



AltusGroup

2020

Management's
Discussion & Analysis

Management's Discussion & Analysis December 31, 2020

Contents

Forward-Looking Information	1
Non-IFRS Measures	2
Overview of the Business	4
Strategy	6
Financial and Operating Highlights	9
Discussion of Operations	13
Year and Quarter Ended December 31, 2020	13
Revenues and Adjusted EBITDA by Business Unit	17
Altus Analytics	18
Commercial Real Estate Consulting	21
Corporate Costs	22
Liquidity and Capital Resources	23
Reconciliation of Adjusted EBITDA to Profit (Loss)	27
Reconciliation of Adjusted Earnings (Loss) Per Share to Profit (Loss)	28
Summary of Quarterly Results	29
Selected Annual Information	30
Share Data	33
Financial Instruments and Other Instruments	33
Contingencies	34
Critical Accounting Estimates and Judgments	35
Changes in Significant Accounting Policies and Estimates	37
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	40
Key Factors Affecting the Business	41
Additional Information	48

Management's Discussion & Analysis

December 31, 2020



The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited's consolidated business, its business environment, strategies, performance, outlook and applicable risks. References to the "Company" or "Altus Group" are to the consolidated group of entities, and this should be read in conjunction with our consolidated financial statements and accompanying notes (the "financial statements") as at and for the year ended December 31, 2020, which have been prepared on the basis of International Financial Reporting Standards ("IFRS") and reported in Canadian dollars. Unless otherwise indicated herein, references to "\$" are to Canadian dollars and percentages are in comparison to the same period in 2019. Consolidated results presented (including restated comparative figures) exclude our Geomatics business which was classified as discontinued operations and contributed into our investment in the GeoVerra Inc. joint venture in 2020.

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 February 24, 2021.

Forward-Looking Information

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

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

The COVID-19 pandemic has cast additional uncertainty on each of these factors and assumptions. There can be no assurance that they will continue to be valid. Given the rapid pace of change with respect to the COVID-19 pandemic, it is difficult to make further assumptions about these matters. The duration, extent

Management's Discussion & Analysis

December 31, 2020



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; currency; our financial performance; our financial targets; the commercial real estate market; industry competition; our acquisitions; our cloud subscriptions transition; software renewals; professional talent; third party information; enterprise transactions; new product introductions; technological change; intellectual property; technology strategy; information technology governance and security; our product pipeline; property tax appeals; legislative and regulatory changes; fixed-price and contingency engagements; appraisal and appraisal management mandates; the Canadian multi-residential market; customer concentration and the loss of material clients; 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; leverage and financial covenants; our share price; our capital investments; and the issuance of additional common shares, as described in this document under "Key Factors Affecting the Business".

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

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

Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures, and do not have any standardized meaning under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful

Management's Discussion & Analysis

December 31, 2020



supplemental measures that may assist investors in assessing an investment in our shares and that they provide more insight into our performance.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") represents profit (loss) from continuing operations before income taxes, adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, finance costs (income), net - other, depreciation of property, plant and equipment and amortization of intangibles, depreciation of right-of-use assets, finance costs (income), net - leases, acquisition and related transition costs (income), unrealized foreign exchange (gains) losses, (gains) losses on disposal of property, plant and equipment and intangibles, share of (profit) loss of joint venture, impairment charges, non-cash 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. Subsequent to the classification of the Geomatics business as discontinued operations and the launch of GeoVerra Inc. ("GeoVerra"), the measurement of Adjusted EBITDA has been modified to reflect adjustments for: profit (loss) from discontinued operations and share of (profit) loss of joint venture.

Adjusted EBITDA margin represents the percentage factor of Adjusted EBITDA to revenues. Refer to page 27 for a reconciliation of Adjusted EBITDA to our financial statements.

Adjusted Earnings (Loss) per Share ("Adjusted EPS") represents basic earnings (loss) per share from continuing operations adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, depreciation of right-of-use assets, finance costs (income), net - leases, amortization of intangibles of acquired businesses, unrealized foreign exchange losses (gains), (gains) losses on disposal of property, plant and equipment and intangibles, non-cash 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, and other costs or income of a non-operating and/or non-recurring nature. Subsequent to the classification of the Geomatics business as discontinued operations and the launch of GeoVerra, the measurement of Adjusted EPS has been modified to reflect adjustments for: profit (loss) from discontinued operations and share of (profit) loss of joint venture. The adjusted earnings (loss) reflect the above adjustments, net of tax. The basic weighted average number of shares is adjusted for the effects of weighted average number of restricted shares. Refer to page 28 for a reconciliation of Adjusted EPS to our financial statements.

ARGUS Enterprise ("AE") software maintenance retention rate is calculated as a percentage of AE software maintenance revenue retained upon renewal; it represents the percentage of the available renewal opportunity in a fiscal period that renews, calculated on a dollar basis, excluding any growth in user count or product expansion.

Over Time revenues is a metric we introduced in the first quarter of 2020 to replace our historic reporting of "recurring revenues", and is consistent with IFRS 15, *Revenue from Contracts with Customers*. These Over Time revenues are comprised of subscription revenues recognized on an over time basis in accordance with

Management's Discussion & Analysis

December 31, 2020



IFRS 15, maintenance revenues associated with legacy perpetual licenses, Appraisal Management revenues, and data subscription revenues. Refer to page 18 for discussion of Over Time revenues. The main difference between "Over Time revenues" and our historic "recurring revenue" disclosure is that Over Time revenues do not include the point in time revenue component recognized up front for on-premise subscription contracts recognized in accordance with IFRS 15.

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

Overview of the Business

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate ("CRE") industry. Our businesses, Altus Analytics and Commercial Real Estate Consulting ("CRE Consulting"), reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,200 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include many of the world's largest CRE industry participants. Altus Group pays a quarterly dividend of \$0.15 per share and our shares are traded on the Toronto Stock Exchange ("TSX") under the symbol AIF.

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

Altus Analytics

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

Our globally sold ARGUS software solutions are among the most recognizable in the CRE industry. Our cloud-enabled product stack for global CRE asset and investment management comprises end-to-end integrated software solutions that provide visibility at the asset, portfolio and fund levels to help clients enhance performance of their CRE investments. Our flagship AE software is the leading global solution for CRE valuation and portfolio management and is widely recognized as the industry property valuation standard in key CRE markets. AE's suite of functionality enables organizations to manage and predict the performance of their CRE assets throughout the investment cycle supporting property valuations, investments, portfolios and budgeting.

Since the third quarter of 2019, we have been offering AE on a cloud platform while continuing to support the on-premise software. The cloud platform leverages the AE calculation engine and provides clients with: cloud-based infrastructure; new analytics capabilities (such as benchmarking functionality); integrations with other ARGUS products, storage, access and back-up of AE files; and access to new ARGUS applications (such as ARGUS Acquire, a deal management solution for CRE acquisitions, and ARGUS API, an application programming interface). Other ARGUS products include ARGUS Taliance (a cloud-based fund solution for alternative investment firms), ARGUS Voyanta (a cloud-based data management solution), and ARGUS Developer and ARGUS EstateMaster (software solutions for development feasibility

Management's Discussion & Analysis

December 31, 2020



analysis). In addition to standard technology services related to education, training and implementation, we also offer strategic advisory and managed services for real estate organizations' front-to-back-office strategies, processes and technology through One11 Advisors, LLC ("One11").

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

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

Commercial Real Estate Consulting

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

Our largest revenue contributor to CRE Consulting is our Property Tax business which operates in Canada, the U.S. and the U.K. Our team of Property Tax professionals help clients minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, management and appeals, as well as in the U.S., personal property and state and local tax advisory services. The majority of our Property Tax revenues are derived on a contingency basis, representing a percentage of the savings we achieve for our clients. As such, we recognize contingency revenues when settlements are made, which in some cases could span multiple years. A smaller portion of our fees are based on time

Management's Discussion & Analysis

December 31, 2020



and materials basis. Valuation services, which are predominantly provided in Canada, consist of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting. Our Cost Advisory practice, offered in both the private and public sectors in Canada and Asia Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Pricing for our Valuation and Cost Advisory services is primarily based on a fixed fee or time and materials basis. Given the strength of our brand, our independence and quality of our work, we enjoy a high rate of client renewals across all of our CRE Consulting businesses.

Strategy

Commercial real estate continues to see a steady rise in investment allocation by global institutions, solidifying it as an important and well-defined asset class. Higher volumes of cross-border transactions and institutional capital flows are adding new complexity and pressure on top of increasing risk and regulatory demands. To better cope, the CRE industry is rapidly re-examining their digital strategies and demanding more sophisticated processes and data to drive returns. Customers are increasingly looking for interoperability across software applications, data and workflows in a manner that drives real-time business insights. In addition, investors, regulators and the broader CRE community are demanding greater transparency on worldwide asset and portfolio performance, valuations, risk and Environmental, Social, and Governance ("ESG") compliance, and are increasingly relying on independent expert service providers in this pursuit.

With a global footprint, a prominent customer base, and through our Altus Analytics solutions, Property Tax and other CRE technology-enabled offerings, Altus Group is very uniquely positioned to capitalize on the opportunities presented by these trends and drive significant value for the industry. We are at the forefront of innovation in our industry and well equipped to help our clients navigate the complexities of the CRE market to make better informed decisions and maximize the value of their real estate assets and investments.

Our vision is to be the leader for the valuation and management of risk for real estate assets by enhancing the decision making across the value chain through the use of technology, data, analytics and services. Over the past several years, we have been positioning ourselves as a leading CRE technology and technology-enabled services provider through our investments in cloud technology, the integration of our software technology stack, the expansion of our products and services into Europe and Asia and the digitization of our Property Tax and other service lines. We have also initiated the transition of our Altus Analytics business to a predominately recurring revenue model by moving from on-premise software sales, sold on perpetual and subscription terms, to cloud SaaS products.

Our next phase of growth involves driving deeper penetration across the CRE value chain by accelerating cloud adoption, creating greater interoperability of customers' embedded software and data applications, providing new and adjacent data and software solutions, and further integrating our existing product and service offerings to provide end-to-end data-driven insights.

Management's Discussion & Analysis

December 31, 2020



Strategic Priorities

Our 2021 strategic priorities consist of:

- Accelerating the global adoption of ARGUS Cloud and increasing the proliferation of our applications across clients' workflows and the CRE value chain;
- Expanding into the CRE debt markets through a combination of organic and acquisitive initiatives;
- Expanding our data capabilities and developing new areas of opportunities;
- Continuing to build market leadership in Property Tax; and
- Enhancing our go-to-market strategies across the Company.

Our top priority is the accelerated global adoption of ARGUS Cloud. We remain focused on establishing ARGUS Cloud as the foundational enterprise platform for global CRE asset and investment management, which in the long run we envision will leverage data and predictive data analytics to deliver real-time business insights. In support of this vision, we continue our transition from high-value point solutions to a more ubiquitous model that unifies our valuation and asset management capabilities on to a single, cloud-based platform that integrates numerous key workflows and enhances data-driven insights for the CRE industry. In order to drive faster adoption, we are focused on creating a much deeper differentiation in the value proposition between our cloud and on-premise products. Future version releases will see greater functionality developed exclusively on ARGUS Cloud, including additional API's and interoperability that facilitates enhanced workflows and collaboration.

Our early foray into the CRE debt markets validates that there is a significant opportunity for us in this market adjacency. Although we currently provide valuation and risk management solutions to some clients in the debt space, deeper capabilities are required to fully address this growing market segment. Our customers and the industry would derive significant value and be better equipped to manage risk performance from a fulsome 360-degree view of their assets that combines equity and debt considerations. The proposed acquisition of Finance Active SAS ("Finance Active"), a European provider of CRE debt management SaaS solutions, is an important step to accelerate our growth in the CRE debt market. It would provide us with an immediate benefit to approach a much larger client segment while expanding our reach across use cases and workflows. In addition, the proposed acquisition would provide us with greater cross-sell opportunities and a strong footprint in Europe that we would leverage to further our international expansion. As part of our product roadmap, we would integrate Finance Active's debt management SaaS solutions with our ARGUS Cloud platform.

