



**Altus Group**

**2020**

| Annual Report



# Altus Group Limited

## Annual Report

December 31, 2020



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# Management's Discussion & Analysis

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*The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding Altus Group Limited's consolidated business, its business environment, strategies, performance, outlook and applicable risks. References to the "Company" or "Altus Group" are to the consolidated group of entities, and this should be read in conjunction with our 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

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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

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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

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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



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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



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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.

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## *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.

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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.

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### Financial and Operating Highlights

Selected Financial Information	Year ended December 31,	
<i>In thousands of dollars, except for per share amounts</i>	2020	2019 <sup>(1)</sup>
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

<sup>(1)</sup> 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.

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- **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

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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.



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## *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

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### 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 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Revenues</b>	\$ 561,156	\$ 525,717	\$ 139,480	\$ 138,451
<b>Expenses</b>				
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
<b>Profit (loss) from continuing operations before income taxes</b>	<b>37,558</b>	<b>30,847</b>	<b>7,850</b>	<b>6,450</b>
Income tax expense (recovery)	10,549	6,956	3,228	332
<b>Profit (loss) for the period from continuing operations</b>	<b>\$ 27,009</b>	<b>\$ 23,891</b>	<b>\$ 4,622</b>	<b>\$ 6,118</b>
Profit (loss) for the period from discontinued operations	(5,576)	(5,697)	(276)	(5,846)
<b>Profit (loss) for the period attributable to shareholders</b>	<b>\$ 21,433</b>	<b>\$ 18,194</b>	<b>\$ 4,346</b>	<b>\$ 272</b>

<sup>(1)</sup> 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

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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.

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## *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*

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2020	2019 <sup>(1)</sup>	% Change	2020	2019 <sup>(1)</sup>	% 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%
<b>Finance costs (income), net</b>	<b>\$ 6,632</b>	<b>\$ 9,278</b>	<b>(28.5%)</b>	<b>\$ 1,300</b>	<b>\$ 2,115</b>	<b>(38.5%)</b>

<sup>(1)</sup> 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.

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## *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

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### Revenues and Adjusted EBITDA by Business Unit

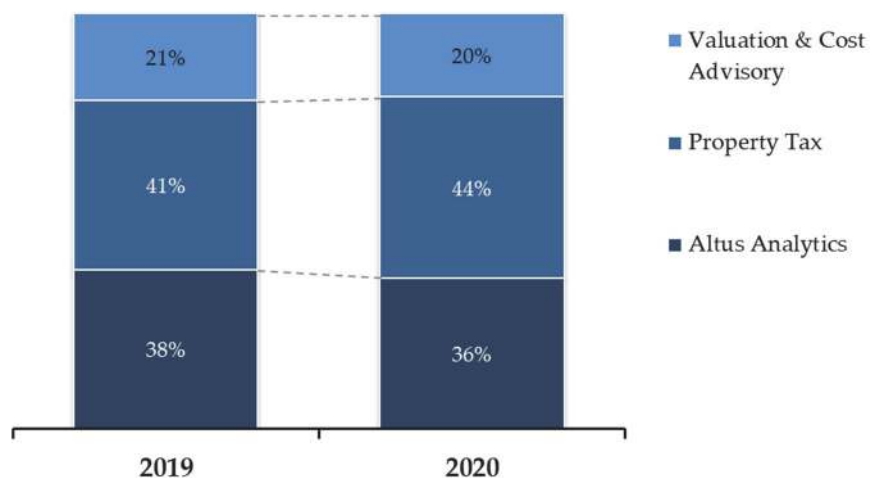
Revenues	Year ended December 31,			Quarter ended December 31,		
	2020	2019 <sup>(1)</sup>	% Change	2020	2019 <sup>(1)</sup>	% Change
<i>In thousands of dollars</i>						
Altus Analytics	\$ 203,707	\$ 201,951	0.9%	\$ 51,515	\$ 54,581	(5.6%)
Commercial Real Estate Consulting	357,754	324,132	10.4%	88,041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

<sup>(1)</sup> 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,		
	2020	2019 <sup>(1)</sup>	% Change	2020	2019 <sup>(1)</sup>	% Change
<i>In thousands of dollars</i>						
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%
<b>Total</b>	<b>\$ 98,928</b>	<b>\$ 84,709</b>	<b>16.8%</b>	<b>\$ 26,734</b>	<b>\$ 22,331</b>	<b>19.7%</b>

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

### Revenue Contribution:





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## December 31, 2020



### Altus Analytics

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	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%	
<b>Selected Metrics <sup>(1)</sup></b>						
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	

<sup>(1)</sup> 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

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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

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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

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### Commercial Real Estate Consulting

<i>In thousands of dollars</i>	Year ended December 31,			Quarter ended December 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Revenues</b>						
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%
<b>Adjusted EBITDA</b>						
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.

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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

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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

<b>Cash Flow</b>	<b>Year ended December 31,</b>	
<i>In thousands of dollars</i>	<b>2020 <sup>(1)</sup></b>	<b>2019 <sup>(1)</sup></b>
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

<sup>(1)</sup> 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

<b>Working Capital</b>		
<i>In thousands of dollars</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
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



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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

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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 <sup>(1)</sup>	Payments Due by Period (undiscounted)				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
<i>In thousands of dollars</i>					
Bank credit facilities	\$ 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
<b>Total contractual obligations</b>	<b>\$ 316,690</b>	<b>\$ 116,539</b>	<b>\$ 160,026</b>	<b>\$ 19,606</b>	<b>\$ 20,519</b>

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

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### 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 <sup>(1)</sup>	2019 <sup>(1)</sup>
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

<sup>(1)</sup> 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

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

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

<i>In thousands of dollars</i>	Year ended		Quarter ended	
	December 31,		December 31,	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	\$ 98,928	\$ 84,709	\$ 26,734	\$ 22,331
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	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) <sup>(3)</sup>	(165)	(994)	(382)	385
Gain (loss) on disposal of property, plant and equipment and intangibles <sup>(3)</sup>	(457)	(359)	(454)	17
Share of profit (loss) of joint venture	459	-	9	-
Non-cash share-based compensation costs <sup>(4)</sup>	(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 <sup>(4)</sup>	(471)	1,109	(2,237)	(1,138)
Restructuring (costs) recovery	(11,984)	296	(3,374)	-
Gain (loss) on investments <sup>(5)</sup>	21	276	(1)	118
Impairment charge - leases	(36)	(69)	-	-
Other non-operating and/or non-recurring income (costs) <sup>(6)</sup>	(3,429)	(3,787)	(1,631)	(3,787)
<b>Earnings (loss) from continuing operations before finance costs and income taxes</b>	<b>44,190</b>	<b>40,125</b>	<b>9,150</b>	<b>8,565</b>
Finance (costs) income, net - leases	(2,494)	(2,711)	(584)	(684)
Finance (costs) income, net - other	(4,138)	(6,567)	(716)	(1,431)
<b>Profit (loss) from continuing operations before income taxes</b>	<b>37,558</b>	<b>30,847</b>	<b>7,850</b>	<b>6,450</b>
Income tax (expense) recovery	(10,549)	(6,956)	(3,228)	(332)
<b>Profit (loss) for the period from continuing operations</b>	<b>\$ 27,009</b>	<b>\$ 23,891</b>	<b>\$ 4,622</b>	<b>\$ 6,118</b>
Profit (loss) for the period from discontinued operations	(5,576)	(5,697)	(276)	(5,846)
<b>Profit (loss) for the period</b>	<b>\$ 21,433</b>	<b>\$ 18,194</b>	<b>\$ 4,346</b>	<b>\$ 272</b>

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

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

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

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

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

<sup>(6)</sup> Other non-operating and/or non-recurring income (costs) for the 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).

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

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

<i>In thousands of dollars, except for per share amounts</i>	Year ended December 31,		Quarter ended December 31,	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
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 <sup>(2)</sup>	(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
<b>Adjusted earnings (loss) per share</b>	<b>\$1.67</b>	<b>\$1.43</b>	<b>\$0.44</b>	<b>\$0.42</b>

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

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

# Management's Discussion & Analysis

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### Summary of Quarterly Results

In thousands of dollars, except for per share amounts	2020					2019				
	Fiscal 2020	Dec 31	Sep 30	Jun 30	Mar 31	Fiscal 2019	Dec 31	Sep 30	Jun 30	Mar 31
<b>Results of Operations</b>										
Revenues <sup>(1)</sup>	\$ 561,156	\$ 139,480	\$ 134,950	\$ 155,470	\$ 131,256	\$ 525,717	\$ 138,451	\$ 126,787	\$ 143,131	\$ 117,348
Adjusted EBITDA <sup>(1)</sup>	\$ 98,928	\$ 26,734	\$ 24,047	\$ 34,899	\$ 13,248	\$ 84,709	\$ 22,331	\$ 18,785	\$ 30,036	\$ 13,557
Adjusted EBITDA margin <sup>(1)</sup>	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 <sup>(1)</sup> :										
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 <sup>(1)</sup> :										
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 <sup>(1)</sup>	\$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 <sup>(1)</sup>	41,209	41,532	41,348	41,039	40,869	40,084	40,653	40,411	39,770	39,344

<sup>(1)</sup> 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.



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### 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 <sup>(1)</sup>	2018 <sup>(1)</sup>
<b>Operations</b>			
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

<sup>(1)</sup> 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

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### 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.

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### 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.

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## *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

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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

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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



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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.

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## 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.

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## 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.

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## *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.

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## 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>	<b>Period ended December 31, 2020</b>
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.

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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;



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- 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.

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## *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

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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

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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

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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

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## *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

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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](http://www.sedar.com) and on our corporate website at [www.altusgroup.com](http://www.altusgroup.com) under the Investors tab. Our common shares trade on the TSX under the symbol "AIF".



# **Altus Group Limited**

**Consolidated Financial Statements**  
**December 31, 2020 and 2019**  
(Expressed in Thousands of Canadian Dollars)

## Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Altus Group Limited are the responsibility of management and have been reviewed and approved by the Board of Directors of Altus Group Limited. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the Annual Shareholders' Report and has ensured that this information is consistent with the consolidated financial statements.

Altus Group Limited maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for the preparation of the consolidated financial statements.

The Board of Directors of Altus Group Limited ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The committee meets with the auditor to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters.

The consolidated financial statements have been independently audited by Ernst & Young LLP in accordance with Canadian generally accepted auditing standards. Their report that follows expresses their opinion on the consolidated financial statements of the Company.

*"Michael Gordon"*

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Michael Gordon  
Chief Executive Officer  
February 24, 2021

*"Angelo Bartolini"*

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Angelo Bartolini  
Chief Financial Officer  
February 24, 2021

## Independent auditor's report

To the Shareholders of  
**Altus Group Limited**

### Opinion

We have audited the consolidated financial statements of Altus Group Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Key audit matter

## How our audit addressed the key audit matter

### Revenue Recognition – Software

Our audit procedures included, among others:

As disclosed in Note 7 to the consolidated financial statements, revenues from external customers of the Altus Analytics segment amounts to \$204 million for the year ended December 31, 2020. The Group has a significant revenue stream relating to subscription-based software licences within the Altus Analytics segment.

The accounting for revenue from significant multiyear contracts with multiple performance obligations requires significant auditor judgment because of the significance of these revenues and the risks related to the many inherent complexities and critical judgments in the measurement and timing of revenues from multi-element contracts found in the software industry. The separation of these elements requires management to use estimates in relation to the determination of the fair value of each component. This creates a risk that the significant multiyear contracts with multiple performance obligations will not be properly recorded in the correct period and in accordance with IFRS 15.

- Updated understanding of the revenue class of transactions.

- We reviewed the Group's revenue recognition policy and assessed its compliance with IFRS 15.

- For significant multiyear contracts with multiple performance obligations, we reviewed the Group's assessment of the standalone selling price for subscription-based software licenses, and maintenance services or support services, that is used in the allocation of the transaction price to its various components. We assessed the standalone selling price of software license and maintenance services or support services by ensuring it is consistent with the Group's approved pricing ranges.

- We validated the approved pricing ranges by testing a sample of maintenance service or support services renewals during the year.

- We reviewed significant multiyear contracts with multiple performance obligations for any unusual terms and conditions to assess the appropriateness of management's accounting treatment and independently calculated the revenue and deferred revenue from these contracts to assess the reasonableness of the revenue recognized by the Group.

## Goodwill Asset Impairment

As at December 31, 2020, the Group has \$261 million of goodwill. Management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill. When performing impairment tests, the Group estimates the recoverable amount of the cash generating units (“CGUs”) to which goodwill have been allocated using a discounted cash flow model to estimate the fair value less costs to sell. The Group discloses significant judgments, estimates and assumptions and the result of its analysis in respect of impairment in Note 19 to the consolidated financial statements.

Significant assumptions included cash flow projections, revenue growth rate, EBITDA margins, perpetual growth rates, and business specific discount rates, which are affected by expectations about future market and economic conditions including impacts of the global pandemic (COVID-19).

Based on our knowledge of the Group’s businesses and considering the performance of the different CGUs, we identify CGUs with significant goodwill balances, specific risk factors, and lower excess headroom in recoverable value compared to net book value of the related CGUs.

This matter was identified as a key audit matter in respect of the Canada RVA and North America Cost CGUs due to the significant estimation uncertainty and judgment applied by management in determining the recoverable amount, primarily due to the sensitivity of the significant assumptions described above to the future cash flows and the effect that changes in these assumptions would have on the recoverable amount of these CGUs.

To test the estimated recoverable amount of the Canada RVA and North America Cost CGUs, our audit procedures included, among others:

- Assessing methodologies and the significant assumptions discussed above and underlying data used by the Group in its analysis with the assistance of our valuation specialists.
- We assessed the selection and application of the discount rate by evaluating the inputs and mathematical accuracy of the calculation.
- We assessed the historical accuracy of management’s estimates on cash flow projections, revenue growth rate and earnings margins by comparing management’s past projections to actual and historical performance. We also compared the revenue growth rate to current industry, market and economic trends.
- We performed sensitivity analysis on significant assumptions, including EBITDA margins and discount rate, to evaluate impact on the recoverable amount of the Canada RVA and North America Cost CGUs that would result from changes in the assumptions.
- We also assessed the adequacy of the Group’s disclosures included in Note 19 of the accompanying consolidated financial statements in relation to this matter.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Mark Vrooman, CPA, CA.

