



# Consolidated Financial Statements of FIERA CAPITAL CORPORATION

December 31, 2019 and 2018



# Fiera Capital Corporation

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# Independent Auditor's Report

To the Shareholders of  
Fiera Capital Corporation

## Opinion

We have audited the consolidated financial statements of Fiera Capital Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Chantal Leclerc.

*/s/ Deloitte LLP<sup>1</sup>*

March 18, 2020  
Montreal, Quebec

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A121444

# Fiera Capital Corporation

## Consolidated Statements of Earnings (Loss)

For the years ended December 31,  
(In thousands of Canadian dollars, except per share data)

	2019	2018
	\$	\$
<b>Revenues</b>		
Base management fees	570,256	485,624
Performance fees	34,643	23,102
Share of earnings in joint ventures and associates (Note 8)	6,047	–
Other revenues (Note 13)	46,224	31,559
	<b>657,170</b>	<b>540,285</b>
<b>Expenses</b>		
Selling, general and administrative expenses (Note 22)	484,397	425,924
External managers	4,084	1,845
Amortization of intangible assets (Note 10)	52,975	44,813
Depreciation of property and equipment (Note 11)	5,207	4,235
Depreciation of right-of-use assets (Note 12)	19,923	–
Restructuring, integration and other costs (Note 5)	14,539	7,586
Acquisition costs	10,292	11,086
	<b>591,417</b>	<b>495,489</b>
Earnings before under-noted items	<b>65,753</b>	<b>44,796</b>
Realized and unrealized (gain) loss on investments	(856)	(145)
Loss on disposal of assets, intangible assets and property and equipment	222	82
Interest on lease liabilities	5,390	–
Interest on long-term debt and other financial charges (Note 23)	31,841	25,355
Accretion and change in fair value of purchase price obligations (Note 13)	29,980	24,497
Gain on lease modifications and other (Note 12)	(114)	–
Revaluation of puttable financial instrument liability	1,003	–
Revaluation of assets held-for-sale (Note 7)	(699)	191
Earnings (loss) before income taxes	<b>(1,014)</b>	<b>(5,184)</b>
Income tax expense (recovery) (Note 15)	<b>9,692</b>	<b>(429)</b>
<b>Net earnings (loss)</b>	<b>(10,706)</b>	<b>(4,755)</b>
<b>Net earnings (loss) attributable to:</b>		
Company's shareholders	<b>(13,419)</b>	<b>(5,013)</b>
Non-controlling interest	<b>2,713</b>	<b>258</b>
	<b>(10,706)</b>	<b>(4,755)</b>
Net earnings (loss) per share (Note 19)		
Basic	<b>(0.14)</b>	<b>(0.05)</b>
Diluted	<b>(0.14)</b>	<b>(0.05)</b>

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

# Fiera Capital Corporation

## Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31,

(In thousands of Canadian dollars)

	2019	2018
	\$	\$
Net earnings (loss)	(10,706)	(4,755)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to earnings (loss):		
Cash flow hedges (net of income taxes of \$811 in 2019 and \$259 in 2018) (Note 13)	(5,310)	1,833
Unrealized foreign exchange differences on translating financial statements of foreign operations	(16,486)	22,960
Other	(61)	
Other comprehensive income (loss)	(21,857)	24,793
<b>Comprehensive income (loss)</b>	<b>(32,563)</b>	<b>20,038</b>
<b>Comprehensive income (loss) attributable to:</b>		
Company's shareholders	(35,276)	19,780
Non-controlling interest	2,713	258
	<b>(32,563)</b>	<b>20,038</b>

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

# Fiera Capital Corporation

## Consolidated Statements of Financial Position

As at December 31,  
(In thousands of Canadian dollars)

	2019	2018
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	96,219	52,466
Restricted cash and cash equivalents	8,148	1,012
Trade and other receivables (Note 9)	177,013	148,459
Assets held-for-sale (Note 7)	–	35,711
Investments (Note 13)	2,657	4,857
Prepaid expenses and other assets	16,753	14,943
	300,790	257,448
Non-current assets		
Goodwill (Note 10)	687,899	631,699
Intangible assets (Note 10)	516,880	529,062
Property and equipment (Note 11)	29,343	16,499
Right-of-use assets (Note 12)	123,392	–
Derivative financial instruments (Note 13)	537	5,366
Deferred income taxes (Note 15)	23,559	20,093
Long-term investments (Note 13)	5,743	–
Investments in joint ventures and associates (Note 8)	11,035	–
Other non-current assets (Note 13)	7,714	440
	1,706,892	1,460,607
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	207,447	144,059
Current portion of purchase price obligations (Note 13)	36,642	32,487
Current portion of lease liabilities (Note 12)	16,631	–
Restructuring provisions (Note 5)	3,159	2,289
Derivative financial instruments (Note 13)	3,540	1,672
Current portion of long-term debt (Note 16)	–	388
Amounts due to related parties (Note 13)	1,512	2,599
Client deposits and deferred revenues	1,761	727
Amounts due to holders of redeemable units (Note 7)	–	5,394
Deferred income taxes on assets held-for-sale	–	704
	270,692	190,319
Non-current liabilities		
Long-term debt (Note 16)	446,699	421,139
Convertible debt (Note 17)	185,793	79,008
Lease liabilities (Note 12)	129,228	–
Derivative financial instruments (Note 13)	3,561	1,560
Puttable financial instrument liability (Notes 4 and 13)	13,997	–
Purchase price obligations (Note 13)	90,732	98,221
Long-term restructuring provisions (Note 5)	225	715
Cash settled share-based liabilities (Note 20)	60	10,470
Deferred lease obligations	–	3,955
Lease inducements	–	4,335
Deferred income taxes (Note 15)	14,041	12,489
Other non-current liabilities (Note 13)	8,028	4,670
	1,163,056	826,881
<b>Equity attributable to:</b>		
Company's shareholders	542,811	632,958
Non-controlling interest	1,025	768
	543,836	633,726
	1,706,892	1,460,607

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

### Approved by the Board of Directors

/s/ Jean-Guy Desjardins

/s/ Raymond Laurin

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Jean-Guy Desjardins, Director

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Raymond Laurin, Director



# Fiera Capital Corporation

## Consolidated Statements of Changes in Equity

For the years ended December 31,  
(In thousands of Canadian dollars)

