

## **COLLIERS INTERNATIONAL GROUP INC.**

Management's discussion and analysis

For the three and nine months ended September 30, 2020

(in US dollars)

November 3, 2020

*The following management's discussion and analysis ("MD&A") should be read together with the unaudited interim consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of Colliers International Group Inc. ("we," "us," "our," the "Company" or "Colliers") for the three and nine month periods ended September 30, 2020 and the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2019. The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All financial information herein is presented in United States dollars.*

*The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators (the "CSA"). Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. This MD&A provides information for the nine month period ended September 30, 2020 and up to and including November 3, 2020.*

*Additional information about the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).*

*This MD&A includes references to "adjusted EBITDA" and "adjusted EPS", which are financial measures that are not calculated in accordance with GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures, see "Reconciliation of non-GAAP financial measures".*

### **Consolidated review**

Our consolidated revenues for the third quarter ended September 30, 2020 were \$692.3 million, a decrease of 6% versus the prior year quarter (7% in local currency). The decrease was attributable to lower Leasing and Capital Markets activity globally due to the continuing impact of the COVID-19 pandemic (see "Impact of COVID-19 pandemic" below). Our recurring Outsourcing & Advisory and Investment Management revenue streams were largely resilient. Our Outsourcing & Advisory and Capital Markets revenues were positively impacted by recent acquisitions. Diluted net earnings per common share were \$0.52 relative to \$0.74 in the prior year quarter with the decrease primarily attributable to (i) higher non-controlling interest with greater proportion of earnings coming from non-wholly owned Investment Management and Outsourcing & Advisory businesses and (ii) an increase in diluted share count related to an offering of 4% Convertible Senior Subordinated Notes due 2025 (the "Convertible Notes") in May 2020. Adjusted earnings per share, which exclude restructuring costs, non-controlling interest redemption increment and amortization of intangible assets (see "Reconciliation of non-GAAP financial measures" below) for the third quarter of 2020 were \$1.08, up 4% from \$1.04 in the prior year quarter. Adjusted earnings per share and GAAP net earnings per share for the quarter ended September 30, 2020 would have been approximately \$0.01 lower excluding the impact of changes in foreign exchange rates.

On May 29, 2020, we acquired a controlling interest in four subsidiaries of Dougherty Financial Group LLC – Dougherty Mortgage LLC, Dougherty & Company LLC, Dougherty Funding LLC and Dougherty Insurance Agency LLC. Dougherty's mortgage banking operations have rebranded as "Colliers Mortgage" which provides specialty debt financing through its relationships with US government agencies while all brokerage, investment banking, capital markets and public finance services will be carried on through newly branded "Colliers Securities" which is licensed under the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority ("FINRA").

On July 13, 2020, we acquired a controlling interest in Maser Consulting P.A. ("Maser"), a leading multi-disciplinary engineering design and consulting firm in the U.S. This operation will be rebranded as "Colliers Engineering Services" in the first half of 2021.

During the first nine months of 2020, we also completed the acquisitions of our Colliers International affiliates in Austin, Texas and Nashville, Tennessee.

In the second quarter to 2020, the Company renamed its Sales Brokerage service line to Capital Markets, which includes sales brokerage, mortgage origination and mortgage investment banking revenues. In addition, the Company also added mortgage loan servicing under its Outsourcing & Advisory revenues. With the closing of the Maser Consulting acquisition in July 2020, the Company has added engineering and design services to its Outsourcing & Advisory service line.

For both the three and nine month periods ended September 30, 2020, local currency revenue declines were primarily attributable to reduced transactional Leasing and Capital Markets activity due to the pandemic.

(in thousands of US\$) (LC = local currency)	Three months ended		Change in US\$	Change in LC%	Nine months ended		Change in US\$	Change in LC%
	September 30				September 30			
	2020	2019			2020	2019		
Outsourcing & Advisory	\$ 315,352	\$ 277,741	14%	11%	\$ 849,686	\$ 817,763	4%	5%
Investment Management	41,704	39,873	5%	4%	128,918	129,865	-1%	-1%
Leasing	169,688	218,754	-22%	-23%	470,966	653,912	-28%	-27%
Capital Markets	165,563	200,515	-17%	-18%	423,571	515,983	-18%	-17%
Total revenues	\$ 692,307	\$ 736,883	-6%	-7%	\$ 1,873,141	\$ 2,117,523	-12%	-11%

### Results of operations – three months ended September 30, 2020

Revenues for our third quarter were \$692.3 million, 6% lower compared to the prior year quarter (7% in local currency). Acquisitions contributed 12% to local currency revenue growth while internally generated revenues were down 19% on expected declines in transactional Leasing and Capital Markets activity due to the pandemic.

Operating earnings for the quarter were \$52.1 million versus \$48.2 million in the prior year quarter. The operating earnings margin was 7.5% versus 6.5% in the prior year period with the increase attributable to the impact of recent acquisitions of Colliers Mortgage and Maser, service mix and cost savings implemented to adjust costs to expected revenues in light of the pandemic. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) for the quarter was \$92.1 million, up 9% versus \$84.3 million in the prior year quarter. Adjusted EBITDA margin increased by 190 basis points to 13.3% as compared to 11.4% in the third quarter of 2019.

