



**Altus Group**

# Q1 2020 Shareholders' Report

For the three months ended March 31, 2020



# Altus Group Limited

## Shareholders' Report

March 31, 2020



### Contents

#### Management's Discussion & Analysis

Forward-Looking Information	1
Changes in Significant Accounting Policies and Estimates	2
Non-IFRS Measures	4
Overview of the Business	6
Strategy	8
Financial and Operating Highlights	11
Discussion of Operations	14
Quarter Ended March 31, 2020	14
Revenues and Adjusted EBITDA by Business Unit	17
Altus Analytics	18
Commercial Real Estate Consulting	20
Corporate Costs	21
Liquidity and Capital Resources	22
Reconciliation of Adjusted EBITDA to Profit (Loss)	26
Reconciliation of Adjusted Earnings (Loss) Per Share to Profit (Loss)	27
Summary of Quarterly Results	28
Share Data	29
Financial Instruments and Other Instruments	29
Contingencies	30
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	31
Additional Information	32

#### Unaudited Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	34
Interim Condensed Consolidated Balance Sheets	35
Interim Condensed Consolidated Statements of Changes in Equity	36
Interim Condensed Consolidated Statements of Cash Flows	37
Notes to Interim Condensed Consolidated Financial Statements	38

# Management's Discussion & Analysis

## March 31, 2020



*The following management's discussion and analysis ("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 quarter ended March 31, 2020, 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 2019. Consolidated results presented (including restated comparative figures) exclude our Geomatics business which has now been classified as discontinued operations.*

*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 May 7, 2020.*

### **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, including the 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. 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 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 Altus Analytics will result in associated definitive agreements; settlement volumes in the Property Tax business will occur on a timely basis and that assessment authorities will process appeals in a manner consistent with expectations; 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

# Management's Discussion & Analysis

## March 31, 2020



forward-looking information include, but are not limited to: general state of the economy; any direct or indirect negative potential impact or harm that COVID-19 (coronavirus) may actually have on our business or the business of our potential and current clients; a decline in the demand for our products and services due to the COVID-19 (coronavirus) pandemic; currency; financial performance; financial targets; commercial real estate market; industry competition; acquisitions; cloud subscriptions transition; software renewals; professional talent; third party information; enterprise transactions; new product introductions; technological change; intellectual property; technology strategy; information technology governance and security; product pipeline; property tax appeals; legislative and regulatory changes; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; customer concentration and loss of material clients; interest rates; credit; income tax matters; health and safety hazards; contractual obligations; legal proceedings; insurance limits; ability to meet solvency requirements to make dividend payments; leverage and financial covenants; share price; capital investment; and issuance of additional common shares, as well as those described in our annual publicly filed documents, including the Annual Information Form for the year ended December 31, 2019 (which are available on SEDAR at [www.sedar.com](http://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.

Certain information in this MD&A 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.

### **Changes in Significant Accounting Policies and Estimates**

In March 2020, the World Health Organization declared COVID-19 (coronavirus) a global pandemic. The continued spread of this contagious disease outbreak and related public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn and to legislative and regulatory changes that may impact our business and operations. At this time, the duration and magnitude of the impact of the outbreak and its potential adverse effects on our business or results of operations are uncertain and will depend on future developments. Judgments made in the March 31, 2020 interim financial statements reflect management's best estimates as of the period end, taking into consideration the most significant judgments that may be directly impacted by COVID-19. The following are management's significant estimates and assumptions that could be impacted most by COVID-19: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, and estimated impairment of goodwill.

# Management's Discussion & Analysis

## March 31, 2020



### Discontinued Operations

A discontinued operation is a component of our business, with operations and cash flows that are distinguishable from those of the rest of the Company, and which represents a separate major line of business or geographical area of operations, and which is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively for resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the major line of business or geographical operation meets the criteria to be classified as assets held for sale or distribution. When an operation is classified as a discontinued operation, IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires that the comparative statements of comprehensive income (loss) are re-presented as if the operation was discontinued from the start of the comparative year. As a result, our discontinued operations are excluded from the profit (loss) from continuing operations and are presented as an amount, net of tax, as profit (loss) from discontinued operations in the statements of comprehensive income (loss). Furthermore, we have made the accounting policy choice to present net cash flows related to our discontinued operations in the notes to the interim financial statements.

### Adoption of Recent Accounting Pronouncements

#### *Amendments to IFRS 3, Business Combinations*

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations*, which revise the definition of a business for acquisition accounting purposes. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, there will now need to be an organized workforce present. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. We will assess the impact of this standard on a case-by-case basis upon future acquisitions performed but do not anticipate a material impact due to the nature and structure of our historical acquisitions.

#### *Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform*

In September 2019, the IASB issued amendments to IFRS 7, *Financial Instruments and Disclosures*, IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, to provide reliefs applying to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments had no impact on our interim financial statements.

# Management's Discussion & Analysis

## March 31, 2020



### *Amendments to IAS 1 and IAS 8: Definition of Material*

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that, “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on our interim financial statements nor is there any expectation of a future impact.

### **Future Accounting Pronouncements**

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

### *Amendment to IAS 1: Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB has issued an amendment 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;
- 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.

The new guidance will be effective for annual periods starting on or after January 1, 2022 and is to be applied retrospectively. We have not yet determined the impact of this standard on our financial statements.

### **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 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) from continuing operations before income taxes, adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, finance costs (income), net - other, depreciation of property, plant and equipment and amortization of intangibles, depreciation of right-of-use assets, finance costs (income), net - leases, acquisition and related transition costs (income), unrealized foreign exchange (gains) losses, (gains) losses on disposal of property, plant and equipment and

# Management's Discussion & Analysis

## March 31, 2020



intangibles, share of (profit) loss of associates, impairment charges, non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged, (gains) losses on derivatives, restructuring costs (recovery), (gains) losses on investments, (gains) losses on hedging transactions, and other costs or income of a non-operating and/or non-recurring nature.

Subsequent to the classification of the Geomatics business as a discontinued operation, the measurement of Adjusted EBITDA has been modified to reflect an adjustment for profit (loss) from discontinued operations.

Adjusted EBITDA margin represents the percentage factor of Adjusted EBITDA to revenues. Refer to page 26 for a reconciliation of Adjusted EBITDA to our interim financial statements.

*Adjusted Earnings (Loss) per Share ("Adjusted EPS")*, represents basic earnings (loss) per share from continuing operations adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, depreciation of right-of-use assets, finance costs (income), net - leases, amortization of intangibles of acquired businesses, unrealized foreign exchange losses (gains), (gains) losses on disposal of property, plant and equipment and intangibles, non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs, losses (gains) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged, interest accretion on contingent consideration payables, restructuring costs (recovery), losses (gains) on hedging transactions and interest expense (income) on swaps, acquisition and related transition costs (income), losses (gains) on investments, share of (profit) loss of associates, impairment charges, (gains) losses on derivatives, and other costs or income of a non-operating and/or non-recurring nature. Subsequent to the classification of the Geomatics business as a discontinued operation, the measurement of Adjusted EPS has been modified to reflect an adjustment for profit (loss) from discontinued operations. The basic weighted average number of shares is adjusted for the effects of weighted average number of restricted shares. All of the adjustments are made net of tax. Refer to page 27 for a reconciliation of Adjusted EPS to our interim financial statements.

*ARGUS Enterprise ("AE") software maintenance retention rate*, is calculated as a percentage of AE software maintenance revenue retained upon renewal; it represents the percentage of the available renewal opportunity in a fiscal period that renews, calculated on a dollar basis, excluding any growth in user count or product expansion. We plan to present "ARGUS Enterprise (AE) software renewal rate" at the end of 2020 to also include the retention of subscription revenues as by that point we will have a meaningful number of subscriptions which will be eligible for renewal.

*Over Time revenues*, a new metric we introduced in the first quarter of 2020 in replacement of our historic reporting of "recurring revenues", are consistent with IFRS 15, *Revenue from Contracts with Customers*. These Over Time revenues are comprised of subscription revenues recognized on an over time basis in accordance with IFRS 15, maintenance revenues from legacy perpetual licenses, and data subscription and Appraisal Management revenues. Refer to page 18 for discussion of Over Time revenues. In 2019, approximately 75% of Altus Analytics' revenues were comprised of recurring revenues. Recurring revenues have represented revenues related to software and data subscriptions where the contract value was recognized ratably over the contract term, maintenance for perpetual licenses, and Appraisal Management contracts that depend on our data analytics tools. The main difference in the new "Over Time revenues" compared to our historic



# Management's Discussion & Analysis

## March 31, 2020



“recurring revenue” disclosure is that it will not include the point in time revenue component recognized up front for on-premise subscription contracts recognized in accordance with IFRS 15.

*Cloud adoption rate*, a new metric we introduced in the first quarter of 2020 represents the percentage of the total AE user base contracted on the ARGUS Cloud platform. It includes both new AE cloud users as well as those who have migrated from our AE on-premise software.

### Overview of the Business

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate (“CRE”) industry. Our businesses, Altus Analytics and Commercial Real Estate Consulting (“CRE Consulting”), 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 2,250\* employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include many of the world’s largest CRE industry participants. Altus Group pays a quarterly dividend of \$0.15 per share and our shares are traded on the Toronto Stock Exchange (“TSX”) under the symbol AIF.

We have two core reporting business segments - Altus Analytics and CRE Consulting.

Our Geomatics business, previously one of our reporting business segments, has been reflected as discontinued operations starting in the first quarter of 2020. On January 21, 2020, we agreed, subject to definitive documentation, to combine our Geomatics business segment with WSP Global Inc.’s respective geomatics focused business unit. The combined entity will be a leading geomatics firm in Canada, and comprise approximately 750 employees in offices in Western Canada and Ontario. The transaction, which is subject to finalization of definitive documentation, is expected to close in the second quarter of 2020.

#### *Altus Analytics*

Our Altus Analytics segment consists of revenues from software sold under the ARGUS brand and from data solutions that are made available to clients through our Appraisal Management solutions, as well as through data subscription products. Altus Analytics clients predominately consist of CRE asset and investment management firms, including large owners, managers and investors of CRE assets and CRE funds, as well as other CRE industry participants including service providers, brokers, and developers.

Our ARGUS software solutions are among the most recognized in the CRE industry and are sold globally. Our product stack for global CRE asset and investment management comprises end-to-end integrated software solutions on our cloud platform that provide visibility at the asset, portfolio and fund level to help clients enhance performance of their CRE investments. Our flagship AE software is the leading global solution for CRE valuation and portfolio management and is widely recognized as the industry property valuation standard in key CRE markets. AE’s suite of functionality enables property valuation and cash flow analysis, property budgeting and strategic planning, investment and fund structure forecasting, dynamic reporting capabilities, and scenario sensitivity and risk analysis.

\* The employee headcount shown above excludes approximately 250 employees from our Geomatics discontinued operations.

# Management's Discussion & Analysis

## March 31, 2020



Since the third quarter of 2019, we have been offering AE on a cloud platform while continuing to support the on-premise software. The cloud platform leverages the AE calculation engine and provides clients with cloud-based infrastructure; new analytics capabilities (such as benchmarking functionality); integrations with other ARGUS products, storage, access and back-up of AE files; and access to new ARGUS applications (such as ARGUS Acquire, a deal management solution for CRE acquisitions, and ARGUS API, an application programming interface). Other ARGUS products include ARGUS Taliance (cloud-based fund solutions for alternative investment firms), ARGUS Voyanta (a cloud-based data management solution), and ARGUS Developer and ARGUS EstateMaster (software for development feasibility analysis). In addition to standard technology services related to education, training and implementation, we also offer advisory and managed services for real estate organizations' front-to-back-office strategies, processes and technology.

Fueled by our ARGUS software solutions, we provide information services on a global basis through our Appraisal Management platform and data subscription products. Our global Appraisal Management solutions combine data and analytics functionality with a managed service delivery to enable institutional real estate investors to perform quarterly performance reviews, benchmarking and attribution analysis of their portfolios. Through this offering we provide an end-to-end valuation management solution for our institutional clients, providing independent oversight and expertise while leveraging our data analytics platform. We primarily offer Appraisal Management solutions in the U.S., and we are expanding into Europe and Asia Pacific. Our Appraisal Management clients primarily consist of open and closed real estate funds, including large pension funds. Altus Analytics also includes a Canadian data subscription product, Altus Data Studio, which provides comprehensive real estate information on the Canadian residential, office, industrial and investment markets with unique data visualization capabilities. Our Canadian data covers new homes, investment transactions and commercial market inventory in key markets, and provides intelligence on the national housing market and consumer home buying and borrowing patterns.

