

COLLIERS INTERNATIONAL GROUP INC.

Management's discussion and analysis
For the three months ended March 31, 2020
(in US dollars)
May 1, 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 month period ended March 31, 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 three month period ended March 31, 2020 and up to and including May 1, 2020.

Additional information about the Company can be found on SEDAR at www.sedar.com and on EDGAR at 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 first quarter ended March 31, 2020 were \$630.6 million, a decrease of 1% versus the prior year quarter (up 1% in local currency), primarily due to the initial impact of the COVID-19 pandemic on our brokerage operations in the Asia Pacific region early in the quarter and later in the quarter on our operations in other regions. Diluted net earnings per common share were \$0.11, up from \$0.04 in the prior year with the increase attributable to improved margin performance and a reversal in non-controlling interest redemption increment stemming from translation of our non-US dollar denominated controlling interests. Adjusted earnings per share, which excludes the non-controlling interest redemption increment and amortization of intangible assets (see "Reconciliation of non-GAAP financial measures" below) for the first quarter of 2020 were \$0.54, up 6% from \$0.51 in the prior year quarter. Adjusted earnings per share and GAAP net earnings per share for the quarter ended March 31, 2020 would have been approximately \$0.02 higher excluding the impact of changes in foreign exchange rate.

On January 16, 2020, we completed the acquisition of our Colliers International affiliate in Austin, Texas.

On March 9, 2020, we entered into an agreement to acquire a controlling interest in Maser Consulting P.A. ("Maser"), a leading multi-disciplinary engineering design and consulting firm in the U.S. The transaction is expected to close in 2020, subject to applicable closing conditions including regulatory approvals and closing adjustments.

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 ("Dougherty"). The transaction is expected to close in 2020, subject to applicable closing conditions including regulatory approvals and closing adjustments.

On April 27, 2020, we renewed and extended our structured accounts receivable facility (the "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 (the "Receivables").

For the quarter ended March 31, 2020, local currency revenue growth was led by strong performance in Outsourcing & Advisory and Investment Management.

| (in thousands of US\$) (LC = local currency) | Three months ended | | Growth in US\$ % | Growth in LC% |
|---|--------------------|------------|---------------------|------------------|
| | March 31 | | | |
| | 2020 | 2019 | | |
| Outsourcing & Advisory | \$ 277,290 | \$ 258,384 | 7% | 9% |
| Investment Management | 45,825 | 43,091 | 6% | 7% |
| Lease Brokerage | 164,510 | 181,783 | -10% | -8% |
| Sales Brokerage | 143,003 | 151,865 | -6% | -4% |
| Total revenues | \$ 630,628 | \$ 635,123 | -1% | 1% |

Results of operations – three months ended March 31, 2020

For the three months ended March 31, 2020, revenues were \$630.6 million, 1% lower compared to the prior year period (up 1% in local currency). Acquisitions contributed 2% to local currency revenue growth while internally generated revenues were down 1%, primarily due to the initial impact of the COVID-19 pandemic on brokerage operations in the Asia Pacific region and in the other regions toward the end of the quarter.

Operating earnings for the quarter were \$18.5 million versus \$13.4 million in the prior year period. The operating earnings margin was 2.9% versus 2.1% in the prior year period with the increase attributable to higher contribution from Investment Management and lower costs in the Americas region. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) for the three month period was \$54.5 million, up 25% versus \$43.6 million in the prior year quarter. Adjusted EBITDA margin improved by 170 bps to 8.6% as compared to 6.9% in the prior year period.

Depreciation expense was \$8.9 million relative to \$7.9 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 \$16.0 million relative to \$14.7 million in the prior year period, with the increase attributable mainly to the acquisitions completed in 2019, including that of Synergy Property Development Services (“Synergy”).