Toronto, Canada  
February 24, 2021

*"Ernst & Young LLP"*  
Chartered Professional Accountants  
Licensed Public Accountants

## Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2020 and 2019

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

	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019 <sup>(1)</sup>
<b>Revenues</b>	7	\$ 561,156	\$ 525,717
<b>Expenses</b>			
Employee compensation	8	354,951	329,092
Occupancy	16	7,591	7,288
Office and other operating		102,193	101,893
Depreciation of right-of-use assets	16	11,210	12,316
Depreciation of property, plant and equipment	17	5,620	5,854
Amortization of intangibles	18	24,784	29,533
Acquisition and related transition costs (income)	6	(887)	188
Share of (profit) loss of joint venture	15	(459)	-
Restructuring costs (recovery)	20	11,984	(296)
(Gain) loss on investments	14	(21)	(276)
Finance costs (income), net - leases	9, 16	2,494	2,711
Finance costs (income), net - other	9	4,138	6,567
<b>Profit (loss) from continuing operations before income taxes</b>		<b>37,558</b>	<b>30,847</b>
Income tax expense (recovery)	10	10,549	6,956
<b>Profit (loss) for the year from continuing operations</b>		<b>\$ 27,009</b>	<b>\$ 23,891</b>
Profit (loss) for the year from discontinued operations	11	(5,576)	(5,697)
<b>Profit (loss) for the year attributable to shareholders</b>		<b>\$ 21,433</b>	<b>\$ 18,194</b>
<b>Other comprehensive income (loss):</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences	24	1,533	(13,772)
Items that are not reclassified to profit or loss in subsequent periods:			
Change in fair value of FVOCI investments, net of tax	14, 24	(987)	92
<b>Other comprehensive income (loss), net of tax</b>		<b>546</b>	<b>(13,680)</b>
<b>Total comprehensive income (loss) for the year, net of tax, attributable to shareholders</b>		<b>\$ 21,979</b>	<b>\$ 4,514</b>
<b>Earnings (loss) per share attributable to the shareholders of the Company during the year</b>			
Basic earnings (loss) per share:			
Continuing operations	26	\$0.67	\$0.61
Discontinued operations	26	\$(0.14)	\$(0.14)
Diluted earnings (loss) per share:			
Continuing operations	26	\$0.66	\$0.60
Discontinued operations	26	\$(0.14)	\$(0.14)

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

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 7, 11 and 32).

## Consolidated Balance Sheets

### As at December 31, 2020 and 2019

(Expressed in Thousands of Canadian Dollars)

	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 69,637	\$ 60,262
Trade receivables and other	12	193,072	181,955
Income taxes recoverable		3,385	2,403
Derivative financial instruments	13	2,477	1,449
		<b>268,571</b>	<b>246,069</b>
<b>Non-current assets</b>			
Trade receivables and other	12	1,370	3,696
Derivative financial instruments	13	8,800	5,975
Investments	14	10,356	11,481
Investment in joint venture	15	15,309	-
Deferred tax assets	10	19,930	22,163
Right-of-use assets	16	51,690	63,729
Property, plant and equipment	17	20,376	29,037
Intangibles	18	77,928	92,595
Goodwill	19	261,070	260,380
		<b>466,829</b>	<b>489,056</b>
<b>Total Assets</b>		<b>\$ 735,400</b>	<b>\$ 735,125</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and other	20	\$ 140,294	\$ 128,566
Income taxes payable		1,190	4,548
Lease liabilities	16	11,700	12,564
Borrowings	21	-	137,929
		<b>153,184</b>	<b>283,607</b>
<b>Non-current liabilities</b>			
Trade payables and other	20	17,206	16,197
Lease liabilities	16	51,883	63,419
Borrowings	21	122,432	334
Deferred tax liabilities	10	7,246	11,916
		<b>198,767</b>	<b>91,866</b>
<b>Total Liabilities</b>		<b>351,951</b>	<b>375,473</b>
<b>Shareholders' Equity</b>			
Share capital	22	529,866	509,646
Contributed surplus	23	30,428	24,447
Accumulated other comprehensive income (loss)	24	40,791	40,245
Retained earnings (deficit)		(217,636)	(214,686)
<b>Total Shareholders' Equity</b>		<b>383,449</b>	<b>359,652</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 735,400</b>	<b>\$ 735,125</b>

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

Commitments and Contingencies (Note 30)

Approved on behalf of the Board of Directors

"Raymond Mikulich"

Raymond Mikulich

"Janet Woodruff"

Janet Woodruff

## Consolidated Statements of Changes in Equity For the Years Ended December 31, 2020 and 2019 (Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
<b>As at January 1, 2019</b>		\$ 491,542	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426
Profit (loss) for the year		-	-	-	18,194	18,194
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	(13,772)	-	(13,772)
Change in fair value of FVOCI investments		-	-	92	-	92
<b>Total comprehensive income (loss) for the year</b>		-	-	(13,680)	18,194	4,514
Transfer of loss on disposal of FVOCI investments		-	-	(633)	633	-
Transactions with owners:						
Dividends declared		-	-	-	(23,957)	(23,957)
Share-based compensation		-	9,839	-	-	9,839
Dividend Reinvestment Plan		4,624	-	-	-	4,624
Shares issued on exercise of options		8,166	(1,289)	-	-	6,877
Shares issued on acquisitions		4,282	-	-	-	4,282
Shares issued for share-based compensation		5,243	(2,891)	-	-	2,352
Treasury shares reserved for share-based compensation		(7,705)	-	-	-	(7,705)
Release of treasury shares		3,494	(3,001)	-	-	493
Gain (loss) on sale of RSs and shares held in escrow		-	(93)	-	-	(93)
		18,104	2,565	(633)	(23,324)	(3,288)
<b>As at December 31, 2019</b>		\$ 509,646	\$ 24,447	\$ 40,245	\$ (214,686)	\$ 359,652
<b>As at January 1, 2020</b>		\$ 509,646	\$ 24,447	\$ 40,245	\$ (214,686)	\$ 359,652
Profit (loss) for the year		-	-	-	21,433	21,433
Other comprehensive income (loss), net of tax:						
Currency translation differences	24	-	-	1,533	-	1,533
Change in fair value of FVOCI investments	24	-	-	(987)	-	(987)
<b>Total comprehensive income (loss) for the year</b>		-	-	546	21,433	21,979
Transactions with owners:						
Dividends declared	27	-	-	-	(24,383)	(24,383)
Share-based compensation	23, 25	-	15,398	-	-	15,398
Dividend Reinvestment Plan	22	2,429	-	-	-	2,429
Shares issued on exercise of options	22, 23, 25	14,150	(2,162)	-	-	11,988
Shares issued for share-based compensation	22, 23, 25	6,984	(2,098)	-	-	4,886
Treasury shares reserved for share-based compensation	22, 25	(8,923)	-	-	-	(8,923)
Release of treasury shares	22, 23, 25	5,580	(5,144)	-	-	436
Gain (loss) on sale of RSs and shares held in escrow	23	-	(13)	-	-	(13)
		20,220	5,981	-	(24,383)	1,818
<b>As at December 31, 2020</b>		\$ 529,866	\$ 30,428	\$ 40,791	\$ (217,636)	\$ 383,449

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

## Consolidated Statements of Cash Flows For the Years Ended December 31, 2020 and 2019 (Expressed in Thousands of Canadian Dollars)

	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
<b>Cash flows from operating activities</b>			
Profit (loss) from continuing operations before income taxes		\$ 37,558	\$ 30,847
Profit (loss) from discontinued operations before income taxes	11	(5,576)	(5,697)
Profit (loss) before income taxes		\$ 31,982	\$ 25,150
Adjustments for:			
Depreciation of right-of-use assets	16	11,262	13,440
Depreciation of property, plant and equipment	17	5,731	7,838
Amortization of intangibles	18	24,785	29,995
Finance costs (income), net - leases	9	2,559	2,885
Finance costs (income), net - other	9	4,123	6,567
Share-based compensation	23, 25	15,398	9,839
Unrealized foreign exchange (gain) loss		165	994
(Gain) loss on investments	14	(21)	(276)
(Gain) loss on disposal of property, plant and equipment and intangibles		518	274
(Gain) loss on equity derivatives and interest rate swaps	13	(3,991)	(6,837)
Share of (profit) loss of joint venture	15	(459)	-
Impairment charge - leases		36	69
Impairment charge - goodwill	11, 19	-	6,400
Fair value loss (gain) on net assets directly associated with discontinued operations	11	5,163	-
(Gain) loss on sale of the discontinued operations	11	(483)	-
Net changes in operating working capital		(1,910)	(23,110)
Net cash generated by (used in) operations		94,858	73,228
Less: interest paid on borrowings		(3,547)	(5,045)
Less: interest paid on leases		(2,559)	(2,885)
Less: income taxes paid		(19,051)	(15,454)
Add: income taxes refunded		2,599	2,581
<b>Net cash provided by (used in) operating activities</b>		<b>72,300</b>	<b>52,425</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	22, 23, 25	11,988	6,877
Financing fees paid		(723)	-
Proceeds from borrowings	21	38,135	21,600
Repayment of borrowings	21	(53,265)	(12,872)
Payments of principal on lease liabilities	16	(11,960)	(11,844)
Dividends paid	27	(21,859)	(19,199)
Treasury shares purchased under the Restricted Share Plan	22, 25	(3,614)	(5,353)
<b>Net cash provided by (used in) financing activities</b>		<b>(41,298)</b>	<b>(20,791)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	14	(365)	(708)
Cash contribution to investment in joint venture	11	(3,794)	-
Purchase of intangibles	18	(770)	(155)
Purchase of property, plant and equipment	17	(3,580)	(5,786)
Proceeds from disposal of property, plant and equipment and intangibles		96	147
Proceeds from disposal of investment	14	-	549
Acquisitions, net of cash acquired	6	(12,490)	(12,477)
<b>Net cash provided by (used in) investing activities</b>		<b>(20,903)</b>	<b>(18,430)</b>
Effect of foreign currency translation		(724)	(1,680)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>9,375</b>	<b>11,524</b>
Cash and cash equivalents, beginning of year		60,262	48,738
<b>Cash and cash equivalents, end of year</b>		<b>\$ 69,637</b>	<b>\$ 60,262</b>

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



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 1. Business and Structure

Altus Group Limited (the “Company”) is a leading provider of software, data solutions and independent advisory services to the global commercial real estate (“CRE”) industry. The Company’s businesses, Altus Analytics and Commercial Real Estate Consulting, reflect decades of experience, a range of expertise, and technology-enabled capabilities. The Company’s solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, the Company has approximately 2,200 employees around the world, with operations in North America, Europe and Asia Pacific. The Company’s clients include many of the world’s largest CRE industry participants.

During the year, the Company conducted its business through three business units: Altus Analytics, Commercial Real Estate Consulting and Geomatics. Effective June 27, 2020, the Company combined its Geomatics business segment with WSP Global Inc.’s (“WSP”) respective geomatics business unit. The combined entity launched as GeoVerra Inc. (“GeoVerra”), forming a Canadian geomatics firm with offices and employees in Western Canada and Ontario, with the Company receiving a 49.5% equity interest and 50% of the voting rights (Note 15). Accordingly, Geomatics is presented as discontinued operations (Note 11). The Company continues to conduct its business through its two remaining business units: Altus Analytics and Commercial Real Estate Consulting.

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

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

### 2. Basis of Preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, except for the revaluation of certain financial assets and financial liabilities, including investments, derivatives, and debt and equity instruments and contingent consideration that have been measured at fair value.

Changes to significant accounting policies and estimates are described in Note 4.

These consolidated financial statements were approved by the Board of Directors for issue on February 24, 2021.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### **Consolidation**

##### *Subsidiaries*

Investments in other entities where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, are considered subsidiaries. Subsidiaries are fully consolidated from the date at which control is determined to have occurred and are de-consolidated from the date that the Company no longer controls the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances are eliminated.

The Company uses the acquisition method of accounting to account for business combinations, when control is acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

#### **Joint Venture**

Joint ventures are joint arrangements over which the Company has 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. The Company's investment in its joint venture, GeoVerra, was initially recognized at fair value and is accounted for using the equity method.

The Company's share of (profit) loss of joint venture subsequent to the initial combination is recognized in profit or loss, and its 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 the Company's investment in joint venture.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

Unrealized gains on transactions between the Company and its joint venture are eliminated to the extent of the Company's 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 its joint venture are consistent with the Company's accounting policies.

The Company reviews its investment in 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 the Company's investment in 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.

#### Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Operating segments are aggregated when the criteria in IFRS 8, *Operating Segments*, are met. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

#### Discontinued Operations

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

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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars (\$), which is the Company's functional and presentation currency. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each respective entity operates.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss within office and other operating expenses.

The results and financial position of the Company's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income (loss) within currency translation differences.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of the balance sheet.

#### Leases

##### *Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

The Company's right-of-use assets are depreciated over the following:

Property	1 - 10 years
Equipment	1 - 4 years

Right-of-use assets are also subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if applicable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as occupancy expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below \$5). Payments on such leases are recognized as occupancy expense on a straight-line basis over the lease term.

#### **Current and Deferred Income Taxes**

The tax expense for the year consists of current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity, in which case the tax is recognized accordingly.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax filings in different jurisdictions with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets are recognized only to the extent that it is probable that the assets can be recovered. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company applies judgment in identifying and assessing uncertainties over income tax treatments, including those relating to transfer pricing and other tax deductions. The Company recognizes tax treatments (including those of its subsidiaries) to the extent that it is probable that it will be accepted by the applicable taxation authorities.

Tax assets and liabilities are offset when there is a legally enforceable right to offset and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### Investment Tax Credits

Investment tax credits, arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation, are recorded as a reduction of employee compensation expense when there is reasonable assurance of their ultimate realization.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Employee Benefits

##### *Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the date at which the Company can no longer withdraw the offer of these benefits, and, in the case of restructuring, the date at which the Company has recognized costs for a restructuring within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

##### *Profit-sharing and bonus plans*

The Company recognizes the expense and related liability for bonuses and profit-sharing awards over the service period where contractually obliged or when there is a past practice that has created a constructive obligation, which can be reliably measured.

#### Revenue Recognition

Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration to which the Company expects to receive in exchange for those goods or services. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time.

Payment terms vary by contract type; however, terms are typically 30 to 60 days.

Unbilled revenue on customer contracts, contract assets under IFRS 15, *Revenue from Contracts with Customers*, relates to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional. Customer deposits included in trade payables and other, and deferred revenue, contract liabilities under IFRS 15, relate to payments received or due in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts.

Costs to obtain customer contracts represent commissions incurred and would not otherwise have been incurred if the contracts had not been obtained. These costs are incremental and capitalized when the Company expects to recover these costs under each respective customer contract. The asset is amortized over the term of the specific contract it relates to, consistent with the associated pattern of revenue recognition, and is recorded in employee compensation expenses. As a practical expedient, incremental costs of obtaining a contract have been expensed when incurred if the related term is one year or less.



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### *Services*

The Company provides services on a time and materials basis, fixed fee basis or contingency basis. Services are offered by all segments of the Company.

Performance obligations for services on a time and materials or fixed fee basis are typically satisfied over time as services are rendered. In contracts where the Company is not entitled to payment until specific performance obligations are satisfied, revenue is recognized at the time the services are delivered. At contract inception, the Company expects that the period between when the Company transfers control of a promised service to a customer and when the customer pays for that service will be one year or less. As such, the Company applies the practical expedient of not adjusting the consideration for such services for the effects of a significant financing component.

Revenue is recognized based on the extent of progress towards completion of performance obligations, on a project-by-project basis. The method used to measure progress depends on the nature of the services. Revenue is recognized on the basis of time and materials incurred to date relative to the total budgeted inputs. The output method on the basis of milestones is used when the contractual terms align the Company's performance with measurements of value to the customer. Revenue is recognized for services performed to date based on contracted rates and/or milestones that correspond to the consideration that the Company is entitled to invoice.

Performance obligations for contingency arrangements are satisfied at a point in time upon completion of the services. The consideration for such arrangements is performance-based and variable. The estimated variable consideration included in the transaction price considers the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved. This is reassessed at the end of each reporting period.