Prior to 2020, the majority of our customers had licensed our AE software products on an on-premise basis, and had either paid on perpetual terms with ongoing maintenance, or on subscription terms. As of the start of 2020, all of our Altus Analytics software products are being sold only on a subscription-based model. Our software subscription agreements vary in length between one to five years, and the subscription fee primarily depends on the number of users and the applications deployed. We enjoy industry leading retention rates for our AE software maintenance revenues, calculated as a percentage of maintenance revenue retained upon renewal. In addition to software subscriptions, our software services are charged primarily on a time and materials basis, billed and recognized monthly as delivered. The contractual terms of our Appraisal Management agreements are generally for three years and pricing is primarily based on the number of real estate assets on our platform, adjusted for frequency of valuations and complexity. We enjoy very high contract renewal rates. Our Appraisal Management teams are also engaged from time to time to perform due diligence assignments in connection with CRE transactions. Our Canadian data products are sold on a subscription basis.

### *Commercial Real Estate Consulting*

Our CRE Consulting segment consists of the Property Tax, and the Valuation and Cost Advisory business units. Through our various practice areas, we are well-equipped to serve clients with an end-to-end solution that spans the life cycle of CRE assets - from feasibility, development, acquisition, management and disposition. Our professionals possess extensive industry, market and asset-specific knowledge that contribute to our proprietary internal data systems. We have long-standing relationships with leading CRE

# Management's Discussion & Analysis

## March 31, 2020



market participants - including owner operators, developers, financial institutions, and various CRE asset holders and investors.

Our largest revenue contributor to CRE Consulting is our Property Tax business which operates 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. The majority of our Property Tax revenues are derived on a contingency basis, representing a percentage of the savings we achieve for our clients. As such, we recognize contingency revenues when settlements are made, which in some cases could span multiple years. A smaller portion of our fees are based on time and materials basis. 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 Advisory practice, offered in both the private and public sectors in Canada and Asia Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Pricing for our Valuation and Cost Advisory services is primarily based on a fixed fee or time and materials basis. Given the strength of our brand, our independence and quality of our work, we enjoy a high rate of client renewals across all of our CRE Consulting businesses.

### **Strategy**

Real estate investment allocation has steadily risen while CRE asset investment and ownership is becoming more institutionalized, complex and globalized. After years of limited investment in technology, the CRE market is increasingly embracing technology and better utilizing data to optimize assets and mitigate risks. With the increased complexity of the CRE market, there is also a growing need for specialized expert services which industry participants continue to outsource. Altus Group is at the forefront of this opportunity, with analytics solutions and expert services that help clients navigate the complexities of the CRE market to make better informed decisions and maximize the value of their real estate assets and investments.

Through our market leading capabilities, we remain competitively positioned to capitalize on the growing demand for a wide range of client needs in CRE technology, data and advisory solutions with a stable revenue base across economic cycles. Our key competitive strengths in the marketplace are comprised of our market-leading "mission critical" software and data analytics solutions, unique industry expertise across numerous asset classes and markets, our proprietary databases that contribute to successful client outcomes, and the depth and diversity of our offerings. Our global scale, existing client relationships with many of the world's largest CRE companies, and independence from brokers and asset owners/investors are also key differentiators that enhance our reputation.

### ***Strategic Initiatives***

Across the business, we continually identify opportunities to maximize the value of all of our business assets. We have a disciplined approach to pursuing investments and prioritize opportunities that support our longer-term growth objectives and help us sustain market leadership in our core segments. While we focus on enhancing every business (specifically through data and technology), we are overweighting investment and innovation focus on our Altus Analytics business to leverage our global operating model

# Management's Discussion & Analysis

## March 31, 2020



and growth runway, while taking advantage of our strategic position with Property Tax to further enhance value.

In 2020, our strategy is focused on the following initiatives:

### Altus Analytics

Our long-term objective is to transition Altus Analytics from a collection of high value point solutions to an enterprise-grade software and data analytics market leader that unifies valuation and asset management capabilities into a single, cloud-based platform that integrates numerous key workflows and enhances data-driven insights for the CRE industry. We believe this will drive substantial value for the CRE industry and clients alike, while positioning Altus Group for long-term profitable growth. To achieve this, we will first continue to expand the global adoption of the AE cloud platform as the foundation for CRE asset and investment management and data integration. Second, we will leverage our multi-product technology stack (existing and new future applications) for CRE asset and investment management clients who require end-to-end enterprise solutions. Third, we will continue to lay the groundwork to capitalize on future growth opportunities in CRE data and for products in markets adjacent to our core offerings.

Key priorities for Altus Analytics in 2020 include:

- continuing execution of our “ARGUS Everywhere” go-to-market plan to drive existing and new customer user and product growth, geographic expansion, and global/multi-product enterprise agreements;
- continuing transition of our customers to cloud-based subscription contracts, with a goal to migrate the vast majority of our existing on-premise customers on to the cloud platform by the end of 2023;
- continuing product innovation, balanced between integration across all of our existing capabilities and developing new cloud applications that support our strategy to move clients to a cloud environment, while strategizing for new product opportunities in adjacent market verticals where we currently have limited penetration and in data-driven insights; and
- continuing growth of our Appraisal Management solutions where favourable market trends support organic growth in the U.S. and expansion into Europe and Asia Pacific, while increasingly selling our Appraisal Management solutions as part of AE transactions.

Longer term, we believe our Altus Analytics business is uniquely positioned to capitalize on the opportunity in CRE data and become a leading real estate information services provider. Our leading Altus Analytics products collect and generate valuable and detailed CRE industry data on various asset classes and for many major CRE markets in an automated environment. As ARGUS users increasingly move into a cloud environment, the depth of the data strengthens. This provides us with a unique opportunity to use this data to drive differentiation, generate analytics, launch new products and strengthen our Over Time revenue streams. Our vision is to leverage our ARGUS cloud platform for data collection and integration in a secure environment, through which we would aggregate ARGUS data from multiple organizations based on our data rights, combine it with third-party data through partnerships, and provide value-added data back through unique ARGUS workflows that enhance client value, while expanding the use of ARGUS across organizations and providing us with new revenue streams.

# Management's Discussion & Analysis

## March 31, 2020



### Property Tax

Our global Property Tax practice continues to represent an attractive growth area, driven both by solid market fundamentals and our strong competitive position. Our global reach with national scale and regional expertise, plus comprehensive databases on key CRE markets and expert knowledge make us a leader in the industry. Our objective is to continue growing our market share and to scale our Property Tax business into a leading, independent global property tax advisory practice that leverages technology and data.

Key priorities for our Property Tax business in 2020 include:

- continuing organic growth in our core markets driven by increased market share, operational productivity, and higher value contingency contracts;
- focusing on market expansion in key U.S. and U.K. markets by pursuing organic growth initiatives and financially accretive acquisitions when opportunities arise; and
- driving digital transformation with technology and data to enhance client value while improving internal efficiencies, modernizing our service delivery and data-enabling business development.

While our Canadian, U.S. and U.K. Property Tax operations all share the same competitive advantages, each national business has established unique strengths and specialties. Over the long term, we plan to leverage the strengths of each national model across all geographies to become a leading property tax advisor globally to the largest CRE owners as well as the mid-market, and to efficiently leverage our specialties in target asset classes.

# Management's Discussion & Analysis

## March 31, 2020



### Financial and Operating Highlights

Selected Financial Information	Quarter ended March 31,	
<i>In thousands of dollars, except for per share amounts</i>	2020	2019 <sup>(1)</sup>
Revenues	\$ 131,256	\$ 117,348
Canada	37%	36%
U.S.	39%	40%
Europe	18%	17%
Asia Pacific	6%	7%
Adjusted EBITDA	\$ 13,248	\$ 13,557
Adjusted EBITDA margin	10.1%	11.6%
Profit (loss) for the period from continuing operations	\$ 1,757	\$ 456
Profit (loss) for the period from discontinued operations	\$ (5,436)	\$ (891)
Profit (loss) for the period	\$ (3,679)	\$ (435)
Earnings (loss) per share:		
Basic		
Continuing operations	\$0.04	\$0.01
Discontinued operations	\$(0.14)	\$(0.02)
Diluted		
Continuing operations	\$0.04	\$0.01
Discontinued operations	\$(0.13)	\$(0.02)
Adjusted	\$0.20	\$0.23
Dividends declared per share	\$0.15	\$0.15

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

### Financial Highlights

- Revenues** were \$131.3 million for the quarter ended March 31, 2020, up 11.9% or \$14.0 million from \$117.3 million in the same period in 2019. Acquisitions represented 3.2% of the 11.9% revenue growth. The impact of exchange rates was nominal. The revenue growth was led by a strong start to the year from Property Tax and 17.3% growth in Over Time revenues in Altus Analytics. Property Tax revenues increased by 17.7%, primarily due to double-digit growth from both our U.K. and Canadian businesses. Altus Analytics grew by 10.6% driven by strong growth in Over Time revenues from software subscriptions and Appraisal Management solutions. In addition, Altus Analytics benefitted from the acquisition of One11 Advisors, LLC ("One11"). Our Valuation and Cost Advisory businesses showed modest growth.
- Adjusted EBITDA** was \$13.2 million for the quarter ended March 31, 2020, down 2.3% or \$0.4 million from \$13.6 million in the same period in 2019. Exchange rate movements against the Canadian dollar benefitted Adjusted EBITDA by 0.5%. Earnings decreased slightly as the growth in revenues was offset by higher compensation from headcount additions and other operating costs, including from the acquisitions of One11 and Caruthers & Associates, Inc. ("Caruthers") in July 2019.

# Management's Discussion & Analysis

## March 31, 2020



- **Profit (loss)** from continuing operations for the quarter ended March 31, 2020 was \$1.8 million, up 285.3% or \$1.3 million from \$0.5 million in the same period in 2019. In addition to the impacts on Adjusted EBITDA as discussed above, for the quarter ended March 31, 2020, profit (loss) from continuing operations improved as a result of lower amortization of intangibles, offset by higher income tax expense on earnings generated. Profit (loss) from discontinued operations for the quarter ended March 31, 2020 was \$(5.4) million, down 510.1% or \$4.5 million from \$(0.9) million in the same period in 2019 due mainly to the effects of \$4.5 million of fair value adjustments subsequent to the classification of our Geomatics business as a discontinued operation.
- For the quarter ended March 31, 2020, earnings (loss) per share from continuing operations was \$0.04, basic and diluted, as compared to \$0.01, basic and diluted, in the same period in 2019.
- For the quarter ended March 31, 2020, Adjusted EPS was \$0.20, down 13.0% from \$0.23 in the same period in 2019.
- We returned \$6.1 million to shareholders in the quarter through quarterly dividends of \$0.15 per common share.
- As at March 31, 2020, our bank debt under our recently amended bank credit facilities was \$176.1 million, representing a funded debt to EBITDA leverage ratio of 1.85 times (compared to 1.49 times as at December 31, 2019), well below our maximum ratio of 4.00 times. As at March 31, 2020, cash and cash equivalents was \$71.2 million (compared to \$60.3 million as at December 31, 2019). For further discussion of the recent amendment and its impact on the interim financial statements, please refer to the "Liquidity and Capital Resources" section beginning on page 22 of this MD&A and Note 12 - Borrowings in the notes to the interim financial statements.

### Operating Highlights

#### *Geomatics Spin-Off*

On January 21, 2020, we agreed, subject to definitive documentation, to combine our Geomatics business segment with WSP Global Inc.'s respective geomatics-focused business unit. The combined entity will be a leading geomatics firm in Canada, and comprise approximately 750 employees in offices in Western Canada and Ontario. The transaction, which is subject to finalization of definitive documentation, is expected to close in the second quarter of 2020 and is presented as discontinued operations starting in the first quarter of 2020.

#### *Altus Data Studio Launch*

On February 19, 2020, we announced the launch of Altus Data Studio for our Canadian clients, which combined our legacy RealNet and Altus InSite products into one core platform with significant enhancements to the user experience and introduction of robust data visualization capabilities for our comprehensive coverage on the Canadian residential, office, industrial and CRE investment markets.

#### *Amendment to Credit Facilities*

On March 24, 2020, we amended and expanded our bank credit facilities to further strengthen our financial and liquidity position. The amended credit facilities increase our borrowing capacity to \$275 million from \$200 million, with certain provisions that allow us to further increase the limit to \$350 million. The amended

# Management's Discussion & Analysis

## March 31, 2020



agreement extends the term by three years expiring March 24, 2023, with an additional two-year extension at our option. The other significant amendment is that the bank credit facilities are moving to an unsecured structure. For further discussion of the amendment and its impact on the interim financial statements, please refer to the "Liquidity and Capital Resources" section beginning on page 22 of this MD&A and Note 12 - Borrowings in the notes to the interim financial statements.