A key company-wide initiative in 2021 is to expand our data capabilities and develop new opportunities. The market for real-time insights from data presents a substantial opportunity. Typical industry data is complex, voluminous, and unstructured. The data that is collected and generated by our various cloud solution products and by our Appraisal Management, Property Tax, and Valuations and Cost Advisory businesses is specific, timely and precise. Our opportunity lies in the ability to provide our clients with data architecture and data model solutions, enabled by ARGUS Cloud, allowing clients to aggregate data sourced from internal systems, Altus data and potentially other third-party data providers. Such a data platform with predictive analytics and alert capabilities would enable both equity and debt stakeholders to drive investment performance and manage risk. In support of this opportunity, we have formed a dedicated team and initiated internal workstreams to establish market use cases, feasibility studies and a technology roadmap.

Management's Discussion & Analysis

December 31, 2020



With market leading practices in Canada, the U.K. and the U.S., our Property Tax practice is one of the largest and fastest growing property tax advisors globally. Our global Property Tax practice continues to represent an attractive growth opportunity in a consolidating industry, driven by solid market fundamentals and our strong competitive position. We will continue to invest organically and in tuck-in acquisitions of both core tax practices and adjacencies in order to grow our market share. As well, we will further digitize our data and workflows to drive efficiencies, gain incremental insights, and deliver greater client value. Lastly, we are re-organizing the tax business under a centralized leadership model with a global president and chief operating officer in order to better align our regional tax practices under a common global model, drive best practices, and accelerate digital transformation. Our strategy is centered on strengthening this business with technology and data, and in doing so improving the repeatability and growth of our revenues and our operating leverage.

Finally, we will align and enhance our go-to-market strategies across our businesses. By leveraging investments we have made in core platforms such as Salesforce, we will re-tool and scale our sales organization to better address the market opportunities in North America and in Europe. We will evolve our customer success and drive deeper marketing programs to strengthen business development and sales initiatives. Our focus on account planning will better position us to identify our clients' enterprise needs, enabling us to provide them with an enterprise solution of our various offerings, rather than taking a single point selling approach. We believe this will drive higher client value and customer satisfaction which in turn will result in higher, recurring revenue streams.

Management's Discussion & Analysis

December 31, 2020



Financial and Operating Highlights

Selected Financial Information	Year ended December 31,	
	2020	2019 ⁽¹⁾
<i>In thousands of dollars, except for per share amounts</i>		
Revenues	\$ 561,156	\$ 525,717
Canada	33%	35%
U.S.	38%	39%
Europe	24%	20%
Asia Pacific	5%	6%
Adjusted EBITDA	\$ 98,928	\$ 84,709
Adjusted EBITDA margin	17.6%	16.1%
Profit (loss) from continuing operations	\$ 27,009	\$ 23,891
Profit (loss) from discontinued operations	\$ (5,576)	\$ (5,697)
Profit (loss)	\$ 21,433	\$ 18,194
Earnings (loss) per share:		
Basic		
Continuing operations	\$0.67	\$0.61
Discontinued operations	\$(0.14)	\$(0.14)
Diluted		
Continuing operations	\$0.66	\$0.60
Discontinued operations	\$(0.14)	\$(0.14)
Adjusted	\$1.67	\$1.43
Dividends declared per share	\$0.60	\$0.60

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Financial Highlights

- **Revenues** were \$561.2 million for the year ended December 31, 2020, up 6.7% or \$35.5 million from \$525.7 million in 2019. Acquisitions represented 1.5% of the 6.7% revenue growth. Exchange rate movements against the Canadian dollar benefitted revenues by 0.8%. Our CRE Consulting segment had tremendous growth as our Property Tax business posted a record year of revenues, with growth of 14.8%. Our Altus Analytics segment showed marginal growth of 0.9% due to COVID-19 related impacts on software consulting and training activities, software sales in the small-to-medium business ("SMB") segment and impacts of the transition from perpetual to subscription-based pricing. However, reflecting growth in both software subscription revenue and Appraisal Management engagements, Over Time revenues experienced healthy growth of 14.7% and 11.5% for the year and quarter ended December 31, 2020, respectively.
- **Adjusted EBITDA** was \$98.9 million for the year ended December 31, 2020, up 16.8% or \$14.2 million from \$84.7 million in 2019. Exchange rate movements against the Canadian dollar benefitted Adjusted EBITDA by 1.3%. Earnings increased on higher revenues, partly offset by higher compensation from headcount additions and other operating costs. Adjusted EBITDA growth and margin improvement was largely owing to strength in our Property Tax practice.

Management's Discussion & Analysis

December 31, 2020



- **Profit (loss)** from continuing operations for the year ended December 31, 2020 was \$27.0 million, up 13.1% or \$3.1 million from \$23.9 million in 2019. In addition to the items affecting Adjusted EBITDA as discussed above, profit (loss) from continuing operations for the year ended December 31, 2020 increased as a result of lower amortization of some historical acquisition-related intangibles, lower interest related to our bank credit facilities, and our share of profit (loss) in the GeoVerra joint venture, offset by costs related to our 2020 global restructuring program. Profit (loss) from discontinued operations for the year ended December 31, 2020 was \$(5.6) million, improving 2.1% or \$0.1 million from \$(5.7) million in 2019 due to a reduction in the \$6.4 million goodwill impairment charge recorded in 2019 and \$2.6 million of government wage subsidies received, offset by Geomatics being spun off in June 2020 and the effects of lower revenues, restructuring costs of \$1.6 million, and \$5.2 million of fair value adjustments recorded to the date of its contribution into the GeoVerra joint venture.
- For the year ended December 31, 2020, earnings (loss) per share from continuing operations was \$0.67, basic and \$0.66, diluted, as compared to \$0.61, basic and \$0.60, diluted, in 2019.
- For the year ended December 31, 2020, Adjusted EPS was \$1.67, up 16.8% from \$1.43 in 2019.
- We returned \$24.4 million to shareholders in the year through quarterly dividends of \$0.15 per common share, or \$0.60 per common share for the year.
- As at December 31, 2020, our bank debt was \$123.0 million, representing a funded debt to EBITDA leverage ratio of 1.09 times (compared to 1.49 times as at December 31, 2019), well below our maximum ratio of 4.00 times. As at December 31, 2020, cash and cash equivalents were \$69.6 million (compared to \$60.3 million as at December 31, 2019). For further discussion of the 2020 amendment to our credit facilities and its impact on the financial statements, please refer to the "Liquidity and Capital Resources" section beginning on page 23 of this MD&A and Note 21 - Borrowings in the notes to the financial statements.

Operating Highlights

Altus Data Studio Launch

In February 2020, we launched Altus Data Studio, which combined our legacy RealNet and Altus InSite products into one core platform. Altus Data Studio provides significant enhancements to the user experience and robust data visualization capabilities for our comprehensive coverage on the Canadian residential, office, industrial and CRE investment markets.

Amendment to Credit Facilities

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

Long-Term Equity Incentive Plan Revision

On May 6, 2020, our shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under our Long-Term Equity Incentive Plan and to ratify the grant of

Management's Discussion & Analysis

December 31, 2020



awards made under it to executives and key employees. The resolution increases the maximum number of common shares reserved for issuance by 1,850,000 to 4,075,000.

Restructuring Activities

Beginning in Q2 2020, we initiated a global restructuring program across all our business segments which resulted in one-time restructuring costs of \$12.0 million and \$3.4 million for the year and quarter ended December 31, 2020, respectively, of which \$4.7 million and \$0.7 million related to Altus Analytics, and the balance to CRE Consulting and Corporate segments. These costs relate primarily to employee severance costs. The restructuring was planned as part of our strategy to continue to focus and invest in technology and information services platforms.

Geomatics Spin-Off and Investment in the GeoVerra Joint Venture

On June 27, 2020, the previously announced transaction to divest of the Geomatics business by way of a joint venture structure with WSP Global Inc. ("WSP") closed. The combined entity launched as GeoVerra, forming a leading Canadian geomatics firm with offices and employees in Western Canada and Ontario. We contributed \$14.9 million in cash and certain net assets in exchange for a 49.5% equity interest in GeoVerra that provides joint control through an equal 50% of the voting rights, resulting in a gain of \$0.5 million. We account for our investment as a joint venture using the equity method.

CEO Transition

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

ARGUS Enterprise 13 Release

In October 2020, we released AE 13, which included enhancements for multi-family and mixed-use assets, improved German valuation functionality, increased visibility and reporting, and enhanced user experience with federated single sign-on. For many of our large customers, the single sign-on is a key requirement for cloud adoption.

Acquisition of Property Tax Assistance Company Inc.

On December 1, 2020, we acquired certain operating assets of Property Tax Assistance Company Inc. ("PTA") for USD10.1 million (CAD13.1 million) in cash, subject to closing working capital adjustments of USD2.2 million (CAD2.9 million). As part of the transaction, we entered into non-compete agreements with key members of management of PTA. On closing, we paid cash of USD9.6 million (CAD12.5 million). In addition, we granted common shares of USD3.4 million (CAD4.4 million) to key members of management of PTA which were issued from treasury. The common shares will be held in escrow and will vest and be released equally over four years on each anniversary of the closing date, subject to continued employment and compliance with certain terms and conditions. PTA is a U.S. property tax consulting firm based in California that provides personal property and real estate tax services for commercial, industrial and multifamily properties.

Reached 1,000 AE Cloud Customer Milestone

In mid-December 2020, we surpassed over 1,000 cloud-enabled AE customers, reaching an important milestone in our cloud transition journey. The cloud-version of AE leverages data to deliver robust analytics and benchmarking capabilities and integration flexibility through APIs, allowing our customers to do more with their data to deliver greater visibility, increase efficiency and drive performance.

Management's Discussion & Analysis

December 31, 2020



Proposed Acquisition of Finance Active

Subsequent to year end, we entered into exclusive negotiations to acquire 100% of Finance Active for a proposed purchase price in the range of €100 million (on a debt free, cash free basis), to be paid primarily in cash, drawn from our credit facility. Founded in 2000, Finance Active is a leading European provider of SaaS debt and financial risk management solutions for CRE treasury and investment management serving public sector entities, corporations and financial institutions. The company of approximately 160 employees is headquartered in Paris, France, with over 3,000 customers across Europe, and generated gross revenue of approximately €25 million in 2020. If completed, it is anticipated that the transaction will close in the second quarter and Finance Active would join the Altus Analytics business unit. There can be no assurance that the parties will reach agreement on all material terms and conditions or that the transaction will ultimately be completed.

Management's Discussion & Analysis

December 31, 2020



Discussion of Operations

Year and Quarter Ended December 31, 2020

	Year ended December 31,		Quarter ended December 31,	
<i>In thousands of dollars</i>	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Revenues	\$ 561,156	\$ 525,717	\$ 139,480	\$ 138,451
Expenses				
Employee compensation	354,951	329,092	89,069	87,798
Occupancy	7,591	7,288	1,894	1,969
Office and other operating	102,193	101,893	25,567	29,144
Depreciation of right-of-use assets	11,210	12,316	2,706	2,978
Depreciation and amortization	30,404	35,387	7,511	8,165
Acquisition and related transition costs (income)	(887)	188	217	(50)
Share of (profit) loss of joint venture	(459)	-	(9)	-
Restructuring costs (recovery)	11,984	(296)	3,374	-
(Gain) loss on investments	(21)	(276)	1	(118)
Finance costs (income), net - leases	2,494	2,711	584	684
Finance costs (income), net - other	4,138	6,567	716	1,431
Profit (loss) from continuing operations before income taxes	37,558	30,847	7,850	6,450
Income tax expense (recovery)	10,549	6,956	3,228	332
Profit (loss) for the period from continuing operations	\$ 27,009	\$ 23,891	\$ 4,622	\$ 6,118
Profit (loss) for the period from discontinued operations	(5,576)	(5,697)	(276)	(5,846)
Profit (loss) for the period attributable to shareholders	\$ 21,433	\$ 18,194	\$ 4,346	\$ 272

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Revenues

Revenues were \$561.2 million for the year ended December 31, 2020, up 6.7% or \$35.5 million from \$525.7 million in 2019. Acquisitions represented 1.5% of the 6.7% revenue growth for the year ended December 31, 2020, and exchange rate movements against the Canadian dollar benefitted revenues by 0.8%. For the quarter ended December 31, 2020, revenues were \$139.5 million, up 0.7% or \$1.0 million from \$138.5 million in the same period in 2019. Acquisitions represented 0.2% of the 0.7% revenue growth for the quarter ended December 31, 2020, and there was no significant impact from exchange rate changes. The revenue growth in 2020 was driven by record performance at Property Tax and strong Over Time revenue growth in Altus Analytics.

