

COLLIERS INTERNATIONAL GROUP INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

First Quarter

March 31, 2020

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of US dollars, except per share amounts)

	Three months ended March 31	
	2020	2019
Revenues (note 17)	\$ 630,628	\$ 635,123
Cost of revenues (exclusive of depreciation and amortization shown below)	416,358	421,349
Selling, general and administrative expenses	168,092	173,073
Depreciation	8,878	7,948
Amortization of intangible assets	16,013	14,720
Acquisition-related items (note 6)	2,750	4,635
Operating earnings	18,537	13,398
Interest expense, net	7,585	7,221
Other income, net (note 7)	(704)	(501)
Earnings before income tax	11,656	6,678
Income tax expense (note 15)	5,198	1,215
Net earnings	6,458	5,463
Non-controlling interest share of earnings	3,377	1,244
Non-controlling interest redemption increment (note 12)	(1,505)	2,757
Net earnings attributable to Company	\$ 4,586	\$ 1,462
Net earnings per common share (note 13)		
Basic	\$ 0.12	\$ 0.04
Diluted	\$ 0.11	\$ 0.04

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

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)
(in thousands of US dollars)

	Three months ended March 31	
	2020	2019
Net earnings	\$ 6,458	\$ 5,463
Foreign currency translation (loss) / gain	(16,389)	1,892
Unrealized loss on interest rate swaps, net of tax	(4,225)	(942)
Pension liability adjustments, net of tax	-	(25)
Comprehensive (loss) / earnings	(14,156)	6,388
Less: Comprehensive earnings attributable to non-controlling interests	6,805	5,396
Comprehensive (loss) / earnings attributable to Company	\$ (20,961)	\$ 992

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COLLIERS INTERNATIONAL GROUP INC.**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(in thousands of US dollars)

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 103,090	\$ 114,993
Accounts receivable, net of allowance of \$17,609 (December 31, 2019 - \$9,131)	310,735	393,945
Contract assets (note 17)	43,495	42,772
Income tax recoverable	10,141	10,435
Prepaid expenses and other current assets	139,800	145,171
Real estate assets held for sale (note 5)	19,874	10,741
	627,135	718,057
Other receivables	16,913	16,678
Contract assets (note 17)	5,832	6,162
Other assets	66,318	69,510
Fixed assets	103,183	107,197
Operating lease right-of-use assets	248,545	263,639
Deferred income tax, net	43,667	37,420
Intangible assets	458,090	477,454
Goodwill	932,665	949,221
Real estate assets held for sale (note 5)	233,484	247,376
	2,108,697	2,174,657
	\$ 2,735,832	\$ 2,892,714
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 215,986	\$ 261,910
Accrued compensation	319,804	495,374
Income tax payable	16,333	15,756
Contract liabilities (note 17)	20,969	24,133
Long-term debt - current (note 8)	3,688	4,223
Contingent acquisition consideration - current (note 11)	7,620	16,813
Operating lease liabilities	65,236	69,866
Liabilities related to real estate assets held for sale (note 5)	42,723	36,191
	692,359	924,266
Long-term debt - non-current (note 8)	737,492	607,181
Contingent acquisition consideration (note 11)	62,334	68,180
Operating lease liabilities	219,536	229,224
Other liabilities	32,884	31,693
Deferred income tax, net	25,277	28,018
Liabilities related to real estate assets held for sale (note 5)	119,994	127,703
	1,197,517	1,091,999
Redeemable non-controlling interests (note 12)	349,551	359,150
Shareholders' equity		
Common shares	444,958	442,153
Contributed surplus	62,092	60,706
Retained earnings	78,943	77,181
Accumulated other comprehensive loss	(92,711)	(67,164)
Total Company shareholders' equity	493,282	512,876
Non-controlling interests	3,123	4,423
Total shareholders' equity	496,405	517,299
	\$ 2,735,832	\$ 2,892,714

Commitments and subsequent events (note 16 and note 19)

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

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of US dollars, except share information)

