Altus Group

Q3 2020 Management's Discussion & Analysis

For the nine months ended September 30, 2020

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Altus Group Limited

Management's Discussion & Analysis
September 30, 2020

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Management's Discussion & Analysis
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The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited's consolidated business, its business environment, strategies, performance, outlook and applicable risks. References to the "Company" or "Altus Group" are to the consolidated group of entities, and this should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "interim financial statements") as at and for the three and nine months ended September 30, 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 was classified as discontinued operations and contributed into our investment in the GeoVerra Inc. joint venture.

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 November 12, 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, 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.

The COVID-19 pandemic has cast additional uncertainty on each of these factors and assumptions. There can be no assurance that they will continue to be valid. Given the rapid pace of change with respect to the impact of the COVID-19 pandemic, it is premature to make further assumptions about these matters. The duration, extent and severity of the impact the COVID-19 pandemic, including measures to prevent its spread, will have on our business is uncertain and difficult to predict at this time.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; any direct or indirect negative potential impact or harm that COVID-19 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 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 this MD&A and 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).

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.

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 intangibles, share of (profit) loss of joint venture, 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 discontinued operations and the launch of GeoVerra Inc. ("GeoVerra"), the measurement of Adjusted EBITDA has been modified to reflect adjustments for: profit (loss) from discontinued operations and share of (profit) loss of joint venture.

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 joint venture, 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 discontinued operations and the launch of GeoVerra, the measurement of Adjusted EPS has been modified to reflect adjustments for: profit (loss) from discontinued operations and share of (profit) loss of joint venture. 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. In 2021, we plan to update the software retention metric to also include AE subscription revenues since we will have a meaningful number of subscriptions that will be eligible for renewal by then.

Over Time revenues is a metric we introduced in the first quarter of 2020 to replace our historic reporting of "recurring revenues", and is 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, Appraisal Management revenues, and data subscription revenues. Refer to page 17 for discussion of Over Time revenues. The main difference between the new "Over Time revenues" and our historic "recurring revenue" disclosure is that Over Time revenues do 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 is a new metric we introduced in the first quarter of 2020 that 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 2,200 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 prior to its spin off in June 2020, is reflected as discontinued operations.

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 funds, as well as other industry participants including service providers, brokers, and developers.

Our globally sold ARGUS software solutions are among the most recognizable in the CRE industry. Our cloud-enabled product stack for global CRE asset and investment management comprises end-to-end integrated software solutions 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 organizations to manage and project the performance of their CRE assets throughout the investment cycle supporting property valuations, investments, portfolios and budgeting.

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 strategic advisory and managed services for real estate organizations' front-to-back-office strategies, processes and technology through One11 Advisors, LLC ("One11").

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 these offerings 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. 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 of asset class. 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 databases that contribute to successful client outcomes. We have long-standing relationships with leading CRE 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 "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 also are 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 placing additional focus on investment and innovation in our Altus Analytics business to leverage our global operating model and growth runway, while taking advantage of our strategic position with Property Tax to further enhance value.

While the near-term impact of COVID-19 continues to be uncertain, our long-term strategy remains unchanged. 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, first we will 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.

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 pursing 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.

Financial and Operating Highlights

Selected Financial Information	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars, except for per share amounts	**2020**	2019 (1)	**2020**	2019 (1)
Revenues	$ 134,950	$ 126,787	$ 421,676	$ 387,266
Canada	30%	34%	32%	34%
U.S.	42%	42%	39%	40%
Europe	23%	18%	24%	20%
Asia Pacific	5%	6%	5%	6%
Adjusted EBITDA	$ 24,047	$ 18,785	$ 72,194	$ 62,378
Adjusted EBITDA margin	17.8%	14.8%	17.1%	16.1%
Profit (loss) for the period from continuing operations	$ 9,297	$ 4,598	$ 22,387	$ 17,773
Profit (loss) for the period from discontinued operations	$ (130)	$ 438	$ (5,300)	$ 149
Profit (loss) for the period	$ 9,167	$ 5,036	$ 17,087	$ 17,922
Earnings (loss) per share:				
Basic				
Continuing operations	$0.23	$0.12	$0.56	$0.45
Discontinued operations	$0.00	$0.01	$(0.13)	$0.00
Diluted				
Continuing operations	$0.22	$0.11	$0.54	$0.45
Discontinued operations	$0.00	$0.01	$(0.13)	$0.00
Adjusted	$0.40	$0.28	$1.23	$1.02
Dividends declared per share	$0.15	$0.15	$0.45	$0.45

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Financial Highlights

- **Revenues** were $135.0 million for the three months ended September 30, 2020, up 6.4% or $8.2 million from $126.8 million in the same period in 2019. For the three months ended September 30, 2020, the revenue growth was all organic. For the nine months ended September 30, 2020, revenues were $421.7 million, up 8.9% or $34.4 million from $387.3 million in the same period in 2019. Acquisitions represented 2.0% of the 8.9% revenue growth for the nine months ended September 30, 2020. Exchange rate movements against the Canadian dollar benefitted revenues by 1.8% and 1.0% for the quarter and year-to-date, respectively. Our CRE Consulting segment posted strong growth as our Property Tax business continues to build on the record setting pace set in the first half of the year. Our Altus Analytics segment posted a decline of 2.5% due to COVID-19 related impacts on software consulting and training activities, software sales in the small-to-medium business ("SMB") segment and impacts of the transition from perpetual to subscription-based pricing. However, reflecting growth in both software subscription revenue and Appraisal Management engagements, Over Time revenues experienced healthy growth of 12.3% and 16.2% for the quarter and year-to-date, respectively.

- **Adjusted EBITDA** was $24.0 million for the three months ended September 30, 2020, up 28.0% or $5.2 million from $18.8 million in the same period in 2019. For the nine months ended September 30, 2020, Adjusted EBITDA was $72.2 million, up 15.7% or $9.8 million from $62.4 million in the same period in 2019. Exchange rate movements against the Canadian dollar benefitted Adjusted EBITDA by 2.9% and 1.8% for the quarter and year-to-date, respectively. Earnings increased on higher revenues, partly offset by higher compensation from headcount additions and other operating costs. All business segments contributed to Adjusted EBITDA growth and margin improvement, although the increase was largely owing to strength in our Property Tax practice.