	Notes	Share Capital	Restricted and holdback shares	Contributed surplus	Convertible debentures equity component	Retained earnings (deficit)	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non- Controlling Interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017		691,586	(860)	18,660	3,330	(133,195)	13,024	592,545	(534)	592,011
Change in accounting policy – impact of IFRS 9		–	–	–	–	161	(161)	–	–	–
Net earnings (loss)		–	–	–	–	(5,013)	–	(5,013)	258	(4,755)
Other comprehensive income (loss)		–	–	–	–	–	24,793	24,793	–	24,793
Comprehensive income (loss)		–	–	–	–	(5,013)	24,793	19,780	258	20,038
Share-based compensation expense	20,22	–	–	10,813	–	–	–	10,813	–	10,813
Performance and restricted share units settled	18	9,072	–	(5,164)	–	–	–	3,908	–	3,908
Restricted shares vested		–	821	(821)	–	–	–	–	–	–
Adjustment to transaction costs on previously issued shares	18	192	–	–	9	–	–	201	–	201
Stock options exercised	18	4,172	–	(1,013)	–	–	–	3,159	–	3,159
Shares issued as part of a business combination	4	66,708	–	–	–	–	–	66,708	–	66,708
Net change in non-controlling interest		–	–	–	–	–	–	–	1,044	1,044
Shares issued as settlement of purchase price obligations	4,18	4,076	5,501	–	–	–	–	9,577	–	9,577
Cancellation of shares	18	(191)	39	–	–	–	–	(152)	–	(152)
Dividends	18	–	–	–	–	(73,581)	–	(73,581)	–	(73,581)
<b>Balance, December 31, 2018</b>		<b>775,615</b>	<b>5,501</b>	<b>22,475</b>	<b>3,339</b>	<b>(211,628)</b>	<b>37,656</b>	<b>632,958</b>	<b>768</b>	<b>633,726</b>
Net earnings (loss)		–	–	–	–	(13,419)	–	(13,419)	2,713	(10,706)
Other comprehensive income		–	–	–	–	–	(21,857)	(21,857)	–	(21,857)
Comprehensive income (loss)		–	–	–	–	(13,419)	(21,857)	(35,276)	2,713	(32,563)
Share-based compensation expense	20,22	–	–	10,242	–	–	–	10,242	–	10,242
Deferred tax on share-based compensation expense	15	–	–	2,048	–	–	–	2,048	–	2,048
Shares issued as part of a business combination	4,18	35,313	–	–	–	–	–	35,313	–	35,313
Non-controlling interest acquired as part of a business acquisition	4	–	–	–	–	–	–	–	179	179
Non-controlling interest disposal		–	–	–	–	–	–	–	(179)	(179)
Performance and restricted share units settled	18	10,710	–	(7,266)	–	–	–	3,444	–	3,444
Stock options exercised	18	1,241	–	(238)	–	–	–	1,003	–	1,003
Conversion of holdback shares	18	5,501	(5,501)	–	–	–	–	–	–	–
Shares issued as settlement of purchase price obligations	4,18	5,532	–	–	–	–	–	5,532	–	5,532
Dividends	18	–	–	–	–	(83,732)	–	(83,732)	(2,456)	(86,188)
Common shares issued under DRIP	18	339	–	–	–	–	–	339	–	339
Share repurchase and cancellation	18	(23,742)	–	(5,318)	–	–	–	(29,060)	–	(29,060)
<b>Balance, December 31, 2019</b>		<b>810,509</b>	<b>–</b>	<b>21,943</b>	<b>3,339</b>	<b>(308,779)</b>	<b>15,799</b>	<b>542,811</b>	<b>1,025</b>	<b>543,836</b>

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

# Fiera Capital Corporation

## Consolidated Statements of Cash Flows

For the years ended December 31,  
(In thousands of Canadian dollars)

	2019	2018
	\$	\$
<b>Operating activities</b>		
Net earnings (loss)	(10,706)	(4,755)
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment and right-of-use assets	78,105	49,048
Amortization of deferred charges	436	390
Loss on disposal of assets	11	82
(Gain) loss on lease modification and other	(114)	—
Accretion and change in fair value of purchase price obligations and puttable financial instrument liability	30,983	24,497
Lease inducements and deferred lease obligations	—	(1,223)
Share-based compensation expense (Note 22)	10,242	10,813
Cash settled share-based compensation expense (Note 22)	14,022	14,155
Restructuring, integration and other costs	380	(2,984)
Interest on lease liabilities	5,390	—
Interest on long-term debt and other financial charges	31,841	25,355
Income tax expense (recovery)	9,692	(429)
Income tax paid	(17,756)	(7,916)
Revaluation of assets held-for-sale	(699)	191
Realized and unrealized (gain) loss on financial instruments	(856)	674
Realized and unrealized (gain) loss on investments	(2,201)	(231)
Share of earnings in joint ventures and associates (Note 8)	(6,047)	—
Other non-current liabilities	(8,917)	1,550
Changes in non-cash operating working capital items (Note 24)	15,993	(2,923)
<b>Net cash generated by operating activities</b>	<b>149,799</b>	<b>106,294</b>
<b>Investing activities</b>		
Business combinations (Note 4)	(64,147)	(53,706)
Disposal of assets	33,931	—
Settlement of purchase price adjustments and obligations	(28,838)	(25,107)
Investments, net	4,470	(17,969)
Investments in joint ventures and associates (Note 8)	(3,616)	—
Distributions received from joint ventures and associates	9,161	—
Purchase of property and equipment	(16,049)	(2,512)
Purchase or acquisition of intangible assets	(15,008)	(11,297)
Deferred charges and other	(5,155)	(141)
Restricted cash and cash equivalents	(7,246)	(13)
<b>Net cash used in investing activities</b>	<b>(92,497)</b>	<b>(110,745)</b>
<b>Financing activities</b>		
Settlement of share-based compensation	(2,688)	(1,333)
Dividends paid	(85,850)	(73,581)
Lease payments	(10,407)	—
Issuance of share capital less issuance costs of \$16 (\$7 in 2018)	987	3,151
Share repurchase and cancellation	(29,060)	—
Contribution (purchase) of non-controlling interest	—	1,044
Long-term debt, net	49,005	109,261
Issuance of debentures, net of transaction costs of \$5,007	104,993	—
Interest paid on long-term debt	(25,042)	(20,890)
Settlement of derivative financial instruments	(7,845)	654
Financing charges	(1,320)	(1,495)
<b>Net cash generated by (used in) financing activities</b>	<b>(7,227)</b>	<b>16,811</b>
Net increase in cash and cash equivalents	50,075	12,360
Effects of exchange rate changes on cash denominated in foreign currencies	(6,322)	(973)
Cash and cash equivalents – beginning of year	52,466	41,079
<b>Cash and cash equivalents – end of year</b>	<b>96,219</b>	<b>52,466</b>

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 1. Description of Business

Fiera Capital Corporation (“Fiera Capital” or the “Company”) was incorporated as Fry & Company (Investment Management) Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a global asset management firm which offers a wide range of traditional and alternative investment solutions, including depth and expertise in asset allocation. The Company provides investment advisory and related services to institutional investors, private wealth clients and retail investors.

The Company’s head office is located at 1981 McGill College Avenue, Suite 1500, Montréal, Quebec, Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “FSZ”.

The Company’s Board of Directors (the “Board”) approved the consolidated financial statements for the years ended December 31, 2019 and 2018, on March 18, 2020.

### 2. Basis of presentation and adoption of new IFRS

#### Compliance with IFRS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”).

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The Company has prepared and presented these consolidated financial statements in Canadian dollars.

#### Adoption of new IFRS

##### *IFRS 16 – Leases*

The Company adopted IFRS 16 – *Leases* on January 1, 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets in the consolidated statement of financial position mostly representing its rights to use its office facilities that meet the definition of a lease, and lease liabilities representing its obligations to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated and is presented, as previously reported, under IAS 17 – *Leases and related interpretations*. The details of the changes in accounting policies are described below.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 2. Basis of presentation and adoption of new IFRS (continued)

#### Definition of a lease

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration.

#### Transition

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases under IAS 17. For leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Exclude initial direct costs from measuring the right-of-use asset at the date of initial application.
- Did not recognize right-of-use assets and liabilities for leases of low value assets.
- Rely on previous assessments of whether a lease is an onerous contract.