### **Operating Highlights - Events After the Reporting Period**

#### *Long-Term Equity Incentive Plan revision*

On May 6, 2020, our shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under our Long-Term Equity Incentive Plan and to ratify the grant of awards made under it to executives and key employees. The resolution increases the maximum number of common shares reserved for issuance by 1,850,000 to 4,075,000.



# Management's Discussion & Analysis

## March 31, 2020



### Discussion of Operations

#### Quarter Ended March 31, 2020

<i>In thousands of dollars</i>	Quarter ended March 31,	
	2020	2019 <sup>(1)</sup>
<b>Revenues</b>	\$ 131,256	\$ 117,348
<b>Expenses</b>		
Employee compensation	88,355	79,552
Occupancy	2,071	1,619
Office and other operating	26,882	21,657
Depreciation of right-of-use assets	2,872	3,276
Depreciation and amortization	7,717	9,416
Acquisition and related transition costs (income)	(1,176)	(18)
Restructuring costs (recovery)	(25)	-
(Gain) loss on investments	(125)	(107)
Finance costs (income), net - leases	660	687
Finance costs (income), net - other	1,507	1,650
<b>Profit (loss) from continuing operations before income taxes</b>	2,518	(384)
Income tax expense (recovery)	761	(840)
<b>Profit (loss) for the period from continuing operations</b>	\$ 1,757	\$ 456
Profit (loss) for the period from discontinued operations	(5,436)	(891)
<b>Profit (loss) for the period attributable to shareholders</b>	\$ (3,679)	\$ (435)

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

#### *Revenues*

Revenues were \$131.3 million for the quarter ended March 31, 2020, up 11.9% or \$14.0 million from \$117.3 million in the same period in 2019. Acquisitions represented 3.2% of the 11.9% revenue growth. The impact of exchange rates was nominal. The increase in revenues for the quarter was driven by a strong start to the year from our Property Tax business and strong growth in Over Time revenues in Altus Analytics. Property Tax performance benefitted from increased case settlements in the U.K. and in Canada. Altus Analytics revenue growth was driven by a 17.3% growth in Over Time revenues and acquisitive growth from the acquisition of One11. Our Valuation and Cost Advisory businesses grew modestly.

#### *Employee Compensation*

Employee compensation was \$88.4 million for the quarter ended March 31, 2020, up 11.1% or \$8.8 million from \$79.6 million in the same period in 2019. For the quarter ended March 31, 2020, the increase in compensation was mainly due to headcount additions within Altus Analytics, Property Tax, and from the One11 and Caruthers acquisitions, as well as losses on equity hedges related to our share-based compensation. For the quarter ended March 31, 2020, employee compensation as a percentage of revenues was 67.3% and remained comparable to 67.8% in the same period in 2019.

# Management's Discussion & Analysis

## March 31, 2020



### *Occupancy*

Occupancy was \$2.1 million for the quarter ended March 31, 2020, up 27.9% or \$0.5 million from \$1.6 million in the same period in 2019. For the quarter ended March 31, 2020, the impacts of IFRS 16 decreased occupancy costs by \$3.0 million, and the remaining amounts recognized in occupancy costs pertain to short-term leases, low-value assets, and variable lease payments. Without the impact of IFRS 16, occupancy costs for the quarter ended March 31, 2020 increased slightly due to acquisitions and increased space needs for Altus Analytics. For the quarter ended March 31, 2020, occupancy as a percentage of revenues was 1.6%, as compared to 1.4% in the same period in 2019. Without the impact of IFRS 16, occupancy as a percentage of revenues would have been 3.9% for the quarter ended March 31, 2020, consistent with the same period in 2019.

### *Office and Other Operating Costs*

Office and other operating costs were \$26.9 million for the quarter ended March 31, 2020, up 24.1% or \$5.2 million from \$21.7 million in the same period in 2019. For the quarter ended March 31, 2020, the increase in expenses is primarily from acquisitions, subcontractor disbursements for client projects and additional expenditures for corporate software subscriptions and professional fees related to strategic initiatives. For the quarter ended March 31, 2020, office and other operating costs as a percentage of revenues was 20.5%, as compared to 18.5% in the same period in 2019.

### *Depreciation of Right-of-Use Assets*

Depreciation of right-of-use assets was \$2.9 million for the quarter ended March 31, 2020, as compared to \$3.3 million in the same period in 2019. The decrease is primarily due to old capital leases for equipment expiring during 2019.

### *Depreciation and Amortization*

Depreciation and amortization was \$7.7 million for the quarter ended March 31, 2020, as compared to \$9.4 million in the same period in 2019. For the quarter ended March 31, 2020, the decrease is mainly due to the completion of the amortization period for some acquisition-related intangibles.

### *Acquisition and Related Transition Costs (Income)*

Acquisition and related transition costs (income) were \$(1.2) million for the quarter ended March 31, 2020, as compared to \$nil in the same period in 2019. This was mainly due to post-acquisition adjustments for contingent consideration payables on historical acquisitions.

### *Restructuring Costs (Recovery)*

Restructuring costs (recovery) were nominal for the quarter ended March 31, 2020, as compared to \$nil in the same period in 2019.

### *(Gain) Loss on Investments*

(Gain) loss on investments was \$(0.1) million for the quarter ended March 31, 2020, consistent with the same period in 2019. The amount represents changes in fair value of our investments in partnerships.

# Management's Discussion & Analysis

## March 31, 2020



### Finance Costs (Income), Net

In thousands of dollars	Quarter ended March 31,		
	2020	2019 <sup>(1)</sup>	% Change
Interest on borrowings	\$ 1,325	\$ 1,280	3.5%
Interest on lease liabilities	660	687	(3.9%)
Unwinding of discounts	63	175	(64.0%)
Change in fair value of interest rate swaps	154	310	(50.3%)
Finance income	(35)	(115)	(69.6%)
<b>Finance costs (income), net</b>	<b>\$ 2,167</b>	<b>\$ 2,337</b>	<b>(7.3%)</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

Finance costs (income), net for the quarter ended March 31, 2020 was \$2.2 million, down 7.3% or \$0.1 million from \$2.3 million in the same period in 2019. Our finance costs decreased mainly due to the lower unwinding of discounts charge for acquisition-related contingent consideration payables paid during the fourth quarter of 2019 and first quarter of 2020, in addition to the lower ongoing mark-to-market change in fair value recognized in relation to our \$65.0 million interest rate swap.

### Income Tax Expense (Recovery)

Income tax expense (recovery) for the quarter ended March 31, 2020 was \$0.8 million, as compared to \$(0.8) million in the same period in 2019. The increase was mainly due to higher profit (loss) before income tax from our business operations.

### Profit (Loss) from Continuing Operations

Profit (loss) from continuing operations for the quarter ended March 31, 2020 was \$1.8 million and \$0.04 per share, basic and diluted, as compared to \$0.5 million and \$0.01 per share, basic and diluted, in the same period in 2019.

### Profit (Loss) from Discontinued Operations

Profit (loss) from discontinued operations for the quarter ended March 31, 2020 was \$(5.4) million and \$(0.14) per share, basic and \$(0.13) per share, diluted, as compared to \$(0.9) million and \$(0.02) per share, basic and diluted, in the same period in 2019. This was due mainly to the effects of \$4.5 million of fair value adjustments subsequent to the classification of our Geomatics business as a discontinued operation.

### Profit (Loss)

Profit (loss) for the quarter ended March 31, 2020 was \$(3.7) million and \$(0.09) per share, basic and diluted, as compared to \$(0.4) million and \$(0.01) per share, basic and diluted, in the same period in 2019.

# Management's Discussion & Analysis

## March 31, 2020



### Revenues and Adjusted EBITDA by Business Unit

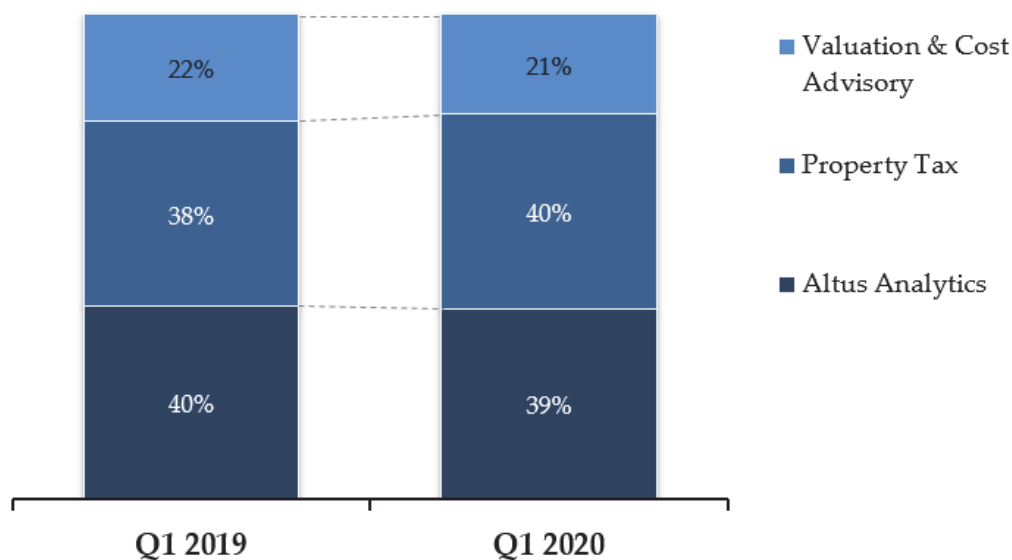
Revenues	Quarter ended March 31,		
	2020	2019 <sup>(1)</sup>	% Change
<i>In thousands of dollars</i>			
Altus Analytics	\$ 51,719	\$ 46,781	10.6%
Commercial Real Estate Consulting	79,611	70,673	12.6%
Intercompany eliminations	(74)	(106)	30.2%
<b>Total</b>	<b>\$ 131,256</b>	<b>\$ 117,348</b>	<b>11.9%</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

Adjusted EBITDA	Quarter ended March 31,		
	2020	2019 <sup>(1)</sup>	% Change
<i>In thousands of dollars</i>			
Altus Analytics	\$ 9,272	\$ 9,821	(5.6%)
Commercial Real Estate Consulting	13,341	12,098	10.3%
Corporate	(9,365)	(8,362)	(12.0%)
<b>Total</b>	<b>\$ 13,248</b>	<b>\$ 13,557</b>	<b>(2.3%)</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

Revenue Contribution:



# Management's Discussion & Analysis

## March 31, 2020



### Altus Analytics

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2020	2019	% Change
Revenues	\$ 51,719	\$ 46,781	10.6%
Adjusted EBITDA	\$ 9,272	\$ 9,821	(5.6%)
Adjusted EBITDA Margin	17.9%	21.0%	
<b>Selected Metrics <sup>(1)</sup></b>			
Over Time revenues <sup>(2)</sup>	\$ 40,083	\$ 34,174	17.3%
AE software maintenance retention rate	96%	96%	
Geographical revenue split			
North America	82%	81%	
International	18%	19%	
Cloud adoption rate	6%	n/a	

<sup>(1)</sup> Refer to pages 5 and 6 of this MD&A for definitions of the Selected Metrics presented above.

<sup>(2)</sup> As Over Time revenues are being introduced in the first quarter of 2020, for a comparative view, Altus Analytics' 2019 Over Time revenues, consistent with IFRS 15, were \$36.2 million, \$36.8 million, and \$38.8 million in the second, third, and fourth quarters of 2019, respectively.

### Quarterly Discussion

Revenues were \$51.7 million for the quarter ended March 31, 2020, up 10.6% or \$4.9 million from \$46.8 million in the same period in 2019. The acquisition of One11 represented 7.3% of the 10.6% revenue growth. Movements in the exchange rate against the Canadian dollar benefitted revenues by 0.3%.

Over Time revenues, as described above in the "Overview of the Business" section, were \$40.1 million for the quarter ended March 31, 2020, up 17.3% or \$5.9 million from \$34.2 million in the same period in 2019.