Employee Compensation

Employee compensation was \$355.0 million for the year ended December 31, 2020, up 7.9% or \$25.9 million from \$329.1 million in 2019. For the quarter ended December 31, 2020, employee compensation was \$89.1 million, up 1.4% or \$1.3 million from \$87.8 million in the same period in 2019. For the year and quarter ended December 31, 2020, the increase in compensation was mainly due to headcount additions within Altus Analytics and Property Tax, and higher variable compensation, and additional and accelerated share-based compensation costs. In addition, for the year ended December 31, 2020, headcount and compensation increased due to the acquisitions of One11, Caruthers & Associates, Inc. ("Caruthers") and PTA. For the

Management's Discussion & Analysis

December 31, 2020



year and quarter ended December 31, 2020, employee compensation as a percentage of revenues was 63.3% and 63.9%, as compared to 62.6% and 63.4% in the corresponding periods in 2019, respectively.

Occupancy

Occupancy represents amounts pertaining to short-term leases, low-value assets, and variable lease payments and was \$7.6 million for the year ended December 31, 2020, up 4.2% or \$0.3 million from \$7.3 million in 2019. For the quarter ended December 31, 2020, occupancy was \$1.9 million, down 3.9% or \$0.1 million from \$2.0 million in the same period in 2019. For the year and quarter ended December 31, 2020, the impacts of IFRS 16 decreased occupancy costs by \$12.3 million and \$3.1 million, respectively. Without the impact of IFRS 16, occupancy costs for the year and quarter ended December 31, 2020 increased moderately due to the acquisitions of One11, Caruthers and PTA. For both the year and quarter ended December 31, 2020, occupancy as a percentage of revenues was 1.4%, as compared to 1.4% in the corresponding periods in 2019, respectively. Without the impact of IFRS 16, occupancy as a percentage of revenues would have been 3.5% for both the year and quarter ended December 31, 2020, as compared to 3.8% and 3.6% in the corresponding periods in 2019, respectively.

Office and Other Operating Costs

Office and other operating costs were \$102.2 million for the year ended December 31, 2020, up 0.3% or \$0.3 million from \$101.9 million in 2019. For the quarter ended December 31, 2020, office and other operating costs were \$25.6 million, down 12.3% or \$3.5 million from \$29.1 million in the same period in 2019. For the year ended December 31, 2020, the moderate increase was due to higher bad debt provisions, professional advisory fees and additional costs from acquisitions, partly offset by savings on travel, conference related costs, and lower subcontractor disbursements for client projects. For the quarter ended December 31, 2020, the decrease was due to savings on travel, conference related costs and lower subcontractor disbursements for client projects, partly offset by higher bad debt provisions, and additional costs from acquisitions. For the year and quarter ended December 31, 2020, office and other operating costs as a percentage of revenues were 18.2% and 18.3%, as compared to 19.4% and 21.1% in the corresponding periods in 2019, respectively.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was \$11.2 million and \$2.7 million for the year and quarter ended December 31, 2020, as compared to \$12.3 million and \$3.0 million in the corresponding periods in 2019, respectively. The decrease is primarily due to old capital leases for equipment expiring and a reduction in space needs.

Depreciation and Amortization

Depreciation and amortization were \$30.4 million and \$7.5 million for the year and quarter ended December 31, 2020, as compared to \$35.4 million and \$8.2 million in the corresponding periods in 2019, respectively. The decrease is mainly due to the completion of the amortization period for some historical acquisition-related intangibles.

Acquisition and Related Transition Costs (Income)

Acquisition and related transition costs (income) were \$(0.9) million and \$0.2 million for the year and quarter ended December 31, 2020, as compared to \$0.2 million and \$(0.1) million in the corresponding periods in 2019, respectively. The income recorded for the year ended December 31, 2020 was due to a revaluation of our acquisition-related contingent consideration payables during the first quarter of 2020 that resulted in a reduction of \$1.2 million.

Management's Discussion & Analysis

December 31, 2020



Share of (Profit) Loss of Joint Venture

Share of (profit) loss of joint venture represents our share of the profit/loss in GeoVerra since it was launched on June 27, 2020 and was \$(0.5) million and \$nil for the year and quarter ended December 31, 2020, respectively.

Restructuring Costs (Recovery)

Beginning in the second quarter of 2020, we initiated a global restructuring program across all our business segments which resulted in one-time charges related primarily to employee severance costs. Restructuring costs (recovery) were \$12.0 million and \$3.4 million for the year and quarter ended December 31, 2020, as compared to \$(0.3) million and \$nil in the corresponding periods in 2019, respectively. Of the 2020 charges, \$4.7 million and \$0.7 million for the year and quarter ended December 31, 2020 related to Altus Analytics, and the balance to CRE Consulting and Corporate segments.

(Gain) Loss on Investments

(Gain) loss on investments was \$nil for the year and quarter ended December 31, 2020, as compared to \$(0.3) million and \$(0.1) million in the corresponding periods in 2019, respectively. The amount represents changes in the fair value of our investments in partnerships.

Finance Costs (Income), Net

	Year ended December 31,			Quarter ended December 31,		
<i>In thousands of dollars</i>	2020	2019 ⁽¹⁾	% Change	2020	2019 ⁽¹⁾	% Change
Interest on borrowings	\$ 3,943	\$ 5,627	(29.9%)	\$ 723	\$ 1,363	(47.0%)
Interest on lease liabilities	2,494	2,711	(8.0%)	584	684	(14.6%)
Unwinding of discounts	136	583	(76.7%)	3	22	(86.4%)
Change in fair value of interest rate swaps	138	505	(72.7%)	-	55	(100.0%)
Finance income	(79)	(148)	(46.6%)	(10)	(9)	11.1%
Finance costs (income), net	\$ 6,632	\$ 9,278	(28.5%)	\$ 1,300	\$ 2,115	(38.5%)

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Finance costs (income), net for the year ended December 31, 2020 was \$6.6 million, down 28.5% or \$2.7 million from \$9.3 million in 2019. For the quarter ended December 31, 2020, finance costs (income), net was \$1.3 million, down 38.5% or \$0.8 million from \$2.1 million in the same period in 2019. Our finance costs decreased mainly due to the lower interest on our bank credit facilities, lower charges for the unwinding of discounts for acquisition-related contingent consideration payables paid during the fourth quarter of 2019 and early 2020, and the lower change in fair value recognized in relation to our \$65.0 million interest rate swap which was settled in the second quarter of 2020.

Income Tax Expense (Recovery)

Income tax expense (recovery) for the year ended December 31, 2020 was \$10.5 million, as compared to \$7.0 million in 2019. The increase for the year ended December 31, 2020 was mainly due to higher profit (loss) before income tax from our business operations.

For the quarter ended December 31, 2020, income tax expense (recovery) was \$3.2 million, as compared to \$0.3 million in the same period in 2019. The increase for the quarter ended December 31, 2020 was mainly due to higher profit (loss) before income tax from our business operations.

Management's Discussion & Analysis

December 31, 2020



Profit (Loss) from Continuing Operations

Profit (loss) from continuing operations for the year ended December 31, 2020 was \$27.0 million and \$0.67 per share, basic and \$0.66 per share, diluted, as compared to \$23.9 million and \$0.61 per share, basic and \$0.60 per share, diluted, in 2019.

For the quarter ended December 31, 2020, profit (loss) from continuing operations was \$4.6 million and \$0.11 per share, basic and diluted, as compared to \$6.1 million and \$0.15 per share, basic and diluted, in the same period in 2019.

Profit (Loss) from Discontinued Operations

Profit (loss) from discontinued operations for the year ended December 31, 2020 was \$(5.6) million and \$(0.14) per share, basic and diluted, as compared to \$(5.7) million and \$(0.14) per share, basic and diluted, in 2019. This was due mainly to a reduction in the \$6.4 million goodwill impairment charge recorded in 2019 and \$2.6 million of government wage subsidies received, offset by the effects of lower revenues, restructuring costs of \$1.6 million, and \$5.2 million of fair value adjustments recorded subsequent to the classification of our Geomatics business as discontinued operations to the date of its contribution into the GeoVerra joint venture.

For the quarter ended December 31, 2020, profit (loss) from discontinued operations was \$(0.3) million and \$(0.01) per share, basic and diluted, as compared to \$(5.8) million and \$(0.15) per share, basic and \$(0.14) per share, diluted, in the same period in 2019. This was due mainly to a reduction in \$6.4 million goodwill impairment charge recorded in 2019, offset by the effects of lower revenues and restructuring costs of \$0.2 million.

Profit (Loss)

Profit (loss) for the year ended December 31, 2020 was \$21.4 million and \$0.53 per share, basic and \$0.52 per share, diluted, as compared to \$18.2 million and \$0.46 per share, basic and \$0.45 per share, diluted, in 2019.

For the quarter ended December 31, 2020, profit (loss) was \$4.3 million and \$0.11 per share, basic and \$0.10 per share, diluted, as compared to \$0.3 million and \$0.01 per share, basic and diluted, in the same period in 2019.

Management's Discussion & Analysis

December 31, 2020



Revenues and Adjusted EBITDA by Business Unit

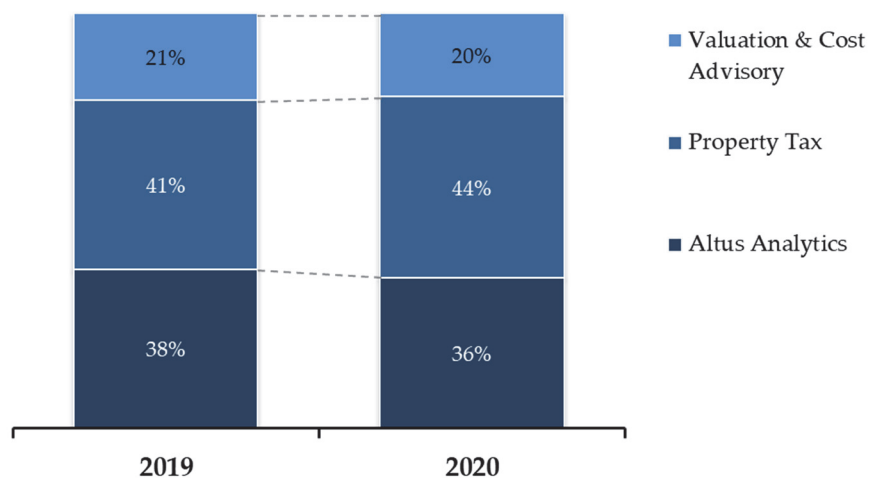
Revenues	Year ended December 31,			Quarter ended December 31,		
<i>In thousands of dollars</i>	2020	2019 ⁽¹⁾	% Change	2020	2019 ⁽¹⁾	% Change
Altus Analytics	\$ 203,707	\$ 201,951	0.9%	\$ 51,515	\$ 54,581	(5.6%)
Commercial Real Estate Consulting	357,754	324,132	10.4%	88,041	83,947	4.9%
Intercompany eliminations	(305)	(366)	16.7%	(76)	(77)	1.3%
Total	\$ 561,156	\$ 525,717	6.7%	\$ 139,480	\$ 138,451	0.7%

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Adjusted EBITDA	Year ended December 31,			Quarter ended December 31,		
<i>In thousands of dollars</i>	2020	2019 ⁽¹⁾	% Change	2020	2019 ⁽¹⁾	% Change
Altus Analytics	\$ 35,845	\$ 36,803	(2.6%)	\$ 5,786	\$ 5,346	8.2%
Commercial Real Estate Consulting	92,088	76,083	21.0%	16,670	13,406	24.3%
Corporate	(29,005)	(28,177)	2.9%	4,278	3,579	19.5%
Total	\$ 98,928	\$ 84,709	16.8%	\$ 26,734	\$ 22,331	19.7%

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Revenue Contribution:



Management's Discussion & Analysis

December 31, 2020



Altus Analytics

	Year ended December 31,			Quarter ended December 31,		
<i>In thousands of dollars</i>	2020	2019	% Change	2020	2019	% Change
Revenues	\$ 203,707	\$ 201,951	0.9%	\$ 51,515	\$ 54,581	(5.6%)
Adjusted EBITDA	\$ 35,845	\$ 36,803	(2.6%)	\$ 5,786	\$ 5,346	8.2%
Adjusted EBITDA Margin	17.6%	18.2%		11.2%	9.8%	
Selected Metrics ⁽¹⁾						
Over Time revenues	\$ 167,678	\$ 146,248	14.7%	\$ 43,466	\$ 38,992	11.5%
AE software maintenance retention rate	96%	97%		94%	97%	
Geographical revenue split						
North America	81%	81%		81%	81%	
International	19%	19%		19%	19%	
Cloud adoption rate (as at end of period)				14%	n/a	

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

Year End Discussion

Revenues were \$203.7 million for the year ended December 31, 2020, up 0.9% or \$1.7 million from \$202.0 million in 2019. The acquisition of One11 contributed \$7.1 million of revenues. Movements in the exchange rate against the Canadian dollar benefitted revenues by 1.1%.

