



Altus Group

Q1 2019

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

FOR THE THREE MONTHS ENDED
MARCH 31, 2019



Altus Group Limited



Management's Discussion & Analysis March 31, 2019

Contents

Forward-Looking Information	1
Changes in Significant Accounting Policies and Estimates	2
Non-IFRS Measures	3
Overview of the Business	4
Strategy	6
Financial and Operating Highlights	9
Discussion of Operations	11
Quarter Ended March 31, 2019	11
Revenues and Adjusted EBITDA by Business Unit	15
Altus Analytics	16
Commercial Real Estate Consulting	17
Geomatics	18
Corporate Costs	18
Liquidity and Capital Resources	19
Reconciliation of Adjusted EBITDA to Profit (Loss)	22
Adjusted Earnings (Loss) Per Share	23
Summary of Quarterly Results	24
Share Data	25
Financial Instruments and Other Instruments	26
Contingencies	27
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	27
Additional Information	28

Management's Discussion & Analysis

March 31, 2019



The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited (the "Company" or "Altus Group"), its business environment, strategies, performance, and outlook and the risks applicable to Altus Group. It should be read in conjunction with our unaudited interim condensed consolidated financial statements and accompanying notes (the "financial statements") as at and for the quarter ended March 31, 2019, which have been prepared on the basis of International Financial Reporting Standards ("IFRS") and reported in Canadian dollars. Unless otherwise indicated herein, references to "\$" are to Canadian dollars.

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

This MD&A is dated as of May 8, 2019.

Forward-Looking Information

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

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

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; currency risk; ability to maintain profitability and manage growth; commercial real estate market; competition in the industry; acquisitions; oil and gas sector; ability to attract and retain professionals; information from

Management's Discussion & Analysis

March 31, 2019



multiple sources; reliance on larger enterprise transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change and develop products on a timely basis; protection of intellectual property or defending against claims of intellectual property rights of others; ability to implement technology strategy and ensure workforce adoption; information technology governance and security, including cyber security; engagement and product pipeline opportunities do not result in sufficient definitive agreements; property tax assessment regulators do not process appeals in a manner consistent with expectations; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; weather; legislative and regulatory changes; customer concentration and loss of material clients; interest rate risk; credit risk; income tax matters; revenue and cash flow volatility; health and safety hazards; performance of contractual obligations and client satisfaction; risk of legal proceedings; insurance limits; ability to meet solvency requirements to pay dividends; leverage and financial covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders' interests, as well as those described in our annual publicly filed documents, including the Annual Information Form for the year ended December 31, 2018 (which are available on SEDAR at www.sedar.com).

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

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

Changes in Significant Accounting Policies and Estimates

Adoption of Recent Accounting Pronouncements

IFRS 16, *Leases*, supersedes IAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

We adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. We elected to use the transition practical expedient allowing the standard to be applied only to contracts that were

Management's Discussion & Analysis

March 31, 2019



previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. We also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets"). As such, amounts related to short-term leases, low-value assets, and variable lease payments continue to be recognized within occupancy expense.

Refer to Note 4 - Changes in Significant Accounting Policies and Estimates in the notes to financial statements and page 13 of this MD&A for further discussion of the adoption of IFRS 16 and its impact on the financial statements.

Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures, and do not have any standardized meaning under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA"), represents profit (loss) before income taxes adjusted for the effects of occupancy costs calculated on a consistent basis to 2018, finance costs (income), amortization of intangibles, depreciation of property, plant and equipment, depreciation of right-of-use assets, acquisition and related transition costs (income), restructuring costs, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on derivative transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged and other costs or income of a non-operating and/or non-recurring nature. Subsequent to the adoption of IFRS 16, on January 1, 2019, the measurement of Adjusted EBITDA has been modified to reflect occupancy costs on a consistent basis as 2018. Adjusted EBITDA margin represents the percentage factor of Adjusted EBITDA to revenues. Refer to page 22 for a reconciliation of Adjusted EBITDA to our financial statements.

Adjusted Earnings (Loss) per Share, ("Adjusted EPS"), represents basic earnings (loss) per share adjusted for the effects of occupancy costs calculated on a consistent basis to 2018, depreciation of right-of-use assets, finance costs (income), net - leases, amortization of intangibles acquired as part of business acquisitions, net of changes in fair value of related equity derivatives, acquisition and related transition costs (income), restructuring costs, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, interest accretion on contingent consideration payables, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on derivative transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature. The basic weighted average number of shares is adjusted for the effects of weighted average number of restricted shares. All of the adjustments are made net of tax. Refer to page 23 for a reconciliation of Adjusted EPS to our financial statements.

Management's Discussion & Analysis

March 31, 2019



Overview of the Business

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

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

Altus Analytics

Our Altus Analytics segment consists of revenues from software sold under the ARGUS brand (which includes license sales, maintenance, subscriptions, and related technology services) and from data solutions (that are made available to clients through our Appraisal Management offering, as well as through data subscription products). Altus Analytics clients predominately consist of large owners, managers and investors of CRE assets and CRE funds, as well as other CRE industry participants including service providers, brokers, and developers.

Our ARGUS software solutions are among the most recognized in the CRE industry and are sold globally. Our flagship ARGUS Enterprise ("AE") software is the leading global solution for CRE valuation and portfolio management and is widely recognized as the industry property valuation standard in key CRE markets. AE's suite of functionality enables valuation and cash flow analysis, property budgeting and strategic planning, investment and fund structure forecasting, dynamic reporting capabilities, and scenario sensitivity and risk analysis. In November 2018, we launched ARGUS Cloud, a CRE asset and investment management cloud-based platform that integrates with AE and provides storage, back-up and access of ARGUS files in the cloud. ARGUS Cloud also enables new web-based applications such as ARGUS Acquire, a deal management solution for CRE acquisitions, which was launched simultaneously with ARGUS Cloud. Other ARGUS products include ARGUS Developer and ARGUS EstateMaster (software for development feasibility analysis), ARGUS on Demand ("AOD") (a hosted version of AE and ARGUS Developer), ARGUS Voyanta (a cloud-based data management solution), and ARGUS Taliance (cloud-based solutions for alternative investment firms). ARGUS Enterprise, ARGUS Developer and ARGUS EstateMaster are sold either as perpetual licenses with ongoing maintenance, or on a subscription basis, and all of our cloud products are sold on a subscription basis only.

