# Message to Shareholders

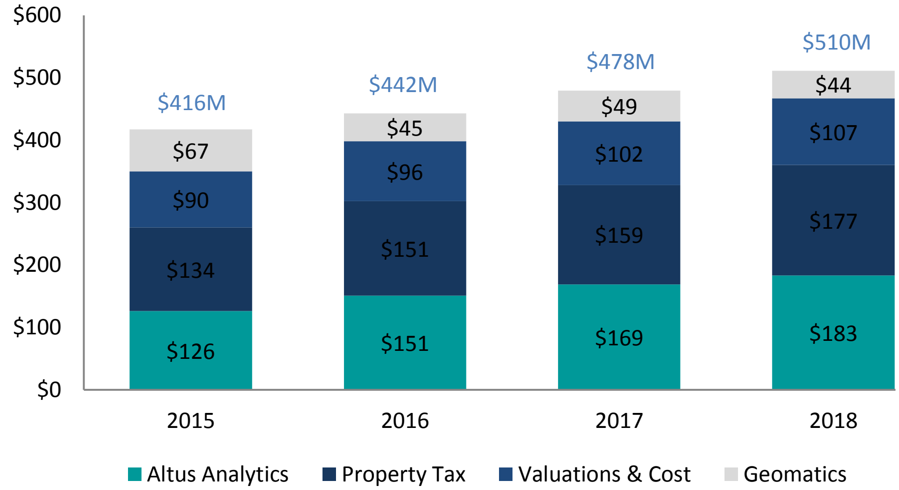
*March 22, 2019*

Fellow Shareholders,

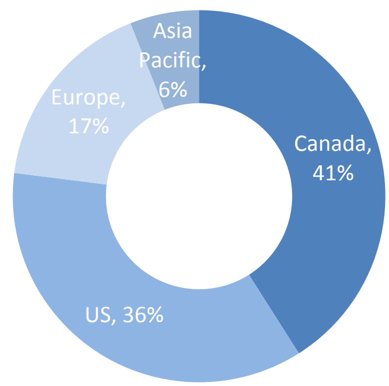
As we had reported on our performance throughout 2018, the themes of growth, transition, and investment stood out in our disclosure. By way of this letter, I hope to build on those themes, to offer some context on the year and how the accomplishments of 2018 have positioned us for long-term profitable growth.

<u>Financial Recap</u>

Financially, we finished the year on strong footing. Our consolidated annual revenues passed an important threshold surpassing $500 million and we further diversified geographically with nearly 60% derived from outside of our principal Canadian market – this gives us improved scale as a growing, global company and reduces dependency on a single market. In 2018 our consolidated revenues increased by 7% to $510 million, driven by continued growth from our Property Tax and Altus Analytics businesses. Overall, I'm pleased with the robust performance across as we had steady annual year-over-year revenue growth from virtually all of our CRE Consulting and Altus Analytics offerings.




Revenue Split by Geography:




Although Property Tax delivered an 11% increase, revenue growth during the year was lower than our run rate as two of our key markets (Ontario and the UK) underwent a government-driven process change on filing tax appeals, ultimately causing a deferral of case settlements and consequently revenue recognition. While a known headwind in 2018, this is an opportunity for 2019 that positions us to generate record Property Tax revenues this year as case settlements gradually ramp up.

Following years of growth fueled by conversion sales of ARGUS Software at Altus Analytics, our software revenues today come from a combination of same account growth and new applications, with an increasing contribution from larger, enterprise deals with a higher mix of recurring revenues*. This had some implications on our comparative performance and adds some more variability in that regard. In 2018 we saw an increase in the mix of our software revenues from subscription contracts – from on-premise ARGUS Enterprise subscription contracts, from subscription offerings (such as Taliance and Voyanta) and from growing adoption of our ARGUS on Demand offering. One of the trade-offs of favouring subscriptions over perpetual license deals is that it does take away from quarterly topline growth in the short-term (as the revenue is more spread out versus higher upfront recognition). But we really favor subscription contracts because this is recurring revenue* with higher long-term economic value, and we will increasingly drive towards a higher recurring revenue* mix. Our Altus Analytics recurring revenues* increased by 10% during the year to $130 million, and now make up for approximately 70% of total Altus Analytics revenues.

Consolidated adjusted EBITDA* was $71 million in 2018, down 12% from the previous year, which has had a short-term impact on our operating margins, which contracted to 14% from 17%. Another key metric, for us and for shareholders, is adjusted Earnings per Share* (EPS), which as a result of the lower earnings, decreased by 5% to $1.05.

Having delivered a 5-year 9.5% adjusted EBITDA* CAGR* (compounded annual growth rate, *up to 2017*), we made the strategic decision to increase our investment spending to establish ourselves for continued growth, and this weighed on our profitability in 2018. The big pressure points on adjusted EBITDA* were lower earnings from our Property Tax business (as a high portion of those revenues are derived on a contingency basis and have a direct impact to the bottom line), and overall higher spending at Altus Analytics particularly related to investments in ARGUS product development activities (such as cloud functionality). The investments were primarily geared towards our strategic initiatives to shift our solutions to the cloud, to create enterprise offerings (which included the integration of the newly acquired Taliance solution), and further our global expansion as we are investing in functionality for Europe.