Over Time revenues, as described above in the "Overview of the Business" section, were \$167.7 million for the year ended December 31, 2020, up 14.7% or \$21.5 million from \$146.2 million in 2019.

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

As a result of the model transition, our revenues from perpetual license sales declined, however we were able to sustain modest year-over-year revenue growth due to healthy performance in Over Time revenues and acquisitive growth from One11. Total Altus Analytics revenue growth was also impacted by the COVID-19 pandemic, which resulted in lower revenues from software consulting and training services.

The strength in Over Time revenue growth reflects higher subscription license revenues, the benefit of a higher mix of subscription sales sold in prior quarters, steady maintenance revenues and robust growth from our Appraisal Management solutions.

Our transition to AE cloud subscriptions continued to progress despite some of the impact brought on by the pandemic. During the year, we had healthy momentum in migrating existing customers from the on-premise product and selling cloud-enabled AE to new customers. We finished the year surpassing over 1,000 customers on cloud-enabled AE. Throughout the year, the migration was led by SMB firms although

Management's Discussion & Analysis

December 31, 2020



in the fourth quarter we saw more larger customers initiate their move to ARGUS Cloud. As at the end of the year, 14% of our total AE user base had been contracted on ARGUS Cloud.

Adjusted EBITDA was \$35.8 million for the year ended December 31, 2020, down 2.6% or \$1.0 million from \$36.8 million in 2019. Adjusted EBITDA was impacted by a higher level of expenses compared to the prior year, notably software consulting expenditures, including the impact of the One11 acquisition, partly offset by operating cost savings due to the impacts of the pandemic reducing travel and conference related costs. Changes in foreign exchange benefitted Adjusted EBITDA by 1.0%.

Quarterly Discussion

Revenues were \$51.5 million for the quarter ended December 31, 2020, down 5.6% or \$3.1 million from \$54.6 million in the same period in 2019. Movements in the exchange rate against the Canadian dollar impacted revenues by (0.5%).

Over Time revenues, as described above in the "Overview of the Business" section, were \$43.5 million for the quarter ended December 31, 2020, up 11.5% or \$4.5 million from \$39.0 million in the same period in 2019.

The healthy growth in Over Time revenues benefitted from higher sales of subscription licenses, Appraisal Management solutions and data subscription products, and supported by stable software maintenance revenues. Our total revenues in the fourth quarter continued to be impacted by the expected decline in perpetual license revenues resulting from the transition, as well as lower revenues from software consulting and training services due to the ongoing impact of the COVID-19 pandemic.

Adjusted EBITDA was \$5.8 million for the quarter ended December 31, 2020, up 8.2% or \$0.5 million from \$5.3 million in the same period in 2019. Adjusted EBITDA improved on operating cost savings due to reduced travel and conference related costs. Changes in foreign exchange impacted Adjusted EBITDA by (0.4%).

Outlook

Our Altus Analytics business continues to be a very attractive growth area, supported by favourable market trends of growing global demand for CRE-related technology and data solutions. We remain very well positioned to deliver sustained growth over the long term through the execution of our multi-year strategy. The successful execution of our annual strategic initiatives is expected to drive sustained year-over-year revenue growth in 2021, particularly double-digit growth in our Over Time revenues, and a year-over-year improvement in our Adjusted EBITDA margin.

In 2021, we expect organic growth in our Over Time revenues from higher software subscription license sales and continued strength from our Appraisal Management and data subscription solutions. Software subscription license sales should benefit from sustained customer expansion through our dedicated focus on customer success, and the steady addition of new software clients globally. Having fully shifted to a subscription model since the start of 2020, in 2021 we will benefit from the full year impact of past subscription deals given the stacking effect of a subscription model, and the comparative year will no longer include upfront perpetual deals. Consistent with the growth momentum from last year, our Appraisal Management practice is expected to benefit from new client additions, customer expansion as more assets are added on our platform or as new funds are launched, and our ongoing expansion into the

Management's Discussion & Analysis

December 31, 2020



European and Asia Pacific markets. Additionally, our data subscription products continue to be favourably positioned as new product functionality and new partnership opportunities provide us with additional prospects for growth. We also expect acquisitive growth in Over Time revenues from the proposed acquisition of Finance Active as well as enhanced cross-sell opportunities. As many of our solutions are considered by our customers to be mission critical, we expect our gross retention rates for AE (maintenance and subscriptions) will remain in the industry leading mid-90's range and that our renewal rates for our Appraisal Management engagements and data subscription products will remain exceptionally strong. This will be supported by new customer success programs that are being initiated in the first quarter.

The ongoing COVID-19 pandemic has both spurred demand for some of our analytics solutions and challenged certain parts of our software business. The main impact of the COVID-19 pandemic continues to be on our software consulting and training services, however, our transition to a virtual delivery model is expected to offset some of this impact. To a lesser degree, our software license sales have also been impacted – primarily related to the volume of software license transactions in the SMB segment, and longer sales cycles for our larger transactions – although based on the positive trends from the fourth quarter of 2020 and some planned changes to our go-to-market strategies, we remain optimistic about improvements for 2021. Our pipeline is building and remains robust and overall, we anticipate a lesser impact in 2021 than we experienced in the past year. Overall, demand for our Altus Analytics solutions remains robust. As the global economy starts to recover, activity levels are expected to rebound as companies worldwide push for more data-driven visibility on their CRE assets, endeavor to streamline operations with technology and prioritize cloud-based solutions.

The migration of on-premise AE users to cloud-based subscription contracts is ongoing, and we expect to make significant progress in 2021. As planned, early adoption continues to be led by SMB firms as they are much easier to transition and typically have less complex IT infrastructure requirements. Our latest enhancements to cloud-enabled AE and the integration with APIs are expected to be an important catalyst for many larger firms and we expect a greater volume of our larger customers- to begin their migration journey. Our progress should be reflected in our growing cloud adoption rate and the growth in Over Time revenues. We continue to expect that the significant majority of our AE users will be migrated to the cloud by the end of 2023.

Based on current rates, foreign exchange may be a headwind in the first quarter of 2021. In the first quarter of 2020, our average US exchange rate was 1.34.

We remain committed to our aspirational long-term goal of achieving revenues of \$400 million by the end of 2023. We have multiple paths to accelerate our revenue growth over the next three years, including driving double digit organic revenue growth and accelerating our expansion into strategic adjacencies in debt and data analytics through both internal and acquisitive investments.

Management's Discussion & Analysis

December 31, 2020



Commercial Real Estate Consulting

	Year ended December 31,			Quarter ended December 31,		
<i>In thousands of dollars</i>	2020	2019	% Change	2020	2019	% Change
Revenues						
Property Tax	\$ 245,162	\$ 213,483	14.8%	\$ 57,477	\$ 54,234	6.0%
Valuation and Cost Advisory	112,592	110,649	1.8%	30,564	29,713	2.9%
Revenues	\$ 357,754	\$ 324,132	10.4%	\$ 88,041	\$ 83,947	4.9%
Adjusted EBITDA						
Property Tax	\$ 76,961	\$ 62,746	22.7%	\$ 12,242	\$ 9,866	24.1%
Valuation and Cost Advisory	15,127	13,337	13.4%	4,428	3,540	25.1%
Adjusted EBITDA	\$ 92,088	\$ 76,083	21.0%	\$ 16,670	\$ 13,406	24.3%
Adjusted EBITDA Margin	25.7%	23.5%		18.9%	16.0%	

Year End Discussion

Revenues were \$357.8 million for the year ended December 31, 2020, up 10.4% or \$33.7 million from \$324.1 million in 2019. The growth in our CRE segment was driven by record revenue performance from Property Tax. Property Tax revenues increased by 14.8%, primarily reflecting higher U.K. annuity billings in the second quarter and increased settlement volumes in the U.K. and in Ontario, Canada, compared to prior years. Our Valuation and Cost Advisory business experienced modest growth. Changes in exchange rates benefitted CRE Consulting revenues by 0.6%.

Adjusted EBITDA was \$92.1 million for the year ended December 31, 2020, up 21.0% or \$16.0 million from \$76.1 million in 2019. The increase in earnings was driven by the record revenue performance in the Property Tax business, partly offset by increased compensation for higher headcount in support of continued growth in our U.S. and U.K. Property Tax businesses. In addition, to reflect the credit risk introduced by COVID-19, we recorded additional provisions on our trade receivables and unbilled revenue balances. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 1.0%.

Quarterly Discussion

Revenues were \$88.0 million for the quarter ended December 31, 2020, up 4.9% or \$4.1 million from \$83.9 million in the same period in 2019. The growth in revenues was driven by our Property Tax business in the U.K. on increased settlement volumes. Changes in exchange rates benefitted CRE Consulting revenues by 0.3%.

Property Tax performance benefitted from double-digit revenue growth in the U.K., partly offset by a decline in the U.S. and in Canada. In the U.K., the increase reflects a higher volume of the 2017 cycle cases being settled as we continue to see improvements in available resources from the government to help reduce the case backlog. In the U.S., revenues were impacted by pandemic-related delays on settlement activity across several jurisdictions. In Canada, the growth in Ontario was offset by lower year-over-year comparative performance in Manitoba which was more favourably positioned in its cycle in the prior year.

Revenues from our Valuation and Cost Advisory businesses were up modestly on improved revenues mainly from our Canadian Cost business.

Management's Discussion & Analysis

December 31, 2020



Adjusted EBITDA was \$16.7 million for the quarter ended December 31, 2020, up 24.3% or \$3.3 million from \$13.4 million in the same period in 2019. The increase in earnings resulted from our strong revenue increases in the Property Tax business, partly offset by compensation for increased headcount to continue growing our U.S. and U.K. Property Tax businesses. To offset the credit risk introduced by COVID-19, we recorded additional provisions on our trade receivables and unbilled revenue balances. Changes in exchange rates benefitted CRE Consulting Adjusted EBITDA by 0.6%.

Outlook

Our global Property Tax practice is one of the largest and fastest growing property tax advisors and continues to represent an attractive growth opportunity in a consolidating industry, driven by solid market fundamentals, our strong competitive position, and resilient demand for our specialized services.

Following our best-ever performance in 2020, we remain well positioned to deliver another record revenue year in 2021. Our outlook is supported by a healthy pipeline of cases to be settled, catch up from COVID-19 related delays in 2020, and higher annuity billings in the U.K. Given the seasonal and cyclical variations of the Property Tax business (as discussed in more detail on page 29 of this MD&A), we expect to experience typical quarterly variability in our financial performance, including the second quarter being our seasonally strongest quarter. The ongoing COVID-19 pandemic could potentially impact some of these typical variations, both by creating some short-term disruption related to the anticipated timing of settlements, but also by presenting us with some attractive "one time" settlement opportunities.