Depreciation expense was \$10.4 million relative to \$8.0 million in the prior year quarter, with the increase attributable to the impact of recent acquisitions and increased investments in office leaseholds.

Amortization expense was \$25.9 million relative to \$14.9 million in the prior year quarter, with the increase attributable mainly to recent acquisitions, including those of Colliers Mortgage and Maser.

Net interest expense for the quarter was \$8.9 million, up from \$7.3 million in the prior year quarter. The average interest rate on debt during the period was 3.1%, versus 3.8% in the prior year period with the decline attributable to a decline in floating reference rates.

Consolidated income tax expense for the third quarter was \$11.7 million relative to \$12.9 million in the third quarter of 2019, reflecting effective tax rates of 27% and 31%, respectively, with a decrease in earnings before income tax in certain high tax rate jurisdictions. The effective tax rate for the full year is expected to be 29% to 30%.

Net earnings were \$21.2 million, compared to \$29.7 million in the prior year period.

Revenues in the Americas region totalled \$422.6 million for the third quarter, approximately the same when compared to \$424.3 million in the prior year quarter as lower Leasing and Capital Markets revenues across the region were offset by strong Outsourcing & Advisory activity. Outsourcing & Advisory and Capital Markets included incremental revenues from the Colliers Mortgage and Maser Consulting acquisitions. Adjusted EBITDA was \$54.6 million, up 41% from \$38.8 million in the prior year quarter, including the acquisitions and cost savings implemented in the early

stages of the pandemic. GAAP operating earnings were \$40.4 million, relative to \$26.5 million in the prior year quarter.

Revenues in the EMEA region totalled \$117.4 million for the third quarter compared to \$138.8 million in the prior year quarter, down 15% (19% in local currency) with Capital Markets most impacted. Foreign exchange tailwinds positively impacted revenue growth by 4%. Adjusted EBITDA was \$7.7 million, versus \$12.6 million in the prior year. GAAP operating earnings were a loss of \$1.4 million as compared to earnings of \$5.1 million in the third quarter of 2019.

Revenues in the Asia Pacific region totalled \$110.5 million for the third quarter compared to \$133.5 million in the prior year quarter, down 17% (23% in local currency) on lower Leasing and Capital Markets activity. Outsourcing & Advisory revenues were up slightly in the quarter. Foreign exchange tailwinds positively impacted revenue growth by 6%. Adjusted EBITDA was \$12.8 million, down from \$18.6 million. GAAP operating earnings were \$8.5 million, down from \$17.2 million in the prior year quarter.

Investment Management revenues for the third quarter were \$41.7 million compared to \$39.9 million in the prior year quarter, up 5% (4% in local currency). Pass-through revenue from historical carried interest represented \$1.9 million for the third quarter versus \$0.5 million in the prior year quarter. Adjusted EBITDA was \$15.3 million relative to \$15.9 million in the prior year quarter. GAAP operating earnings were \$7.9 million in the quarter, versus \$9.3 million in the prior year quarter. Assets under management were \$36.2 billion at September 30, 2020, up 1% from \$35.7 billion at June 30, 2020 and up 18% from \$30.6 billion at September 30, 2019.

Unallocated global corporate earnings as reported in Adjusted EBITDA was \$1.8 million in the third quarter, relative to a loss of \$1.7 million in the prior year quarter, with the change attributable to lower compensation and variable expenses. The corporate GAAP operating loss for the quarter was \$3.5 million, relative to \$10.0 million in the third quarter of 2019.

#### **Results of operations – nine months ended September 30, 2020**

For the nine months ended September 30, 2020, revenues were \$1.87 billion, 12% lower compared to the prior year period (11% in local currency). The decrease is attributable to the impact of the pandemic which began in March 2020. Acquisitions contributed 5% to local currency revenue growth while internally generated revenues were down 16%.

Operating earnings were \$85.1 million versus \$118.8 million in the prior year period. The operating earnings margin was 4.5% versus 5.6% in the prior year period with the decrease attributable to lower revenues and restructuring costs incurred to adjust costs to expected revenues. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) for the nine month period was \$206.5 million, down 4% versus \$215.2 million in the prior year period. Adjusted EBITDA margin increased by 80 basis points to 11.0% as compared to 10.2% in the comparable prior year period on cost savings implemented in light of the pandemic, service mix and strong first quarter results in our Investment Management segment.

Depreciation expense was \$28.1 million relative to \$24.4 million in the prior year period, with the increase attributable to increased investments in office leaseholds and the impact of recent business acquisitions.

Amortization expense was \$59.0 million relative to \$44.8 million in the prior year period, with the increase attributable mainly to increased definite life intangible assets from recent acquisitions.

