



COLLIERS INTERNATIONAL GROUP INC.

Management's Discussion & Analysis

First Quarter | March 31, 2023

COLLIERS INTERNATIONAL GROUP INC.

Management's discussion and analysis
For the three months ended March 31, 2023
(in US dollars)
May 5, 2023

The following management's discussion and analysis ("MD&A") should be read together with the unaudited consolidated financial statements and the accompanying notes of Colliers International Group Inc. ("we," "us," "our," the "Company" or "Colliers") for the three months ended March 31, 2023 and the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2022. The 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 months ended March 31, 2023 and up to and including May 5, 2023.

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 "local currency revenue growth rate", "internal revenue growth rate", "Adjusted EBITDA", "Adjusted EPS", "free cash flow" and "assets under management ("AUM")", 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 three months ended March 31, 2023 were \$965.9 million, a decrease of 3% versus the prior year quarter (1% in local currency). Capital Markets revenues declined considerably in line with overall market conditions while Investment Management and Outsourcing & Advisory generated robust growth. Leasing revenues were up slightly. GAAP diluted net loss per share was \$0.47 as compared to \$0.42 in the prior year quarter, which included a \$26.1 million loss on disposal of certain operations in EMEA. Adjusted earnings per share, which exclude acquisition-related costs, non-controlling interest redemption increment, loss on disposal of operations and amortization of intangible assets (see "Reconciliation of non-GAAP financial measures" below) were \$0.86, down 40% from \$1.44 in the prior year quarter. The decrease was attributable to (i) higher interest expense from higher debt levels resulting from 2022 acquisition activity and higher interest rates as well as (ii) higher non-controlling share of earnings of acquired businesses. GAAP net diluted earnings per share and adjusted net earnings per share for the three months ended March 31, 2023 were not materially impacted from changes in foreign exchange rates.

In April 2023, the Company entered into an agreement to acquire a controlling interest in Greenstone Group Limited ("Greenstone"), a project management and property advisory firm in New Zealand. The business will rebrand as Colliers Project Leaders and integrate into Colliers' New Zealand operations.

In May 2023, the Company entered into an agreement to acquire a controlling interest in Craig & Rhodes Pty Limited ("Craig & Rhodes"), a multi-discipline engineering, design and survey firm in Australia. The business will rebrand as Colliers Engineering & Design and integrate into Colliers' existing operations in Australia.

For the three months ended March 31, 2023, local currency revenue declined by 1%, primarily due to the significant decline in Capital Markets activity in the seasonally slow first quarter, partly offset by growth in high-value recurring revenues from Investment Management and Outsourcing & Advisory.

<i>(in thousands of US\$)</i> <i>(LC = local currency)</i>	Three months ended		Change	Change
	March 31		in US\$	in LC
	2023	2022	%	%
Outsourcing & Advisory	\$ 454,930	\$ 414,545	10%	13%
Investment Management ⁽¹⁾	120,746	86,377	40%	40%
Leasing	238,387	237,272	0%	2%
Capital Markets	151,840	262,718	-42%	-41%
Total revenues	\$ 965,903	\$ 1,000,912	-3%	-1%

(1) Investment Management local currency revenues, excluding pass-through carried interest, were up 96% for the three months ended March 31, 2023

Results of operations – three months ended March 31, 2023

For the three months ended March 31, 2023, revenues were \$965.9 million, 3% lower than the comparable prior year quarter (1% in local currency). Investment Management and Outsourcing & Advisory generated robust growth, Leasing was up slightly while Capital Markets declined considerably in line with overall market conditions. Internally generated revenues declined 9% while acquisitions contributed 8% to local currency revenue growth.

Operating earnings for the first quarter were \$22.1 million versus \$40.8 million in the prior year quarter. Operating earnings margin was 2.3% as compared to 4.1% in the prior year quarter. The margin decline was attributable to a change in service mix in the seasonally slowest quarter. Adjusted EBITDA (see “Reconciliation of non-GAAP financial measures” below) was \$104.6 million down 14% versus \$121.5 million reported in the prior year quarter. The Adjusted EBITDA margin was 10.8% in the quarter as compared to 12.1% in the prior year quarter.

Depreciation expense was \$12.6 million relative to \$12.0 million in the prior year quarter with the increase attributable to increased investments in office leaseholds and the impact of recent business acquisitions.