Net interest expense for the three month period was \$7.6 million, up from \$7.2 million in the prior year period, driven primarily by the increased interest on the real estate assets held for sale in connection with the establishment of a new Investment Management fund. The real estate assets, as well as corresponding liabilities, are expected to be transferred to the fund, without gain or loss, during the second quarter of 2020. The average interest rate on debt during the period was 3.1%, versus 3.8% in prior year period with the decline attributable to a decline in floating reference rates.

Consolidated income tax expense for the three month period ended March 31, 2020 was \$5.2 million relative to \$1.2 million in the prior year period, reflecting effective tax rates of 45% and 18%, respectively. The tax rate during the quarter was impacted by the reversal of a \$2.0 million tax benefit recorded in 2019 due to a change in tax law applied retroactively. The tax rate in the comparable prior year period was positively impacted by earnings mix. The effective tax rate for the full year is expected to be 29% to 30%.

Net earnings were \$6.5 million, compared to \$5.5 million in the prior year period.

Americas region revenues totalled \$370.0 million for the first quarter compared to \$358.8 million in the prior year quarter, up 3% (up 4% in local currency). Revenue growth was driven by strong increases in Outsourcing & Advisory activity, including property management, project management and valuations, with brokerage down slightly versus the prior year period. Adjusted EBITDA was \$31.2 million, versus \$26.2 million in the prior year quarter, with margins up on lower costs and operating leverage in Outsourcing & Advisory. GAAP operating earnings were \$22.7 million, relative to \$16.2 million in the prior year period.

EMEA region revenues totalled \$117.1 million for the first quarter compared to \$120.5 million in the prior year quarter, down 3% (flat in local currency). Local currency revenues were approximately flat in each service line. Foreign exchange headwinds negatively impacted revenue growth by 3%. Adjusted EBITDA was a loss of \$3.6

million, versus a loss of \$2.5 million in the prior year period. GAAP operating earnings were a loss of \$13.5 million as compared to a loss of \$10.1 million in the first quarter of 2019.

Asia Pacific region revenues totalled \$97.4 million for the first quarter compared to \$112.3 million in the prior year quarter, down 13% (down 9% in local currency), impacted by sharply reduced Sales Brokerage activity in China and the rest of Asia attributable to the pandemic, beginning early in the quarter, partially offset by incremental revenues from the recent Synergy acquisition. Foreign exchange headwinds negatively impacted revenue growth by 4%. Adjusted EBITDA was \$5.2 million, down from \$10.9 million, on lower revenues and service mix. GAAP operating earnings were \$1.2 million, down from \$9.2 million in the prior year period.

Investment Management revenues for the first quarter were \$45.8 million compared to \$43.1 million in the prior year quarter, up 6% (up 7% in local currency). Revenue growth was positively impacted by management fee growth across open and closed-ended alternative asset funds as well as timing of certain European transaction fees, offset by a reduction in passthrough carried interest. Passthrough revenue from historical carried interest represented \$2.3 million for the first quarter versus \$11.2 million in the prior year quarter. Adjusted EBITDA was \$18.4 million relative to \$10.2 million in the prior year quarter attributable to significant base management fee growth as well as timing of transaction fees. GAAP operating earnings were \$11.8 million in the quarter, versus \$3.6 million in the prior year period. Assets under management stood at \$35.1 billion as of March 31, 2020, up 31% from \$26.7 billion in the first quarter of 2019.

Global corporate results as reported in Adjusted EBITDA were \$3.3 million in the first quarter, relative to a loss of \$1.3 million in the prior year quarter. First quarter results included foreign exchange gains as well as cost savings from lower incentive compensation accruals. The corporate GAAP operating loss for the quarter was \$3.7 million, relative to \$5.5 million in the first quarter of 2019.