- **Profit (loss)** from continuing operations for the three months ended September 30, 2020 was $9.3 million, up 102.2% or $4.7 million from $4.6 million in the same period in 2019. For the nine months ended September 30, 2020, profit (loss) from continuing operations was $22.4 million, up 26.0% or $4.6 million from $17.8 million in the same period in 2019. In addition to the items affecting Adjusted EBITDA as discussed above, profit (loss) from continuing operations for the three and nine months ended September 30, 2020 increased as a result of lower amortization of some historical acquisition-related intangibles, lower interest related to our bank credit facilities, and our share of profit (loss) in the GeoVerra joint venture, offset by costs related to our global restructuring program. Profit (loss) from discontinued operations for the three months ended September 30, 2020 was $(0.1) million, down 129.7% or $0.5 million from $0.4 million in the same period in 2019 due to Geomatics being spun off in June 2020. For the nine months ended September 30, 2020, profit (loss) from discontinued operations was $(5.3) million, down 3,657.0% or $5.4 million from $0.1 million in the same period in 2019 due mainly to the effects of lower revenues, restructuring costs of $1.4 million, and $5.2 million of fair value adjustments recorded subsequent to the classification of our Geomatics business as discontinued operations to the date of its contribution into the GeoVerra joint venture, offset by $2.6 million of government wage subsidies.

- For the three months ended September 30, 2020, earnings (loss) per share from continuing operations was $0.23, basic and $0.22, diluted, as compared to $0.12, basic and $0.11, diluted, in the same period in 2019. For the nine months ended September 30, 2020, earnings (loss) per share from continuing operations was $0.56, basic and $0.54, diluted, as compared to $0.45, basic and diluted, in the same period in 2019.

- For the three months ended September 30, 2020, Adjusted EPS was $0.40, up 42.9% from $0.28 in the same period in 2019. For the nine months ended September 30, 2020, Adjusted EPS was $1.23, up 20.6% from $1.02 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 September 30, 2020, our bank debt was $153.5 million, representing a funded debt to EBITDA leverage ratio of 1.49 times (compared to 1.49 times as at December 31, 2019), well below our maximum ratio of 4.00 times. As at September 30, 2020, cash and cash equivalents were $91.1 million (compared to $60.3 million as at December 31, 2019). For further discussion of the recent amendment to our credit facilities 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 13 - Borrowings in the notes to the interim financial statements.

Operating Highlights

CEO Transition
Effective September 30, 2020, Robert Courteau retired as Chief Executive Officer of Altus Group and was succeeded by Michael Gordon.

Restructuring Activities
Beginning in Q2 2020, we initiated a global restructuring program across all our business segments which resulted in one-time restructuring costs of $1.2 million and $8.6 million for the quarter and year-to-date, respectively, of which a total of $4.0 million related to Altus Analytics and the balance to CRE Consulting and Corporate segments. These costs relate primarily to employee severance costs. We expect some additional charges in the fourth quarter. The restructuring was planned as part of our strategy to continue to focus and invest in technology and information services platforms.

Operating Highlights - Events After the Reporting Period

Released ARGUS Enterprise 13
In October we released the latest version of AE. AE 13 includes enhancements for multi-family and mixed-use assets, improved German valuation functionality, increased visibility and reporting, and enhanced user experience with federated single sign-on. For many of our large customers, the single sign-on is a key requirement for cloud adoption.

Discussion of Operations

Three and Nine Months Ended September 30, 2020

	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars	**2020**	2019 (1)	**2020**	2019 (1)
Revenues	$ 134,950	$ 126,787	$ 421,676	$ 387,266
Expenses				
Employee compensation	84,889	78,287	265,882	241,294
Occupancy	1,712	1,811	5,697	5,319
Office and other operating	23,383	25,243	76,626	72,749
Depreciation of right-of-use assets	2,818	3,021	8,504	9,338
Depreciation and amortization	7,291	9,228	22,893	27,222
Acquisition and related transition costs (income)	72	85	(1,104)	238
Share of (profit) loss of joint venture	(442)	-	(450)	-
Restructuring costs (recovery)	1,155	-	8,610	(296)
(Gain) loss on investments	68	(63)	(22)	(158)
Finance costs (income), net - leases	619	672	1,910	2,027
Finance costs (income), net - other	835	1,768	3,422	5,136
Profit (loss) from continuing operations before income taxes	12,550	6,735	29,708	24,397
Income tax expense (recovery)	3,253	2,137	7,321	6,624
Profit (loss) for the period from continuing operations	$ 9,297	$ 4,598	$ 22,387	$ 17,773
Profit (loss) for the period from discontinued operations	(130)	438	(5,300)	149
Profit (loss) for the period attributable to shareholders	$ 9,167	$ 5,036	$ 17,087	$ 17,922

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Revenues

Revenues were $135.0 million for the three months ended September 30, 2020, up 6.4% or $8.2 million from $126.8 million in the same period in 2019. For the three months ended September 30, 2020, the revenue growth was all organic. For the nine months ended September 30, 2020, revenues were $421.7 million, up 8.9% or $34.4 million from $387.3 million in the same period in 2019. Acquisitions represented 2.0% of the 8.9% revenue growth for the nine months ended September 30, 2020. Exchange rate movements against the Canadian dollar benefitted revenues by 1.8% and 1.0% for the quarter and year-to-date, respectively. The increase in revenues for the quarter was driven mainly by strong performance in Property Tax.

Employee Compensation

Employee compensation was $84.9 million for the three months ended September 30, 2020, up 8.4% or $6.6 million from $78.3 million in the same period in 2019. For the nine months ended September 30, 2020, employee compensation was $265.9 million, up 10.2% or $24.6 million from $241.3 million in the same period in 2019. For the three and nine months ended September 30, 2020, the increase in compensation was mainly due to headcount additions within Altus Analytics and Property Tax, and increased accruals for variable and share-based compensation. In addition, for the nine months ended September 30, 2020, headcount and compensation increased subsequent to the July 1, 2019 acquisitions of One11 and Caruthers

& Associates, Inc. ("Caruthers"). For the three and nine months ended September 30, 2020, employee compensation as a percentage of revenues was 62.9% and 63.1%, as compared to 61.7% and 62.3% in the corresponding periods in 2019, respectively.