	Common shares		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Non-controlling interests	Total shareholders' equity
	Issued and outstanding shares	Amount					
Balance, December 31, 2019	39,845,211	\$ 442,153	\$ 60,706	\$ 77,181	\$ (67,164)	\$ 4,423	\$ 517,299
Cumulative effect adjustment:							
Current expected credit losses, net of tax (note 3)	-	-	-	(2,824)	-	-	(2,824)
Net earnings	-	-	-	6,458	-	-	6,458
Foreign currency translation loss	-	-	-	-	(16,389)	-	(16,389)
Unrealized loss on interest rate swaps, net of tax	-	-	-	-	(4,225)	-	(4,225)
Other comprehensive earnings attributable to NCI	-	-	-	-	(4,933)	(571)	(5,504)
NCI share of earnings	-	-	-	(3,377)	-	157	(3,220)
NCI redemption increment	-	-	-	1,505	-	-	1,505
Distributions to NCI	-	-	-	-	-	(834)	(834)
Acquisition of businesses, net	-	-	-	-	-	(52)	(52)
Subsidiaries' equity transactions	-	-	(333)	-	-	-	(333)
Subordinate Voting Shares:							
Stock option expense	-	-	2,253	-	-	-	2,253
Stock options exercised	56,350	2,805	(534)	-	-	-	2,271
Balance, March 31, 2020	39,901,561	\$ 444,958	\$ 62,092	\$ 78,943	\$ (92,711)	\$ 3,123	\$ 496,405

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total shareholders' equity
	Issued and outstanding shares	Amount					
Balance, December 31, 2018	39,213,136	\$ 415,805	\$ 54,717	\$ (21,751)	\$ (61,218)	\$ 4,420	\$ 391,973
Net earnings	-	-	-	5,463	-	-	5,463
net of tax	-	-	-	-	(25)	-	(25)
Foreign currency translation	-	-	-	-	1,892	-	1,892
Unrealized loss on interest rate swaps, net of tax	-	-	-	-	(942)	-	(942)
Other comprehensive earnings attributable to NCI	-	-	-	-	(1,395)	58	(1,337)
NCI share of earnings	-	-	-	(1,244)	-	478	(766)
NCI redemption increment	-	-	-	(2,757)	-	-	(2,757)
Distributions to NCI	-	-	-	-	-	(979)	(979)
Acquisition of businesses, net	-	-	-	-	-	(176)	(176)
Subsidiaries' equity	-	-	390	-	-	-	390
Subordinate Voting Shares:							
Stock option expense	-	-	2,831	-	-	-	2,831
Stock options exercised	269,675	10,651	(1,672)	-	-	-	8,979
Balance, March 31, 2019	39,482,811	\$ 426,456	\$ 56,266	\$ (20,289)	\$ (61,688)	\$ 3,801	\$ 404,546

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

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of US dollars)

	Three months ended March 31	
	2020	2019
Cash provided by (used in)		
Operating activities		
Net earnings	\$ 6,458	\$ 5,463
Items not affecting cash:		
Depreciation and amortization	24,891	22,668
Deferred income tax	(7,158)	(4,019)
Earnings from equity method investments (note 7)	(555)	(366)
Stock option expense (note 14)	2,253	2,831
Allowance for credit losses	3,619	1,106
Amortization of advisor loans	5,001	5,032
Contingent consideration	1,002	3,512
Other	2,120	2,813
Net changes from operating assets / liabilities		
Accounts receivable	60,941	43,336
Contract assets	(2,463)	5,070
Prepaid expenses and other assets	1,359	(8,258)
Accounts payable and accrued expenses	(26,194)	(33,667)
Accrued compensation	(163,406)	(137,590)
Income tax payable	340	(10,315)
Contract liabilities	(1,912)	(8,146)
Other liabilities	(993)	4,447
Contingent acquisition consideration paid	(14,330)	(112)
Sale proceeds from AR Facility, net of repurchases (note 9)	(11,009)	-
Net cash used in operating activities	(120,036)	(106,195)
Investing activities		
Acquisitions of businesses, net of cash acquired (note 4)	(3,101)	(13,244)
Purchases of fixed assets	(8,739)	(10,379)
Advisor loans issued	(3,590)	(4,906)
Cash collections of AR facility deferred purchase price (note 9)	11,390	-
Other investing activities	5,498	(4,293)
Net cash provided by (used in) investing activities	1,458	(32,822)
Financing activities		
Increase in long-term debt	240,409	218,481
Repayment of long-term debt	(97,263)	(83,587)
Purchases of subsidiary shares from non-controlling interests	(4,676)	(3,043)
Sale of interests in subsidiaries to non-controlling interests	-	339
Contingent acquisition consideration paid	(10,743)	(4,015)
Proceeds received on exercise of stock options	2,270	8,979
Dividends paid to common shareholders	(1,992)	(1,961)
Distributions paid to non-controlling interests	(7,693)	(6,194)
Financing fees paid	-	(20)
Net cash provided by financing activities	120,312	128,979
Effect of exchange rate changes on cash	(13,637)	353
Decrease in cash and cash equivalents	(11,903)	(9,685)
Cash and cash equivalents, beginning of period	114,993	127,032
Cash and cash equivalents, end of period	\$ 103,090	\$ 117,347

