Altus Group

Altus Group Reports Fourth Quarter and Full Year 2017 Financial Results

Altus Analytics Revenues and Adjusted EBITDA increased 11.7% and 18.1%, respectively in 2017

TORONTO (February 22, 2018) - Altus Group Limited ("Altus Group" or “the Company”) (TSX: AIF), a leading provider of independent advisory services, software and data solutions to the global commercial real estate industry, announced today its financial and operating results for the fourth quarter and year ended December 31, 2017.

Full Year 2017 Highlights:

In comparison to the prior year:

- Consolidated revenues increased 8.0% to $478.1 million
- Consolidated Adjusted EBITDA increased 11.0% to $82.2 million
- Consolidated profit, in accordance with IFRS, increased 671.4% to $110.1 million due to unrealized gains associated with our Real Matters investment
- Adjusted earnings per share (“Adjusted EPS”) decreased 1.7% to $1.13
- Adjusted EBITDA margin improved to 17.2% from 16.7% in 2016
- Altus Analytics revenues increased 11.7% to $169.2 million, and Adjusted EBITDA increased 18.1% to $48.4 million; recurring revenues increased 5.2% to $117.8 million
- Property Tax revenues increased 5.0% to $158.7 million, and Adjusted EBITDA increased 0.6% to $40.3 million

Fourth Quarter 2017 Highlights:

In comparison to Q4 2016:

- Consolidated revenues increased 6.4% to $122.7 million
- Consolidated Adjusted EBITDA declined 7.9% to $20.4 million
- Consolidated profit, in accordance with IFRS, decreased to a loss of $3.4 million
- Altus Analytics revenues declined 0.8% to $41.9 million, and Adjusted EBITDA decreased 39.4% to $7.2 million; recurring revenues increased 2.8% to $29.9 million
- Property Tax revenues increased 15.0% to $42.0 million, and Adjusted EBITDA increased 18.4% to $5.1 million

“In 2017, we delivered growth and profitability across all of our businesses. We are making investments to accelerate our global expansion, to extend our leadership position, and build new solutions in the cloud,” said Robert Courteau, Chief Executive Officer at Altus Group. “With the combination of a strong balance sheet, growing pipeline of opportunities, and first-class talent, we are extremely well positioned to achieve broad and global adoption for our solutions with the world’s largest CRE investors.”

Summary of Operating and Financial Performance by Business Segment:

All amounts are in Canadian dollars and percentages are in comparison to the fourth quarter and twelve-month period of 2016.

Altus Analytics	**Year ended Dec. 31,**			**Quarter ended Dec. 31,**		
In thousands of dollars	**2017**	2016	% Change	**2017**	2016	% Change
Revenues						
Recurring - Data & Software Subscriptions, Maintenance	$ 117,777	$ 111,928	5.2%	$ 29,944	$ 29,115	2.8%
Non-recurring - Licenses and Services	51,458	39,552	30.1%	11,956	13,120	(8.9%)
Revenues	$ 169,235	$ 151,480	11.7%	$ 41,900	$ 42,235	(0.8%)
Adjusted EBITDA*	$ 48,412	$ 40,987	18.1%	$ 7,165	$ 11,818	(39.4%)
Adjusted EBITDA Margin*	28.6%	27.1%		17.1%	28.0%	

Commercial Real Estate Consulting	**Year ended Dec. 31,**			**Quarter ended Dec. 31,**		
In thousands of dollars	**2017**	2016	% Change	**2017**	2016	% Change
Revenues						
Property Tax	$ 158,696	$ 151,155	5.0%	$ 41,972	$ 36,511	15.0%
Valuation and Cost Advisory	102,511	96,109	6.7%	27,433	25,250	8.6%
Revenues	$ 261,207	$ 247,264	5.6%	$ 69,405	$ 61,761	12.4%
Adjusted EBITDA						
Property Tax	$ 40,346	$ 40,091	0.6%	$ 5,064	$ 4,276	18.4%
Valuation and Cost Advisory	12,039	12,059	(0.2%)	2,794	2,193	27.4%
Adjusted EBITDA*	$ 52,385	$ 52,150	0.5%	$ 7,858	$ 6,469	21.5%
Adjusted EBITDA Margin*	20.1%	21.1%		11.3%	10.5%	

