

## **COLLIERS INTERNATIONAL GROUP INC.**

Management's discussion and analysis  
For the three and six months ended June 30, 2020  
(in US dollars)  
August 7, 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 six month periods ended June 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 six month period ended June 30, 2020 and up to and including August 7, 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 second quarter ended June 30, 2020 were \$550.2 million, a decrease of 26% versus the prior year quarter (25% in local currency), primarily attributable to sharply lower Leasing and Capital Markets activity due to the COVID-19 pandemic, which started in Asia in February 2020 and in the rest of the world in March 2020. Our recurring Outsourcing & Advisory and Investment Management revenue streams were largely stable despite the pandemic. Diluted net earnings per common share were a loss of \$0.26 relative to \$0.60 in the prior year quarter with the decrease attributable to lower operating margins, restructuring costs to adjust costs to lower revenues in light of the pandemic and higher non-controlling interest stemming from strong performance in our non-wholly owned Investment Management operations. 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 second quarter of 2020 were \$0.70, down 36% from \$1.10 in the prior year quarter. Adjusted earnings per share and GAAP net earnings per share for the quarter ended June 30, 2020 would have been approximately \$0.02 higher excluding the impact of changes in foreign exchange rate.

During the first six months of 2020, we completed the acquisition of our Colliers International affiliate in Austin, Texas and 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 sponsored enterprises ("GSEs") 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.

Subsequent to quarter end, 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. The operations will be rebranded as "Colliers Engineering Services" in the first half of 2021.

On May 19, 2020, we completed an offering of 4% Convertible Senior Subordinated Notes due 2025 (the "Convertible Notes") for \$223.8 million in net proceeds.

With the closing of Colliers Mortgage acquisition, Colliers has renamed its Sales Brokerage service line to Capital Markets, which now includes sales brokerage, mortgage origination and mortgage investment banking revenues. In addition, the Company added mortgage loan servicing under its Outsourcing & Advisory revenues. For both the three and six month periods ended June 30, 2020, local currency revenue declines were primarily attributable to reduced transactional Leasing and Capital Markets activity due to the COVID-19 pandemic.

(in thousands of US\$) (LC = local currency)	Three months ended				Six months ended			
	June 30		Change in US\$	Change in LC%	June 30		Change in US\$	Change in LC%
	<b>2020</b>	2019			<b>2020</b>	2019		
Outsourcing & Advisory	\$ 257,044	\$ 281,638	-9%	-6%	\$ 534,334	\$ 540,022	-1%	1%
Investment Management	41,389	46,902	-12%	-12%	87,214	89,992	-3%	-3%
Leasing	136,768	253,374	-46%	-45%	301,278	435,158	-31%	-30%
Capital Markets	115,005	163,603	-30%	-28%	258,008	315,468	-18%	-17%
Total revenues	\$ 550,206	\$ 745,517	-26%	-25%	\$ 1,180,834	\$ 1,380,640	-14%	-13%

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

Revenues for our second quarter were \$550.2 million, 26% lower compared to the prior year quarter (25% in local currency). Acquisitions contributed 1% to local currency revenue growth while internally generated revenues were down 26% driven primarily by declines in transactional Leasing and Capital Markets activity due to the COVID-19 pandemic in each region.

Operating earnings for the quarter were \$14.5 million versus \$57.2 million in the prior year quarter. The operating earnings margin was 2.6% versus 7.7% in the prior year period with the decrease attributable to lower revenues, service mix and restructuring costs incurred to adjust costs to expected revenues. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) for the quarter was \$60.0 million, down 31% versus \$87.3 million in the prior year quarter. Adjusted EBITDA margin declined by 80 basis points to 10.9% as compared to 11.7% in the second quarter of 2019.

Depreciation expense was \$8.9 million relative to \$8.5 million in the prior year quarter, with the increase attributable to increased investments in office leaseholds and the impact of recent business acquisitions.

Amortization expense was \$17.1 million relative to \$15.2 million in the prior year quarter, with the increase attributable mainly to recent acquisitions, including those of Synergy Property Development (Synergy) and Colliers Mortgage.

Net interest expense for the quarter was \$6.2 million, down from \$8.3 million in the prior year quarter. The average interest rate on debt during the period was 2.9%, versus 3.9% in prior year period with the decline attributable to a decline in floating reference rates.

Consolidated income tax expense for the second quarter was \$2.1 million relative to \$13.2 million in the second quarter of 2019, reflecting effective tax rates of 25% and 27%, 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 \$6.5 million, compared to \$35.6 million in the prior year period.