The Company did not elect to use the exemption which permits it to exclude right-of-use assets and leases liabilities with a lease term of less than 12 months at the transition date.

The impact on transition to IFRS 16 on January 1, 2019 is summarized below.

	As at January 1, 2019
	\$
<b>Lease liabilities</b>	125,055
Reversal of lease inducements	(4,335)
Reversal of deferred lease obligations	(3,955)
Reversal of lease related accrued assets and liabilities	503
<b>Right-of-use assets</b>	117,268

For leases that were previously classified as operating leases, the Company discounted the contractual lease payments using a weighted average incremental borrowing rate of 4.34% as at January 1, 2019.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 2. Basis of presentation and adoption of new IFRS (continued)

	As at January 1, 2019
	\$
Operating lease commitments as at December 31, 2018 as disclosed in the Company's consolidated financial statements	100,967
Additional rent and lease inducements	42,481
Recognition of exemption for leases of low-value assets	(78)
Amount reclassified from other commitments to lease commitments	19,303
Discounted using incremental borrowing rates as at January 1, 2019	(37,618)
Lease liabilities recognized as at January 1, 2019	125,055
Classified as:	
Current lease receivable	(8,466)
Current lease liabilities	14,863
Non-current lease liabilities	118,658
Lease liabilities recognized as at January 1, 2019	125,055

#### Revised IFRS, interpretations and amendments

The following revised standards are effective for annual periods beginning on January 1, 2019. Their adoption did not have a significant impact on the amounts reported or disclosures made in these consolidated financial statements.

#### IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments*. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and the effect of changes in facts and circumstances.

#### Annual improvements to IFRS (2015-2017 cycle)

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle. It contains amendments to four IFRS as a result of the IASB's annual improvements project. The amendments to IFRS 3 – *Business combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 – *Joint arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to IAS 12 – *Income taxes* clarify that all income tax consequences of dividends should be recognized in profit or loss, regardless of how the tax arises. The amendments to IAS 23 – *Borrowing costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

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### 2. Basis of presentation and adoption of new IFRS (continued)

#### New standards and interpretations not yet adopted

A number of interpretations and amendments to existing standards were issued by the IASB Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the year ended December 31, 2019 and have not been applied in preparing these consolidated financial statements. The Company is evaluating the impact of these new standards and interpretations on its consolidated financial statements. However, they are not expected to have a significant impact for the Company.

#### Amendments to Hedge Accounting Requirement – IBOR Reform and its Effects on Financial Reporting

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, as well as the related Standard on disclosures, IFRS 7 *Financial Instruments: Disclosures* in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments are effective from January 1, 2020. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in the following areas:

- the 'highly probable' requirement;
- prospective assessments;
- retrospective assessments (for IAS 39); and
- eligibility of risk components.

#### Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 *Business Combinations*, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

### 3. Significant accounting policies, judgments and estimation uncertainty

#### Significant accounting policies

This note provides a list of significant accounting policies adopted in the presentation of these consolidated financial statements.

#### Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value through profit or loss (including derivatives) and investments in joint ventures and associates measured using the equity accounting method.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### Consolidation

The consolidated financial statements of the Company include the accounts of the Company and its subsidiaries (including structured entities) and its share of interests in joint ventures and associates. All intercompany transactions and balances with subsidiaries are eliminated on consolidation.

Subsidiaries (including structured entities) are those entities which the Company controls. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

Non-controlling interests in the earnings (loss) and equity of subsidiaries are disclosed separately in the consolidated statements of financial position, earnings (loss), comprehensive income (loss), and changes in equity.

Where applicable, the subsidiaries' accounting policies are modified at the business acquisition date to ensure that they are consistent with the policies adopted by the Company.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related costs are expensed when incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – *Income Taxes*. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of earnings (loss). The determination of fair value involves making estimates relating to assets acquired and liabilities assumed including among others, intangible assets, property and equipment and contingent consideration. Contingent consideration that is classified as a financial liability measured at fair value through profit and loss is remeasured at each subsequent reporting date with the corresponding gain or loss being recognized in the statements of earnings (loss).

Goodwill is measured as the excess of the consideration transferred over the net amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the consolidated statements of earnings (loss) as a bargain purchase gain.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### Investments in joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company's interests in joint ventures and associates are accounted for using the equity method of accounting. They are initially recognized at cost. Subsequent to the acquisition date, the Company's share of earnings of a joint venture and an associate is recognized in the consolidated statements of earnings (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where applicable, the joint venture's and associate's accounting policies are modified at the acquisition date to ensure that they are consistent with the policies adopted by the Company.

The Company assesses at each year end whether there is any objective evidence that its interests in joint ventures and associates are impaired; if impaired, the carrying value of the Company's investment in the joint venture or associate is written down to its estimated recoverable amount (being the higher of fair value less costs to sell and value-in-use) and charged to the consolidated statements of earnings. In accordance with IAS 36 – *Impairment of assets*, impairment losses are reversed in subsequent years if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

#### Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses from the settlement of foreign currency transactions and from the translation at reporting date exchange rates for monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of earnings. Foreign exchange gains or losses are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to a part of the net investment in a foreign operation. Non-monetary assets and liabilities denominated in foreign currencies are translated in Canadian dollars using the exchange rates in effect at the date of initial recognition.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into Canadian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated at exchange rates at the date of transactions.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

Translation gains or losses related to foreign operations are recognized in other comprehensive income (loss) and are reclassified in earnings on disposal or partial disposal of the investment in the related foreign operations.

#### Derivative financial instruments

The Company uses derivative financial instruments including interest rate and cross currency swaps and forward foreign exchange contracts, to manage its exposure to foreign exchange, interest rate and market risks arising from operational, financing and investment activities. Derivative financial instruments are used only for economic hedging purposes and not as speculative instruments.

The Company designates certain derivatives as either: fair value, cash flow or net investment hedges. When hedge accounting is applied, the Company documents at the inception of the hedging transaction, the relationship between the hedging instrument and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used for hedging transactions have been and will continue to be highly effective in offsetting changes in fair values and cash flows of hedged items.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. For trading derivatives, gains or losses on remeasurement to fair value are recognized immediately in profit or loss.

For hedging derivatives, the effective portion of changes in fair value of derivatives that qualify for hedge accounting are recognized in other comprehensive income (loss) and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the definition for hedge accounting, any cumulative gains or losses in equity at that time remain in equity and are recognized when the transaction is ultimately recognized in profit or loss.

Derivatives are classified as current when the remaining maturity of the contract is less than 12 months.

Transaction costs incurred for trading and hedging derivative financial instruments are recognized in profit or loss as incurred.

#### Revenue recognition

Revenue is recognized when or as the performance obligations are satisfied and control of the services is transferred to the Company. Control either transfers over time or at a point in time, which affects when revenue is recorded.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

Base management fees are calculated and invoiced monthly or quarterly based on daily average assets under management ("AUM") or invoiced quarterly in arrears based on the calendar quarter-end or month-end asset values under management or on an average of opening and closing AUM for the quarter.

Performance fees are recognized when the amount to be received is known and it is highly probable that the revenue recognized will not result in a subsequent reversal of revenue recognized to date. This may be earlier than the performance measurement dates contained in the individual account agreements and which may be dependent upon performance of the account exceeding agreed-upon benchmarks over the relevant period.