Service contracts are generally billed subsequent to revenue recognition and result in contract assets. In some contracts, customer deposits render contract liabilities to the extent that they exceed the contract assets, on a project-by-project basis.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### *Software and data products*

The Company's Altus Analytics business offers customers licenses for on-premise software that provide the customer with a right to use the software as it exists when the license is granted to the customer. Customers may purchase perpetual licenses or subscription licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premise licenses is recognized upfront at the point in time when the software is delivered to the customer. Perpetual licenses are initially sold with one year of ongoing maintenance and the option to renew thereafter. Support services are sold with subscriptions in all cases. Revenue allocated to ongoing maintenance or support services is recognized ratably over the term of the contract. The standard warranty period is 30 days and it is not considered to be a distinct performance obligation. Contracts related to perpetual licenses and ongoing maintenance are billed upfront and prior to revenue recognition, which generally results in the initial recognition of a contract liability. Contracts related to licenses sold on a subscription basis and support services will vary depending on the contractual terms.

Access to hosted and cloud software and data products over a specified contract term is provided on either a subscription or usage basis. Revenue for software and data products provided on a subscription basis is recognized ratably over the contract term, and contracts are billed upfront and prior to revenue recognition, which generally results in contract liabilities. Revenue for software products provided on a usage basis, such as the quantity of transactions processed or assets on the Company's platform, is recognized based on the customer utilization of such services. Such contracts are billed subsequent to revenue recognition, which generally results in contract assets.

#### **Financial Assets and Liabilities**

##### *Financial assets*

The Company classifies its financial assets as amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

The Company classifies cash and cash equivalents, and trade receivables at amortized cost as the contractual cash flows are solely payments of principal and interest and the asset is held within a business model with the objective of holding and collecting the contractual cash flows. Cash and cash equivalents are deposits held with reputable financial institutions that pose minimal credit risk. The deposits are repayable on demand and interest, if any, is paid at a fixed or floating market rate.

The Company classifies its equity investments that are not held for trading at FVOCI as the Company has made an irrevocable election at initial recognition to recognize changes in FVOCI rather than FVPL as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

The Company classifies its debt investments at FVOCI where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Company classifies its investments in partnerships and derivative financial instruments at FVPL.

#### *Financial liabilities*

The Company classifies its financial liabilities as subsequently measured at amortized cost except for those at FVPL, such as derivative financial instruments and contingent consideration payables. Financial liabilities measured at FVPL recognize changes in fair value attributable to the Company's own credit risk in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

#### *Impairment*

The Company assesses financial assets for impairment on a forward-looking basis, with the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires lifetime expected credit losses to be recognized from initial recognition of the financial assets, and re-assesses at each reporting period. The Company utilizes a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to customers and the economic environment.

The Company includes the effect of losses and recoveries due to expected credit losses through office and other operating expenses.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the financial assets and settle the financial liabilities simultaneously.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank balances and short-term, highly liquid investments, which generally have original maturities of three months or less at the time of acquisition, and that are subject to an insignificant risk of changes in value.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Derivative Financial Instruments and Hedging Activities

The Company enters into equity derivatives to manage its exposure to changes in the fair value of its RSUs and DSUs issued under their respective plans due to changes in the fair value of the Company's common shares. The Company also periodically enters into interest rate swap agreements for the purposes of managing interest rate exposure and into currency forward contracts to manage its foreign exchange exposures. Derivatives are not for trading or speculative purposes.

Derivatives are initially recognized at fair value when a derivative contract is entered into and are subsequently remeasured at their fair value. Depending on the nature of the derivative, changes in fair value are recognized within finance costs (income), net - other, office and other operating expenses, or employee compensation expense.

#### Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Costs incurred with respect to a specific asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is written off. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated over the useful life of the assets using the diminishing balance method as follows:

Furniture, fixtures and equipment	20 - 35%
Computer equipment	30%

Leasehold improvements are depreciated on a straight-line basis over the shorter of the respective lease term and useful life.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals of property, plant and equipment are determined by comparing the net proceeds with the carrying amount and recognized in office and other operating expenses.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Intangibles

Intangible assets consist of: software, non-compete agreements, and certain identifiable intangible assets acquired through the Company's business acquisitions such as brands, customer backlog, and customer lists.

The Altus Group and ARGUS brands are intangibles with an indefinite life and are not amortized. Intangibles acquired as part of a business combination are recognized at fair value at the acquisition date and carried at cost less accumulated amortization subsequent to acquisition. Software is recorded at cost less accumulated amortization.

Intangibles with a finite life are amortized over the useful life of the assets using the straight-line or diminishing balance method as follows:

Brands of acquired businesses	1 - 5 years straight-line
Computer application software	30% diminishing balance
Custom software applications	2 - 5 years straight-line
Internally generated software	2 - 7 years straight-line
Customer backlog	straight-line over remaining life of contracts
Customer lists	5 - 10 years straight-line
Databases	2 - 4 years straight-line
Non-compete agreements	straight-line over life of agreements

Costs associated with maintaining computer software applications or incurred during the research phase are recognized as an expense as incurred. Development costs that are directly attributable to the design, build and testing of identifiable and unique software applications controlled by the Company are recognized as intangibles when the following criteria are met:

- it is technically feasible to complete the software application so that it will be available for use or sale;
- management intends to complete the software application and either use or sell it;
- there is an ability to use or sell the software application;
- it can be demonstrated how the software application will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software application are available; and
- the expenditure attributable to the software application during its development can be reliably measured.

Development costs that do not meet these criteria are recognized as an expense as incurred.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Impairment of Non-financial Assets

Goodwill and intangibles that have an indefinite useful life are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows. Non-financial assets other than goodwill are reviewed for possible reversal of impairment at each reporting date.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups 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 CGUs for which it is monitored by the Company. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the disposed entity.

#### Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost with any difference between the proceeds, net of transaction costs, and the redemption value recognized in finance costs (income), net - other over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities if the payment is due within one year or less. If the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period, or any payments are due after more than one year, these are classified as non-current liabilities.

#### Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The difference between the nominal amount of the provision and the discounted amount is amortized as a finance cost and correspondingly increases the carrying amount of the provision over the period to settlement.

#### Share-based Compensation

The Company operates a number of share-based compensation plans as follows:

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

The Company's Executive Compensation Plan is comprised of two elements: a common share option plan ("Share Option Plan") and an equity compensation plan (the "Equity Compensation Plan"). These are both equity-settled compensation arrangements.

In March 2017, a long-term equity incentive plan ("Long-Term Equity Incentive Plan") was established to simplify and replace the Executive Compensation Plan as a means of compensating designated employees of the Company for services provided and promoting share ownership and alignment with the shareholders' interests. This plan contains comprehensive and consistent provisions to govern subsequent awards, including share options, Performance Share Units ("PSUs") and share-based equity awards.

##### *Options granted under the Executive Compensation Plan and Long-Term Equity Incentive Plan*

Share options issued under both plans have a maximum term of 72 months to expiry, generally vest annually over a three-to-four-year period from the date of grant, and are exercisable at the designated common share price, which is calculated as the volume weighted average closing price of the Company's common shares on the TSX for the five business days immediately preceding the grant date. Except in specific defined circumstances, options and all rights to purchase common shares are forfeited by an employee upon ceasing to be an employee of the Company.

The Company recognizes the fair value of options on the grant date using the Black-Scholes option pricing model as employee compensation expense with a corresponding credit to contributed surplus over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. On the exercise of options to purchase common shares, the consideration paid by the employee and the associated amount of contributed surplus are credited to share capital within shareholders' equity.



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

At the end of each reporting period, the Company re-assesses its estimate of the number of options that are expected to vest and recognizes the impact of any revisions within employee compensation expense.

#### *Other awards granted under the Equity Compensation Plan and Long-Term Equity Incentive Plan*

Under the Equity Compensation Plan, the Company was entitled at its sole discretion to issue each participant a portion of his or her annual discretionary bonus in common shares and/or PSUs. Under the Long-Term Equity Incentive Plan, the Company is entitled at its sole discretion to issue each participant a portion of his or her annual discretionary bonus in common shares and/or PSUs. Common shares and PSUs granted under both plans are subject to certain vesting conditions and generally vest over a three-or-four-year period from the date of grant. The number of such common shares granted are initially determined as an amount equal to the amount of annual discretionary bonus allocated divided by the volume weighted average closing price of the Company's common shares on the TSX for the five business days ending on the day prior to issuance. The PSUs granted under both plans can be settled at the Company's discretion in cash, common shares, or a combination of both. Except in specific defined circumstances, common shares and PSUs are forfeited by an employee upon ceasing to be an employee of the Company.

The number of PSUs that vest under the Equity Compensation Plan may range from 50% to 150% based on the Company's total shareholder return ("TSR") relative to a set peer group's average TSR, according to the percentages below, subject to the recipient fulfilling the service condition:

- 20% on December 31 of each year for a period of three years; and
- 40% at the end of the three-year period.

The number of PSUs that vest under the Long-Term Equity Incentive Plan may range from 0% to 200% based on the Company's TSR relative to a set peer group's average TSR, according to the percentages below, subject to the recipient fulfilling the service condition:

- 20% on December 31 of each year for a period of three years; and
- 40% at the end of the three-year period.

As the Company typically settles these awards in common shares, the Company recognizes the fair value of the award when granted using the Monte Carlo valuation method as employee compensation expense with a corresponding credit to contributed surplus over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. When common shares are issued to settle the obligation, the amount previously recorded in contributed surplus is transferred to share capital within shareholders' equity.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

At the end of each reporting period, the Company re-assesses its estimate of the number of awards that are expected to vest and recognizes the impact of any revisions within employee compensation expense.

#### *(ii) Deferred Compensation Plans*

The Company established Deferred Compensation Plans that are structured as a restricted share plan ("RS Plan") in Canada and as a restricted share unit plan ("RSU Plan") outside of Canada. Annual grants of restricted shares ("RSs") or restricted share units ("RSUs") form part of the total annual discretionary bonus awarded based on the Company exceeding certain annual performance targets, which typically consists of an annual cash bonus of 60-80% and a RS or RSU award of 20-40%. On occasion, RSs or RSUs may be granted to certain employees upon acceptance of employment, subject to certain restrictions similar to those applicable for annual grants.

If annual performance targets are met, RSs and RSUs are awarded within three months of the performance year and will not be available to the employee until three years following the grant date. After three years from the date of grant, the RSs and RSUs will be released, provided, subject to certain exceptions such as retirement, disability or death, and that the individual is employed with the Company at the time of release. Participants are entitled to receive cash dividends or notional distributions that are paid on common shares, respectively. If an employee resigns from the Company or is terminated for cause, all RSs and RSUs that have not yet been released from the three-year restriction period will be forfeited.

With respect to RSs that are equity-settled, the Company contributes funds to purchase common shares in the open market (through the facilities of the TSX or by private agreement) and are held by the Company as treasury shares until they vest. This amount is shown as a reduction in the carrying value of the Company's common shares. The Company recognizes the fair value of the award when granted as employee compensation expense with a corresponding credit to contributed surplus over a 17-quarter period beginning in the year in which performance commences and ending on the vesting date. As RSs are released, the portion of the contributed surplus relating to the RSs is credited to share capital within shareholders' equity.

With respect to RSUs that are cash-settled, the Company recognizes the fair value of the award when granted as employee compensation expense with a corresponding credit to trade payables and other over a 17-quarter period beginning in the year in which performance commences and ending on the vesting date. Changes in the liability subsequent to the grant date and prior to settlement due to changes in fair value of the Company's common shares are recorded as employee compensation expense in the period incurred.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### *(iii) Deferred Share Unit Plans*

##### *Directors' Deferred Share Unit Plan*

The Company has a Directors' Deferred Share Unit Plan ("Directors' DSU Plan") under which members of the Company's non-executive Board of Directors elect annually to receive all or a portion of their annual retainers and fees in the form of deferred share units ("Directors' DSUs"). The Directors' DSUs vest on the grant date and are settled in cash upon termination of Board service. Participants are also entitled to receive notional distributions in additional Directors' DSUs equal to dividends that are paid on common shares. These additional Directors' DSUs immediately vest on the grant date.

For each Directors' DSU granted, the Company recognizes the market value of the Company's common shares on the grant date as employee compensation expense with a corresponding credit to trade payables and other. Changes in the liability subsequently due to changes in fair value of the Company's common shares are recorded as employee compensation expense in the period incurred.

##### *CEO Deferred Share Unit Plan*

The Company has a CEO Deferred Share Unit Plan ("CEO DSU Plan") under which the CEO receives compensation in the form of deferred share units ("CEO DSUs"). The CEO DSUs vest on the third anniversary of the grant date and are settled in cash upon termination of employment. The CEO is also entitled to receive notional distributions in additional CEO DSUs equal to dividends that are paid on common shares. These additional CEO DSUs will, up to the vesting date, vest on the vesting date, and after the vesting date, will vest on the grant date. If the CEO resigns from the Company or is terminated for cause, all CEO DSUs that have not yet vested will be forfeited.

The Company recognizes the fair value of the initial award as employment compensation expense with a corresponding credit to trade payables and other over a three year period. For the grant of CEO DSUs in respect of notional distributions, the Company recognizes the market value of the Company's common shares on the grant date as employee compensation expense with a corresponding credit to trade payables and other. Changes in the liability subsequently due to changes in fair value of the Company's common shares are recorded as employee compensation expense in the period incurred.

The Directors' DSU Plan and the CEO DSU Plan will herein be referred to as "DSU Plans".

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 3. Summary of Significant Accounting Policies, cont'd

#### Share Capital

Common shares issued by the Company are classified as equity.

Incremental costs directly attributable to the issuance of common shares are shown in equity as a deduction, net of tax, from the proceeds.

When the Company purchases its own share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such common shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

#### Dividends

Dividends to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are declared by the Company's Board of Directors.

#### Government Grants

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

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

#### Adoption of Recent Accounting Pronouncements

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

In May 2020, the 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 the consolidated financial statements.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

#### *Amendments to IFRS 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 the consolidated financial statements. The Company will continue to assess the impact of this standard on a case-by-case basis upon future acquisitions performed but does not anticipate a material impact due to the nature and structure of its historical acquisitions.

#### *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 the Company's 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 the consolidated financial statements.

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

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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

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 the consolidated financial statements.

#### Future Accounting Pronouncements

The Company has not early adopted any 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 the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

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 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

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

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

The new guidance 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. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 5. Critical Accounting Estimates and Judgments

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

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The continued spread of this contagious disease outbreak and related public health developments have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn and to legislative and regulatory changes that have impacted the Company's business and operations. The duration and magnitude of the impact of the outbreak and its potential adverse effects on the Company's business or results of operations continue to be uncertain and will depend on future developments. Judgments made in these consolidated 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 its accounting policies.

#### *Revenue Recognition and Determination and Allocation of the Transaction Price*

The Company estimates variable consideration for contingency arrangements on a project-by-project basis. Variable consideration is constrained 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 assessment or the expected cost plus a margin approach is applied. The determination of the standalone selling prices requires significant judgment.



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

#### *Impairment of Trade Receivables and Contract Assets*

The impairment provisions for trade receivables and contract assets disclosed in Notes 12 and 28 determined under IFRS 9 are based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's 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*

The Company tests at least annually whether goodwill is subject to any impairment in accordance with the accounting policy stated in Note 3. 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.

#### *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 management's 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 management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. Refer to Notes 20 and 28 for the carrying value of contingent consideration payable.