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.

| | | Q1 | Q2 | Q3 | Q4 |
|---------------------------------------|----|---------|------------|------------|------------|
| Year ended December 31, 2020 | | | | | |
| Revenues | \$ | 630,628 | | | |
| Operating earnings | | 18,537 | | | |
| Net earnings | | 6,458 | | | |
| Basic net earnings per common share | | 0.12 | | | |
| Diluted net earnings per common share | | 0.11 | | | |
| Year ended December 31, 2019 | | | | | |
| Revenues | \$ | 635,123 | \$ 745,517 | \$ 736,883 | \$ 928,288 |
| Operating earnings | | 13,397 | 57,197 | 48,175 | 99,428 |
| Net earnings | | 5,463 | 35,574 | 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 |
| Year ended December 31, 2018 | | | | | |
| 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 |
| Other data | | | | | |
| Adjusted EBITDA - 2020 | \$ | 54,454 | | | |
| 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 | | | |
| 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

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented. In light of this uncertainty, the Company's working assumption is a 15%-25% reduction in consolidated revenues and a 25%-35% reduction in consolidated Adjusted EBITDA for the full year 2020 (relative to 2019) excluding the impact of acquisitions not yet completed. This working assumption is based on the best available information as at the date of this MD&A and is subject to change based on numerous macroeconomic, health, social, political and related factors - see "Recent developments – risks associated with COVID-19 pandemic".

Brokerage revenues, which represented approximately 55% of 2019 consolidated revenues and have a highly variable cost structure, are expected to decline sharply in the second quarter with gradual improvements in the third and fourth quarters. This expectation is based in part on the Company's experience in Asia, where the crisis started early in the first quarter and is currently showing a slow recovery.

Outsourcing & Advisory and Investment Management, which represented approximately 45% of 2019 consolidated revenues, 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 the future as required.

As of March 31, 2020, the Company's leverage ratio expressed in terms of net debt to pro forma Adjusted EBITDA was 1.8x (down from 2.0x 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 \$478.0 million of available and unused credit under its committed revolving credit facility which matures 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 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.

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 three month period ended March 31, 2020 was \$120.0 million, versus \$106.2 million used in the prior year period. Adjusting for the cash proceeds generated from the AR Facility as well as collections of the deferred purchase price related to AR Facility, net cash usage from operating activities in the quarter was \$97.6 million. Cash flow from operating activities in both periods was impacted by significant working capital usage in our brokerage operations. Our working assumption is a decline in cash flow from operating activities in the second and third quarters of the year relative to the prior year periods in light of the uncertainty related to COVID-19. 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.

Capital expenditures for the three month period ended March 31, 2020 were \$8.7 million. Capital expenditures for the year ending December 31, 2020 are expected to be \$40-\$50 million, lower than the previously anticipated range of \$65-\$75 million, with the decrease primarily attributable to deferrals of investments in office space in major markets.

Net indebtedness as at March 31, 2020 was \$638.1 million, versus \$496.4 million at December 31, 2019. 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 agreement relating to our Revolving Credit Facility and senior unsecured notes as at March 31, 2020 and, based on our working assumption, we expect to remain in compliance with these covenants.

On December 11, 2019, the Company's Board of Directors declared a semi-annual dividend of \$0.05 per share to shareholders of record on December 31, 2019. This dividend amounting to \$2.0 million was paid on January 14, 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 \$163.6 million as at March 31, 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 March 31, 2020 was \$70.0 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 March 31, 2020 was \$13.3 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 March 31, 2020 will ultimately be paid.

The following table summarizes our contractual obligations as at March 31, 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 | \$ 740,631 | \$ 3,344 | \$ 45 | \$ 506,572 | \$ 230,670 |
| Interest on long-term debt | 104,948 | 20,738 | 41,288 | 27,061 | 15,861 |
| Finance lease obligations | 549 | 344 | 205 | - | - |
| Contingent acquisition consideration ^{1,2} | 69,954 | 7,620 | 62,230 | - | 104 |
| Operating leases obligations | 389,877 | 80,841 | 127,716 | 85,438 | 95,882 |
| Purchase commitments ² | 258,837 | 249,987 | 8,850 | - | - |
| Co-investment Commitments | 17,310 | 17,310 | - | - | - |
| Total contractual obligations | \$ 1,582,106 | \$ 380,184 | \$ 240,334 | \$ 619,071 | \$ 342,517 |

1. Contractual obligation expected to be funded from Revolving Credit Facility.
2. Purchase commitments for 2020 include the acquisitions of Dougherty and Maser.