In addition to our global software solutions, in the U.S., we offer Appraisal Management solutions with data and analytics functionality that allow institutional real estate investors to perform quarterly performance reviews, benchmarking and attribution analysis of their portfolios with the use of our proprietary data analytics platforms. Through our Appraisal Management offering, we manage the entire valuation process on behalf of our institutional clients, providing independent oversight and expertise while leveraging our data analytics platforms. This offering is also increasingly expanding into Europe and Asia. Our Appraisal Management clients primarily consist of open and closed real estate funds, including large pension funds. The contractual terms of our Appraisal Management agreements are generally for three to five year terms and pricing is primarily based on the number of real estate assets on our platform,

Management's Discussion & Analysis

March 31, 2019



adjusted for frequency of valuations and complexity. We enjoy very high contract renewal rates. Our Appraisal Management teams are also engaged from time to time to perform due diligence assignments in connection with CRE transactions.

In Canada, Altus Analytics also includes data subscription products, such as RealNet and Altus InSite, which provide comprehensive real estate information on the Canadian residential, office, industrial and investment markets. Our Canadian data covers new homes, investment transactions and commercial market inventory in key markets, and also provides intelligence on the national housing market and consumer home buying and borrowing patterns.

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

Commercial Real Estate Consulting

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

Our largest revenue contributor to CRE Consulting is our Property Tax business which operates in Canada, the U.S. and the U.K. Our team of Property Tax professionals help clients minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, management and appeals, as well as in the U.S., personal property and state and local tax advisory services. Valuation services, which are predominantly provided in Canada, consist of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting. Our Cost practice, offered in both the private and public sectors in North America and Asia Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Given the strength of our brand, our independence and quality of our work, we enjoy a high rate of client renewals across all of our CRE Consulting businesses. Pricing for our services is based on a fixed fee or time and materials fee basis, and for a significant number of projects in Property Tax, on a contingency basis.

Geomatics

Our Geomatics business operates primarily in Western Canada, with a significant number of clients in the oil and gas exploration and development sector. Geomatics is the practice of recording and managing spatially referenced information, including land surveying, geographic information systems, global positioning systems and light detection and ranging. Our services, performed by highly qualified certified professionals, include land surveys and mapping for setting of property boundaries, route and corridor selection, land settlement, construction developments, and oil field and well-sites. Our competitive advantages include the depth of our team's experience and specialized training, our strong track record of

Management's Discussion & Analysis

March 31, 2019



safety, the timeliness and quality of our work, and our geographic strength in Western Canada. Our services are primarily charged on a time and materials fee basis.

Strategy

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

We remain competitively positioned to capitalize on the growing demand for CRE technology, data and advisory solutions. Our key competitive strengths in the marketplace are comprised of our industry expertise, our data and software solutions, and the depth and diversity of our offerings that position us to address a wide range of client needs in the CRE market and our customer base. Our global scale, existing client relationships with some of the world's largest CRE companies, and independence from brokers and asset owners/investors are also key differentiators that enhance our reputation.

Our established industry position and favourable market trends support our long-term growth objectives and our determination to sustain our global leadership in information and data analytics to the CRE market. Our strategy consists of various initiatives that contribute to our broader objective of scaling Altus Group globally with multi-product end-to-end solutions for the CRE market.

Strategic Initiatives

Across the business, we continually identify opportunities for improvement and capitalize on growth prospects to enhance all of our client offerings and internal capabilities. We have a disciplined approach to pursuing investments and prioritize opportunities that support our longer-term growth objectives and help us sustain our market leadership. While we continue to focus on enhancing every business (specifically through data and technology), we are especially focused on the following strategic initiatives for 2019:

Altus Analytics

Our long-term objective is to transition Altus Analytics from a collection of high value point solutions to an enterprise-grade software and data analytics market leader that unifies valuation and asset management capabilities into a single, cloud-based platform for the CRE industry. To achieve this, we will continue to expand the global adoption of AE while developing a product roadmap aimed at integrating our solutions onto a cloud-based platform that will further enhance recurring revenues.

Our "ARGUS Everywhere" strategy encompasses:

- a) Increasing customer wallet share by broadening the use of AE across the organization and through additional AE modules and ARGUS branded solutions (add-on sales were a significant contributor to total license sales in 2018);

Management's Discussion & Analysis

March 31, 2019



- b) Leveraging our large customer base to drive global adoption of AE, specifically focusing on our largest customers (especially on our Top 200 global clients, the majority of which have not yet deployed AE globally across their organizations); and
- c) Expanding into new markets (with a specific focus on strengthening our presence in Germany, France and Asia, where our market penetration remains modest).

This strategy complements our focus on pursuing large enterprise transactions with global, multi-product contracts for end-to-end client needs and increasing our recurring revenues through a higher mix of subscription contracts. Our global large client transactions will increasingly also include Appraisal Management solutions. Our product roadmap will continue to focus on integration across all of our capabilities and reflect the addition of functionality, data and applications that will allow clients to increasingly move to a cloud environment. The early phases of our cloud strategy consist of developing new applications that will be cloud-based but synchronized with AE on-premise solutions and AOD through application programming interfaces (API) and portal functionality. These web applications will be sold separately on a SaaS basis.

In addition to our growth strategy for our ARGUS Software business, we remain focused on growing our Appraisal Management offering in the U.S. where favourable market trends support our organic growth initiatives, while expanding our market presence in Europe and Asia Pacific by leveraging our global U.S. relationships. Consistent with past years, we expect growth will be driven by both current customers increasing the number of assets on our platform and net new client additions.

Property Tax

Our Property Tax practice continues to represent an attractive growth area. Our objective is to grow and scale our Property Tax business to a leading, independent global property tax advisory practice that leverages technology and data. Our data and expert knowledge combine to make us a leader in the industry.

Our strategic initiatives comprise of the following:

- a) Organic growth by leveraging Altus Analytics relationships, and by increasing business development and marketing efforts aimed at increasing market share;
- b) Pursuit of financially accretive acquisitions when opportunities arise - specifically in the U.S. where the market remains fragmented; and
- c) Enhancement of our service offering with technology and data through our Tax Analytics Platform ("TAP") to enhance client value while improving internal efficiencies by automating workflows. In 2019 we plan to leverage TAP in Canada to drive improved performance, while continuing to tailor functionality for the U.S. and U.K. markets for broader adoption in 2020.