#### *Income Taxes*

The Company is 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. Refer to Note 10 for the income tax movements.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 6. Acquisitions

#### Acquisition in 2020

##### *Acquisition of Property Tax Assistance Company Inc.*

On December 1, 2020, the Company acquired certain operating assets of Property Tax Assistance Company Inc. ("PTA") for USD10,125 (CAD13,139) in cash, subject to closing working capital adjustments of USD2,203 (CAD2,859). As part of the transaction, the Company entered into non-compete agreements with key members of management of PTA. On closing, the Company paid cash of USD9,625 (CAD12,490). In addition, the Company granted common shares of USD3,375 (CAD4,376) 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 with the Company 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.

For accounting purposes, the common shares granted are held as treasury shares. As these common shares vest, the fair value of the award will be recognized as employee compensation expense with a corresponding amount recognized in contributed surplus. When these common shares are released, the amounts recognized in contributed surplus will be transferred to share capital within shareholders' equity.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 6. Acquisitions, cont'd

The purchase price allocation, subject to finalization, is based on management's best estimate of fair value, and at the acquisition date is as follows:

	December 1, 2020	
		PTA
<b>Acquisition-related costs</b> (included in acquisition and related transition costs (income) in the consolidated statements of comprehensive income (loss))	\$	219
<b>Consideration:</b>		
Cash	\$	15,998
Less: consideration transferred for non-compete agreements		(1,019)
<b>Consideration transferred for acquired business</b>		<b>14,979</b>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>		
Trade receivables and other		4,511
Trade payables and other		(30)
Right-of-use assets		489
Intangibles		7,907
Lease liabilities		(489)
<b>Total identifiable net assets of acquired business</b>		<b>12,388</b>
Goodwill	\$	2,591
Goodwill and intangibles deductible for tax purposes	\$	11,517

Goodwill arising from the acquisition relates to expected synergies with the existing businesses and the opportunities to strengthen and complement offerings with greater breadth and depth to both existing and acquired clients.

Intangibles acquired are as follows:

	December 1, 2020	
		PTA
<b>Finite life assets</b>		
Non-compete agreements	\$	1,019
Customer lists		2,006
Customer backlog		5,901
	\$	<b>8,926</b>

Revenues and profit (loss) for PTA for the period from December 1, 2020 to December 31, 2020 included in the consolidated statements of comprehensive income (loss) are \$261 and \$(476), respectively.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 6. Acquisitions, cont'd

#### Acquisitions in 2019

##### *Acquisition of One11 Advisors, LLC*

On July 1, 2019, the Company acquired all the issued and outstanding shares of One11 Advisors, LLC ("One11") and its subsidiaries for USD11,000 (CAD14,395) in cash and common shares, subject to closing working capital adjustments of USD629 (CAD823). As part of the transaction, the Company entered into non-compete agreements with key members of management of One11. On closing, the Company paid cash of USD7,700 (CAD10,077). The common shares USD3,300 (CAD4,318) 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.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

##### *Acquisition of Caruthers & Associates, Inc.*

On July 1, 2019, the Company acquired certain operating assets of Caruthers & Associates, Inc. ("Caruthers") for USD4,000 (CAD5,235) in cash, common shares and contingent consideration, subject to working capital adjustments of USD119 (CAD156). As part of the transaction, the Company entered into a non-compete agreement with a key member of management of Caruthers. As consideration for these assets on closing, the Company paid cash of USD2,000 (CAD2,617) and common shares of USD1,000 (CAD1,309). 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 USD1,000 (CAD1,309), 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 common shares. Caruthers is a U.S.-based property tax consulting firm. Its team of seven employees based out of Memphis has been integrated with the Company's U.S. Property Tax business, expanding its geographic footprint in tax services in the U.S.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

## Notes to Consolidated Financial Statements

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

### 6. Acquisitions, cont'd

The purchase price allocation is based on management's best estimate of fair value, and at the acquisition date is as follows:

	July 1, 2019		
	One11	Caruthers	Total
<b>Acquisition-related costs</b> (included in acquisition and related transition costs (income) in the consolidated statements of comprehensive income (loss))	\$ 154	\$ 123	\$ 277
<b>Consideration:</b>			
Cash	\$ 10,900	\$ 2,773	\$ 13,673
Common shares	4,318	1,309	5,627
Contingent consideration	-	1,309	1,309
	15,218	5,391	20,609
Less: discount on common shares	(1,083)	(262)	(1,345)
Less: discount on contingent consideration	-	(151)	(151)
	14,135	4,978	19,113
Less: consideration transferred for non-compete agreements	(1,552)	(363)	(1,915)
<b>Consideration transferred for acquired businesses</b>	12,583	4,615	17,198
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>			
Cash and cash equivalents	1,040	-	1,040
Trade receivables and other	3,442	417	3,859
Income taxes recoverable	123	-	123
Trade payables and other	(2,928)	(111)	(3,039)
Intangibles	6,367	2,745	9,112
<b>Total identifiable net assets of acquired businesses</b>	8,044	3,051	11,095
Goodwill	\$ 4,539	\$ 1,564	\$ 6,103
<b>Goodwill and intangibles deductible for tax purposes</b>	\$ 12,458	\$ 4,672	\$ 17,130

Goodwill arising from the acquisitions relate to expected synergies with the existing businesses and the opportunities to strengthen and complement offerings with greater breadth and depth to both existing and acquired clients.

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December 31, 2020 and 2019

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

### 6. Acquisitions, cont'd

Revenues and profit (loss) for One11 for the period from July 1, 2019 to December 31, 2019 included in the consolidated statements of comprehensive income (loss) are \$7,953 and \$211, respectively.

Revenues and profit (loss) for Caruthers for the period from July 1, 2019 to December 31, 2019 included in the consolidated statement of comprehensive income (loss) are \$735 and \$(110), respectively.

Intangibles acquired were as follows:

	July 1, 2019		
	One11	Caruthers	Total
<b>Finite life assets</b>			
Non-compete agreements	\$ 1,552	\$ 363	\$ 1,915
Customer lists	6,190	1,781	7,971
Customer backlog	177	964	1,141
	<b>\$ 7,919</b>	<b>\$ 3,108</b>	<b>\$ 11,027</b>

### 7. Segmented Information

The segmentation reflects the way the CEO allocates resources and assesses performance. The CEO considers the business from a core service perspective. The areas of core service are Altus Analytics and Commercial Real Estate Consulting. As the Company combined its Geomatics business segment with WSP's respective business unit to launch GeoVerra on June 27, 2020, the Geomatics business is no longer considered core and is presented as discontinued operations in these consolidated financial statements (Notes 3, 11 and 32). Accordingly, the results of the Geomatics business are not reflected in the segmented information presented.

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

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

## Notes to Consolidated Financial Statements

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### 7. Segmented Information, cont'd

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

The CEO assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit (loss) from continuing operations before income taxes, adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, finance costs (income), net - other, depreciation of property, plant and equipment and amortization of intangibles, depreciation of right-of-use assets, finance costs (income), net - leases, acquisition and related transition costs (income), unrealized foreign exchange (gains) losses, (gains) losses on disposal of property, plant and equipment and intangibles, share of (profit) loss of joint venture, impairment charges, non-cash share-based compensation costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related RSUs and 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, 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.



## Notes to Consolidated Financial Statements

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

### 7. Segmented Information, cont'd

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

	Year ended December 31, 2020	Year ended December 31, 2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	<b>\$ 98,928</b>	<b>\$ 84,709</b>
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	12,312	12,473
Depreciation of right-of-use assets	(11,210)	(12,316)
Depreciation of property, plant and equipment and amortization of intangibles	(30,404)	(35,387)
Acquisition and related transition (costs) income	887	(188)
Unrealized foreign exchange gain (loss) <sup>(3)</sup>	(165)	(994)
Gain (loss) on disposal of property, plant and equipment and intangibles <sup>(3)</sup>	(457)	(359)
Share of profit (loss) of joint venture	459	-
Non-cash share-based compensation costs <sup>(4)</sup>	(10,261)	(5,638)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(4)</sup>	(471)	1,109
Restructuring (costs) recovery	(11,984)	296
Gain (loss) on investments <sup>(5)</sup>	21	276
Impairment charge - leases	(36)	(69)
Other non-operating and/or non-recurring income (costs) <sup>(6)</sup>	(3,429)	(3,787)
<b>Earnings (loss) from continuing operations before finance costs and income taxes</b>	<b>44,190</b>	<b>40,125</b>
Finance (costs) income, net - leases	(2,494)	(2,711)
Finance (costs) income, net - other	(4,138)	(6,567)
<b>Profit (loss) from continuing operations before income taxes</b>	<b>37,558</b>	<b>30,847</b>
Income tax (expense) recovery	(10,549)	(6,956)
<b>Profit (loss) for the year from continuing operations</b>	<b>\$ 27,009</b>	<b>\$ 23,891</b>
Profit (loss) for the year from discontinued operations	(5,576)	(5,697)
<b>Profit (loss) for the year</b>	<b>\$ 21,433</b>	<b>\$ 18,194</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 11 and 32).

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

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

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

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

<sup>(6)</sup> Other non-operating and/or non-recurring income (costs) for the 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).

## Notes to Consolidated Financial Statements

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

### 7. Segmented Information, cont'd

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

#### Segment Revenues and Expenditures

	Year ended December 31, 2020						
	Altus Analytics	Commercial Real Estate	Consulting	Corporate <sup>(1)</sup>	Eliminations	Total	
		Property Tax	Valuation and Cost Advisory	Total			
Revenues from external customers	\$ 203,235	\$ 245,161	\$ 112,760	\$ 357,921	\$ -	\$ -	\$ 561,156
Inter-segment revenues	472	1	(168)	(167)	-	(305)	-
<b>Total segment revenues</b>	<b>203,707</b>	<b>245,162</b>	<b>112,592</b>	<b>357,754</b>	<b>-</b>	<b>(305)</b>	<b>561,156</b>
<b>Adjusted EBITDA</b>	<b>35,845</b>	<b>76,961</b>	<b>15,127</b>	<b>92,088</b>	<b>(29,005)</b>	<b>-</b>	<b>98,928</b>
Depreciation of right-of-use assets	4,644	3,231	2,792	6,023	543	-	11,210
Depreciation of property, plant and equipment and amortization of intangibles	13,537	13,144	2,189	15,333	1,534	-	30,404
Finance costs (income), net - leases	509	744	617	1,361	624	-	2,494
Finance costs (income), net - other	-	-	-	-	4,138	-	4,138
Income tax expense (recovery)	-	-	-	-	10,549	-	10,549

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

Unsatisfied performance obligations on fixed long-term customer contracts, mainly within Altus Analytics and the Cost Advisory practice, are \$77,861 as of December 31, 2020 (2019 - \$41,161). It is expected that approximately 47% of the fixed customer contract value will be recognized as revenue over the next 12 months, approximately 28% in the year following, and the balance thereafter. This amount excludes contract values that have variable or contingency based arrangements, which account for a significant portion of the revenue recognized in the current year.

## Notes to Consolidated Financial Statements

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### 7. Segmented Information, cont'd

	Year ended December 31, 2019						
	Altus Analytics	Commercial Property Tax	Real Estate and Cost Advisory	Consulting Total	Corporate <sup>(1)(2)</sup>	Eliminations	Total <sup>(2)</sup>
Revenues from external customers	\$ 201,408	\$ 213,483	\$ 110,826	\$ 324,309	\$ -	\$ -	\$ 525,717
Inter-segment revenues	543	-	(177)	(177)	-	(366)	-
<b>Total segment revenues</b>	<b>201,951</b>	<b>213,483</b>	<b>110,649</b>	<b>324,132</b>	<b>-</b>	<b>(366)</b>	<b>525,717</b>
<b>Adjusted EBITDA</b>	<b>36,803</b>	<b>62,746</b>	<b>13,337</b>	<b>76,083</b>	<b>(28,177)</b>	<b>-</b>	<b>84,709</b>
Depreciation of right-of-use assets <sup>(3)</sup>	4,250	3,732	3,228	6,960	1,106	-	12,316
Depreciation of property, plant and equipment and amortization of intangibles	13,199	17,867	2,573	20,440	1,748	-	35,387
Finance costs (income), net - leases <sup>(3)</sup>	820	831	705	1,536	355	-	2,711
Finance costs (income), net - other	-	-	-	-	6,567	-	6,567
Income tax expense (recovery)	-	-	-	-	6,956	-	6,956

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

<sup>(2)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 11 and 32).

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

### Geographic Information - Revenue from External Customers

	Year ended December 31, 2020	Year ended December 31, 2019 <sup>(1)</sup>
Canada	\$ 183,042	\$ 181,513
U.S.	212,807	207,152
Europe	136,161	105,024
Asia Pacific	29,146	32,028
<b>Total</b>	<b>\$ 561,156</b>	<b>\$ 525,717</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 11 and 32).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 8. Employee Compensation

	Year ended December 31, 2020	Year ended December 31, 2019 <sup>(1)</sup>
Salaries and benefits	\$ 340,595	\$ 319,625
Share-based compensation (Note 25)	14,356	9,467
	<b>\$ 354,951</b>	<b>\$ 329,092</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 7, 11 and 32).

During 2020, the Company incurred termination benefits of \$1,408, of which \$1,137 was recorded in office and other operating expense (2019 - \$2,620 and \$1,750, respectively). During 2020, the Company incurred \$750 of additional share-based compensation related to the departure of senior executives, which was recorded in office and other operating expenses (2019 - \$nil).

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

	Year ended December 31, 2020	Year ended December 31, 2019 <sup>(1)</sup>
Interest on bank credit facilities	\$ 3,943	\$ 5,627
Interest on lease liabilities (Note 16)	2,494	2,711
Contingent consideration payables: unwinding of discount (Note 28)	102	467
Provisions: unwinding of discount (Note 20)	34	116
Change in fair value of interest rate swaps	138	505
<b>Finance costs</b>	<b>6,711</b>	<b>9,426</b>
<b>Finance income</b>	<b>(79)</b>	<b>(148)</b>
<b>Finance costs (income), net</b>	<b>\$ 6,632</b>	<b>\$ 9,278</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 7, 11 and 32).