Occupancy

Occupancy was $1.7 million for the three months ended September 30, 2020, down 5.5% or $0.1 million from $1.8 million in the same period in 2019. For the nine months ended September 30, 2020, occupancy was $5.7 million, up 7.1% or $0.4 million from $5.3 million in the same period in 2019. For the three and nine months ended September 30, 2020, the impacts of IFRS 16 decreased occupancy costs by $3.0 million and $9.3 million, respectively, 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 three months ended September 30, 2020 decreased due to reduced space needs for Property Tax. For the nine months ended September 30, 2020, occupancy costs increased moderately subsequent to the July 1, 2019 acquisitions of One11 and Caruthers. For the three and nine months ended September 30, 2020, occupancy as a percentage of revenues was 1.3% and 1.4%, as compared to 1.4% and 1.4% in the corresponding periods in 2019, respectively. Without the impact of IFRS 16, occupancy as a percentage of revenues would have been 3.5% and 3.5% for the three and nine months ended September 30, 2020, as compared to 4.0% and 3.8% in the corresponding periods in 2019, respectively.

Office and Other Operating Costs

Office and other operating costs were $23.4 million for the three months ended September 30, 2020, down 7.4% or $1.8 million from $25.2 million in the same period in 2019. For the nine months ended September 30, 2020, office and other operating costs were $76.6 million, up 5.3% or $3.9 million from $72.7 million in the same period in 2019. For the three months ended September 30, 2020, the decrease was due to savings on travel and lower subcontractor disbursements for client projects, partly offset by higher bad debt provisions. For the nine months ended September 30, 2020, the increase was due to higher bad debt provisions, costs subsequent to the July 1, 2019 acquisitions, and additional corporate software subscriptions, partly offset by savings on travel, conference related costs and lower subcontractor disbursements for client projects. For the three and nine months ended September 30, 2020, office and other operating costs as a percentage of revenues were 17.3% and 18.2%, as compared to 19.9% and 18.8% in the corresponding periods in 2019, respectively.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $2.8 million and $8.5 million for the three and nine months ended September 30, 2020, as compared to $3.0 million and $9.3 million in the corresponding periods in 2019, respectively. The decrease is primarily due to old capital leases for equipment expiring and a reduction in space needs.

Depreciation and Amortization

Depreciation and amortization were $7.3 million and $22.9 million for the three and nine months ended September 30, 2020, as compared to $9.2 million and $27.2 million in the corresponding periods in 2019, respectively. The decrease is mainly due to the completion of the amortization period for some historical acquisition-related intangibles.

Acquisition and Related Transition Costs (Income)

Acquisition and related transition costs (income) were $0.1 million and $(1.1) million for the three and nine months ended September 30, 2020, as compared to $0.1 million and $0.2 million in the corresponding periods in 2019, respectively. The income recorded for the nine months ended September 30, 2020 was due to a revaluation of our acquisition-related contingent consideration payables during the first quarter of 2020 that resulted in a reduction of $1.2 million.

Share of (Profit) Loss of Joint Venture

Share of (profit) loss of joint venture represents our share of the profit/loss in GeoVerra since it was launched on June 27, 2020 and was $(0.4) million and $(0.5) million for the three and nine months ended September 30, 2020, respectively.

Restructuring Costs (Recovery)

Beginning in the second quarter of 2020, we initiated a global restructuring program across all our business segments which resulted in one-time charges related primarily to employee severance costs. Restructuring costs (recovery) were $1.2 million and $8.6 million for the three and nine months ended September 30, 2020, of which a total of $4.0 million related to Altus Analytics and the balance to CRE Consulting and Corporate segments, as compared to $nil and $(0.3) million in the corresponding periods in 2019, respectively.

(Gain) Loss on Investments

(Gain) loss on investments was $0.1 million and $nil for the three and nine months ended September 30, 2020, as compared to $(0.1) million and $(0.2) million in the corresponding periods in 2019, respectively. The amount represents changes in fair value of our investments in partnerships.

Finance Costs (Income), Net

	Three months ended September 30,			Nine months ended September 30,		
In thousands of dollars	**2020**	2019 (1)	% Change	**2020**	2019 (1)	% Change
Interest on borrowings	$ 843	$ 1,551	(45.6%)	$ 3,220	$ 4,264	(24.5%)
Interest on lease liabilities	619	672	(7.9%)	1,910	2,027	(5.8%)
Unwinding of discounts	3	177	(98.3%)	133	561	(76.3%)
Change in fair value of interest rate swaps	-	40	(100.0%)	138	450	(69.3%)
Finance income	(11)	-	100.0%	(69)	(139)	(50.4%)
Finance costs (income), net	$ 1,454	$ 2,440	(40.4%)	$ 5,332	$ 7,163	(25.6%)

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Finance costs (income), net for the three months ended September 30, 2020 was $1.5 million, down 40.4% or $0.9 million from $2.4 million in the same period in 2019. For the nine months ended September 30, 2020, finance costs (income), net was $5.3 million, down 25.6% or $1.9 million from $7.2 million in the same period in 2019. Our finance costs decreased mainly due to the lower interest on our bank credit facilities, lower charges for the unwinding of discounts for acquisition-related contingent consideration payables paid during the fourth quarter of 2019 and early 2020, in addition to the lower change in fair value recognized in relation to our $65.0 million interest rate swap which was settled in the second quarter of 2020.

Income Tax Expense (Recovery)

Income tax expense (recovery) for the three and nine months ended September 30, 2020 was $3.3 million and $7.3 million, as compared to $2.1 million and $6.6 million in the corresponding periods in 2019, respectively. The increase for the three and nine months ended September 30, 2020 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 three months ended September 30, 2020 was $9.3 million and $0.23 per share, basic and $0.22 per share, diluted, as compared to $4.6 million and $0.12 per share, basic and $0.11 per share, diluted, in the same period in 2019. For the nine months ended September 30, 2020, profit (loss) from continuing operations was $22.4 million and $0.56 per share, basic and $0.54 per share, diluted, as compared to $17.8 million and $0.45 per share, basic and diluted, in the same period in 2019.