Altus Analytics revenue growth during the quarter was driven by strong growth in Over Time revenues and the acquisition of One11. Over Time revenues were driven by the higher mix of subscription sales in the second half of 2019 and the first quarter of 2020, sustained growth from our Appraisal Management solutions, and steady maintenance revenues supported by industry leading retention rates for our flagship AE product. As of the first quarter, we fully transitioned to a subscription license model which continued to benefit from add-on sales to existing customers, new license sales and cloud migrations. The global COVID-19 pandemic had minimal impact on our first quarter performance, although towards the end of March we saw a modest impact on our inside sales volumes focused on the small-to-medium ("SMB") businesses, and to our non-recurring software services activity levels as customers around the world began to transition to work from home. Our transition to AE cloud subscriptions progressed well and was on plan during the quarter, with positive momentum of migrating existing customers from the on-premise product and selling AE cloud to new customers. As at the end of the first quarter, 6% of our total AE user base had been contracted on ARGUS Cloud, in line with the expectations that formed our long-term aspirational goal.

Adjusted EBITDA was \$9.3 million for the quarter ended March 31, 2020, down 5.6% or \$0.5 million from \$9.8 million in the same period in 2019. Adjusted EBITDA was impacted by a higher level of expenses compared to the prior year, notably software consulting expenditures, including the impact of the One11

# Management's Discussion & Analysis

## March 31, 2020



acquisition. Changes in foreign exchange impacted Adjusted EBITDA by 0.5%.

### *Outlook*

Our Altus Analytics business continues to represent an attractive growth area, supported by favourable market trends of growing global demand for CRE-related technology and data solutions. Our Altus Analytics business continues to be well positioned to deliver year over year revenue growth in 2020 as it continues its revenue model shift to a subscription-based license model, notwithstanding the macroeconomic uncertainty and business impact brought on by the COVID-19 pandemic. We also remain on track with our aspirational long-term goal to achieve Altus Analytics revenues of \$400 million for full year 2023, with an associated Adjusted EBITDA margin at over 30%.

In 2020, we expect to capture incremental revenues by expanding existing customer wallet share, gaining new customer wins and furthering geographic expansion into Europe and Asia Pacific for both our software and Appraisal Management solutions. Increasing the volume and value of enterprise transactions for multi-product and/or global deals with our top 200 clients remains a strategic focus and should provide us with enhanced revenue growth.

With over 77% of our revenues coming from Over Time revenue streams, Altus Analytics is stable and advantageously positioned to navigate the challenges brought on by the COVID-19 pandemic. Our Over Time revenue base is supported by industry leading retention rates and multi-year contracts, and the "mission critical" differentiation of our solutions now more than ever help clients navigate the unique COVID-19 related challenges in CRE.

Our strategy of transitioning our client base to the AE cloud-based subscription solution remains on track. As our cloud solution offers improved collaboration capabilities that are increasingly required for those working remotely during the pandemic, we see growing interest from clients on making the transition sooner. Based on current trends, we anticipate our customer migration to the cloud to continue throughout 2020 without any material disruption.

Our current software pipeline of opportunities remains healthy and we remain confident in our ability to capture long term growth. In the near term, as a result of COVID-19 and our customers' ability to work remotely, short term challenges may arise in completing transactions within timeframes that would otherwise be considered normal. Also in the near term, some of our non-recurring revenue streams, such as technology consulting, implementation, education and training, are expected to be impacted as client priorities shift during the pandemic and as in-person meetings are restricted. We expect these services to revert to normal levels as clients return to work.

Our Appraisal Management business is poised for healthy performance in 2020. In general, during times of market volatility, our insights and our services are in greater demand not only from our existing clients but from other industry participants as well. Our solutions provide transparency, performance analytics and insights that help our clients maximize the performance of their assets. In addition, our clients are mostly large, well-capitalized investors that in many cases seek new investment opportunities during market disruptions. Although we may see some temporary slowdown in new client additions, overall, we expect to add more assets onto our platform over the longer term and may also benefit from increased frequency of portfolio valuations as clients require more performance and operational visibility with respect to their investments.

# Management's Discussion & Analysis

## March 31, 2020



Overall, demand for our Altus Analytics solutions is expected to remain strong in 2020, and as the global economy starts to recover, activity levels should rebound to pre-COVID-19 levels and potentially accelerate as companies worldwide push for more data-driven visibility on their CRE assets, endeavor to streamline operations with technology and prioritize cloud-based solutions.

Our financial strength allows us to continue investing in innovation and growth. We will continue to make the appropriate investments in support of our long-term growth objectives. At the same time, we are focused on improving our operating efficiencies and driving our margins higher.

### Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2020	2019	% Change
<b>Revenues</b>			
Property Tax	\$ 52,596	\$ 44,698	17.7%
Valuation and Cost Advisory	27,015	25,975	4.0%
Revenues	\$ 79,611	\$ 70,673	12.6%
<b>Adjusted EBITDA</b>			
Property Tax	\$ 10,564	\$ 9,598	10.1%
Valuation and Cost Advisory	2,777	2,500	11.1%
Adjusted EBITDA	\$ 13,341	\$ 12,098	10.3%
Adjusted EBITDA Margin	16.8%	17.1%	

#### *Quarterly Discussion*

Revenues were \$79.6 million for the quarter ended March 31, 2020, up 12.6% or \$8.9 million from \$70.7 million in the same period in 2019, with both business units contributing to the growth.

Finishing 2019 with record revenue performance, the momentum in case settlement activities continued in the first quarter in the U.K. and Canada. The U.K. benefitted from an increased volume of case settlements on the 2017 list cases as we are now in the final year of the assessment cycle. Canada benefitted from increased case settlements in Ontario that are returning to normal levels, as well as strong performance in Alberta, and Manitoba which is in the peak of its two-year cycle. Consistent with seasonal patterns, the U.S. had a productive first quarter in building its pipeline that is expected to benefit future quarters.

The growth in our Valuation and Cost Advisory businesses came from an increase in revenues in our Canadian Cost practice. Changes in exchange rates impacted CRE Consulting revenues by 0.2%.

Adjusted EBITDA was \$13.3 million for the quarter ended March 31, 2020, up 10.3% or \$1.2 million from \$12.1 million in the same period in 2019. The increase in earnings resulted from our strong revenue increases in the Property Tax business, partly offset by compensation for increased headcount to grow our U.S. and U.K. Property Tax businesses. In addition, to reflect the credit risk introduced by COVID-19, we recorded additional provisions of approximately \$1.5 million on our trade receivables and unbilled revenue balances. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 1.0%.

# Management's Discussion & Analysis

## March 31, 2020



### *Outlook*

Our Property Tax business continues to represent an attractive growth area for our company driven by a steady demand for our specialized services. Our Property Tax business is fundamentally stable as our market share in key markets remains strong and the value of our appeal pipelines remains intact, with an opportunity to grow market share.

The COVID-19 pandemic has presented some new challenges in certain jurisdictions. For instance, in the U.K., as part of the COVID-19 subsidy program, 2020 ratings for companies in the hospitality, leisure and retail sectors have been suspended. This change will have some impact on our 2020 annuity billings in the U.K. as we will not be able to invoice clients in those sectors as savings we achieved in a prior year no longer exist for 2020. In addition, in some jurisdictions, the timing of anticipated appeal settlements is being delayed as scheduling and hearing dates are being deferred. This will cause some deferral of revenue into future quarters. In some jurisdictions, local governments are also providing tax abatements and other deferral programs that may have some impact on our ability to invoice our clients. Although we expect some impacts to revenues in the near term as just outlined, we remain positive on our revenue opportunities for 2020 and beyond. We previously stated that we expected a record revenue year for our global Property Tax business for 2020. Given our performance in the first quarter, visibility into our pipeline, and the current pace of case settlements, we believe a record revenue year is still achievable. In addition, our experience has been that periods of market disruption have tended to lead to valuation volatility, which ultimately provides us with greater opportunities to maximize savings for our customers.

Overall, although our pipeline of opportunities remains solid for the year, we anticipate that a slowdown in appeal settlement activity volumes will ultimately shift some of our anticipated revenues into future quarters and further spill into 2021. For 2021, we anticipate a strengthening of the opportunities based on spillover of case settlements, enhanced settlements given the COVID-19 disruption, and greater market share. Given the nature of the Property Tax business as discussed in more detail on page 28 of this MD&A regarding seasonal and cyclical variations, we expect to experience typical quarterly variability in our financial performance, which could potentially be more pronounced during the COVID-19 pandemic.

Our Valuation and Cost Advisory practices enjoy significant market share and, as a result, have been growing modestly. The current COVID-19 pandemic has also imposed a number of challenges for our Valuation and Cost Advisory businesses. A significant portion of the Valuation business consists of periodic valuations of CRE portfolios, which are expected to remain stable or in some cases increase in frequency, however, there could be some pressure on some of the transactional services. Our Cost Advisory business depends to a large extent on an active CRE developer market, which could be temporarily stalled in the current environment. However, the long-term opportunity associated with this business remains intact as many engagements are multi-year.

### **Corporate Costs**

#### *Quarterly Discussion*

Corporate costs (recovery) were \$9.4 million for the quarter ended March 31, 2020, as compared to \$8.4 million in the same period in 2019. The increase in Corporate costs was primarily due to increased governance costs, compensation expense from increased headcount, and information technology-related operating costs. In the first three quarters of the year, variable compensation costs for the business units



# Management's Discussion & Analysis

## March 31, 2020



are accrued in the Corporate segment, subject to the overall finalization at year-end. In the fourth quarter, the accrued costs are allocated to the business units.

### Liquidity and Capital Resources

Cash Flow	Quarter ended March 31,	
	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>
<i>In thousands of dollars</i>		
Net cash related to operating activities	\$ (16,412)	\$ (8,118)
Net cash related to financing activities	29,736	2,195
Net cash related to investing activities	(1,075)	(1,670)
Effect of foreign currency translation	2,357	(3,626)
Change in cash position during the period	\$ 14,606	\$ (11,219)
Dividends paid	\$ (5,340)	\$ (4,184)

<sup>(1)</sup> The net cash flows provided by (used in) the Geomatics discontinued operations for the quarter ended March 31, 2020 were \$1,539, \$(255), and \$(144) (2019 - \$(588), \$(317), and \$(545)) respectively.

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 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. In light of the uncertainty around the continued developments and impacts of COVID-19, we drew additional funds from the bank credit facilities upon amending and expanding our bank credit facilities on March 24, 2020, prior to its maturity, in order to further strengthen our financial and liquidity position. For further details regarding the amendment, refer to the "Cash from Financing Activities" discussion below and Note 12 - Borrowings in the notes to the interim financial statements.

### Cash from Operating Activities

Working Capital	March 31, 2020	December 31, 2019
<i>In thousands of dollars</i>		
Current assets	\$ 280,338	\$ 246,069
Current liabilities	123,109	283,607
Working capital	\$ 157,229	\$ (37,538)

Current assets are composed primarily of cash and cash equivalents, trade receivables and other, assets held for sale, and income taxes recoverable. The increase is primarily due to cash and cash equivalents generated from operations, and the classification of the assets of our Geomatics business as a discontinued operation beginning January 21, 2020. For further details regarding the discontinued operations, refer to Note 8 of the interim financial statements.

Current liabilities are composed primarily of trade payables and other, lease liabilities, liabilities directly associated with assets held for sale, and income taxes payable. The decrease in current liabilities is mainly due to our bank credit facilities of \$138.0 million being included in current liabilities as at December 31, 2019. On March 24, 2020, we amended our bank credit facilities to increase our borrowing capacity, extend

# Management's Discussion & Analysis

## March 31, 2020



the maturity date and enhance certain provisions of the facilities. For further details regarding the amendment, refer to the "Cash from Financing Activities" discussion below.

As at March 31, 2020, trade receivables, net and contract assets (unbilled revenue on customer contracts) net of contract liabilities (deferred revenue), from continuing operations, was \$125.1 million, up 5.7% or \$6.8 million from \$118.3 million as at December 31, 2019. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue, for continuing operations, was 23.0% as at March 31, 2020, as compared to 22.2% as at December 31, 2019.

Our Days Sales Outstanding ("DSO") from continuing operations was 77 days as at March 31, 2020, as compared to 76 days as at December 31, 2019. 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 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 March 31, 2020, the amounts owing to the vendors of acquired businesses were \$6.7 million, as compared to \$8.5 million as at December 31, 2019. We intend to satisfy the payments with the revolving term facility (as described below) or cash on hand.

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

### **Cash from Financing Activities**

On March 24, 2020, we amended our bank credit facilities to further strengthen our financial and liquidity position. The amended credit facilities increase our borrowing capacity to \$275.0 million from \$200.0 million, with certain provisions that allow us to further increase the limit to \$350.0 million. The amended agreement extends the term by three years expiring March 24, 2023, with an additional two-year extension at our option. The other significant amendment is that the bank credit facilities are moving to an unsecured structure.

Loans bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian Bankers' Acceptance and LIBOR borrowings depends on a trailing four-quarter calculation of the funded debt to EBITDA ratio. The amended bank credit facilities require us to comply with the following financial ratios:

- Maximum Funded Debt to EBITDA ratio: maximum of 4.00:1
- Minimum Interest Coverage ratio: minimum of 3.00:1

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.