## Notes to Consolidated Financial Statements

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### 10. Income Taxes

	Year ended December 31, 2020		Year ended December 31, 2019	
<b>Current income taxes</b>				
Current income tax on profits for the year	\$	12,372	\$	14,571
Adjustments in respect of prior years		336		(263)
<b>Total current income taxes</b>		<b>12,708</b>		<b>14,308</b>
<b>Deferred income taxes</b>				
Origination and reversal of temporary differences		(2,006)		(7,332)
Adjustments in respect of prior years		(413)		(20)
Change in income tax rates		260		-
<b>Total deferred income taxes</b>		<b>(2,159)</b>		<b>(7,352)</b>
<b>Income tax expense (recovery)</b>	\$	<b>10,549</b>	\$	<b>6,956</b>

The reconciliation between income tax expense and the tax applicable to profits in Canada is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019			
<b>Profit (loss) from continuing operations before income taxes</b>	\$	37,558	\$	30,847		
Profit (loss) from discontinued operations		(5,576)		(5,697)		
<b>Profit (loss) before income taxes</b>	\$	<b>31,982</b>	\$	<b>25,150</b>		
Tax calculated at domestic income tax rate applicable to profits in Canada		8,603	26.90%	6,765	26.90%	
Tax effects of:						
Impact of countries with different income tax rates		(2,245)	(7.02%)	(2,395)	(9.52%)	
Impairment charge		656	2.05%	1,070	4.25%	
Losses and deductible temporary differences for which no deferred tax asset has been recognized		2,764	8.64%	424	1.69%	
Change in income tax rates		259	0.81%	-	-	
Expenses not deductible for income tax purposes		1,525	4.77%	1,564	6.22%	
Other		(1,013)	(3.17%)	(472)	(1.88%)	
<b>Income tax expense (recovery)</b>	\$	<b>10,549</b>	<b>32.98%</b>	\$	<b>6,956</b>	<b>27.66%</b>

## Notes to Consolidated Financial Statements

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### 10. Income Taxes, cont'd

#### Deferred Income Taxes

The gross movement on the deferred income taxes account is as follows:

	Amount
Balance as at January 1, 2019	\$ 3,339
(Charged) credited to profit or loss	7,352
(Charged) credited to other comprehensive income (loss)	(35)
Exchange differences and others	(409)
Balance as at December 31, 2019	10,247
(Charged) credited to profit or loss	2,159
(Charged) credited to other comprehensive income (loss)	745
Exchange differences and others	(467)
<b>Balance as at December 31, 2020</b>	<b>\$ 12,684</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Non-capital Income Tax Losses	Tax Deductible Goodwill	Other	Total
<b>Deferred income tax assets</b>				
Balance as at January 1, 2019	\$ 3,745	\$ 15,702	\$ 12,225	\$ 31,672
(Charged) credited to profit or loss	(825)	532	2,436	2,143
Exchange differences and others	(148)	(706)	(381)	(1,235)
Balance as at December 31, 2019	2,772	15,528	14,280	32,580
(Charged) credited to profit or loss	811	(6,629)	2,343	(3,475)
(Charged) credited to other comprehensive income (loss)	-	-	1,081	1,081
Exchange differences and others	(22)	(212)	35	(199)
<b>Balance as at December 31, 2020</b>	<b>\$ 3,561</b>	<b>\$ 8,687</b>	<b>\$ 17,739</b>	<b>\$ 29,987</b>

## Notes to Consolidated Financial Statements

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### 10. Income Taxes, cont'd

	Accelerated Tax Depreciation	Unbilled Revenue on Customer Contracts	Intangibles	Other	Total
<b>Deferred income tax liabilities</b>					
Balance as at January 1, 2019	\$ (86)	\$ (578)	\$ (27,136)	\$ (533)	\$ (28,333)
(Charged) credited to profit or loss	(112)	338	4,809	174	5,209
(Charged) credited to other comprehensive income (loss)	-	-	-	(35)	(35)
Exchange differences and others	-	-	793	33	826
Balance as at December 31, 2019	(198)	(240)	(21,534)	(361)	(22,333)
(Charged) credited to profit or loss	100	173	4,983	378	5,634
(Charged) credited to other comprehensive income (loss)	-	-	-	(336)	(336)
Exchange differences and others	(5)	(7)	(224)	(32)	(268)
<b>Balance as at December 31, 2020</b>	<b>\$ (103)</b>	<b>\$ (74)</b>	<b>\$ (16,775)</b>	<b>\$ (351)</b>	<b>\$ (17,303)</b>

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on future estimated profits in excess of the profits arising on the reversal of existing taxable temporary differences. Evidence supporting recognition of these deferred income tax assets includes earnings forecasts and the utilization of tax losses in the current year.

As at December 31, 2020, there are recognized net operating loss carryforwards from U.S. acquisitions, which may be applied against taxable income of future years, no later than as follows:

	Amount
2021	\$ 3,416
2022	1,321
2023	1,865
2024	370
	<b>\$ 6,972</b>



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### 10. Income Taxes, cont'd

Net operating losses of \$56,285 in the U.S. were not benefitted on acquisition due to certain limitations. These losses will expire in 2021. In addition, there are unrecognized net operating loss carryforwards in the U.S. of approximately \$1,415 that are available to reduce taxable income of a foreign subsidiary; \$828 of losses expire between 2034 and 2037 and \$587 of losses may be carried forward indefinitely.

In Europe, there are unrecognized loss carryforwards of approximately \$1,938 that may be carried forward indefinitely. Net operating losses of approximately \$6,439 are recognized that may be carried forward indefinitely, which may be applied against taxable income of future years.

The Company has net operating losses of approximately \$1,298 in Asia Pacific that are recognized and may be carried forward indefinitely. It has unrecognized net operating loss carryforwards in Asia Pacific of approximately \$7,142 that are available to reduce taxable income of certain foreign subsidiaries; \$2,886 of losses expire between 2021 and 2028 and \$4,256 of losses may be carried forward indefinitely.

The Company has unrecognized loss carryforwards of approximately \$10,074 in Canada that may be carried forward 20 years. It has deductible temporary differences of approximately \$2,739 in Canada for which no deferred tax asset is recognized.

### 11. Discontinued Operations

On January 21, 2020, the Company announced its intention to combine its Geomatics business segment with WSP's respective geomatics business unit. Effective June 27, 2020, the combined entity launched as GeoVerra Inc., forming a Canadian geomatics firm with employees in offices in Western Canada and Ontario, with the Company receiving a 49.5% equity interest and 50% of the voting rights (Note 15). Accordingly, the comparative consolidated statement of comprehensive income (loss) has been re-presented separately between continuing and discontinued operations. Furthermore, the Geomatics segment is no longer presented in the segmented information (Note 7), and the Company has made an accounting policy choice to present details of net cash flows from discontinued operations in this note to the consolidated financial statements. Unless otherwise specified, all other notes to the consolidated financial statements do not include amounts from discontinued operations.

## Notes to Consolidated Financial Statements

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### 11. Discontinued Operations, cont'd

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
<b>Revenues</b>	\$ 13,962	\$ 41,698
<b>Expenses</b>		
Employee compensation <sup>(1)</sup>	8,295	26,228
Occupancy	331	811
Office and other operating	4,406	10,369
Depreciation of right-of-use assets	52	1,124
Depreciation of property, plant and equipment	111	1,984
Amortization of intangibles	1	462
Restructuring costs (recovery)	1,612	(157)
Finance costs (income), net - leases	65	174
Finance costs (income), net - other	(15)	-
Impairment charge - goodwill	-	6,400
Fair value loss (gain) on net assets directly associated with discontinued operations	5,163	-
(Gain) loss on sale of the discontinued operations	(483)	-
<b>Profit (loss) for the year from discontinued operations</b>	<b>\$ (5,576)</b>	<b>\$ (5,697)</b>

<sup>(1)</sup> During the year ended December 31, 2020, the Geomatics business recorded government grants related to COVID-19 wage subsidies of \$2,571 as a reduction to employee compensation expense.

Following the classification of the Geomatics business segment as discontinued operations on January 21, 2020 to its disposal on June 27, 2020 in exchange for the Company's investment in GeoVerra, fair value losses of \$5,163 were recognized in profit (loss) from discontinued operations during the year to reduce the carrying value of the assets held for sale to the lower of their carrying value or their fair value less costs to sell.

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### 11. Discontinued Operations, cont'd

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

	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by (used in) operating activities	\$ 3,184	\$ 4,062
Net cash provided by (used in) financing activities	(651)	(1,218)
Net cash provided by (used in) investing activities	(4,073)	(1,892)
<b>Cash flows from discontinued operations</b>	<b>\$ (1,540)</b>	<b>\$ 952</b>

The assets and liabilities disposed of in connection with the Geomatics business in exchange for the Company's interest in GeoVerra (Note 15), subject to final closing adjustments, are as follows:

	June 27, 2020
<b>Consideration received:</b>	
Common shares of joint venture	\$ 14,850
<b>Assets and liabilities contributed:</b>	
Cash and cash equivalents	3,794
Trade receivables and other	8,279
Right-of-use assets	2,912
Property, plant and equipment	5,134
Intangibles	9
Trade payables and other	(2,093)
Lease liabilities	(3,395)
Borrowings	(273)
<b>Total net assets contributed</b>	<b>\$ 14,367</b>
Gain on sale of the discontinued operations	\$ 483

## Notes to Consolidated Financial Statements

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### 12. Trade Receivables and Other

	December 31, 2020	December 31, 2019
Trade receivables	\$ 145,427	\$ 127,462
Less: loss allowance provision (Note 28)	(16,869)	(10,924)
Trade receivables, net	128,558	116,538
Contract assets: unbilled revenue on customer contracts <sup>(1)</sup>	48,120	53,136
Deferred costs to obtain customer contracts	2,205	1,745
Prepayments	13,229	12,516
Due from related party (GeoVerra)	1,675	-
Other receivables	655	1,716
	194,442	185,651
Less: non-current portion	(1,370)	(3,696)
	\$ 193,072	\$ 181,955

<sup>(1)</sup> On December 31, 2020, contract assets are stated net of expected credit losses of \$670 (2019 - \$1,364) (Note 28).

For the year ended December 31, 2020, \$1,616 of amortization associated with deferred costs to obtain customer contracts was expensed to the consolidated statements of comprehensive income (loss) (2019 - \$1,128). For the years ended December 31, 2020 and 2019, no impairment losses on deferred costs were recognized.

### 13. Derivative Financial Instruments

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Equity derivatives	\$ 11,277	\$ 7,287
Interest rate swaps	-	137
	11,277	7,424
Less: non-current portion	(8,800)	(5,975)
	\$ 2,477	\$ 1,449

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### 13. Derivative Financial Instruments, cont'd

The following equity derivatives were outstanding as at December 31, 2020 and 2019:

Effective Date	Description	Contract Expiry	December 31, 2020		December 31, 2019	
			Notional Amount	Fair Value <sup>(2)</sup>	Notional Amount	Fair Value <sup>(2)</sup>
March 28, 2014	Hedging 173,836 (2019 - 161,663) DSUs	March 22, 2021 <sup>(1)</sup>	\$ 5,218	\$ 3,324	\$ 3,859	\$ 2,263
April 3, 2017	Hedging nil (2019 - 93,891) RSUs relating to 2016 performance year	March 31, 2020	-	-	2,244	1,312
March 8, 2018	Hedging 100,420 (2019 - 106,223) RSUs relating to 2017 performance year	March 31, 2021	2,457	2,477	2,599	1,423
March 13, 2019	Hedging 125,001 (2019 - 129,472) RSUs relating to 2018 performance year	March 31, 2022	2,563	3,582	2,619	2,289
March 24, 2020	Hedging 78,322 (2019 - nil) RSUs relating to 2019 performance year	March 27, 2023	1,956	1,894	-	-
			<b>\$ 12,194</b>	<b>\$ 11,277</b>	<b>\$ 11,321</b>	<b>\$ 7,287</b>

<sup>(1)</sup> Subject to an automatic one-year extension, unless prior notice is given by the Company.

<sup>(2)</sup> The fair values indicated for the equity derivatives are where the values are in excess of/(deficit from) the notional amounts.

The following interest rate swaps were outstanding in aggregate as at December 31, 2020 and 2019:

Effective Date	Fixed Interest Rate (per annum)	Notional Amount	December 31, 2020		December 31, 2019	
			Fair Value	Fair Value	Fair Value	Contract Expiry
May 15, 2015	1.48%	\$ 65,000	\$ -	\$ 137	May 15, 2020	

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### 14. Investments

	December 31, 2020	December 31, 2019
Investments in equity instruments	\$ 7,811	\$ 9,288
Investments in partnerships	2,545	2,193
	<b>\$ 10,356</b>	<b>\$ 11,481</b>

During the year ended December 31, 2020, the Company contributed \$365 towards capital in various partnerships (2019 - \$526) and purchased \$nil equity instruments (2019 - \$182 in common shares of REIX Corporation).

During the year ended December 31, 2020, fair value adjustments related to the Company's investments in partnerships and equity instruments of \$21 and \$(1,337) have been recorded through profit (loss) and other comprehensive income (loss), respectively (2019 - \$276 and \$(470), respectively).

On March 15, 2019, the Company converted its promissory note receivable and accrued interest receivable in Waypoint Building Group Inc. into preferred shares.

During the year ended December 31, 2019, Honest Buildings Inc. ("Honest Buildings") was acquired by Procore Technologies, Inc. ("Procore"). Prior to the transaction, a fair value gain of \$722 was recorded through other comprehensive income (loss). The disposal of the Company's equity investment in Honest Buildings was settled in cash and preferred shares of Procore. Following the exchange, accumulated other comprehensive income (loss) relating to Honest Buildings of \$633 net of tax was transferred to retained earnings (deficit).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 15. Investment in Joint Venture

On June 27, 2020, the Company obtained a 49.5% interest (that provides joint control through an equal 50% of the voting rights) in GeoVerra, a joint venture offering a broad variety of geomatics services across Canada, by contributing certain assets and liabilities of the Company's Geomatics discontinued operations (Note 11). WSP contributed an equal amount of net assets that have a similar nature to those contributed by the Company.

The activity in the Company's investment in GeoVerra during the year is as follows:

	Amount
Balance as at January 1, 2020	\$ -
Contribution to investment in joint venture on June 27, 2020 (Note 11)	14,850
Share of profit (loss)	459
<b>Balance as at December 31, 2020</b>	<b>\$ 15,309</b>

A summary of GeoVerra's financial information is as follows:

	December 31, 2020
Current assets, including cash and cash equivalents of \$7,118	\$ 36,290
Non-current assets	22,310
Current liabilities, including financial liabilities of \$7,083	(17,590)
Non-current liabilities, including financial liabilities of \$10,083	(10,083)
Equity	\$ 30,927
Company's share of equity - 49.5%	\$ 15,309

	Period from June 27, 2020 to December 31, 2020
Revenues	\$ 47,303
Expenses, including depreciation and amortization of \$2,766; finance costs of \$370; income tax expense of \$316	46,376
Profit (loss) and total comprehensive income (loss)	\$ 927

As at December 31, 2020, GeoVerra has commitments of \$4,356.