Net interest expense was \$22.6 million, flat versus \$22.8 million in the prior year period. The average interest rate on debt during the period was 2.9%, versus 3.8% in the prior year period with the decline attributable to a decline in floating reference rates.

Consolidated income tax expense for the nine month period was \$19.1 million relative to \$27.3 million in the prior year period, reflecting effective tax rates of 30% and 28%, respectively. The tax rate for the nine months ended September 30, 2020 was impacted by the reversal of a \$2.0 million tax benefit recorded in 2019 due to a change in tax law applied retroactively.

Net earnings were \$15.4 million, compared to \$54.9 million in the prior year period.

Americas region revenues totalled \$1.10 billion for the nine months ended September 30, 2020 compared to \$1.20 billion in the prior year period, down 9% (8% in local currency) on reduced Leasing and Capital Markets activity. Outsourcing and Advisory revenues were up slightly on an internal growth basis. Foreign exchange headwinds negatively impacted revenue growth by 1%. Adjusted EBITDA was \$110.2 million, versus \$101.2 million in the prior year period and included the impact of recent acquisitions. GAAP operating earnings were \$66.5 million, relative to \$68.3 million in the prior year period.

EMEA region revenues totalled \$334.0 million compared to \$410.9 million in the prior year period, down 19% (18% in local currency) on lower activity in each service line. Foreign exchange headwinds negatively impacted revenue growth by 1%. Adjusted EBITDA was \$10.3 million, versus \$29.2 million in the prior year period. GAAP operating earnings were a loss of \$18.1 million as compared to earnings of \$5.8 million in the comparable prior year period.

Asia Pacific region revenues totalled \$308.0 million compared to \$370.9 million in the prior year period, down 17% (17% in local currency) primarily on lower Leasing and Capital Markets activity, partially offset by an increase in Outsourcing & Advisory revenues. Adjusted EBITDA was \$30.3 million, down from \$43.7 million. GAAP operating earnings were \$14.9 million, down from \$39.0 million in the prior year period.

Investment Management revenues were \$128.9 million compared to \$129.9 million in the prior year period, down 1% (1% in local currency). Passthrough revenue from historical carried interest represented \$4.2 million for the nine months ended September 30, 2020 versus \$16.0 million in the prior year period. Adjusted EBITDA was \$51.0 million relative to \$45.4 million in the prior year period. GAAP operating earnings were \$30.3 million, versus \$25.2 million in the prior year period.

Unallocated global corporate results as reported in Adjusted EBITDA were \$4.7 million, relative to a loss of \$4.3 million in the prior year period, attributable to lower compensation and variable expenses. The corporate GAAP operating loss was \$8.5 million, relative to \$19.5 million in the prior year period.

**Summary of quarterly results (unaudited)**

The following table sets forth our unaudited quarterly consolidated results of operations data. The information in the table below has been derived from unaudited interim consolidated financial statements that, in management's opinion, have been prepared on a consistent basis and include all adjustments necessary for a fair presentation of information. The information below is not necessarily indicative of results for any further quarter.

**Summary of quarterly results - years ended December 31, 2020, 2019 and 2018**  
**(in thousands of US\$, except per share amounts)**

	Q1	Q2	Q3	Q4
<b>Year ended December 31, 2020</b>				
Revenues	\$ 630,628	\$ 550,206	\$ 692,307	
Operating earnings	18,537	14,523	52,074	
Net earnings	6,458	6,483	21,167	
Basic net earnings per common share	0.12	(0.26)	0.53	
Diluted net earnings per common share	0.11	(0.26)	0.52	
<b>Year ended December 31, 2019</b>				
Revenues	\$ 635,123	\$ 745,517	\$ 736,883	\$ 928,288
Operating earnings	13,397	57,198	48,175	99,428
Net earnings	5,463	35,575	28,672	67,876
Basic net earnings per common share	0.04	0.60	0.75	1.21
Diluted net earnings per common share	0.04	0.60	0.74	1.20
<b>Year ended December 31, 2018</b>				
Revenues	\$ 552,473	\$ 667,350	\$ 715,721	\$ 889,883
Operating earnings	15,745	45,569	41,956	98,128
Net earnings	8,541	28,804	25,382	65,847
Basic net earnings per common share	0.13	0.61	0.41	1.34
Diluted net earnings per common share	0.13	0.60	0.41	1.33
<b>Other data</b>				
Adjusted EBITDA - 2020	\$ 54,454	\$ 59,962	\$ 92,120	
Adjusted EBITDA - 2019	43,571	87,323	84,262	\$ 144,320
Adjusted EBITDA - 2018	36,140	69,427	72,665	133,203
Adjusted EPS - 2020	0.54	0.70	1.08	
Adjusted EPS - 2019	0.51	1.10	1.04	2.01
Adjusted EPS - 2018	0.45	0.95	0.92	1.77

**Impact of COVID-19 pandemic**

The full impact of the pandemic remains uncertain. Given stronger than expected operating results for the third quarter, the Company is updating its previously provided working assumption and narrowing the range for the balance of the year. The updated working assumption for the full year 2020 (relative to 2019) is as follows:

	Previous	Updated
Revenue	-10% to -20%	<b>-10% to -15%</b>
Adjusted EBITDA	-15% to -25%	<b>-10% to -15%</b>

This working assumption is based on the best available information as of the date of this MD&A and is subject to change based on numerous macroeconomic, health, social, geo-political and related factors (see "Risks associated with COVID-19 pandemic" below).