Amortization expense was \$36.8 million, versus \$24.6 million recorded in the prior year quarter with the increase attributable mainly to intangible assets acquired with recent business acquisitions.

Net interest expense was \$22.8 million, versus \$6.3 million recorded in the prior year quarter with the increase attributable to higher usage of the Company’s senior unsecured revolving credit facility (“Revolving Credit Facility”) and higher reference rates relative to the prior year quarter. The average interest rate on debt during the period was 4.2%, relative to 3.1% in the prior year quarter.

Consolidated income tax expense for the quarter was \$3.5 million, relative to \$16.3 million in the prior year quarter. The current quarter’s effective tax rate of 134.5% versus 43.4% in the prior year quarter. The current period tax rate was impacted by the outside basis difference in an investment in the United Kingdom on which a deferred tax benefit could not be recognized.

Net loss for the quarter was \$0.9 million versus earnings of \$21.3 million in the prior year quarter.

Revenues in the Americas region totalled \$581.6 million for the first quarter, down 9% (8% in local currency) versus \$641.7 million in the comparative prior year quarter. The decline was related to the significant fall-off in Capital Markets transaction volumes across all asset classes, relative to a very strong prior year quarter. Outsourcing & Advisory revenues were up high single digits, driven by growth in Engineering & Design and Property Management, while Leasing revenues were flat. Adjusted EBITDA was \$53.9 million, down 34% (33% in local currency) relative to the strong prior year quarter. The decline in Adjusted EBITDA was due to lower revenues and a change in service mix. GAAP operating earnings were \$32.9 million, relative to \$61.3 million in the prior year quarter.

Revenues in the EMEA region totalled \$143.4 million, down 6% (2% in local currency) compared to \$153.3 million in the prior year quarter. Revenue declined significantly in Capital Markets, in line with overall market conditions. Foreign exchange headwinds impacted revenues by 4%. Adjusted EBITDA was a loss of \$11.3 million in the seasonally slow first quarter as compared to earnings of \$4.9 million in the prior year quarter. GAAP operating loss was \$25.0 million, versus \$30.8 million in the prior year quarter.

Revenues in the Asia Pacific region totalled \$120.1 million compared to \$119.4 million in the prior year quarter, up 1% (7% in local currency), with growth in Leasing and Outsourcing & Advisory more than offsetting a decline in Capital Markets. Foreign

exchange headwinds impacted revenues by 6%. Adjusted EBITDA was \$8.0 million, down 21% (15% in local currency) relative to the strong prior year quarter on changes in service mix. GAAP operating earnings were \$5.0 million, versus \$8.2 million in the prior year quarter.

Investment Management revenues for the first quarter were \$120.7 million compared to \$86.4 million in the prior year quarter, up 40% (40% in local currency). Passthrough revenue (from historical carried interest) was nil versus \$24.7 million in the prior year quarter. Excluding the impact of carried interest, revenue was up 96% (96% in local currency) driven by (i) acquisitions and (ii) management fee growth from increased assets under management. Adjusted EBITDA was \$54.9 million, up 105% (105% in local currency) over the prior year quarter. GAAP operating earnings were \$14.8 million in the quarter, versus \$17.2 million in the prior year quarter with the reduction attributable to contingent acquisition consideration related to recent acquisitions. Assets under management were \$97.6 billion as of March 31, 2023, as compared to \$97.7 billion as of December 31, 2022, with modestly lower asset values mostly offset by net capital inflows.

Unallocated global corporate costs as reported in Adjusted EBITDA were \$0.9 million in the first quarter, relative to \$1.5 million in the prior year quarter. The corporate GAAP operating loss for the quarter was \$5.5 million relative to \$15.1 million in the first quarter of 2022.

Summary of quarterly results

The following table sets forth our quarterly consolidated results of operations data. The information in the table below has been derived from 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 future quarter.