#### **Other revenues**

Other revenues consist mainly of brokerage commissions, consulting fees, tax planning and unrealized and realized gains or losses on forward foreign exchange contracts.

#### **Deferred revenues**

Payments received in advance for services to be provided to external parties are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related services are rendered.

#### **Employee benefits**

##### *Post-employment benefit obligations*

Certain employees of the Company have entitlements under the Company's defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions are earned by the employees.

##### *Bonus plans*

The Company recognizes a provision and an expense for bonuses at the time the Company becomes contractually obliged to make a payment or when there is a past practice that has created a constructive obligation.

##### *Share-based compensation*

The fair value of share-based payments is measured in accordance with IFRS 2, *Share-based payment*. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value determined at grant date of the equity-settled share-based payments is expensed based on cliff vesting or graded vesting, depending on the individual plans, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus.

For cash-settled share-based payments, a liability is recognized at the grant date and is remeasured at each reporting period until the liability is settled, with any changes in fair value recognized in profit or loss.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### *Stock options*

Share-based compensation expense is recorded using the fair value method. Under this method, the compensation expense for each tranche is measured at fair value at the grant date using the Black-Scholes option-pricing model and recognized as share-based compensation over the vesting period with an equal and offsetting amount recorded to contributed surplus.

The vesting period is the period over which all the specified vesting conditions are to be satisfied. When stock options are exercised, any consideration paid by employees is credited to share capital and the recorded fair value of the options is removed from contributed surplus and credited to share capital.

#### *Deferred share unit plan*

The Deferred Share Unit Plan ("DSU Plan") is recorded as a share-based liability since the payments will be made in cash when a participant ceases to be a director. The expense associated with granting deferred share units ("DSU") was recognized when the deferred shares were issued. Changes in the fair value of previously issued DSU that arise due to changes in the price of the Company's Class A Shares are recognized in the consolidated statements of earnings (loss).

The liability related to this plan is classified as current and is recognized in accounts payable and accrued liabilities. The liability is derecognized when the DSUs are settled.

A DSU participant's account is credited with dividend equivalents in the form of additional DSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

#### *Restricted share unit plan*

The Restricted Share Unit Plan ("RSU Plan") is recorded as a share-based liability since a portion may be settled in cash, at the sole discretion of the Company. The liability is remeasured at each reporting period based on the closing trading price of the Company's Class A Shares on the TSX and is remeasured until the settlement date. The fair value of the restricted share unit ("RSU") is determined at each reporting date and the expense is recorded over the remaining vesting period on a straight-line basis. When the Company's intention is to settle an award in shares, then the fair value is established at grant date and is not remeasured.

An RSU participant's account is credited with dividend equivalents in the form of additional RSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

#### *Restricted share unit plan - cash*

This plan is accounted for as a cash-settled share-based liability since the payments will be made in cash. The liability is remeasured at each reporting period based on the closing trading price of the Company's Class A Shares on the TSX and is remeasured until the settlement date. The expense is recorded over the remaining vesting period on a straight-line basis.

An RSU – cash participant's account is credited with dividend equivalents in the form of additional RSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

*Performance Share Unit ("PSU") and Unit Appreciation Right ("UAR") Plan applicable to Business Units ("PSU and UAR plan applicable to BU")*

Under the terms of this plan, the Company grants PSU and UAR at a value determined by reference to the value of a specific business unit rather than by reference to the trading price of the Company's Class A Shares.

At the time of grant of any PSU plan applicable to BU or UAR plan applicable to BU, the Company determines (i) the award value, (ii) the number of PSU or UAR granted, (iii) the value of each PSU or UAR granted, (iv) the formula used to determine the value of the applicable business unit, (v) the vesting terms and conditions, and (vi) the applicable vesting date(s).

The fair value of equity-settled instruments is measured at the grant date which is the date at which the Board approves the plan or when the Company and the participant agree to a share-based compensation arrangement and requires that the Company and the participant have a shared understanding of the terms and conditions of the arrangement. The Company recognizes compensation expense on a proportionate basis over the vesting period.

The method of settlement is determined for each grant. Such methods may include all or a portion of the value of the vested PSU and UAR payable in Class A Shares or in cash, at the sole discretion of the Company. The Company's intention on the settlement method determines if a plan is accounted for as cash-settled or as equity-settled. When the payment obligation is settled through the delivery of shares, the Company determines the total number of the Class A Shares to be issued based on the total settlement date value divided by a volume-weighted average price as defined in the plan.

The compensation expense is recognized either based on a cliff vesting or a graded vesting schedule over the vesting period when it is probable that the performance targets will be met. The attainment of the performance conditions and the estimated vesting of the units are reassessed at the end of each reporting period.

#### *PSU Plan*

Under the terms of the PSU plan, the Company grants PSUs at a value determined by reference to the trading price of the Class A Shares of the Company.

At the time of grant of any PSU plan, the Company determines (i) the award value, (ii) the number of PSUs granted, (iii) the value of each PSU granted, (iv) the vesting terms and conditions of the PSUs, and (v) the applicable vesting date(s).

The fair value of equity instruments is measured at the grant date which is the date at which the Company and the participant agree to a share-based compensation arrangement and requires that the Company and the participant have a shared understanding of the terms and conditions of the arrangement. For the PSU plans accounted for as cash-settled, the liability is measured at each reporting period based on the closing trading price of the Company's Class A Shares on the TSX and is remeasured until the settlement date.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

The method of settlement is determined for each grant. Such methods may include all or a portion of the value of the vested PSUs payable in Class A Shares or in cash, at the sole discretion of the Company. The Company's intention on the settlement method determines if a plan is accounted for as cash-settled or as equity-settled. When the payment obligation is settled through the delivery of shares, the Company determines the total number of the Class A Shares to be issued based on the total settlement date value divided by a volume-weighted average price as defined in the plan.

The PSU compensation expense is recognized either based on a cliff vesting or a graded vesting schedule over the vesting period when it is probable that the performance targets will be met. The attainment of the performance conditions and the estimated vesting of the PSUs are reassessed at the end of each reporting period.

A PSU participant's account is credited with dividend equivalents in the form of additional PSUs at each dividend payment date, if any, in respect of which dividends are paid on Class A Shares.

#### Acquisition costs

Acquisition costs include expenses, fees, commissions and other costs associated with the collection of information, negotiation of contracts, risk assessments related to business combinations that have closed or that are being contemplated. These expenses are mostly composed of legal, advisors and specialists' fees.

#### Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings (loss) for the year attributable to equity owners of the Company by the weighted average number of shares and holdback shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive share-based awards. The number of shares included with respect to options and similar instruments is computed using the treasury stock method, with only the bonus element of the issue reflected in diluted EPS. The bonus element is the difference between the number of ordinary shares that would be issued at the exercise price and the number of ordinary shares that would have been issued at the average trading price per share. The Company's potentially dilutive shares include stock options, RSUs, PSU and UAR applicable to Bus, PSU, contingent purchase price consideration payable in shares for which management expects the shares to be issued based on meeting target conditions specified in the acquisition agreement, shares issued from treasury through the dividend reinvestment plan and convertible debentures. In the event where basic EPS is negative, diluted EPS is calculated similarly to basic EPS.

#### Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Regular-way purchases and sales of financial assets are recognized on the trade date.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### Classification

At initial recognition, all financial instruments are recorded at fair value on the consolidated statements of financial position. Financial assets must be classified as subsequently measured at fair value through other comprehensive income (loss), at amortized cost, or at fair value through profit or loss. The Company determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. At initial recognition, financial liabilities are classified as subsequently measured at amortized cost or at fair value through profit or loss.

#### *Financial assets at amortized cost*

A financial asset is measured at amortized cost if its contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding, if it is held within a business model whose objective is to hold assets to collect contractual cash flows and is not designated at fair value through profit or loss.

#### *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the short term. The instruments held by the Company that are classified in this category are certain securities and obligations, classified under investments and derivative financial instruments in the consolidated statements of financial position.

Financial instruments in this category are measured initially and subsequently at fair value through profit and loss. Transaction costs are expensed as incurred in the consolidated statements of earnings (loss). Gains and losses arising from changes in fair value are presented in the consolidated statements of earnings (loss) in the period in which they arise. Dividends on financial assets through profit or loss are recognized in the consolidated statements of earnings (loss) when the Company's right to receive dividends is established.

Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve-months of the consolidated statement of financial position date, which is classified as non-current.

#### *Financial liabilities at amortized cost*

Financial liabilities at amortized cost are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

#### *Financial liabilities at fair value through profit or loss*

Amounts that may be payable under written put rights or as purchase price obligations are initially recorded at their fair value and subsequently remeasured to fair value at each reporting date.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### **Restricted cash and cash equivalents**

Restricted cash and cash equivalents consists of client deposits received following the settlement of a class action in favour of certain clients for whom the Company acted as agent, cash held in a segregated account, in connection with lease arrangements and cash subject to regulatory restrictions and therefore not available for general use.

#### **Investments**

Investments in mutual fund, pooled fund or limited partnership units are carried at the net asset value reported by the fund manager. Investments in other securities and obligations are carried on the consolidated statements of financial position at fair value using bid prices at the end of the reporting period.

#### **Assets held-for-sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of earnings (loss) in revaluation of assets held-for-sale.

Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated.

#### **Goodwill**

Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the Company's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

#### **Intangible assets other than goodwill**

Intangible assets with an indefinite life such as the asset management contracts with investment funds are accounted for at historical cost. Transaction costs, such as professional fees, are capitalized when they are directly attributable to preparing the intangible asset for its intended use. The Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. Accordingly, the Company does not amortize these intangible assets, but reviews them for impairment, annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

Intangible assets with a finite life are accounted for at historical cost, less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Other intangible assets are comprised of trade names, software and non-compete agreements.

The expected useful lives of finite-life customer relationships and asset management contracts are analyzed each year and determined based on the analysis of the historical and projected attrition rates of clients and other factors that may influence the expected future economic benefit that the Company will generate from the customer relationships or management contracts.

Development costs for internally-generated intangible assets are capitalized when all of the following conditions are met:

- technical feasibility can be demonstrated;
- management has the intention to complete the intangible asset and use it;
- management can demonstrate the ability to use the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- the Company can demonstrate the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- costs attributable to the asset can be measured reliably.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are charged to the consolidated statements of earnings (loss) in the period in which they are incurred.

Amortization of finite-life intangible assets is based on their estimated useful lives using the straight-line method over the following periods:

Asset management contracts	6 to 10 years
Customer relationships	5 to 20 years
Other intangible assets	2 to 8 years

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For office facilities for which the Company is a lessee, an election was made not to separate non-lease components and instead account for the lease and non-lease components as a single lease component.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability as described below. The right-of-use asset is depreciated using the straight-line method over the lesser of the lease term and the useful life of the asset.

The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of leased asset.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest accretion expense and decreased by the lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use-assets and lease liabilities for low-value leases. The Company did not elect to use the exemption which permits it to exclude right-of-use assets and lease liabilities with a lease term of less than 12 months. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Property and equipment

Property and equipment are presented at historical cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are expensed in the consolidated statements of earnings (loss) during the period in which they are incurred.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

The major categories of property and equipment are depreciated over their estimated useful lives using the straight-line method over the following periods:

Office furniture and equipment	5 to 10 years
Computer equipment	3 years
Leasehold improvements	Shorter of lease term or useful life

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized in the consolidated statements of earnings (loss).

#### Deferred charges

Deferred charges consist of insurance and other long-term prepaid expenses and are amortized on a straight-line basis over the term of the contract.

#### Impairment of non-financial assets

Property and equipment and finite-life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount is greater than its estimated recoverable amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Value-in-use is determined by discounting estimated future cash flows, using a pre-tax discount rate that reflects current assessments of the market, of the time value of money and of the risks specific to the CGU.

Fair value less costs to sell is determined using an EBITDA (earnings before interest, taxes, depreciation and amortization) multiple of comparable companies operating in similar industries for each CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of earnings (loss).

Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the operating segment, and then to reduce the carrying amounts of the other assets in the operating segment on a pro rata basis. Previously impaired non-financial assets are reassessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there have been changes to the estimates used to determine the recoverable amount, and that these changes will be supported in the future. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

For goodwill impairment testing purposes, the operating segment represents the lowest level within the Company at which management monitors goodwill.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### **Restructuring provisions**

The Company recognizes termination benefits when employment is terminated by the Company, or when an employee accepts an offer of voluntary redundancy in exchange for benefits and the Company can no longer withdraw the offer of those benefits or when the Company recognizes costs for a restructuring involving termination benefits. Benefits payable more than twelve months after the end of the reporting period are discounted to their present value.

Provisions, representing termination benefits, are measured at management's best estimate of the expenditures required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is significant.

#### **Compound financial instruments**

Convertible unsecured subordinated debentures ("convertible debentures") issued by the Company are accounted for as compound financial instruments. The liability component of a compound financial instrument is measured initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

#### **Income taxes**

Income taxes are comprised of current and deferred tax. Income taxes are recognized in the consolidated statements of earnings (loss), except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and joint ventures except in the cases of subsidiaries where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

Deferred income tax assets and liabilities are presented as non-current.

#### Share capital

Class A Shares ("Class A Shares") and Class B special voting shares ("Class B Shares") are classified as equity. Incremental costs directly attributable to the issuance of shares or options are recognized as a deduction from equity, net of tax, from the proceeds.

#### Dividends

Dividends on Class A and Class B shares are recognized when the dividends are declared and approved by the Company's Board of Directors.

#### Contributed surplus

Contributed surplus is mostly comprised of a reserve for share-based payments recorded at fair value at the grant date, along with related deferred taxes and premiums paid upon share repurchases.

#### Significant accounting judgments and estimation uncertainties

In applying the Company's accounting policies, which are described in Note 3, management is required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets, liabilities and disclosures made in the consolidated financial statements that are not readily apparent from other sources.

Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

Actual results may differ from the estimates used, and such differences could be material. Management's annual budget and long-term plan which covers a five-year period are key information for many significant estimates necessary to prepare these consolidated financial statements. Management prepares a budget on an annual basis and periodically updates its long-term plan. Cash flows and profitability included in the budget and long-term plan are based on existing and expected future assets under management, general market conditions and current and future cost structures. The Board approves the annual budget and long-term plan.