We firmly believe that the investments we pursued are critical to sustain our market leadership and drive future growth with cloud capabilities and enterprise selling. Having completed our conversion to ARGUS Enterprise and established it as the new industry standard in major CRE markets, now is the time to shift to the cloud – that is where the industry is headed, and it will allow us to extend our solutions much easier and more broadly. Part of this transition to enterprise selling with global, multi-product capabilities requires us to augment our sales focus from a departmental IT sale, to selling more enterprise solutions to the C-suite, while also sharpening our focus and sales force on new markets, new applications, integrated solutions and increasing wallet share with our expanding customer base. As part of our 2019 go to market approach, we will increasingly focus on multi-product transactions. We have solid conviction on the opportunity ahead of us, and we're modifying our coverage model to reflect this new selling paradigm.

Some of these investments will overlap and take more time to contribute meaningfully to revenues, thus impacting our operating margins and costs. By way of an example, enterprise selling has longer sales windows, it naturally takes more time to penetrate newer markets, and cloud adoption in our industry will take time. But we're already starting to see some returns in the form of larger strategic customer wins in 2018. And for our ongoing shift to subscription contracts, we have a head start given our success with ARGUS on Demand, currently being used by over 800 companies, just 3 years since it was launched.

Our investment priorities include opportunities that present us with long-term growth potential but also include investments that help us sustain our market leadership. At Altus Group, we take a disciplined approach to costs and endeavor to outrun our expenses with revenue growth. This does not always materialize as quickly, but we have a good line of sight on returns. We continually evaluate our investment options to ensure we allocate our capital in a way that we believe will create the greatest long-term value for our shareholders and Company, allow us to maintain a flexible and strong balance sheet, and allow us to execute on our dividend commitment, which continues to be an attractive feature for many of our shareholders, including employees. We believe that shifting our software offering to the cloud and moving towards recurring revenues* will drive the right economics and solidify our position in the market.

Altus Group's financial strength remains a key pillar of our investment proposition, benefitting from the strong cash generation of our business. During the year, we disposed of our investment in Real Matters Inc. and used the net proceeds of approximately $54 million to pay down our bank debt. As at December 31, 2018, bank debt stood at $129.2 million, representing a funded debt to EBITDA leverage ratio of 1.79 times (compared to 1.84 times at the end of 2017). Our balance sheet has considerable financial flexibility to support our numerous growth initiatives and allow us to continue to deploy capital towards acquisitions and growth investments.

Operational Milestones

2018 was a very productive year as we further expanded our Altus Analytics business into Europe and Asia, shifted sales to larger, enterprise deals with a higher mix of recurring revenues*, and increased the market share of our Property Tax business. Reflecting back on the year, some of our most notable operational highlights included the launch of ARGUS Cloud, the significant expansion and increased market share of our Property Tax business (including the successful integration of CVS, acquired in late 2017), as well as the implementation of new technology systems across all of Altus Group to establish infrastructure aligned with a growing, global company.

*Altus Analytics*

With the inaugural launch of ARGUS Cloud in late 2018 and the first cloud application, ARGUS Acquire, we achieved a very important development milestone. More importantly, we initiated the cloud infrastructure to expand our offerings to include other ARGUS cloud-based applications. This is a key part of our product and partner strategy, and the next step in the evolution of our software products. Our plan is to deliver a series of new cloud applications that leverage a portion of ARGUS Enterprise functionality to address specific business problems for different market segments, leverage third-party data sources, and essentially create a connected ecosystem for the commercial real estate industry. With the introduction of more cloud functionality and integration, we are well positioned to establish ARGUS Enterprise as the global standard for valuation and asset management for the CRE industry.

*Property Tax*

Following the acquisition of CVS, a lot of our operational efforts at our global Property Tax business were focused on integration in the UK in 2018. Throughout the process, we exploited every synergistic opportunity, doubled our market share in the UK (based on volume of appeals filed), and enhanced our revenue model, finishing the year advantageously positioned for the opportunity of the cycle. Alongside this initiative, we also enhanced our Canadian operations with our Tax Analytics Platform, which we expect will help drive client value while improving internal efficiencies and processes for automating workflows.

*Corporate*

One of our big undertakings over the last few years has been to establish corporate infrastructure that helps us scale globally and for growth. In support of this initiative, we increased our efforts to improve the data ingestion of our business and the efficiency of our operations. We have implemented new systems and platforms using world class vendors like Salesforce, Concur, and Workday, alongside in-house resources, such as our Tax Analytics Platform and developing infrastructure to harmonize the data that we collect across our business practices. This was an investment area for the company, but also a big operational achievement adapting our employees to the new technology we put in front of them.