Data Opportunity

Our leading Expert Services and Altus Analytics offerings collect valuable and detailed CRE industry data on various asset classes and for many major CRE markets. As ARGUS users increasingly move into a cloud environment, the depth of our data strengthens. This provides us with a unique long-term opportunity to re-purpose and eventually monetize this data to drive differentiation, launch new products and strengthen

Management's Discussion & Analysis

March 31, 2019



our recurring revenue streams. We have been laying the groundwork for this opportunity by developing technology that captures and organizes the data that we collect across each of our businesses and through strategic partnerships. In the long term, this infrastructure will enable us to better integrate our current products, to pursue more data-sharing partnerships, and to leverage the data to develop new applications and data-driven products in cloud-based environments.

Management's Discussion & Analysis

March 31, 2019



Financial and Operating Highlights

Selected Financial Information	Quarter ended March 31,	
<i>In thousands of dollars, except for per share amounts</i>	2019	2018
Revenues	\$ 127,998	\$ 124,690
Canada	41%	45%
U.S.	37%	33%
Europe	16%	16%
Asia Pacific	6%	6%
Adjusted EBITDA	\$ 13,884	\$ 15,508
Adjusted EBITDA margin	10.8%	12.4%
Profit (loss)	\$ (435)	\$ (2,327)
Earnings (loss) per share:		
Basic	\$(0.01)	\$(0.06)
Diluted	\$(0.01)	\$(0.06)
Adjusted	\$0.23	\$0.23
Dividends declared per share	\$0.15	\$0.15

Financial Highlights

- **Revenues** were \$128.0 million for the quarter ended March 31, 2019, up 2.7% or \$3.3 million from \$124.7 million in the same period in 2018. Acquisitions contributed 1.7% to revenues. Exchange rate movements against the Canadian dollar benefitted revenues by 1.3%. Revenue growth was led by Altus Analytics, offset by the expected delay in revenues from Property Tax. Altus Analytics grew by 15.4%, boosted by strong growth in subscription revenues, services and Appraisal Management. Property Tax revenues declined 8.1% on a tough compare to 2018 in Western Canada and the deferral of revenues from two key markets, Ontario and the U.K. Our Valuation and Cost Advisory businesses showed modest growth, led by a solid performance from our Canadian Cost practice. Our Geomatics business exhibited consistent revenue performance with prior year.
- **Adjusted EBITDA** was \$13.9 million for the quarter ended March 31, 2019, down 10.5% or \$1.6 million from \$15.5 million in the same period in 2018. Exchange rate movements against the Canadian dollar benefitted Adjusted EBITDA by 3.6%. Earnings declined in the quarter as a result of lower revenues from our Property Tax business, partly offset by higher performance in Altus Analytics.
- **Profit (loss)** for the quarter ended March 31, 2019 was \$(0.4) million, down 81.3% or \$1.9 million from \$(2.3) million in the same period in 2018. In addition to the impacts on Adjusted EBITDA as discussed above, profit (loss) was impacted by incremental depreciation of \$3.7 million and finance costs of \$0.7 million on the implementation of IFRS 16, offset by a decrease in amortization of intangibles, restructuring costs not occurring in the period, and an increase in income tax recovery.
- For the quarter ended March 31, 2019, earnings (loss) per share was \$(0.01), basic and diluted, as compared to \$(0.06), basic and diluted, in the same period in 2018.
- For the quarter ended March 31, 2019, Adjusted EPS was \$0.23, in line with the same period in 2018.

Management's Discussion & Analysis

March 31, 2019



- We returned \$5.9 million to shareholders in the quarter through quarterly dividends of \$0.15 per common share.
- As at March 31, 2019, our bank debt was \$142.4 million, representing a funded debt to EBITDA leverage ratio of 2.01 times (compared to 1.79 times as at December 31, 2018). As at March 31, 2019, cash and cash equivalents was \$37.5 million (compared to \$48.7 million as at December 31, 2018).

Operating Highlights

Product Enhancements

Subsequent to quarter end, at our annual ARGUS Connect client conference we announced an upgraded version of ARGUS Cloud, including new cloud benchmarking, reporting and data analytics capabilities. We also announced complete integration between AE, ARGUS Taliance and ARGUS Voyanta, resulting in a unified end-to-end solution for global asset and investment management.

Management's Discussion & Analysis

March 31, 2019



Discussion of Operations

Quarter Ended March 31, 2019

<i>In thousands of dollars</i>	Quarter ended March 31,	
	2019	2018
Revenues	\$ 127,998	\$ 124,690
Expenses		
Employee compensation	86,593	82,109
Occupancy	1,813	5,407
Office and other operating	24,617	22,623
Depreciation of right-of-use assets	3,650	-
Depreciation and amortization	10,343	12,544
Acquisition and related transition costs (income)	(18)	734
Restructuring costs	-	2,853
(Gain) loss on investments	(107)	(85)
Finance costs (income), net - leases	732	-
Finance costs (income), net - other	1,650	1,428
Profit (loss) before income taxes	(1,275)	(2,923)
Income tax expense (recovery)	(840)	(596)
Profit (loss) for the period	\$ (435)	\$ (2,327)

Revenues

Revenues were \$128.0 million for the quarter ended March 31, 2019, up 2.7% or \$3.3 million from \$124.7 million in the same period in 2018. For the quarter ended March 31, 2019, exchange rate movements against the Canadian dollar benefitted revenues by 1.3%. Acquisitions contributed 1.7%. The revenue growth was driven by Altus Analytics, offset by Property Tax which continued to be impacted by the deferral of appeal settlements in Ontario and the U.K.

Employee Compensation

Employee compensation was \$86.6 million for the quarter ended March 31, 2019, up 5.5% or \$4.5 million from \$82.1 million in the same period in 2018. For the quarter ended March 31, 2019, the increase in compensation was mainly due to the acquisition of Taliance Group SAS and its subsidiaries ("Taliance") and headcount additions to support product development within Altus Analytics. As a partial offset to the increases, there was a decline in employee compensation at Geomatics as a result of prior year restructuring. For the quarter ended March 31, 2019, employee compensation as a percentage of revenues was 67.7%, as compared to 65.9% in the same period in 2018.