Profit (Loss) from Discontinued Operations

Profit (loss) from discontinued operations for the three months ended September 30, 2020 was $(0.1) million and $0.00 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. For the nine months ended September 30, 2020, profit (loss) from discontinued operations was $(5.3) million and $(0.13) per share, basic and diluted, as compared to $0.1 million and $0.00 per share, basic and diluted, in the same period in 2019. This was due mainly to the effects of lower revenues, restructuring costs of $1.4 million, and $5.2 million of fair value adjustments subsequent to the classification of our Geomatics business as discontinued operations to the date of its contribution into the GeoVerra joint venture, offset by $2.6 million of government wage subsidies.

Profit (Loss)

Profit (loss) for the three months ended September 30, 2020 was $9.2 million and $0.23 per share, basic and $0.22 per share, diluted, as compared to $5.0 million and $0.13 per share, basic and $0.12 per share, diluted, in the same period in 2019. For the nine months ended September 30, 2020, profit (loss) was $17.1 million and $0.43 per share, basic and $0.42 per share, diluted, as compared to $17.9 million and $0.45 per share, basic and diluted, in the same period in 2019.

Revenues and Adjusted EBITDA by Business Unit

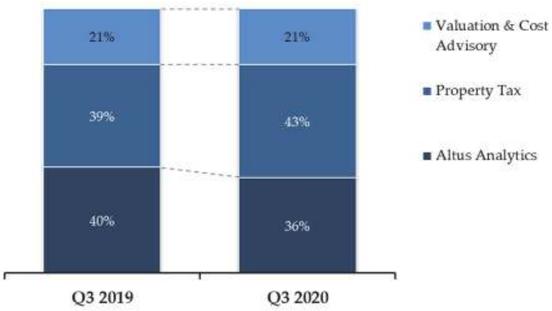
Revenues	Three months ended September 30,			Nine months ended September 30,		
In thousands of dollars	**2020**	2019 (1)	% Change	**2020**	2019 (1)	% Change
Altus Analytics	$ 49,177	$ 50,426	(2.5%)	$ 152,192	$ 147,370	3.3%
Commercial Real Estate Consulting	85,849	76,446	12.3%	269,713	240,185	12.3%
Intercompany eliminations	(76)	(85)	10.6%	(229)	(289)	20.8%
Total	$ 134,950	$ 126,787	6.4%	$ 421,676	$ 387,266	8.9%

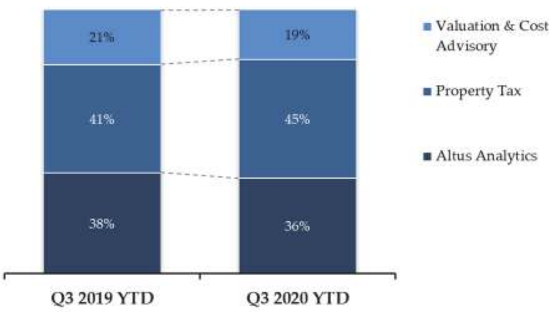
(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Adjusted EBITDA	Three months ended September 30,			Nine months ended September 30,		
In thousands of dollars	**2020**	2019 (1)	% Change	**2020**	2019 (1)	% Change
Altus Analytics	$ 11,136	$ 10,430	6.8%	$ 30,059	$ 31,457	(4.4%)
Commercial Real Estate Consulting	24,805	18,578	33.5%	75,418	62,677	20.3%
Corporate	(11,894)	(10,223)	(16.3%)	(33,283)	(31,756)	(4.8%)
Total	$ 24,047	$ 18,785	28.0%	$ 72,194	$ 62,378	15.7%

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Revenue Contribution for the Quarter and Year-to-Date:





Altus Analytics

	Three months ended September 30,			Nine months ended September 30,		
In thousands of dollars	**2020**	2019	% Change	**2020**	2019	% Change
Revenues	$ 49,177	$ 50,426	(2.5%)	$ 152,192	$ 147,370	3.3%
Adjusted EBITDA	$ 11,136	$ 10,430	6.8%	$ 30,059	$ 31,457	(4.4%)
Adjusted EBITDA Margin	22.6%	20.7%		19.8%	21.3%	
Selected Metrics (1)						
Over Time revenues (2)	$ 41,371	$ 36,824	12.3%	$ 124,411	$ 107,065	16.2%
AE software maintenance retention rate	94%	97%		95%	97%	
Geographical revenue split						
North America	81%	73%		83%	68%	
International	19%	27%		17%	32%	
Cloud adoption rate (as at end of period)				10%	n/a	

(1) Refer to pages 3 and 4 of this MD&A for definitions of the Selected Metrics presented above.

(2) As Over Time revenues were introduced in the first quarter of 2020, for a comparative view, Altus Analytics' Over Time revenues, consistent with IFRS 15, were $38.8 million in the fourth quarter of 2019.

Quarterly Discussion

Revenues were $49.2 million for the three months ended September 30, 2020, down 2.5% or $1.2 million from $50.4 million in the same period in 2019. Movements in the exchange rate against the Canadian dollar benefitted revenues by 1.7%.

Over Time revenues, as described above in the "Overview of the Business" section, were $41.4 million for the three months ended September 30, 2020, up 12.3% or $4.6 million from $36.8 million in the same period in 2019. Sequentially, Over Time revenues declined by 3.2% from the second quarter mainly as a result of an impact of 3.9% from exchange rate movements against the Canadian dollar.

Beginning in 2020, we converted the ARGUS sales model from a hybrid subscription and perpetual model to a full subscription model. Although this change creates a stronger long-term economic model, the transition negatively impacts overall revenue growth in the transition period but has a positive effect on Over Time revenues. Given our ongoing transition, we believe Over Time revenue growth, along with our newly introduced operating metrics related to the transition, are more appropriate metrics to track our progress.

The healthy growth in Over Time revenues benefitted from higher subscription license and Appraisal Management revenues, supported by healthy growth in Canadian Data Solutions and stable software maintenance revenues. Our total revenues in the third quarter continued to be impacted by the expected decline in perpetual license revenues resulting from the transition, as well as the ongoing impact of the COVID-19 pandemic as the industry continues to adapt and refocus to a changed operating environment. The pandemic has primarily impacted our point in time revenue streams such as software consulting and training services but is also impacting the timing of completing larger transactions and overall software sales volumes focused on the SMB. Notwithstanding this impact, our software subscription license sales were healthy in the quarter as we continued to benefit from add-on sales to existing customers, new license sales and cloud migrations. Additionally, we continue to benefit from sustained demand for our Appraisal Management solutions as many of our existing clients expand their engagement with us by adding more assets on our platform or launch new funds, and by adding new clients in the U.S. and internationally.