The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements:

#### *Cash generating unit*

Management is required to use judgement in determining the groupings of CGUs for the level at which goodwill is tested for impairment. Management has assessed that there is one operating segment, asset management services. For the purpose of goodwill impairment testing, goodwill has been allocated to the group of CGUs representing the operating segment as it is the lowest level within the Company at which goodwill is monitored. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Management also assess for indicators of impairment of other intangible assets at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the CGU to which the asset belongs. Significant judgment is applied in estimating the useful lives and recoverable amounts of intangible assets and assessing whether certain events or circumstances constitute objective evidence of impairment.

#### *Share-based payments*

The Company recognizes compensation expense for cash and equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted and for cash settled transactions, at each subsequent reporting date. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model and assessing whether it is likely that the applicable performance conditions will be met and estimating the number of units expected to vest.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

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### 3. Significant accounting policies, judgments and estimation uncertainty (continued)

#### *Impairment of non-financial assets*

Goodwill is tested annually for impairment. The recoverable amount of the operating segment is determined based on the higher of value-in-use and fair value less cost of disposal calculation. This calculation requires assumptions and the use of estimates including growth rates for future cash flows, the number of years used in the cash flow model, the discount rate and other estimates.

The recoverable amounts of indefinite-life intangible assets and finite-life intangible assets are based on the present value of the expected future cash flows, which involves making estimates about the future cash flows including projected attrition and growth rates which affect assets under management, discount rates and gross profit margin percentage.

#### *Leases*

The Company has applied judgement to determine the lease term for certain lease contracts in which it is a lessee when they include purchase, renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term. The Company has also applied judgment to determine the discount rate used to discount future lease payments. The lease terms and discount rates may significantly affect the carrying amount of lease liabilities and the right-of-use assets recognized.

#### *Business combinations and other transactions*

The purchase price allocation process resulting from a business combination or transaction accounted for as an acquisition of assets and assumed liabilities requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied.

#### *Income taxes*

The calculation of income tax expense requires significant judgment in interpreting tax rules and regulations in multiple jurisdictions, which are subject to change. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets and liabilities require judgment in determining the amounts to be recognized. Significant judgment is required when assessing the timing of the reversal of the temporary differences to which future tax rates are applied. The recognition of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and level of future taxable profit.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 4. Business combinations and other transactions

#### Palmer Capital

On April 3, 2019, Fiera Real Estate (formerly Fiera Properties Limited), a wholly-owned subsidiary of the Company, acquired an 80% interest in Palmer Capital Partners Limited ("Palmer Capital"), a UK focused real estate investment manager based in London, United Kingdom.

The total purchase consideration of \$52,285 (Great British Pounds (GBP) 30,200) included \$35,310 (GBP 20,200) paid in cash to the sellers and the issuance of 1,430,036 Class A Shares, representing \$16,975 (GBP 10,000) based on the closing price of the Company's shares on the closing date. The purchase consideration remains subject to post-closing price adjustments. The Company financed the cash portion of the purchase consideration with its revolving Credit Facility (Note 16).

The sellers retain a 20% equity interest in Palmer Capital. Under the terms of the share purchase agreement, the non-controlling interest shareholders of Palmer Capital have a put right and Fiera Real Estate has a call right on the 20% non-controlling interest. The put and call rights are described in Note 13 f).

The transaction was accounted for as a business combination using the acquisition method and the final purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Cash	19,014
Other current assets	7,317
Property and equipment	191
Investments in joint ventures and associates	10,779
Long-term investments	8,599
Right-of-use assets	685
Goodwill (nil deductible for tax purposes)	26,616
Intangible assets	6,093
Accounts payable and accrued liabilities	(10,969)
Lease liabilities	(578)
Deferred income tax liabilities	(2,225)
	<b>65,522</b>

Purchase consideration	\$
Cash consideration	35,310
Share capital	16,975
Non-controlling interest puttable financial instrument liability	13,237
	<b>65,522</b>

Goodwill is attributable to an experienced real estate investment management team. Identified intangible assets acquired from Palmer Capital have been accounted for separately from goodwill. These intangible assets include finite life management contracts valued at \$6,093.

The Company incurred acquisition-related costs of \$4,050 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings (loss).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 4. Business combinations and other transactions (continued)

#### Palmer Capital (continued)

##### Pro forma impact

The impact of the acquisition for the year ended December 31, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	13,414
Net earnings (loss)	1,392

If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the year ended December 31, 2019 would have been as follows:

	\$
Revenues	660,885
Net earnings (loss)	(11,479)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings (loss) includes selling, general and administrative expense, amortization of tangible and intangible assets, interest on long-term debt and the elimination of the acquisition, restructuring and integration costs, as well as related tax effects. The pro forma information includes an estimate of the amortization of intangible assets calculated based on the initial allocation of the purchase price to the assets acquired and liabilities assumed.

#### IAM

On July 3, 2019, the Company acquired all of the outstanding common shares of Integrated Asset Management Corp. ("IAM"), a Canadian alternative investment asset management company.

The total purchase consideration transferred at closing to the sellers was \$84,290. It included \$55,500 paid in cash and the issuance of 1,614,297 Class A Shares, representing \$18,338 based on the closing price of the Company's shares on the closing date. The purchase consideration was subject to an initial purchase price adjustment of \$2,585 recorded as a reduction of the total purchase consideration. The Company financed the cash portion of the purchase consideration with its revolving Credit Facility (Note 16) and from the proceeds from the issuance of Hybrid debentures (Note 17).

At the closing date of the transaction, each IAM shareholder received one Contingent Value Right ("CVR") for each IAM common share. The 28,726,345 CVRs will entitle the holders to receive their pro rata share of 75% of the aggregate amount of incentive fees (net of certain employee bonuses, taxes and expenses) that may be received in the future from two real estate funds managed by the Company. One of the real estate funds is scheduled to mature in 2020 and the other one in 2024. The total purchase consideration includes the fair value of the CVRs at the acquisition date.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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### 4. Business combinations and other transactions (continued)

#### IAM (continued)

The transaction was accounted for as a business combination using the acquisition method and the final purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Cash	10,292
Other current assets	14,534
Property and equipment	91
Long-term investments	1,054
Right-of-use assets	2,747
Goodwill (nil deductible for tax purposes)	43,038
Intangible assets	25,428
Other non-current assets	6,654
Accounts payable and accrued liabilities	(7,437)
Lease liabilities	(3,348)
Other non-current liabilities	(1,794)
Deferred income tax liability	(9,375)
Non-controlling interest	(179)
	<b>81,705</b>

Purchase consideration	\$
Cash consideration	55,500
Share capital	18,338
Purchase price adjustments	(2,585)
Contingent Value Rights	10,452
	<b>81,705</b>

Goodwill is attributable to established real estate and private debt investment management teams. Identified intangible assets acquired are accounted for separately from goodwill. These intangible assets include finite life management contracts valued at \$25,077 and software intangibles of \$351.

The Company incurred acquisition-related costs of \$3,111 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings (loss).