Occupancy

Occupancy was \$1.8 million for the quarter ended March 31, 2019, down 66.5% or \$3.6 million from \$5.4 million in the same period in 2018. For the quarter ended March 31, 2019, IFRS 16 adjustments decreased occupancy costs by \$3.3 million, and the remaining amounts recognized in occupancy costs pertain to short-term leases, low-value assets, and variable lease payments. Without the impact of IFRS 16, occupancy costs decreased as a result of office rationalization in our U.K. operations subsequent to the acquisition of Commercial Valuers & Surveyors Limited ("CVS"). For the quarter ended March 31, 2019, occupancy as a

Management's Discussion & Analysis

March 31, 2019



percentage of revenues was 1.4%, as compared to 4.3% in the same period in 2018. Without the impact of IFRS 16, occupancy as a percentage of revenues would have been 4.0%, as compared to 4.3% in the same period in 2018.

Office and Other Operating Costs

Office and other operating costs were \$24.6 million for the quarter ended March 31, 2019, up 8.8% or \$2.0 million from \$22.6 million in the same period in 2018. For the quarter ended March 31, 2019, the increase was primarily from unrealized foreign exchange translation amounts. For the quarter ended March 31, 2019, office and other operating costs as a percentage of revenues was 19.2%, as compared to 18.1% in the same period in 2018.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was \$3.7 million for the quarter ended March 31, 2019. This reflects the impact of the adoption of IFRS 16, *Leases*, effective beginning January 1, 2019. Other impacts of IFRS 16 are explained in the "Changes in Significant Accounting Policies and Estimates" section on page 2 of this MD&A or Note 4 in the financial statements.

Depreciation and Amortization - Other

Depreciation and amortization was \$10.3 million for the quarter ended March 31, 2019, as compared to \$12.5 million in the same period in 2018. The decrease is mainly due to the completion of the amortization period for some acquisition-related intangibles.

Acquisition and Related Transition Costs (Income)

Acquisition and related transition costs (income) were \$(0.02) million for the quarter ended March 31, 2019, as compared to \$0.7 million in the same period in 2018.

(Gain) Loss on Investments

(Gain) loss on investments was \$(0.1) million for the quarter ended March 31, 2019, in line with the same period in 2018. The amount represents changes in fair value of our investments in partnerships.

Restructuring Costs

There was no restructuring cost in the current quarter. In Q1 2018, we undertook and completed restructuring activities in Geomatics to reduce costs. These charges related primarily to employee severance costs and onerous leases.

Finance Costs (Income), Net

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2019	2018	% Change
Interest on borrowings	\$ 1,280	\$ 1,355	(5.5%)
Interest on lease liabilities	732	-	100.0%
Interest on finance leases	-	13	(100.0%)
Unwinding of discounts	175	160	9.4%
Change in fair value of interest rate swaps	310	(45)	788.9%
Finance income	(115)	(55)	109.1%
Finance costs (income), net	\$ 2,382	\$ 1,428	66.8%

Management's Discussion & Analysis

March 31, 2019



Finance costs (income), net for the quarter ended March 31, 2019 was \$2.4 million, up 66.8% or \$1.0 million from \$1.4 million in the same period in 2018. Our finance costs increased mainly due to the interest expense recorded in 2019 related to the adoption of IFRS 16 beginning January 1, 2019, in addition to the ongoing mark-to-market change in fair value recognized in relation to our \$65.0 million interest rate swap.

Income Tax Expense (Recovery)

Income tax expense (recovery) for the quarter ended March 31, 2019 was \$(0.8) million, as compared to \$(0.6) million in the same period in 2018. A significant amount of our earnings is derived outside of Canada and as a result a change in the mix of earnings and losses in countries with differing statutory tax rates have impacted our effective tax rates for the period ended March 31, 2019.

Profit (Loss)

Profit (loss) for the quarter ended March 31, 2019 was \$(0.4) million and \$(0.01) per share, basic and diluted, as compared to \$(2.3) million and \$(0.06) per share, basic and diluted, in the same period in 2018.

Impact of IFRS 16

Income Statement

Reconciliation of profit (loss) calculated under IFRS 16 and on a basis consistent with 2018 for the quarter ended March 31, 2019:

<i>In thousands of dollars</i>	Quarter ended March 31, 2019		
	IFRS 16	Basis Consistent with 2018	Impact of IFRS 16
Revenues	\$ 127,998	\$ 127,998	\$ -
Expenses			
Employee compensation	86,593	86,593	-
Occupancy	1,813	5,067	(3,254)
Office and other operating	24,617	24,617	-
Depreciation of right-of-use assets	3,650	-	3,650
Depreciation and amortization	10,343	10,944	(601)
Acquisition and related transition costs (income)	(18)	(18)	-
Restructuring costs	-	-	-
(Gain) loss on investments	(107)	(107)	-
Finance costs (income), net - leases	732	-	732
Finance costs (income), net - other	1,650	1,650	-
Profit (loss) before income taxes	(1,275)	(748)	(527)
Income tax expense (recovery)	(840)	(701)	(139)
Profit (loss) for the period	\$ (435)	\$ (47)	\$ (388)

Management's Discussion & Analysis

March 31, 2019



Balance Sheet Impact

The effect of adopting IFRS 16 on our consolidated balance sheet (increase/(decrease)) as at January 1, 2019 is as follows:

	As Previously Reported December 31, 2018	IFRS 16 Adjustments	After Adoption of IFRS 16 January 1, 2019
Assets			
Trade receivables and other - current	\$ 154,298	\$ (361)	\$ 153,937
Property, plant and equipment	33,197	(1,263)	31,934
Right-of-use assets	-	72,514	72,514
Liabilities			
Trade payables and other - current	117,520	(907)	116,613
Trade payables and other - non-current	29,825	(10,265)	19,560
Borrowings - current	858	(192)	666
Borrowings - non-current	128,509	(74)	128,435
Lease liabilities	-	82,328	82,328

Impact on Bank Covenants

We have agreed with our bank syndicate that our covenants will be calculated under the method prior to the adoption of IFRS 16.

Refer to Note 4 in the financial statements for full details of the adoption and impacts.