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 16. Leases

The following are continuities of the cost and accumulated depreciation of right-of-use assets for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020		
	Right-of-Use Assets		
	Property	Equipment	Total
<b>Cost</b>			
Balance, beginning of year	\$ 75,637	\$ 3,047	\$ 78,684
Additions	1,792	46	1,838
Acquisition (Note 6)	489	-	489
Disposals	(730)	(39)	(769)
Contribution to joint venture (Note 11)	(4,337)	(344)	(4,681)
Impairment	(36)	-	(36)
Exchange differences	242	(2)	240
Balance, end of year	73,057	2,708	75,765
<b>Accumulated depreciation</b>			
Balance, beginning of year	(12,014)	(2,941)	(14,955)
Depreciation charge <sup>(1)</sup>	(11,234)	(28)	(11,262)
Disposals	730	35	765
Fair value loss on net assets directly associated with discontinued operations (Note 11)	(412)	-	(412)
Contribution to joint venture (Note 11)	1,418	351	1,769
Exchange differences	14	6	20
Balance, end of year	(21,498)	(2,577)	(24,075)
<b>Net book value as at December 31, 2020</b>	<b>\$ 51,559</b>	<b>\$ 131</b>	<b>\$ 51,690</b>

<sup>(1)</sup> Of the amounts presented, \$52 was charged to discontinued operations (Note 11).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 16. Leases, cont'd

	Year ended December 31, 2019		
	Right-of-Use Assets		
	Property	Equipment	Total
<b>Cost</b>			
Balance, beginning of year	\$ 71,160	\$ 3,380	\$ 74,540
Additions	8,357	-	8,357
Disposals	(2,425)	(293)	(2,718)
Impairment	(69)	-	(69)
Exchange differences	(1,386)	(40)	(1,426)
Balance, end of year	75,637	3,047	78,684
<b>Accumulated depreciation</b>			
Balance, beginning of year	-	(2,026)	(2,026)
Depreciation charge <sup>(1)</sup>	(12,229)	(1,211)	(13,440)
Disposals	162	268	430
Exchange differences	53	28	81
Balance, end of year	(12,014)	(2,941)	(14,955)
<b>Net book value as at December 31, 2019</b>	<b>\$ 63,623</b>	<b>\$ 106</b>	<b>\$ 63,729</b>

<sup>(1)</sup> Of the amounts presented, \$1,124 was charged to discontinued operations (Note 11).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 16. Leases, cont'd

The following is a continuity of the movements of lease liabilities for the years ended December 31, 2020 and 2019:

	Lease Liabilities	
As at January 1, 2019	\$	82,328
Additions		8,354
Disposals		(1,219)
Interest expense <sup>(1)</sup>		2,885
Payments		(14,729)
Exchange differences		(1,636)
As at December 31, 2019		75,983
Additions		2,138
Acquisition (Note 6)		489
Interest expense <sup>(1)</sup>		2,559
Payments		(14,519)
Contribution to joint venture (Note 11)		(3,395)
Exchange differences		328
<b>As at December 31, 2020</b>		<b>63,583</b>
Less: non-current portion as at December 31, 2020		(51,883)
<b>Current portion as at December 31, 2020</b>	<b>\$</b>	<b>11,700</b>

<sup>(1)</sup> During the years ended December 31, 2020 and 2019, \$65 and \$174 was charged to finance costs (income), net - leases in discontinued operations, respectively (Note 11).

For the year ended December 31, 2020, the Company paid a total cash outflow of \$14,519 for leases (2019 - \$14,729), and recognized rent expense from short-term leases of \$313 (2019 - \$412), leases of low-value assets of \$56 (2019 - \$72) and variable lease payments of \$6,354 in occupancy expense (2019 - \$6,235). The weighted average incremental borrowing rate on lease liabilities as at December 31, 2020 is 3.70% (December 31, 2019 - 3.79%).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 17. Property, Plant and Equipment

The following are continuities of the cost and accumulated depreciation of property, plant and equipment for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020			
	Leasehold Improvements	Furniture, Fixtures and Equipment	Computer Equipment	Total
<b>Cost</b>				
Balance, beginning of year	\$ 25,508	\$ 30,031	\$ 16,484	\$ 72,023
Additions	604	626	2,350	3,580
Disposals	(1,255)	(3,871)	(2,613)	(7,739)
Contribution to joint venture (Note 11)	(2,089)	(14,176)	(1,995)	(18,260)
Exchange differences	67	(61)	15	21
Balance, end of year	22,835	12,549	14,241	49,625
<b>Accumulated depreciation</b>				
Balance, beginning of year	(11,843)	(21,611)	(9,532)	(42,986)
Depreciation charge <sup>(1)</sup>	(2,431)	(1,112)	(2,188)	(5,731)
Disposals	1,120	3,767	2,254	7,141
Fair value loss on net assets directly associated with discontinued operations (Note 11)	(164)	(560)	(108)	(832)
Contribution to joint venture (Note 11)	1,114	10,813	1,199	13,126
Exchange differences	(24)	45	12	33
Balance, end of year	(12,228)	(8,658)	(8,363)	(29,249)
<b>Net book value as at December 31, 2020</b>	<b>\$ 10,607</b>	<b>\$ 3,891</b>	<b>\$ 5,878</b>	<b>\$ 20,376</b>

<sup>(1)</sup> Of the amounts presented, \$111 was charged to discontinued operations (Note 11).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 17. Property, Plant and Equipment, cont'd

	Year ended December 31, 2019			
	Leasehold Improvements	Furniture, Fixtures and Equipment	Computer Equipment	Total
<b>Cost</b>				
Balance, beginning of year	\$ 24,716	\$ 29,071	\$ 14,858	\$ 68,645
Additions	1,191	2,088	2,507	5,786
Disposals	(27)	(1,036)	(798)	(1,861)
Exchange differences	(372)	(92)	(83)	(547)
Balance, end of year	25,508	30,031	16,484	72,023
<b>Accumulated depreciation</b>				
Balance, beginning of year	(9,481)	(19,586)	(7,644)	(36,711)
Depreciation charge <sup>(1)</sup>	(2,463)	(2,936)	(2,439)	(7,838)
Disposals	14	931	615	1,560
Exchange differences	87	(20)	(64)	3
Balance, end of year	(11,843)	(21,611)	(9,532)	(42,986)
Net book value as at December 31, 2019	\$ 13,665	\$ 8,420	\$ 6,952	\$ 29,037

<sup>(1)</sup> Of the amounts presented, \$1,984 was charged to discontinued operations (Note 11).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 18. Intangibles

The following are continuities of the cost and accumulated amortization of intangible assets for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020									
	Brands of Acquired Businesses	Computer Application Software	Custom Software Applications	Internally Generated Software	Customer Backlog	Customer Lists	Databases	Non-competes Agreements	Indefinite Life Brands	Total
<b>Cost</b>										
Balance, beginning of year	\$ 24,551	\$ 5,309	\$ 25,610	\$ 34,265	\$ 39,862	\$ 220,345	\$ 6,890	\$ 39,384	\$ 27,998	\$ 424,214
Additions	-	757	-	-	-	-	13	-	-	770
Acquisition (Note 6)	-	-	-	-	5,901	2,006	-	1,019	-	8,926
Disposals	(2,300)	(113)	(75)	-	(30)	(17,590)	-	(2,365)	-	(22,473)
Contribution to joint venture (Note 11)	-	(626)	-	-	-	-	-	-	-	(626)
Exchange differences	219	38	(378)	1,231	38	(1,452)	-	(14)	(459)	(777)
Balance, end of year	22,470	5,365	25,157	35,496	45,771	203,309	6,903	38,024	27,539	410,034
<b>Accumulated amortization and impairment</b>										
Balance, beginning of year	(24,165)	(4,202)	(25,096)	(21,350)	(27,229)	(192,230)	(6,675)	(30,672)	-	(331,619)
Amortization charge <sup>(1)</sup>	(181)	(473)	(513)	(3,520)	(5,293)	(11,378)	(228)	(3,199)	-	(24,785)
Disposals	2,300	101	75	-	30	17,590	-	2,365	-	22,461
Fair value loss on net assets directly associated with discontinued operations (Note 11)	-	(58)	-	-	-	-	-	-	-	(58)
Contribution to joint venture (Note 11)	-	617	-	-	-	-	-	-	-	617
Exchange differences	(200)	(32)	378	(495)	(24)	1,617	-	34	-	1,278
Balance, end of year	(22,246)	(4,047)	(25,156)	(25,365)	(32,516)	(184,401)	(6,903)	(31,472)	-	(332,106)
<b>Net book value as at</b>										
December 31, 2020	\$ 224	\$ 1,318	\$ 1	\$ 10,131	\$ 13,255	\$ 18,908	\$ -	\$ 6,552	\$ 27,539	\$ 77,928

<sup>(1)</sup> Of the amounts presented, \$1 was charged to discontinued operations (Note 11).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 18. Intangibles, cont'd

	Year ended December 31, 2019									
	Brands of Acquired Businesses	Computer Application Software	Custom Software Applications	Internally Generated Software	Customer Backlog	Customer Lists	Databases	Non-compete Agreements	Indefinite Life Brands	Total
<b>Cost</b>										
Balance, beginning of year	\$ 24,728	\$ 5,796	\$ 26,510	\$ 35,804	\$ 39,324	\$ 217,747	\$ 6,884	\$ 38,098	\$ 29,024	\$ 423,915
Additions	-	149	-	-	-	-	6	-	-	155
Acquisitions (Note 6)	-	-	-	-	1,141	7,971	-	1,915	-	11,027
Disposals	-	(607)	-	-	-	-	-	-	-	(607)
Exchange differences	(177)	(29)	(900)	(1,539)	(603)	(5,373)	-	(629)	(1,026)	(10,276)
Balance, end of year	24,551	5,309	25,610	34,265	39,862	220,345	6,890	39,384	27,998	424,214
<b>Accumulated amortization and impairment</b>										
Balance, beginning of year	(24,134)	(4,259)	(25,982)	(17,527)	(23,365)	(180,658)	(6,647)	(26,449)	-	(309,021)
Amortization charge <sup>(1)</sup>	(179)	(454)	(31)	(4,425)	(4,247)	(15,968)	(28)	(4,663)	-	(29,995)
Disposals	-	487	-	-	-	-	-	-	-	487
Exchange differences	148	24	917	602	383	4,396	-	440	-	6,910
Balance, end of year	(24,165)	(4,202)	(25,096)	(21,350)	(27,229)	(192,230)	(6,675)	(30,672)	-	(331,619)
Net book value as at December 31, 2019	\$ 386	\$ 1,107	\$ 514	\$ 12,915	\$ 12,633	\$ 28,115	\$ 215	\$ 8,712	\$ 27,998	\$ 92,595

<sup>(1)</sup> Of the amounts presented, \$462 was charged to discontinued operations (Note 11).

Indefinite life intangibles, consisting of the Altus Group and ARGUS brands, have been assessed for impairment along with goodwill as outlined in Note 19. These assets are considered to have indefinite lives as management believes that there is an indefinite period over which the assets are expected to generate net cash flows.

The finite life intangibles will be amortized over the remaining useful life as follows:

	December 31, 2020
	Average Remaining Useful Life
Brands of acquired businesses	15 months
Custom software applications	1 month
Internally generated software	14 months - 54 months
Customer backlog	22 months - 47 months
Customer lists	3 months - 119 months
Non-compete agreements	13 months - 47 months



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 19. Goodwill

The following are continuities of the cost and accumulated impairment losses of goodwill for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020		Year ended December 31, 2019	
<b>Cost</b>				
Balance, beginning of year	\$	342,858	\$	344,093
Acquisitions (Note 6)		2,591		6,103
Disposals		(36,461)		-
Exchange differences		1,227		(7,338)
Balance, end of year		310,215		342,858
<b>Accumulated impairment losses</b>				
Balance, beginning of year		(82,478)		(77,610)
Impairment charge (Note 11)		-		(6,400)
Fair value loss on net assets directly associated with discontinued operations (Note 11)		(3,861)		-
Disposals		36,461		-
Exchange differences		733		1,532
Balance, end of year		(49,145)		(82,478)
<b>Net book value as at December 31, 2020</b>	\$	261,070	\$	260,380

The carrying value of the Altus Group brand, an indefinite life intangible asset, was tested for impairment at the Company level and no impairment was necessary.

The carrying values of goodwill and the ARGUS brand, an indefinite life intangible asset, were allocated to the Company's CGUs as follows:

	December 31, 2020		December 31, 2019	
	Goodwill	ARGUS Brand	Goodwill	ARGUS Brand
Canada RVA	\$ 36,019	\$ -	\$ 36,019	\$ -
North America Cost	28,411	-	28,411	-
North America Property Tax	49,825	-	47,567	-
Geomatics	-	-	3,861	-
Altus Analytics	97,564	21,278	95,923	21,737
U.K. Property Tax	49,095	-	48,454	-
Asia Pacific Cost	156	-	145	-
<b>Total</b>	\$ 261,070	\$ 21,278	\$ 260,380	\$ 21,737

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### 19. Goodwill, cont'd

Other than for the Geomatics CGU in 2019, the recoverable amounts of the CGUs were determined using a discounted cash flow analysis to estimate fair value less costs to sell (Level 3). This analysis incorporated assumptions used by market participants. The key assumptions used were as follows:

	December 31, 2020		December 31, 2019	
	Perpetual Growth Rate	Discount Rate (after-tax)	Perpetual Growth Rate	Discount Rate (after-tax)
Canada RVA	3.0%	13.8%	3.0%	13.8%
North America Cost	3.0%	13.5%	3.0%	13.3%
North America Property Tax	3.0%	12.5%	3.0%	12.5%
Altus Analytics	3.0%	14.5%	3.0%	14.5%
U.K. Property Tax	2.5%	14.5%	2.5%	14.5%
Asia Pacific Cost	3.0%	23.0%	3.0%	23.0%

The discounted cash flow analysis uses after-tax cash flow projections based on five-year financial budgets. Cash flows beyond the five-year period were extrapolated using the estimated perpetual growth rates stated above. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. Management's margin assumptions were based on historical performance and future expectations. The discount rates used are on an after-tax basis and reflect risks related to the respective CGU.

For the Geomatics CGU, the recoverable amount as at December 31, 2019 was determined using the estimated fair value less costs to sell (Level 3).

#### *Impairment*

Management performed its annual impairment analysis as at October 1, 2020 and determined that the indefinite life intangibles and goodwill were not impaired.

In the fourth quarter of 2019, the Company recorded an impairment charge against the Geomatics CGU of \$6,400 reflecting market conditions. The carrying amount of the Geomatics CGU was reduced to its recoverable amount of approximately \$18,500 through recognition of an impairment charge against goodwill. This loss has been restated within comparative figures to reflect profit (loss) from discontinued operations.

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### 20. Trade Payables and Other

	December 31, 2020	December 31, 2019
Trade payables	\$ 7,596	\$ 9,936
Accrued expenses	94,354	79,689
Contract liabilities: deferred revenue	43,032	40,321
Contingent consideration payables (Note 28)	47	7,667
Dividends payable (Note 27)	6,124	6,029
Provisions	6,018	1,121
Due to related party (GeoVerra)	329	-
	<b>157,500</b>	<b>144,763</b>
Less non-current portion:		
Accrued expenses	15,449	11,937
Contract liabilities: deferred revenue	681	1,458
Contingent consideration payables	-	2,289
Provisions	1,076	513
	<b>17,206</b>	<b>16,197</b>
	<b>\$ 140,294</b>	<b>\$ 128,566</b>

### *Revenue recognized in relation to contract liabilities*

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognized that was included in contract liabilities: deferred revenue at the beginning of the year	\$ 38,441	\$ 32,974
Revenue recognized from performance obligations partially satisfied in previous years	18,070	12,174

## Notes to Consolidated Financial Statements

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### 20. Trade Payables and Other, cont'd

Provisions consist of:

	Restructuring		Other		Total
Balance as at January 1, 2019	\$	3,081	\$	343	\$ 3,424
Charged to profit or loss:					
Additional provisions, net of releases <sup>(1)</sup>		(453)		9	(444)
Unwinding of discount (Note 9) <sup>(2)</sup>		104		12	116
Used during the year		(1,744)		(188)	(1,932)
Exchange differences		(35)		(8)	(43)
Balance as at December 31, 2019		953		168	1,121
Charged to profit or loss:					
Additional provisions, net of releases <sup>(1)</sup>		13,596		-	13,596
Unwinding of discount (Note 9) <sup>(2)</sup>		27		12	39
Used during the year		(8,754)		25	(8,729)
Exchange differences		(22)		13	(9)
<b>Balance as at December 31, 2020</b>		<b>5,800</b>		<b>218</b>	<b>6,018</b>
Less: non-current portion		(858)		(218)	(1,076)
	\$	<b>4,942</b>	\$	<b>-</b>	\$ <b>4,942</b>

<sup>(1)</sup> During the years ended December 31, 2020 and 2019, \$1,612 and \$(157) was charged to restructuring costs (recovery) in discontinued operations, respectively (Note 11).