Geomatics	**Year ended Dec. 31,**			**Quarter ended Dec. 31,**		
In thousands of dollars	**2017**	2016	% Change	**2017**	2016	% Change
Revenues	$ 48,536	$ 45,082	7.7%	$ 11,589	$ 11,549	0.3%
Adjusted EBITDA*	$ 3,493	$ (868)	502.4%	$ 32	$ 185	(82.7%)
Adjusted EBITDA Margin*	7.2%	(1.9%)		0.3%	1.6%	

Consolidated	**Year ended Dec. 31,**			**Quarter ended Dec. 31,**		
In thousands of dollars	**2017**	2016	% Change	**2017**	2016	% Change
Revenues	$ 478,137	$ 442,891	8.0%	$ 122,735	$ 115,334	6.4%
Adjusted EBITDA*	$ 82,220	$ 74,088	11.0%	$ 20,367	$ 22,120	(7.9%)
Adjusted EBITDA Margin*	17.2%	16.7%		16.6%	19.2%	

**Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.*

2017 Review:

On a consolidated basis, 2017 revenues continued to grow steadily, increasing 8.0% year-over-year to $478.1 million while Adjusted EBITDA grew by 11.0% to $82.2 million. Adjusted EBITDA growth in 2017 was primarily driven by the strong performance at Altus Analytics, and the year-over-year improvements at Geomatics. Exchange rate movements against the Canadian dollar impacted revenues by (1.4%) and Adjusted EBITDA by (1.1%). Acquisitions contributed 1.8% to revenues and 1.1% to Adjusted EBITDA. Indicative of the Company's global growth initiatives, 55% of Altus Group's revenues were derived from outside of Canada in 2017, compared to 54% in 2016.

Consolidated profit, in accordance with IFRS, was $110.1 million, up 671.4% from $14.3 million in 2016. On a per share basis, it was $2.89 per share basic, and $2.85 per share diluted, compared to $0.39 and $0.38 respectively in 2016. In addition to the continued growth in Adjusted EBITDA, profit also benefitted from a favourable change in the fair value of interest rate swaps compared to the same period in 2016 and a material net accounting gain of $115.2 million on the partial deemed dispositions and re-measurement of retained interest in the Company's investment in Real Matters Inc.

Adjusted EPS was $1.13, down 1.7% from $1.15 in 2016.

Altus Analytics sustained its continued growth, increasing revenues by 11.7% to $169.2 million, with a 5.2% increase in recurring revenues to $117.8 million on increases in subscriptions and appraisal management, partly offset by lower software maintenance revenues for the DCF product, following the end of support of the DCF product on June 30, 2017. Non-recurring revenues grew by 30.1% driven by solid ARGUS Enterprise ("AE") license sales, increased software services revenues and strong growth in due diligence assignments. For the year, AE license sales benefitted from customers adding more licenses and functionality, new clients, and continued client conversions to AE. Growth from the acquisition of EstateMaster contributed 2.6% to revenues. Adjusted EBITDA increased by 18.1% to $48.4 million, reflecting the higher revenues, partly offset by higher expenses as we made investments for ARGUS product development activities. Altus Analytics Adjusted EBITDA margins improved to 28.6% from 27.1% in 2016. Changes in the exchange rate against the Canadian dollar impacted revenues by (2.3%) and Adjusted EBITDA by (1.2%).

The **CRE Consulting** business segment also experienced growth in 2017. CRE Consulting revenues grew by 5.6% to $261.2 million and Adjusted EBITDA increased 0.5% to $52.4 million. Despite the U.S. and U.K. currency headwinds, Property Tax revenues increased by 5.0% to $158.7 million, while Valuation and Cost Advisory revenues were up by 6.7% to $102.5 million, primarily due to performance from the global Cost practice. Adjusted EBITDA increased 0.5% to $52.4 million, with Property Tax Adjusted EBITDA increasing 0.6% to $40.3 million, and Valuation and Cost Advisory Adjusted EBITDA decreasing 0.2% to $12.0 million. Changes in the exchange rate against the Canadian dollar impacted revenues by (1.1%) and Adjusted EBITDA by (0.6%).

Geomatics' revenues increased by 7.7% to $48.5 million as a result of increased activity levels encouraged by higher oil prices during 2017. Adjusted EBITDA increased by 502.4% to $3.5 million due to improved market conditions, and as a result of right-sizing initiatives.