At March 31, 2020, we had commercial commitments totaling \$11.3 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 \$324.5 million as of March 31, 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 March 31, 2020, the RNCI recorded on the balance sheet was \$349.6 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 dilution to diluted net earnings per share for the three month period ended March 31, 2020 would be \$0.02, and the accretion to adjusted EPS would be \$0.02.

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; (v) acquisition-related items (including transaction costs, contingent acquisition consideration fair value adjustments and contingent acquisition consideration-related compensation expense); (vi) restructuring costs and (vii) 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 | |
|---|--------------------|-----------|
| | March 31 | |
| | 2020 | 2019 |
| Net earnings | \$ 6,458 | \$ 5,463 |
| Income tax | 5,198 | 1,215 |
| Other income, net | (704) | (501) |
| Interest expense, net | 7,585 | 7,221 |
| Operating earnings | 18,537 | 13,398 |
| Depreciation and amortization | 24,891 | 22,668 |
| Equity earnings from non-consolidated investments | 555 | - |
| Acquisition-related items | 2,750 | 4,635 |
| Restructuring costs | 5,468 | 39 |
| Stock-based compensation expense | 2,253 | 2,831 |
| Adjusted EBITDA | \$ 54,454 | \$ 43,571 |

Adjusted EPS is defined as diluted net earnings per share, 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; (iii) acquisition-related items; (iv) restructuring costs and (v) 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 | |
|--|--------------------|-----------|
| | March 31 | |
| | 2020 | 2019 |
| Net earnings | \$ 6,458 | \$ 5,463 |
| Non-controlling interest share of earnings | (3,377) | (1,244) |
| Amortization of intangible assets | 16,013 | 14,720 |
| Acquisition-related items | 2,750 | 4,635 |
| Restructuring costs | 5,468 | 39 |
| Stock-based compensation expense | 2,253 | 2,831 |
| Income tax on adjustments | (5,805) | (4,004) |
| Non-controlling interest on adjustments | (2,150) | (2,246) |
| Adjusted net earnings | \$ 21,610 | \$ 20,194 |

| (in US\$) | Three months ended | |
|---|--------------------|---------|
| | March 31 | |
| | 2020 | 2019 |
| Diluted net earnings per common share | \$ 0.11 | \$ 0.04 |
| Non-controlling interest redemption increment | (0.04) | 0.07 |
| Amortization of intangible assets, net of tax | 0.24 | 0.23 |
| Acquisition-related items | 0.07 | 0.10 |
| Restructuring costs, net of tax | 0.10 | - |
| Stock-based compensation expense, net of tax | 0.06 | 0.07 |
| Adjusted EPS | \$ 0.54 | \$ 0.51 |

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

The Company 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. 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

On January 1, 2020, the Company adopted 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. 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

The Company adopted 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.

Impact of IFRS

On January 1, 2011, many Canadian companies were required to adopt IFRS. In 2004, in accordance 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 16 to the Consolidated Financial Statements for a full description) and (ii) the AR Facility. As of March 31, 2020, the Company had drawn \$113.8 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 March 31, 2020, the Company had \$3,097 of loans receivable from non-controlling shareholders (December 31, 2019 - \$3,430). 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 38,575,867 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,955,250 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

On July 16, 2019, the Company announced a Normal Course Issuer Bid ("NCIB") effective from July 18, 2019 to July 17, 2020. The Company is entitled to repurchase up to 2,900,000 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 March 31, 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

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 and on EDGAR at www.sec.gov.

Recent developments – 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.

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”, “Recent developments – risks associated with the COVID-19 pandemic” 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 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.

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 and on EDGAR at www.sec.gov. Further information about us can also be obtained at www.colliers.com.