Summary of quarterly results - years ended December 31, 2023, 2022 and 2021 (in thousands of US\$, except per share amounts)

	Q1	Q2	Q3	Q4
Year ended December 31, 2023				
Revenues	\$ 965,903			
Operating earnings	22,144			
Net loss	(907)			
Basic net loss per common share	(0.47)			
Diluted net loss per common share	(0.47)			
Year ended December 31, 2022				
Revenues	\$ 1,000,912	\$ 1,127,846	\$ 1,108,324	\$ 1,222,405
Operating earnings	40,834	103,850	84,030	103,782
Net earnings	21,317	66,731	44,524	61,972
Basic net earnings (loss) per common share	(0.42)	0.70	0.28	0.52
Diluted net earnings (loss) per common share	(0.42)	0.67	0.27	0.51
Year ended December 31, 2021				
Revenues	\$ 774,914	\$ 945,994	\$ 1,022,756	\$ 1,345,465
Operating earnings (loss)	39,956	(385,777)	75,966	138,354
Net earnings (loss)	24,807	(412,601)	50,496	99,741
Basic net earnings (loss) per common share	0.11	(10.53)	0.41	0.98
Diluted net earnings (loss) per common share	0.11	(10.53)	0.40	0.92
Other data*				
Adjusted EBITDA - 2023	\$ 104,623			
Adjusted EBITDA - 2022	121,461	\$ 161,313	\$ 145,065	\$ 202,686
Adjusted EBITDA - 2021	92,129	136,558	123,641	192,010
Adjusted EPS - 2023	\$ 0.86			
Adjusted EPS - 2022	1.44	1.84	1.41	2.31
Adjusted EPS - 2021	1.04	1.58	1.27	2.25

*See "Reconciliation of non-GAAP financial measures"

Seasonality and quarterly fluctuations

The Company historically 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 Capital Markets transactions. Revenues and earnings during the balance of the year are relatively even. Capital Markets operations comprised 24% of consolidated annual revenues for 2022. Variations can be caused by business acquisitions which alter the consolidated service mix.

Outlook for 2023

In early February, the Company provided its initial outlook for 2023. Since then, a significant banking crisis has occurred, availability of credit has tightened further and uncertainty around asset valuations has increased, causing a revision to the outlook. Lower transaction volumes are now expected to persist for the remainder of the year. Capital Markets revenues are expected to be down 30-40% for the second quarter versus the prior year period, with year-over-year comparisons becoming more favourable in the third and fourth quarters.

Robust growth (including the impact of recent acquisitions) is expected to continue in the Company's high value recurring service lines, Investment Management and Outsourcing & Advisory, while Leasing is expected to remain flat to down slightly. The Company expects higher Adjusted EBITDA margins in 2023 due to the change in service mix (greater proportion of earnings coming from higher-margin Investment Management) offset in part by lower Capital Markets margins, net of cost control measures across the Company. Adjusted EPS growth is expected to continue to be impacted by increased interest costs as well as a larger proportion of earnings growth generated from non-wholly owned operations.

The outlook for 2023, including the impact of acquisitions completed in 2022 and to the present date in 2023, is as follows:

Measure	2022	2023 Outlook	
		Revised	Prior
Revenue	\$4.5 billion	\$4.4 billion - \$4.6 billion	\$4.6 billion - \$4.8 billion
AEBITDA	\$630.5 million	\$670 million - \$720 million	\$710 million - \$750 million
AEPS	\$6.99	\$6.70 - \$7.50	\$7.50 - \$8.00

The financial outlook is based on the Company's best available information as of the date of this MD&A, and remains subject to change based on numerous macroeconomic, health, social, geopolitical and related factors.

Liquidity and capital resources

Net cash used in operating activities for the three months ended March 31, 2023 was \$132.6 million, versus \$280.7 million in the prior year quarter. The decrease in cash usage was primarily due to lower working capital usage as compared to the prior year quarter, which was impacted by payment of accrued compensation and higher contingent acquisition consideration paid. We believe that cash from operations and other existing resources, including our \$1.75 billion multi-currency Revolving Credit Facility, will continue to be adequate to satisfy the ongoing working capital needs of the Company.

For the three months ended March 31, 2023, capital expenditures were \$18.9 million (March 31, 2022 - \$9.8 million). Capital expenditures for the year ending December 31, 2023 are expected to be between \$90-\$100 million, with the increase primarily attributable to investments in office space in major markets, some of which were deferred from 2022 and are expected to be funded by cash on hand.