#### Pro forma impact

The impact of the business acquisition for the year ended December 31, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	10,228
Net earnings (loss)	(61)

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 4. Business combinations and other transactions (continued)

#### IAM (continued)

If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the twelve-month period ended December 31, 2019 would have been as follows:

	\$
Revenues	665,416
Net earnings (loss)	(10,911)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings (loss) includes selling, general and administrative expense, amortization of tangible and intangible assets, interest on long-term debt and the elimination of the acquisition, restructuring and integration costs, as well as related tax effects. The pro forma information includes an estimate of the amortization of intangible assets calculated based on the initial allocation of the purchase price to the assets acquired and liabilities assumed.

#### Other transactions

On July 3, 2019, the Company acquired all the issued and outstanding shares of Natixis Investment Managers Canada Corp. ("Natixis Canada"), the holding company of Natixis Investment Managers Canada LP ("Natixis LP"), acting as the investment fund manager of publicly and privately distributed investment funds. This acquisition transaction is part of a broader strategy between the Company and Natixis Canada, which includes a distribution agreement and a share repurchase and cancellation transaction (Note 18). The transaction was accounted for as a business combination using the acquisition method and the initial purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date.

On August 16, 2019, the Company acquired all the issued and outstanding shares of Foresters Asset Management Inc. ("Foresters"), an Ontario-based investment management firm. The transaction was accounted for as an acquisition of assets and assumed liabilities and the initial purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated relative fair values at the acquisition date. Subsequent to the acquisition date, Foresters was renamed Fiera Capital Fund Management Inc. ("FCFM").

The total purchase consideration for these transactions of \$31,652 included \$24,638 paid in cash to the sellers and a contingent purchase price obligation of \$6,918 which will be payable to the sellers if certain terms and conditions are met. The purchase consideration was subject to net working capital adjustment of \$96 which was settled before December 31, 2019 and is recorded as an increase of the total purchase consideration. The Company financed the cash portion of the purchase consideration with its revolving Credit Facility (Note 16) and from the proceeds from the issuance of the Hybrid debentures (Note 17).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 4. Business combinations and other transactions (continued)

#### Other transactions (continued)

The estimated fair value at the acquisition date of the assets acquired and the liabilities assumed is as follows:

	\$
Cash	9,181
Short-term investments	155
Other current assets	5,793
Property and equipment	467
Right-of-use assets	1,681
Deferred income tax asset	5,622
Goodwill (nil deductible for tax purposes)	419
Intangible assets	19,646
Accounts payable and accrued liabilities	(9,631)
Lease liabilities	(1,681)
	<b>31,652</b>

Goodwill is attributable to an experienced team knowledgeable in investment advisory and investment management and related services. Identified intangible assets acquired have been accounted for separately from goodwill. These intangible assets include customer relationships valued at \$14,868 and asset management contracts valued at \$4,778.

In relation to the Foresters transaction and the Natixis Canada transaction which includes a distribution agreement, a share repurchase and cancellation transaction between the Company and Natixis and the acquisition of all the issued and outstanding shares of Natixis Canada, the Company incurred transaction costs totaling \$4,233 which are mainly composed of legal, financial advisor fees and due diligence costs.

#### Pro forma impact

The impact of the business acquisition for the year ended December 31, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	9,635
Net earnings (loss)	2,176

If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the twelve-month period ended December 31, 2019 would have been as follows:

	\$
Revenues	666,277
Net earnings (loss)	(10,784)

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 4. Business combinations and other transactions (continued)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

The above pro forma net earnings (loss) includes selling, general and administrative expense, amortization of tangible and intangible assets, interest on long-term debt and the elimination of the acquisition, restructuring and integration costs, as well as related tax effects. The pro forma information includes an estimate of the amortization of intangible assets calculated based on the initial allocation of the purchase price to the assets acquired and liabilities assumed.

#### **Disposal of Fiera Capital Funds Inc.**

On February 22, 2019, the Company closed the sale transaction entered into with Canoe Financial LP (Canoe), a Canadian mutual fund company, pursuant to which the Company sold its interest in Fiera Capital Funds Inc., and nine retail mutual funds to Canoe who became the trustee, manager and portfolio manager of these funds, for total cash consideration of \$12,075.

As a result of this transaction, the Company reclassified intangible assets of \$5,280 during the year ended December 31, 2018, goodwill of \$6,543 of which \$176 was derecognized during the year ended December 31, 2019 (\$6,367 during the year ended December 31, 2018) and other assets of \$364 of which \$27 was derecognized during the year ended December 31, 2019 (\$337 during the year ended December 31, 2018). The Company recorded a net loss before tax of \$1,476 (including transaction costs of \$1,364), of which \$300 was recorded in the consolidated statement of earnings (loss) during the year ended December 31, 2019 as a loss on disposal of assets. For tax purposes, the sale resulted in a taxable capital gain with a current income tax expense of \$483 and a deferred tax expense of \$1,206.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

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### 5. Restructuring, integration and other costs

During the years ended December 31, 2019 and 2018 the Company recorded the following:

	2019	2018
	\$	\$
Restructuring provisions related to severance	11,752	3,627
Other restructuring costs	399	783
Integration and other costs	2,388	3,176
	<b>14,539</b>	<b>7,586</b>

Restructuring charges are mainly composed of severance costs due to corporate reorganizations following business combinations and other transactions or as a result of the normal evolution of the business. The change in the restructuring provisions for severance-related expenses during the years ended December 31, 2019 and 2018 is as follows:

	Severance
	\$
Balance, December 31, 2017	5,988
Additions during the year, net	3,627
Paid during the year	(6,611)
Balance, December 31, 2018	<b>3,004</b>
Additions during the year, net	11,752
Paid during the year	(11,372)
<b>Balance, December 31, 2019</b>	<b>3,384</b>

	As at December 31, 2019	As at December 31, 2018
Provision for severance	\$	\$
Current portion	3,159	2,289
Non-current portion	225	715
<b>Total</b>	<b>3,384</b>	<b>3,004</b>

#### Integration and other costs

Integration costs are mainly composed of professional fees, relocation and lease related costs and other expenses incurred as a result of the integration of businesses recently acquired.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 6. Investments

The consolidated financial statements include the accounts of the Company and all of its subsidiaries as at December 31, 2019 and 2018. The significant operating subsidiaries are set out in the table below. All principal activities of these subsidiaries are asset management. Unless otherwise stated, they have share capital solely in ordinary shares that are held directly or indirectly by the Company.

Name	Percentage of equity interest attributable to the Company			
	Direct		Indirect	
	2019	2018	2019	2018
Clearwater Capital Partners Hong Kong Limited	–	–	100%	100%
Fiera Real Estate Investments limited (formerly Fiera Properties Limited)	–	100%	100%	–
Fiera Capital (IOM) Limited	–	–	100%	100%
Fiera Capital (UK) Limited	–	–	100%	100%
Fiera Capital Inc.	–	–	100%	100%
Fiera Comox Partners Inc.	60.4%	60.4%	–	–
Fiera Infrastructure Inc.	75%	75%	–	–
Bel Air Investment Advisors LLC	–	–	100%	100%
Bel Air Securities LLC	–	–	100%	100%
Fiera Capital Funds Inc. <sup>(1)</sup>	–	100%	–	–
Fiera Private Debt Inc. (formerly Fiera Private Lending Inc.)	–	100%	100%	–
Fiera Investments LP	100%	–	–	–
Fiera Real Estate UK Limited (formerly Palmer Capital Partners Limited)	–	–	80%	–

<sup>(1)</sup> On February 22, 2019, the Company sold its interest in Fiera Capital Funds Inc. (Note 4)

### 7. Structured entities

#### *Unconsolidated structured entities*

The Company manages several investment funds which are unconsolidated structured entities. These investment funds are open-ended and closed-ended investment companies, mutual funds, limited partnerships, pooled funds or other investment entities which invest in a range of assets. Segregated mandates managed on behalf of clients and investment trusts are not considered structured entities. The structured entities are generally financed by the issue of units or shares to investors, although certain funds, mainly property, infrastructure and private equity funds, are also permitted to raise financing through loans from third parties. The Company does not provide a guarantee for the repayment of any borrowings held by these entities and did not provide financial support to unconsolidated structured entities during the years ended December 31, 2019 and 2018.