Year to date, the Company has taken significant steps to adjust costs to expected revenues across all service lines, including reductions to support, administrative and leadership and related costs. Expenses incurred in connection with

these reductions were substantially all severance related. The Company may take further cost reduction measures in future quarters.

The Company received wage subsidies totalling \$13.6 million during the third quarter ended September 30, 2020 (\$23.9 million year to date) from governments in several countries. These subsidies were recorded in earnings as an offset to employment costs. The Company may receive further government wage subsidies in future quarters.

As of September 30, 2020, the Company's financial leverage ratio expressed in terms of net debt to pro forma Adjusted EBITDA was 1.5x (1.5x as of September 30, 2019), relative to a maximum of 3.5x permitted under its debt agreements. As of the same date, the Company had \$606 million of unused credit under its committed revolving credit facility maturing in April 2024.

As a result of the changes in the current economic environment related to the pandemic, management has performed asset impairment testing across the Company's reporting units. Management has concluded that no impairment loss is required to be recognized as of September 30, 2020. The testing considered a range of scenarios, but is subject to significant estimation uncertainty given the factors noted above. If there are future adverse developments, impairment losses may be required to be recognized.

### **Seasonality and quarterly fluctuations**

The Company generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on sales brokerage transactions. Revenues and earnings during the balance of the year are relatively even. Historically, Sales Brokerage operations comprised approximately 25% of consolidated annual revenues. Variations can also be caused by business acquisitions which alter the consolidated service mix.

### **Liquidity and capital resources**

Cash flow from operating activities for the nine month period ended September 30, 2020 was \$104.3 million, versus \$123.2 million in the prior year period. Excluding activity related to the structured accounts receivable facility ("AR Facility") and restricted cash related to the mortgage servicing operations, net cash generated in operating activities was 38.1 million, an improvement versus \$20.7 million for the nine month period ended September 30, 2019. The increase in cash flow is primarily attributable to a reduction of working capital in the business, primarily accounts receivable. We believe that cash from operations and other existing resources, including our \$1.0 billion multi-currency revolving credit facility (the "Revolving Credit Facility"), will continue to be adequate to satisfy the ongoing working capital needs of the Company.

For the nine month period ended September 30, 2020, capital expenditures were \$29.5 million. Capital expenditures for the year ending December 31, 2020 are expected to be \$40-\$50 million.

Net indebtedness as at September 30, 2020 was \$514.7 million, versus \$496.4 million at December 31, 2019, which excludes the Convertible Notes. Including the Convertible Notes, our net indebtedness as at September 30, 2020 would have been \$738.3 million. Net indebtedness is calculated as the current and non-current portion of long-term debt less cash and cash equivalents. We are in compliance with the covenants contained in our agreements relating to our debt agreements as at September 30, 2020 and, based on our working assumption, we expect to remain in compliance with these covenants.

Colliers Mortgage utilizes warehouse lines of credit for the purpose of funding warehouse receivables. Warehouse receivables represent mortgage loans receivable, the majority of which are offset by borrowings under warehouse lines of credit which fund loans that financial institutions have committed to purchase. The warehouse lines of credit are excluded from the financial leverage calculations under our debt agreements.

During the third quarter of 2020, the Company acquired certain real estate assets in connection with the establishment of a new Investment Management fund. The real estate assets, as well as corresponding liabilities, are expected to be transferred to the fund, without gain or loss, during the fourth quarter of 2020.

On May 19, 2020, we completed an offering of 4% Convertible Senior Subordinated Notes due 2025 for \$223.8 million in net proceeds. The Convertible Notes are unsecured and subordinated to all of the existing and future senior and/or secured indebtedness, and are treated as equity for financial leverage calculations under our existing debt

agreements. The Convertible Notes are convertible into 3.97 million subordinate voting shares or, if not converted, may be settled at maturity with subordinate voting shares or cash at the option of the Company.

On May 20, 2020, the Company's Board of Directors declared a semi-annual dividend of \$0.05 per share to shareholders of record on June 30, 2020. This dividend amounting to \$2.0 million was paid on July 13, 2020.

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling \$210.0 million as at September 30, 2020 (December 31, 2019 - \$187.5 million). The contingent consideration liability is recognized at fair value upon acquisition and is updated to fair value each quarter, unless it contains an element of compensation, in which case such element is treated as compensation expense over the contingency period. The fair value of contingent consideration recorded on the consolidated balance sheet as at September 30, 2020 was \$88.2 million (December 31, 2019 - \$85.0 million). The liability recorded on the consolidated balance sheet for the compensatory element of contingent consideration arrangements as at September 30, 2020 was \$15.9 million (December 31, 2019 - \$23.0 million). The contingent consideration is based on achieving specified earnings levels and is paid or payable after the end of the contingency period, which extends to December 2024. We estimate that approximately 85% of the contingent consideration outstanding as of September 30, 2020 will ultimately be paid.