Net indebtedness is considered a supplementary financial measure and as of March 31, 2023 was \$1.44 billion, versus \$1.27 billion as of December 31, 2022. Net indebtedness is calculated as the current and non-current portion of long-term debt (excluding the Convertible Notes and warehouse credit facilities, in accordance with our debt agreements) less cash and cash equivalents. As of March 31, 2023, the Company's financial leverage ratio expressed in terms of net debt to pro forma Adjusted EBITDA, as defined in our debt agreements, was 2.2x (1.8x as of December 31, 2022), relative to a maximum of 3.5x permitted under our debt agreements. Including the Convertible Notes, our net indebtedness as of March 31, 2023 was \$1.67 billion. We were in compliance with the covenants contained in our debt agreements as of March 31, 2023 and, based on our outlook for 2023, we expect to remain in compliance with these covenants.

The Company's Revolving Credit Facility matures in May 2027. The Revolving Credit Facility is sustainability-linked and includes pricing adjustments tied to achievements of performance targets over time aligned with Colliers' Elevate the Built Environment

framework. These targets include: 1) reducing greenhouse gas emissions consistent with the Science-Based Targets initiative (“SBTi”); 2) increasing female representation in management roles and 3) ensuring Colliers-occupied offices obtain the WELL Health-Safety certification. As of March 31, 2023, the Company had \$387.9 million of unused credit under the Revolving Credit Facility.

In April 2023 the Company increased its borrowing capacity under its Revolving Credit Facility by \$250 million to \$1.75 billion. The Company was in compliance with all covenants as of March 31, 2023.

The Company’s 4.0% convertible senior subordinated notes (the “Convertible Notes”), due 2025, are unsecured and subordinated to all of the existing and future senior and/or secured indebtedness, and are treated as equity for financial leverage calculations in accordance with our debt agreements. The Convertible Notes are convertible into approximately 4.0 million Subordinate Voting Shares or, if not converted, may be settled at maturity with Subordinate Voting Shares or cash at the option of the Company.

On April 4, 2023, the Company issued a notice of redemption to all holders of its Convertible Notes. The applicable redemption date is June 1, 2023 (the “Redemption Date”), and the Company will, in accordance with the terms and conditions of the indenture governing the Convertible Notes, satisfy its obligations in connection with any redeemed Convertible Notes by issuing an amount of Subordinate Voting Shares per \$1,000 of redeemed principal amount that is calculated based on the average of daily volume-weighted average trading prices of the Shares for the thirty trading day period ending on May 24, 2023. All accrued but unpaid interest on any redeemed amounts for the period up to but excluding the Redemption Date will be paid in cash. The Company expects substantially all holders of Convertible Notes to convert into shares at a conversion rate of 17.7607 shares per \$1,000 of principal amount, which is equivalent to a conversion price of approximately \$56.30 per share.

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

The Company’s accounts receivable facility (“AR Facility”) (which includes selected US and Canadian trade accounts receivable) with two third-party financial institutions has committed availability of \$175 million with a maturity date of October 24, 2024. The AR Facility is recorded as a sale of accounts receivable, and accordingly sold receivables are derecognized from the consolidated balance sheet. Borrowing costs under our AR Facility are lower than comparable borrowings under our Revolving Credit Facility. As of March 31, 2023, the Company had drawn \$174.9 million under the AR Facility.

During 2022, the Company acquired certain real estate assets in connection with the establishment of new Investment Management funds. The real estate assets, as well as corresponding liabilities, will be transferred to the respective funds during 2023, without gain or loss. The Company recorded the corresponding assets and liabilities on the consolidated balance sheet as of March 31, 2023. We expect to enter into similar transactions from time to time in the future to facilitate the formation of new Investment Management funds.

The Company pays semi-annual dividends in cash after the end of the second and fourth quarters to shareholders of record on the last business day of the quarter. The Company’s policy is to pay dividends on its common shares in the future, subject to the discretion of our Board of Directors. On December 6, 2022, the Company’s Board of Directors declared a semi-annual dividend of \$0.15 per share to shareholders of record on December 30, 2022, paid on January 13, 2023. Total common share dividends paid by the Company during the three months ended March 31, 2023 were \$6.4 million (March 31, 2022 - \$6.6 million).

