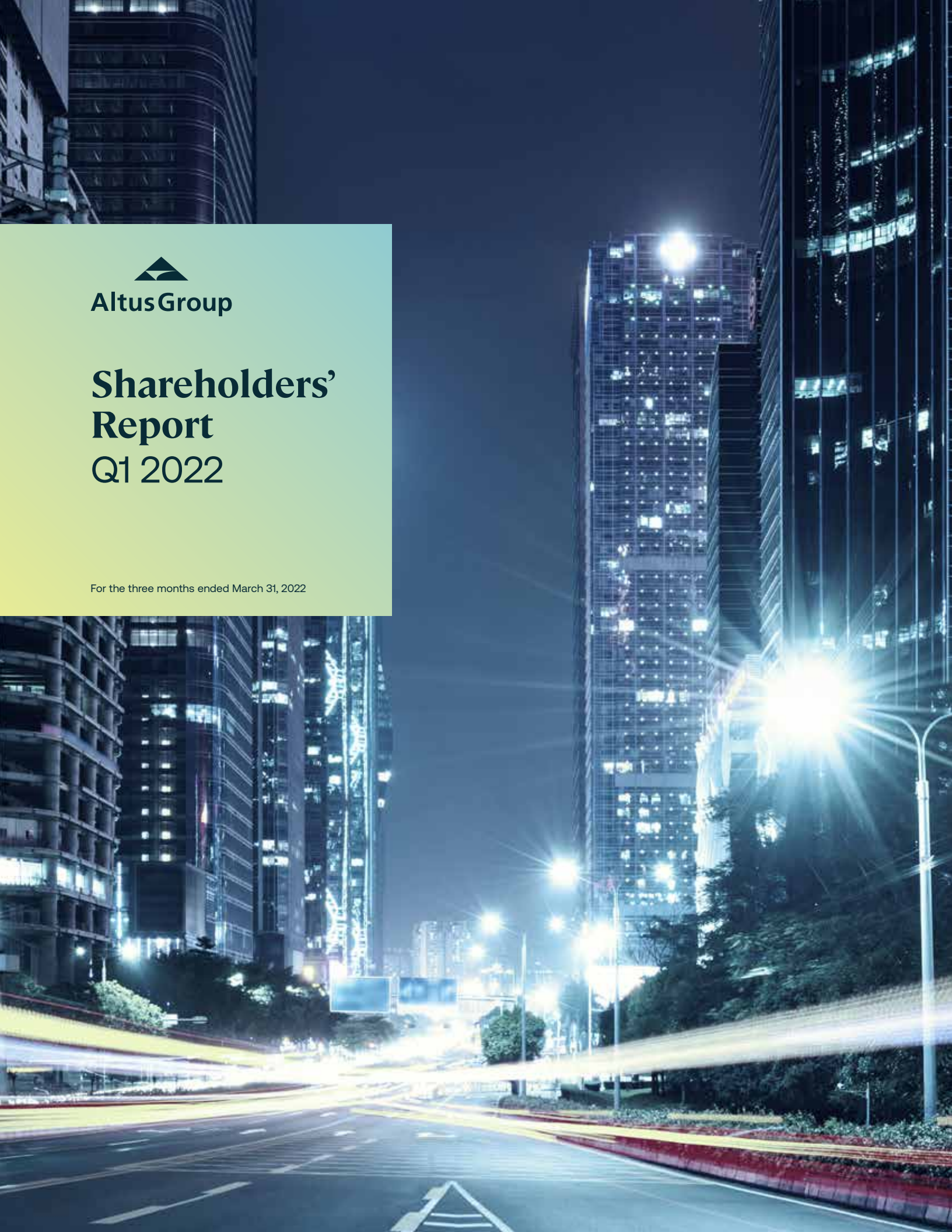




**Altus Group**

# **Shareholders' Report Q1 2022**

For the three months ended March 31, 2022





# Altus Group Limited

## Shareholders' Report

March 31, 2022



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# Management's Discussion & Analysis

March 31, 2022



*The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited's consolidated business, its business environment, strategies, performance, outlook and applicable risks. References to the "Company" or "Altus Group" are to the consolidated group of entities, and this should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "interim financial statements") as at and for the quarter ended March 31, 2022, 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 2021.*

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

*This MD&A is dated as of May 4, 2022.*

## **Forward-Looking Information**

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

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that we identified and applied in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: engagement and product pipeline opportunities in Altus Analytics will result in associated definitive agreements; settlement volumes in the Property Tax business will occur on a timely basis and that assessment authorities will process appeals in a manner consistent with expectations; the successful execution of our business strategies; consistent and stable economic conditions or conditions in the financial markets; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; the opportunity to acquire accretive businesses and the absence of negative financial and other impacts resulting from strategic investments or acquisitions on short term results; the successful integration of acquired businesses; and the continued availability of qualified professionals. Projections may also be impacted by macroeconomic factors, in addition to other factors not controllable by the Company. Altus Group has also made certain macroeconomic and general industry assumptions in the preparation of such forward-looking statements. Not all factors which affect the forward-looking information are known, and actual results may vary from the projected results in a material respect, and may be above or below the forward-looking information presented in a material respect.

# Management's Discussion & Analysis

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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 COVID-19 pandemic, it is difficult 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. As of the date of this MD&A, many of our offices and clients remain subject to limitations and restrictions set to reduce the spread of COVID-19, and a significant portion of our employees continue to work remotely.

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: the general state of the economy; the COVID-19 pandemic; our financial performance; our financial targets; the commercial real estate market; acquisitions; industry competition; business interruption events; third party information; cybersecurity; professional talent; our cloud subscriptions transition; software renewals; our sales pipeline; enterprise transactions; customer concentration and loss of material clients; product enhancements and new product introductions; technological strategy; intellectual property; property tax appeals and seasonality; legislative and regulatory changes; privacy and data protection; our brand and reputation; fixed-price and contingency engagements; the Canadian multi-residential market; currency fluctuations; interest rates; credit; income tax matters; health and safety hazards; our contractual obligations; legal proceedings; our insurance limits; our ability to meet the solvency requirements necessary to make dividend payments; our leverage and financial covenants; our share price; our capital investments; and the issuance of additional common shares and debt, as well as those described in our annual publicly filed documents, including the Annual Information Form for the year ended December 31, 2021 (which are available on SEDAR at [www.sedar.com](http://www.sedar.com)).

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

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

# Management's Discussion & Analysis

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## Non-GAAP and Other Measures

### Non-GAAP Financial Measures

We use certain non-GAAP 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 which include non-GAAP financial measures and non-GAAP ratios as defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure ("NI 52-112"), may assist investors in assessing an investment in our shares as they provide additional insight into our performance. These non-GAAP measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS.

**Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")** is a non-GAAP financial measure which 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 right-of-use assets, property, plant and equipment and intangibles, share of (profit) loss of joint venture, impairment charges, non-cash share-based compensation costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") 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.

**Adjusted EBITDA margin** is a non-GAAP financial ratio which represents the percentage factor of Adjusted EBITDA to revenues. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business, as well as when making decisions about the ongoing operations of the business and our ability to generate cash flows. Refer to page 25 for a reconciliation of Adjusted EBITDA to our interim financial statements.

**Adjusted Earnings (Loss)** is a non-GAAP financial measure which represents profit (loss) 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 right-of-use assets, property, plant and equipment and intangibles, non-cash share-based compensation 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, other costs or income of a non-operating and/or non-recurring nature, and the tax impact on these items. We use Adjusted Earnings (Loss) to facilitate the calculation of Adjusted Earnings (Loss) per Share ("Adjusted EPS"). Refer to page 26 for a reconciliation of Adjusted Earnings (Loss) to our interim financial statements.

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*Adjusted EPS* is a non-GAAP financial ratio calculated by dividing the Adjusted Earnings (Loss) by the basic weighted average number of shares adjusted for the effects of weighted average number of restricted shares. We use Adjusted EPS to assess the performance of our business before the effects of the noted items, because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Refer to page 26 for a reconciliation of Adjusted EPS to our interim financial statements.

*Constant currency* is a non-GAAP financial measure that allows for current financial and operational performance to be understood against comparative periods without the impact of fluctuations in foreign currency exchange rates against the Canadian dollar. The financial results and non-GAAP measures presented at constant currency within this MD&A are obtained by translating monthly results denominated in local currency (US dollars, British pound, Euro, Australian dollars, and other foreign currencies) at the foreign exchange rates of the comparable month.

*Net debt to Adjusted EBITDA leverage ratio* is a non-GAAP financial ratio which represents net debt, or total borrowings less cash and cash equivalents (net of short-term deposits), as a percentage of Adjusted EBITDA. We use Net debt to Adjusted EBITDA leverage ratio as a measure of our ability to service our debt and other long-term obligations.

## Other Measures

We also apply certain other measures to allow us to measure our performance against our operating strategy and against the results of our peers and competitors. Readers are cautioned that they are not standardized financial measurements in accordance with IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. These other measures, which include supplementary financial measures as defined in NI 52-112, should not be considered in isolation or as a substitute for any other measure of performance under IFRS.

*Bookings* is a supplementary financial measure for the Altus Analytics business segment. We define Bookings as the annual contract value for new sales of our recurring offerings (software, Appraisal Management solutions and data subscriptions) and the total contract value for one-time engagements (consulting, training and due diligence). The contract value of renewals is excluded from this metric, with the exception of additional capacity or products purchased at the time of renewal. *Organic Bookings* is a supplementary financial measure which represents Bookings, excluding Bookings from business acquisitions that are not fully integrated, prior to the first anniversary of the acquisition. We use Bookings and Organic Bookings as measures to track the performance and success of our sales initiatives, and as an indicator of future revenue growth.

*Organic Revenue* is a supplementary financial measure which represents revenue, consistent with IFRS 15, *Revenue from Contracts with Customers*, excluding the revenues from business acquisitions that are not fully integrated, prior to the first anniversary of the acquisition. We use Organic Revenue to evaluate to assess revenue trends in our business on a comparable basis versus the prior year, and as an indicator of future revenue growth.

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*Over Time revenues* is a supplementary financial measure consistent with IFRS 15, *Revenue from Contracts with Customers*, for the Altus Analytics business segment. Our Over Time revenues are comprised of software subscription revenues recognized on an over time basis in accordance with IFRS 15, software maintenance revenues associated with our legacy licenses sold on perpetual terms, Appraisal Management revenues, and data subscription revenues. For greater clarity, this measure does not include revenue from distinct on-premise licenses which is recognized upfront at the point in time when the software is delivered to the customer. *Organic Over Time revenues* represents Over Time revenues, excluding the Over Time revenues from business acquisitions that are not fully integrated, prior to the first anniversary of the acquisition. We use Over Time revenues and Organic Over Time revenues as measures to assess revenue trends in our business, and as an indicator of future revenue growth.

*ARGUS Enterprise ("AE") software maintenance retention rate* is a supplementary financial measure calculated as a percentage of AE software maintenance revenue retained upon renewal; it represents the percentage of the available renewal opportunity in a fiscal period that renews, calculated on a dollar basis, excluding any growth in user count or product expansion. We use AE software maintenance retention rate as a measure to evaluate our success in retaining our AE software customers.

*Cloud adoption rate* is another measure 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. We use Cloud adoption rate as a measure of our progress in transitioning the AE user base to our cloud-based platform, a key component of our overall product strategy.

*Days Sales Outstanding ("DSO")* is a supplementary financial measure which is calculated 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 use DSO as a measure of our ability to convert our revenues into cash.

## Overview of the Business

Altus Group provides the global commercial real estate ("CRE") industry with vital actionable intelligence solutions driven by our de facto standard ARGUS technology, unparalleled asset level data, and market leading expertise. A market leader in providing Intelligence as a Service, Altus Group empowers CRE professionals to make well-informed decisions with greater speed and scale to maximize returns and reduce risk. Trusted by most of the world's largest CRE leaders, our solutions for the valuation, performance, and risk management of CRE assets are integrated into workflows critical to success across the CRE value chain. Founded in 2005, Altus Group is a global company with approximately 2,600 employees across North America, EMEA and Asia Pacific.