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

COLLIERS INTERNATIONAL GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands of US dollars, except share and per share amounts)

1. Description of the business

Colliers International Group Inc. (“Colliers” or the “Company”) provides commercial real estate services to corporate and institutional clients in 36 countries around the world (68 countries including affiliates and franchisees). Colliers’ primary services are Outsourcing and Advisory services, Lease Brokerage, Sales Brokerage and Investment Management. Operationally, Colliers is organized into four distinct segments: Americas; Europe, Middle East and Africa (“EMEA”); Asia and Australasia (“Asia Pacific”) and Investment Management.

2. Summary of presentation

These unaudited Interim Consolidated Financial Statements (the “Financial Statements”) have been prepared by the Company in accordance with disclosure requirements for the presentation of interim financial information. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted in accordance with such disclosure requirements, although management believes that the disclosures are adequate to make the information not misleading. These Financial Statements should be read in conjunction with the audited consolidated financial statements of Colliers for the year ended December 31, 2019.

In the opinion of management, the Financial Statements contain all adjustments necessary to a fair statement of the financial position of the Company as at March 31, 2020 and the results of operations and its cash flows for the three month period ended March 31, 2020 and 2019. All such adjustments are of a normal recurring nature. The results of operations for the three month period ended March 31, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

These Financial Statements follow the same accounting policies as the most recent audited consolidated financial statements of Colliers, except as noted in note 3. The new accounting policy related to the allowance for credit losses is shown below.

Receivables and allowance for doubtful accounts

Accounts receivable are recorded when the Company has a right to payment within customary payment terms or it recognizes a contract asset if revenue is recognized prior to when payment is due. From the point of initial recognition, the carrying value of such receivables and contract assets, net of allowance for doubtful accounts, represents their estimated net realizable value after deducting for potential credit losses. The Company’s expected loss allowance methodology uses historical collection experience, the current status of customers’ accounts receivable and considers both current and expected future economic and market conditions. Due to the short-term nature of such receivables, the estimate of accounts receivable that may be collected is based on the aging of the receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The allowances are then reviewed on a quarterly basis to ensure that they are appropriate. After all collection efforts have been exhausted by management, the outstanding balance considered not collectible is written off against the allowance. In providing for credit losses as at March 31, 2020, the Company considered the current and expected future economic and market conditions surrounding the novel coronavirus (“COVID-19”) pandemic and determined to adjust its historical loss rates for the increased credit risk with an associated credit loss expense included in Selling, general and administrative expenses.

In some cases, the Company may record a receivable or a contract asset which corresponds with payables which the Company is only obligated to pay upon collection of the receivable (“Reimbursable receivables”).

These receivables correspond with commissions payable, payables to facilitate collection from the customer and make payments to subcontractors or relate to collection from tenants for payment to the landlord. These corresponding payables are typically satisfied on a pay-when-paid basis. In relation to Reimbursable receivables, an allowance is only recorded to the extent that the Company will incur credit losses.

Goodwill and intangible assets

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact.

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 March 31, 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.

3. Impact of recently issued accounting standards

Recently adopted accounting guidance

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 \$3,629, net of \$805 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 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.