Management's Discussion & Analysis

March 31, 2019

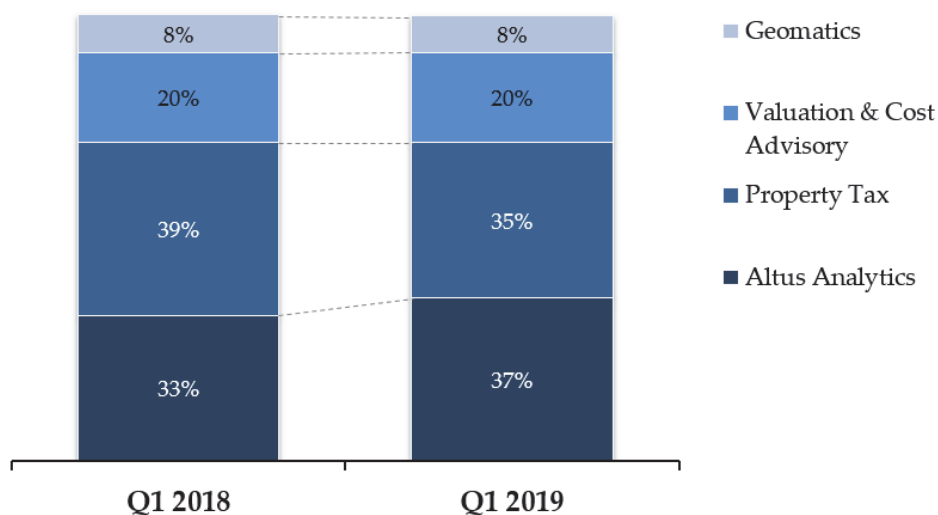


Revenues and Adjusted EBITDA by Business Unit

Revenues		Quarter ended March 31,	
<i>In thousands of dollars</i>	2019	2018	% Change
Altus Analytics	\$ 46,781	\$ 40,536	15.4%
Expert Services:			
Commercial Real Estate Consulting	70,673	73,868	(4.3%)
Geomatics	10,650	10,446	2.0%
Intercompany eliminations	(106)	(160)	33.8%
Total	\$ 127,998	\$ 124,690	2.7%

Adjusted EBITDA		Quarter ended March 31,	
<i>In thousands of dollars</i>	2019	2018	% Change
Altus Analytics	\$ 9,821	\$ 8,230	19.3%
Expert Services:			
Commercial Real Estate Consulting	12,098	15,668	(22.8%)
Geomatics	461	50	822.0%
Corporate	(8,496)	(8,440)	0.7%
Total	\$ 13,884	\$ 15,508	(10.5%)

Revenue Contribution:



Management's Discussion & Analysis

March 31, 2019



Altus Analytics

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2019	2018	% Change
Revenues	\$ 46,781	\$ 40,536	15.4%
Adjusted EBITDA	\$ 9,821	\$ 8,230	19.3%
Adjusted EBITDA Margin	21.0%	20.3%	

Quarterly Discussion

Revenues were \$46.8 million for the quarter ended March 31, 2019, up 15.4% or \$6.3 million from \$40.5 million in the same period in 2018. The acquisition of Taliance added 5.3% to revenues. Revenues improved on double-digit growth from both ARGUS Software and Appraisal Management. ARGUS Software benefitted primarily from strong subscription revenues and higher maintenance revenues supported by an average 97% maintenance renewal rate on ARGUS Enterprise. Consistent with the 2018 trend, the mix of software revenues from subscriptions contracts was higher than from upfront perpetual license sales (which were down year over year). The higher subscription revenues included growth from on-premise AE subscription contracts, AOD, ARGUS Taliance and ARGUS Voyanta. ARGUS Software consulting and education service revenues were also up year over year. Growth at Appraisal Management was driven by existing customer growth in the U.S., new customer wins, and higher revenues from international markets. Due diligence revenues were down year over year. Movements in the exchange rate against the Canadian dollar benefitted revenues by 3.5%.

Recurring revenues, as described above in the Overview of the Business, were \$36.4 million for the quarter ended March 31, 2019, up 23.0% or \$6.8 million from \$29.6 million in the same period in 2018.

Adjusted EBITDA was \$9.8 million for the quarter ended March 31, 2019, up 19.3% or \$1.6 million from \$8.2 million in the same period in 2018. Although Adjusted EBITDA improved on strong earnings contribution from Appraisal Management, the ongoing software product development investments continued to impact Altus Analytics earnings. Changes in foreign exchange benefitted Adjusted EBITDA by 6.2%.

Outlook

Our Altus Analytics business continues to represent an attractive growth area for our company supported by favourable market trends of growing global demand for CRE-related technology and data solutions.

In 2019, we expect our ARGUS software revenues to be driven by global deployment of AE across our clients' organizations, expanding AE into new markets with a specific focus on strengthening our presence in Germany, France and Asia, continued add-on sales (up-selling and cross-selling targeting more users and added functionality), and increasing sales from other ARGUS branded products. We will continue to pursue multi-product enterprise deals to serve the end-to-end needs of large global clients, although these types of contracts have longer sales cycles. We remain focused on increasing our sales focus on enterprise selling, targeting large global transactions and increased subscription contracts, while also targeting increased volume in the small-to-medium customer segment which will help offset quarterly variability due to the timing of large enterprise contracts. Our product roadmap will continue to prioritize integration across all of our capabilities, cloud functionality, and standard software upgrades to our existing solutions, including upgrading AE with enhanced local functionality for Germany and France. While we continue to

Management's Discussion & Analysis

March 31, 2019



invest in product development, we expect to reduce expense growth in the second half of the year.

We expect that growth from our Appraisal Management offering will be driven by current customers adding more assets on our platform and from new clients, in the U.S. and in international markets. We continue to have opportunity for organic growth in the U.S. by expanding our penetration with closed end funds and pension funds, and with expanding our work with our global clients abroad, namely in Europe and Asia Pacific.

Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2019	2018	% Change
Revenues			
Property Tax	\$ 44,698	\$ 48,619	(8.1%)
Valuation and Cost Advisory	25,975	25,249	2.9%
Revenues	\$ 70,673	\$ 73,868	(4.3%)
Adjusted EBITDA			
Property Tax	\$ 9,598	\$ 13,073	(26.6%)
Valuation and Cost Advisory	2,500	2,595	(3.7%)
Adjusted EBITDA	\$ 12,098	\$ 15,668	(22.8%)
Adjusted EBITDA Margin	17.1%	21.2%	

Quarterly Discussion

Revenues were \$70.7 million for the quarter ended March 31, 2019, down 4.3% or \$3.2 million from \$73.9 million in the same period in 2018. As expected, Property Tax revenues declined during the quarter, with lower revenues in Canada and the U.K. (reflecting the ongoing impact of the process changes in Ontario and the U.K. that have caused a deferral of contingency revenues), partly offset by stronger performance in the U.S. On a comparative basis, Q1 of 2018 benefitted from record performance in Western Canada due to unexpected property value increases which did not reoccur to the same levels. In addition, Manitoba is off-cycle in the first part of this year, compared to Q1 of 2018. Our Valuation and Cost Advisory revenues increased by 2.9%, primarily due to better performance from our Global Cost practice. Changes in exchange rates benefitted CRE Consulting revenues by 0.2%.