We have two reporting business segments: Altus Analytics and Commercial Real Estate Consulting ("CRE Consulting").



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## *Altus Analytics*

Our global Altus Analytics business segment includes a portfolio of CRE-focused software, data, analytics, and advisory solutions that enable clients to drive better performance in the areas of valuation, transactions, performance, strategy and intelligence. Our solutions drive compelling, quantifiable value for our clients and empower them to leverage the gained intelligence to deliver outsized returns, mitigate portfolio risk, improve margins and raise more capital. The combination of our deep industry expertise with asset-level data and data science on an industry standard platform (ARGUS) enables us to serve our customers through a scalable Intelligence as a Service delivery model. Our ARGUS platform enjoys a strong network effect in the CRE ecosystem and has been widely recognized as the industry standard for property cash flow and valuation modelling for over 30 years, and many of our solutions are deeply entrenched in our customers' key workflows across the CRE asset value chain. Our clients predominately consist of CRE-focused professionals and organizations ranging from small-to-medium sized businesses to large, global firms. The key customers we serve include equity and debt investors, valuers and appraisers, brokers, developers, banks, and public entities.

Our Altus Analytics solutions are global with our flagship AE software currently utilized in over 100 countries. Our products have traditionally been sold as point solutions, primarily led by our ARGUS software and appraisal management offerings, which we bolstered with new software, data and analytics capabilities through acquisitions that collectively provide us with an end-to-end enterprise solution across various CRE asset investment and management workflows – both for equity and debt investments. In 2022, we are realigning the way we bring our solutions to market by combining our core software tools (ARGUS and Finance Active), data (Altus Data Studio and Reonomy), analytics (ARGUS ValueInsight with CRE fund benchmarking and attribution analysis tools and StratoDem Analytics) and advisory (Appraisal Management and One11 advisory) capabilities under the following five offerings: Altus Valuation, Altus Transactions, Altus Performance, Altus Strategy, and Altus Intelligence. Each of these offerings packages a number of our capabilities which we believe best suits our customers' needs and better addresses their pain points across the whole asset lifecycle.

Our Altus Analytics business segment primarily consists of Over Time revenues, including software subscription revenues recognized on an over time basis, data and analytics offerings, as well as legacy software maintenance fees (which are in the process of upgrading to cloud subscriptions) and the managed services fees from our Appraisal Management solutions. The segment also consists of point-in-time revenues from legacy on-premise licenses as well as services related to education, training, implementation, and strategic advisory for front-to-back-office strategies, processes and technology. Our revenue mix continues to increasingly shift to a recurring subscription-based model under which revenues are recognized ratably (which we capture as Over Time revenues). We continue to upgrade our legacy on-premise AE software users to our cloud environment by converting their maintenance contracts to cloud subscription contracts. Our subscription agreements vary in length between one to five years with the fee primarily dependent on the number of users and applications deployed, and in the case of our Appraisal Management managed services, based on the number of real estate assets on our platform with adjustments for frequency of valuations and complexity of asset class. Our non-recurring software service engagements are charged primarily on a time and materials basis, billed and recognized monthly as delivered. We enjoy very high contract renewal rates for our Altus Analytics solutions, including industry leading retention rates for our flagship AE software.

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## *Commercial Real Estate Consulting*

Our CRE Consulting business segment includes CRE-focused professional services in the areas of property tax management, valuations, and cost advisory to help our clients maximize the value and returns of their CRE assets and investments. Through our various practice areas, we are well-equipped to serve our clients across various stages of the CRE asset lifecycle: feasibility, development, acquisition, management and disposition. Our professionals possess extensive industry, market and asset-specific knowledge that contribute to our proprietary internal databases that help drive 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. 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 practices.

Property tax is typically the largest operating expense in CRE property ownership after debt service, making it a key area of focus for our clients. Additionally, realty tax regimes vary significantly between jurisdictions requiring regional and asset specific expertise. We help clients proactively manage this cost and their complex appeal processes, striving to help them minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, managing tax appeals, as well as in the U.S., personal property and state and local tax advisory services. The combination of our very specific expertise with our proprietary comprehensive databases and technology contribute to our long-standing track record of successful client outcomes. In Canada, our engagements are also supported by our Property Tax Analyzer platform, an automated workflow communication model that provides clients with “one stop” monitoring and a dashboard view of their assets and property information, including property assessments, appeal status, and taxation information. Following the May 1, 2022 acquisition of Rethink Solutions Inc. (“Rethink Solutions”), we now also offer the itamlink property tax management software in North America, a solution that helps clients identify tax saving opportunities, manage tax payments and develop budgets and forecasting. 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 a time and materials basis. As discussed under the “Summary of Quarterly Results” section on page 27, this business is subject to some seasonal and cyclical variations.

Our Valuation practice in Canada consists of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation support, 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.

## **Strategy**

The growing prominence of data analytics, process automation, machine learning, artificial intelligence and cloud computing are continually providing greater visibility into properties and their performance. The maturing of the proptech sector is driving rapid modernization of the industry and changing customer demand trends. Customers are moving beyond single specialty solutions and increasingly looking for integration across their technology platforms and data collaboration across workflows to drive real-time business insights. Combined with the impacts of globalization, demographic shifts, new institutional

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capital in-flows and cross-border transactions, talent scarcity and increasing regulatory pressures – the CRE industry is undergoing a fundamental transformation. We believe our industry is at an inflection point that presents us with an attractive opportunity for our long-term growth strategy.

At the center of this rapidly maturing and consolidating sector is Altus Group. Our global footprint and market leading solutions place us at the intersection of CRE transactions globally, uniquely positioning us to drive transformative industry innovation in a fragmented technology landscape. We believe we have the industry's best view of global real estate and an established global platform that's trusted by the industry.

Our long-term strategy reinforces Altus Group as the global market leader in actionable intelligence solutions for the valuation, performance, and risk management of CRE assets. To drive our next phase of growth – *sustainably and innovatively* – our strategy is centered around serving the CRE market with an Intelligence as a Service offering that provides us with strong recurring revenues, fuels the network effect of our platform, and better positions us to move into adjacent verticals. The Intelligence as a Service model combines our technology, data and expertise across a myriad of CRE workflows spanning the various stages of the CRE asset lifecycle. In support of this, we are realigning our go-to-market plans and operating models across all of Altus Group to efficiently scale and enhance sales opportunities. Transformative industry innovation is core to solidify Altus Group as mission critical in the CRE ecosystem. Our product roadmap is focused on expanding capabilities that help our clients maximize returns (alpha) and reduce volatility (beta) with speed and scale. By pioneering predictive and prescriptive analytics we will help clients and our industry move from insight to foresight and in doing so further imbed our solutions across organizations. With the foundational technology and our best-in-class talent already in place, the acquisitions from 2021 have significantly accelerated our go-to-market timelines to drive transformative industry innovation in the coming years with actionable intelligence solutions.

The rare market consolidation that is emerging in the proptech sector presents us with a unique opportunity to remain acquisitive. While we are well positioned to deliver on our plans organically, we intend to pursue acquisition opportunities that will strengthen our Intelligence as a Service platform and help accelerate time to market in alignment with our long-term strategy, including opportunities in new verticals and adjacencies that align with secular growth trends and that are strategic to our clients across the CRE value chain.

## 2022 Strategic Priorities:

In 2022, our strategic focus builds on the prior year's priorities and the acquisitions we made to drive transformative innovation. We have organized our priorities around three key themes – focus, simplification, and execution.

### 1. Focus

- ***Profitable revenue growth:*** We are focused on strong sales execution to drive profitable revenue growth in each of our tier one geographies (U.S., Canada, U.K., France, Germany and Australia), across our core customer sectors (investors, proprietors, bankers, and service providers) and across our customer segments (high touch and scale).

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- *Network effect*: Driving global industry adoption of our ARGUS cloud platform remains a high priority and will be foundational to our Intelligence as a Service offering. ARGUS' global, mission critical and de facto standard differentiation is amongst our most strategic competitive advantages that advances our position globally through its inherent network effect. We remain tactically focused on migrating our legacy on-premise software users to our cloud platform, as well as expanding our penetration with existing customers and adding new ones.

## 2. Simplification

- *Data*: Our business encompasses a substantial amount of valuable data across all of our solutions and service lines that we intend to leverage in our Intelligence as a Service offering to deliver analytics at scale and with greater efficiency and speed. A core initiative this year is the unification of our data, including expanding our governance and optimization processes, as well as expanding our data and analytics capabilities to markets within our tier one targets.
- *Value selling*: We are realigning our product offering structure pivoting from product-centric strategies and point solution selling to a more ubiquitous model that centers around our customers' unique priorities and with offers aligned to clear customer challenges that we can solve and create value. The combination of our data, technology and expertise that seamlessly delivers actionable intelligence provides for the most optimal way to drive client value while supporting our business strategies to profitably grow and scale. In 2022, we are updating the way we bring our solutions to market (starting with Altus Analytics and then at CRE Consulting) under the following five offerings: Altus Valuation, Altus Transactions, Altus Performance, Altus Strategy, and Altus Intelligence. Each of these offerings packages a number of our capabilities to best suit our customers' needs.
- *Platform economics*: We are transitioning our entire technology stack to a platform-based approach designed for the management of our data model, the transition of our clients' digital experience, and to reap the benefits of leverage and scale across our entire organization. We are continuing to integrate all of our underlying technology under a common Altus Group performance platform to deliver Intelligence as a Service. This approach is inclusive of all our solutions and service lines by design and will include a tax management workflow solution that will contribute valuable information to our Intelligence as a Service model.

## 3. Execution

- *One Altus*: Keeping pace with our growth and the many acquisitions made over the years, in 2022 we will transform our internal systems for how we operate, collaborate and go-to-market as a unified Intelligence as a Service provider across all of Altus Group. This includes upgrading our finance back-office systems, optimizing CRM front office systems for integrated account planning, and simplifying our solution architecture (including realigning our sales processes, incentives and pricing to increase client value). Our efforts will simplify how we engage with our employees and customers and maximize our internal systems so that we can efficiently and effectively scale as we grow and enhance our productivity metrics.

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- *Talent strategy:* In support of our pursuit to become an international employer of choice, in 2022 we are focused on enhancing our talent management strategy to attract, motivate, reward and retain our talented people with a focus on embedding a culture of transformation, diversity, equity and inclusion. We are shifting our talent priorities to increase our capacity in line with our growth strategy and investing in our global human resources systems to better manage our talent pool, strengthen employee engagement and productivity, and create a best-in-industry employee experience with improved organizational cohesiveness.

# Management's Discussion & Analysis

## March 31, 2022



### Financial and Operating Highlights

Selected Financial Information	Quarter ended March 31,	
	2022	2021
<i>In thousands of dollars, except for per share amounts</i>		
Revenues	\$ 167,584	\$ 137,158
Canada	31%	37%
U.S.	43%	36%
Europe	21%	22%
Asia Pacific	5%	5%
Adjusted EBITDA <sup>(1)</sup>	\$ 17,741	\$ 17,240
Adjusted EBITDA margin <sup>(1)</sup>	10.6%	12.6%
Profit (loss)	\$ (11,456)	\$ 2,637
Earnings (loss) per share:		
Basic	\$(0.26)	\$0.07
Diluted	\$(0.26)	\$0.06
Adjusted <sup>(1)</sup>	\$0.27	\$0.34
Dividends declared per share	\$0.15	\$0.15

<sup>(1)</sup> Altus Group uses certain non-GAAP financial measures such as Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EPS. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. Refer to the "Non-GAAP and Other Measures" section for more information on each measure and the "Reconciliation of Adjusted EBITDA to Profit (Loss)" and "Reconciliation of Adjusted Earnings (Loss) Per Share to Profit (Loss)" sections for reconciliations to the most directly comparable GAAP measure.