# Management's Discussion & Analysis

## March 31, 2020



As at March 31, 2020, our total borrowings on our bank credit facilities amounted to \$176.1 million, an increase of \$38.1 million from December 31, 2019.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$1.1 million (December 31, 2019 - \$1.1 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 March 31, 2020, \$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. The effective annual rate of interest for the quarter ended March 31, 2020 on our bank credit facilities was 3.36%, as compared to 3.57% in the same period in 2019.

As at March 31, 2020, we were in compliance with the financial covenants of our amended bank credit facilities, which are summarized below:

	March 31, 2020
Funded debt to EBITDA (maximum of 4.00:1)	1.85:1
Interest coverage (minimum of 3.00:1)	16.75:1

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 <sup>(1)</sup>	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	\$ 176,135	\$ 135	\$ 176,000	\$ -	\$ -
Leasehold improvement loans	401	74	148	148	31
Lease obligations	80,110	13,623	25,397	22,083	19,007
Contingent consideration payables	6,586	6,586	-	-	-
Other liabilities	68,109	56,871	5,354	463	5,421
<b>Total contractual obligations</b>	<b>\$ 331,341</b>	<b>\$ 77,289</b>	<b>\$ 206,899</b>	<b>\$ 22,694</b>	<b>\$ 24,459</b>

<sup>(1)</sup> Contractual obligations exclude aggregate unfunded capital contributions of \$0.6 million to certain partnerships as the amount and timing of such payments are uncertain.

# Management's Discussion & Analysis

## March 31, 2020



### 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	Quarter ended March 31,	
<i>In thousands of dollars</i>	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>
Property, plant and equipment additions	\$ 920	\$ 1,320
Intangibles additions	63	62
Proceeds from disposal of property, plant and equipment and intangibles	(53)	(15)
Capital expenditures	\$ 930	\$ 1,367

<sup>(1)</sup> Capital expenditures related to the Geomatics discontinued operations for the quarter ended March 31, 2020 were \$144 (2019 - \$545).

# Management's Discussion & Analysis

## March 31, 2020



### 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>	Quarter ended March 31,	
	2020	2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	\$ 13,248	\$ 13,557
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	3,042	2,985
Depreciation of right-of-use assets	(2,872)	(3,276)
Depreciation of property, plant and equipment and amortization of intangibles	(7,717)	(9,416)
Acquisition and related transition (costs) income	1,176	18
Unrealized foreign exchange gain (loss) <sup>(3)</sup>	772	(494)
Gain (loss) on disposal of property, plant and equipment and intangibles <sup>(3)</sup>	(14)	(273)
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs <sup>(4)</sup>	(1,515)	(1,176)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(4)</sup>	(764)	(79)
Restructuring (costs) recovery	25	-
Gain (loss) on investments <sup>(5)</sup>	125	107
Other non-operating and/or non-recurring income (costs) <sup>(6)</sup>	(821)	-
<b>Earnings (loss) from continuing operations before finance costs and income taxes</b>	<b>4,685</b>	<b>1,953</b>
Finance (costs) income, net - leases	(660)	(687)
Finance (costs) income, net - other	(1,507)	(1,650)
<b>Profit (loss) from continuing operations before income taxes</b>	<b>2,518</b>	<b>(384)</b>
Income tax (expense) recovery	(761)	840
<b>Profit (loss) for the period from continuing operations</b>	<b>\$ 1,757</b>	<b>\$ 456</b>
Profit (loss) for the period from discontinued operations	(5,436)	(891)
<b>Profit (loss) for the period</b>	<b>\$ (3,679)</b>	<b>\$ (435)</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

<sup>(2)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing operating performance, which may provide useful information to both management and investors in measuring our financial performance.

<sup>(3)</sup> Included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Included in employee compensation expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

<sup>(5)</sup> Gain (loss) on investments relates to changes in the fair value of investments in partnerships.

<sup>(6)</sup> Other non-operating and/or non-recurring income (costs) for the quarter ended March 31, 2020 relate to (i) transitional costs related to the departure of a senior executive, (ii) legal, advisory, and other consulting costs related to a Board strategic initiative, and (iii) transaction and other related costs. These are included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

# Management's Discussion & Analysis

## March 31, 2020



### Reconciliation of Adjusted Earnings (Loss) Per Share to Profit (Loss)

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

<i>In thousands of dollars, except for per share amounts</i>	Quarter ended March 31,	
	2020	2019 <sup>(1)</sup>
Profit (loss) for the period	\$ (3,679)	\$ (435)
(Profit) loss for the period from discontinued operations	5,436	891
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	(3,042)	(2,985)
Depreciation of right-of-use assets	2,872	3,276
Finance costs (income), net - leases	660	687
Amortization of intangibles of acquired businesses	6,177	7,428
Unrealized foreign exchange loss (gain)	(772)	494
Loss (gain) on disposal of property, plant and equipment and intangibles	14	273
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs	1,515	1,176
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	764	79
Interest accretion on contingent consideration payables	45	158
Restructuring costs (recovery)	(25)	-
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps	154	310
Acquisition and related transition costs (income)	(1,176)	(18)
Loss (gain) on investments	(125)	(107)
Other non-operating and/or non-recurring costs (income)	821	-
Tax impact on above	(1,481)	(2,111)
Adjusted earnings (loss) for the period	\$ 8,158	\$ 9,116
Weighted average number of shares - basic	39,895,944	39,084,216
Weighted average number of restricted shares	363,675	439,216
Weighted average number of shares - adjusted	40,259,619	39,523,432
<b>Adjusted earnings (loss) per share</b>	<b>\$0.20</b>	<b>\$0.23</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

<sup>(2)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing operating performance, which may provide useful information to both management and investors in measuring our financial performance.

# Management's Discussion & Analysis

## March 31, 2020



### Summary of Quarterly Results

	2020	2019					2018			
<i>In thousands of dollars, except for per share amounts</i>	Mar 31	Fiscal 2019	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2018	Dec 31	Sep 30	Jun 30
<b>Results of Operations</b>										
Revenues <sup>(1)</sup>	\$ 131,256	\$ 525,717	\$ 138,451	\$ 126,787	\$ 143,131	\$ 117,348	\$ 466,797	\$ 119,404	\$ 109,298	\$ 123,851
Adjusted EBITDA <sup>(1)</sup>	\$ 13,248	\$ 84,709	\$ 22,331	\$ 18,785	\$ 30,036	\$ 13,557	\$ 67,306	\$ 13,920	\$ 14,858	\$ 23,025
Adjusted EBITDA margin <sup>(1)</sup>	10.1%	16.1%	16.1%	14.8%	21.0%	11.6%	14.4%	11.7%	13.6%	18.6%
Profit (loss) for the period from continuing operations	\$ 1,757	\$ 23,891	\$ 6,118	\$ 4,598	\$ 12,719	\$ 456	\$ (1,288)	\$ (1,208)	\$ (2,393)	\$ 391
Profit (loss) for the period from discontinued operations	\$ (5,436)	\$ (5,697)	\$ (5,846)	\$ 438	\$ 602	\$ (891)	\$ (17,151)	\$ (13,511)	\$ 670	\$ (61)
Basic earnings (loss) per share <sup>(1)</sup> :										
Continuing operations	\$0.04	\$0.61	\$0.15	\$0.12	\$0.32	\$0.01	\$(0.03)	\$(0.03)	\$(0.06)	\$0.01
Discontinued operations	\$(0.14)	\$(0.14)	\$(0.15)	\$0.01	\$0.02	\$(0.02)	\$(0.44)	\$(0.35)	\$0.02	\$0.00
Diluted earnings (loss) per share <sup>(1)</sup> :										
Continuing operations	\$0.04	\$0.60	\$0.15	\$0.11	\$0.32	\$0.01	\$(0.03)	\$(0.03)	\$(0.06)	\$0.01
Discontinued operations	\$(0.13)	\$(0.14)	\$(0.14)	\$0.01	\$0.02	\$(0.02)	\$(0.44)	\$(0.35)	\$0.02	\$0.00
Adjusted earnings (loss) per share <sup>(1)</sup>	\$0.20	\$1.43	\$0.42	\$0.28	\$0.51	\$0.23	\$1.00	\$0.18	\$0.19	\$0.39
Weighted average number shares ('000s):										
Basic	39,896	39,461	39,787	39,643	39,318	39,084	38,764	38,968	38,879	38,700
Diluted <sup>(1)</sup>	40,869	40,084	40,653	40,411	39,770	39,344	38,764	38,968	38,879	39,085

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5 and 8 of the interim financial statements.

Our global Property Tax practice (which made up approximately 40% of total consolidated revenues in Q1 2020) is subject to seasonal and cyclical variations which may impact overall quarterly results. Significant fluctuations on a quarterly basis arise as a result of the 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 five-year cycles). We also experience some seasonal peaks in the U.K. and U.S. markets. In the U.K., the second quarter benefits from annuity billing starting the second year of a new cycle, and in the U.S. we tend to experience higher volumes of settlements in the second and third quarters. We perform annuity billing in the U.K. for a significant number of our contracts that occur each April of the second, third and fourth year of the cycle. The revenues from the annuity billings are expected to grow cumulatively over the cycle as more cases are settled and as the volume of billable clients increases concurrent with case settlements. 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 and therefore tends to have lower earnings than later in the cycles when more settlements are made and those revenues flow directly to the bottom line.

# Management's Discussion & Analysis

## March 31, 2020



### Share Data

As at May 5, 2020, 40,117,208 common shares were outstanding and are net of 359,124 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 March 31, 2020, there were 1,889,512 share options outstanding (December 31, 2019 - 1,579,283 share options outstanding) at a weighted average exercise price of \$33.61 per share (December 31, 2019 - \$28.98 per share) and 601,552 share options were exercisable (December 31, 2019 - 545,728). 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 quarter ended March 31, 2020, 17,538 common shares (2019 - 75,862 common shares) were issued under the DRIP.

As noted in the "Operating Highlights - Events After the Reporting Period" section on page 13 of this MD&A, on May 6, 2020, our shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under our Long-Term Equity Incentive Plan by 1,850,000 to 4,075,000.

### 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 March 31, 2020 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, promissory notes 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.



# Management's Discussion & Analysis

## March 31, 2020



The fair value of the liabilities for the DSU and RSU plans as at March 31, 2020 was approximately \$12.0 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 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 March 31, 2020, we have a total notional amount of \$65.0 million outstanding and the fair value of these swaps were \$0.02 million in favour of the counterparty.

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.

Since 2014, 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 March 31, 2020, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$10.1 million. The fair value of these derivatives is \$5.9 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 receipt of funds. In addition, the COVID-19 pandemic has introduced additional credit risk. 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 incorporate 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 maturity profile of 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.

### 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

# Management's Discussion & Analysis

## March 31, 2020



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 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.

### **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 interim 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 One11 acquired on July 1, 2019 and Caruthers acquired on July 1, 2019.

Financial information of the businesses acquired is summarized below.

# Management's Discussion & Analysis

## March 31, 2020



Income statement data for One11:

<i>In thousands of dollars</i>	Quarter ended March 31, 2020	
Revenues	\$	3,415
Expenses		3,619
Profit (loss)		(204)
Adjusted EBITDA		130

Income statement data for Caruthers:

<i>In thousands of dollars</i>	Quarter ended March 31, 2020	
Revenues	\$	398
Expenses		619
Profit (loss)		(221)
Adjusted EBITDA		59

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended March 31, 2020, 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 quarter ended March 31, 2020.