Americas region revenues totalled \$308.9 million for the second quarter compared to \$421.4 million in the prior year quarter, down 27% (26% in local currency) on reduced Leasing and Capital Markets activity across the region. Leasing was more heavily impacted as occupiers of office space, particularly in central business districts, deferred decisions on future lease commitments. Outsourcing & Advisory revenues were flat in the quarter. Foreign exchange headwinds negatively impacted revenue growth by 1%. Adjusted EBITDA was \$24.4 million, versus \$36.2 million in the prior year quarter. GAAP operating earnings were \$3.4 million, relative to \$25.6 million in the prior year quarter.

EMEA region revenues totalled \$99.6 million for the second quarter compared to \$151.6 million in the prior year quarter, down 34% (32% in local currency) on lower activity in each service line, including Outsourcing & Advisory

which was impacted by delays in executing on-site turnkey project management assignments due to the pandemic. Foreign exchange headwinds negatively impacted revenue growth by 2%. Adjusted EBITDA was \$6.3 million, versus \$19.0 million in the prior year. GAAP operating earnings were a loss of \$3.3 million as compared to \$10.8 million in the second quarter of 2019.

Asia Pacific region revenues totalled \$100.1 million for the second quarter compared to \$125.1 million in the prior year quarter, down 20% (16% in local currency) on lower Leasing and Capital Markets activity. Outsourcing & Advisory revenues were up slightly in the quarter, including incremental revenues from the recent Synergy acquisition. Foreign exchange headwinds negatively impacted revenue growth by 4%. Adjusted EBITDA was \$12.3 million, down from \$14.2 million. GAAP operating earnings were \$5.1 million, down from \$12.5 million in the prior year quarter.

Investment Management revenues for the second quarter were \$41.4 million compared to \$46.9 million in the prior year quarter, down 12% (12% in local currency). The second quarter revenue decline was primarily attributable to a \$4.3 million reduction in passthrough revenue from legacy carried interest versus the prior year quarter. Adjusted EBITDA was \$17.4 million relative to \$19.2 million in the prior year quarter, attributable to changes in the timing of certain European transaction fees, which were earned in the first quarter of 2020 versus the second quarter of 2019. GAAP operating earnings were \$10.6 million in the quarter, versus \$12.2 million in the prior year quarter. Assets under management were \$35.7 billion at June 30, 2020, up 2% from \$35.1 billion at March 31, 2020 and up 18% from \$30.3 billion at June 30, 2019.

Unallocated global corporate costs as reported in Adjusted EBITDA were \$0.3 million in the second quarter, relative to \$1.3 million in the prior year quarter and were favorably impacted by lower insurance costs and lower variable expenses. The corporate GAAP operating loss for the quarter was \$1.4 million, relative to \$4.1 million in the second quarter of 2019.

#### **Results of operations – six months ended June 30, 2020**

For the six months ended June 30, 2020, revenues were \$1.18 billion, 14% lower compared to the prior year period (13% in local currency), impacted primarily by the pandemic. Acquisitions contributed 2% to local currency revenue growth while internally generated revenues were down 15%.

Operating earnings were \$33.1 million versus \$70.6 million in the prior year period. The operating earnings margin was 2.8% versus 5.1% in the prior year period with the decrease attributable to lower revenues, service mix and restructuring costs incurred to adjust costs to expected revenues. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) for the six month period was \$114.4 million, down 13% versus \$130.9 million in the prior year period. Adjusted EBITDA margin increased by 20 basis points to 9.7% as compared to 9.5% in the comparable prior year period despite the revenue decline, primarily due to strong first quarter results in our Investment Management segment.

Depreciation expense was \$17.7 million relative to \$16.5 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 \$33.1 million relative to \$30.0 million in the prior year period, with the increase attributable mainly to recent acquisitions.

Net interest expense was \$13.8 million, down from \$15.5 million in the prior year period. The average interest rate on debt during the period was 2.8%, versus 3.8% in prior year period with the decline attributable to a decline in floating reference rates.

Consolidated income tax expense for the six month period was \$7.4 million relative to \$14.4 million in the prior year period, reflecting effective tax rates of 36% and 26%, respectively. The tax rate for the six months ended June 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 \$12.9 million, compared to \$41.0 million in the prior year period.

Americas region revenues totalled \$678.9 million for the six months ended June 30, 2020 compared to \$780.2 million in the prior year period, down 13% (12% in local currency) on reduced Leasing and Capital Markets activity in the

second quarter, partially offset by an increase in Outsourcing & Advisory revenues. Foreign exchange headwinds negatively impacted revenue growth by 1%. Adjusted EBITDA was \$55.5 million, versus \$62.4 million in the prior year period. GAAP operating earnings were \$26.1 million, relative to \$41.8 million in the prior year period.