### Financial Highlights

- **Revenues** were \$167.6 million for the quarter ended March 31, 2022, up 22.2% (23.6% on a constant currency basis\*) or \$30.4 million (\$32.4 million on a constant currency basis), from \$137.2 million in the same period in 2021. Organic revenue\* growth was 10.5% (11.3% on a constant currency basis) for the quarter ended March 31, 2022. Revenue growth for the quarter was led by Altus Analytics and from Property Tax. Altus Analytics, including the acquisitions of Finance Active SAS ("Finance Active") and Scryer, Inc. (d/b/a Reonomy) ("Reonomy"), grew 48.1% (50.0% on a constant currency basis), helped by Over Time revenues growing 59.0% (60.2% on a constant currency basis). Property Tax revenues increased mostly on higher revenues from our U.S. practice.
- **Adjusted EBITDA** was \$17.7 million for the quarter ended March 31, 2022, up 2.9% (4.3% on a constant currency basis) or \$0.5 million (\$0.7 million on a constant currency basis), from \$17.2 million in the same period in 2021. Earnings held steady despite being impacted by the acquisition of Reonomy, the purchase price accounting adjustments totaling \$1.0 million to Finance Active's and Reonomy's deferred revenues, as well as higher investment related to accelerating our data strategy.
- **Profit (loss)** for the quarter ended March 31, 2022 was \$(11.5) million, down 534.4% or \$14.1 million from \$2.6 million in the same period in 2021. In addition to the items affecting Adjusted EBITDA as discussed above, profit (loss) for the quarter ended March 31, 2022 was impacted by higher amortization of acquisition-related intangibles related to the acquisitions of Finance Active, StratoDem Analytics, and Reonomy in 2021, restructuring costs related to our 2022 global restructuring program,

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and losses due to foreign exchange and on equity derivatives. This was partially offset by lower acquisition and related transition costs, and profit recognized from our GeoVerra joint venture.

- For the quarter ended March 31, 2022, earnings (loss) per share was \$(0.26), basic and diluted, as compared to \$0.07, basic and \$0.06, diluted, in the same period in 2021.
- For the quarter ended March 31, 2022, Adjusted EPS was \$0.27, down 20.6% from \$0.34 in the same period in 2021.
- We returned \$6.8 million to shareholders in the quarter through quarterly dividends of \$0.15 per common share.
- As at March 31, 2022, our bank debt was \$306.7 million, representing a funded debt to EBITDA leverage ratio, as defined in our credit facility agreement, of 2.60 times (compared to 2.47 times as at December 31, 2021), well below our maximum ratio of 4.00 times. As at March 31, 2022, cash and cash equivalents were \$46.8 million (compared to \$51.3 million as at December 31, 2021). This also represents a net debt to Adjusted EBITDA leverage ratio\* of 2.37 times (compared to 2.17 times as at December 31, 2021).

\* Altus Group uses certain non-GAAP financial measures such as constant currency, non-GAAP financial ratios such as net debt to Adjusted EBITDA leverage ratio as well as supplementary financial and other measures such as organic revenue. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. Refer to the "Non-GAAP and Other Measures" section for more information on each measure.

## Operating Highlights

### *Leadership Transition*

Effective April 1, 2022, Jim Hannon assumed the role of Chief Executive Officer ("CEO"), succeeding Mike Gordon who remains on our Board of Directors. Concurrently, Jorge Blanco assumed the role of President, Altus Analytics and the newly created role of Chief Commercial Officer.

### *Normal Course Issuer Bid*

On February 3, 2022, we announced that the Toronto Stock Exchange ("TSX") had approved our notice of intention to enter into a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, we may purchase for cancellation up to 1,345,142 of our outstanding common shares during the period from February 8, 2022 to February 7, 2023. The total number of common shares that we are permitted to purchase is subject to a daily purchase limit of 20,336 common shares, other than block purchase exemptions. During the quarter ended March 31, 2022, we purchased 155,400 common shares for cancellation under the NCIB.

### *Restructuring Activities*

Beginning in Q1 2022, we initiated a global restructuring program which resulted in restructuring costs of \$8.4 million for the quarter ended March 31, 2022, of which \$3.8 million relates to our ongoing efforts to rationalize our leased office space in certain markets to increase efficiency as we offer our employees a flexible hybrid working model and to achieve synergies with recent acquisitions. The remainder of the restructuring costs are primarily related to employee severance costs reflecting the synergies we're obtaining from recent acquisitions, efficiencies gained from investments in technology, and the ongoing evolution of our target operating models in support of our strategic initiatives. We expect this program to continue throughout the year.

# Management's Discussion & Analysis

March 31, 2022



## Operating Highlights - Events After the Reporting Period

### *Acquisition of Rethink Solutions Inc.*

On May 1, 2022, we acquired all of the issued and outstanding shares of Rethink Solutions for \$40.0 million, subject to adjustments. On closing, we paid a total of \$28.0 million in cash, funded by drawing on our credit facilities. In addition, we issued 181,892 common shares, valued at \$9.0 million, to certain selling shareholders who are continuing as employees of Rethink Solutions following the acquisition. The common shares are held in escrow and will vest and be released subject to continued employment, compliance with certain terms and conditions, and certain performance targets being achieved over a three-year period beginning two months after the closing date. The purchase agreement also provides for contingent consideration of \$3.0 million, subject to certain performance targets being achieved by the third anniversary of the closing date. Based in Canada, Rethink Solutions' team will integrate with our Property Tax business.

Founded in Toronto in 2001, Rethink Solutions is the developer of the itamlink property tax management software, a comprehensive tax management solution used by many organizations across the U.S. and Canada to optimize property tax processes. The acquisition brings a complementary software offering, property tax-focused technical talent, and strong customer relationships. It is also an important building block for our technology strategy to drive industry innovation through an end-to-end property tax management platform, representing significant time and cost savings to bring it to market.

### *Long-Term Equity Incentive Plan Share Pool Increase*

On May 3, 2022, 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. The resolution increases the maximum number of common shares reserved for issuance by 2,689,000 shares, from 4,075,000 shares to 6,764,000 shares.



# Management's Discussion & Analysis

## March 31, 2022



### Discussion of Operations

#### Quarter Ended March 31, 2022

<i>In thousands of dollars</i>	Quarter ended March 31,	
	2022	2021
<b>Revenues</b>	\$ 167,584	\$ 137,158
<b>Expenses</b>		
Employee compensation	116,967	93,220
Occupancy	1,772	1,870
Office and other operating	36,083	23,697
Depreciation of right-of-use assets	3,204	2,768
Depreciation and amortization	12,279	6,772
Acquisition and related transition costs (income)	1,861	5,182
Share of (profit) loss of joint venture	(606)	389
Restructuring costs (recovery)	8,356	(49)
(Gain) loss on investments	(166)	(188)
Finance costs (income), net - leases	497	570
Finance costs (income), net - other	1,479	578
<b>Profit (loss) before income taxes</b>	(14,142)	2,349
Income tax expense (recovery)	(2,686)	(288)
<b>Profit (loss) for the period</b>	\$ (11,456)	\$ 2,637

#### *Revenues*

Revenues were \$167.6 million for the quarter ended March 31, 2022, up 22.2% (23.6% on a constant currency basis) or \$30.4 million (\$32.4 million on a constant currency basis), from \$137.2 million in the same period in 2021. Organic revenue growth was 10.5% (11.3% on a constant currency basis) for the quarter ended March 31, 2022. The revenue growth was driven by strong Over Time revenue growth in Altus Analytics, including from our acquisitions, and a strong start to the year from our global Property Tax practice.

#### *Employee Compensation*

Employee compensation was \$117.0 million for the quarter ended March 31, 2022, up 25.5% or \$23.8 million from \$93.2 million in the same period in 2021. For the quarter ended March 31, 2022, the increase in compensation was mainly due to headcount additions within Altus Analytics and the acquisitions of Finance Active, StratoDem Analytics and Reonomy. For the quarter ended March 31, 2022, employee compensation as a percentage of revenues was 69.8%, as compared to 68.0% in the same period in 2021.

#### *Occupancy*

Occupancy represents amounts pertaining to short-term leases, low-value assets, and variable lease payments and was \$1.8 million for the quarter ended March 31, 2022, down 5.3% or \$0.1 million from \$1.9 million in the same period in 2021. Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 would have been \$5.0 million for the quarter ended March 31, 2022, as compared to \$5.0 million in the same period in 2021. For the quarter ended March 31, 2022, occupancy as a percentage of revenues was 1.1%, as compared to 1.4% in the same period in 2021. Occupancy costs calculated on a similar basis prior

# Management's Discussion & Analysis

March 31, 2022



to the adoption of IFRS 16 as a percentage of revenues would have been 3.0% for the quarter ended March 31, 2022, as compared to 3.6% in the same period in 2021.

## *Office and Other Operating Costs*

Office and other operating costs were \$36.1 million for the quarter ended March 31, 2022, up 52.3% or \$12.4 million from \$23.7 million in the same period in 2021. For the quarter ended March 31, 2022, the increase was primarily due to acquisitions, professional fees for strategic advisory work, and increased Information Technology spend post the cybersecurity incident. For the quarter ended March 31, 2022, office and other operating costs as a percentage of revenues were 21.5%, as compared to 17.3% in the same period in 2021.

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

Depreciation of right-of-use assets was \$3.2 million for the quarter ended March 31, 2022, as compared to \$2.8 million in the same period in 2021. The increase was primarily due to the acquisition of the Finance Active and Reonomy office leases.

## *Depreciation and Amortization*

Depreciation and amortization were \$12.3 million quarter ended March 31, 2022, as compared to \$6.8 million in the same period in 2021. The increase was mainly due to the recognition and the amortization of intangible assets related to recent acquisitions.

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

Acquisition and related transition costs (income) were \$1.9 million for the quarter ended March 31, 2022, as compared to \$5.2 million in the same period in 2021. Costs incurred for the quarter ended March 31, 2022 were primarily related to the ongoing integrations of Finance Active and Reonomy. Costs incurred for the quarter ended March 31, 2021 were related to the acquisitions of Finance Active and StratoDem Analytics.

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

Share of (profit) loss of joint venture represents our share of the profit/loss in GeoVerra Inc. ("GeoVerra"), and was \$(0.6) million for the quarter ended March 31, 2022, as compared to \$0.4 million in the same period in 2021.

## *Restructuring Costs (Recovery)*

Restructuring costs (recovery) were \$8.4 million for the quarter ended March 31, 2022, as compared to \$nil in the same period in 2021. Costs incurred in the quarter relate to the initiation of a global restructuring program, of which \$3.8 million related to our ongoing efforts to rationalize our leased office space in certain markets to increase efficiency as we offer our employees a flexible hybrid working model and to achieve synergies with recent acquisitions. The remainder of the costs are primarily related to employee severance costs reflecting the synergies we're obtaining from recent acquisitions, efficiencies gained from investments in technology, and the ongoing evolution of our target operating models in support of our strategic initiatives.

## *(Gain) Loss on Investments*

(Gain) loss on investments was \$(0.2) million for the quarter ended March 31, 2022, as compared to \$(0.2) million in the same period in 2021. The amount represents changes in the fair value of our investments in partnerships.

# Management's Discussion & Analysis

## March 31, 2022



### *Finance Costs (Income), Net*

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2022	2021	% Change
Interest on borrowings	\$ 1,530	\$ 600	155.0%
Interest on lease liabilities	497	570	(12.8%)
Interest - other	40	3	1,233.3%
Finance income	(91)	(25)	(264.0%)
<b>Finance costs (income), net</b>	<b>\$ 1,976</b>	<b>\$ 1,148</b>	<b>72.1%</b>

Finance costs (income), net for the quarter ended March 31, 2022 was \$2.0 million, up 72.2% or \$0.9 million from \$1.1 million in the same period in 2021. Our finance costs increased due primarily to higher interest on our bank credit facilities drawn for recent acquisitions, partially offset by lower interest on our leases.

### *Income Tax Expense (Recovery)*

Income tax expense (recovery) for the quarter ended March 31, 2022 was \$(2.7) million, as compared to \$(0.3) million in the same period in 2021. The higher recovery is reflective of the tax effect of the net loss before taxes of \$14.1 million. A significant amount of our earnings is derived outside of Canada and as a result a change in the mix of earnings and losses in countries with differing statutory tax rates has impacted our effective tax rates for the quarter ended March 31, 2022.