### **Additional Information**

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our corporate website at [www.altusgroup.com](http://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**

**March 31, 2020 and 2019**

**(Unaudited)**

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

# Altus Group Limited



## Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three Months Ended March 31, 2020 and 2019 (Unaudited)

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

		Three months ended March 31	
	Notes	2020	2019 <sup>(1)</sup>
<b>Revenues</b>	5	<b>\$ 131,256</b>	<b>\$ 117,348</b>
<b>Expenses</b>			
Employee compensation		88,355	79,552
Occupancy		2,071	1,619
Office and other operating		26,882	21,657
Depreciation of right-of-use assets		2,872	3,276
Depreciation of property, plant and equipment		1,323	1,461
Amortization of intangibles		6,394	7,955
Acquisition and related transition costs (income)		(1,176)	(18)
Restructuring costs (recovery)		(25)	-
(Gain) loss on investments		(125)	(107)
Finance costs (income), net - leases	6	660	687
Finance costs (income), net - other	6	1,507	1,650
<b>Profit (loss) from continuing operations before income taxes</b>		<b>2,518</b>	<b>(384)</b>
Income tax expense (recovery)	7	761	(840)
<b>Profit (loss) for the period from continuing operations</b>		<b>\$ 1,757</b>	<b>\$ 456</b>
Profit (loss) for the period from discontinued operations	8	(5,436)	(891)
<b>Profit (loss) for the period attributable to shareholders</b>		<b>\$ (3,679)</b>	<b>\$ (435)</b>
<b>Other comprehensive income (loss):</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		21,666	(5,074)
Items that are not reclassified to profit or loss in subsequent periods:			
Change in fair value of FVOCI investments		(1,250)	(126)
<b>Other comprehensive income (loss), net of tax</b>		<b>20,416</b>	<b>(5,200)</b>
<b>Total comprehensive income (loss) for the period, net of tax, attributable to shareholders</b>		<b>\$ 16,737</b>	<b>\$ (5,635)</b>
<b>Earnings (loss) per share attributable to the shareholders of the Company during the period</b>			
Basic earnings (loss) per share:			
Continuing operations	15	\$0.04	\$0.01
Discontinued operations	15	\$(0.14)	\$(0.02)
Diluted earnings (loss) per share:			
Continuing operations	15	\$0.04	\$0.01
Discontinued operations	15	\$(0.13)	\$(0.02)

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

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 5 and 8).

# Altus Group Limited



## Interim Condensed Consolidated Balance Sheets As at March 31, 2020 and December 31, 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	March 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 71,158	\$ 60,262
Trade receivables and other	9	182,041	181,955
Income taxes recoverable		3,957	2,403
Derivative financial instruments		1,238	1,449
		258,394	246,069
Assets held for sale	8	21,944	-
		280,338	246,069
<b>Non-current assets</b>			
Trade receivables and other	9	1,639	3,696
Derivative financial instruments		4,613	5,975
Investments	10	10,942	11,481
Deferred tax assets		22,735	22,163
Right-of-use assets		59,540	63,729
Property, plant and equipment		23,178	29,037
Intangibles		90,491	92,595
Goodwill		265,408	260,380
		478,546	489,056
<b>Total Assets</b>		<b>\$ 758,884</b>	<b>\$ 735,125</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and other	11	\$ 101,417	\$ 128,566
Income taxes payable		2,862	4,548
Lease liabilities		11,473	12,564
Borrowings	12	135	137,929
Derivative financial instruments		19	-
		115,906	283,607
Liabilities directly associated with assets held for sale	8	7,203	-
		123,109	283,607
<b>Non-current liabilities</b>			
Trade payables and other	11	11,502	16,197
Lease liabilities		60,225	63,419
Borrowings	12	175,344	334
Deferred tax liabilities		13,621	11,916
		260,692	91,866
<b>Total Liabilities</b>		<b>383,801</b>	<b>375,473</b>
<b>Shareholders' Equity</b>			
Share capital	13	517,754	509,646
Contributed surplus		21,104	24,447
Accumulated other comprehensive income (loss)		60,661	40,245
Retained earnings (deficit)		(224,436)	(214,686)
<b>Total Shareholders' Equity</b>		<b>375,083</b>	<b>359,652</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 758,884</b>	<b>\$ 735,125</b>

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

## Interim Condensed Consolidated Statements of Changes in Equity For the Three Months Ended March 31, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
<b>As at January 1, 2019</b>		\$ 491,542	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426
Profit (loss) for the period		-	-	-	(435)	(435)
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	(5,074)	-	(5,074)
Change in fair value of FVOCI investments		-	-	(126)	-	(126)
<b>Total comprehensive income (loss) for the period</b>		-	-	(5,200)	(435)	(5,635)
Transactions with owners:						
Dividends declared		-	-	-	(5,945)	(5,945)
Share-based compensation		-	2,299	-	-	2,299
Dividend Reinvestment Plan		1,710	-	-	-	1,710
Shares issued on exercise of options		377	(64)	-	-	313
Shares issued under the Equity Compensation Plan		4,818	(2,891)	-	-	1,927
Treasury shares purchased for share-based compensation		(5,961)	-	-	-	(5,961)
Release of treasury shares under the Restricted Share Plan		167	(82)	-	-	85
Gain (loss) on sale of RSs and shares held in escrow		-	(29)	-	-	(29)
		1,111	(767)	-	(5,945)	(5,601)
<b>As at March 31, 2019</b>		\$ 492,653	\$ 21,115	\$ 49,358	\$ (215,936)	\$ 347,190
<b>As at January 1, 2020</b>		\$ 509,646	\$ 24,447	\$ 40,245	\$ (214,686)	\$ 359,652
Profit (loss) for the period		-	-	-	(3,679)	(3,679)
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	21,666	-	21,666
Change in fair value of FVOCI investments		-	-	(1,250)	-	(1,250)
<b>Total comprehensive income (loss) for the period</b>		-	-	20,416	(3,679)	16,737
Transactions with owners:						
Dividends declared	16	-	-	-	(6,071)	(6,071)
Share-based compensation	14	-	2,612	-	-	2,612
Dividend Reinvestment Plan	13	689	-	-	-	689
Shares issued on exercise of options	13, 14	6,377	(986)	-	-	5,391
Shares issued under the Long-Term Equity Incentive Plan	13, 14	2,608	(2,098)	-	-	510
Treasury shares reserved for share-based compensation	13, 14	(4,527)	-	-	-	(4,527)
Release of treasury shares under the Restricted Share Plan	13, 14	2,961	(2,869)	-	-	92
Gain (loss) on sale of RSs and shares held in escrow		-	(2)	-	-	(2)
		8,108	(3,343)	-	(6,071)	(1,306)
<b>As at March 31, 2020</b>		\$ 517,754	\$ 21,104	\$ 60,661	\$ (224,436)	\$ 375,083

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

## Interim Condensed Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

		Three months ended March 31	
	Notes	2020 <sup>(1)</sup>	2019
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes from continuing operations		\$ 2,518	\$ (384)
Profit (loss) before income taxes from discontinued operations	8	(5,436)	(891)
Profit (loss) before income taxes		\$ (2,918)	\$ (1,275)
Adjustments for:			
Depreciation of right-of-use assets		2,924	3,650
Depreciation of property, plant and equipment		1,434	1,916
Amortization of intangibles		6,395	8,427
Finance costs (income), net - leases	6	699	732
Finance costs (income), net - other	6	1,498	1,650
Share-based compensation	14	2,612	2,299
Unrealized foreign exchange (gain) loss		(772)	494
(Gain) loss on investments	10	(125)	(107)
(Gain) loss on disposal of property, plant and equipment and intangibles		(32)	276
(Gain) loss on equity derivatives and interest rate swaps		1,436	(1,087)
Fair value loss (gain) on net assets directly associated with discontinued operations		4,507	-
Net changes in operating working capital		(29,572)	(18,613)
Net cash generated by (used in) operations		(11,914)	(1,638)
Less: interest paid on borrowings		(1,164)	(1,058)
Less: interest paid on leases		(699)	(732)
Less: income taxes paid		(3,274)	(6,236)
Add: income taxes refunded		639	1,546
<b>Net cash provided by (used in) operating activities</b>		<b>(16,412)</b>	<b>(8,118)</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	13, 14	5,391	313
Financing fees paid		(553)	-
Proceeds from borrowings	12	38,135	13,434
Repayment of borrowings	12	(17)	(231)
Payments of principal on lease liabilities		(3,863)	(2,869)
Dividends paid	16	(5,340)	(4,184)
Treasury shares purchased under the Restricted Share Plan	13, 14	(4,017)	(4,268)
<b>Net cash provided by (used in) financing activities</b>		<b>29,736</b>	<b>2,195</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	10	(145)	(303)
Purchase of intangibles		(63)	(62)
Purchase of property, plant and equipment		(920)	(1,320)
Proceeds from disposal of property, plant and equipment and intangibles		53	15
<b>Net cash provided by (used in) investing activities</b>		<b>(1,075)</b>	<b>(1,670)</b>
Effect of foreign currency translation		2,357	(3,626)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>14,606</b>	<b>(11,219)</b>
Cash and cash equivalents, beginning of period		60,262	48,738
<b>Cash and cash equivalents, end of period</b>		<b>\$ 74,868</b>	<b>\$ 37,519</b>

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

<sup>(1)</sup> Included in cash and cash equivalents as at March 31, 2020 is \$3,710 related to discontinued operations (Notes 4 and 8).



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 1. Business and Structure

Altus Group Limited (the "Company") is a leading provider of software, data solutions and independent advisory services to the global commercial real estate ("CRE") industry. The Company's businesses, Altus Analytics and Commercial Real Estate Consulting, reflect decades of experience, a range of expertise, and technology-enabled capabilities. The Company's solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, the Company has approximately 2,250\* employees around the world, with operations in North America, Europe and Asia Pacific. The Company's clients include many of the world's largest CRE industry participants.

During the period, the Company conducted its business through three business units: Altus Analytics, Commercial Real Estate Consulting and Geomatics. On January 21, 2020, the Company agreed, subject to definitive documentation, to combine its Geomatics business segment with WSP Global Inc.'s respective geomatics business unit. The combined entity will comprise of employees in offices in Western Canada and Ontario. The transaction, which is subject to finalization of definitive documentation, is expected to close in the second quarter of 2020, and accordingly, Geomatics is presented as discontinued operations. The Company will continue to conduct its business through its two remaining business units: Altus 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 March 31, 2020 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, 2019, except for those identified under Changes in Significant Accounting Policies and Estimates (Note 4).

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, 2019.

\* The employee headcount shown above excludes approximately 250 employees from the Company's Geomatics discontinued operations.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 2. Basis of Preparation, cont'd

These interim financial statements were approved by the Board of Directors for issue on May 7, 2020.

### 3. 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 are reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following are management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying its accounting policies: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, estimated impairment of goodwill, determination of purchase price allocations and contingent consideration, and income taxes.

In March 2020, the World Health Organization declared COVID-19 (coronavirus) a global pandemic. The continued spread of this contagious disease outbreak and related public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn and to legislative and regulatory changes that may impact the Company's business and operations. At this time, the duration and magnitude of the impact of the outbreak and its potential adverse effects on the Company's business or results of operations are uncertain and will depend on future developments. Judgments made in these interim financial statements reflect management's best estimates as of the period end, taking into consideration the most significant judgments that may be directly impacted by COVID-19. The following are management's significant estimates and assumptions that could be impacted most by COVID-19: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, and estimated impairment of goodwill.

Refer to Note 4, "Changes in Significant Accounting Policies and Estimates", for a discussion of newly adopted accounting pronouncements and accounting policies.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 4. Changes in Significant Accounting Policies and Estimates

#### Discontinued Operations

A discontinued operation is a component of the Company's business, with operations and cash flows that are distinguishable from those of the rest of the Company, and which represents a separate major line of business or geographical area of operations, and which is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively for resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the major line of business or geographical operation meets the criteria to be classified as assets held for sale or distribution. When an operation is classified as a discontinued operation, IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires that the comparative statements of comprehensive income (loss) are re-presented as if the operation was discontinued from the start of the comparative year. As a result, the Company's discontinued operations are excluded from the profit (loss) from continuing operations and are presented as an amount, net of tax, as profit (loss) from discontinued operations in the statements of comprehensive income (loss). Furthermore, the Company has made the accounting policy choice to present net cash flows related to its discontinued operations in the notes to the interim financial statements.

#### Adoption of Recent Accounting Pronouncements

##### *Amendments to IFRS 3, Business Combinations*

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations*, which revise the definition of a business for acquisition accounting purposes. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, there will now need to be an organized workforce present. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. The Company will assess the impact of this standard on a case-by-case basis upon future acquisitions performed but does not anticipate a material impact due to the nature and structure of its historical acquisitions.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

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

#### *Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform*

In September 2019, the IASB issued amendments to IFRS 7, *Financial Instruments and Disclosures*, IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, to provide reliefs applying to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments had no impact on the interim financial statements.

#### *Amendments to IAS 1 and IAS 8: Definition of Material*

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on the interim financial statements nor is there any expectation of a future impact to the Company.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

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

#### Future Accounting Pronouncements

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

#### *Amendment to IAS 1: Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB has issued an amendment 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 twelve 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.

The new guidance will be effective for annual periods starting on or after January 1, 2022 and is to be applied retrospectively. The Company has not yet determined the impact of this standard on its financial statements.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 5. Segmented Information

The segmentation reflects the way the CEO allocates resources and assesses performance. The CEO considers the business from a core service perspective. The areas of core service are Altus Analytics and Commercial Real Estate Consulting. As the Company agreed on January 21, 2020, subject to definitive documentation, to combine its Geomatics business segment with WSP Global Inc.'s respective geomatics business unit, the Geomatics business is no longer considered a core service and is presented as discontinued operations in these interim financial statements (Notes 4 and 8). Accordingly, the results of the Geomatics business are not reflected in the segmented information presented.