The list of operational achievements is not limited to these initiatives as we kept busy on many fronts. At the start of 2018 Carl Farrell joined the Company in the newly created role of President, and there has been tremendous progress and innovation under his leadership in the areas of business development, sales strategies, marketing activities, information technology, product pipeline and data strategy. I've enjoyed our partnership and look forward to continuing working closely with Carl.

<u>Outlook</u>

As we look ahead, we remain very excited about our future prospects for growth, which will continue to be led by our Altus Analytics and Property Tax businesses, with future upside from data.

Real estate investment allocation continues to steadily rise while CRE asset ownership is becoming more institutionalized, complex and globalized. After years of limited investment in technology, the CRE market is increasingly embracing technology and starting to better utilize data to optimize their assets and mitigate risks. With added complexity in the mix, there is also a growing need for specialized expert services. Altus Group is at the forefront of this opportunity, with analytics solutions and expert services that help clients navigate the complexities of the CRE market to make better informed decisions and maximize the value of their real estate assets and investments. We remain competitively positioned and our strategy is centered around this opportunity.

Our established industry position and favourable market trends support our long-term growth objectives and our company's determination to become a global leader in information and data analytics to the CRE market. Our strategy consists of various strategic initiatives that contribute to our broader objective of scaling Altus Group globally with multi-product end-to-end solutions for the CRE market. For Altus Analytics, our objective is to build on our industry leading point solutions and add competencies and capability to be an enterprise-grade software and data analytics market leader that unifies valuation and asset management capabilities into a single, cloud-based platform for the CRE industry. For Property Tax, our objective is to scale globally, grow market share, and leverage data and technology. For our other services businesses, we continually identify opportunities for improvement and capitalize on growth prospects to enhance all of our client offerings and internal capabilities. Beyond that, we continue to lay the groundwork for our longer-term prospect of re-purposing and eventually monetizing the data we collect from our various businesses to drive differentiation, and develop new applications and data-driven products in cloud-based environments.

The challenges of the future involve increased competition and especially increased competition for talent. Although we have enjoyed years in a privileged position, we are not immune to either of those threats. It does however reflect the growing opportunity in the market.

Global real estate tech investments have been rising at unprecedented levels over the past several years, with record venture capital funding in PropTech startups. Early-stage companies with single revenue streams, many of whom are still unprofitable, are attracting record-high revenue multiples in investment and takeover transactions, and we're seeing increased tech disruption virtually all over the industry and across a wide range of verticals. There's also increasing competition from major, well-funded companies who are expanding into CRE asset and investment management with data products. Although our business today has strong competitive moats and significant barriers to entry, we do not take our leading position for granted. This underpins our conviction in investments, provokes our innovation, and validates the enormous opportunity for innovation in our industry.

One of our key competitive advantages is our industry expertise – both in CRE services and in CRE tech. As such, our employees are our most valuable asset. Amongst the backdrop of increased competition and growth in CRE asset and investment management, the demand for talent is fierce. While this creates demand for our specialized offerings, it also puts more pressure on our ability to attract and retain talent. We're solving for this with a number of initiatives, which include career development programs, and with competitive benefits and compensation packages.

In closing, I want to recognize the contribution and leadership of our senior management team and our talented workforce of over 2,500 professionals across the world. I would like to express my appreciation to our Board of Directors for their ongoing support and guidance; they share in my enthusiasm for the future, and more importantly, comprise the skillset with the ideal mix of industry knowledge, diversity, international experience and financial expertise to support our strategy. I remain deeply grateful to our shareholders for their continued support while we reach for this new level of global growth and innovation, which has been further complicated with increased quarterly variability in our recent performance. We recognize that our total shareholder returns* (TSR*) have come off from our peak levels, especially following two consecutive years of double-digit returns and our 32% 6-year TSR* average. As fellow shareholders, this disappoints us but should not be a distraction from where we're headed and what we're building; we have a long-term strategy that we believe will drive a lot of shareholder value, and we're running the business for the long term by making decisions that we believe are right for the longevity of Altus Group and which reflect the opportunity that our position merits. With approximately 7% of our shares held by insiders and employees, our interests are deeply aligned. We are committed to increasing value for our shareholders, customers, partners and employees, and look forward to a productive year ahead.

Sincerely,

Robert Courteau,
Chief Executive Officer, Altus Group Ltd.

**Altus Group uses certain non-GAAP measures (such as adjusted EBITDA, adjusted EPS, recurring revenues, and TSR) as indicators of financial and operational performance. More information on these non-GAAP measures is provided in our Annual Report. Altus Analytics recurring revenues represent revenues related to software & data subscriptions, maintenance for perpetual licenses and appraisal management solutions, where the contract value for software subscriptions is recognized ratably over the contract term.*

*Adjusted EBITDA CAGR calculation uses adjusted EBITDA previously reported under IAS 18 and IAS 11 effective for years 2012 – 2016 and under IFRS 15 for 2017 as restated in the 2018 Annual Report, as the Company adopted IFRS 15 without restating completed contracts prior to January 1, 2017.*