The following table summarizes our contractual obligations as at September 30, 2020:

Contractual obligations (in thousands of US\$)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$ 823,724	\$ 192,302	\$ 386,164	\$ -	\$ 245,258
Convertible Notes	223,658	-	-	223,658	-
Interest on long-term debt and Convertible Notes	125,493	26,725	51,674	32,509	14,585
Finance lease obligations	1,348	549	787	12	-
Contingent acquisition consideration <sup>1</sup>	88,191	7,517	78,039	2,529	106
Operating leases obligations	501,706	92,552	149,459	102,179	157,516
Purchase commitments	24,331	16,954	4,900	2,477	-
Co-investment Commitments	16,930	16,930	-	-	-
<b>Total contractual obligations</b>	<b>\$ 1,805,381</b>	<b>\$ 353,529</b>	<b>\$ 671,023</b>	<b>\$ 363,364</b>	<b>\$ 417,465</b>

1. Contractual obligation expected to be funded from Revolving Credit Facility.

At September 30, 2020, we had commercial commitments totaling \$12.9 million comprised of letters of credit outstanding due to expire within one year.

### Redeemable non-controlling interests

In most operations where managers or employees are also non-controlling owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the redeemable non-controlling interests ("RNCI") at a value determined with the use of a formula price, which is in most cases equal to a multiple of trailing two-year average earnings, less debt. Non-controlling owners may also "put" their interest to the Company at the same price, with certain limitations including (i) the inability to "put" more than 50% of their holdings in any twelve-month period and (ii) the inability to "put" any holdings for at least one year after the date of our initial acquisition of the business or the date the non-controlling shareholder acquired their interest, as the case may be.

The total value of the RNCI (the "redemption amount"), as calculated in accordance with shareholders' agreements, was \$401.4 million as of September 30, 2020 (December 31, 2019 - \$333.1 million). The amount recorded on our balance sheet under the caption "redeemable non-controlling interests" is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. As at September 30, 2020, the RNCI recorded on the balance sheet was \$431.2 million (December 31, 2019 - \$359.2 million). The purchase prices of the RNCI may be paid in cash or in Subordinate Voting Shares of Colliers. If all RNCI were redeemed in cash, the pro forma estimated accretion to diluted net earnings per share for the nine month period ended September 30, 2020 would be \$0.51, and the accretion to adjusted EPS would be \$0.12.

**Reconciliation of non-GAAP financial measures**

In this MD&A, we make reference to “adjusted EBITDA” and “adjusted EPS,” which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income) other than equity earnings from non-consolidated investments; (iii) interest expense; (iv) depreciation and amortization, including amortization of mortgage servicing rights (“MSRs”); (v) gains attributable to MSRs; (vi) acquisition-related items (including transaction costs, contingent acquisition consideration fair value adjustments and contingent acquisition consideration-related compensation expense); (vii) restructuring costs and (viii) stock-based compensation expense. We use adjusted EBITDA to evaluate our own operating performance and our ability to service debt, as well as an integral part of our planning and reporting systems. Additionally, we use this measure in conjunction with discounted cash flow models to determine the Company’s overall enterprise valuation and to evaluate acquisition targets. We present adjusted EBITDA as a supplemental measure because we believe such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of the Company’s service operations. We believe this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings or cash flow from operating activities, as determined in accordance with GAAP. Our method of calculating adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to adjusted EBITDA appears below.

(in thousands of US\$)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net earnings	\$ 31,979	\$ 28,673	\$ 44,921	\$ 69,711
Income tax	11,740	12,868	19,066	27,270
Other income, net	(509)	(663)	(1,479)	(985)
Interest expense, net	8,864	7,298	22,627	22,775
Operating earnings	52,074	48,176	85,135	118,771
Depreciation and amortization	36,281	22,835	87,111	69,281
Gains attributable to MSRs	(6,888)	-	(7,397)	-
Equity earnings from non-consolidated investments	482	-	1,451	-
Acquisition-related items	4,965	8,867	11,499	18,765
Restructuring costs	3,374	2,826	22,681	3,141
Stock-based compensation expense	1,832	1,558	6,056	5,199
Adjusted EBITDA	\$ 92,120	\$ 84,262	\$ 206,536	\$ 215,157

Adjusted EPS is defined as diluted net earnings per share as calculated under the If-Converted method, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) amortization expense related to intangible assets recognized in connection with acquisitions and MSRs; (iii) gains attributable to MSRs; (iv) acquisition-related items; (v) restructuring costs and (vi) stock-based compensation expense. We believe this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. Our method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to adjusted net earnings and of diluted net earnings per share to adjusted EPS appears below.