Altus Analytics provides data, analytics software and technology-related services. Proprietary data and data analytics platforms provide comprehensive real estate information and enable performance reviews, benchmarking and attribution analysis of commercial real estate portfolios. Software, such as ARGUS branded products, represents comprehensive global solutions for managing commercial real estate portfolios and improve the visibility and flow of information throughout critical processes.

Commercial Real Estate Consulting services provides Property Tax, and Valuation and Cost Advisory services that span the life cycle of commercial real estate - feasibility, development, acquisition, management and disposition. Property Tax performs assessment reviews, management, appeals and personal property and state and local tax advisory services. Valuation and Cost Advisory provides appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting, in addition to services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management.

The accounting policies of the segments are the same as those applied in these interim financial statements. Revenue transactions between segments are valued at market rates and eliminated on consolidation. Revenues represent those recognized from contracts with customers.

The CEO assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit (loss) from continuing operations before income taxes, adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, finance costs (income), net - other, depreciation of property, plant and equipment and amortization of intangibles, depreciation of right-of-use assets, finance costs (income), net - leases, acquisition and related transition costs (income), unrealized foreign exchange (gains) losses, (gains) losses on disposal of property, plant and equipment and intangibles, share of (profit) loss of associates, impairment charges, non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged, (gains) losses on derivatives, restructuring costs (recovery), (gains) losses on investments, (gains) losses on hedging transactions, and other costs or income of a non-operating and/or non-recurring nature.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

**(Unaudited)**

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

### 5. Segmented Information, cont'd

Subsequent to the classification of the Geomatics business as a discontinued operation, the measurement of Adjusted EBITDA has been modified to reflect an adjustment for profit (loss) from discontinued operations.

Management believes that the non-GAAP measure may provide useful information to investors in measuring the Company's financial performance.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 5. Segmented Information, cont'd

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

	Three months ended March 31, 2020	Three months ended March 31, 2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	<b>\$ 13,248</b>	<b>\$ 13,557</b>
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	3,042	2,985
Depreciation of right-of-use assets	(2,872)	(3,276)
Depreciation of property, plant and equipment and amortization of intangibles	(7,717)	(9,416)
Acquisition and related transition (costs) income	1,176	18
Unrealized foreign exchange gain (loss) <sup>(3)</sup>	772	(494)
Gain (loss) on disposal of property, plant and equipment and intangibles <sup>(3)</sup>	(14)	(273)
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs <sup>(4)</sup>	(1,515)	(1,176)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(4)</sup>	(764)	(79)
Restructuring (costs) recovery	25	-
Gain (loss) on investments <sup>(5)</sup>	125	107
Other non-operating and/or non-recurring income (costs) <sup>(6)</sup>	(821)	-
<b>Earnings (loss) from continuing operations before finance costs and income taxes</b>	<b>4,685</b>	<b>1,953</b>
Finance (costs) income, net - leases	(660)	(687)
Finance (costs) income, net - other	(1,507)	(1,650)
<b>Profit (loss) from continuing operations before income taxes</b>	<b>2,518</b>	<b>(384)</b>
Income tax (expense) recovery	(761)	840
<b>Profit (loss) for the period from continuing operations</b>	<b>1,757</b>	<b>456</b>
Profit (loss) for the period from discontinued operations	(5,436)	(891)
<b>Profit (loss) for the period</b>	<b>\$ (3,679)</b>	<b>\$ (435)</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4 and 8).

<sup>(2)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing operating performance, which may provide useful information to investors in measuring the Company's financial performance.

<sup>(3)</sup> Included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(5)</sup> Gain (loss) on investments relates to changes in the fair value of investments in partnerships.

<sup>(6)</sup> Other non-operating and/or non-recurring income (costs) for the three months ended March 31, 2020 relate to (i) transitional costs related to the departure of a senior executive, (ii) legal, advisory, and other consulting costs related to a Board strategic initiative, and (iii) transaction and other related costs. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 5. Segmented Information, cont'd

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

#### Segment Revenues and Expenditures

	Three months ended March 31, 2020						
	Altus Analytics	Commercial Real Estate	Valuation and Cost Advisory	Consulting	Corporate <sup>(1)</sup>	Eliminations	Total
		Property Tax		Total			
Revenues from external customers	\$ 51,589	\$ 52,596	\$ 27,071	\$ 79,667	\$ -	\$ -	\$ 131,256
Inter-segment revenues	130	-	(56)	(56)	-	(74)	-
<b>Total segment revenues</b>	<b>51,719</b>	<b>52,596</b>	<b>27,015</b>	<b>79,611</b>	<b>-</b>	<b>(74)</b>	<b>131,256</b>
<b>Adjusted EBITDA</b>	<b>9,272</b>	<b>10,564</b>	<b>2,777</b>	<b>13,341</b>	<b>(9,365)</b>	<b>-</b>	<b>13,248</b>
Depreciation of right-of-use assets	1,090	872	703	1,575	207	-	2,872
Depreciation of property, plant and equipment and amortization of intangibles	3,288	3,473	590	4,063	366	-	7,717
Finance costs (income), net - leases	223	198	162	360	77	-	660
Finance costs (income), net - other	-	-	-	-	1,507	-	1,507
Income tax expense (recovery)	-	-	-	-	761	-	761

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended March 31, 2020, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 5. Segmented Information, cont'd

	Three months ended March 31, 2019						
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Corporate <sup>(1)(2)</sup>	Eliminations	Total <sup>(2)</sup>
Revenues from external customers	\$ 46,617	\$ 44,698	\$ 26,033	\$ 70,731	\$ -	\$ -	\$ 117,348
Inter-segment revenues	164	-	(58)	(58)	-	(106)	-
<b>Total segment revenues</b>	<b>46,781</b>	<b>44,698</b>	<b>25,975</b>	<b>70,673</b>	<b>-</b>	<b>(106)</b>	<b>117,348</b>
<b>Adjusted EBITDA</b>	<b>9,821</b>	<b>9,598</b>	<b>2,500</b>	<b>12,098</b>	<b>(8,362)</b>	<b>-</b>	<b>13,557</b>
Depreciation of right-of-use assets <sup>(3)</sup>	1,042	1,028	897	1,925	309	-	3,276
Depreciation of property, plant and equipment and amortization of intangibles	3,404	4,723	762	5,485	527	-	9,416
Finance costs (income), net - leases <sup>(3)</sup>	201	208	187	395	91	-	687
Finance costs (income), net - other	-	-	-	-	1,650	-	1,650
Income tax expense (recovery)	-	-	-	-	(840)	-	(840)

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended March 31, 2019, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

<sup>(2)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4 and 8).

<sup>(3)</sup> Comparative figures have been restated to reflect the allocation to various business units for Corporate and shared leases previously reported within Corporate.

### 6. Finance Costs (Income), Net

	Three months ended March 31, 2020	Three months ended March 31, 2019 <sup>(1)</sup>
Interest on bank credit facilities	\$ 1,325	\$ 1,280
Interest on lease liabilities	660	687
Contingent consideration payables: unwinding of discount (Note 17)	45	158
Provisions: unwinding of discount	18	17
Change in fair value of interest rate swaps	154	310
<b>Finance costs</b>	<b>2,202</b>	<b>2,452</b>
<b>Finance income</b>	<b>(35)</b>	<b>(115)</b>
<b>Finance costs (income), net</b>	<b>\$ 2,167</b>	<b>\$ 2,337</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4 and 8).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 7. Income Taxes

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Income tax expense (recovery)</b>		
Current	\$ (616)	\$ (1,033)
Deferred	1,377	193
	<b>\$ 761</b>	<b>\$ (840)</b>

### 8. Discontinued Operations

On January 21, 2020, the Company agreed, subject to definitive documentation, to combine its Geomatics business segment with WSP Global Inc.'s respective geomatics business unit. The combined entity will comprise of employees in offices in Western Canada and Ontario. The transaction, which is subject to finalization of definitive documentation, is expected to close in the second quarter of 2020.

As the Company's Geomatics business segment is highly probable to be sold within one year of the announcement and is a separate major line of business, the Geomatics segment has been classified as a discontinued operation. Accordingly, the comparative interim condensed consolidated statement of comprehensive income (loss) has been re-presented separately between continuing and discontinued operations. Furthermore, the Geomatics segment is no longer presented in the segmented information (Note 5), and the Company has made an accounting policy choice to present details of net cash flows from discontinued operations in this note to the interim financial statements. Unless otherwise specified, all other notes to the interim financial statements do not include amounts from discontinued operations.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 8. Discontinued Operations, cont'd

Financial information relating to the discontinued operation for the period is set out below.

The results of the Geomatics business presented as profit (loss) for the period from discontinued operations in the interim condensed consolidated statements of comprehensive income (loss) are as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Revenues</b>	\$ 7,968	\$ 10,650
<b>Expenses</b>		
Employee compensation	5,890	7,041
Occupancy	178	194
Office and other operating	2,211	2,960
Depreciation of right-of-use assets	52	374
Depreciation of property, plant and equipment	111	455
Amortization of intangibles	1	472
Restructuring costs (recovery)	424	-
Finance costs (income), net - leases	38	45
Finance costs (income), net - other	(8)	-
Fair value loss (gain) on net assets directly associated with discontinued operations	4,507	-
<b>Profit (loss) for the period from discontinued operations</b>	<b>\$ (5,436)</b>	<b>\$ (891)</b>

The net cash flows provided by (used in) the Geomatics discontinued operations are as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net cash provided by (used in) operating activities	\$ 1,539	\$ (588)
Net cash provided by (used in) financing activities	(255)	(317)
Net cash provided by (used in) investing activities	(144)	(545)
<b>Cash flows from discontinued operations</b>	<b>\$ 1,140</b>	<b>\$ (1,450)</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 8. Discontinued Operations, cont'd

The assets and liabilities of the Geomatics business classified as held for sale as at March 31, 2020 are as follows:

	March 31, 2020
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 3,710
Trade receivables and other	9,288
	<b>12,998</b>
<b>Non-current assets</b>	
Right-of-use assets	3,354
Property, plant and equipment	5,529
Intangibles	63
	<b>8,946</b>
<b>Total Assets</b>	<b>\$ 21,944</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Trade payables and other	\$ 2,760
Lease liabilities	1,018
Borrowings	69
	<b>3,847</b>
<b>Non-current liabilities</b>	
Trade payables and other	322
Lease liabilities	2,717
Borrowings	317
	<b>3,356</b>
<b>Total Liabilities</b>	<b>\$ 7,203</b>
<b>Net assets directly associated with discontinued operations</b>	<b>\$ 14,741</b>

Following the classification on January 21, 2020, a fair value loss of \$4,507 was recognized during the period to reduce the carrying value of the assets held for sale to the lower of their carrying value or their fair value less costs to sell. This was recognized in profit (loss) from discontinued operations.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 9. Trade Receivables and Other

	March 31, 2020	December 31, 2019
Trade receivables	\$ 124,241	\$ 127,462
Less: loss allowance provision	11,523	10,924
Trade receivables, net	112,718	116,538
Contract assets: unbilled revenue on customer contracts <sup>(1)</sup>	53,913	53,136
Deferred costs to obtain customer contracts	1,800	1,745
Prepayments	14,079	12,516
Other receivables	1,170	1,716
	183,680	185,651
Less: non-current portion	1,639	3,696
	\$ 182,041	\$ 181,955

<sup>(1)</sup> On March 31, 2020, contract assets are stated net of expected credit losses of \$1,555 (2019 - \$1,364).

For the three months ended March 31, 2020, \$437 of amortization associated with deferred costs to obtain customer contracts was expensed to the interim condensed consolidated statements of comprehensive income (loss) (2019 - \$175). For the three months ended March 31, 2020 and 2019, no impairment losses on deferred costs were recognized.