During the three months ended March 31, 2023, the Company invested cash in acquisitions as follows: \$12.5 million in acquisitions of redeemable non-controlling interest and \$0.8 million in contingent consideration payments. All acquisitions during the year were funded from borrowings on the Revolving Credit Facility and cash on hand (See Note 4 in our consolidated financial statements). The Company expects to fund any future acquisitions from borrowings on the Revolving Credit Facility and cash on hand.

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 \$422.3 million as at March 31, 2023 (December 31, 2022 - \$422.0 million). 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, 2023 was \$93.9 million (December 31, 2022 - \$91.2

million). 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 consolidated balance sheet for the compensatory element of contingent consideration arrangements as at March 31, 2023 was \$83.6 million (December 31, 2022 - \$61.9 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 April 2028. We estimate that approximately 86% of the contingent consideration outstanding as of March 31, 2023 will ultimately be paid.

The following table summarizes our contractual obligations as at March 31, 2023:

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	\$ 1,616,536	\$ 3,632	\$ 403	\$ 1,099,953	\$ 512,548
Warehouse credit facilities	112,331	112,331	-	-	-
Convertible Notes ⁽¹⁾	226,875	-	226,875	-	-
Interest on long-term debt and Convertible Notes ⁽²⁾	84,290	13,477	23,400	23,374	24,039
Finance lease obligations	1,639	751	818	70	-
Contingent acquisition consideration ⁽³⁾	93,883	44,267	28,049	21,452	115
Operating leases obligations	554,286	105,059	168,966	106,532	173,729
Purchase commitments	67,947	21,488	37,290	7,534	1,635
Co-investment Commitments	55,517	55,517	-	-	-
Total contractual obligations	\$ 2,813,304	\$ 356,522	\$ 485,801	\$ 1,258,915	\$ 712,066

(1) See Note 22 to consolidated financial statements.

(2) No interest calculated beyond May 31, 2023 on Convertible Notes. Figures do not include interest payments for borrowings under the Revolving Credit Facility. Assuming the Revolving Credit Facility is held until maturity, using current interest rate, we estimate that we will make \$290.8 million of interest payments, \$70.0 million of which will be made in the next 12 months.

(3) Estimated fair value as at March 31, 2023.

As at March 31, 2023, we had commercial commitments totaling \$12.1 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 25% to 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 \$1.01 billion as of March 31, 2023 (December 31, 2022 - \$1.03 billion). 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, 2023, the RNCI recorded on the balance sheet was \$1.07 billion (December 31, 2022 - \$1.08 billion). The purchase prices of the RNCI may be paid in cash or in Subordinate Voting Shares of Colliers. If all RNCI were redeemed in cash, the pro forma estimated accretion to diluted net earnings per share for the three months ended March 31, 2023 would be \$0.26, and the accretion to Adjusted EPS would be \$0.06.

Critical accounting estimates

Critical accounting estimates are those that we deem to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified eight critical accounting estimates, which are discussed below.