Our transition to AE cloud subscriptions continues to progress despite some of the impact brought on by the pandemic. In the third quarter, we had healthy momentum in migrating existing customers from the on-premise product and selling AE cloud to new customers, which continues to be SMB-driven though we are seeing larger customers initiate their move to ARGUS Cloud. As at the end of the third quarter, 10% of our total AE user base had been contracted on ARGUS Cloud.

Adjusted EBITDA was $11.1 million for the three months ended September 30, 2020, up 6.8% or $0.7 million from $10.4 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 acquisition, partly offset by operating cost savings due to reduced travel and conference related costs. Changes in foreign exchange benefitted Adjusted EBITDA by 1.1%.

Year-to-Date Discussion

Revenues were $152.2 million for the nine months ended September 30, 2020, up 3.3% or $4.8 million from $147.4 million in the same period in 2019. The acquisition of One11 contributed $7.1 million of revenues. Movements in the exchange rate against the Canadian dollar benefitted revenues by 1.5%.

Over Time revenues, as described above in the "Overview of the Business" section, were $124.4 million for the nine months ended September 30, 2020, up 16.2% or $17.3 million from $107.1 million in the same period in 2019.

Altus Analytics revenue growth year-to-date was driven by strong growth in Over Time revenues and the acquisition of One11 up to the second quarter, partly offset by the expected decline in perpetual license revenues related to the transition and in software consulting and training services which have been impacted by the pandemic. Over Time revenue growth was driven by higher subscription license revenues, as well as benefitted from a higher mix of subscription sales sold in prior quarters, sustained growth from our Appraisal Management solutions, and steady maintenance revenues.

Adjusted EBITDA was $30.1 million for the nine months ended September 30, 2020, down 4.4% or $1.4 million from $31.5 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 acquisition, partly offset by operating cost savings due to the impacts of the pandemic reducing travel and conference related costs. Changes in foreign exchange benefitted Adjusted EBITDA by 1.2%.

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. We are well positioned to deliver on long term growth through the execution of our strategy. The transition to subscription pricing provides for a stable and growing revenue base. Over Time revenues, which are supported by multi-year contracts and industry-leading retention rates, now represent more than 80% of total revenues. Our unique solutions continue to be 'mission critical' in providing transparency and insights particularly in challenging times.

Our strategy of transitioning our client base to the AE cloud-based subscription solution is ongoing and we remain well positioned to migrate the significant majority of our AE users by the end of 2023. We remain competitively insulated and we continue to enhance our technology platforms with new capabilities. Our cloud solutions offer improved collaboration capabilities that are increasingly required for those working remotely. We continue to make progress migrating our customers to the cloud and expect that trend to continue well into the future.

The prolonged duration of the COVID-19 pandemic and the recent rise in cases is causing short-term challenges in certain parts of our business. Most impacted are the software consulting and training services that we provide where we have transitioned to virtual delivery from the historical in person model. We have also seen an impact to the volume of license transactions in the SMB segment, along with longer sales cycles with our larger transactions. However, the pipeline remains stable and we expect a resumption to pre-COVID-19 levels of activity and beyond as our customers continue to adapt their operations. Although the current situation is presenting challenges, we have multiple strategies that we believe will help us achieve our aspirational goals that we set out for 2023.

Our Appraisal Management business continues to show strong performance. 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. As such, we are continuing to add new clients to our platform. Our solutions provide transparency, performance analytics and insights that help our clients maximize the performance of their assets. We continue to see a growing trend of new funds, including open, closed and separate funds many of which are seeking our distinctive solutions. In addition, we continue to make significant progress expanding these solutions into Europe and Asia Pacific.

Additionally, our Canadian Data Solutions business is stable and continues to be favourably positioned for sustained growth through new product introductions and new partnership opportunities.

Overall, demand for our Altus Analytics solutions remains stable. As the global economy starts to recover, activity levels are expected to rebound 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, consistent with the aspirational targets of our long-term plan.

Commercial Real Estate Consulting

	Three months ended September 30,			Nine months ended September 30,		
In thousands of dollars	**2020**	2019	% Change	**2020**	2019	% Change
Revenues						
Property Tax	$ 58,215	$ 49,263	18.2%	$ 187,685	$ 159,249	17.9%
Valuation and Cost Advisory	27,634	27,183	1.7%	82,028	80,936	1.3%
Revenues	$ 85,849	$ 76,446	12.3%	$ 269,713	$ 240,185	12.3%
Adjusted EBITDA						
Property Tax	$ 20,201	$ 14,766	36.8%	$ 64,719	$ 52,880	22.4%
Valuation and Cost Advisory	4,604	3,812	20.8%	10,699	9,797	9.2%
Adjusted EBITDA	$ 24,805	$ 18,578	33.5%	$ 75,418	$ 62,677	20.3%
Adjusted EBITDA Margin	28.9%	24.3%		28.0%	26.1%	

Quarterly Discussion

Revenues were $85.8 million for the three months ended September 30, 2020, up 12.3% or $9.4 million from $76.4 million in the same period in 2019. The growth in revenues was driven by our Property Tax business, as it continues to build on the record setting pace set in the first half of the year. Changes in exchange rates benefitted CRE Consulting revenues by 1.9%.

Property Tax performance benefitted from double-digit revenue growth in the U.K. and the U.S. In the U.K., the increase reflects the higher number of the 2017 cycle cases settled as we continue to see improvements in available resources from the government to help reduce the case backlog. In the U.S., a number of backlogged cases in Texas (one of our largest U.S. markets) were settled after COVID-19-related delays in the second quarter. Both in the U.K. and U.S. some case settlements expected in the fourth quarter were completed in the third quarter. In Canada, we were impacted by a temporary slowdown of settlement volumes in Ontario (our biggest Canadian market) resulting from COVID-19-related delays, as well as weaker year over year comparative performance in Manitoba and Alberta which were more favourably positioned in their respective cycles in the prior year.