Adjusted EBITDA was \$12.1 million for the quarter ended March 31, 2019, down 22.8% or \$3.6 million from \$15.7 million in the same period in 2018, impacted by the decrease in Property Tax revenues, the majority of which are derived on a contingency basis and therefore have a direct impact on earnings. Growth in earnings from our Cost practice provided an immaterial offset. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 0.3%.

Outlook

Our Property Tax business continues to represent an attractive growth area for our company driven by a steady demand for our specialized services. We expect 2019 to be a record revenue year for our Property Tax practice driven by an anticipated rebound of case settlement activity from the Ontario and U.K. markets. Both of these markets are now in year three of their respective four-year cycles that began in 2017, and both have been impacted by government-driven process changes that caused a deferral of appeal

Management's Discussion & Analysis

March 31, 2019



settlements, where a high portion of revenues are derived on a contingency basis. In Ontario, we expect the ramp up in revenues will be more gradual and skewed towards the second half of the year, and similarly in the U.K., we expect the ramp up will be gradual, but we expect a strong second quarter, which benefits from seasonality trends related to our annuity billings. Following the integration of CVS in the U.K. in 2018, a significant number of our contracts now have annuity billings that occur each April of the second, third and fourth year of the cycle. The revenues from the annuity billings are expected to grow cumulatively over the cycle as more cases are settled and as the volume of billable clients increases concurrent with case settlements. Given the nature of the Property Tax business (as discussed in more detail in the cyclical and seasonal trends), we expect to experience typical quarterly variability in our financial performance.

Our Valuation and Cost Advisory practices enjoy significant market share and as a result, are expected to continue growing modestly. Growth is expected to be driven by operating leverage, enhanced efficiency and productivity from technology, and improved cross-selling across the organization.

Geomatics

<i>In thousands of dollars</i>	Quarter ended March 31,		
	2019	2018	% Change
Revenues	\$ 10,650	\$ 10,446	2.0%
Adjusted EBITDA	\$ 461	\$ 50	822.0%
Adjusted EBITDA Margin	4.3%	0.5%	

Quarterly Discussion

Despite challenging market conditions, revenues improved to \$10.7 million for the quarter ended March 31, 2019, up 2.0% or \$0.3 million from \$10.4 million in the same period in 2018.

Adjusted EBITDA was \$0.5 million for the quarter ended March 31, 2019, up 822.0% or \$0.4 million from \$0.1 million in the same period in 2018. Earnings improved significantly on comparable revenues and improved operating cost efficiencies, partly offset by a higher than normal bad debt provision taken for a specific client.

Outlook

Our Geomatics business continues to be impacted by the market downturn in the oil and gas industry. Given our strong revenue exposure to the oil and gas industry in Western Canada, we continue to be impacted by reduced capital spending in this sector and ongoing pricing pressures. Following various cost cutting and optimization initiatives undertaken in 2018, we expect Geomatics to remain profitable for the remainder of 2019.

Corporate Costs

Quarterly Discussion

Corporate costs (recovery) were \$8.5 million for the quarter ended March 31, 2019, as compared to \$8.4 million in the same period in 2018. Corporate costs were comparable to prior year. For the quarter ended March 31, 2019, corporate costs as a percentage of revenues was 6.6%, as compared to 6.8% in the same

Management's Discussion & Analysis

March 31, 2019



period in 2018. Bonuses are accrued in the Corporate segment for the first three quarters of the year and are allocated to the individual business segments in the fourth quarter upon overall finalization.

Liquidity and Capital Resources

Cash Flow	Quarter ended March 31,	
<i>In thousands of dollars</i>	2019	2018
Net cash related to operating activities	\$ (8,118)	\$ (4,777)
Net cash related to financing activities	2,195	4,771
Net cash related to investing activities	(1,670)	(8,364)
Effect of foreign currency translation	(3,626)	916
Change in cash position during the period	\$ (11,219)	\$ (7,454)
Dividends paid	\$ 4,184	\$ 5,186

We expect to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Significant erosion in the general state of the economy could affect our liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.

Cash from Operating Activities

Working Capital		
<i>In thousands of dollars</i>	March 31, 2019	December 31, 2018
Current assets	\$ 198,403	\$ 209,535
Current liabilities	112,410	125,180
Working capital	\$ 85,993	\$ 84,355

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

As at March 31, 2019, trade receivables, net and unbilled revenue on customer contracts net of deferred revenue was \$108.3 million, up 2.3% or \$2.4 million from \$105.9 million as at December 31, 2018. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue, was 21.0% as at March 31, 2019, as compared to 20.6% as at December 31, 2018.

Our Days Sales Outstanding ("DSO") was 75 days as at March 31, 2019, as compared to 74 days as at December 31, 2018. We calculate DSO by taking the five-quarter average balance of trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and the result is then divided by the trailing 12-month revenues plus any pre-acquisition revenues, as applicable, and multiplied by 365 days. Our method of calculating DSO may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures used by other issuers. We believe this measure is useful to investors as it demonstrates our ability to convert revenue into cash.

Management's Discussion & Analysis

March 31, 2019



Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at March 31, 2019, the amounts owing to the vendors of acquired businesses were \$14.3 million, as compared to \$14.2 million as at December 31, 2018. We intend to satisfy the payments with the revolving term facility (as described below) or cash on hand.

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

Cash from Financing Activities

Our revolving term facility is a senior secured revolving term facility used for general corporate purposes that will mature on April 28, 2020. In June 2018, we increased our borrowing capacity under the revolving term facility from \$200.0 million to \$220.0 million in accordance with certain provisions of the agreement. The borrowing capacity can be further increased to \$250.0 million. All other terms of the bank credit facilities remain the same.