4. Acquisitions

During the three months ended March 31, 2020, the Company acquired a controlling interest in the Colliers International affiliate operating in the Americas (Austin, Texas). The acquisition date fair value of consideration transferred consisted of \$3,101 in cash (net of cash acquired of \$754). The Company acquired (\$19) of net assets, excluding cash, and recognized goodwill of \$1,560 and intangible assets of \$1,560 in its preliminary purchase price allocation.

During the three months ended March 31, 2019, the Company acquired controlling interests in one business for cash consideration of \$12,746 (net of cash acquired of \$3,158).

The Company typically structures its business acquisitions to include contingent consideration. Certain vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to five-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

Unless it contains an element of compensation, contingent consideration is recorded at fair value each reporting period. The fair value recorded on the consolidated balance sheet as at March 31, 2020 was \$69,954 (December 31, 2019 - \$84,992) See note 11 for discussion on the fair value of contingent consideration. Contingent consideration with a compensatory element is revalued at each reporting period and recognized on a straight-line basis over the term of the contingent consideration arrangement. The liability recorded on the balance sheet for the compensatory element of contingent consideration arrangements as at March 31, 2020 was \$13,320 (December 31, 2019 - \$23,014). The estimated range of outcomes (undiscounted) for all contingent consideration arrangements, including those with an element of compensation is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from \$139,343 to a maximum of \$163,626. These contingencies will expire during the period extending to December 2023.

5. Real estate assets held for sale

In December 2019, the Company’s Investment Management segment acquired a controlling interest in a portfolio of real estate assets (the “Portfolio”) from an unrelated party. The acquisition was accounted for by the acquisition method of accounting for asset purchases that do not constitute the acquisition of a business. The Portfolio consists of land and buildings located in the United Kingdom and associated liabilities. The Portfolio was acquired in connection with the establishment of a new closed-end Investment Management fund (the “Fund”). The Company expects to sell the Portfolio to the Fund, without gain or loss, during the second quarter of 2020.

The Fund will be managed by the Company and as is customary for closed-end funds, the Company will have a limited partner equity interest of between 1% and 2%.

During the three months ended March 31, 2020, the Portfolio generated \$1,936 of net earnings which was included in Company's consolidated net earnings. The following table summarizes the real estate assets and associated liabilities held for sale as at March 31, 2020.

	<u>2020</u>
Real estate assets held for sale	
Real estate assets held for sale - current	\$ 19,874
Real estate assets held for sale - non-current	<u>233,484</u>
Total real estate assets held for sale	<u>\$ 253,358</u>
Liabilities related to real estate assets held for sale	
Liabilities related to real estate assets held for sale - current	\$ 42,723
Liabilities related to real estate assets held for sale - non-current	<u>119,994</u>
Total liabilities related to real estate assets held for sale	<u>\$ 162,717</u>
Total net real estate assets held for sale	<u>\$ 90,641</u>

6. Acquisition-related items

Acquisition-related expense comprises the following:

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
Transaction costs	\$ 1,748	\$ 1,123
Contingent consideration fair value adjustments	(509)	428
Contingent consideration compensation expense	<u>1,511</u>	<u>3,084</u>
	<u>\$ 2,750</u>	<u>\$ 4,635</u>

7. Other income, net

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
Gain on investments	\$ (33)	\$ (176)
Fair value adjustment on AR facility deferred purchase price	8	-
Equity earnings from non-consolidated investments	(555)	(366)
Other	<u>(124)</u>	<u>41</u>
	<u>\$ (704)</u>	<u>\$ (501)</u>

8. Long-term debt

The Company has a multi-currency senior unsecured revolving credit facility (the "Revolving Credit Facility") of \$1,000,000. The Revolving Credit Facility has a 5-year term ending April 30, 2024 and bears interest at an applicable margin of 1.25% to 2.50% over floating reference rates, depending on financial leverage ratios. The weighted average interest rate at March 31, 2020 was 2.8% (2019 – 3.7%). The Revolving Credit Facility had \$477,979 of available un-drawn credit as at March 31, 2020. As of March 31, 2020, letters of credit in the amount of \$11,314 were outstanding (\$9,836 as at December 31, 2019). The Revolving Credit Facility requires a commitment fee of 0.25% to 0.5% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Revolving Credit Facility by up to \$250,000 on the same terms and conditions.