EMEA region revenues totalled \$216.7 million compared to \$272.1 million in the prior year period, down 20% (18% in local currency) on lower activity in each service line, primarily in the second quarter. Foreign exchange headwinds negatively impacted revenue growth by 2%. Adjusted EBITDA was \$2.7 million, versus \$16.5 million in the prior year period. GAAP operating earnings were a loss of \$16.7 million as compared to \$0.7 million in the comparable prior year period.

Asia Pacific region revenues totalled \$197.5 million compared to \$237.4 million in the prior year period, down 17% (13% in local currency) on lower Leasing and Capital Markets activity throughout the period, partially offset by an increase in Outsourcing & Advisory revenues. Foreign exchange headwinds negatively impacted revenue growth by 4%. Adjusted EBITDA was \$17.5 million, down from \$25.1 million. GAAP operating earnings were \$6.3 million, down from \$21.8 million in the prior year period.

Investment Management revenues were \$87.2 million compared to \$90.0 million in the prior year period, down 3% (3% in local currency). Passthrough revenue from historical carried interest represented \$2.3 million for the six months ended June 30, 2020 versus \$15.5 million in the prior year period. Adjusted EBITDA was \$35.8 million relative to \$29.5 million in the prior year period. GAAP operating earnings were \$22.4 million, versus \$15.9 million in the prior year period.

Global corporate results as reported in Adjusted EBITDA were \$2.9 million, relative to a loss of \$2.6 million in the prior year period, attributable to foreign exchange gains and lower compensation accruals. The corporate GAAP operating loss was \$5.1 million, relative to \$9.5 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				
Operating earnings		18,537		14,523				
Net earnings		6,458		6,483				
Basic net earnings per common share		0.12		(0.26)				
Diluted net earnings per common share		0.11		(0.26)				
<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				
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				
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 continues to remain uncertain. The Company is updating the working assumption previously provided to reflect: (i) better than anticipated results for the second quarter across all service lines and regions; and (ii) the recently completed acquisitions of Colliers Mortgage and Maser Consulting. The updated working assumption for the full year 2020 (relative to 2019), is as follows:

	Previous	Updated	Add acquisitions	Updated with acquisitions
Revenue	-15% to -25%	-15% to -25%	+5%	-10% to -20%
Adjusted EBITDA	-25% to -35%	<b>-20% to -30%</b>	+5%	-15% to -25%

This working assumption is based on the best available information and is subject to change based on numerous macroeconomic, health, social, political and related factors - see "Risks associated with COVID-19 pandemic".

Transactional Leasing and Capital Markets revenues are expected to remain below 2019 levels, although the scale of decline should moderate in the third and fourth quarters. Investment Management and Outsourcing & Advisory are expected to remain relatively stable for the balance of the year with some variability depending on market conditions.

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 are recorded as restructuring costs. The Company may take further cost reduction measures in future quarters.

The Company received wage subsidies totalling \$10.2 million during the second quarter ended June 30, 2020 from governments in several countries. These subsidies were recorded in earnings as a modest offset to employment costs in cost of revenues. The Company may receive further government wage subsidies in future quarters.

As of June 30, 2020, the Company's leverage ratio expressed in terms of net debt to pro forma Adjusted EBITDA was 1.5x (down from 1.7x from the same quarter in 2019), relative to a maximum of 3.5x permitted under its debt agreements. As of the same date, the Company had \$608 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 COVID-19 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 June 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**

Net cash used in operating activities for the six month period ended June 30, 2020 was \$93.0 million, versus cash flow generation of \$36.8 million in the prior year period. Adjusting for the cash impact of the AR Facility as well as collections of the deferred purchase price related to AR Facility in both periods, net cash usage in operating activities was \$54.2 million, an improvement versus \$75.3 million of usage for the six month period ended June 30, 2019. The reduced cash usage is primarily attributable to a reduction of working capital in the business, primarily accounts receivable, but also from the benefit of government tax payment deferral programs. Our working assumption is a decline in cash flow from operating activities in the second half of the year relative to the prior year period in light of reduced earnings related to the pandemic. 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 six month period ended June 30, 2020, capital expenditures were \$19.0 million. Capital expenditures for the year ending December 31, 2020 are expected to be \$40-\$50 million.

Net indebtedness as at June 30, 2020 was \$480.0 million, versus \$496.4 million at December 31, 2019, which excludes the Convertible Notes. Including the Convertible Notes, our net indebtedness as at June 30, 2020 would have been \$703.5 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 June 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 GSEs have committed to purchase. The warehouse lines of credit are excluded from the financial leverage calculations under our debt agreements.