Revenues from our Valuation and Cost Advisory businesses were up modestly on improved revenues mainly from our Canadian Cost business, and steady performance in the Valuation business.

Adjusted EBITDA was $24.8 million for the three months ended September 30, 2020, up 33.5% or $6.2 million from $18.6 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 continue growing our U.S. and U.K. Property Tax businesses. To offset the credit risk introduced by COVID-19, we recorded additional provisions on our trade receivables and unbilled revenue balances. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 2.4%.

Year-to-Date Discussion

Revenues were $269.7 million for the nine months ended September 30, 2020, up 12.3% or $29.5 million from $240.2 million in the same period in 2019. The strong year-to-date growth was driven by a 17.9% increase in our Property Tax revenues. Property Tax growth has been primarily fueled by higher U.K.

annuity billings in the second quarter and increased settlement volumes in the U.K. and in Ontario, Canada, compared to prior years. Our Valuation and Cost Advisory business experienced modest growth. Changes in exchange rates benefitted CRE Consulting revenues by 0.8%.

Adjusted EBITDA was $75.4 million for the nine months ended September 30, 2020, up 20.3% or $12.7 million from $62.7 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 continue growing our U.S. and U.K. Property Tax businesses. In addition, to reflect the credit risk introduced by COVID-19, we recorded additional provisions on our trade receivables and unbilled revenue balances. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 1.2%.

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 growing and fundamentally stable. Our market share in key markets remains strong and the value of our appeal pipelines remains intact with an opportunity to grow market share.

Given the strong performance year-to-date, we are well positioned to deliver a record revenue year in 2020. Our outlook is supported by good visibility into our pipeline and the current pace of case settlements, which should help offset some challenges introduced by the COVID-19 pandemic. In the third quarter, we experienced higher case settlements in certain jurisdictions that were anticipated to take place in the fourth quarter, therefore causing a shift of revenues between the quarters.

For 2021, we anticipate a strengthening of the opportunities based on a continued spillover of case settlements, enhanced settlements given the COVID-19 disruption, and greater market share. In addition, the 2017 valuation cycle is being extended to 2022 in the U.K. which allows annuity billings to continue for the next two years. 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. We have enhanced these businesses with the use of technology and expect that to drive operational efficiencies. Although the current COVID-19 pandemic has had a mild impact on activity levels, business resumption in key jurisdictions mitigates further declines. 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 are some continued pressures on some of the transactional services. Our Cost Advisory business depends to a large extent on an active CRE developer market, which appears to have stabilized. Despite any short-term disruptions, the long-term opportunity associated with this business remains intact as many engagements are multi-year.

Corporate Costs

Quarterly Discussion

Corporate costs (recovery) were $11.9 million for the three months ended September 30, 2020, as compared to $10.2 million in the same period in 2019. Corporate costs increased on higher accrual of variable compensation and professional advisory fees, partly offset by lower travel and office related expenditures. In the first three quarters of the year, variable compensation costs for the business units 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.

Year-to-Date Discussion

Corporate costs (recovery) were $33.3 million for the nine months ended September 30, 2020, as compared to $31.8 million in the same period in 2019. Corporate costs increased on higher accrual of variable compensation, higher salaries due to increased headcount and IT related spend, partly offset by lower travel and office related expenditures. In the first three quarters of the year, variable compensation costs for the business units 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	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars	**2020**	2019	**2020** (1)	2019 (1)
Net cash related to operating activities	$ 29,697	$ 23,293	$ 39,606	$ 28,425
Net cash related to financing activities	(11,072)	(8,120)	(5,642)	(4,588)
Net cash related to investing activities	(1,106)	(13,922)	(4,067)	(16,931)
Effect of foreign currency translation	(475)	3,204	951	370
Change in cash position during the period	$ 17,044	$ 4,455	$ 30,848	$ 7,276
Dividends paid	$ 5,308	$ 5,237	$ 16,628	$ 13,621

(1) The net cash flows provided by (used in) the operating, financing, and investing activities of the Geomatics discontinued operations for the nine months ended September 30, 2020 were $3.2 million, $(0.7) million, and $(1.5) million (2019 - $3.7 million, $(0.9) million, and $(1.7) million), respectively.

We expect to fund operations with cash on hand and cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. 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 the first quarter of 2020, we amended and expanded 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 13 - Borrowings in the notes to the interim financial statements.

Cash from Operating Activities

Working Capital		
In thousands of dollars	**September 30, 2020**	December 31, 2019
Current assets	$ 286,903	$ 246,069
Current liabilities	137,054	283,607
Working capital	$ 149,849	$ (37,538)

Current assets are composed primarily of cash and cash equivalents, trade receivables and other (including a $1.8 million related party receivable from GeoVerra), and income taxes recoverable. The increase is primarily due to cash and cash equivalents and additional trade receivables generated from operations.

Current liabilities are composed primarily of trade payables and other (including a $0.2 million related party payable to GeoVerra), lease liabilities, 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. We reclassified our bank credit facilities to non-current liabilities in the first quarter of 2020 subsequent to amending the bank credit facilities on March 24, 2020 and extending the maturity date. For further details regarding the amendment, refer to the "Cash from Financing Activities" discussion below.

As at September 30, 2020, trade receivables, net and contract assets (unbilled revenue on customer contracts) net of contract liabilities (deferred revenue) was $138.3 million, up 6.9% or $8.9 million from $129.4 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 24.7% as at September 30, 2020, as compared to 22.1% as at December 31, 2019.

Our Days Sales Outstanding ("DSO") from continuing operations was 83 days as at September 30, 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 September 30, 2020, the amounts owing to the vendors of acquired businesses were $0.1 million, as compared to $8.5 million as at December 31, 2019. We intend to satisfy the payments with 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 unsecured.

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.

As at September 30, 2020, our total borrowings on our bank credit facilities amounted to $153.5 million. Although we had drawn a total of $176.0 million on our credit facilities immediately subsequent to its amendment in the first quarter of 2020, we continue to pay down the total outstanding balance with cash flows generated from our operations.

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).

As at September 30, 2020, we have guaranteed up to $1.5 million in connection with vehicle leases and related services entered into by GeoVerra.