### *Profit (Loss)*

Profit (loss) for the quarter ended March 31, 2022 was \$(11.5) million and \$(0.26) per share, basic and diluted, as compared to \$2.6 million and \$0.07 per share, basic and \$0.06 per share, diluted, in the same period in 2021.

# Management's Discussion & Analysis

## March 31, 2022



### Revenues and Adjusted EBITDA by Business Unit

<b>Revenues</b>		<b>Quarter ended March 31,</b>		
<i>In thousands of dollars</i>	<b>2022</b>	2021	% Change	Constant Currency % Change
Altus Analytics	\$ 80,310	\$ 54,240	48.1%	50.0%
Commercial Real Estate Consulting	87,449	82,993	5.4%	6.4%
Intercompany eliminations	(175)	(75)	(133.3%)	(133.3%)
<b>Total</b>	<b>\$ 167,584</b>	<b>\$ 137,158</b>	<b>22.2%</b>	<b>23.6%</b>

<b>Adjusted EBITDA</b>		<b>Quarter ended March 31,</b>		
<i>In thousands of dollars</i>	<b>2022</b>	2021	% Change	Constant Currency % Change
Altus Analytics	\$ 11,231	\$ 10,212	10.0%	11.2%
Commercial Real Estate Consulting	16,221	15,006	8.1%	9.2%
Corporate	(9,711)	(7,978)	(21.7%)	(22.3%)
<b>Total</b>	<b>\$ 17,741</b>	<b>\$ 17,240</b>	<b>2.9%</b>	<b>4.3%</b>

# Management's Discussion & Analysis

March 31, 2022



## Altus Analytics

<i>In thousands of dollars</i>	Quarter ended March 31,			
	2022	2021	% Change	Constant Currency % Change
Revenues	\$ 80,310	\$ 54,240	48.1%	50.0%
Adjusted EBITDA	\$ 11,231	\$ 10,212	10.0%	11.2%
Adjusted EBITDA Margin	14.0%	18.8%		
<b>Other Measures <sup>(1)</sup></b>				
Bookings	\$ 28,049	\$ 21,299	31.7%	32.4%
Over Time revenues	\$ 68,048	\$ 42,788	59.0%	60.2%
AE software maintenance retention rate	95%	94%		
Geographical revenue split				
North America	76%	80%		
International	24%	20%		
Cloud adoption rate (as at end of period)	44%	22%		

<sup>(1)</sup> Altus Group uses certain supplementary financial and other measures such as Bookings, Over Time revenues, AE software maintenance retention rate and cloud adoption rate. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. Refer to the "Non-GAAP and Other Measures" section for more information on each measure.

### Quarterly Discussion

Revenues were \$80.3 million for the quarter ended March 31, 2022, up 48.1% (50.0% on a constant currency basis) or \$26.1 million (\$27.1 million on a constant currency basis), from \$54.2 million in the same period in 2021. Organic revenue growth was 18.4% (19.0% on a constant currency basis) whereas the acquisitions of Finance Active, StratoDem Analytics and Reonomy represented 29.7% of the total 48.1% revenue growth. The impact from the purchase price accounting adjustment to Finance Active's and Reonomy's deferred revenues was \$1.0 million, or 1.9% to revenue growth.

Over Time revenues were \$68.0 million for the quarter ended March 31, 2022, up 59.0% (60.2% on a constant currency basis) or \$25.3 million (\$25.7 million on a constant currency basis), from \$42.8 million in the same period in 2021. On an organic basis, Over Time revenues were up 23.2% (up 24.3% on a constant currency basis). We had higher sales across all our key solutions, both organic and from acquisitions, with strong customer expansion as well as new customer additions. Sequentially, Over Time revenues grew 13.8% (13.9% on a constant currency basis) and 8.9% organically, from \$59.8 million in the fourth quarter of 2021.

Bookings in the quarter ended March 31, 2022 increased by 31.7% year-over-year (32.4% on a constant currency basis) from \$21.3 million to \$28.0 million. Organic growth in Bookings was 11.8% (12.5% on a constant currency basis) from the same period in 2021.

Adjusted EBITDA was \$11.2 million for the quarter ended March 31, 2022, up 10.0% (11.2% on a constant currency basis) or \$1.0 million (\$1.1 million on a constant currency basis), from \$10.2 million in the same period in 2021. Adjusted EBITDA improved on higher revenues, although was impacted by the results of Reonomy, purchase price accounting adjustments totaling \$1.0 million to Finance Active's and Reonomy's

# Management's Discussion & Analysis

March 31, 2022



deferred revenues, as well as higher investment related to accelerating our data strategy. The purchase price accounting adjustments had a 1.2% impact to Adjusted EBITDA margin. Margins were also impacted by the full quarter impact of Reonomy which does not yet reflect the anticipated synergies that are expected to be achieved in the second half of the year.

## *Outlook<sup>1</sup>*

Our Altus Analytics business segment continues to have an attractive growth outlook, supported by favourable market trends of growing global demand for CRE-related actionable intelligence solutions. We remain well positioned to deliver sustained growth over the long term through the execution of our multi-year strategy. Reflecting the strength of the business in 2021 and the contributions from the acquisitions we made, we are well positioned for another strong year to drive sustained double-digit year-over-year revenue growth in 2022, including double-digit organic total and Over Time revenue growth, both on a constant currency basis. We also expect a double-digit year-over-year improvement in our Adjusted EBITDA, on a constant currency basis, which should translate to a year-over-year improvement in our Adjusted EBITDA margins for full year 2022, particularly in the second half as we capture integration synergies from recent acquisitions.

Key drivers of expected organic growth in 2022 include continued high overall sales across all of our key solutions (including customer expansion and the steady addition of new clients globally), and the stacking effect of a growing subscription model. Growth from acquisitions, primarily reflected in our Over Time revenues, will include the contributions of Finance Active, StratoDem Analytics and Reonomy. As many of our solutions are considered to be mission critical by our customers, we expect to maintain very high contract renewal rates for our Altus Analytics solutions.

During 2021 and going into this year, we have made a number of operational changes that are driving strong sales execution and operating efficiencies that we expect will be a key driver of performance. The evolution of our go-to-market plans under a globally unified, client-focused model has notably increased our opportunities for wallet share expansion as our sales professionals are well equipped to sell the whole suite of Analytics' solutions, in combination with our client engagement activities that will help align our customer needs with our expanded Intelligence as a Service solution set. In addition, our revamped customer success program is focused on enhancing customer value that we expect will translate to increased customer satisfaction and improvements in our net and gross retention. It also increases capacity in our go-to-market and service delivery teams. Finally, we expect to realize operating efficiencies and improvements from our new global operating model and restructuring activities through the year.

The migration of on-premise AE users to cloud-based subscription contracts is ongoing, and we expect to make significant progress in 2022. With 44% of AE users contracted on the cloud at the end of the first quarter of 2022, we expect to maintain good momentum through the rest of 2022 with the large majority of our AE users expected to be contracted to the cloud by the end of 2023. The enhancements to cloud-enabled AE 14, launched in late 2021, are expected to be an influential consideration for larger firms, in addition to our plans to end support for AE 12.1 or older by June 30, 2022.

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<sup>1</sup> Refer to the "Forward-Looking Information" section on page 1 of this MD&A for further discussions of the risks and assumptions relating to this outlook.

# Management's Discussion & Analysis

March 31, 2022



As supported by the acceleration of our growth rates and strong Bookings performance, we are on track to meet our aspirational long-term goal of achieving revenues of \$400 million by the end of 2023.

## Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Quarter ended March 31,			
	2022	2021	% Change	Constant Currency % Change
<b>Revenues</b>				
Property Tax	\$ 58,468	\$ 54,670	6.9%	8.0%
Valuation and Cost Advisory	28,981	28,323	2.3%	3.5%
Revenues	\$ 87,449	\$ 82,993	5.4%	6.4%
<b>Adjusted EBITDA</b>				
Property Tax	\$ 13,307	\$ 11,114	19.7%	21.1%
Valuation and Cost Advisory	2,914	3,892	(25.1%)	(24.8%)
Adjusted EBITDA	\$ 16,221	\$ 15,006	8.1%	9.2%
Adjusted EBITDA Margin	18.5%	18.1%		

### Quarterly Discussion

Revenues were \$87.4 million for the quarter ended March 31, 2022, up 5.4% (6.4% on a constant currency basis) or \$4.4 million (\$5.3 million on a constant currency basis), from \$83.0 million in the same period in 2021.

Property Tax revenues were \$58.5 million, up 6.9% (8.0% on a constant currency basis). The strong start to the year was a result of a very positive rebound in the U.S. following the impact of COVID-19-related delays experienced last year. We saw steady performance in Canada and a decline in revenues in the U.K. due to a decrease in settlement activity volumes while retaining a very healthy pipeline of cases to be settled. Our Valuation and Cost Advisory business had a softer quarter, but both maintain a healthy pipeline of work.

Adjusted EBITDA was \$16.2 million for the quarter ended March 31, 2022, up 8.1% (9.2% on a constant currency basis) or \$1.2 million (\$1.4 million on a constant currency basis), from \$15.0 million in the same period in 2021. Earnings improved on increased revenues from Property Tax.

### Outlook<sup>2</sup>

Our leading, global Property Tax practice continues to represent an attractive growth opportunity in a consolidating industry with increasing digital transformation. As digital transformation in the CRE sector advances, digitally-enabled property tax management offers increasing opportunities to derive more value from real estate assets and portfolios. We expect to continue investing in technology and people to accelerate the digital transformation of our work processes and increase our offerings of digital products and services.

<sup>2</sup> Refer to the "Forward-Looking Information" section on page 1 of this MD&A for further discussions of the risks and assumptions relating to this outlook.

# Management's Discussion & Analysis

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Consistent with the strong performance trends over the past couple of years, Property Tax remains well positioned to deliver another record revenue and Adjusted EBITDA in 2022. Our full year outlook for 2022 is supported by a significant pipeline of cases to be settled in all three geographical markets, as well as a healthy backlog of new sales bookings achieved by our business development activities, and record annuity billings in the U.K. Given the seasonal and cyclical variations of the Property Tax business (as discussed in more detail on page 27 of this MD&A), we expect to experience typical quarterly variability in our financial performance, including the second quarter being our seasonally strongest quarter. As experienced in 2021, the ongoing COVID-19 pandemic could continue to potentially impact some of these typical variations, and cause some short-term disruption related to the anticipated timing of settlements. 2022 marks the final year of the extended U.K. tax cycle which also makes it the final year of the associated annuity billings in the U.K. As the new U.K. cycle begins in 2023, the annuity billings will reset before it starts to ramp up in 2024.

Our Valuation and Cost Advisory practices enjoy significant market share and, as a result, have been growing modestly. Our focus in 2022 is to continue to unlock operating efficiencies supported by technology, which we expect to enhance our operating margins.

## Corporate Costs

### *Quarterly Discussion*

Corporate costs were \$9.7 million for the quarter ended March 31, 2022, as compared to \$8.0 million in the same period in 2021. Corporate costs increased primarily due to higher expenditures in Information Technology, compensation, travel, and initiatives primarily related to the leadership transition.

## Liquidity and Capital Resources

<b>Cash Flow</b>	<b>Quarter ended March 31,</b>	
<i>In thousands of dollars</i>	<b>2022</b>	<b>2021</b>
Net cash related to operating activities	\$ (7,200)	\$ 3,731
Net cash related to financing activities	6,404	(1,852)
Net cash related to investing activities	(2,629)	(1,473)
Effect of foreign currency translation	(1,002)	(971)
Change in cash position during the period	\$ (4,427)	\$ (565)
Dividends paid	\$ (6,031)	\$ (5,437)

We expect to fund operations with cash on hand and cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Our liquidity may be affected by a reduction to future cash generated from operating activities, or by a limitation of access to short-term financing and tightening credit markets due to factors such as: significant erosion in the general state of the economy, prolonged impacts of the COVID-19 pandemic, or further impacts of the cybersecurity incident. In 2021, we amended and expanded our bank credit facilities, further strengthening our financial and liquidity position. For further details regarding the amendments, refer to the "Cash from Financing Activities" discussion below and Note 11 - Borrowings in the notes to the interim financial statements.