The Company has outstanding €210,000 of senior unsecured notes with a fixed interest rate of 2.23% (the “Senior Notes”), which are held by a group of institutional investors. The Senior Notes have a 10-year term ending May 30, 2028.

The Revolving Credit Facility and the Senior Notes rank equally in terms of seniority and have similar financial covenants. The Company is required to maintain financial covenants including leverage and interest coverage. The Company was in compliance with these covenants as of March 31, 2020. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

9. AR Facility

On April 12, 2019, the Company established a structured accounts receivable facility (the “AR Facility”) with committed availability of \$125,000 and an initial term of 364 days, unless extended or an earlier termination event occurs. (See note 19 for subsequent events related to the AR Facility.) Under the AR Facility, certain of the Company's subsidiaries continuously sell trade accounts receivable and contract assets (the “Receivables”) to wholly owned special purpose entities at fair market value. The special purpose entities then sell 100% of the Receivables to a third-party financial institution (the “Purchaser”). Although the special purpose entities are wholly owned subsidiaries of the Company, they are separate legal entities with their own separate creditors who will be entitled, upon their liquidation, to be satisfied out of their assets prior to any assets or value in such special purpose entities becoming available to their equity holders and their assets are not available to pay other creditors of the Company. As of March 31, 2020, the Company had drawn \$113,842 under the AR Facility.

All transactions under the AR Facility are accounted for as a true sale in accordance with ASC 860, *Transfers and Servicing* (“ASC 860”). Following the sale and transfer of the Receivables to the Purchaser, the Receivables are legally isolated from the Company and its subsidiaries, and the Company sells, conveys, transfers and assigns to the Purchaser all its rights, title and interest in the Receivables. Receivables sold are derecognized from the consolidated balance sheet. The Company continues to service, administer and collect the Receivables on behalf of the Purchaser, and recognizes a servicing liability in accordance with ASC 860. The Company has elected the amortization method for subsequent measurement of the servicing liability, which is assessed for impairment or increased obligation at each reporting date. As of March 31, 2020, the servicing liability was nil.

Under the AR Facility, the Company receives a cash payment and a deferred purchase price (“Deferred Purchase Price” or “DPP”) for sold Receivables. The DPP is paid to the Company in cash on behalf of the Purchaser as the Receivables are collected; however, due to the revolving nature of the AR Facility, cash collected from the Company's customers is reinvested by the Purchaser monthly in new Receivable purchases under the AR Facility. For the three months ending March 31, 2020, Receivables sold under the AR Facility were \$323,524 and cash collections from customers on Receivables sold were \$332,949, all of which were reinvested in new Receivables purchases and are included in cash flows from operating activities in the consolidated statement of cash flows. As of March 31, 2020, the outstanding principal on trade accounts receivable, net of Allowance for Doubtful Accounts, sold under the AR Facility was \$107,962; and the outstanding principal on contract assets, current and non-current, sold under the AR Facility was \$74,491. See note 11 for fair value information on the DPP.

For the three months ended March 31, 2020, the Company recognized a loss related to Receivables sold of \$8 that was recorded in other expense in the consolidated statement of earnings. Based on the Company's collection history, the fair value of the Receivables sold subsequent to the initial sale approximates carrying value.

The non-cash investing activities associated with the DPP for the three months ended March 31, 2020 were \$17,100.

10. Variable interest entities

The Company holds variable interests in certain Variable Interest Entities (“VIE”) in its Investment Management segment which are not consolidated as it was determined that the Company is not the primary beneficiary. The Company’s involvement with these entities is in the form of fee arrangements and equity co-investments (typically 1%-2%).