1. *Revenue recognition.* We earn revenues from brokerage transaction commissions, advisory fees, debt finance fees, property management fees, project management fees, engineering and design fees, loan servicing fees and investment management fees. Some of the contractual terms related to the process of earning revenue from these sources, including potentially contingent events, can be complex and may require us to make judgments about the timing of when we should recognize revenue and whether revenue should be reported on a gross basis or net basis. Changes in judgments could result in a change in the period in which revenues are reported, or in the amounts of revenue and cost of revenue reported.
2. *Goodwill.* Goodwill impairment testing involves assessing whether events have occurred that would indicate potential impairment and making estimates concerning the fair values of reporting units and then comparing the fair value to the carrying amount of each unit. The determination of what constitutes a reporting unit requires significant management judgment. We have four reporting units, consistent with our four operating segments. Goodwill is attributed to the reporting units at the time of acquisition. Estimates of fair value can be impacted by changes in the business environment, prolonged economic downturns or declines in the market value of the Company's own shares and therefore require significant management judgment in their determination. When events have occurred that would suggest a potential decrease in fair value, the determination of fair value is calculated with reference to a discounted cash flow model which requires management to make certain estimates. The most sensitive estimates are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.
3. *Business combinations.* The determination of fair values of assets acquired and liabilities assumed in business combinations requires the use of estimates and management judgment, particularly in determining fair values of intangible assets acquired. For example, if different assumptions were used regarding the profitability and expected attrition rates of acquired customer relationships or forecasted committed capital and assets under management related to asset management contracts, different amounts of intangible assets and related amortization could be reported.
4. *Contingent acquisition consideration.* Contingent consideration is required to be measured at fair value at the acquisition date and at each balance sheet date until the contingency expires or is settled. The fair value at the acquisition date is a component of the purchase price; subsequent changes in fair value are reflected in earnings. Most acquisitions made by us have a contingent consideration feature, which is usually based on the acquired entity's profitability (measured in terms of Adjusted EBITDA) during a one to five year period after the acquisition date. Significant estimates are required to measure the fair value of contingent consideration, including forecasting profits for the contingency period and the selection of an appropriate discount rate.
5. *Mortgage servicing rights ("MSRs").* MSRs, or the rights to service mortgage loans for others, result from the sale or securitization of loans originated by the Company and are recognized as intangible assets on the Consolidated Balance Sheets. The Company initially recognizes MSRs based on the fair value of these rights on the date the loans are sold. Subsequent to initial recognition, MSRs are amortized and carried at the lower of amortized cost or fair value. They are amortized in proportion to and over the estimated period that net servicing income is expected to be received based on projections and timing of estimated future net cash flows.
6. *Allowance for credit loss reserves.* Colliers Mortgage is obligated to share in losses, if any, related to mortgages originated under the Fannie Mae Delegated Underwriting and Servicing ("DUS") Program. These obligations expose the Company to credit risk on mortgage loans for which the Company is providing underwriting, servicing, or other services under the DUS Program. Net losses on defaulted loans are shared with Fannie Mae based upon established loss-sharing ratios, and typically, the Company is subject to sharing up to one-third of incurred losses on loans originated under the DUS Program. As of March 31, 2023, the Company has funded and sold loans subject to such loss sharing obligations with an aggregate unpaid principal balance of approximately \$4.5 billion. As at March 31, 2023, the loss reserve was \$13.3 million (December 31, 2022 - \$14.5 million) and was included within Other liabilities on the consolidated balance sheet.

Reconciliation of non-GAAP financial measures

In this MD&A, we make reference to certain 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); (iii) interest expense; (iv) loss on disposal of operations; (v) depreciation and amortization, including amortization of mortgage servicing rights ("MSRs"); (vi) gains attributable to MSRs; (vii) acquisition-related items (including contingent acquisition consideration fair value adjustments, contingent acquisition consideration-related compensation expense and transaction costs); (viii) restructuring costs and (ix) 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.

<i>(in thousands of US\$)</i>	Three months ended	
	March 31	
	2023	2022
Net earnings (loss)	\$ (907)	\$ 21,317
Income tax	3,539	16,327
Other income, including equity earnings from non-consolidated investments	(3,320)	(3,128)
Interest expense, net	<u>22,832</u>	<u>6,318</u>
Operating earnings	22,144	40,834
Loss on disposal of operations	-	26,090
Depreciation and amortization	49,492	36,640
Gains attributable to MSRs	(3,035)	(5,297)
Equity earnings from non-consolidated investments	3,154	3,160
Acquisition-related items	26,468	15,083
Restructuring costs	743	90
Stock-based compensation expense	<u>5,657</u>	<u>4,861</u>
Adjusted EBITDA	\$ 104,623	\$ 121,461

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

Adjusted EPS is calculated using the "if-converted" method of calculating earnings per share in relation to the Convertible Notes, which were issued on May 19, 2020. As such, the interest (net of tax) on the Convertible Notes is added to the numerator and the additional shares issuable on conversion of the Convertible Notes are added to the denominator of the earnings per share calculation to determine if an assumed conversion is more dilutive than no assumption of conversion. The "if-converted" method is used if the impact of the assumed conversion is dilutive. The "if-converted" method is dilutive for the Adjusted EPS calculation for all periods presented.