Adjusted EPS is calculated using the “if-converted” method of calculating earnings per share in relation to the Convertible Notes, which were issued on May 19, 2020. As such, the interest (net of tax) on the Convertible Notes is added to the numerator and the additional shares issuable on conversion of the Convertible Notes are added to the denominator of the earnings per share calculation to determine if an assumed conversion is more dilutive than no assumption of conversion. The “if-converted” method is used if the impact of the assumed conversion is dilutive. For the nine month period ended September 30, 2020, the “if-converted” method is anti-dilutive for the GAAP diluted EPS calculation but dilutive for the adjusted EPS calculation.

(in thousands of US\$)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net earnings	\$ 31,979	\$ 28,673	\$ 44,921	\$ 69,711
Non-controlling interest share of earnings	(6,264)	(6,069)	(13,906)	(13,900)
Interest on Convertible Notes	2,314	-	3,373	-
Amortization of intangible assets	25,912	14,878	59,013	44,835
Gains attributable to MSRs	(6,888)	-	(7,397)	-
Acquisition-related items	4,965	8,867	11,499	18,765
Restructuring costs	3,374	2,826	22,681	3,141
Stock-based compensation expense	1,832	1,558	6,056	5,199
Income tax on adjustments	(6,988)	(6,524)	(20,235)	(14,740)
Non-controlling interest on adjustments	(2,625)	(2,507)	(7,222)	(7,099)
Adjusted net earnings	\$ 47,611	\$ 41,702	\$ 98,783	\$ 105,912

(in US\$)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Diluted net earnings per common share	\$ 0.52	\$ 0.74	\$ 0.43	\$ 1.37
Non-controlling interest redemption increment	0.10	(0.18)	0.37	0.02
Amortization expense, net of tax	0.38	0.23	0.88	0.69
Gains attributable to MSRs, net of tax	(0.12)	-	(0.14)	-
Acquisition-related items	0.10	0.16	0.27	0.38
Restructuring costs, net of tax	0.06	0.05	0.40	0.06
Stock-based compensation expense, net of tax	0.04	0.04	0.14	0.13
Adjusted EPS	\$ 1.08	\$ 1.04	\$ 2.35	\$ 2.65
Diluted weighted average shares for Adjusted EPS (thousands)	44,181	40,029	42,075	39,938

We believe that the presentation of adjusted EBITDA and adjusted earnings per share, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and adjusted earnings per share are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Percentage revenue variances presented on a local currency basis are calculated by translating the current period results of our non-US dollar denominated operations to US dollars using the foreign currency exchange rates from the periods against which the current period results are being compared. Percentage revenue variances presented on an internal growth basis are calculated assuming no impact from acquired entities in the current and prior periods. Revenue from acquired entities, including any foreign exchange impacts, are treated as acquisition growth until the respective anniversaries of the acquisitions. We believe that these revenue growth rate methodologies provide a framework for assessing the Company's performance and operations excluding the effects of foreign currency exchange rate fluctuations and acquisitions. Since these revenue growth rate measures are not calculated under GAAP, they may not be comparable to similar measures used by other issuers.

We use the term assets under management (“AUM”) as a measure of the scale of our Investment Management operations. AUM is defined as the gross market value of operating assets and the projected gross cost of development properties of the funds, partnerships and accounts to which we provide management and advisory services, including capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our definition of AUM may differ from those used by other issuers and as such may not be directly comparable to similar measures used by other issuers.

### **Impact of recently adopted accounting standards**

#### *Current Expected Credit Losses*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. This ASU creates a new framework to evaluate financial instruments, such as trade receivables, for expected credit losses. This new framework replaces the previous incurred loss approach and is expected to result in more timely recognition of credit losses.

The Company has adopted *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* effective January 1, 2020 using the modified retrospective basis recording a cumulative catch-up adjustment to retained earnings. Following adoption of the standard, the Company’s methodology of reserving for Accounts receivable and other receivable-related financial assets, including contract assets has changed. See note 2 for details on the significant accounting policies related to receivables and allowance for doubtful accounts. The adoption of the standard has had the impact of accelerating the recognition of credit losses on certain receivables and the Company recognized a non-cash cumulative catch-up adjustment to retained earnings in the amount of \$3.6 million, net of \$0.8 million in taxes, on the opening consolidated balance sheet as of January 1, 2020.

#### *Goodwill impairment testing*

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment* to remove Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under this guidance, a goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company has adopted the standard effective January 1, 2020. Adoption of the ASU simplifies the goodwill impairment testing process for the Company without any direct impact on the financial statements.

#### *Capitalization of implementation costs in relation to hosting arrangements*

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)*. This ASU aligns the capitalizing of implementation costs incurred in relation to a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. It also requires these capitalized costs to be expensed over the term of the hosting arrangement and to the same line as the hosting arrangement. As this ASU clarifies the previously existing ambiguity related to capitalization, it was determined that the guidance under the ASU is consistent with the Company’s existing capitalization process for development costs as relate to hosting arrangements without any impact on the financial statements.