As at March 31, 2019, our total borrowings on our revolving term facility amounted to \$142.4 million, an increase of \$13.2 million from December 31, 2018.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$0.8 million (December 31, 2018 - \$0.8 million).

The cost of our bank credit facilities is tied to the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates. As at March 31, 2019, \$65.0 million was subject to interest rate swap agreements to fix the interest rate. We are obligated to pay the counterparty to the swap agreements an amount based upon a fixed interest rate of 1.48% per annum and the counterparty is obligated to pay us an amount equal to the Canadian Bankers' Acceptance rate. These agreements expire on May 15, 2020. These interest rate swaps are not designated as cash flow hedges. The effective annual rate of interest for the quarter ended March 31, 2019 on our bank credit facilities was 3.57%, as compared to 3.28% in the same period in 2018.

We have agreed with our bank syndicate that our covenants will be calculated under the method prior to the adoption of IFRS 16.

As at March 31, 2019, we were in compliance with the financial covenants of our bank credit facilities, which are summarized below:

	March 31, 2019
Funded debt to EBITDA (maximum of 3.00:1)	2.01:1
Fixed charge coverage (minimum of 1.20:1)	4.92:1
Funded debt to capitalization (maximum of 55%)	26%

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.

Management's Discussion & Analysis

March 31, 2019



Contractual Obligations ⁽¹⁾	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	\$ 142,412	\$ 2,012	\$ 140,400	\$ -	\$ -
Leasehold improvement loans	475	74	148	148	105
Lease obligations	95,912	18,734	28,686	23,153	25,339
Contingent consideration payables	14,726	14,726	-	-	-
Other liabilities	67,527	57,888	4,802	299	4,538
Total contractual obligations	\$ 321,052	\$ 93,434	\$ 174,036	\$ 23,600	\$ 29,982

⁽¹⁾ Contractual obligations exclude aggregate unfunded capital contributions of \$1.1 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,	
	2019	2018
<i>In thousands of dollars</i>		
Property, plant and equipment additions	\$ 1,320	\$ 3,801
Intangibles additions	62	27
Proceeds from disposal of property, plant and equipment and intangibles	(15)	-
Capital expenditures	\$ 1,367	\$ 3,828

Management's Discussion & Analysis

March 31, 2019



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,	
	2019	2018
Adjusted EBITDA	\$ 13,884	\$ 15,508
Additional occupancy expense calculated on a similar basis prior to the adoption of IFRS 16 ⁽¹⁾	3,254	-
Depreciation - right-of-use assets	(3,650)	-
Depreciation and amortization - other	(10,343)	(12,544)
Acquisition and related transition costs (income)	18	(734)
Unrealized foreign exchange gain (loss) ⁽²⁾	(494)	1,049
Gain (loss) on disposal of property, plant and equipment ⁽²⁾	(276)	(379)
Non-cash Executive Compensation Plan costs ⁽³⁾	(1,314)	(1,223)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽³⁾	(79)	(383)
Gain (loss) on derivatives ⁽²⁾	-	48
Restructuring costs	-	(2,853)
Gain (loss) on investments ⁽⁴⁾	107	85
Other non-operating and/or non-recurring income (costs) ⁽⁵⁾	-	(69)
Earnings (loss) before Finance Costs and Income Taxes	1,107	(1,495)
Finance costs (income), net - leases	732	13
Finance costs (income), net - other	1,650	1,415
Profit (loss) before income taxes	(1,275)	(2,923)
Income tax expense (recovery)	(840)	(596)
Profit (loss) for the period	\$ (435)	\$ (2,327)

⁽¹⁾ Management's use of the non-GAAP lease expense calculated on a similar basis prior to the adoption of IFRS 16 is used when analyzing operating performance. Management believes that the non-GAAP measure provides useful information to both management and investors in measuring our financial performance. Refer to page 13 for a schedule showing the impacts and adjustments of our consolidated financial statements for the adoption of IFRS 16.

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

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

⁽⁴⁾ Gain (loss) on investments for the quarter ended March 31, 2019 and for the quarter ended March 31, 2018 relates to changes in fair value of investments in partnerships.

⁽⁵⁾ Other non-operating and/or non-recurring income (costs) for the quarter ended March 31, 2018 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

Management's Discussion & Analysis

March 31, 2019



Adjusted Earnings (Loss) Per Share

<i>In thousands of dollars, except for per share amounts</i>	Quarter ended March 31,	
	2019	2018
Profit (loss) for the period	\$ (435)	\$ (2,327)
Additional occupancy expense calculated on a similar basis prior to the adoption of IFRS 16	(3,254)	-
Depreciation - right-of-use assets	3,650	-
Finance costs (income), net - leases	732	-
Amortization of intangibles of acquired businesses	7,860	9,990
Unrealized foreign exchange loss (gain)	494	(1,049)
Loss (gain) on disposal of property, plant and equipment	276	379
Non-cash Executive Compensation Plan costs	1,314	1,223
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	79	383
Interest accretion on contingent consideration payables	158	158
Restructuring costs	-	2,853
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps	310	(93)
Acquisition and related transition costs (income)	(18)	734
Loss (gain) on investments	(107)	(85)
Other non-operating and/or non-recurring costs (income)	-	69
Tax impact on above	(2,111)	(3,333)
Adjusted earnings (loss) for the period	\$ 8,948	\$ 8,902
Weighted average number of shares - basic	39,084,216	38,500,448
Weighted average number of restricted shares	439,216	315,156
Weighted average number of shares - adjusted	39,523,432	38,815,604
Adjusted earnings (loss) per share	\$0.23	\$0.23