Corporate costs were $22.1 million in 2017, compared to $18.2 million in 2016. The increase in corporate costs is primarily due to higher compensation as investments are being made in people and systems to modernize our corporate functions in information technology and human resources.

At the end of the year, Altus Group's balance sheet remained strong, giving the Company financial flexibility to pursue its growth strategy. The Company's bank debt was $150.4 million, representing a funded debt to EBITDA leverage ratio of 1.84 times, compared to 1.53 times at the end of 2016.

Fourth Quarter 2017 Review:

On a consolidated basis, fourth quarter revenues increased 6.4% to $122.7 million and Adjusted EBITDA decreased by 7.9% to $20.4 million. Exchange rate movements against the Canadian dollar impacted consolidated revenues by (1.8%) and Adjusted EBITDA by (2.3%). Acquisitions contributed 3.2% to revenues and (3.6%) to Adjusted EBITDA in the fourth quarter.

Consolidated profit, in accordance with IFRS, was $(3.4) million or $(0.09) per share on a basic and diluted basis, compared to $8.9 million and $0.24 per share basic and $0.23 per share diluted during the same period in 2016.

Adjusted EPS was $0.15 in the fourth quarter, compared to $0.38 in the fourth quarter of 2016.

Altus Analytics revenues were lower by 0.8% at $41.9 million. Recurring revenues grew by 2.8% (or 6.5% without the impact of foreign exchange) on increases in subscriptions from ARGUS products as well as a healthy increase from Altus Data Solutions products in Canada. Non-recurring revenues declined by 8.9% (or declined by 5.3% without the impact of foreign exchange) following a strong Q3 in which we experienced an increase of 45.5%. The decline in non-recurring revenues was due to lower AE license sales. AE license sales were moderately lower in the quarter but were expected following the double-digit strength of the third quarter. We continued to see in the fourth quarter increases in AE license sales from existing customers adding more licenses and modules as well as sales to new clients. Growth from the acquisition of EstateMaster contributed 2.7% to revenues. Adjusted EBITDA decreased 39.4% to $7.2 million, as a result of lower revenues, higher expenses as we made investments for ARGUS product development activities and higher variable compensation in the quarter as a result of much stronger annual performance. Changes in the exchange rate against the Canadian dollar impacted revenues by (3.7%) and Adjusted EBITDA by (4.2%).

The **CRE Consulting** revenues increased 12.4% to $69.4 million, including a 15.0% increase to $42.0 million at Property Tax, and an 8.6% increase to $27.4 million at Valuation and Cost Advisory. Property Tax experienced a strong finish in North America, driven by a significant win in the U.S. transaction tax practice, the start of a new cycle in Manitoba for the Canadian business and the acquisition of CVS in the U.K., which provided acquisitive growth of 6.9% on Property Tax revenues in the quarter. Valuation and Cost Advisory revenues increased by 8.6% on stronger performance from the global Cost practice, which experienced solid growth in Canada and Australia. Adjusted EBITDA for CRE Consulting increased by 21.5% to $7.9 million, driven by a 18.4% increase to $5.1 million at Property Tax and a 27.4% increase to $2.8 million at Valuation and Cost Advisory. The increase in Property Tax earnings was driven by increased earnings from the North American operations. Changes in exchange rates impacted revenues by (0.9%) and Adjusted EBITDA by (0.2%).

Geomatics' revenues were relatively flat at $11.6 million, while Adjusted EBITDA declined marginally by $0.16 million to $0.03 million.

Corporate costs (recovery) were $(5.3) million in the fourth quarter, compared to $(3.6) million in the same period in 2016. In the first three quarters of the year, bonuses were accrued in the Corporate segment, subject to the overall finalization of bonuses at year-end. In the fourth quarter, bonuses were allocated to the business units which led to the recovery. The increase in corporate recoveries was primarily due to higher variable compensation that was allocated to the business units.

Q4 & FY 2017 Results Conference Call & Webcast

Date:	Thursday, February 22, 2018
Time:	5:00 p.m. (ET)
Webcast:	altusgroup.com (under the Investors tab)
Live Call:	1- 800-273-9672 (toll-free) or 416-340-2218 (Toronto area)
Replay:	A replay of the call will be available via the webcast at altusgroup.com

About Altus Group Limited

Altus Group Limited is a leading provider of independent advisory services, software and data solutions to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants. Altus Group pays a quarterly dividend of $0.15 per share and our shares are traded on the TSX under the symbol AIF.