Our Valuation and Cost Advisory practices enjoy significant market share and, as a result, have been growing modestly. We have enhanced these businesses with the use of technology and expect that to drive operational efficiencies. Although the COVID-19 pandemic has had a mild impact on activity levels, business resumption in key jurisdictions mitigates against further declines. A significant portion of the Valuation business consists of periodic valuations of CRE portfolios, which are expected to remain stable or in some cases increase in frequency; however, there are some continued pressures on some of the transactional services. Our Cost Advisory business depends to a large extent on an active CRE developer market, which appears to have stabilized. Despite any short-term disruptions, the long-term opportunity associated with this business remains intact as many engagements are multi-year.

Corporate Costs

Year End Discussion

Corporate costs (recovery) were \$29.0 million for the year ended December 31, 2020, as compared to \$28.2 million in 2019. Corporate costs increased on higher professional advisory fees, increased accrual of variable compensation, higher salaries due to increased headcount and IT related expenditures, partly offset by lower travel and office related expenditures.

Quarterly Discussion

Corporate costs (recovery) were \$(4.3) million for the quarter ended December 31, 2020, as compared to \$(3.6) million in the same period in 2019. Corporate recoveries increased for the quarter on allocation of the higher accrual of variable compensation and due to lower travel and office related expenditures, offset by higher professional advisory fees. In the first three quarters of the year, certain variable compensation costs for the business units were accrued in the Corporate segment, subject to the overall finalization at year-end. In the fourth quarter, the accrued costs were allocated to the business units. Starting in the first quarter

Management's Discussion & Analysis

December 31, 2020



of 2021, the Company will accrue and allocate these variable compensation costs for the business units directly to the segments on a quarterly basis. A table detailing the 2020 quarterly results under the new treatment is posted on the Company's website under the Investor Relations section.

Liquidity and Capital Resources

Cash Flow	Year ended December 31,	
<i>In thousands of dollars</i>	2020 ⁽¹⁾	2019 ⁽¹⁾
Net cash related to operating activities	\$ 72,300	\$ 52,425
Net cash related to financing activities	(41,298)	(20,791)
Net cash related to investing activities	(20,903)	(18,430)
Effect of foreign currency translation	(724)	(1,680)
Change in cash position during the period	\$ 9,375	\$ 11,524
Dividends paid	\$ 21,859	\$ 19,199

⁽¹⁾ The net cash flows provided by (used in) the operating, financing, and investing activities of the Geomatics discontinued operations for the year ended December 31, 2020 were \$3.2 million, \$(0.7) million, and \$(4.1) million (2019 - \$4.1 million, \$(1.2) million, and \$(1.9) million), respectively.

We expect to fund operations with cash on hand and cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Whilst we continue to generate strong cash flows from our operating activities, significant erosion in the general state of the economy or further prolonged impacts of the COVID-19 pandemic could affect our liquidity by reducing future cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets. In the first quarter of 2020, we amended and expanded our bank credit facilities prior to its maturity, further strengthening our financial and liquidity position. For further details regarding the amendment, refer to the "Cash from Financing Activities" discussion below and Note 21 - Borrowings in the notes to the financial statements.

Cash from Operating Activities

Working Capital	December 31, 2020		December 31, 2019
<i>In thousands of dollars</i>			
Current assets	\$	268,571	\$ 246,069
Current liabilities		153,184	283,607
Working capital	\$	115,387	\$ (37,538)

Current assets are composed primarily of cash and cash equivalents, trade receivables and other (including a \$1.7 million related party receivable from our GeoVerra joint venture related to the settlement of our initial contributions), and income taxes recoverable. The increase is primarily due to the generation of cash and cash equivalents and additional trade receivables from operations.

Current liabilities are composed primarily of trade payables and other (including a \$0.3 million related party payable to our GeoVerra joint venture relating mainly to customer payments received on its behalf), lease liabilities, and income taxes payable. The decrease in current liabilities is mainly due to our bank

Management's Discussion & Analysis

December 31, 2020



credit facilities of \$138.0 million being included in current liabilities as at December 31, 2019. We reclassified our bank credit facilities to non-current liabilities in the first quarter of 2020 subsequent to amending the bank credit facilities on March 24, 2020 and extending the maturity date. For further details regarding the amendment, refer to the “Cash from Financing Activities” discussion below.

As at December 31, 2020, trade receivables, net and contract assets (unbilled revenue on customer contracts) net of contract liabilities (deferred revenue) was \$133.6 million, up 3.3% or \$4.2 million from \$129.4 million as at December 31, 2019. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue, for continuing operations, was 23.4% as at December 31, 2020, as compared to 22.1% as at December 31, 2019.

Our Days Sales Outstanding (“DSO”) from continuing operations was 84 days as at December 31, 2020, as compared to 76 days as at December 31, 2019. We calculate DSO by taking the five-quarter average balance of trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and the result is then divided by the trailing 12-month revenues plus any pre-acquisition revenues, as applicable, and multiplied by 365 days. Our method of calculating DSO may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures used by other issuers. We believe this measure is useful to investors as it demonstrates our ability to convert revenue into cash.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at December 31, 2020, the amounts owing to the vendors of acquired businesses were \$3.7 million, as compared to \$8.5 million as at December 31, 2019. We intend to satisfy the payments with cash on hand.

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

Cash from Financing Activities

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

Loans bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers’ Acceptance rates, U.S. Base rates or LIBOR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian Bankers’ Acceptance and LIBOR borrowings depends on a trailing four-quarter calculation of the funded debt to EBITDA ratio. The weighted average effective rate of interest for the year ended December 31, 2020 on our bank credit facilities was 2.37%, as compared to 3.61% in 2019.

The amended bank credit facilities require us to comply with the following financial ratios:

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

In addition, the Company and certain of its subsidiaries, collectively the guarantors, must account for at least 80% of consolidated revenues on a trailing 12-month basis. The bank credit facilities require

Management's Discussion & Analysis

December 31, 2020



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.

As at December 31, 2020, our total borrowings on our bank credit facilities amounted to \$123.0 million. Although we had drawn a total of \$176.0 million on our credit facilities immediately subsequent to its amendment in the first quarter of 2020, we continued to pay down the total outstanding balance with cash flows generated from our operations.

We also have outstanding letters of credit under our bank credit facilities in the total amount of \$1.1 million (December 31, 2019 - \$1.1 million).

As at December 31, 2020, we have guaranteed up to \$1.5 million in connection with vehicle leases and related services entered into by GeoVerra.

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

	December 31, 2020
Funded debt to EBITDA (maximum of 4.00:1)	1.09:1
Interest coverage (minimum of 3.00:1)	27.88:1

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

Contractual Obligations ⁽¹⁾	Payments Due by Period (undiscounted)				
		Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
<i>In thousands of dollars</i>	Total				
Bank credit facilities	\$ 123,000	\$ -	\$ 123,000	\$ -	\$ -
Lease obligations	70,432	13,788	25,742	18,490	12,412
Contingent consideration	47	47	-	-	-
Due to GeoVerra	329	329	-	-	-
Other liabilities	122,882	102,375	11,284	1,116	8,107
Total contractual obligations	\$ 316,690	\$ 116,539	\$ 160,026	\$ 19,606	\$ 20,519

⁽¹⁾ Contractual obligations exclude aggregate unfunded capital contributions of \$0.4 million to certain partnerships as the amount and timing of such payments are uncertain.

Management's Discussion & Analysis

December 31, 2020



Cash from Investing Activities

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

Capital expenditures are reconciled as follows:

Capital Expenditures	Year ended December 31,	
<i>In thousands of dollars</i>	2020 ⁽¹⁾	2019 ⁽¹⁾
Property, plant and equipment additions	\$ 3,580	\$ 5,786
Intangibles additions	770	155
Proceeds from disposal of property, plant and equipment and intangibles	(96)	(147)
Capital expenditures	\$ 4,254	\$ 5,794

⁽¹⁾ Capital expenditures related to the Geomatics discontinued operations for the year ended December 31, 2020 were \$0.3 million (2019 - \$1.9 million).

Management's Discussion & Analysis

December 31, 2020



Reconciliation of Adjusted EBITDA to Profit (Loss)

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

	Year ended December 31,		Quarter ended December 31,	
<i>In thousands of dollars</i>	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Adjusted EBITDA	\$ 98,928	\$ 84,709	\$ 26,734	\$ 22,331
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 ⁽²⁾	12,312	12,473	3,053	3,079
Depreciation of right-of-use assets	(11,210)	(12,316)	(2,706)	(2,978)
Depreciation of property, plant and equipment and amortization of intangibles	(30,404)	(35,387)	(7,511)	(8,165)
Acquisition and related transition (costs) income	887	(188)	(217)	50
Unrealized foreign exchange gain (loss) ⁽³⁾	(165)	(994)	(382)	385
Gain (loss) on disposal of property, plant and equipment and intangibles ⁽³⁾	(457)	(359)	(454)	17
Share of profit (loss) of joint venture	459	-	9	-
Non-cash share-based compensation costs ⁽⁴⁾	(10,261)	(5,638)	(2,133)	(1,347)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽⁴⁾	(471)	1,109	(2,237)	(1,138)
Restructuring (costs) recovery	(11,984)	296	(3,374)	-
Gain (loss) on investments ⁽⁵⁾	21	276	(1)	118
Impairment charge - leases	(36)	(69)	-	-
Other non-operating and/or non-recurring income (costs) ⁽⁶⁾	(3,429)	(3,787)	(1,631)	(3,787)
Earnings (loss) from continuing operations before finance costs and income taxes	44,190	40,125	9,150	8,565
Finance (costs) income, net - leases	(2,494)	(2,711)	(584)	(684)
Finance (costs) income, net - other	(4,138)	(6,567)	(716)	(1,431)
Profit (loss) from continuing operations before income taxes	37,558	30,847	7,850	6,450
Income tax (expense) recovery	(10,549)	(6,956)	(3,228)	(332)
Profit (loss) for the period from continuing operations	\$ 27,009	\$ 23,891	\$ 4,622	\$ 6,118
Profit (loss) for the period from discontinued operations	(5,576)	(5,697)	(276)	(5,846)
Profit (loss) for the period	\$ 21,433	\$ 18,194	\$ 4,346	\$ 272

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 11, and 32 of the financial statements.

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

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

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

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

⁽⁶⁾ Other non-operating and/or non-recurring income (costs) for the years ended December 31, 2020 and 2019 relate to (i) transitional costs related to the departure of senior executives, (ii) legal, advisory, and other consulting costs related to a Board strategic initiative, and (iii) transaction and other related costs. These are included in office and other operating expenses in the consolidated statements of comprehensive income (loss).