# Management's Discussion & Analysis

## March 31, 2022



### Cash from Operating Activities

<b>Working Capital</b>			
<i>In thousands of dollars</i>	<b>March 31, 2022</b>		<b>December 31, 2021</b>
Current assets	\$	268,535	\$ 283,734
Current liabilities		177,805	209,931
Working capital	\$	90,730	\$ 73,803

Current assets are composed primarily of cash and cash equivalents and trade receivables and other (including a \$1.6 million related party receivable from our GeoVerra joint venture related mainly to the settlement of our initial contributions and other normal course transactions, which are related party transactions, as described in the notes to our annual financial statements for the year ended December 31, 2021). It also includes income taxes recoverable and derivative financial instruments for our equity hedges on RSUs and DSUs. The decrease is primarily due to the decrease in trade receivables resulting from strong collections from operations, and a decrease in value of our derivative financial instruments, offset by an increased amount of contract assets, prepaid expenses for cloud software and data agreements, and income taxes recoverable.

Current liabilities are composed primarily of trade payables and other, and lease liabilities. It also includes income taxes payable. The decrease in current liabilities is mainly due to the payment of accrued variable compensation costs and accrued expenses in the first quarter of 2021, partly offset by an increase in trade payables, contract liabilities (deferred revenue), and restructuring provisions related to our 2022 global restructuring program.

As at March 31, 2022, trade receivables, net and contract assets (unbilled revenue on customer contracts) net of contract liabilities (deferred revenue) was \$111.7 million, down 11.1% or \$14.0 million from \$125.7 million as at December 31, 2021. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue was 17.0% as at December 31, 2021, as compared to 19.2% as at December 31, 2021.

Our DSO was 68 days as at March 31, 2022, as compared to 72 days as at December 31, 2021, representing our ability to convert revenue into cash returning back to pre-COVID levels.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, contingent consideration payable, deferred purchase price payments and other closing adjustments. As at March 31, 2022, the amounts owing to the vendors of acquired businesses were \$8.9 million, as compared to \$10.0 million as at December 31, 2021. 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.

# Management's Discussion & Analysis

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## Cash from Financing Activities

Our revolving bank credit facilities are unsecured and used for general corporate purposes and the funding of our acquisitions. In September 2021, we amended our bank credit facilities to further strengthen our financial and liquidity position, increasing our borrowing capacity from \$275.0 million to \$315.0 million, with certain provisions that allow us to further increase the limit to \$365.0 million. On November 4, 2021, we further amended our bank credit facilities to increase our borrowing capacity to \$400.0 million from \$315.0 million, with certain provisions that allow us to further increase the limit to \$450.0 million. The bank credit facilities have a three-year term expiring March 24, 2023, with an additional two-year extension available at our option.

As at March 31, 2022, our total borrowings on our bank credit facilities amounted to \$306.7 million, an increase of \$19.1 million from December 31, 2021, primarily due to drawdowns to fund working capital and operational requirements, partly offset by weakening foreign exchange rates on non-Canadian denominated amounts. We intend to continue paying down the total outstanding balance with cash flows generated from our operations.

Loans under the bank credit facilities bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates, or SONIA, SOFR, and €STR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian Bankers' Acceptance and SONIA, SOFR, and €STR borrowings depends on a trailing four-quarter calculation of the funded debt to EBITDA ratio. The weighted average effective rate of interest for the quarter ended March 31, 2022 on our bank credit facilities was 1.85%, as compared to 1.73% in the same period in 2021.

The 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. The bank credit facilities require repayment of the principal at such time as we receive proceeds of insurance, equity or debt issuances, or sale of assets in excess of certain thresholds. Letters of credit are also available on customary terms for bank credit facilities of this nature.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$1.5 million (December 31, 2021 - \$1.5 million).

As at March 31, 2022, we have guaranteed up to \$1.5 million in connection with vehicle leases and related services entered into by GeoVerra (December 31, 2021 - \$1.5 million).

# Management's Discussion & Analysis

March 31, 2022



As at March 31, 2022, we were in compliance with the financial covenants and other requirements of our amended bank credit facilities. The financial covenants are summarized below:

	March 31, 2022
Funded debt to EBITDA (maximum of 4.00:1)	2.60:1
Interest coverage (minimum of 3.00:1)	24.86:1

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

Contractual Obligations <sup>(1)</sup>	Payments Due by Period (undiscounted)				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
<i>In thousands of dollars</i>					
Bank credit facilities	\$ 306,732	\$ -	\$ 306,732	\$ -	\$ -
Lease obligations	74,554	16,007	28,690	16,561	13,296
Deferred consideration payables	6,921	3,461	3,460	-	-
Contingent consideration payables	200	-	200	-	-
Other liabilities	155,086	99,762	26,115	9,834	19,375
Total contractual obligations	\$ 543,493	\$ 119,230	\$ 365,197	\$ 26,395	\$ 32,671

<sup>(1)</sup> Contractual obligations exclude aggregate unfunded capital contributions of \$4.9 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	Quarter ended March 31,	
<i>In thousands of dollars</i>	2022	2021
Property, plant and equipment additions	\$ 1,096	\$ 489
Intangibles additions	1,409	948
Capital expenditures	\$ 2,505	\$ 1,437

# Management's Discussion & Analysis

## March 31, 2022



### Reconciliation of Adjusted EBITDA to Profit (Loss)

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

<i>In thousands of dollars</i>	Quarter ended March 31,	
	2022	2021
<b>Adjusted EBITDA</b>	\$ 17,741	\$ 17,240
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(1)</sup>	3,183	3,119
Depreciation of right-of-use assets	(3,204)	(2,768)
Depreciation of property, plant and equipment and amortization of intangibles	(12,279)	(6,772)
Acquisition and related transition (costs) income	(1,861)	(5,182)
Unrealized foreign exchange gain (loss) <sup>(2)</sup>	(610)	(419)
Gain (loss) on disposal of right-of-use assets, property, plant and equipment and intangibles <sup>(2)</sup>	13	238
Share of profit (loss) of joint venture	606	(389)
Non-cash share-based compensation costs <sup>(3)</sup>	(4,620)	(2,432)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(3)</sup>	(2,441)	625
Restructuring (costs) recovery	(8,356)	49
Gain (loss) on investments <sup>(4)</sup>	166	188
Other non-operating and/or non-recurring income (costs) <sup>(5)</sup>	(504)	-
<b>Earnings (loss) before finance costs and income taxes</b>	<b>(12,166)</b>	<b>3,497</b>
Finance (costs) income, net - leases	(497)	(570)
Finance (costs) income, net - other	(1,479)	(578)
<b>Profit (loss) before income taxes</b>	<b>(14,142)</b>	<b>2,349</b>
Income tax (expense) recovery	2,686	288
<b>Profit (loss) for the period</b>	<b>\$ (11,456)</b>	<b>\$ 2,637</b>

<sup>(1)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing financial and operating performance.

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

<sup>(3)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Gain (loss) on investments relates to changes in the fair value of investments in partnerships.

<sup>(5)</sup> Other non-operating and/or non-recurring income (costs) for the quarter ended March 31, 2022 relate to legal, advisory, and other consulting costs related to initiatives including those related to the leadership transition. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

# Management's Discussion & Analysis

## March 31, 2022



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

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

<i>In thousands of dollars, except for per share amounts</i>	Quarter ended March 31,	
	2022	2021
Profit (loss) for the period	\$ (11,456)	\$ 2,637
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(1)</sup>	(3,183)	(3,119)
Depreciation of right-of-use assets	3,204	2,768
Finance costs (income), net - leases	497	570
Amortization of intangibles of acquired businesses	10,432	5,498
Unrealized foreign exchange loss (gain)	610	419
Loss (gain) on disposal of right-of-use assets, property, plant and equipment and intangibles	(13)	(238)
Non-cash share-based compensation costs	4,620	2,432
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	2,441	(625)
Interest accretion on contingent consideration payables	6	-
Restructuring costs (recovery)	8,356	(49)
Acquisition and related transition costs (income)	1,861	5,182
Loss (gain) on investments	(166)	(188)
Share of loss (profit) of joint venture	(606)	389
Other non-operating and/or non-recurring costs (income)	504	-
Tax impact on above	(5,151)	(1,936)
Adjusted earnings (loss) for the period	\$ 11,956	\$ 13,740
Weighted average number of shares - basic	44,170,613	40,551,803
Weighted average number of restricted shares	680,772	393,859
Weighted average number of shares - adjusted	44,851,385	40,945,662
<b>Adjusted earnings (loss) per share <sup>(2)</sup></b>	<b>\$0.27</b>	<b>\$0.34</b>

<sup>(1)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing financial and operating performance.

<sup>(2)</sup> Refer to page 4 of this MD&A for the definition of Adjusted EPS.

# Management's Discussion & Analysis

## March 31, 2022



### Summary of Quarterly Results

	2022	2021					2020			
<i>In thousands of dollars, except for per share amounts</i>	Mar 31	Fiscal 2021	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2020	Dec 31	Sep 30	Jun 30
<b>Results of Operations</b>										
Revenues	\$ 167,584	\$ 625,387	\$ 162,909	\$ 151,797	\$ 173,523	\$ 137,158	\$ 561,156	\$ 139,480	\$ 134,950	\$ 155,470
Adjusted EBITDA	\$ 17,741	\$ 109,755	\$ 25,861	\$ 24,415	\$ 42,239	\$ 17,240	\$ 98,928	\$ 26,734	\$ 24,047	\$ 34,899
Adjusted EBITDA margin	10.6%	17.5%	15.9%	16.1%	24.3%	12.6%	17.6%	19.2%	17.8%	22.4%
Profit (loss) for the period from continuing operations	\$ (11,456)	\$ 25,573	\$ 6,890	\$ (295)	\$ 16,341	\$ 2,637	\$ 27,009	\$ 4,622	\$ 9,297	\$ 11,333
Profit (loss) for the period from discontinued operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,576)	\$ (276)	\$ (130)	\$ 266
Basic earnings (loss) per share:										
Continuing operations	\$(0.26)	\$0.62	\$0.16	\$(0.01)	\$0.40	\$0.07	\$0.67	\$0.11	\$0.23	\$0.28
Discontinued operations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$(0.14)	\$(0.01)	\$0.00	\$0.01
Diluted earnings (loss) per share:										
Continuing operations	\$(0.26)	\$0.60	\$0.15	\$(0.01)	\$0.39	\$0.06	\$0.66	\$0.11	\$0.22	\$0.28
Discontinued operations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$(0.14)	\$(0.01)	\$0.00	\$0.01
Adjusted earnings (loss) per share	\$0.27	\$1.90	\$0.42	\$0.39	\$0.75	\$0.34	\$1.67	\$0.44	\$0.40	\$0.62
Weighted average number shares ('000s):										
Basic	44,171	41,684	43,945	41,159	41,049	40,552	40,159	40,380	40,240	40,115
Diluted	44,171	42,899	45,269	41,159	42,116	41,642	41,209	41,532	41,348	41,039

Our global Property Tax practice (which made up approximately 35% of total consolidated revenues in Q1 2022) 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.

# Management's Discussion & Analysis

March 31, 2022



## Share Data

As at May 2, 2022, 44,433,377 common shares were outstanding and are net of 786,572 escrowed shares. These escrowed shares are subject to restrictive covenants and may or may not vest for employees. Accordingly, these shares are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at March 31, 2022, there were 1,738,174 share options outstanding (December 31, 2021 - 1,469,881 share options outstanding) at a weighted average exercise price of \$42.63 per share (December 31, 2021 - \$41.39 per share) and 710,288 share options were exercisable (December 31, 2021 - 454,286). All share options are exercisable into common shares on a one-for-one basis.

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

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

For the quarter ended March 31, 2022, 10,758 common shares (2021 - 14,643 common shares) were issued under the DRIP.

## Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our unaudited interim condensed consolidated balance sheet as at March 31, 2022 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding contract liabilities), income taxes recoverable and payable, investments, borrowings and derivative financial instruments. We do not enter into financial instrument arrangements for speculative purposes.

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

The fair value of the liabilities for our RSUs and DSUs as at March 31, 2022 was approximately \$20.3 million, based on the published trading price on the TSX for our common shares.

# Management's Discussion & Analysis

March 31, 2022



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

To mitigate our exposure to interest rate fluctuations, we monitor interest rates and consider entering into interest rate swap agreements in connection with our bank credit facilities.

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

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

As at March 31, 2022, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$15.7 million. The net fair value of these derivatives is \$11.1 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 on 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 by incorporating forward-looking information as applicable.

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

## Contingencies

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

In the ordinary course of business, we are subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions we made in our tax filings, which could lead to assessments and reassessments.



# Management's Discussion & Analysis

March 31, 2022



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 have 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 March 31, 2022 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 significant estimates and assumptions that could be impacted most by COVID-19 are the same as those described in our annual financial statements for the year ended December 31, 2021.

### Adoption of Recent Accounting Pronouncements

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

In May 2020, the IASB issued amendments to 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 is effective for annual periods beginning on or after January 1, 2022 and is applied to contracts that have unfulfilled obligations as at the beginning of that period. The amendment did not have a material impact on our interim financial statements.

#### *Amendments to IFRS 3: Reference to the Conceptual Framework*

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (1989) with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, *Levies*, if incurred separately. The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The new guidance is effective for annual periods beginning on or after January 1, 2022 and is applied prospectively. The amendment did not have a material impact on our interim 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's Discussion & Analysis

March 31, 2022



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

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

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition.

Management has limited the scope of the design of DC&P and ICFR, consistent with previous practice, to exclude controls, policies and procedures of Finance Active acquired on April 1, 2021 and Reonomy acquired on November 12, 2021.

The financial information summarized below reflects the ongoing completion of integration activities of the businesses acquired, and in particular for Reonomy, where resources have been reallocated to other parts of Altus Group to achieve planned operational efficiencies.

Balance sheet data for Finance Active:

<i>In thousands of dollars</i>		<b>March 31, 2022</b>
Assets	\$	178,337
Liabilities		(41,983)
Equity		136,354

Income statement data for Finance Active:

<i>In thousands of dollars</i>		<b>Quarter ended March 31, 2022</b>
Revenues	\$	10,025
Expenses		(11,788)
Profit (loss)		(1,763)

# Management's Discussion & Analysis

## March 31, 2022



Balance sheet data for Reonomy:

<i>In thousands of dollars</i>		<b>March 31, 2022</b>
Assets	\$	293,015
Liabilities		(22,733)
Equity		270,282

Income statement data for Reonomy:

<i>In thousands of dollars</i>		<b>Quarter ended March 31, 2022</b>
Revenues	\$	5,869
Expenses		(7,756)
Profit (loss)		(1,887)

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended March 31, 2022, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the interim financial statements as at and for the quarter ended March 31, 2022.

### **Additional Information**

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our corporate website at [www.altusgroup.com](http://www.altusgroup.com) under the Investor Relations tab. Our common shares trade on the TSX under the symbol "AIF".

# **Altus Group Limited**

**Interim Condensed Consolidated Financial Statements**

**March 31, 2022 and 2021**

**(Unaudited)**

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

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three Months Ended March 31, 2022 and 2021 (Unaudited)

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

		Three months ended March 31	
	Notes	2022	2021
<b>Revenues</b>	5	\$ 167,584	\$ 137,158
<b>Expenses</b>			
Employee compensation		116,967	93,220
Occupancy		1,772	1,870
Office and other operating		36,083	23,697
Depreciation of right-of-use assets		3,204	2,768
Depreciation of property, plant and equipment		1,594	1,255
Amortization of intangibles		10,685	5,517
Acquisition and related transition costs (income)		1,861	5,182
Share of (profit) loss of joint venture		(606)	389
Restructuring costs (recovery)	10	8,356	(49)
(Gain) loss on investments		(166)	(188)
Finance costs (income), net - leases	6	497	570
Finance costs (income), net - other	6	1,479	578
<b>Profit (loss) before income taxes</b>		<b>(14,142)</b>	<b>2,349</b>
Income tax expense (recovery)	7	(2,686)	(288)
<b>Profit (loss) for the period</b>		<b>\$ (11,456)</b>	<b>\$ 2,637</b>
<b>Profit (loss) for the period attributable to:</b>			
Non-controlling interest		62	-
Shareholders of the Company		(11,518)	2,637
		<b>\$ (11,456)</b>	<b>\$ 2,637</b>
<b>Other comprehensive income (loss):</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		(9,354)	(4,509)
Items that are not reclassified to profit or loss in subsequent periods:			
Changes in investments measured at fair value through other comprehensive income, net of tax		(862)	(258)
<b>Other comprehensive income (loss), net of tax</b>		<b>(10,216)</b>	<b>(4,767)</b>
<b>Total comprehensive income (loss) for the period, net of tax</b>		<b>\$ (21,672)</b>	<b>\$ (2,130)</b>
<b>Comprehensive income (loss) for the period, net of tax, attributable to:</b>			
Non-controlling interest		62	-
Shareholders of the Company		(21,734)	(2,130)
		<b>\$ (21,672)</b>	<b>\$ (2,130)</b>
<b>Earnings (loss) per share attributable to the shareholders of the Company during the period</b>			
Basic earnings (loss) per share	14	\$(0.26)	\$0.07
Diluted earnings (loss) per share	14	\$(0.26)	\$0.06

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

## Interim Condensed Consolidated Balance Sheets As at March 31, 2022 and December 31, 2021 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	March 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 46,844	\$ 51,271
Trade receivables and other	8	212,724	223,315
Income taxes recoverable		7,236	3,280
Derivative financial instruments		1,731	5,868
		<b>268,535</b>	<b>283,734</b>
<b>Non-current assets</b>			
Trade receivables and other	8	2,527	2,818
Derivative financial instruments		9,324	15,661
Investments	9	19,585	20,806
Investment in joint venture		17,102	16,496
Deferred tax assets		22,964	24,089
Right-of-use assets		53,126	59,992
Property, plant and equipment		20,872	21,624
Intangibles		271,037	286,670
Goodwill		458,944	467,310
		<b>875,481</b>	<b>915,466</b>
<b>Total Assets</b>		<b>\$ 1,144,016</b>	<b>\$ 1,199,200</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and other	10	\$ 162,589	\$ 193,388
Income taxes payable		1,988	2,629
Lease liabilities		13,228	13,914
		<b>177,805</b>	<b>209,931</b>
<b>Non-current liabilities</b>			
Trade payables and other	10	18,994	24,913
Lease liabilities		54,328	57,225
Borrowings	11	306,190	286,924
Deferred tax liabilities		27,135	27,864
Non-controlling interest		2,867	2,980
		<b>409,514</b>	<b>399,906</b>
<b>Total Liabilities</b>		<b>587,319</b>	<b>609,837</b>
<b>Shareholders' Equity</b>			
Share capital	12	725,011	726,325
Contributed surplus		39,430	42,364
Accumulated other comprehensive income (loss)		28,223	38,439
Other equity		(229)	(244)
Retained earnings (deficit)		(235,685)	(217,406)
<b>Equity attributable to the shareholders of the Company</b>		<b>556,750</b>	<b>589,478</b>
Non-controlling interest		(53)	(115)
<b>Total Shareholders' Equity</b>		<b>556,697</b>	<b>589,363</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,144,016</b>	<b>\$ 1,199,200</b>

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

Commitments and Contingencies (Note 17)

Events After the Reporting Period (Note 18)

## Interim Condensed Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2022 and 2021

(Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Other Equity	Retained Earnings (Deficit)	Total	Non-controlling interest	Total Shareholders' Equity
<b>As at January 1, 2021</b>		\$ 529,866	\$ 30,428	\$ 40,791	\$ -	\$ (217,636)	\$ 383,449	\$ -	\$ 383,449
Profit (loss) for the period		-	-	-	-	2,637	2,637	-	2,637
Other comprehensive income (loss), net of tax:									
Currency translation differences		-	-	(4,509)	-	-	(4,509)	-	(4,509)
Changes in investments measured at fair value through other comprehensive income		-	-	(258)	-	-	(258)	-	(258)
<b>Total comprehensive income (loss) for the period</b>		-	-	(4,767)	-	2,637	(2,130)	-	(2,130)
Transactions with owners:									
Dividends declared		-	-	-	-	(6,181)	(6,181)	-	(6,181)
Share-based compensation		-	3,448	-	-	-	3,448	-	3,448
Dividend Reinvestment Plan		687	-	-	-	-	687	-	687
Shares issued on exercise of options		8,334	(1,269)	-	-	-	7,065	-	7,065
Shares issued for share-based compensation		2,585	(2,585)	-	-	-	-	-	-
Treasury shares reserved for share-based compensation		(5,607)	-	-	-	-	(5,607)	-	(5,607)
Release of treasury shares		4,434	(4,356)	-	-	-	78	-	78
		10,433	(4,762)	-	-	(6,181)	(510)	-	(510)
<b>As at March 31, 2021</b>		\$ 540,299	\$ 25,666	\$ 36,024	\$ -	\$ (221,180)	\$ 380,809	\$ -	\$ 380,809
<b>As at January 1, 2022</b>		\$ 726,325	\$ 42,364	\$ 38,439	\$ (244)	\$ (217,406)	\$ 589,478	\$ (115)	\$ 589,363
Profit (loss) for the period		-	-	-	-	(11,518)	(11,518)	62	(11,456)
Change in fair value of non-controlling interest liability		-	-	-	15	-	15	-	15
Other comprehensive income (loss), net of tax:									
Currency translation differences		-	-	(9,354)	-	-	(9,354)	-	(9,354)
Changes in investments measured at fair value through other comprehensive income		-	-	(862)	-	-	(862)	-	(862)
<b>Total comprehensive income (loss) for the period</b>		-	-	(10,216)	15	(11,518)	(21,719)	62	(21,657)
Transactions with owners:									
Dividends declared	15	-	-	-	-	(6,761)	(6,761)	-	(6,761)
Share-based compensation	13	-	6,040	-	-	-	6,040	-	6,040
Dividend Reinvestment Plan	12	693	-	-	-	-	693	-	693
Shares issued on exercise of options	12, 13	1,189	(177)	-	-	-	1,012	-	1,012
Shares issued for share-based compensation	12, 13	3,264	(3,264)	-	-	-	-	-	-
Treasury shares reserved for share-based compensation	12, 13	(4,304)	-	-	-	-	(4,304)	-	(4,304)
Release of treasury shares	12, 13	6,326	(5,536)	-	-	-	790	-	790
Cancellation of shares	12	(8,482)	-	-	-	-	(8,482)	-	(8,482)
Gain (loss) on sale of RSs and shares held in escrow		-	3	-	-	-	3	-	3
		(1,314)	(2,934)	-	-	(6,761)	(11,009)	-	(11,009)
<b>As at March 31, 2022</b>		\$ 725,011	\$ 39,430	\$ 28,223	\$ (229)	\$ (235,685)	\$ 556,750	\$ (53)	\$ 556,697

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

## Interim Condensed Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2022 and 2021 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