<i>(in thousands of US\$)</i>	Three months ended March 31	
	2023	2022
Net earnings (loss)	\$ (907)	\$ 21,317
Non-controlling interest share of earnings	(10,941)	(8,516)
Interest on Convertible Notes	2,300	2,300
Loss on disposal of operations	-	26,090
Amortization of intangible assets	36,843	24,591
Gains attributable to MSRs	(3,035)	(5,297)
Acquisition-related items	26,468	15,083
Restructuring costs	743	90
Stock-based compensation expense	5,657	4,861
Income tax on adjustments	(11,348)	(6,419)
Non-controlling interest on adjustments	(5,153)	(3,670)
Adjusted net earnings	\$ 40,627	\$ 70,430

<i>(in US\$)</i>	Three months ended March 31	
	2023	2022
Diluted net loss per common share ⁽¹⁾	\$ (0.42)	\$ (0.38)
Interest on Convertible Notes, net of tax	0.04	0.04
Non-controlling interest redemption increment	0.17	0.64
Loss on disposal of operations	-	0.53
Amortization expense, net of tax	0.48	0.30
Gains attributable to MSRs, net of tax	(0.04)	(0.06)
Acquisition-related items	0.52	0.27
Restructuring costs, net of tax	0.01	-
Stock-based compensation expense, net of tax	0.10	0.10
Adjusted EPS	\$ 0.86	\$ 1.44
Diluted weighted average shares for Adjusted EPS (thousands)	47,422	48,791

⁽¹⁾ Amounts shown reflect the "if-converted" method's dilutive impact on the Adjusted EPS calculation for the three months ended March 31, 2023 and 2022.

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.

Free cash flow is defined as net cash flow from operating activities plus contingent acquisition consideration paid, less purchases of fixed assets, plus cash collections on AR Facility deferred purchase price less distributions to non-controlling interests. We use free cash flow as a measure to evaluate and monitor operating performance as well as our ability to service debt, fund acquisitions and pay of dividends to shareholders. We present free cash flow as a supplemental measure because we believe this measure is a financial metric used by many investors to compare valuation and liquidity measures across 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 free cash flow may differ from other issuers and accordingly,

this measure may not be comparable to measures used by other issuers. A reconciliation of net cash flow from operating activities to free cash flow appears below.

<i>(in thousands of US\$)</i>	Three months ended	
	March 31	
	2023	2022
Net cash used in operating activities	\$ (132,568)	\$ (280,709)
Contingent acquisition consideration paid	272	59,553
Purchase of fixed assets	(18,883)	(9,835)
Cash collections on AR Facility deferred purchase price	30,772	166,328
Distributions paid to non-controlling interests	(11,061)	(14,926)
Free cash flow	\$ (131,468)	\$ (79,589)

Percentage revenue and Adjusted EBITDA 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 assets 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.

Adjusted EBITDA from recurring revenue percentage is computed on a trailing twelve-month basis and represents the proportion of Adjusted EBITDA that is derived from Outsourcing & Advisory and Investment Management service lines. Both these service lines represent medium to long-term duration revenue streams that are either contractual or repeatable in nature. Adjusted EBITDA for this purpose is calculated in the same manner as for our debt agreement covenant calculation purposes, incorporating the expected full year impact of business acquisitions and dispositions.

Recently adopted accounting guidance

Contract Assets and Contract Liabilities from Contracts with Customers – Business Combinations

In October 2021, the FASB issued ASU No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Subtopic 805-10: Business Combinations)*. The ASU requires that recognition and measurement principles of ASC 606 Revenue Recognition be applied for contract assets and contract liabilities acquired in a business combination. The guidance in ASC 805 listing exceptions to recognition principle was amended to include contract assets and contract liabilities. The Company adopted the guidance effective January 1, 2023. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

Reference Rate Reform

The FASB has issued three ASUs related to reference rate reform. 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* and in January 2021 the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. With reference rates like the various tenors of the London Interbank Offered Rates ("LIBOR") being discontinued between December 31, 2021 and June 30, 2023, a significant volume of contracts and other arrangements will be impacted by the transition required to alternative reference rates. The ASUs 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 for a limited time for all entities through December 31, 2022. In December 2022, FASB issued ASU No. 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, with immediate effect, to defer the sunset date from December 31, 2022 to December 31, 2024, after which the entities will no

longer be permitted to apply the relief in Topic 848. The Company has certain debt arrangements which may qualify for use of the practical expedients permitted under the guidance. The Company has evaluated and will continue to evaluate arrangements subject to rate reform and the options under the ASUs to facilitate an orderly transition to alternative reference rates and their potential impacts on its consolidated financial statements and disclosures.