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. The effective annual rate of interest for the three and nine months ended September 30, 2020 on our bank credit facilities was 1.95% and 2.60%, as compared to 3.68% and 3.65% in the corresponding periods in 2019, respectively.

As at September 30, 2020, we were in compliance with the financial covenants of our amended bank credit facilities, which are summarized below:

	September 30, 2020
Funded debt to EBITDA (maximum of 4.00:1)	1.49:1
Interest coverage (minimum of 3.00:1)	22.27:1

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

Contractual Obligations (1)	Payments Due by Period (undiscounted)				
In thousands of dollars	**Total**	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
Bank credit facilities	**$ 153,500**	$ -	$ 153,500	$ -	$ -
Lease obligations	**73,050**	13,349	25,397	19,781	14,523
Contingent consideration payables	**51**	51	-	-	-
Due to GeoVerra	**156**	156	-	-	-
Other liabilities	**103,812**	86,639	8,236	839	8,098
Total contractual obligations	**$ 330,569**	$ 100,195	$ 187,133	$ 20,620	$ 22,621

(1) Contractual obligations exclude aggregate unfunded capital contributions of $0.5 million to certain partnerships as the amount and timing of such payments are uncertain.

Cash from Investing Activities

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

Capital expenditures are reconciled as follows:

Capital Expenditures	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars	**2020**	2019	**2020 (1)**	2019 (1)
Property, plant and equipment additions	$ 988	$ 2,205	$ 2,648	$ 4,610
Intangibles additions	-	-	66	149
Proceeds from disposal of property, plant and equipment and intangibles	-	(32)	(96)	(102)
Capital expenditures	$ 988	$ 2,173	$ 2,618	$ 4,657

(1) Capital expenditures related to the Geomatics discontinued operations for the nine months ended September 30, 2020 were $0.3 million (2019 - $1.7 million).

Reconciliation of Adjusted EBITDA to Profit (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars	**2020**	2019 [(1)]	**2020**	2019 [(1)]
Adjusted EBITDA	$ 24,047	$ 18,785	$ 72,194	$ 62,378
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 [(2)]	3,023	3,274	9,259	9,394
Depreciation of right-of-use assets	(2,818)	(3,021)	(8,504)	(9,338)
Depreciation of property, plant and equipment and amortization of intangibles	(7,291)	(9,228)	(22,893)	(27,222)
Acquisition and related transition (costs) income	(72)	(85)	1,104	(238)
Unrealized foreign exchange gain (loss) [(3)]	281	(252)	217	(1,379)
Gain (loss) on disposal of property, plant and equipment and intangibles [(3)]	21	(61)	(3)	(376)
Share of profit (loss) of joint venture	442	-	450	-
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs [(4)]	(4,260)	(1,577)	(8,128)	(4,291)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged [(4)]	2,463	1,312	1,766	2,247
Restructuring (costs) recovery	(1,155)	-	(8,610)	296
Gain (loss) on investments [(5)]	(68)	63	22	158
Impairment charge - leases	-	(35)	(36)	(69)
Other non-operating and/or non-recurring income (costs) [(6)]	(609)	-	(1,798)	-
Earnings (loss) from continuing operations before finance costs and income taxes	14,004	9,175	35,040	31,560
Finance (costs) income, net - leases	(619)	(672)	(1,910)	(2,027)
Finance (costs) income, net - other	(835)	(1,768)	(3,422)	(5,136)
Profit (loss) from continuing operations before income taxes	12,550	6,735	29,708	24,397
Income tax (expense) recovery	(3,253)	(2,137)	(7,321)	(6,624)
Profit (loss) for the period from continuing operations	$ 9,297	$ 4,598	$ 22,387	$ 17,773
Profit (loss) for the period from discontinued operations	(130)	438	(5,300)	149
Profit (loss) for the period	$ 9,167	$ 5,036	$ 17,087	$ 17,922

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

(2) 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.

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

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

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

(6) Other non-operating and/or non-recurring income (costs) for the three and nine months ended September 30, 2020 relate to (i) transitional costs related to the departure of senior executives, (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).

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

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

	Three months ended September 30,		Nine months ended September 30,	
In thousands of dollars, except for per share amounts	**2020**	2019 (1)	**2020**	2019 (1)
Profit (loss) for the period	$ 9,167	$ 5,036	$ 17,087	$ 17,922
(Profit) loss for the period from discontinued operations	130	(438)	5,300	(149)
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 (2)	(3,023)	(3,274)	(9,259)	(9,394)
Depreciation of right-of-use assets	2,818	3,021	8,504	9,338
Finance costs (income), net - leases	619	672	1,910	2,027
Amortization of intangibles of acquired businesses	5,604	7,423	17,809	22,042
Unrealized foreign exchange loss (gain)	(281)	252	(217)	1,379
Loss (gain) on disposal of property, plant and equipment and intangibles	(21)	61	3	376
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs	4,260	1,577	8,128	4,291
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	(2,463)	(1,312)	(1,766)	(2,247)
Interest accretion on contingent consideration payables	-	149	102	464
Restructuring costs (recovery)	1,155	-	8,610	(296)
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps	-	40	138	450
Acquisition and related transition costs (income)	72	85	(1,104)	238
Loss (gain) on investments	68	(63)	(22)	(158)
Share of loss (profit) of joint venture	(442)	-	(450)	-
Impairment charge - leases	-	35	36	69
Other non-operating and/or non-recurring costs (income)	609	-	1,798	-
Tax impact on above	(1,845)	(1,930)	(6,903)	(5,866)
Adjusted earnings (loss) for the period	$ 16,427	$ 11,334	$ 49,704	$ 40,486
Weighted average number of shares - basic	40,240,402	39,642,560	40,084,289	39,350,460
Weighted average number of restricted shares	338,736	373,767	353,206	375,826
Weighted average number of shares - adjusted	40,579,138	40,016,327	40,437,495	39,726,286
Adjusted earnings (loss) per share	$0.40	$0.28	$1.23	$1.02

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

(2) 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.