The following table provides the maximum exposure to loss related to these non-consolidated VIEs:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Investments in unconsolidated subsidiaries	\$ 2,681	\$ 1,981
Co-investment commitments	17,310	7,969
Maximum exposure to loss	<u>\$ 19,991</u>	<u>\$ 9,950</u>

11. Fair value measurements

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of March 31, 2020:

	Carrying value at March 31, 2020	Fair value measurements		
		Level 1	Level 2	Level 3
Assets				
Deferred Purchase Price on AR Facility	\$ 69,482	\$ -	\$ -	\$ 69,482
Investments in equity securities	\$ 3,893	\$ 3,893	\$ -	\$ -
Liabilities				
Contingent consideration liability	\$ 69,954	\$ -	\$ -	\$ 69,954
Interest rate swap liability	10,363	-	10,363	-

The Company recorded a DPP under its AR Facility. The DPP represents the difference between the fair value of the Receivables sold and the cash purchase price and is recognized at fair value as part of the sale transaction. The DPP is remeasured each reporting period in order to account for activity during the period, including the seller’s interest in any newly transferred Receivables, collections on previously transferred Receivables attributable to the DPP and changes in estimates for credit losses. Changes in the DPP attributed to changes in estimates for credit losses are expected to be immaterial, as the underlying Receivables are short-term and of high credit quality. The DPP is valued using Level 3 inputs, primarily discounted cash flows, with the significant inputs being discount rates ranging from 2.5% to 4.0% depending upon the aging of the Receivables. See note 9 for information on the AR Facility.

	<u>2020</u>
Balance, January 1	\$ 69,873
Additions to DPP	12,537
Collections on DPP	(11,390)
Fair value adjustment	(8)
Foreign exchange and other	<u>(1,530)</u>
Balance, March 31	<u>\$ 69,482</u>

The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 3.5% to 8.5%, with a weighted average of 5%). The wide range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is data point concentration at the 3.8% and 8.5% levels. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by \$2,400.

Changes in the fair value of the contingent consideration liability comprises the following:

	2020
Balance, January 1	<u>\$ 84,992</u>
Amounts recognized on acquisitions	-
Fair value adjustments (note 6)	(509)
Resolved and settled in cash	(14,271)
Other	(258)
Balance, March 31	<u>\$ 69,954</u>
Less: current portion	<u>\$ 7,620</u>
Non-current portion	<u>\$ 62,334</u>

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of non-current receivables, advisor loans and long-term debt are Level 3 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates.

The following are estimates of the fair values for other financial instruments:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	\$ 16,913	\$ 16,913	\$ 16,678	\$ 16,678
Advisor loans receivable (non-current)	45,181	45,181	48,283	48,283
Long-term debt (non-current)	506,822	506,822	372,281	372,281
Senior Notes	230,670	215,055	234,901	254,858

Other receivables include notes receivable from non-controlling interests and non-current income tax recoverable.

12. Redeemable non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as redeemable non-controlling interests ("RNCI"). The RNCI are considered to be redeemable securities. Accordingly, the RNCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	<u>2020</u>
Balance, January 1	\$ 359,150
RNCI share of earnings	3,219
RNCI redemption increment	(1,505)
Distributions paid to RNCI	(7,021)
Purchase of interests from RNCI, net	(4,292)
Balance, March 31	<u>\$ 349,551</u>

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the RNCI at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the RNCI to "put" their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Subordinate Voting Shares. The redemption amount as of March 31, 2020 was \$324,476 (December 31, 2019 - \$333,064). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain RNCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Subordinate Voting Shares as at March 31, 2020, approximately 5,100,000 such shares would be issued.

Increases or decreases to the formula price of the underlying shares are recognized in the statement of earnings as the NCI redemption increment.

13. Net earnings per common share

Earnings per share calculations cannot be anti-dilutive, therefore diluted shares are not used in the denominator when the numerator is in a loss position.

The following table reconciles the basic and diluted common shares outstanding:

(in thousands)	Three months ended	
	March 31	
	<u>2020</u>	2019
Basic shares	39,874	39,298
Assumed exercise of Company stock options	293	517
Diluted shares	<u>40,167</u>	<u>39,815</u>

14. Stock-based compensation

The Company has a stock option plan for certain officers, key full-time employees and directors of the Company and its subsidiaries, other than its Chairman & CEO who has a Long Term Arrangement as described in note 16. Options are granted at the market price for the underlying shares on the day immediately prior to the date of grant. Each option vests over a four-year term, expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. All Subordinate Voting Shares issued are new shares. As at March 31, 2020, there were 875,250 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards.