Management's Discussion & Analysis

December 31, 2020



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

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

	Year ended December 31,		Quarter ended December 31,	
<i>In thousands of dollars, except for per share amounts</i>	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Profit (loss) for the period	\$ 21,433	\$ 18,194	\$ 4,346	\$ 272
(Profit) loss for the period from discontinued operations	5,576	5,697	276	5,846
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 ⁽²⁾	(12,312)	(12,473)	(3,053)	(3,079)
Depreciation of right-of-use assets	11,210	12,316	2,706	2,978
Finance costs (income), net - leases	2,494	2,711	584	684
Amortization of intangibles of acquired businesses	23,533	29,023	5,724	6,981
Unrealized foreign exchange loss (gain)	165	994	382	(385)
Loss (gain) on disposal of property, plant and equipment and intangibles	457	359	454	(17)
Non-cash share-based compensation costs	10,261	5,638	2,133	1,347
Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged	471	(1,109)	2,237	1,138
Interest accretion on contingent consideration payables	102	467	-	3
Restructuring costs (recovery)	11,984	(296)	3,374	-
Loss (gain) on hedging transactions, including currency forward contracts and interest expense (income) on swaps	138	505	-	55
Acquisition and related transition costs (income)	(887)	188	217	(50)
Loss (gain) on investments	(21)	(276)	1	(118)
Share of loss (profit) of joint venture	(459)	-	(9)	-
Impairment charge - leases	36	69	-	-
Other non-operating and/or non-recurring costs (income)	3,429	3,787	1,631	3,787
Tax impact on above	(9,836)	(8,638)	(2,933)	(2,772)
Adjusted earnings (loss) for the period	\$ 67,774	\$ 57,156	\$ 18,070	\$ 16,669
Weighted average number of shares - basic	40,158,543	39,460,603	40,379,692	39,787,438
Weighted average number of restricted shares	351,452	374,102	345,089	368,989
Weighted average number of shares - adjusted	40,509,995	39,834,705	40,724,781	40,156,427
Adjusted earnings (loss) per share	\$1.67	\$1.43	\$0.44	\$0.42

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

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

Management's Discussion & Analysis

December 31, 2020



Summary of Quarterly Results

	2020					2019				
<i>In thousands of dollars, except for per share amounts</i>	Fiscal 2020	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2019	Dec 31	Sep 30	Jun 30	Mar 31
Results of Operations										
Revenues ⁽¹⁾	\$ 561,156	\$ 139,480	\$ 134,950	\$ 155,470	\$ 131,256	\$ 525,717	\$ 138,451	\$ 126,787	\$ 143,131	\$ 117,348
Adjusted EBITDA ⁽¹⁾	\$ 98,928	\$ 26,734	\$ 24,047	\$ 34,899	\$ 13,248	\$ 84,709	\$ 22,331	\$ 18,785	\$ 30,036	\$ 13,557
Adjusted EBITDA margin ⁽¹⁾	17.6%	19.2%	17.8%	22.4%	10.1%	16.1%	16.1%	14.8%	21.0%	11.6%
Profit (loss) for the period from continuing operations	\$ 27,009	\$ 4,622	\$ 9,297	\$ 11,333	\$ 1,757	\$ 23,891	\$ 6,118	\$ 4,598	\$ 12,719	\$ 456
Profit (loss) for the period from discontinued operations	\$ (5,576)	\$ (276)	\$ (130)	\$ 266	\$ (5,436)	\$ (5,697)	\$ (5,846)	\$ 438	\$ 602	\$ (891)
Basic earnings (loss) per share ⁽¹⁾ :										
Continuing operations	\$0.67	\$0.11	\$0.23	\$0.28	\$0.04	\$0.61	\$0.15	\$0.12	\$0.32	\$0.01
Discontinued operations	\$(0.14)	\$(0.01)	\$0.00	\$0.01	\$(0.14)	\$(0.14)	\$(0.15)	\$0.01	\$0.02	\$(0.02)
Diluted earnings (loss) per share ⁽¹⁾ :										
Continuing operations	\$0.66	\$0.11	\$0.22	\$0.28	\$0.04	\$0.60	\$0.15	\$0.11	\$0.32	\$0.01
Discontinued operations	\$(0.14)	\$(0.01)	\$0.00	\$0.01	\$(0.13)	\$(0.14)	\$(0.14)	\$0.01	\$0.02	\$(0.02)
Adjusted earnings (loss) per share ⁽¹⁾	\$1.67	\$0.44	\$0.40	\$0.62	\$0.20	\$1.43	\$0.42	\$0.28	\$0.51	\$0.23
Weighted average number shares ('000s):										
Basic	40,159	40,380	40,240	40,115	39,896	39,461	39,787	39,643	39,318	39,084
Diluted ⁽¹⁾	41,209	41,532	41,348	41,039	40,869	40,084	40,653	40,411	39,770	39,344

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Our global Property Tax practice (which made up approximately 44% of total consolidated revenues in 2020) is subject to seasonal and cyclical variations which may impact overall quarterly results, which could potentially be more pronounced during the COVID-19 pandemic. Significant fluctuations on a quarterly basis arise as a result of the timing of contingency settlements and other factors, such as the wide-ranging variety of tax cycles across our various jurisdictions (which range from annual to seven-year cycles). We also experience some seasonal peaks in the U.K. and U.S. markets. In the U.K., the second quarter benefits from annuity billing starting in the second year of a new cycle, and in the U.S. we tend to experience higher volumes of settlements in the second and third quarters. We perform annuity billing in the U.K. for a significant number of our contracts that occur each April starting in the second year of the cycle. The revenues from the annuity billings are expected to grow cumulatively over the cycle as more cases are settled and as the volume of billable clients increases concurrent with case settlements. It should also be noted that since a higher portion of our revenues come from contingency contracts, the front-end of a cycle typically requires a ramp-up period in preparation for the appeals and therefore tends to have lower earnings than later in the cycles when more settlements are made and those revenues flow directly to the bottom line.

Management's Discussion & Analysis

December 31, 2020



Selected Annual Information

Selected Financial Information		For the year ended December 31,		
<i>In thousands of dollars, except for per share amounts</i>	2020	2019 ⁽¹⁾		2018 ⁽¹⁾
Operations				
Revenues	\$ 561,156	\$ 525,717	\$ 466,797	
Adjusted EBITDA	\$ 98,928	\$ 84,709	\$ 67,306	
Adjusted EBITDA margin	17.6%	16.1%	14.4%	
Profit (loss) from continuing operations	\$ 27,009	\$ 23,891	\$ (1,288)	
Profit (loss) from discontinued operations	\$ (5,576)	\$ (5,697)	\$ (17,151)	
Profit (loss)	\$ 21,433	\$ 18,194	\$ (18,439)	
Earnings (loss) per share:				
Basic				
Continuing operations	\$0.67	\$0.61	\$(0.03)	
Discontinued operations	\$(0.14)	\$(0.14)	\$(0.44)	
Diluted				
Continuing operations	\$0.66	\$0.60	\$(0.03)	
Discontinued operations	\$(0.14)	\$(0.14)	\$(0.44)	
Adjusted	\$1.67	\$1.43	\$1.00	
Dividends declared per share	\$0.60	\$0.60	\$0.60	

Balance Sheet		At December 31,		
	2020	2019		2018
Total assets	\$ 735,400	\$ 735,125	\$ 658,182	
Long-term liabilities (excluding deferred income taxes)	191,521	79,950	158,334	

⁽¹⁾ Comparative figures have been restated to reflect discontinued operations. Refer to Notes 3, 7, 11 and 32 of the financial statements.

Revenues were \$561.2 million for the year ended December 31, 2020, up 6.7% from 2019, of which approximately 1.5% was from acquisitions. Adjusted EBITDA was \$98.9 million for the year at a margin of 17.6%, up 16.8% from 2019, and profit (loss) for the year was \$21.4 million.

Revenues were \$525.7 million for the year ended December 31, 2019, up 12.6% from 2018, of which approximately 2.7% was from acquisitions. Adjusted EBITDA was \$84.7 million for the year at a margin of 16.1%, up 25.9% from 2018, and profit (loss) for the year was \$18.2 million.

Revenues were \$466.8 million for the year ended December 31, 2018, up 9.1% from 2017, of which approximately 4.5% was from acquisitions. Adjusted EBITDA was \$67.3 million for the year at a margin of 14.4%, down 12.8% from 2017, and profit (loss) for the year was \$(18.4) million.

In each of the past three years we have declared and paid quarterly dividends totaling \$0.60 annually, per common share to the shareholders.

Management's Discussion & Analysis

December 31, 2020



Selected Highlights for 2019

Altus Analytics Transition to Subscription Model

Starting in July 2019, we started to sell AE only on subscription terms to new customers (primarily on the cloud platform), while continuing to offer existing clients the option to license the software either on subscription terms (on the cloud or on-premise) or on on-premise perpetual terms until the end of the year. The introduction of the new revenue and pricing model supports our strategy to migrate our current on-premise customers who are currently on maintenance contracts to cloud subscription contracts. As of the start of 2020, all of our Altus Analytics software products are being sold only on a subscription-based model.

ARGUS Enterprise Made Available on the Cloud

In July 2019, we launched AE 12, a new version of AE powered by ARGUS Cloud. AE 12 builds on the strength of our industry leading CRE valuation capabilities and now includes cloud-only deployment and multi-instance support of AE, new benchmarking and dashboard functionality, enhanced workflows through integration with ARGUS Taliance and ARGUS Voyanta, and support for German and French market valuations.

Acquisition of One11 Advisors, LLC

On July 1, 2019, we acquired all the issued and outstanding shares of One11 and its subsidiaries for USD11.0 million (CAD14.4 million) in cash and common shares, subject to closing working capital adjustments of USD0.6 million (CAD0.8 million). As part of the transaction, we entered into non-compete agreements with key members of management of One11. On closing, we paid cash of USD7.7 million (CAD10.1 million). Common shares valued at USD3.3 million (CAD4.3 million) were issued from treasury. The common shares will be held in escrow and released on the fourth anniversary of the closing date, subject to compliance with certain terms and conditions. One11 is a U.S.-based real estate software consulting firm that provides integrated advisory and managed services for real estate organizations' front to back office strategies, processes and technology. The addition of One11, and its 20 employees, strengthens our Altus Analytics software services and managed services offerings.

Acquisition of Caruthers & Associates, Inc.

On July 1, 2019, we acquired certain operating assets of Caruthers for USD4.0 million (CAD5.2 million) in cash, common shares and contingent consideration, subject to working capital adjustments of USD0.1 million (CAD0.2 million). As part of the transaction, we entered into a non-compete agreement with a key member of management of Caruthers. As consideration for these assets, we paid cash of USD2.0 million (CAD2.6 million), and issued common shares valued at USD1.0 million (CAD1.3 million) from treasury. The common shares will be held in escrow and released on the third anniversary of the closing date, subject to compliance with certain terms and conditions. The purchase agreement provides for contingent consideration of USD1.0 million (CAD1.3 million), subject to certain performance targets being achieved over a 30-month period from the closing date. If mutually agreed upon, the contingent consideration may be settled in cash or by the issuance of common shares. Caruthers is a U.S.-based property tax consulting firm. Its team of seven employees based out of Memphis were integrated with our U.S. Property Tax business, expanding our geographic footprint in tax services in the U.S.

Management's Discussion & Analysis

December 31, 2020



Selected Highlights for 2018

Acquisition of New Market Real Estate Group, LLC

On January 1, 2018, we acquired certain operating assets of New Market Real Estate Group, LLC ("New Market") for \$1.0 million in common shares. Based in Maryland and founded in 2001, New Market offers a full range of CRE services throughout the United States including research, valuation, acquisition, investment analysis and consulting services. New Market was integrated into our Appraisal Management business, which is part of our Altus Analytics advisory practice.

Acquisition of Aspect Property Consultants LLP

On February 14, 2018, we acquired certain operating assets of Aspect Property Consultants LLP ("Aspect") for GBP4.3 million (CAD7.4 million) in cash, common shares and contingent consideration. As consideration for these assets, we paid cash of GBP1.8 million (CAD3.1 million) and common shares of GBP0.6 million (CAD1.1 million) and we estimated contingent consideration of GBP1.9 million (CAD3.3 million). The purchase agreement provides for maximum contingent consideration of GBP2.6 million, subject to certain performance targets being achieved over a two-year period from the closing date. With offices located in London, Heathrow and Basingstoke, U.K. and founded in 2009, Aspect is a commercial property consultancy firm specializing in the South East U.K. business space market with a particular focus on the West London warehouse market. This business was integrated into our U.K. Property Tax group.

Acquisition of Taliance Group SAS

On July 1, 2018, we acquired all the issued and outstanding shares of Taliance Group SAS ("Taliance") for EUR20.0 million (CAD30.7 million) in cash and common shares, subject to closing adjustments. On closing, EUR2.2 million (CAD3.3 million) of common shares were issued from treasury and the remainder of the purchase price was drawn from the revolving term facility. Taliance provides cloud-based collaborative business solutions to alternative investment firms globally allowing them to improve their modelling, forecasting and risk management processes in real time. Based in Paris, Taliance also has offices in London and New York. The addition of Taliance, which can be deployed and integrated with AE, allows us to expand our position in Europe and to deliver cloud software solutions with a comprehensive investment management capability that provides flexibility and transparency to manage the most complex investment structures and scenarios. Taliance also provides a foundation for growth in the fund management segment of the market globally. Taliance is currently sold as a stand-alone offering, ARGUS Taliance, under our Altus Analytics banner.

Restructuring Activities

In Q1 of 2018, we undertook and completed restructuring activities in Geomatics to reduce costs. In connection with these restructuring activities, a total of \$2.9 million in restructuring costs was recorded in 2018. These charges related primarily to employee severance costs and onerous leases.