Summary of Quarterly Results

	2020			2019					2018	
In thousands of dollars, except for per share amounts	Sep 30	Jun 30	Mar 31	Fiscal 2019	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2018	Dec 31
Results of Operations										
Revenues (1)	$ 134,950	$ 155,470	$ 131,256	$ 525,717	$ 138,451	$ 126,787	$ 143,131	$ 117,348	$ 466,797	$ 119,404
Adjusted EBITDA (1)	$ 24,047	$ 34,899	$ 13,248	$ 84,709	$ 22,331	$ 18,785	$ 30,036	$ 13,557	$ 67,306	$ 13,920
Adjusted EBITDA margin (1)	17.8%	22.4%	10.1%	16.1%	16.1%	14.8%	21.0%	11.6%	14.4%	11.7%
Profit (loss) for the period from continuing operations	$ 9,297	$ 11,333	$ 1,757	$ 23,891	$ 6,118	$ 4,598	$ 12,719	$ 456	$ (1,288)	$ (1,208)
Profit (loss) for the period from discontinued operations	$ (130)	$ 266	$ (5,436)	$ (5,697)	$ (5,846)	$ 438	$ 602	$ (891)	$ (17,151)	$ (13,511)
Basic earnings (loss) per share (1):										
Continuing operations	$0.23	$0.28	$0.04	$0.61	$0.15	$0.12	$0.32	$0.01	$(0.03)	$(0.03)
Discontinued operations	$0.00	$0.01	$(0.14)	$(0.14)	$(0.15)	$0.01	$0.02	$(0.02)	$(0.44)	$(0.35)
Diluted earnings (loss) per share (1):										
Continuing operations	$0.22	$0.28	$0.04	$0.60	$0.15	$0.11	$0.32	$0.01	$(0.03)	$(0.03)
Discontinued operations	$0.00	$0.01	$(0.13)	$(0.14)	$(0.14)	$0.01	$0.02	$(0.02)	$(0.44)	$(0.35)
Adjusted earnings (loss) per share (1)	$0.40	$0.62	$0.20	$1.43	$0.42	$0.28	$0.51	$0.23	$1.00	$0.18
Weighted average number shares ('000s):										
Basic	40,240	40,115	39,896	39,461	39,787	39,643	39,318	39,084	38,764	38,968
Diluted (1)	41,348	41,039	40,869	40,084	40,653	40,411	39,770	39,344	38,764	38,968

(1) Comparative figures have been restated to reflect discontinued operations. Refer to Notes 4, 5, 8 and 20 of the interim financial statements.

Our global Property Tax practice (which made up approximately 43% of total consolidated revenues in Q3 2020) is subject to seasonal and cyclical variations which may impact overall quarterly results, which could potentially be more pronounced during the COVID-19 pandemic. 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 seven-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 in 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 starting in the second 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.

Share Data

As at November 9, 2020, 40,399,547 common shares were outstanding and are net of 321,490 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 September 30, 2020, there were 1,786,106 share options outstanding (December 31, 2019 - 1,579,283 share options outstanding) at a weighted average exercise price of $35.39 per share (December 31, 2019 - $28.98 per share) and 433,423 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 three and nine months ended September 30, 2020, 19,697 and 39,560 common shares (2019 - 23,618 and 168,121 common shares) were issued under the DRIP.

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 September 30, 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, and contingent consideration payables are measured using a discounted cash flow analysis of expected cash flows in future periods. The investments in equity instruments are measured based on valuations of the respective entities. Investments in partnerships are measured in relation to the fair value of assets in the respective partnerships.

The fair value of the liabilities for the DSU and RSU plans as at September 30, 2020 was approximately $19.5 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 monitor interest rates and consider entering into interest rate swap agreements in connection with our bank credit facilities.

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 September 30, 2020, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of $10.7 million. The fair value of these derivatives is $14.1 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 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.

Changes in Significant Accounting Policies and Estimates

In March 2020, the World Health Organization declared COVID-19 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, leading to an economic downturn and to legislative and regulatory changes that has impacted our business and operations. The duration and magnitude of the impact of the outbreak and its potential adverse effects on our business or results of operations continue to be uncertain and will depend on future developments. Judgments made in the September 30, 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.

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.

Investment in Joint Venture

Joint ventures are joint arrangements over which we have joint control along with the other parties to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In June 2020, we made a joint venture investment in GeoVerra, the new company that combined our legacy Geomatics business unit with WSP's respective geomatics business unit. Our investment in the GeoVerra joint venture was initially recognized at fair value and accounted for using the equity method.

Accordingly, our share of (profit) loss of joint venture subsequent to the initial combination is recognized in profit or loss, and our share of movements in other comprehensive income (loss), if any, is recognized in other comprehensive income (loss). Such movements are adjusted against the carrying amount of our investment in the joint venture.

Unrealized gains on transactions between us and the joint venture are eliminated to the extent of our interest in the joint venture. Unrealized losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The accounting policies adopted by the joint venture have been changed where necessary to ensure consistency with our accounting policies.

We review our investment in the joint venture for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, the carrying amount of our investment in the joint venture is written down to its estimated recoverable amount, being the higher of fair value less costs to sell and value in use, and charged to profit or loss.

Government Grants

Government grants that compensate or reimburse us for expenses incurred are recorded as a reduction of the related expense when there is reasonable assurance of their ultimate realization.

Adoption of Recent Accounting Pronouncements

Amendment to IFRS 16, COVID-19-Related Rent Concessions
In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to permit lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The amendment did not have an impact on our interim financial statements.

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.

In August 2020, the IASB issued further amendments to provide a practical expedient from discontinuing hedging relationships and the related hedge accounting treatment as a result of the interest rate benchmark reform as well as additional disclosures. The disclosures are to provide additional information on the effect of the reform on our financial instruments and risk management strategy. These amendments apply retrospectively and are effective for annual periods beginning on or after January 1, 2021 with earlier application permitted; however, companies are not required to restate prior periods.

These amendments had no impact on our 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 our interim financial statements.

Future Accounting Pronouncements

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

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

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

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

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023. We have not yet determined the impact of these amendments on our financial statements.

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. We have not yet determined the impact of these amendments on our financial statements.

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.

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended September 30, 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 three and nine months ended September 30, 2020.

Additional Information

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our corporate website at www.altusgroup.com under the Investors tab.

Our common shares trade on the TSX under the symbol "AIF".

Altus Group

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
Email: 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
Email: info@altusgroup.com