		Three months ended March 31	
	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes		\$ (14,142)	\$ 2,349
Adjustments for:			
Depreciation of right-of-use assets		3,204	2,768
Depreciation of property, plant and equipment		1,594	1,255
Amortization of intangibles		10,685	5,517
Finance costs (income), net - leases	6	497	570
Finance costs (income), net - other	6	1,479	578
Share-based compensation	13	6,040	3,448
Unrealized foreign exchange (gain) loss		610	419
(Gain) loss on investments		(166)	(188)
(Gain) loss on disposal of right-of-use assets, property, plant and equipment and intangibles		(13)	(238)
(Gain) loss on derivatives		10,474	(2,503)
Share of (profit) loss of joint venture		(606)	389
Impairment of right-of-use assets	10	3,752	-
Net changes in operating working capital		(27,249)	(8,253)
Net cash generated by (used in) operations		(3,841)	6,111
Less: interest paid on borrowings		(1,394)	(511)
Less: interest paid on leases		(497)	(570)
Less: income taxes paid		(1,620)	(1,366)
Add: income taxes refunded		152	67
<b>Net cash provided by (used in) operating activities</b>		<b>(7,200)</b>	<b>3,731</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	12, 13	1,012	7,065
Financing fees paid		(8)	-
Proceeds from borrowings	11	30,500	8,000
Repayment of borrowings	11	(4,489)	(3,000)
Payments of principal on lease liabilities		(3,374)	(2,873)
Dividends paid	15	(6,031)	(5,437)
Treasury shares purchased for share-based compensation	12, 13	(3,511)	(5,607)
Cancellation of shares		(7,695)	-
<b>Net cash provided by (used in) financing activities</b>		<b>6,404</b>	<b>(1,852)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	9	(145)	(36)
Purchase of intangibles		(1,409)	(948)
Purchase of property, plant and equipment		(1,096)	(489)
Proceeds from investment	9	21	-
<b>Net cash provided by (used in) investing activities</b>		<b>(2,629)</b>	<b>(1,473)</b>
Effect of foreign currency translation		(1,002)	(971)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(4,427)</b>	<b>(565)</b>
Cash and cash equivalents, beginning of period		51,271	69,637
<b>Cash and cash equivalents, end of period</b>		<b>\$ 46,844</b>	<b>\$ 69,072</b>

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



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 1. Business and Structure

Altus Group Limited (the “Company”) provides the global commercial real estate (“CRE”) industry with vital actionable intelligence solutions driven by its ARGUS technology, asset level data, and market leading expertise. The Company’s solutions for the valuation, performance, and risk management of CRE assets are integrated into workflows critical to success across the CRE value chain. Founded in 2005, Altus Group Limited is a global company with approximately 2,600 employees across North America, EMEA and Asia Pacific.

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

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

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

### 2. Basis of Preparation

These interim condensed consolidated financial statements (“interim financial statements”) as at and for the period ended March 31, 2022 follow the same accounting policies and methods of their application as those used in the Company’s most recent audited annual consolidated financial statements as at and for the year ended December 31, 2021.

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2021.

These interim financial statements were approved by the Board of Directors for issue on May 4, 2022.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

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

#### Adoption of Recent Accounting Pronouncements

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

In May 2020, the IASB issued amendments to 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 is effective for annual periods beginning on or after January 1, 2022 and is applied to contracts that have unfulfilled obligations as at the beginning of that period. The amendment did not have a material impact on the interim financial statements.

##### *Amendments to IFRS 3: Reference to the Conceptual Framework*

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (1989) with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, *Levies*, if incurred separately. The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The new guidance is effective for annual periods beginning on or after January 1, 2022 and is applied prospectively. The amendment did not have a material impact on the interim financial statements.

### 4. Critical Accounting Estimates and Judgments

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

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 4. Critical Accounting Estimates and Judgments, cont'd

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 have impacted the Company's business and operations. The duration and magnitude of the impact of the outbreak and its potential adverse effects on the Company's business or results of operations continue to be uncertain and will depend on future developments. Judgments made in these interim financial statements reflect management's best estimates as of the period end, taking into consideration the most significant judgments that may be directly impacted by COVID-19. The significant estimates and assumptions that could be impacted most by COVID-19 are the same as those described in the most recent annual financial statements.

### 5. Segmented Information

The segmentation reflects the way the Chief Executive Officer ("CEO") allocates resources and assesses performance. The CEO considers the business from a core service perspective. The areas of core service are Altus Analytics and Commercial Real Estate Consulting. The CEO assesses the performance of the operating segments, as well as when making decisions about the ongoing operations of the business and the Company's ability to generate cash flows based on a measure of Adjusted EBITDA.

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 right-of-use assets, property, plant and equipment and intangibles, share of (profit) loss of joint venture, impairment charges, non-cash share-based compensation costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") 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.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2022 and 2021 (Unaudited)

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

### 5. Segmented Information, cont'd

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
<b>Adjusted EBITDA</b>	\$ 17,741	\$ 17,240
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(1)</sup>	3,183	3,119
Depreciation of right-of-use assets	(3,204)	(2,768)
Depreciation of property, plant and equipment and amortization of intangibles	(12,279)	(6,772)
Acquisition and related transition (costs) income	(1,861)	(5,182)
Unrealized foreign exchange gain (loss) <sup>(2)</sup>	(610)	(419)
Gain (loss) on disposal of right-of-use assets, property, plant and equipment and intangibles <sup>(2)</sup>	13	238
Share of profit (loss) of joint venture	606	(389)
Non-cash share-based compensation costs <sup>(3)</sup>	(4,620)	(2,432)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(3)</sup>	(2,441)	625
Restructuring (costs) recovery	(8,356)	49
Gain (loss) on investments <sup>(4)</sup>	166	188
Other non-operating and/or non-recurring income (costs) <sup>(5)</sup>	(504)	-
<b>Earnings (loss) before finance costs and income taxes</b>	<b>(12,166)</b>	<b>3,497</b>
Finance (costs) income, net - leases	(497)	(570)
Finance (costs) income, net - other	(1,479)	(578)
<b>Profit (loss) before income taxes</b>	<b>(14,142)</b>	<b>2,349</b>
Income tax (expense) recovery	2,686	288
<b>Profit (loss) for the period</b>	<b>\$ (11,456)</b>	<b>\$ 2,637</b>

<sup>(1)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing financial and operating performance.

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

<sup>(3)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Gain (loss) on investments relates to changes in the fair value of investments in partnerships.

<sup>(5)</sup> Other non-operating and/or non-recurring income (costs) for the three months ended March 31, 2022 relate to legal, advisory, and other consulting costs related to initiatives including those related to the leadership transition. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 5. Segmented Information, cont'd

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

#### Segment Revenues and Expenditures

	Three months ended March 31, 2022						
	Altus Analytics	Commercial Property Tax	Real Estate and Cost Advisory	Consulting Total	Corporate <sup>(1)</sup>	Eliminations	Total
Revenues from external customers	\$ 80,079	\$ 58,468	\$ 29,037	\$ 87,505	\$ -	\$ -	\$ 167,584
Inter-segment revenues	231	-	(56)	(56)	-	(175)	-
<b>Total segment revenues</b>	<b>80,310</b>	<b>58,468</b>	<b>28,981</b>	<b>87,449</b>	<b>-</b>	<b>(175)</b>	<b>167,584</b>
<b>Adjusted EBITDA</b>	<b>11,231</b>	<b>13,307</b>	<b>2,914</b>	<b>16,221</b>	<b>(9,711)</b>	<b>-</b>	<b>17,741</b>
Depreciation of right-of-use assets	1,730	630	614	1,244	230	-	3,204
Depreciation of property, plant and equipment and amortization of intangibles	8,387	3,283	393	3,676	216	-	12,279
Finance costs (income), net - leases	103	134	106	240	154	-	497
Finance costs (income), net - other	-	-	-	-	1,479	-	1,479
Income tax expense (recovery)	-	-	-	-	(2,686)	-	(2,686)

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 5. Segmented Information, cont'd

	Three months ended March 31, 2021							
	Altus Analytics	Commercial Real Estate	Property Tax	Valuation and Cost Advisory	Consulting	Corporate <sup>(1)</sup>	Eliminations	Total
					Total			
Revenues from external customers	\$ 54,117	\$ 54,670	\$ 28,371	\$ 83,041	\$ -	\$ -	\$ -	\$ 137,158
Inter-segment revenues	123	-	(48)	(48)	-	(75)	-	-
<b>Total segment revenues</b>	<b>54,240</b>	<b>54,670</b>	<b>28,323</b>	<b>82,993</b>	<b>-</b>	<b>(75)</b>	<b>-</b>	<b>137,158</b>
<b>Adjusted EBITDA</b>	<b>10,212</b>	<b>11,114</b>	<b>3,892</b>	<b>15,006</b>	<b>(7,978)</b>	<b>-</b>	<b>-</b>	<b>17,240</b>
Depreciation of right-of-use assets	1,214	740	670	1,410	144	-	-	2,768
Depreciation of property, plant and equipment and amortization of intangibles	3,131	3,116	288	3,404	237	-	-	6,772
Finance costs (income), net - leases	117	162	135	297	156	-	-	570
Finance costs (income), net - other	-	-	-	-	578	-	-	578
Income tax expense (recovery)	-	-	-	-	(288)	-	-	(288)

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery).

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest on bank credit facilities	\$ 1,530	\$ 600
Interest on lease liabilities	497	570
Interest - other	40	3
<b>Finance costs</b>	<b>2,067</b>	<b>1,173</b>
<b>Finance income</b>	<b>(91)</b>	<b>(25)</b>
<b>Finance costs (income), net</b>	<b>\$ 1,976</b>	<b>\$ 1,148</b>

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 7. Income Taxes

	Three months ended March 31, 2022	Three months ended March 31, 2021
<b>Income tax expense (recovery)</b>		
Current	\$ (3,100)	\$ 615
Deferred	414	(903)
	<b>\$ (2,686)</b>	<b>\$ (288)</b>

### 8. Trade Receivables and Other

	March 31, 2022	December 31, 2021
Trade receivables	\$ 151,997	\$ 171,268
Less: loss allowance provision	(18,230)	(19,913)
Trade receivables, net	133,767	151,355
Contract assets: unbilled revenue on customer contracts <sup>(1)</sup>	52,102	47,677
Deferred costs to obtain customer contracts	3,389	1,942
Prepayments	23,142	20,903
Due from related party (GeoVerra)	1,574	3,074
Other receivables	1,277	1,182
	<b>215,251</b>	<b>226,133</b>
Less: non-current portion	(2,527)	(2,818)
	<b>\$ 212,724</b>	<b>\$ 223,315</b>

<sup>(1)</sup> On March 31, 2022, contract assets are stated net of expected credit losses of \$966 (December 31, 2021 - \$787).

For the three months ended March 31, 2022, \$973 of amortization associated with deferred costs to obtain customer contracts was expensed to the interim condensed consolidated statements of comprehensive income (loss) (2021 - \$467). For the three months ended March 31, 2022 and 2021, no impairment losses on deferred costs were recognized.

### 9. Investments

	March 31, 2022	December 31, 2021
Investments in equity instruments	\$ 13,024	\$ 14,412
Investments in partnerships	6,561	6,394
	<b>\$ 19,585</b>	<b>\$ 20,806</b>

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 10. Trade Payables and Other

	March 31, 2022	December 31, 2021
Trade payables	\$ 12,934	\$ 10,625
Accrued expenses	76,352	119,213
Contract liabilities: deferred revenue	74,211	73,255
Deferred consideration payables	6,809	6,668
Contingent consideration payables	185	179
Dividends payable (Note 15)	6,761	6,724
Provisions	4,331	1,551
Due to related party (GeoVerra)	-	86
	<b>181,583</b>	<b>218,301</b>
Less non-current portion:		
Accrued expenses	14,435	20,778
Contract liabilities: deferred revenue	622	208
Deferred consideration payables	3,462	3,462
Contingent consideration payables	185	179
Provisions	290	286
	<b>18,994</b>	<b>24,913</b>
	<b>\$ 162,589</b>	<b>\$ 193,388</b>

Provisions consist of:

	Restructuring	Other	Total
Balance as at January 1, 2022	\$ 1,371	\$ 180	\$ 1,551
Charged to profit or loss:			
Additional provisions, net of releases	8,356	-	8,356
Unwinding of discount	-	2	2
Used during the period	(5,561)	-	(5,561)
Exchange differences	(25)	8	(17)
<b>Balance as at March 31, 2022</b>	<b>4,141</b>	<b>190</b>	<b>4,331</b>
Less: non-current portion	(100)	(190)	(290)
	<b>\$ 4,041</b>	<b>\$ -</b>	<b>\$ 4,041</b>

#### *Restructuring*

Beginning in the first quarter of 2022, the Company initiated a global restructuring program which resulted in restructuring costs of \$8,356 for the period ended March 31, 2022, of which \$3,752 related to the impairment of right-of-use assets and the remainder primarily related to employee severance costs.



