39	\$0.24	\$(0.14)
Diluted	\$0.01	\$(0.06)	\$2.83	\$(0.09)	\$0.19	\$2.72	\$0.01	\$0.38	\$0.23	\$(0.14)
Adjusted	\$0.40	\$0.23	\$1.11	\$0.15	\$0.34	\$0.40	\$0.22	\$1.15	\$0.38	\$0.31
Weighted average number shares (^{'000s}):										
Basic	38,700	38,500	38,028	38,389	38,324	38,108	37,273	36,810	37,059	36,884
Diluted	39,085	38,500	38,656	39,100	38,872	38,591	37,755	37,484	38,537	36,884

⁽¹⁾ Restated for the impact of IFRS 15.

⁽²⁾ Reported financial information has not been restated for the impact of IFRS 15, *Revenue from Contracts with Customers*. Refer to Note 2 - Adoption of Recent Accounting Pronouncements to the financial statements for further discussion.

Certain segments of our operations are subject to seasonal variations which may impact overall quarterly results. For instance:

- Geomatics' projects tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods.
- Our global Property Tax practice can experience significant fluctuations on a quarterly basis as a result of the timing of contingency settlements and other factors.
- Our Altus Analytics business experiences some seasonality. ARGUS software products sold as perpetual licenses tend to have a stronger fourth quarter in revenues, a trend that is common in many other software companies. Also, appraisal management could experience some seasonal patterns around the second and fourth quarters, associated with some clients' practices of bi-annual and annual appraisals.



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Share Data

As at July 31, 2018, 38,911,362 common shares were outstanding and are net of 308,923 treasury shares. These treasury shares are shares held by Altus Group, which are subject to restrictive covenants and may or may not vest for employees. 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, 2018, there were 1,469,397 share options outstanding (December 31, 2017 - 946,708 share options outstanding) at a weighted average exercise price of \$27.97 per share (December 31, 2017 - \$25.70 per share) and 462,568 share options were exercisable (December 31, 2017 - 268,038). All share options are exercisable into common shares on a one-for-one basis.

In 2013, we implemented a Dividend Reinvestment Plan ("DRIP") for our shareholders who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividends in additional Altus Group common shares.

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, 2018, 22,226 and 40,141 common shares (2017 - 4,364 and 8,532 common shares, respectively) were issued under the DRIP, respectively.

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, 2018 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding lease inducements and 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, promissory note receivable 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 cash-settled plans as at June 30, 2018 was approximately \$9.4 million, based on the published trading price on the TSX for our common shares.



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The fair value of our investment in Real Matters as at June 30, 2018 was approximately \$59.6 million, based on the published trading price on the TSX for their 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 LIBOR 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 have entered into interest rate swap agreements in connection with our bank credit facilities.

In 2015, we entered into interest rate swap agreements for a total notional amount of \$65.0 million and a fixed interest rate of 1.48% per annum. This agreement expires on May 15, 2020. As at June 30, 2018, we have a total notional amount of \$65.0 million outstanding and the fair value of these swaps were \$0.9 million in our favor.

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 own common shares.

Since 2014, we entered 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, 2018, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$9.6 million. The fair value of these derivatives is \$3.0 million in our favor.

As at June 30, 2018, we have currency forward contracts outstanding with a notional amount of USD\$32.0 million. The fair value of these currency forward contracts is \$2.3 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 Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. The risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries.

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 maturity profile of financial assets and liabilities. Our Board of Directors review and approve 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.

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



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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 our financial position or results of operations and have been adequately provided for in the unaudited interim condensed consolidated 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.

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 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 unaudited interim condensed consolidated 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 limited the scope of the design of DC&P and ICFR, consistent with previous practice, to exclude controls, policies and procedures of CVS acquired on November 1, 2017.

Financial information of the business acquired is summarized below.

Balance sheet data for CVS*:

<i>In thousands of dollars</i>		June 30, 2018
Assets	\$	58,261
Liabilities		10,541
Equity		47,720



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Income statement data for CVS*:

<i>In thousands of dollars</i>	Three months ended June 30, 2018	Six months ended June 30, 2018
Revenues	\$ 6,279	\$ 10,418
Expenses	8,916	17,764
Profit (loss)	(2,637)	(7,346)

* Financial information reported under legacy CVS operations.

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended June 30, 2018, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standards related to revenue recognition and financial instruments on our financial statements to facilitate their adoption on January 1, 2018. There were no significant changes to our internal control over financial reporting due to the adoption of the new standards.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2018.

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 Toronto Stock Exchange under the symbol "AIF".





Altus Group

LISTINGS

Toronto Stock Exchange
Stock trading symbol: AIF

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