During the fourth quarter of 2019, we acquired certain real estate assets located in the United Kingdom to seed a new Investment Management fund. During the second quarter of 2020, these real estate assets, and corresponding liabilities, were transferred to the fund without gain or loss.

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 \$187.5 million as at June 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 June 30, 2020 was \$75.1 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 June 30, 2020 was \$14.1 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 2023. We estimate that approximately 85% of the contingent consideration outstanding as of June 30, 2020 will ultimately be paid.

The following table summarizes our contractual obligations as at June 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	\$ 650,878	\$ 31,517	\$ 384,367	\$ -	\$ 234,994
Convertible Notes	223,462	-	-	223,462	-
Interest on long-term debt and Convertible Notes	129,752	26,426	50,962	37,079	15,284
Finance lease obligations	914	466	432	15	-
Contingent acquisition consideration <sup>1,2</sup>	75,052	8,656	57,042	9,250	105
Operating leases obligations	482,118	87,238	141,381	98,428	155,071
Purchase commitments <sup>2</sup>	112,259	103,100	6,682	2,477	-
Co-investment Commitments	17,121	17,121	-	-	-
<b>Total contractual obligations</b>	<b>\$ 1,691,557</b>	<b>\$ 274,525</b>	<b>\$ 640,866</b>	<b>\$ 370,711</b>	<b>\$ 405,455</b>

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

2. Purchase commitments include the acquisition of Maser.

At June 30, 2020, we had commercial commitments totaling \$11.8 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 \$345.3 million as of June 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 June 30, 2020, the RNCI recorded on the balance sheet was \$375.1 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 six month period ended June 30, 2020 would be \$0.33, and the accretion to adjusted EPS would be \$0.05.

### 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		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Net earnings	\$ 6,483	\$ 35,575	\$ 12,942	\$ 41,039
Income tax	2,127	13,187	7,326	14,402
Other income, net	(266)	179	(970)	(322)
Interest expense, net	6,179	8,257	13,763	15,476
Operating earnings	14,523	57,198	33,061	70,595
Depreciation and amortization	25,940	23,778	50,830	46,447
Gains attributable to MSRs	(509)	-	(509)	-
Equity earnings from non-consolidated investments	414	-	969	-
Acquisition-related items	3,784	5,263	6,534	9,898
Restructuring costs	13,839	275	19,307	314
Stock-based compensation expense	1,971	809	4,224	3,640
Adjusted EBITDA	\$ 59,962	\$ 87,323	\$ 114,416	\$ 130,894

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.

(in thousands of US\$)	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Net earnings	\$ 6,483	\$ 35,575	\$ 12,942	\$ 41,039
Non-controlling interest share of earnings	(4,265)	(6,586)	(7,642)	(7,831)
Interest on Convertible Notes	1,059	-	1,059	-
Amortization of intangible assets	17,089	15,238	33,101	29,958
Gains attributable to MSRs	(509)	-	(509)	-
Acquisition-related items	3,784	5,263	6,534	9,898
Restructuring costs	13,839	275	19,307	314
Stock-based compensation expense	1,971	809	4,224	3,640
Income tax on adjustments	(7,442)	(4,212)	(13,247)	(8,216)
Non-controlling interest on adjustments	(2,447)	(2,346)	(4,597)	(4,592)
Adjusted net earnings	\$ 29,562	\$ 44,016	\$ 51,172	\$ 64,210

(in US\$)	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
Diluted net (loss) earnings per common share	\$ (0.25)	\$ 0.60	\$ (0.14)	\$ 0.63
Interest on Convertible Notes, net of tax	0.02	-	0.02	-
Non-controlling interest redemption increment	0.30	0.13	0.27	0.20
Amortization expense, net of tax	0.25	0.23	0.49	0.46
Gains attributable to MSRs, net of tax	(0.01)	-	(0.01)	-
Acquisition-related items	0.10	0.12	0.17	0.22
Restructuring costs, net of tax	0.24	-	0.35	0.01
Stock-based compensation expense, net of tax	0.05	0.02	0.10	0.09
Adjusted EPS	\$ 0.70	\$ 1.10	\$ 1.25	\$ 1.61

Diluted weighted average shares for Adjusted EPS (thousands)	41,901	39,954	41,021	39,887
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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, if adjusted net earnings is in a positive position, 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 is added to the denominator of the earnings per share calculation. If adjusted net earnings is in a loss position, then the “if-converted” method is not used as the impact on earnings per share cannot be anti-dilutive.

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.

### **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 June 30, 2020, the Company had drawn \$111.8 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 June 30, 2020, the Company had \$3.7 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 38,673,117 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,888,000 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 June 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 GSEs, 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™ DUS 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).