For more information on Altus Group, please visit: www.altusgroup.com.

Non-IFRS Measures

Altus Group uses certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures, and do not have any standardized meaning, under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA"), represents profit (loss) before income taxes adjusted for the effects of finance costs (income), amortization of intangibles, depreciation of property, plant and equipment, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investment in associates, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged and other costs or income of a non-operating and/or non-recurring nature. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues.

Adjusted Earnings (Loss) per Share, ("Adjusted EPS"), represents basic earnings (loss) per share adjusted for the effects of amortization of intangibles acquired as part of business acquisitions, non-cash finance costs (income) related to the revaluation of amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives, distributions related to amounts payable to U.K. unitholders, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investment in associates, interest accretion on contingent consideration payables, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging *transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature. All of the adjustments are made net of tax.*

Forward-Looking Information

Certain information in this press release may constitute "forward-looking information" within the meaning of applicable securities legislation. All information contained in this press release, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of our business and operating initiatives, focuses and strategies, our expectations of future performance for our various business units and our consolidated financial results, and our expectations with respect to cash flows and liquidity. Generally, forward-looking information can be identified by use of words such as "may", "will", "expect", "believe", "plan", "would", "could" and other similar terminology. All of the forward-looking information in this press release is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of our business strategies; consistent and stable economic conditions or conditions in the financial markets; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; the opportunity to acquire accretive businesses; the successful integration of acquired businesses; and the continued availability of qualified professionals.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; currency risk; ability to maintain profitability and manage growth; commercial real estate market; competition in the industry; acquisitions; oil and gas sector; ability to attract and retain professionals; information from multiple sources; reliance on larger enterprise transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change and develop products on a timely basis; protection of intellectual property or defending against claims of intellectual property rights of others; ability to implement technology strategy and ensure workforce adoption; information technology governance and security, including cyber security; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; weather; legislative and regulatory changes; customer concentration and loss of material clients; interest rate risk; credit risk; income tax matters; revenue and cash flow volatility; health and safety hazards; performance of contractual obligations and client satisfaction; risk of legal proceedings; insurance limits; ability to meet solvency requirements to pay dividends; leverage and financial covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders' interests, as well as those described in Altus Group's publicly filed documents, including the MD&A for the year ended December 31, 2017 (which are available on SEDAR at www.sedar.com).

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management's current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this press release and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Altus Group, our financial or operating results, or our securities.

FOR FURTHER INFORMATION PLEASE CONTACT:
Ali Mahdavi
Investor Relations, Altus Group Limited

(416) 641-9710
ali.mahdavi@altusgroup.com

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

	For the year ended December 31, 2017	For the year ended December 31, 2016
Revenues	**$ 478,137**	$ 442,891
Expenses		
Employee compensation	**295,173**	274,195
Occupancy	**20,709**	19,959
Office and other operating	**87,443**	79,817
Amortization of intangibles	**29,184**	26,197
Depreciation of property, plant and equipment	**7,260**	7,233
Acquisition and related transition costs (income)	**3,319**	621
Share of (profit) loss of associates	**2,420**	2,617
Restructuring costs	**4,739**	4,059
(Gain) loss on investment in associates	**(115,179)**	(9,935)
Impairment charge	**-**	12,500
Finance costs (income), net	**3,633**	4,549
Profit (loss) before income taxes	**139,436**	21,079
Income tax expense (recovery)	**29,378**	6,811
Profit (loss) for the year attributable to equity holders	**$ 110,058**	$ 14,268
Other comprehensive income (loss):		
Items that may be reclassified to profit or loss in subsequent periods:		
Currency translation differences	**(9,717)**	(12,408)
Change in fair value of available-for-sale investments	**(26,460)**	-
Share of other comprehensive income (loss) of associates	**(46)**	(1,369)
Other comprehensive income (loss), net of tax	**(36,223)**	(13,777)
Total comprehensive income (loss) for the year, net of tax, attributable to equity holders	**$ 73,835**	$ 491