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. In December 2018 (amended in May 2022), the Company entered into interest rate swap agreements to convert the SOFR floating interest rate on \$100.0 million of US dollar denominated debt into a fixed interest rate of 2.6026% plus the applicable margin. The interest rate swaps are measured at fair value on the balance sheet. The Company designated the interest rate swaps as cash flow hedges at the inception of the respective interest rate swaps. On July 1, 2021, the Company de-designated these hedging relationships.

In July and December 2022, the Company entered into similar interest rate swap agreements (the "2022 IRS") to hedge an additional \$150.0 million and \$250.0 million of US dollar borrowings under the Revolving Credit Facility at fixed interest rates of 2.8020% and 3.5920%, respectively. In April 2023, the Company entered into another similar swap agreement (the "2023 IRS") to hedge an additional \$100.0 million of US dollar borrowings under the Revolving Credit Facility at a fixed interest rate of 3.7250%. The 2022 IRS and 2023 IRS have a maturity of May 27, 2027. The swaps are measured at fair value on the balance sheet. Gains or losses on the 2022 IRS and 2023 IRS, which are determined to be effective as hedges, are reported in other comprehensive income.

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.

Transactions with related parties

As at March 31, 2023, the Company had \$3.5 million of loans receivable from non-controlling shareholders (December 31, 2022 - \$3.6 million). The majority of the loans receivable represent amounts 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 6.6%. These loans are due on demand or mature on various dates up to 2028 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 42,459,584 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 2,814,750 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

On July 15, 2022, the Company announced a Normal Course Issuer Bid ("NCIB") effective from July 20, 2022 to July 19, 2023. The Company is entitled to repurchase up to 3,500,000 Subordinate Voting Shares on the open market pursuant to the NCIB.

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.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted by us under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, and include controls and procedures designed to ensure that information

required to be disclosed in reports filed or submitted by us under U.S. and Canadian securities legislation is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to permit timely decisions regarding required disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in the rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators, as at March 31, 2023. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as at March 31, 2023.

Changes in internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of our internal control over financial reporting. Based on this assessment, management has concluded that as at March 31, 2023, our internal control over financial reporting was effective.

During the three months ended March 31, 2023, 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

There are no legal proceedings to which Colliers is a party to, or in respect of which, any of the property of Colliers is the subject of, which is or was material to Colliers during 2023, and Colliers is not aware of any such legal proceedings that are contemplated. In the normal course of operations, Colliers is subject to routine immaterial claims and litigation incidental to its business. Litigation currently pending or threatened against Colliers includes disputes with former employees and commercial liability claims related to services provided by Colliers. Colliers 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.

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 and those set out in detail in the "Risk Factors" section of the Company's Annual Information Form:

- Economic conditions, especially as they relate to rising interest rates, commercial and consumer credit conditions and business spending, particularly in regions where our operations may be concentrated.
- Rising inflation and its impact on compensation costs, hiring and retention of talent, and the Company's ability to recover costs from our clients.
- The continuing impact and aftermath of the global COVID-19 pandemic and its related impact on 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.
- Commercial real estate and real asset values, vacancy rates and general conditions of financial liquidity for transactions.
- The effect of significant movements in average capitalization rates across different property types.
- A change in or loss of our relationship with US government agencies.
- Defaults by borrowers on loans originated under the Fannie Mae Delegated Underwriting and Servicing Program.
- A reduction by clients in their reliance on outsourcing for their commercial real estate needs.
- 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 fundraise in our Investment Management operations, or an increase in redemptions from our perpetual funds and separately managed accounts.

- A decline in our ability to attract, recruit and retain talent.
- 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 Canadian dollar, Euro, 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, cyber attacks or security failures in our information technology systems, and our ability to recover from such incidents.
- The ability to comply with laws and regulations related to our global operations, including real estate and mortgage banking licensure, labour and employment laws and regulations, as well as the anti-corruption laws and trade sanctions.
- Political conditions, including political instability, any outbreak or escalation of hostilities, elections, referenda, trade policy changes, immigration policy changes and terrorism and the impact thereof on our business.
- Changes in climate and environment-related policies that directly impact our businesses.
- Changes in government laws and policies at the federal, state/provincial or local level that directly impact our businesses.
- Conversion of the Convertible Notes to Subordinate Voting Shares may dilute the ownership of existing shareholders.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance. 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, 2022, 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.