In Q2 of 2018, we initiated restructuring activities in our Property Tax practice as a result of our integration efforts in the U.K. following the acquisition of Commercial Valuers & Surveyors Limited ("CVS"). This was completed in Q4 of 2018. In connection with these restructuring activities, a total of \$3.6 million in restructuring costs was recorded in 2018. These charges related primarily to employee severance costs and onerous leases.

Management's Discussion & Analysis

December 31, 2020



Sale of Investment in Real Matters Inc.

In September 2018, we sold our shares related to our investment in Real Matters Inc. ("Real Matters") for net proceeds of \$54.2 million. The loss included in other comprehensive income (loss) up to the date of disposition of \$70.8 million was transferred to retained earnings. In October 2018, the proceeds were used to reduce the borrowings under the bank credit facilities.

Share Data

As at February 19, 2021, 40,529,850 common shares were outstanding and are net of 395,584 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 December 31, 2020, there were 1,791,682 share options outstanding (December 31, 2019 - 1,579,283 share options outstanding) at a weighted average exercise price of \$35.78 per share (December 31, 2019 - \$28.98 per share) and 453,517 share options were exercisable (December 31, 2019 - 545,728). All share options are exercisable into common shares on a one-for-one basis.

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

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

For the year ended December 31, 2020, 56,027 common shares (2019 - 179,572 common shares) were issued under the DRIP.

On May 6, 2020, our shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under our Long-Term Equity Incentive Plan by 1,850,000 to 4,075,000.

Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our consolidated balance sheet as at December 31, 2020 consist of cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts and prepayments), trade payables and other (excluding contract liabilities), income taxes recoverable and payable, investments, borrowings and derivative financial instruments. We do not enter into financial instrument arrangements for speculative purposes.

The fair values of the short-term financial instruments approximate their carrying values. The fair values of borrowings are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of other long-term assets and liabilities, and contingent consideration payables are measured using a discounted cash flow analysis of expected cash

Management's Discussion & Analysis

December 31, 2020



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 December 31, 2020 was approximately \$18.9 million, based on the published trading price on the TSX for our common shares.

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

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

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

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

As at December 31, 2020, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of \$12.2 million. The fair value of these derivatives is \$11.3 million in our favour.

We are exposed to credit risk with respect to our cash and cash equivalents, trade receivables and other and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of 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

Management's Discussion & Analysis

December 31, 2020



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 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.

Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying our 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.

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 December 31, 2020 financial statements reflect management's best estimates as of the year end, taking into consideration the most significant judgments that may be directly impacted by COVID-19. Management's significant estimates and assumptions that could be impacted most by COVID-19 are: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, and estimated impairment of goodwill.

The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying accounting policies.

Revenue Recognition and Determination and Allocation of the Transaction Price

We estimate variable consideration for contingency arrangements on a project-by-project basis. Variable consideration is not constrained only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved, which is when savings are realized by the customer, unless the contractual terms provide for an enforceable right to payment for performance completed.

The transaction price is allocated on the basis of the relative standalone selling prices for contracts with more than one performance obligation. Estimation of the standalone selling price involves reasonably available data points, market conditions, entity-specific factors and information about the customer or class of customer and to similar customers as evidence of the standalone selling price for each performance obligation; however when one is not available, the standalone selling price is estimated. Where the observable price is not available, based on the specific facts and circumstances, either the adjusted market

Management's Discussion & Analysis

December 31, 2020



assessment or the expected cost plus a margin approach is applied. The determination of the standalone selling prices requires significant judgment.

Impairment of Trade Receivables and Contract Assets

The impairment provisions for trade receivables and contract assets determined under IFRS 9, *Financial Instruments*, are based on assumptions about the risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation based on our past history, existing market conditions, including COVID-19 considerations, and forward-looking estimates at the end of each reporting period. Such estimates and judgments could impact trade receivables, contract assets for unbilled revenue on customer contracts and office and other operating expenses.

Estimated Impairment of Goodwill

We test at least annually whether goodwill is subject to any impairment. Goodwill impairment is evaluated between annual tests upon the occurrence of events or changes in circumstances. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the business combination in which the goodwill arose. Goodwill is tested for impairment in the groups of CGUs for which it is monitored by management. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount for any CGU is determined based on the higher of fair value less costs to sell and value in use. Both of the valuation approaches require the use of estimates. Significant erosion in the general state of the economy could result in increased impairment losses. For the year ended December 31, 2020, a goodwill impairment charge of \$nil was recorded (2019 - \$6.4 million).

Determination of Purchase Price Allocations and Contingent Consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Furthermore, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on our best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from our estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes in the period in which such determination is made.

Management's Discussion & Analysis

December 31, 2020



Changes in Significant Accounting Policies and Estimates

Discontinued Operations

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

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

Joint Venture

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

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

Unrealized gains on transactions between us and the joint venture are eliminated to the extent of our interest in the joint venture. Unrealized losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The accounting policies of our joint venture are consistent with our accounting policies.

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

Management's Discussion & Analysis

December 31, 2020



Government Grants

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

Adoption of Recent Accounting Pronouncements

Amendment to IFRS 16, COVID-19-Related Rent Concessions

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

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

Amendments to IFRS 3, Business Combinations

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

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

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

In September 2019, the IASB issued amendments to IFRS 7, *Financial Instruments and Disclosures*, IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, to provide reliefs applying to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments were effective for annual periods beginning on or after January 1, 2020.

In August 2020, the IASB issued further amendments to provide a practical expedient from discontinuing hedging relationships and the related hedge accounting treatment as a result of the interest rate benchmark reform as well as additional disclosures. The disclosures are to provide additional information on the effect of the reform on our financial instruments and risk management strategy. These amendments apply retrospectively and are effective for annual periods beginning on or after January 1, 2021 with earlier application permitted; however, companies are not required to restate prior periods. These amendments had no impact on our financial statements.

Management's Discussion & Analysis

December 31, 2020



Amendments to IAS 1 and IAS 8: Definition of Material

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

These amendments were effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on our financial statements.

Future Accounting Pronouncements

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

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

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

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

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

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

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

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

Management's Discussion & Analysis

December 31, 2020



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 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 PTA acquired on December 1, 2020.

Financial information of the business acquired is summarized below.

Income statement data for PTA:

<i>In thousands of dollars</i>	Period ended December 31, 2020
Revenues	\$ 261
Expenses	(737)
Profit (loss)	(476)
Adjusted EBITDA	(123)

Management has caused to be evaluated under its supervision the effectiveness of its DC&P as of December 31, 2020 and has concluded that the design and effectiveness of these controls and procedures provide reasonable assurance that material information relating to Altus Group, including our consolidated subsidiaries, was made known to management on a timely basis to ensure adequate disclosure.

Management has caused to be evaluated under its supervision the effectiveness of its ICFR as of December 31, 2020 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls provide reasonable assurance of the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

Management's Discussion & Analysis

December 31, 2020



There have been no significant changes in our internal controls over financial reporting that occurred for the quarter ended December 31, 2020, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The audit committee and our Board of Directors have reviewed and approved this MD&A and the financial statements as at and for the year ended December 31, 2020.

Key Factors Affecting the Business

The risks and uncertainties that could significantly affect our business, financial condition and future results of operations are summarized below.

General State of the Economy

The businesses we operate are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of our control. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending and other factors could have a material adverse effect on our business, financial condition and results of operations. Although our operations are functionally and geographically diversified with a high degree of revenue stability protected from CRE market cyclicality, significant erosion in levels of activity in any segment in which we operate could have a negative impact on our business, financial condition and results of operations.

COVID-19 Pandemic

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 including government recommendations and measures to limit the spread 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. To date, the COVID-19 pandemic has mostly only impacted the Company's Altus Analytics software consulting and training services and to a lesser extent has impacted software sales to the SMB segment and prolonged sales cycles. It has also introduced additional credit risk in our Property Tax business. While these measures and effects are expected to be temporary, the duration, extent and severity of the impact of the COVID-19 pandemic 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 our financial statements and in this MD&A reflect our best estimates at this time, taking into consideration the most significant judgments that may be directly impacted by COVID-19. There can be no assurance that they will continue to be valid. 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.

Currency

Our reporting currency is the Canadian dollar.

We have operations primarily in Canada, the U.S., the U.K., Australia, and in various countries throughout Europe and Asia. Our exposure to foreign currency risk is primarily in the following areas:

- Profit (loss) generated by operations in foreign countries, which are translated into Canadian dollars using the average exchange rate;

Management's Discussion & Analysis

December 31, 2020



- Net assets of foreign subsidiaries, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded under accumulated other comprehensive income (loss) within shareholders' equity; and
- Non-Canadian dollar denominated monetary assets and liabilities, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded through profit (loss).

The exchange rate between the Canadian dollar and the U.S. dollar ranged from \$1.3016 at December 31, 2019 to \$1.2741 at December 31, 2020. The exchange rate between the Canadian dollar and the British pound ranged from \$1.7161 at December 31, 2019 to \$1.7390 at December 31, 2020. The exchange rate between the Canadian dollar and the Australian dollar ranged from \$0.9128 at December 31, 2019 to \$0.9820 at December 31, 2020. For the quarter and year ended December 31, 2020, changes in exchange rates benefitted consolidated revenues by nil% and 0.8%, respectively. For the quarter and year ended December 31, 2020, changes in exchange rates benefitted consolidated Adjusted EBITDA by 0.3% and 1.3%, respectively.

Financial Performance

Our ability to achieve revenue growth and sustain profitability in future periods depends on our ability to execute our strategic plan and effectively manage our growth. A failure to do so could have a material adverse effect on our business, financial condition and results of operations. Also, our revenue, cash flow, operating results and profitability may experience fluctuations from quarter to quarter, based on project and contractual terms and conditions for the billing and rendering of services.

Financial Targets

Our long range financial targets are predicated on certain assumptions, including revenue growth and operating margin improvement expectations, that we may fail to achieve, which could reduce our expected earnings and cause us to fail to meet the expectations of analysts and investors and cause the price of our securities to decline.

CRE Market

Although we are broadly diversified, geographically and by business offering with a high degree of revenue stability protected from CRE market cyclicality, the businesses we operate are affected by the state of CRE as an investment asset class. Prolonged economic slowdowns triggered by credit liquidity, interest rates, regulatory policy, tax policy, etc., could negatively impact the market and result in fewer CRE consulting service engagements and software sales. This could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Industry Competition

We face competition from other service, software and data analytics providers. Competition for our professional services includes a broad mix of competitors, ranging from smaller, locally-based professional service firms to national, multi-regional professional service providers and to large engineering, accounting and law firms. Software providers also compete with us in real estate asset management, valuation, budgeting, forecasting, reporting and lease management solutions. There are also new companies entering the market with competitive data analytics solutions. These competitive forces could result in a material adverse effect on our business, financial condition and results of operations by reducing our relative share in the markets we serve.

Management's Discussion & Analysis

December 31, 2020



Acquisitions

We intend to make acquisitions as part of our strategy to grow our business. Acquisitions may increase the size of our operations, as well as increase the amount of indebtedness that we may have to service. The successful integration and management of acquired businesses involve numerous risks and there is no assurance that we will be able to successfully integrate our acquisitions. Such failure could adversely affect our business, financial condition and results of operations.

Cloud Subscriptions Transition

We are transitioning our Altus Analytics business to a higher mix of Over Time revenues by moving our on-premise customers to the cloud and offering all of our software solutions on over time subscription contracts, compared to our historic reliance on perpetual term contracts for on-premise software. The majority of our subscription contracts to new customers will be recognized ratably over the term of the subscription, while revenue under an on-premise perpetual license contract is generally recognized upon purchase. For customers who still deploy the software on-premise but on a subscription contract, we continue to recognize a high portion of the transaction upfront. This has adversely affected, and may continue to adversely affect, our revenue and earnings in the transition period and contribute to quarterly variability, while making predicting our revenue and earnings more difficult during the transition. Additionally, our ability to move our customers to a cloud environment may take longer than we anticipate, or if customers do not adopt cloud licenses in the timeframe that we expect, our revenues and earnings may not achieve expected levels.