### **Recently issued accounting guidance, not yet adopted**

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. With LIBOR ceasing at the end of 2021, a significant volume of contracts and other arrangements will be impacted by the transition required to alternative reference rates. This ASU provides optional expedients and exceptions to reduce the costs and complexity of applying existing GAAP to contract modifications and hedge accounting if certain criteria are met. The standard is effective from the beginning of an interim period that includes the March 12, 2020 issuance date of the ASU through December 31, 2022. On March 25, 2020, the Alternative Reference Rates Committee (the “ARRC”), which is a group of private-market participants convened by the Federal Reserve Board and the New York Fed, reiterated the end of 2021 timeline for the phase out of LIBOR amid the uncertainty surrounding the COVID-19 pandemic. The Company is currently assessing the options available under this ASU and their potential impacts on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt- Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contract in an Entity’s Own Equity*. The ASU simplifies the accounting for convertible instruments

and reduces the number of embedded conversion features being separately recognized from the host contract as compared to current GAAP. The ASU also enhances information transparency through targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance. The standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The standard can be applied using the modified retrospective method of transition or a fully retrospective method of transition. The Company is currently assessing the options available under this ASU and their potential impacts on its consolidated financial statements.

### **Impact of IFRS**

On January 1, 2011, many Canadian companies were required to adopt IFRS. In 2004, in accordance with the rules of the CSA, Old FSV elected to report exclusively using US GAAP and further elected not to adopt IFRS on January 1, 2011. Under the rules of the CSA, the Company is permitted to continue preparing financial statements in accordance with US GAAP going forward.

### **Financial instruments**

We use financial instruments as part of our strategy to manage the risk associated with interest rates and currency exchange rates. We do not use financial instruments for trading or speculative purposes. On April 11, 2017 we entered into interest rate swap agreements to convert the LIBOR floating interest rate on \$100.0 million of US dollar denominated debt into a fixed interest rate of 1.897%. In December 2018, the Company entered into interest rate swap agreements to convert the LIBOR floating interest rate on \$100.0 million of US dollar denominated debt into a fixed interest rate of 2.7205% plus the applicable margin. Hedge accounting is being applied to these interest rate swaps. Financial instruments involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. If we have financial instruments outstanding and such events occur, our results of operations and financial position may be adversely affected.

### **Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition other than (i) the payments which may be required to be made under the long term arrangement contained in the restated management services agreement with Colliers, Jayset Management CIG Inc. and Jay S. Hennick, (see Note 19 to the Consolidated Financial Statements for a full description) and (ii) the AR Facility. As of September 30, 2020, the Company had drawn \$111.1 million under the AR Facility. The AR Facility is recorded as a sale of accounts receivable, and accordingly sold Receivables are derecognized from the consolidated balance sheet. The AR Facility results in a significant decrease to our borrowing costs.

### **Transactions with related parties**

As at September 30, 2020, the Company had \$3.6 million of loans receivable from non-controlling shareholders (December 31, 2019 - \$3.4 million). The majority of the loans receivable represent amounts assumed in connection with acquisitions and amounts issued to non-controlling interests to finance the sale of non-controlling interests in subsidiaries to senior managers. The loans are of varying principal amounts and interest rates which range from nil to 4.0%. These loans are due on demand or mature on various dates up to 2026, but are open for repayment without penalty at any time.

### **Outstanding share data**

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share at any time at the election of the holders thereof.

As of the date hereof, the Company has outstanding 38,723,117 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,858,000 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

On July 16, 2020, the Company announced a Normal Course Issuer Bid (“NCIB”) effective from July 20, 2020 to July 19, 2021. The Company is entitled to repurchase up to 3,000,000 Subordinate Voting Shares on the open market pursuant to the NCIB. Any shares purchased under the NCIB will be cancelled.

#### **Canadian tax treatment of common share dividends**

For the purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by us to Canadian residents on our Subordinate Voting Shares and Multiple Voting Shares are designated as “eligible dividends”. Unless stated otherwise, all dividends (and deemed dividends) paid by us hereafter are designated as “eligible dividends” for the purposes of such rules.

#### **Changes in internal control over financial reporting**

During the quarter ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

#### **Legal proceedings**

Colliers is involved in various legal claims associated with the normal course of operations and believes it has made adequate provision for such legal claims.

#### **Spin-off risk**

On June 1, 2015, the predecessor to our Company, FirstService Corporation (“Old FSV”), completed a plan of arrangement (the “Spin-off”) which separated Old FSV into two independent publicly traded companies – Colliers International Group Inc., a global leader in commercial real estate services and new FirstService Corporation (“FirstService”), a North American leader in residential property management and related services. Under the Spinoff, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held.