<sup>(2)</sup> During the years ended December 31, 2020 and 2019, \$5 and \$nil was charged to finance costs (income), net - other in discontinued operations, respectively (Note 11).

#### **Restructuring**

Beginning in the second quarter of 2020, the Company initiated a global restructuring program across all of its business segments which resulted in restructuring costs of \$11,984 for the year ended December 31, 2020, of which a total of \$4,712 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 the Company's strategy to focus and invest in technology and information services platforms.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 21. Borrowings

	December 31, 2020	December 31, 2019
Bank credit facilities	\$ 123,000	\$ 138,000
Leasehold improvement loans	-	403
Less: deferred financing fees	(568)	(140)
	122,432	138,263
Less non-current portion:		
Bank credit facilities	123,000	-
Leasehold improvement loans	-	334
Less: deferred financing fees	(568)	-
	122,432	334
	\$ -	\$ 137,929

#### *Amendment to bank credit facilities*

On March 24, 2020, the Company amended its bank credit facilities to further strengthen its financial and liquidity position. The amended credit facilities increase the Company's borrowing capacity to \$275,000 from \$200,000, with certain provisions that allow the Company to further increase the limit to \$350,000. The amended agreement extends the term by three years expiring March 24, 2023, with an additional two-year extension available at the Company's 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 interest rate for the bank credit facilities for the year ended December 31, 2020 was 2.37% (2019 - 3.61%).

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

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

As at December 31, 2020, the Company was in compliance with the financial covenants of the 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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 21. Borrowings, cont'd

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

#### *Interest rate swap agreements*

In 2015, the Company entered into interest rate swap agreements for a total notional amount of \$65,000. The Company was obligated to pay the counterparty to the interest rate swap agreements an amount based upon a fixed interest rate of 1.48% per annum and the counterparty was obligated to pay the Company an amount equal to the Canadian Bankers' Acceptance rate. These interest rate swaps were not designated as cash flow hedges and expired on May 15, 2020.

#### *Leasehold improvement loans*

The Company received various unsecured loans to finance leasehold improvements made to leased premises. The loans are payable in installments with maturity dates ranging from April 2025 to September 2025 and bear interest from 0% to 5.00%, and were transferred to GeoVerra (Note 11) upon formation of the joint venture on June 27, 2020. The weighted average effective interest rate for the year ended December 31, 2019 was 1.32%.

#### *Contractual payments schedule*

Contractual principal repayments on borrowings are as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	\$ -	\$ 138,069
1 to 3 years	123,000	142
4 to 5 years	-	145
Over 5 years	-	47
	<b>\$ 123,000</b>	<b>\$ 138,403</b>

## Notes to Consolidated Financial Statements

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

### 21. Borrowings, cont'd

#### *Reconciliation of liabilities arising from financing activities, other than leases*

	Leasehold Improvement Loans	Bank Credit Facilities	Deferred Financing Fees	Total
Balance as at January 1, 2019	\$ 491	\$ 129,178	\$ (568)	\$ 129,101
Net cash flows	(94)	8,822	-	8,728
Non-cash movements:				
Interest accretion	6	-	-	6
Amortization	-	-	428	428
Balance as at December 31, 2019	403	138,000	(140)	138,263
Net cash flows	(130)	(15,000)	(723)	(15,853)
Non-cash movements:				
Contribution to joint venture (Note 11)	(273)	-	-	(273)
Amortization	-	-	295	295
<b>Balance as at December 31, 2020</b>	<b>\$ -</b>	<b>\$ 123,000</b>	<b>\$ (568)</b>	<b>\$ 122,432</b>



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 22. Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value. Common shares issued and outstanding are as follows:

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2019	39,012,702	\$ 491,542
Issued on exercise of options (Note 25)	282,488	8,166
Issued under the Dividend Reinvestment Plan	179,572	4,624
Issued on acquisitions (Note 6)	179,672	4,282
Issued for share-based compensation (Note 25)	246,653	5,243
Treasury shares reserved for share-based compensation (Note 25)	(181,755)	(7,705)
Release of treasury shares (Note 25)	107,268	3,494
Balance as at December 31, 2019	39,826,600	509,646
Issued on exercise of options (Note 25)	426,856	14,150
Issued under the Dividend Reinvestment Plan	56,027	2,429
Issued for share-based compensation (Note 25)	150,354	6,984
Treasury shares reserved for share-based compensation (Note 25)	(147,062)	(8,923)
Release of treasury shares (Note 25)	116,342	5,580
<b>Balance as at December 31, 2020</b>	<b>40,429,117</b>	<b>\$ 529,866</b>

The 40,429,117 common shares as at December 31, 2020 are net of 395,584 treasury shares with a carrying value of \$19,538 that are being held by the Company until vesting conditions are met (Note 25).

The Company has a Dividend Reinvestment Plan (“DRIP”) for shareholders of the Company who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividends into additional common shares of the Company.

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

## Notes to Consolidated Financial Statements

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### 23. Contributed Surplus

	Amount
Balance as at January 1, 2019	\$ 21,882
Share-based compensation (Note 25)	9,839
Gain (loss) on sale of RSs and shares held in escrow	(93)
Shares issued on exercise of options (Note 25)	(1,289)
Release of treasury shares (Note 25)	(3,001)
Shares issued for share-based compensation (Note 25)	(2,891)
Balance as at December 31, 2019	24,447
Share-based compensation (Note 25)	15,398
Gain (loss) on sale of RSs and shares held in escrow	(13)
Shares issued on exercise of options (Note 25)	(2,162)
Release of treasury shares (Note 25)	(5,144)
Shares issued for share-based compensation (Note 25)	(2,098)
<b>Balance as at December 31, 2020</b>	<b>\$ 30,428</b>

### 24. Accumulated Other Comprehensive Income (Loss)

	Currency Translation Reserve	FVOCI Investments Reserves	Total
Balance as at January 1, 2019	\$ 54,558	\$ -	\$ 54,558
Currency translation differences	(13,772)	-	(13,772)
Change in fair value of FVOCI investments, net of tax	-	92	92
Transfer of gain on disposal of FVOCI investments (Note 14)	-	(633)	(633)
Balance as at December 31, 2019	40,786	(541)	40,245
Currency translation differences	1,533	-	1,533
Change in fair value of FVOCI investments, net of tax	-	(987)	(987)
<b>Balance as at December 31, 2020</b>	<b>\$ 42,319</b>	<b>\$ (1,528)</b>	<b>\$ 40,791</b>

## Notes to Consolidated Financial Statements

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### 25. Share-based Compensation

The Company's share-based compensation expense, which includes the Executive Compensation Plan (Share Option Plan and Equity Compensation Plan), Long-Term Equity Incentive Plan, Deferred Compensation Plans (RS Plan and RSU Plan), DSU Plans and other share-based awards, was \$26,063 (2019 - \$19,883). The activity in the Company's share-based compensation plans is as follows:

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

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

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

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

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2019	1,518,670	\$27.96
Granted	458,053	\$29.92
Exercised	(282,488)	\$24.35
Expired/Forfeited	(114,952)	\$26.59
Balance as at December 31, 2019	1,579,283	\$28.98
Granted	675,729	\$46.65
Exercised	(426,856)	\$28.08
Expired/Forfeited	(36,474)	\$32.26
<b>Balance as at December 31, 2020</b>	<b>1,791,682</b>	<b>\$35.78</b>

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$19.29 - \$19.67	121,084	0.92 years	121,084
\$25.56 - \$29.72	461,300	2.71 years	152,127
\$30.70 - \$37.93	541,069	2.72 years	180,306
\$45.11 - \$52.84	668,229	4.32 years	-
<b>\$35.78</b>	<b>1,791,682</b>	<b>3.19 years</b>	<b>453,517</b>

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

	2020	2019
Risk-free interest rate	0.31% - 0.67%	1.29% - 1.69%
Expected dividend yield	1.1% - 1.3%	1.6% - 2.3%
Expected volatility	25.42% - 33.96%	24.13% - 26.64%
Expected option life	3.00 - 4.50 years	3.00 - 4.50 years
Exercise price	\$45.11 - \$52.84	\$26.23 - \$37.93
Weighted average grant-date fair value per option	\$7.19 - \$12.09	\$4.06 - \$7.43

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

	Number of common shares
Balance as at January 1, 2019	69,754
Granted	63,553
Forfeited	(7,211)
Balance as at December 31, 2019	126,096
Granted	7,007
Settled	(11,629)
Forfeited	(5,165)
<b>Balance as at December 31, 2020</b>	<b>116,309</b>

## Notes to Consolidated Financial Statements

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

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

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

	Number of common shares
Settled in March 2019	162,086
Settled in March 2020	54,707

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

	Number of PSUs
Granted in 2019	186,542
Granted in 2020	172,350

### (ii) Deferred Compensation Plans

The following is a summary of the Company's RS Plan activity:

	Number of RSs
Balance as at January 1, 2019 (all unvested)	220,623
Granted	118,202
Settled	(95,841)
Forfeited	(3,784)
Balance as at December 31, 2019 (all unvested)	239,200
Granted	55,714
Settled	(95,542)
Forfeited	(4,718)
<b>Balance as at December 31, 2020 (all unvested)</b>	<b>194,654</b>

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

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

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December 31, 2020 and 2019

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

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

The following is a summary of the Company's RSU Plan activity:

	Number of RSUs
Balance as at January 1, 2019 (all unvested)	352,670
Granted	141,361
Settled	(147,370)
Forfeited	(19,070)
Balance as at December 31, 2019 (all unvested)	327,591
Granted	84,102
Settled	(101,936)
Forfeited	(7,432)
<b>Balance as at December 31, 2020 (all unvested)</b>	<b>302,325</b>

### (iii) Deferred Share Unit Plans

The following is a summary of the Company's DSU Plans activity:

	Number of DSUs
Balance as at January 1, 2019	124,908
Granted	36,754
Balance as at December 31, 2019	161,662
Granted	53,677
Redeemed	(41,503)
<b>Balance as at December 31, 2020</b>	<b>173,836</b>

### (iv) Other Share-Based Awards

The following is a summary of the activity related to common shares held in escrow related to the PTA acquisition (Note 6):

	Number of common shares
Balance as at January 1, 2020	-
Granted	84,341
<b>Balance as at December 31, 2020</b>	<b>84,341</b>

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December 31, 2020 and 2019

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

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

#### (v) Compensation Expense by Plan

	Year ended December 31, 2020	Year ended December 31, 2019
Share Option Plan	\$ 82	\$ 62
Equity Compensation Plan	1,331	1,167
Long-Term Equity Incentive Plan	8,789	4,666
RS Plan	5,006	3,948
RSU Plan <sup>(1)</sup>	7,434	6,562
DSU Plans <sup>(2)</sup>	3,231	3,478
Other share-based awards	190	-

<sup>(1)</sup> For the years ended December 31, 2020 and 2019, the Company recorded mark-to-market adjustments of \$3,657 and \$3,273, respectively.

<sup>(2)</sup> For the years ended December 31, 2020 and 2019, the Company recorded mark-to-market adjustments of \$1,876 and \$2,388, respectively.

Included in compensation expense above, for the year ended December 31, 2020, is an amount related to the Geomatics discontinued operations totalling \$292 (2019 - \$387).

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

	December 31, 2020	December 31, 2019
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 11,412	\$ 8,832
DSU Plans - carrying value of liability recorded within trade payables and other	7,537	6,257

### 26. Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing profit (loss) by the weighted average number of common shares outstanding during the year.

The dilutive effect of share options, equity awards, PSUs and restricted shares is determined using the treasury stock method. For the purposes of the weighted average number of common shares outstanding, common shares are determined to be outstanding from the date they are issued.

For the year ended December 31, 2020, 668,229 share options and 90,638 restricted shares (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 26. Earnings (Loss) per Share, cont'd

For the year ended December 31, 2019, 597,254 share options and 19,922 restricted shares (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

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

	Year ended December 31, 2020	Year ended December 31, 2019 <sup>(1)</sup>
Profit (loss) for the year from continuing operations - basic and diluted	\$ 27,009	\$ 23,891
Profit (loss) for the year from discontinued operations - basic and diluted	(5,576)	(5,697)
Profit (loss) for the year - basic and diluted	\$ 21,433	\$ 18,194
Weighted average number of common shares outstanding - basic	40,158,543	39,460,603
Dilutive effect of share options	392,449	141,940
Dilutive effect of equity awards and PSUs	410,462	303,819
Dilutive effect of restricted shares	247,612	177,195
Weighted average number of common shares outstanding - diluted	41,209,066	40,083,557
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)

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 3, 7, 11 and 32).

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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### 27. Dividends Payable

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

A reconciliation of dividends payable is as follows:

	Dividends Payable
Balance as at January 1, 2019	\$ 5,895
Dividends paid	(19,199)
Non-cash movements:	
DRIP (Note 22)	(4,624)
Dividends declared	23,957
Balance as at December 31, 2019	6,029
Dividends paid	(21,859)
Non-cash movements:	
DRIP (Note 22)	(2,429)
Dividends declared	24,383
<b>Balance as at December 31, 2020</b>	<b>\$ 6,124</b>

### 28. Financial Instruments and Fair Values

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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

#### Financial Instruments by Category

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

	December 31, 2020			December 31, 2019		
	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost
<b>Assets as per Consolidated Balance Sheet:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 69,637	\$ -	\$ -	\$ 60,262
Trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments)	-	-	179,008	-	-	171,390
Investments in equity instruments	-	7,811	-	-	9,288	-
Investments in partnerships	2,545	-	-	2,193	-	-
Derivative financial instruments	11,277	-	-	7,424	-	-
	\$ 13,822	\$ 7,811	\$ 248,645	\$ 9,617	\$ 9,288	\$ 231,652

	December 31, 2020		December 31, 2019	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Amortized Cost
<b>Liabilities as per Consolidated Balance Sheet:</b>				
Trade payables and other (excluding contract liabilities, RSU Plan and DSU Plans payables and contingent consideration payables)	\$ -	\$ 95,472	\$ -	\$ 81,686
Contingent consideration payables	47	-	7,667	-
Borrowings	-	122,432	-	138,263
	\$ 47	\$ 217,904	\$ 7,667	\$ 219,949

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments) due within one year, and trade payables and other (excluding contract liabilities, RSU Plan and DSU Plans payables, and contingent consideration payables) due within one year, are all short-term in nature and, as such, their carrying values approximate their fair values.

The fair values of non-current trade receivables and other and trade payables and other are estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximate their carrying values.

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

#### Fair Values

Fair value measurements recognized in the consolidated balance sheets are classified in accordance with the fair value hierarchy established by IFRS 13, *Fair Value Measurement*, which reflects the significance of the inputs used in determining the measurements. The inputs can be either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect an entity's pricing based upon its own market assumptions.