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 11. Borrowings

	March 31, 2022	December 31, 2021
Bank credit facilities	\$ 306,732	\$ 287,594
Less: deferred financing fees	(542)	(670)
	<b>\$ 306,190</b>	<b>\$ 286,924</b>

The Company's bank credit agreement provides the Company with the unconditional right to defer settlement of the liability for a period of two years, up to March 24, 2025.

As at March 31, 2022, the Company was in compliance with the financial covenants and other requirements of the amended bank credit facilities, which are summarized below:

	March 31, 2022
Funded debt to EBITDA (maximum of 4.00:1)	2.60:1
Interest coverage (minimum of 3.00:1)	24.86:1

### 12. Share Capital

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

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2022	44,119,103	\$ 726,325
Issued on exercise of options (Note 13)	34,580	1,189
Issued under the Dividend Reinvestment Plan	10,758	693
Issued for share-based compensation (Note 13)	310,991	3,264
Treasury shares reserved for share-based compensation (Note 13)	(55,039)	(4,304)
Release of treasury shares (Note 13)	147,655	6,326
Cancellation of shares	(167,508)	(8,482)
<b>Balance as at March 31, 2022</b>	<b>44,400,540</b>	<b>\$ 725,011</b>

The 44,400,540 common shares as at March 31, 2022 are net of 614,532 treasury shares with a carrying value of \$40,751 that are held in escrow until vesting conditions are met (Note 13).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 13. Share-based Compensation

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

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

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

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

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2022	1,469,881	\$41.39
Granted	412,938	\$48.54
Exercised	(34,580)	\$29.27
Expired/Forfeited	(110,065)	\$52.47
<b>Balance as at March 31, 2022</b>	<b>1,738,174</b>	<b>\$42.63</b>

Information about the Company's share options outstanding and exercisable as at March 31, 2022 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$19.67 - \$29.72	266,138	1.60 years	193,428
\$30.70 - \$37.93	346,079	1.57 years	253,737
\$45.11 - \$52.84	907,607	3.88 years	223,801
\$56.49 - \$65.67	218,350	4.03 years	39,322
<b>\$42.63</b>	<b>1,738,174</b>	<b>3.09 years</b>	<b>710,288</b>

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

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

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

	2022
Risk-free interest rate	1.58%
Expected dividend yield	1.2%
Expected volatility	29.67% - 30.52%
Expected option life	3.00 - 4.50 years
Exercise price	\$48.54
Weighted average grant-date fair value per option	\$8.61 - \$10.56

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

	Number of common shares
Balance as at January 1, 2022	51,843
Settled	(45,847)
<b>Balance as at March 31, 2022</b>	<b>5,996</b>

The Company settled vested performance share units ("PSUs") under the Long-Term Equity Incentive Plan through the issuance of common shares:

	Number of common shares
Settled in March 2021	111,845
Settled in March 2022	310,991

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

	Number of PSUs
Granted in 2021	101,709
Granted in 2022	79,579

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

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

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

The following is a summary of the Company's Long-Term Incentive Restricted Share Plan ("LTIRS Plan") activity:

	Number of LTIRs
Balance as at January 1, 2022 (all unvested)	20,327
Granted	4,903
Settled	(474)
Forfeited	(260)
<b>Balance as at March 31, 2022 (all unvested)</b>	<b>24,496</b>

In 2022, the Company granted a total value of \$323 under the LTIRS Plan and purchased 4,903 common shares in the open market (through the facilities of the TSX or by private agreement).

The following is a summary of the Company's Long-Term Incentive Restricted Share Unit Plan ("LTIRSU Plan") activity:

	Number of LTIRSUs
Balance as at January 1, 2022 (all unvested)	53,152
Granted	14,750
Settled	(1,877)
Forfeited	(1,460)
<b>Balance as at March 31, 2022 (all unvested)</b>	<b>64,565</b>

#### (iii) Deferred Compensation Plans

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

	Number of RSs
Balance as at January 1, 2022 (all unvested)	179,980
Granted	50,136
Settled	(88,917)
Forfeited	(198)
<b>Balance as at March 31, 2022 (all unvested)</b>	<b>141,001</b>

## Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

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

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

In connection with the 2021 performance year, the Company granted a total value of \$3,981 under the RS Plan. In March 2022, the Company purchased 50,136 common shares in the open market (through the facilities of the TSX or by private agreement).

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

	Number of RSUs
Balance as at January 1, 2022 (all unvested)	259,691
Granted	129,270
Settled	(115,058)
Forfeited	(7,416)
<b>Balance as at March 31, 2022 (all unvested)</b>	<b>266,487</b>

#### (iv) Deferred Share Unit Plans

The following is a summary of the Company's deferred share unit plans ("DSU Plans") activity:

	Number of DSUs
Balance as at January 1, 2022	195,001
Granted	4,622
Forfeited	(25,703)
<b>Balance as at March 31, 2022</b>	<b>173,920</b>

#### (v) Other Share-Based Awards

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

	Number of common shares
Balance as at January 1, 2022	454,997
Forfeited	(12,108)
<b>Balance as at March 31, 2022</b>	<b>442,889</b>

## Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

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

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

#### (vi) Compensation Expense by Plan

	Three months ended March 31, 2022	Three months ended March 31, 2021
Equity Compensation Plan	\$ 85	\$ 262
Long-Term Equity Incentive Plan	231	1,600
LTIRS Plan	190	37
LTIRSU Plan <sup>(1)</sup>	80	39
RS Plan	1,230	979
RSU Plan <sup>(2)</sup>	(2,519)	3,692
DSU Plans <sup>(3)</sup>	(3,451)	2,284
Other share-based awards	4,304	570

<sup>(1)</sup> For the three months ended March 31, 2022, the Company recorded mark-to-market adjustments of \$(264) (2021 - \$2).

<sup>(2)</sup> For the three months ended March 31, 2022, the Company recorded mark-to-market adjustments of \$(3,878) (2021 - \$2,844).

<sup>(3)</sup> For the three months ended March 31, 2022, the Company recorded mark-to-market adjustments of \$(3,843) (2021 - \$1,876).

#### (vii) Liabilities for Cash-settled Plans <sup>(1)</sup>

	March 31, 2022	December 31, 2021
LTIRSU Plan	\$ 622	\$ 781
RSU Plan	7,083	14,729
DSU Plans	8,525	12,638

<sup>(1)</sup> The carrying value of the liability related to these Plans is recorded in accrued expenses within trade payables and other.

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March 31, 2022 and 2021

(Unaudited)

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

### 14. Earnings (Loss) per Share

For the three months ended March 31, 2022, 1,738,174 share options, 623,158 restricted shares (“RSs”) (including common shares issued in escrow as part of the LTIRS plan) and 363,059 PSUs were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

For the three months ended March 31, 2021, 308,579 share options and 15,011 RSs (including common shares issued in escrow as part of the LTIRS Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Profit (loss) for the period attributable to Shareholders of the Company - basic and diluted	\$ (11,518)	\$ 2,637
Weighted average number of common shares outstanding - basic	44,170,613	40,551,803
Dilutive effect of share options	-	435,908
Dilutive effect of equity awards and PSUs	-	411,870
Dilutive effect of RSs	-	242,717
Weighted average number of common shares outstanding - diluted	44,170,613	41,642,298
Earnings (loss) per share:		
Basic	\$(0.26)	\$0.07
Diluted	\$(0.26)	\$0.06

### 15. Dividends Payable

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

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 16. Financial Instruments and Fair Values

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

#### Financial Instruments by Category

The Company classifies its financial assets as fair value through profit or loss ("FVPL"), fair value through other comprehensive income ("FVOCI") or amortized cost. The tables below indicate the carrying values of financial assets and liabilities for each of the following categories:

	March 31, 2022			December 31, 2021		
	FVPL	FVOCI	Amortized Cost	FVPL	FVOCI	Amortized Cost
<b>Assets as per Consolidated Balance Sheet:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 46,844	\$ -	\$ -	\$ 51,271
Trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments)	-	-	188,720	-	-	203,288
Investments in equity instruments	-	13,024	-	-	14,412	-
Investments in partnerships	6,561	-	-	6,394	-	-
Derivative financial instruments	11,055	-	-	21,529	-	-
	<b>\$ 17,616</b>	<b>\$ 13,024</b>	<b>\$ 235,564</b>	<b>\$ 27,923</b>	<b>\$ 14,412</b>	<b>\$ 254,559</b>



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

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

	March 31, 2022		December 31, 2021	
	FVPL	Amortized Cost	FVPL	Amortized Cost
<b>Liabilities as per Consolidated Balance Sheet:</b>				
Trade payables and other (excluding contract liabilities, LTIRSU Plan, RSU Plan and DSU Plans payables, deferred consideration payables and contingent consideration payables)	\$ -	\$ 84,148	\$ -	\$ 110,051
Deferred consideration payables	6,809	-	6,668	-
Contingent consideration payables	185	-	179	-
Borrowings	-	306,190	-	286,924
	\$ 6,994	\$ 390,338	\$ 6,847	\$ 396,975

### Fair Values

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

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ 3,072	\$ -	\$ 9,952	\$ 13,024
Investments in partnerships	-	-	6,561	6,561
Derivative financial instruments	-	11,055	-	11,055
<b>Liabilities:</b>				
Borrowings	-	306,732	-	306,732
Deferred consideration payables	-	6,809	-	6,809
Contingent consideration payables	-	-	185	185

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ 4,303	\$ -	\$ 10,109	\$ 14,412
Investments in partnerships	-	-	6,394	6,394
Derivative financial instruments	-	21,529	-	21,529
<b>Liabilities:</b>				
Borrowings	-	287,594	-	287,594
Deferred consideration payables	-	6,668	-	6,668
Contingent consideration payables	-	-	179	179

For the three months ended March 31, 2022 and 2021, there were no transfers between the levels in the hierarchy.

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

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

### 17. Commitments and Contingencies

As at March 31, 2022, the Company provided letters of credit of approximately \$1,459 to its lessors (December 31, 2021 - \$1,485).

As at March 31, 2022, the Company has guaranteed up to \$1,500 in connection with vehicle leases and related services entered into by GeoVerra (December 31, 2021 - \$1,500).

As at March 31, 2022, the Company has committed to aggregate capital contributions of \$4,915 (Note 9) to certain partnerships (December 31, 2021 - \$4,847).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2022 and 2021

(Unaudited)

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

### 17. Commitments and Contingencies, cont'd

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

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

### 18. Events After the Reporting Period

#### *Acquisition of Rethink Solutions Inc.*

On May 1, 2022, the Company acquired all of the issued and outstanding shares of Rethink Solutions Inc. ("Rethink Solutions") for \$40,000, subject to adjustments. On closing, the Company paid a total of \$28,000 in cash, funded by drawing on its credit facilities. In addition, the Company issued 181,892 common shares, valued at \$9,000, to certain selling shareholders who are continuing as employees of Rethink Solutions following the acquisition. The common shares are held in escrow and will vest and be released subject to continued employment, compliance with certain terms and conditions, and certain performance targets being achieved over a three-year period beginning two months after the closing date. The purchase agreement also provides for contingent consideration of \$3,000, subject to certain performance targets being achieved by the third anniversary of the closing date. Based in Canada, Rethink Solutions' team will integrate with the Company's Property Tax business.

As of the date of issuance of these interim financial statements, the initial accounting for this transaction has not been completed.

#### *Long-Term Equity Incentive Plan Share Pool Increase*

On May 3, 2022, shareholders of the Company approved a resolution to increase the number of authorized common shares to be reserved for issuance under the Company's Long-Term Equity Incentive Plan. The resolution increases the maximum number of common shares reserved for issuance by 2,689,000 shares, from 4,075,000 shares to 6,764,000 shares.



## Altus Group

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Toronto Stock Exchange  
Stock trading symbol: AIF

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