There were 10,000 stock options granted during the three months ended March 31, 2020 (2019 - 490,000). Stock option activity for the three months ended March 31, 2020 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options - December 31, 2019	2,001,600	\$ 58.96		
Granted	10,000	87.54		
Exercised	<u>(56,350)</u>	40.29		
Shares issuable under options - March 31, 2020	<u>1,955,250</u>	<u>\$ 59.64</u>	<u>3.0</u>	<u>\$ 5,462</u>
Options exercisable - March 31, 2020	<u>526,625</u>	<u>\$ 38.31</u>	<u>1.2</u>	<u>\$ 5,110</u>

The amount of compensation expense recorded in the statement of earnings for the three months ended March 31, 2020 was \$2,253 (2019 - \$2,831). As of March 31, 2020, there was \$12,057 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the three month period ended March 31, 2020, the fair value of options vested was \$4,202 (2019 - \$4,541).

15. Income tax

The provision for income tax for the three months ended March 31, 2020 reflected an effective tax rate of 44.6% (2019 - 18.2%) relative to the combined statutory rate of approximately 26.5% (2019 - 26.5%). The current year's rate was impacted by the reversal of a \$2,030 tax benefit related to a cross-border financing structure pursuant to a change in tax law applied retroactively to 2019.

16. Commitments and contingencies

(a) Purchase commitments

In December 2019, the Company entered into an agreement to acquire 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. On March 9, 2020, the Company entered into an agreement to acquire a controlling interest in Maser Consulting P.A. It is expected that the acquisitions will be accounted for using the acquisition method of accounting for business combinations. The transactions are expected to close in 2020, subject to applicable closing conditions including regulatory approval and closing adjustments, for an aggregate cash purchase price of \$234,800.

(b) Contingencies

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

Pursuant to an agreement approved in February 2004 and restated on June 1, 2015 (the "Long Term Arrangement"), the Company agreed that it will make payments to Jay S. Hennick, its Chairman & Chief Executive Officer ("CEO"), that are contingent upon the arm's length acquisition of control of the Company or upon a distribution of the Company's assets to shareholders. The payment amounts will be determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm's length sale or upon a distribution of assets. The right to receive the payments may be transferred among members of the Chairman & CEO's family, their holding companies and trusts. The agreement provides for the Chairman & CEO to receive each of the following two payments. The first payment is an amount equal to 5% of the product of: (i) the total number of Subordinate and Multiple Voting Shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate and Multiple Voting Shares minus a base price of C\$3.324. The second payment is an amount equal to 5% of the product of (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii)

the per share consideration received by holders of Subordinate Voting Shares minus a base price of C\$6.472. Assuming an arm's length acquisition of control of the Company took place on March 31, 2020, the amount required to be paid to the Chairman & CEO, based on a market price of C\$67.32 per Subordinate Voting Share, would be US\$179,207.

17. Revenue from contracts with customers

Disaggregated revenue

Colliers has disaggregated its revenue from contracts with customers by type of service and region as presented in the following table.

OPERATING SEGMENT REVENUES

	Americas	EMEA	Asia Pacific	Investment Management	Corporate	Consolidated
Three months ended March 31						
2020						
Lease brokerage	\$ 128,367	\$ 21,057	\$ 15,086	\$ -	\$ -	\$ 164,510
Sales brokerage	94,241	31,937	16,825	-	-	143,003
Property management	68,181	16,076	34,596	-	-	118,853
Valuation and advisory	41,882	21,726	13,033	-	-	76,641
Project management	31,636	25,168	15,015	-	-	71,819
IM - Advisory	-	-	-	39,691	-	39,691
IM - Incentive Fees	-	-	-	2,260	-	2,260
IM - Transaction and Other	-	-	-	3,874	-	3,874
Other	5,683	1,118	2,879	-	297	9,977
Total Revenue	\$ 369,990	\$ 117,082	\$ 97,434	\$ 45,825	\$ 297	\$ 630,628
2019						
Lease brokerage	\$ 139,788	\$ 21,704	\$ 20,291	\$ -	\$ -	\$ 181,783
Sales brokerage	86,603	32,225	33,037	-	-	151,865
Property management	63,796	19,149	35,005	-	-	117,950
Valuation and advisory	35,752	19,055	13,839	-	-	68,646
Project management	28,409	27,111	8,379	-	-	63,899
IM - Advisory	-	-	-	31,430	-	31,430
IM - Incentive Fees	-	-	-	11,187	-	11,187
IM - Transaction and Other	-	-	-	474	-	474
Other	4,477	1,220	1,766	-	426	7,889
Total Revenue	\$ 358,825	\$ 120,464	\$ 112,317	\$ 43,091	\$ 426	\$ 635,123