Software Renewals

Although our software solutions are designed to increase the number of customers that purchase our solutions as subscriptions and create a recurring revenue stream that increases and is more predictable over time, our customers are not required to renew their subscriptions for our solutions and they may elect not to renew when or as we expect. Customer renewal rates may decline or fluctuate due to a number of factors, including offering pricing, competitive offerings, customer satisfaction, and reductions in customer spending levels or customer activity due to economic downturns, the adverse impact of import tariffs, or other market uncertainty. If our customers do not renew their subscriptions when or as we expect, or if they renew on less favorable terms than expected, our revenues and earnings may be adversely impacted.

Professional Talent

Our success and ability to grow are dependent on the expertise, experience and efforts of our professionals, and our ability to attract and retain qualified professionals. Competition for employees with the qualifications we desire, particularly with CRE and CRE technology and information solutions experience, is intense and puts upward pressure on compensation costs. We expect that competition for qualified professionals will continue to increase, thereby causing compensation costs to escalate. Should we be unable to attract and retain professionals that meet the desired level of skills and ability, our business may be jeopardized.

Third Party Information

The quality of our databases supporting certain of our products and service engagements depends substantially on information provided by a number of sources, including CRE brokers, agents and property owners, trade associations, tax assessors, deed recorders, municipal planners, corporate web sites, the business and trade press, and selected third party vendors of business information. If we are unable to

Management's Discussion & Analysis

December 31, 2020



collect information from a significant number of these sources this could negatively affect certain of our products and may potentially result in subscriber cancellations and/or failure to acquire new subscribers.

Enterprise Transactions

The ability to meet revenue targets for our Altus Analytics business is becoming more dependent on large enterprise transactions which have longer and less predictable sales cycles. The presence or absence of one or more of these transactions may have a material positive or negative effect on anticipated revenue in any given period.

New Product Introductions

As new products are developed and introduced to the marketplace, client adoption may not achieve anticipated levels. As a result, revenue expectations may not be achieved. If cash flows from new products do not reach sufficient levels, asset impairments may need to be taken on any capitalized costs related to the development of the products.

Technological Change

Our ability to generate future revenues from software is dependent upon meeting the changing needs of the CRE market and evolving industry standards through new product introductions and product enhancements that respond to the technological change of our clients and the CRE industry. In order to maintain or enhance product market share over the long-term, it is imperative to anticipate and develop products that meet client and industry needs. In the short to medium term, the ability to complete product developments on a timely basis is important to achieving our revenue and cost targets.

Intellectual Property

We rely on protecting our intellectual property rights including copyrights, trademarks, trade secrets, databases and methodologies, which have been important factors in maintaining our competitive position. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. There can be no assurance that we will be successful in protecting our proprietary rights and, if we are not, our business, financial condition, liquidity and results of operations could be materially adversely affected. Additionally, we may be subject to claims by third parties regarding technology infringement. Responding to such claims could result in substantial expense and may result in damages or injunctive relief. We may also be required to indemnify customers pursuant to our indemnification obligations, enter into licensing agreements on unfavourable terms or redesign or stop selling affected products, which could materially disrupt the conduct of our business.

Technology Strategy

Our business relies on the use of information technology systems to deliver expert services, data and software solutions to our clients. If we are unable to effectively implement our information technology strategies or adopt new technologies and technology-enabled processes relevant to our offerings in a timely or cost-effective manner, or if our employees fail to adopt in an effective and timely manner new technologies or technology-enabled processes, then our ability to deliver services and solutions that meet client needs or our ability to remain competitive in the market may be materially impaired.

Information Technology Governance and Security

In the ordinary course of our business, we collect, store, process and/or transmit sensitive data belonging to clients, partners, vendors, employees and contractors as well as our own proprietary business

Management's Discussion & Analysis

December 31, 2020



information and intellectual property. The secure processing, maintenance and transmission of this information is critical to our workflow operations and the delivery of products and services to our clients. Despite the robust security measures we've implemented, our data, systems and infrastructure may be vulnerable to cyber-attacks or breached due to employee error, malfeasance or other disruptions. These security breaches could materially compromise our information, disrupt our business operations or cause us to breach our client obligations thereby exposing us to liability, reputational harm and/or significant remediation costs. The theft, loss, corruption, exposure, fraudulent use or misuse of client information, whether by third parties or as a result of employee malfeasance, could result in significant remediation and other costs, fines, litigation or regulatory actions against us, as well as cause reputational harm, negatively impact our competitive position and affect our financial results. We are increasingly relying on third-party data storage providers, including cloud storage solution providers, resulting in less direct control over our data and system processing. Such third parties may also be vulnerable to security breaches for which we may not be indemnified and which could cause materially adverse harm to our reputation and competitive position and affect our financial results.

Product Pipeline

Our forecast is built on a pipeline of client opportunities at varying stages within the sales process. Our ability to achieve the forecast is dependent on completion of the sales cycle and client acceptance of mutually agreeable terms. Certain factors are beyond our control, including our clients' evaluation of our offerings, budgetary constraints, timing of their approval processes, etc. Our pipeline of opportunities may not close on terms and/or timing in line with our forecast. This may have a material positive or negative effect on our anticipated revenues in any given period.

Property Tax Appeals

Our Property Tax practice is significantly influenced by property tax assessment regulators and their appeal settlement processes. The timing and volume of appeals processed and whether the outcomes are favourable may cause fluctuations on a quarterly and annual basis, in addition to spillover effects outside any particular valuation cycle. This may have a material positive or negative effect on our anticipated revenues in any given period.

Legislative and Regulatory Changes

Changes to any of the laws, rules, regulations or policies affecting our business would have an impact on our business. Certain elements of our business are influenced by the regulatory environment of our clients, such as the requirement for pension fund managers to obtain property valuations on an annual basis. In addition, elements of our business, such as our Property Tax practice area, are significantly influenced by the regulatory regime and any changes thereto. Any change to laws, rules, regulations or policies may significantly and adversely affect our operations and financial performance.

Fixed-Price and Contingency Engagements

A portion of our revenues comes from fixed-price engagements. A fixed-price engagement requires us to either perform all or a specified part of work under the engagement for a specified lump sum payment. Fixed-price engagements expose us to a number of risks not inherent in cost-plus engagements, including underestimation of costs, ambiguities in specifications, unforeseen or changed costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform and economic or other changes that may occur during the term of engagement. Increasing reliance on fixed-

Management's Discussion & Analysis

December 31, 2020



price engagements and/or increases in the size of such engagements would increase the exposure to this risk. Economic loss under fixed-price engagements could have a material adverse effect on our business.

We are also engaged to provide services on a contingency basis at our Property Tax business, meaning that we receive our fees only if certain results are achieved. We may experience adverse financial effects from having devoted professional and other resources to a project, which, due to a failure to meet the contingency goals, are not recouped through fees.

Appraisal and Appraisal Management Mandates

Some clients rotate their appraisal mandates to different service providers. As a result, we may be rotated out of an appraisal engagement.

Canadian Multi-Unit Residential Market

A significant part of our Canadian Cost practice's annual revenues are derived from the rental apartment and condominium sectors of the multi-unit residential development market. Any significant decline in the multi-unit residential development market could have a material adverse effect on our Cost practice's operating results.

Customer Concentration and Loss of Material Clients

Although we are not dependent on one or a small number of clients, certain of our business segments have significant clients. The loss of any significant client that contributes a substantial portion to that business segments' revenues could have a negative impact on our revenues and could impact our ability to attract and retain other clients.

Interest Rates

We are exposed to fluctuations in interest rates under our borrowings. Increases in interest rates may have an adverse effect on our earnings.

Credit

We may be materially and adversely affected if the collectability of our trade receivables is impaired for any reason. In certain parts of our business, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project or upon receipt of funds. In addition, the COVID-19 pandemic has introduced additional credit risk. This practice increases the risk and likelihood of future bad debts.

Income Tax Matters

In the ordinary course of business, we may be subject to audits by tax authorities. While management anticipates that our tax filing positions will be appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the authorities. If such challenge were to succeed, it could have a material adverse effect on our tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of tax authorities, could materially adversely affect our tax position.

Management's Discussion & Analysis

December 31, 2020



Health and Safety Hazards

Our employees are sometimes required to attend client worksites, including construction worksites in the case of our Cost practice. The activities at these worksites may involve certain operating hazards that can result in personal injury and loss of life. We have implemented health and safety policies and procedures as well as provide the required employee health and safety training programs. Despite these programs, there can be no assurance that our insurance will be sufficient or effective under all circumstances or against all claims or hazards to which we may be subject or that we will be able to continue to obtain adequate insurance protection. A successful claim for damage resulting from a hazard for which it is not fully insured could adversely affect our results of operations.

Contractual Obligations

Our success depends largely on our ability to fulfill our contractual obligations and ensure client satisfaction. If we fail to properly define the scope of our work, communicate the boundaries or use of the advice and reports we provide, define the limits of our liability, satisfactorily perform our obligations, or make professional errors in the advice or services that we provide, clients could terminate projects, refuse payment for our services or take legal action for the loss or harm they suffer, thereby exposing us to legal liability, loss of professional reputation, enhanced risk of loss and/or reduced profits.

Legal Proceedings

We are threatened from time to time with, or are named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting our business, including lawsuits based upon professional errors and omissions. A significant judgment against us, or the imposition of a significant fine or penalty as a result of a finding that we have failed to comply with laws, regulations, contractual obligations or other arrangements or professional standards, could have a significant adverse impact on our financial performance. Should any indemnities made in our favor in respect of certain assignments fail to be respected or enforced, we may suffer material adverse financial consequences.

Insurance Limits

Management believes that our professional errors and omissions insurance coverage and directors' and officers' liability insurance coverage address all material insurable risks, provide coverage that is similar to that which would be maintained by a prudent operator of a similar business and are subject to deductibles, limits and exclusions, which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving our assets or operations.

Dividend Payments

Our ability to pay dividends is dependent on our operations and assets, and is subject to various factors including our financial performance, our obligations under applicable bank credit facilities, fluctuations in our working capital, the sustainability of our margins and our capital expenditure requirements.

Leverage and Financial Covenants

Our ability to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness owed by us or our subsidiaries (including our bank credit facilities). The degree to which we are leveraged could have

Management's Discussion & Analysis

December 31, 2020



important consequences to our shareholders. For example, our ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of our cash flow from operations may be dedicated to the payment of principal and interest on our indebtedness, thereby reducing funds available for future operations; certain of our borrowings will be subject to variable rates of interests, which exposes us to the risk of increased interest rates; and we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.

The bank credit facilities contain numerous financial covenants that limit the discretion of our management with respect to certain business matters. These covenants place significant restrictions on, among other things, our ability to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the bank credit facilities contain a number of financial covenants that require us to meet certain financial ratios and financial condition tests. Failure to comply with the obligations provided in the bank credit facilities could result in a default which, if not cured or waived, could result in the termination of dividends paid by us and accelerate the repayment of the relevant indebtedness. If repayments of indebtedness under the bank credit facilities were to be accelerated, there can be no assurance that our assets would be sufficient to repay the relevant indebtedness in full. There can be no assurance that future borrowings or equity financing will be available to us or available on acceptable terms, in an amount sufficient to fund our needs. If we are unable to obtain financing on the expiration of the bank credit facilities or are unable to obtain financing on favourable terms, our ability to pay dividends may be adversely affected.

Share Price

Our common shares do not necessarily trade at prices determined by reference to the underlying value of our business and cannot be predicted. The market price of the common shares may be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, securities markets have experienced significant price and volume fluctuations from time to time in recent years that are often unrelated or disproportionately related to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of our common shares.

Capital Investment

The timing and amount of capital expenditures made by us or any of our subsidiaries indirectly affects the amount of cash available for investments, debt payments or dividend payments. Dividends may be reduced, or even eliminated, at times when we deem it necessary to make significant capital or other expenditures.

Issuance of Additional Common Shares

We are authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as may be determined by the Board of Directors without shareholder approval, except as required by the TSX. An issuance such as this may dilute the interests of current shareholders.

Additional Information

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our corporate website at www.altusgroup.com under the Investors tab. Our common shares trade on the TSX under the symbol "AIF".

LISTINGS

Toronto Stock Exchange
Stock trading symbol: AIF

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Altus Group