Management's Discussion & Analysis

March 31, 2019



Summary of Quarterly Results

In thousands of dollars, except for per share amounts	2019	2018					2017			
	Mar 31	Fiscal 2018	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2017	Dec 31	Sep 30	Jun 30
Results of Operations										
Revenues	\$ 127,998	\$ 510,429	\$ 130,885	\$ 120,636	\$ 134,218	\$ 124,690	\$ 476,562	\$ 122,317	\$ 117,072	\$ 127,880
Adjusted EBITDA	\$ 13,884	\$ 70,904	\$ 15,121	\$ 16,504	\$ 23,771	\$ 15,508	\$ 80,645	\$ 19,949	\$ 23,310	\$ 24,017
Adjusted EBITDA margin	10.8%	13.9%	11.6%	13.7%	17.7%	12.4%	16.9%	16.3%	19.9%	18.8%
Profit (loss) for the period	\$ (435)	\$ (18,439)	\$ (14,719)	\$ (1,723)	\$ 330	\$ (2,327)	\$ 109,417	\$ (3,388)	\$ 7,327	\$ 104,927
Earnings (loss) per share:										
Basic	\$(0.01)	\$(0.48)	\$(0.38)	\$(0.04)	\$0.01	\$(0.06)	\$2.88	\$(0.09)	\$0.19	\$2.75
Diluted	\$(0.01)	\$(0.48)	\$(0.38)	\$(0.04)	\$0.01	\$(0.06)	\$2.83	\$(0.09)	\$0.19	\$2.72
Adjusted	\$0.23	\$1.05	\$0.20	\$0.22	\$0.40	\$0.23	\$1.11	\$0.15	\$0.34	\$0.40
Weighted average number shares (‘000s):										
Basic	39,084	38,764	38,968	38,879	38,700	38,500	38,028	38,389	38,324	38,108
Diluted	39,084	38,764	38,968	38,879	39,085	38,500	38,374	38,728	38,872	38,591

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

- Our Altus Analytics business (which makes up approximately 37% of total consolidated revenues) experiences some seasonality. ARGUS software products sold as perpetual licenses tend to have a stronger fourth quarter in revenues, a trend that is common in many other software companies. Also, Appraisal Management could experience some seasonal patterns around the second and fourth quarters, associated with some clients' practices of bi-annual and annual appraisals. It should also be noted that our Altus Analytics revenues may exhibit revenue variability as a result of our revenue recognition under IFRS 15. Under IFRS 15 accounting, for on-premise ARGUS software solutions that are sold on a subscription basis in a right to use license arrangement, a portion of the revenues will be recognized at the time of delivery of the distinct license rather than ratably over the term of the subscription. This is expected to result in more variability in revenues based on the timing of contracts. Certain arrangements are for a right to access and revenues will continue to be recognized ratably over the term of the subscription. Revenue recognition may vary based on contract specific terms.
- Our global Property Tax practice (which makes up approximately 35% of total consolidated revenues) can experience significant fluctuations on a quarterly basis 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 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. In 2018, following the integration of CVS, we implemented annuity billing in the U.K. for a significant number of our contracts that occur each April of the second, third and fourth year of the cycle. The revenues from the annuity billings are expected to grow cumulatively over the cycle as more cases are settled and as the volume of billable clients increases concurrent with case settlements. It should also be noted that since a higher portion of our revenues come from contingency

Management's Discussion & Analysis

March 31, 2019



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.

- Our Cost Advisory practice (which makes up approximately 9% of total consolidated revenues) experiences some cyclical associated with their significant exposure to the CRE construction and development activities in the key markets that we serve. For instance, revenues will generally be higher in periods of economic prosperity and expansion in our key markets in Canada and Asia Pacific.
- Our Geomatics business (which makes up less than 10% of total consolidated revenues) engages in projects that tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods. Also, given Geomatics' significant client exposure to the oil and gas sector, revenues will be impacted by cyclical trends related to that sector, specifically driven by capital spending.

Share Data

As at May 1, 2019, 39,350,143 common shares were outstanding and are net of 348,530 treasury shares. These treasury shares are shares held by Altus Group, which are subject to restrictive covenants and may or may not vest for employees. Accordingly, these shares are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at March 31, 2019, there were 1,766,514 share options outstanding (December 31, 2018 - 1,518,670 share options outstanding) at a weighted average exercise price of \$27.77 per share (December 31, 2018 - \$27.96 per share) and 764,641 share options were exercisable (December 31, 2018 - 495,894). 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"). Under the DRIP, participants may elect to automatically reinvest quarterly dividends in additional Altus Group common shares.

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

For the quarter ended March 31, 2019, 75,862 common shares (2018 - 17,915 common shares) were issued under the DRIP.

Management's Discussion & Analysis

March 31, 2019



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, 2019 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding contract liabilities), income taxes recoverable and payable, investments, borrowings and derivative financial instruments. We do not enter into financial instrument arrangements for speculative purposes.

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

The fair value of the liabilities for the DSU and RSU plans as at March 31, 2019 was approximately \$11.3 million, based on the published trading price on the TSX for our common shares.

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

To mitigate our exposure to interest rate fluctuations, we have entered into interest rate swap agreements in connection with our bank credit facilities.

In 2015, we entered into interest rate swap agreements for a total notional amount of \$65.0 million and a fixed interest rate of 1.48% per annum. This agreement expires on May 15, 2020. As at March 31, 2019, we have a total notional amount of \$65.0 million outstanding and the fair value of these swaps were \$0.3 million in our favor.

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

Since 2014, we entered into equity derivatives to manage our exposure to changes in the fair value of RSUs and DSUs, issued under their respective plans, due to changes in the fair value of our common shares. Changes in the fair value of these derivatives are recorded as employee compensation expense and offset the impact of mark-to-market adjustments on the RSUs and DSUs that have been accrued.

As at March 31, 2019, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$11.0 million. The fair value of these derivatives is \$1.5 million in our favor.

We are exposed to credit risk with respect to our cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time

Management's Discussion & Analysis

March 31, 2019



and/or at the completion of the project. The risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries.

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

Contingencies

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

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

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

Management's Discussion & Analysis

March 31, 2019



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 Taliance acquired on July 1, 2018.

Financial information of the business acquired is summarized below.

Balance sheet data for Taliance:

<i>In thousands of dollars</i>		March 31, 2019
Assets	\$	31,760
Liabilities		6,027
Equity		25,733

Income statement data for Taliance:

<i>In thousands of dollars</i>		Quarter ended March 31, 2019
Revenues	\$	1,188
Expenses		2,185
Profit (loss)		(997)

There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended March 31, 2019, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standards related to IFRS 16, *Leases*, on our financial statements to facilitate its adoption on January 1, 2019. There were no other significant changes to our internal control over financial reporting.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the financial statements as at and for the quarter ended March 31, 2019.

Additional Information

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

Our common shares trade on the Toronto Stock Exchange under the symbol "AIF".



Altus Group

LISTINGS

Toronto Stock Exchange
Stock trading symbol: AIF

AUDITORS

ERNST & YOUNG LLP

TRANSFER AGENT

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

HEADQUARTERS

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

altusgroup.com