Earnings (loss) per share attributable to the equity holders of the Company during the year		
Basic earnings (loss) per share	**$2.89**	$0.39
Diluted earnings (loss) per share	**$2.85**	$0.38

Consolidated Balance Sheets
As at December 31, 2017 and 2016
(Expressed in Thousands of Canadian Dollars)

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 28,070	$ 43,673
Trade receivables and other	143,626	137,398
Income taxes recoverable	5,741	4,530
Derivative financial instruments	1,021	622
	178,458	186,223
Non-current assets		
Trade receivables and other	4,601	613
Derivative financial instruments	6,029	3,414
Investments	108,073	23,190
Deferred income taxes	15,933	21,962
Property, plant and equipment	30,374	26,647
Intangibles	132,959	108,205
Goodwill	249,990	220,597
	547,959	404,628
Total Assets	$ 726,417	$ 590,851
Liabilities		
Current liabilities		
Trade payables and other	$ 103,450	$ 91,573
Income taxes payable	2,887	5,099
Borrowings	661	7,000
Derivative financial instruments	918	-
Amounts payable to unitholders	-	851
	107,916	104,523
Non-current liabilities		
Trade payables and other	30,422	18,924
Borrowings	150,135	116,935
Derivative financial instruments	-	501
Deferred income taxes	27,640	9,375
	208,197	145,735
Total Liabilities	316,113	250,258
Shareholders' Equity		
Share capital	479,181	460,003
Equity component of convertible debentures	-	231
Contributed surplus	18,550	18,476
Accumulated other comprehensive income (loss)	10,558	46,781
Deficit	(97,985)	(184,898)
Total Shareholders' Equity	410,304	340,593
Total Liabilities and Shareholders' Equity	$ 726,417	$ 590,851

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of Canadian Dollars)

	For the year ended December 31, 2017	For the year ended December 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	$ **139,436**	$ 21,079
Adjustments for:		
Amortization of intangibles	**29,184**	26,197
Depreciation of property, plant and equipment	**7,260**	7,233
Amortization of lease inducements	**898**	(262)
Amortization of capitalized software development costs	**292**	523
Tax credits recorded through employee compensation	**-**	(133)
Finance costs (income), net	**3,633**	4,549
Share-based compensation	**7,824**	7,123
Unrealized foreign exchange (gain) loss	**849**	1,793
(Gain) loss on investment in associates	**(115,179)**	(9,935)
(Gain) loss on disposal of property, plant and equipment	**862**	118
(Gain) loss on equity derivatives and currency forward contracts	**(1,235)**	(3,960)
Share of (profit) loss of associates	**2,420**	2,617
Impairment charge	**-**	12,500
Net changes in operating working capital	**7,833**	11,740
Net cash generated by (used in) operations	**84,077**	81,182
Less: interest paid	**(4,307)**	(4,246)
Less: income taxes paid	**(23,766)**	(10,410)
Add: income taxes received	**1,838**	710
Net cash provided by (used in) operating activities	**57,842**	67,236
Cash flows from financing activities		
Proceeds from exercise of options	**3,912**	1,452
Redemption of Altus UK LLP Class B and D units	**(883)**	(2,062)
Financing fees paid	**-**	(86)
Proceeds from borrowings	**54,921**	6,000
Repayment of borrowings	**(22,843)**	(17,153)
Dividends paid	**(21,806)**	(18,548)
Treasury shares purchased under the Restricted Share Plan	**(3,588)**	(3,589)
Interest paid to Altus UK LLP Class B and D unitholders	**-**	(32)
Net cash provided by (used in) financing activities	**9,713**	(34,018)
Cash flows from investing activities		
Purchase of investments	**(6,719)**	-
Purchase of intangibles	**(624)**	(2,597)
Purchase of property, plant and equipment	**(11,789)**	(4,230)
Proceeds from disposal of property, plant and equipment and intangibles	**449**	481
Acquisitions, net of cash acquired	**(62,906)**	(1,715)
Net cash provided by (used in) investing activities	**(81,589)**	(8,061)
Effect of foreign currency translation	**(1,569)**	(1,088)
Net increase (decrease) in cash and cash equivalents	**(15,603)**	24,069
Cash and cash equivalents		
Beginning of year	**43,673**	19,604
End of year	$ **28,070**	$ 43,673