### 10. Investments

	March 31, 2020	December 31, 2019
Investments in equity instruments	\$ 8,323	\$ 9,288
Investments in partnerships	2,619	2,193
	\$ 10,942	\$ 11,481

During the three months ended March 31, 2020, the Company contributed \$145 towards capital in various partnerships.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 11. Trade Payables and Other

	March 31, 2020	December 31, 2019
Trade payables	\$ 9,522	\$ 9,936
Accrued expenses	48,692	79,689
Contract liabilities: deferred revenue	41,558	40,321
Contingent consideration payables (Note 17)	6,532	7,667
Dividends payable (Note 16)	6,071	6,029
Provisions	544	1,121
	<b>112,919</b>	<b>144,763</b>
Less non-current portion:		
Accrued expenses	9,868	11,937
Contract liabilities: deferred revenue	1,189	1,458
Contingent consideration payables	-	2,289
Provisions	445	513
	<b>11,502</b>	<b>16,197</b>
	<b>\$ 101,417</b>	<b>\$ 128,566</b>

### 12. Borrowings

	March 31, 2020	December 31, 2019
Bank credit facilities	\$ 176,135	\$ 138,000
Leasehold improvement loans	-	403
Less: deferred financing fees	656	140
	<b>175,479</b>	<b>138,263</b>
Less non-current portion:		
Bank credit facilities	176,000	-
Leasehold improvement loans	-	334
Less: deferred financing fees	656	-
	<b>175,344</b>	<b>334</b>
	<b>\$ 135</b>	<b>\$ 137,929</b>

#### *Amendment to bank credit facilities*

On March 24, 2020, the Company amended its bank credit facilities to further strengthen its financial and liquidity position. The amended credit facilities increase the Company's borrowing capacity to \$275,000 from \$200,000, with certain provisions that allow the Company to further increase the limit to \$350,000. The amended agreement extends the term by three years expiring March 24, 2023, with an additional two-year extension at the Company's option. The other significant amendment is that the bank credit facilities are moving to an unsecured structure.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 12. Borrowings, cont'd

Loans bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian Bankers' Acceptance and LIBOR borrowings depends on a trailing four-quarter calculation of the funded debt to EBITDA ratio. The amended bank credit facilities require the Company to comply with the following financial ratios:

- Maximum Funded Debt to EBITDA ratio: maximum of 4.00:1
- Minimum Interest Coverage ratio: minimum of 3.00:1

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.

### 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. Common shares issued and outstanding are as follows:

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2020	39,826,600	\$ 509,646
Issued on exercise of options (Note 14)	198,992	6,377
Issued under the Dividend Reinvestment Plan	17,538	689
Issued under the Long-Term Equity Incentive Plan	66,013	2,608
Treasury shares reserved under the Restricted Share Plan	(55,543)	(4,017)
Treasury shares reserved under the Long-Term Equity Incentive Plan	(7,007)	(510)
Release of treasury shares	66,012	2,961
<b>Balance as at March 31, 2020</b>	<b>40,112,605</b>	<b>\$ 517,754</b>

The 40,112,605 common shares as at March 31, 2020 are net of 361,402 treasury shares with a carrying value of \$17,761 that are being held by the Company until vesting conditions are met (Note 14).



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 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:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2020	1,579,283	\$28.98
Granted	522,199	\$45.11
Exercised	(198,992)	\$27.11
Expired/Forfeited	(12,978)	\$32.43
<b>Balance as at March 31, 2020</b>	<b>1,889,512</b>	<b>\$33.61</b>

Information about the Company's share options outstanding and exercisable as at March 31, 2020 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$19.29 - \$23.85	156,110	1.55 years	156,110
\$26.04 - \$29.72	573,108	3.46 years	237,908
\$30.70 - \$35.83	538,321	3.23 years	207,534
\$36.91 - \$45.11	621,973	4.87 years	-
<b>\$33.61</b>	<b>1,889,512</b>	<b>3.70 years</b>	<b>601,552</b>

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 14. Share-based Compensation, cont'd

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:

	March 6, 2020
Risk-free interest rate	0.67%
Expected dividend yield	1.3%
Expected volatility	25.42% - 26.02%
Expected option life	3.00 - 4.50 years
Exercise price	\$45.11
Weighted average grant-date fair value per option	\$7.19 - \$8.74

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

	Common shares
Balance as at January 1, 2020	126,096
Granted	7,007
Forfeited	(2,793)
<b>Balance as at March 31, 2020</b>	<b>130,310</b>

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

	Common shares
Settled in March 2019	162,086
Settled in March 2020	54,707

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

	Number of PSUs
Granted in 2019	186,542
Granted in 2020	135,494

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 14. Share-based Compensation, cont'd

#### (ii) Deferred Compensation Plans

The following is a summary of the Company's restricted share plan ("RS Plan") activity:

	Number of RSs
Balance as at January 1, 2020 (all unvested)	239,200
Granted	55,543
Settled	(63,960)
Forfeited	(1,491)
<b>Balance as at March 31, 2020 (all unvested)</b>	<b>229,292</b>

In connection with the 2019 performance year, the Company granted a total of \$4,017 under the RS Plan. In March 2020, the Company purchased 55,543 common shares in the open market (through the facilities of the TSX or by private agreement).

In connection with the 2018 performance year, the Company granted a total of \$4,128 under the RS Plan. In March 2019, the Company purchased 100,482 common shares in the open market (through the facilities of the TSX or by private agreement).

The following is a summary of the Company's restricted share unit plan ("RSU Plan") activity:

	Number of RSUs
Balance as at January 1, 2020 (all unvested)	327,591
Granted	76,100
Settled	(69,780)
Forfeited	(4,024)
<b>Balance as at March 31, 2020 (all unvested)</b>	<b>329,887</b>

#### (iii) Directors' Deferred Share Unit Plan

The following is a summary of the Company's Deferred Share Unit Plan ("DSU Plan") activity:

	Number of DSUs
Balance as at January 1, 2020	161,662
Granted	7,952
Redeemed	(30,081)
<b>Balance as at March 31, 2020</b>	<b>139,533</b>

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 14. Share-based Compensation, cont'd

#### (iv) Compensation Expense by Plan

	Three months ended March 31, 2020	Three months ended March 31, 2019
Share Option Plan	\$ 13	\$ 22
Equity Compensation Plan	308	254
Long-Term Equity Incentive Plan	1,227	1,038
RS Plan	1,064	991
RSU Plan <sup>(1)</sup>	1,128	1,748
DSU Plan <sup>(2)</sup>	282	689

<sup>(1)</sup> For the three months ended March 31, 2020, the Company recorded mark-to-market adjustments of \$157 (2019 - \$654).

<sup>(2)</sup> For the three months ended March 31, 2020, the Company recorded mark-to-market adjustments of \$(43) (2019 - \$433).

Included in compensation expense above are amounts related to the Geomatics discontinued operations totaling \$61 (2019 - \$177).

#### (v) Liabilities for Cash-settled Plans

	March 31, 2020	December 31, 2019
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 6,806	\$ 8,832
DSU Plan - carrying value of liability recorded within trade payables and other	5,148	6,257

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

### 15. Earnings (Loss) per Share

For the three months ended March 31, 2020, 621,973 share options and 82,472 RSs (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

For the three months ended March 31, 2019, 1,369,370 share options, 105,781 RSs (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) 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 March 31, 2020	Three months ended March 31, 2019 <sup>(1)</sup>
Profit (loss) for the period from continuing operations - basic and diluted	\$ 1,757	\$ 456
Profit (loss) for the period from discontinued operations - basic and diluted	(5,436)	(891)
Profit (loss) for the period - basic and diluted	\$ (3,679)	\$ (435)
Weighted average number of common shares outstanding - basic	39,895,944	39,084,216
Dilutive effect of share options	374,482	71,755
Dilutive effect of equity awards and PSUs	379,842	45,860
Dilutive effect of RSs	219,073	141,761
Weighted average number of common shares outstanding - diluted	40,869,341	39,343,592
Earnings (loss) per share:		
Basic		
Continuing operations	\$0.04	\$0.01
Discontinued operations	\$(0.14)	\$(0.02)
Diluted		
Continuing operations	\$0.04	\$0.01
Discontinued operations	\$(0.13)	\$(0.02)

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4 and 8).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 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 15<sup>th</sup> day of the month following quarter end. Dividends are declared and paid in Canadian dollars.

### 17. Financial Instruments and Fair Values

#### Financial Instruments by Category

The tables below indicate the carrying values of financial assets and liabilities for each of the following categories:

	March 31, 2020			December 31, 2019		
	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost
<b>Assets as per Consolidated Balance Sheet:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 71,158	\$ -	\$ -	\$ 60,262
Trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments)	-	-	167,801	-	-	171,390
Investments in equity instruments	-	8,323	-	-	9,288	-
Investments in partnerships	2,619	-	-	2,193	-	-
Derivative financial instruments	5,851	-	-	7,424	-	-
Within assets held for sale (Note 8)	-	-	12,189	-	-	-
	\$ 8,470	\$ 8,323	\$ 251,148	\$ 9,617	\$ 9,288	\$ 231,652

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

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

	March 31, 2020		December 31, 2019	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Amortized Cost
<b>Liabilities as per Consolidated Balance Sheet:</b>				
Trade payables and other (excluding contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ -	\$ 52,875	\$ -	\$ 81,686
Contingent consideration payables	6,532	-	7,667	-
Borrowings	-	175,479	-	138,263
Derivative financial instruments	19	-	-	-
Within liabilities directly associated with assets held for sale (Note 8)	-	3,468	-	-
	\$ 6,551	\$ 231,822	\$ 7,667	\$ 219,949

### Fair Values

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

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 8,323	\$ 8,323
Investments in partnerships	-	-	2,619	2,619
Derivative financial instruments	-	5,851	-	5,851
<b>Liabilities:</b>				
Borrowings	-	176,135	-	176,135
Contingent consideration payables	-	-	6,532	6,532
Derivative financial instruments	-	19	-	19

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2020 and 2019 (Unaudited)

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

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 9,288	\$ 9,288
Investments in partnerships	-	-	2,193	2,193
Derivative financial instruments	-	7,424	-	7,424
<b>Liabilities:</b>				
Borrowings	-	138,403	-	138,403
Contingent consideration payables	-	-	7,667	7,667

For the three months ended March 31, 2020, there were no transfers between the levels in the hierarchy.

The following table summarizes the movement in the Company's contingent consideration payables:

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2020	\$ 7,667
Changes in expected payment recorded through profit or loss	(1,176)
Unwinding of discount (Note 6)	45
Settlements	(222)
Exchange differences	218
<b>Balance as at March 31, 2020</b>	<b>\$ 6,532</b>

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$11 as at March 31, 2020.

The estimated contractual amount of contingent consideration payables as at March 31, 2020 was \$6,586 (December 31, 2019 - \$7,919), net of a discount of \$54 (December 31, 2019 - \$252).



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

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

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, and prepayments) due within one year, financial assets within assets held for sale, trade payables and other (excluding contract liabilities, RSU Plan and DSU Plan payables, and contingent consideration payables) due within one year, and financial liabilities within liabilities directly associated with assets held for sale, are all short-term in nature 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.

The fair value of the bank credit facilities approximates its carrying value, as the instruments bear interest at rates comparable to current market rates.

### 18. Commitments and Contingencies

As at March 31, 2020, the Company provided letters of credit of approximately \$1,051 to its lessors (December 31, 2019 - \$1,074).

The Company committed to aggregate capital contributions of \$593 (Note 10) to certain partnerships (December 31, 2019 - \$682).

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.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019

(Unaudited)

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

### 19. Events After the Reporting Period

#### *Long-Term Equity Incentive Plan revision*

On May 6, 2020, the Company's shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under the Company's Long-Term Equity Incentive Plan and to ratify the grant of awards made under it to executives and key employees. The resolution increases the maximum number of common shares reserved for issuance by 1,850,000 to 4,075,000.

### 20. Comparative Information

Certain prior year amounts have been restated or re-presented for consistency with the current year presentation requirements under IFRS 5, *Assets Held for Sale and Discontinued Operations*, to re-present the comparative interim condensed consolidated statement of comprehensive income (loss) upon classification of the Geomatics business as a discontinued operation.





# Altus Group

## **LISTINGS**

Toronto Stock Exchange  
Stock trading symbol: AIF

## **AUDITORS**

ERNST & YOUNG LLP

## **TRANSFER AGENT**

AST TRUST COMPANY (CANADA)  
P.O. Box 700  
Station B  
Montreal, Quebec, Canada H3B 3K3  
Toronto: (416) 682-3860  
Toll-free throughout North America: 1 (800) 387-0825  
Facsimile: 1 (888) 249-6189  
Website: [www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)  
Email: [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)

## **HEADQUARTERS**

33 Yonge Street, Suite 500  
Toronto, Ontario, Canada M5E 1G4  
Telephone: (416) 641-9500  
Toll-free Telephone: 1 (877) 953-9948  
Facsimile: (416) 641-9501  
Website: [www.altusgroup.com](http://www.altusgroup.com)  
Email: [info@altusgroup.com](mailto:info@altusgroup.com)