Contract balances

As at March 31, 2020, the Company had contract assets totaling \$49,327 of which \$43,495 was current (\$48,934 as at December 31, 2019 - of which \$42,772 was current). During the three months ended March 31, 2020, approximately 55% of the current contract assets were moved to accounts receivable or sold under the AR Facility (Note 9).

As at March 31, 2020, the Company had contract liabilities (all current) totaling \$20,969 (\$24,133 as at December 31, 2019). Revenue recognized for the three months ended March 31, 2020 totaled \$18,105 (2019 - \$23,046) that was included in the contract liability balance at the beginning of the year.

Certain constrained brokerage fees, outsourcing and advisory fees and investment management fees may arise from services that began in a prior reporting period. Consequently, a portion of the fees the Company recognizes in the current period may be partially related to the services performed in prior periods. Typically, less than 5% of brokerage revenue recognized in a period had previously been constrained and substantially all investment management incentive fees, including carried interest, recognized in the period were previously constrained.

18. Segmented information*Operating segments*

Colliers identified four reportable operating segments. Three segments are grouped geographically into Americas, Asia Pacific and EMEA. The Investment Management segment operates in the Americas and EMEA. The groupings are based on the manner in which the segments are managed. Management assesses each segment's performance based on operating earnings or operating earnings before depreciation and amortization. Corporate includes the costs of global administrative functions and the corporate head office

OPERATING SEGMENTS

	<u>Americas</u>	<u>EMEA</u>	<u>Asia Pacific</u>	<u>Investment Management</u>	<u>Corporate</u>	<u>Consolidated</u>
Three months ended March 31						
2020						
Revenues	\$ 369,990	\$ 117,082	\$ 97,434	\$ 45,825	\$ 297	\$ 630,628
Depreciation and amortization	8,070	5,443	3,603	6,635	1,140	24,891
Operating earnings (loss)	22,709	(13,451)	1,228	11,778	(3,727)	18,537
2019						
Revenues	\$ 358,825	\$ 120,464	\$ 112,317	\$ 43,091	\$ 426	\$ 635,123
Depreciation and amortization	8,260	5,582	1,458	6,610	758	22,668
Operating earnings (loss)	16,169	(10,146)	9,216	3,637	(5,478)	13,398

Geographic information

Revenues in each geographic region are reported by customer locations.

GEOGRAPHIC INFORMATION

	Three months ended March 31	
	<u>2020</u>	<u>2019</u>
United States		
Revenues	\$ 317,079	\$ 312,042
Total long-lived assets	1,053,410	1,086,766
Canada		
Revenues	\$ 81,196	\$ 74,148
Total long-lived assets	82,967	88,961
Euro currency countries		
Revenues	\$ 68,332	\$ 72,155
Total long-lived assets	284,162	299,865
Australia		
Revenues	\$ 38,883	\$ 43,405
Total long-lived assets	72,492	84,860
United Kingdom		
Revenues	\$ 29,723	\$ 31,521
Total long-lived assets	78,782	88,029
Other		
Revenues	\$ 95,415	\$ 101,852
Total long-lived assets	170,671	113,055
Consolidated		
Revenues	\$ 630,628	\$ 635,123
Total long-lived assets	1,742,484	1,761,536

19. Subsequent event

On April 27, 2020, the Company renewed its AR Facility with a third-party financial institution. The AR Facility has committed availability of \$125,000 with a term of 364 days extending to April 26, 2021 and includes selected US and Canadian trade accounts receivable.