Although the Spin-off is complete, the transaction exposes Colliers to certain ongoing risks. The Spin-off was structured to comply with all the requirements of the public company “*butterfly rules*” in the *Income Tax Act (Canada)*. However, there are certain requirements of these rules that depend on events occurring after the Spin-off is completed or that may not be within the control of Colliers and/or FirstService. If these requirements are not met, Colliers could be exposed to significant tax liabilities which could have a material effect on the financial position of Colliers. In addition, Colliers has agreed to indemnify FirstService for certain liabilities and obligations related to its business at the time of the Spin-off. These indemnification obligations could be significant. These risks are more fully described in the Management Information Circular of Old FSV dated March 16, 2015, which is available under Colliers’ SEDAR profile at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

#### **Risks associated with COVID-19 pandemic**

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it will impact our clients, employees, and services. We expect that we will be adversely impacted on a global basis in future periods, and we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The extent to which our operations may be impacted by the pandemic will depend largely on future developments, which are uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak and actions by government authorities to contain the pandemic or treat its impact. Furthermore, the impacts of a potential worsening of global macroeconomic conditions and the continued disruptions to and volatility in the financial markets remain unknown.

Operating during the global pandemic exposes the Company to multiple risks which, individually or in the aggregate, could have a material adverse effect on the Company’s business, financial condition, results of operations and cash flows, including following:

- a reduction in real estate transactions and decreases in expenditure at our clients and therefore a reduction in the demand for the services the Company provides;
- a decrease in property values and vacancy rates, which could negatively impact sales and leasing commissions;
- liquidity challenges, including impacts related to delayed customer payments and payment defaults associated with customer liquidity issues and bankruptcies;

- inability to access capital or financing at favorable terms due to possible adverse effect on our liquidity and financial position; and
- the occurrence of asset impairment losses.

Further, many of the risks discussed in the “Risk Factors” section of the Company’s Annual Information Form are, and could be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. Given the dynamic nature of these events, the Company cannot reasonably estimate the period of time that the COVID-19 pandemic and related market conditions will persist, the full extent of the impact they will have on our business, financial condition, results of operations or cash flows or the pace or extent of any subsequent recovery. Even after the pandemic and related containment measures subside, we may continue to experience adverse impacts to our business, financial condition and results of operations, the extent of which may be material.

#### **Risks associated with Colliers Mortgage**

Our recently acquired Colliers Mortgage operations have certain key risk factors unique to the services provided. The following is a summary of key risk factors:

- a change in or loss of our relationship with US government agencies, such as Fannie Mae or Ginnie Mae could significantly impact our ability to originate mortgage loans;
- a default on loans originated under the Fannie Mae Delegated Underwriting and Servicing™ Program could materially affect our profitability as we are subject to sharing up to one-third of incurred losses;
- a decline in origination volumes or termination of our current servicing agreements, could significantly impact profitability, with a majority of our earnings generated from loan servicing; and
- a termination or changes to our warehouse lines of credit could lead to unfavourable replacement terms and may significantly impact our ability to originate new loans.

#### **Forward-looking statements and risks**

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words “believe,” “anticipate,” “estimate,” “plan,” “expect,” “intend,” “may,” “project,” “will,” “would,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to those set out below, those set out above under “Spin-off risk”, “Risks associated with the COVID-19 pandemic” , “Risks associated with Colliers Mortgage” and those set out in detail in the “Risk Factors” section of the Company’s Annual Information Form:

- The COVID-19 pandemic and its related impact on global, regional and local economic conditions, and in particular its impact on client demand for our services, our ability to deliver services and ensure the health and productivity of our employees.
- Economic conditions, especially as they relate to commercial and consumer credit conditions and business spending, particularly in regions where our operations may be concentrated.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- Trends in pricing and risk assumption for commercial real estate services.
- The effect of significant movements in average cap rates across different property types.
- A reduction by companies in their reliance on outsourcing for their commercial real estate needs, which would affect our revenues and operating performance.
- Competition in the markets served by the Company.
- The impact of changes in the market value of assets under management on the performance of our Investment Management business.
- A decline in our ability to attract, recruit and retain talent.
- A decline in our ability to attract new clients and to retain major clients and renew related contracts.
- Reliance on subcontractors.
- Labor shortages or increases in wage and benefit costs.

- A decline in our performance impacting our continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders.
- The effect of increases in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation and health care.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in foreign exchange rates in relation to the US dollar on the Company's Euro, Canadian dollar, Australian dollar and UK pound sterling denominated revenues and expenses.
- A decline in our ability to identify and make acquisitions at reasonable prices and successfully integrate acquired operations.
- Disruptions or security failures in our information technology systems.
- The ability to comply with laws and regulations related to our global operations, including real estate and mortgage banking licensure, labour and employment laws and regulations, as well as the anti-corruption laws and trade sanctions.
- Political conditions, including political instability, elections, referenda, trade policy changes, immigration policy changes and any outbreak or escalation of hostilities or terrorism and the impact thereof on our business.
- Changes in government laws and policies at the federal, state/provincial or local level that may adversely impact our businesses.
- Conversion of the Convertible Notes to subordinate voting shares may dilute the ownership of existing shareholders.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its anticipated impact on our business. We disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

**Additional information**

Additional information about Colliers, including our Annual Information Form for the year ended December 31, 2019, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov). Further information about us can also be obtained at [www.colliers.com](http://www.colliers.com).