The tables below present financial instruments that are measured at fair value. The different levels in the hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at each balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

## Notes to Consolidated Financial Statements

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

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 7,811	\$ 7,811
Investments in partnerships	-	-	2,545	2,545
Derivative financial instruments	-	11,277	-	11,277
<b>Liabilities:</b>				
Borrowings	-	123,000	-	123,000
Contingent consideration payables	-	-	47	47
<hr/>				
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 9,288	\$ 9,288
Investments in partnerships	-	-	2,193	2,193
Derivative financial instruments	-	7,424	-	7,424
<b>Liabilities:</b>				
Borrowings	-	138,403	-	138,403
Contingent consideration payables	-	-	7,667	7,667

For the year ended December 31, 2020, there were no transfers between the levels in the hierarchy.

Derivative financial instruments are recorded in Level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of equity derivatives is calculated based on the movement in the Company's common share price between the initial common share price on the effective date and the reporting date, which are observable inputs. The fair value of currency forward contracts is calculated based on the spread between the currency forward rate and the rate on the reporting date, which are observable inputs, and applied to the notional amount.

The investments in equity instruments, investments in partnerships and contingent consideration payables are recorded in Level 3 as the amounts are not based on observable inputs. Contingent consideration payables are measured using a discounted cash flow analysis of expected cash flows in future periods. The investments in equity instruments are measured based on valuations of the entity. Investments in partnerships are measured in relation to the fair value of assets reported in the respective partnerships.

## Notes to Consolidated Financial Statements

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

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

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2019	\$ 14,169
Contingent arrangements entered into during the year	1,158
Changes in expected payment recorded through profit or loss	(174)
Unwinding of discount (Note 9)	467
Settlements	(7,743)
Exchange differences	(210)
Balance as at December 31, 2019	7,667
Changes in expected payment recorded through profit or loss	(1,176)
Unwinding of discount (Note 9)	102
Settlements	(6,639)
Exchange differences	93
<b>Balance as at December 31, 2020</b>	<b>\$ 47</b>

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$nil as at December 31, 2020 (December 31, 2019 - \$6).

The estimated contractual amount of contingent consideration payables as at December 31, 2020 was \$47 (December 31, 2019 - \$7,919), net of a discount of \$nil (December 31, 2019 - \$252).

### Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

The Company does not enter into derivative financial instruments for speculative purposes.

#### (a) Market Risk

##### *Interest rate risk*

The Company is 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 revolving term facility fluctuate with changes in these rates.

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

In order to limit interest rate exposure, the Company previously entered into floating-to-fixed interest rate swap agreements associated with its bank credit facilities. These interest rate swaps had the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agreed with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The notional principal amounts of the outstanding interest rate swap agreements as at December 31, 2020 were \$nil (December 31, 2019 - \$65,000).

The Company monitors its interest rate exposure and its hedging strategy on an ongoing basis.

Fluctuations in interest rates will impact profit or loss. For the year ended December 31, 2020, every 1% increase or decrease in the revolving term facility interest rate results in a corresponding \$1,299 decrease or increase in the Company's profit (loss) (2019 - \$782).

#### *Currency risk*

The Company has operations in Canada, the U.S., Europe and Asia Pacific and, therefore, has exposure to currency risk. There is exposure to foreign exchange fluctuations on transactions between the Company's entities and upon the consolidation of the Company's foreign subsidiaries. Assets and liabilities of foreign subsidiaries are translated at the period-end exchange rate and, therefore, have varying values from exchange rate fluctuations.

The statements of comprehensive income (loss) of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact the Company's revenues and profit (loss), denominated in Canadian dollars.

In order to limit some of its foreign exchange exposure, the Company periodically enters into currency forward contracts.

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

The following table summarizes the effect of a 10% strengthening of the Canadian dollar on the Company's profit (loss) as a result of translating the statements of comprehensive income (loss) of foreign subsidiaries, assuming all other variables remain unchanged:

	Year ended December 31, 2020	Year ended December 31, 2019
U.S.	\$ (2,052)	\$ (2,401)
Europe	(1,119)	(520)
Australia	2	(175)
Asia	106	(124)



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

A 10% weakening of the Canadian dollar would have an equal but opposite effect, assuming all other variables remain unchanged.

#### *Price risk*

The Company is exposed to price risk because the liabilities for cash-settled RSU and DSU plans are classified as FVPL, and linked to the price of the Company's common shares. If the market price of the Company's common shares increases by 5% with all other variables held constant, the impact on profit (loss) would be a decrease of \$947 (2019 - \$755). A 5% decrease in the market price of the Company's common shares would have an equal but opposite effect on profit (loss), assuming all other variables remain unchanged.

In order to limit price risk exposure, the Company entered into equity derivatives. Changes in the fair value of these equity derivatives offset the impact of mark-to-market adjustments that are accrued. The notional amount outstanding on these equity derivatives as at December 31, 2020 was \$12,194 (December 31, 2019 - \$11,321) (Note 13).

#### **(b) Credit Risk**

The Company is exposed to credit risk with respect to its 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 the Company's 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 on receipt of funds. In addition, the COVID-19 pandemic has introduced additional credit risk. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets for unbilled revenue on customer contracts. To measure the expected credit losses, trade receivables and contract assets for unbilled revenue on customer contracts have been grouped based on shared credit risk characteristics and the days past due, and incorporate forward-looking information. The loss allowance provision as at December 31, 2020 is determined as follows:

	December 31, 2020			
	0 to 120 days past due	121 to 365 days past due	More than 365 days past due	Total
Expected loss rate	2.04%	29.87%	91.23%	9.03%
Gross carrying amount	\$162,007	\$24,697	\$7,513	\$194,217
Loss allowance provision	\$(3,309)	\$(7,376)	\$(6,854)	\$(17,539)

## Notes to Consolidated Financial Statements

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

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

Changes in the gross carrying amount of trade receivables and contract assets for unbilled revenue on customer contracts contributed to the changes in the loss allowance provision. The gross carrying amount was impacted by revenue recognized and amounts invoiced, offset by cash collections and amounts written off as not recoverable or uncollectible. Expected loss rates are determined on a portfolio basis. The expected loss rate for the Company will differ based on the contribution of balances by portfolio and age of those balances. For the year ended December 31, 2020, no significant changes were made to the expected loss rates on a portfolio basis. However, the Company recorded additional provisions on certain of its trade receivable and unbilled revenue balances to reflect credit risk introduced by COVID-19 for customers in the oil and gas, hospitality, utilities and retail industries.

The loss allowance provision for trade receivables and contract assets for unbilled revenue on customer contracts as at December 31, 2020 reconciles to the opening loss allowance provision as follows:

	December 31, 2020
As at January 1, 2019	\$ 10,069
Net charges during the year	5,233
Amounts written off during the year as not recoverable or uncollectible	(2,822)
Exchange differences	(192)
As at December 31, 2019	12,288
Net charges during the year	13,990
Amounts written off during the year as not recoverable or uncollectible	(8,688)
Exchange differences	(51)
<b>As at December 31, 2020</b>	<b>\$ 17,539</b>

The movement of the loss allowance provision has been included in office and other operating expenses in the consolidated statements of comprehensive income (loss). In the event that the collectability of future trade receivables is in question, an adjustment is made to the corresponding contract assets for unbilled revenue on customer contracts. In addition, contract assets for unbilled revenue on customer contracts are assessed for impairment under IFRS 9. Amounts charged to the provision are generally written off when there are no expectations of recovering additional cash. The Company's maximum exposure to credit risk at the reporting date, assuming no mitigating factors, is the carrying value of its cash and cash equivalents, trade receivables and other and derivative financial instruments. The Company does not hold any collateral as security.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's revenues and cash receipts, and the maturity profile of its financial assets and liabilities. The Board of Directors reviews and approves the Company's 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.

Management believes that funds generated by operating activities and available through its amended bank credit facilities will allow the Company to satisfy its requirements for the purposes of working capital, investments and debt repayments.

The table below summarizes the contractual undiscounted cash flows related to the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the consolidated balance sheet date to the contractual maturity date.

	December 31, 2020						
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plans payables and contingent consideration payables)	\$ 95,472	\$ 95,491	\$ 93,662	\$ 997	\$ 262	\$ 570	\$ 95,491
RSU Plan and DSU Plans payables	18,949	18,949	4,237	6,321	854	7,537	18,949
Contingent consideration payables	47	47	47	-	-	-	47
Borrowings	123,000	123,000	-	123,000	-	-	123,000
Lease liabilities	63,583	70,432	13,788	25,742	18,490	12,412	70,432
	<b>\$ 301,051</b>	<b>\$ 307,919</b>	<b>\$ 111,734</b>	<b>\$ 156,060</b>	<b>\$ 19,606</b>	<b>\$ 20,519</b>	<b>\$ 307,919</b>

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 29. Capital Management

The Company's objective in managing capital is to ensure that adequate resources are available to fund organic growth and to enable it to undertake strategic acquisitions while continuing as a going concern. The Company's capital is composed of borrowings and shareholders' equity.

Operating cash flows are used to provide sustainable cash dividends to shareholders and fund capital expenditures in support of organic growth. In addition, operating cash flows, supplemented throughout the year with the revolving term facility, are used to fund working capital requirements.

The revolving term facility and equity are used to finance strategic acquisitions. Additionally, vendors of acquired businesses typically receive a portion of the consideration in the form of the Company's common shares.

The Company's capitalization is summarized in the following chart:

	December 31, 2020	December 31, 2019
Borrowings (Note 21)	\$ 122,432	\$ 138,263
Less: cash and cash equivalents	(69,637)	(60,262)
Net debt	52,795	78,001
Shareholders' equity	383,449	359,652
Total capitalization	\$ 436,244	\$ 437,653

The Company monitors certain financial covenants on a trailing 12-month basis in line with its amended bank credit facilities. The financial covenant limits are summarized below:

- Funded debt to EBITDA ratio: maximum of 4.00:1
- Interest coverage (minimum of 3.00:1)

As at December 31, 2020, the Company is in compliance with the financial covenants of its bank credit facilities.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 30. Commitments and Contingencies

The Company leases offices and equipment under non-cancellable operating leases. The future aggregate minimum lease payments for short-term and low-value leases under such arrangements, and for other contractual commitments are as follows:

	December 31, 2020	December 31, 2019
No later than 1 year	\$ 4,805	\$ 2,882
Later than 1 year and no later than 5 years	3,966	1,585
<b>Total</b>	<b>\$ 8,771</b>	<b>\$ 4,467</b>

The future aggregate minimum sublease payments to be received under non-cancellable subleases as at December 31, 2020 were \$172 (December 31, 2019 - \$465).

As at December 31, 2020, the Company provided letters of credit of approximately \$1,107 to its lessors (December 31, 2019 - \$1,074).

As at December 31, 2020, the Company has guaranteed up to \$1,500 in connection with vehicle leases and related services entered into by GeoVerra.

As at December 31, 2020, the Company has committed to aggregate capital contributions of \$418 (Note 14) to certain partnerships (December 31, 2019 - \$682).

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

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

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 31. Related Party Transactions

#### Key Management Compensation

Key management includes the Board of Directors, officers and business unit presidents. The compensation paid or payable to key management for services is shown below:

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term benefits	\$ 9,226	\$ 9,764
Termination benefits	1,777	1,750
Share-based payments <sup>(1)</sup>	9,742	8,123
	<b>\$ 20,745</b>	<b>\$ 19,637</b>

<sup>(1)</sup> Includes mark-to-market adjustments on share-based payments.

#### GeoVerra Joint Venture

The Company provides transitional administrative support services to GeoVerra, its joint venture (Note 15), as well as incurring costs for shared office space. During the year ended December 31, 2020, the Company recorded a net recovery of \$231 for such services. As part of ongoing settlement of transactions related to the contribution of net assets into the joint venture, \$1,675 was included in trade receivables and other and \$329 was included in trade payables and other as at December 31, 2020. All related party transactions with GeoVerra were in the normal course of business and measured at the exchange amount.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 31. Related Party Transactions, cont'd

#### Controlled Entities

Altus Group Limited is the ultimate parent company. In certain circumstances, the Company has control over entities in which it does not own more than 50% voting interest. In making this determination, the Company considers all relevant facts and circumstances in assessing whether it has power over the entity including rights arising from contractual arrangements that allow the Company to direct the relevant activities and be exposed to variable returns of the entity, among other considerations. The consolidated financial statements consolidate the Company and the subsidiaries listed in the following table:

Entity's Name	December 31, 2020
Altus Geomatics Limited Partnership	100%
Altus Geomatics General Partner Corporation	49%
Altus Group Asia Pacific Limited	100%
Altus Group U.S. Inc.	100%
Circle Software Acquisition Limited	100%
Argus Software (UK) Ltd.	100%
Circle Software International Limited (UK)	100%
Voyanta Limited (UK)	100%
Argus Software (Canada), Inc.	100%
Argus Software (Oceanic) Pty Ltd.	100%
Altus Group (UK) Limited	100%
2262070 Ontario Limited	100%
Altus Group Data Solutions Inc.	100%
Altus Group S.à.r.l.	100%
Altus Group (Vietnam) Limited	100%
Altus Group (India) Private Limited	100%
Altus Egypt LLC <sup>(1)</sup>	85%
Altus Group (Hong Kong) Limited	100%
Altus Group Consulting (Thailand) Company Limited	100%
Altus Group Management Holdings (Thailand) Company Limited	100%
Altus Group Services (Thailand) Company Limited	100%
Altus Group Construction Professionals (Thailand) Company Limited	100%
Altus Group Australia Pty Limited	100%
Altus Group (ACT) Pty Limited	100%
Altus Group Consulting Pty Limited	100%



## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 31. Related Party Transactions, cont'd

Entity's Name	December 31, 2020
Altus Group Queensland Pty Limited	100%
Altus Group Cost Management Pty Limited	100%
Altus Group Bay Partnership Pty Limited	100%
Estate Master Group Holdings Pty Limited	100%
Estate Master Pty Limited	100%
Estate Master UK Limited	100%
Estate Master FZ LLC	100%
Altus Group (Hawaii) Inc.	100%
Altus Group II LLC	100%
Argus Software Inc.	100%
Argus Software (Asia) Pte. Ltd.	100%
One11 Advisors, LLC	100%
Altus UK LLP	100%
Altus Group (UK2) Limited	100%
R2G Limited	100%
Maxwell Brown Surveyors Group Limited	100%
Maxwell Brown Surveyors Limited	100%
Lambournes Holdings Limited	100%
Lambournes Trading Services Limited	100%
CVS (Commercial Valuers & Surveyors) Limited	100%
Taliance Group SAS	100%
Taliance, Inc.	100%
Taliance Limited	100%
Taliance Solutions Canada Inc.	100%

<sup>(1)</sup> An Egyptian national owns 15% of the remaining shares.

Altus Group Tax Consulting Paralegal Professional Corporation, Altus Group Manitoba Land Surveyors Limited and Altus Geomatics Land Surveying BC Limited are entities under control of the Company and have been consolidated in the Company's consolidated financial statements. During the year ended December 31, 2020, Altus Group Manitoba Land Surveyors Limited was contributed to the GeoVerra joint venture. The Company also has joint control, and 49.5% equity interest, in GeoVerra, which has been accounted for as a joint venture under the equity method.

## Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

### 32. Comparative Information

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



## **LISTINGS**

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Stock trading symbol: AIF

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ERNST & YOUNG LLP

## **TRANSFER AGENT**

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# **Altus Group**