The Company generates revenues from management and other fees from providing investment management and related services to these investment funds. The fees from these investment funds are calculated based on assets under management or on committed capital. Investment funds are susceptible to market price risk arising from uncertainties about future value of the assets they hold. Market risks are discussed in Note 13 – *Financial instruments*.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 7. Structured entities (continued)

The following table summarizes the carrying value of the Company's interests in unconsolidated structured entities recognized in the consolidated statement of financial position and the assets under management of unconsolidated structured entities as at December 31, 2019 and 2018. The Company's maximum exposure to loss is the carrying amount of the investment funds held and the loss of future fees.

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Company's ownership interest in investment funds	8,400	4,494
Assets under management of unconsolidated structured entities	43.0 billion	34.0 billion

#### Investment in managed funds

In its capacity as fund manager, the Company has the ability to direct the activities of the funds that it manages through its involvement in the decision-making process. When the Company is also exposed to the variable returns as the principal unitholder and is deemed to control the fund, the fund is consolidated.

During the year ended December 31, 2019, the Company sold a direct holding in a fund that it previously controlled and therefore consolidated. Previous to the redemption of fund units, the Company had classified the net assets of the fund as assets held-for-sale in the consolidated statement of financial position.

During the period in which the Company controlled the funds, the redeemable units owned by other unitholders were presented as amounts due to holders of redeemable units in the Company's consolidated statement of financial position since the units are redeemable at the option of the holders.

During the year ended December 31, 2019, the Company revalued the underlying investment to fair value and recorded a gain of \$699, recognized as revaluation of assets held-for-sale.

### 8. Investments in joint ventures and associates

The Company has ownership interests in a number of individually insignificant joint ventures and associates that are accounted for using the equity method. The Company's risks are limited to the carrying value of its investments in joint ventures and associates. The following table presents the change in carrying values of the Company's investments in joint ventures and associates during the year:

	Associates	Joint ventures	Total
	\$	\$	\$
<b>2019</b>			
Opening carrying amount	–	–	–
Share of earnings	–	6,047	6,047
Additions	–	3,616	3,616
Business combination	542	10,237	10,779
Distributions received	–	(9,161)	(9,161)
Foreign exchange differences	(11)	(235)	(246)
Closing carrying amount	531	10,504	11,035

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 9. Trade and other receivables

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Trade accounts	150,801	120,980
Trade accounts – related companies of shareholders	7,174	15,006
Trade accounts – related parties	1,226	8,824
Rent receivable	1,043	–
Other	16,769	3,649
	<b>177,013</b>	<b>148,459</b>

The aging of accounts receivable is as follows:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Trade		
Current	139,956	113,359
Aged between 61 – 119 days	6,452	5,256
Aged greater than 120 days	4,393	2,365
Total trade	<b>150,801</b>	<b>120,980</b>
Related companies of shareholders and related parties		
Current	7,313	23,811
Aged between 61 – 119 days	8	10
Aged greater than 120 days	1,079	9
Total related companies of shareholders and related parties	<b>8,400</b>	<b>23,830</b>
Rent receivable and Other	<b>17,812</b>	<b>3,649</b>
	<b>177,013</b>	<b>148,459</b>

As at December 31, 2019, there was a provision for expected credit losses of \$119 (2018 - \$119).



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 10. Goodwill and intangible assets

	Goodwill	Indefinite life Asset management contracts	Asset management contracts	Finite-life Customer relationships	Other	Total
	\$	\$	\$	\$	\$	\$
<b>For the year ended December 31, 2018</b>						
Opening carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
Additions	–	–	–	3,902	946	4,848
Additions – internally developed	–	–	–	–	6,578	6,578
Reclassification to assets held-for-sale	(6,367)	(5,280)	–	–	–	(5,280)
Business combinations	95,606	513	16,878	60,000	3,009	80,400
Disposals	–	–	–	–	(26)	(26)
Amortization for the year	–	–	(11,791)	(28,021)	(5,001)	(44,813)
Foreign exchange difference	18,575	6,841	2,272	15,380	581	25,074
Closing carrying amount	631,699	86,143	61,268	363,093	18,558	529,062
<b>Balance, December 31, 2018</b>						
Cost	604,086	80,965	122,544	458,259	35,856	697,624
Accumulated amortization and impairment	(1,918)	–	(62,730)	(119,910)	(18,332)	(200,972)
Foreign exchange difference	29,531	5,178	1,454	24,744	1,034	32,410
Closing carrying amount	631,699	86,143	61,268	363,093	18,558	529,062
<b>For the year ended December 31, 2019</b>						
Opening carrying amount	631,699	86,143	61,268	363,093	18,558	529,062
Additions	–	–	–	15,709	230	15,939
Additions – internally developed	–	–	–	–	4,626	4,626
Reclassification to assets held-for-sale	(176)	–	–	–	–	–
Business combinations	70,073	5,190	31,170	–	351	36,711
Disposals	–	–	(397)	–	(828)	(1,225)
Amortization for the year	–	–	(15,823)	(30,143)	(7,009)	(52,975)
Foreign exchange difference	(13,697)	(4,215)	(1,702)	(8,787)	(554)	(15,258)
Closing carrying amount	687,899	87,118	74,516	339,872	15,374	516,880
<b>Balance, December 31, 2019</b>						
Cost	673,983	86,155	153,304	473,968	39,098	752,525
Accumulated amortization and impairment	(1,918)	–	(78,540)	(150,053)	(24,205)	(252,798)
Foreign exchange difference	15,834	963	(248)	15,957	481	17,153
Closing carrying amount	687,899	87,118	74,516	339,872	15,374	516,880

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 10. Goodwill and intangible assets (continued)

During the year ended December 31, 2019 and 2018, the Company incurred development costs related to new internally-developed software. The costs that have been capitalized are presented as additions – internally developed.

Goodwill is monitored by management based on the Company's only operating segment: asset management. In assessing goodwill for impairment as at December 31, 2019 and 2018, the Company compared the aggregate recoverable amount of the operating segment to the carrying amount. The recoverable amount has been determined based on the higher of value-in-use and fair value less cost of disposal using five-year cash flow budgets and forecasts approved by management and the Board. These make use of observable market inputs when available. Cash flows beyond the five-year budget are determined using an expected long-term growth rate of 2.5%. Key assumptions included the following:

	2019	2018
	%	%
Weighted average revenue growth rate	10.5	11.0
Discount rate	14.0	11.0

Reasonable changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

#### *Impairment tests of indefinite-life intangible assets*

In assessing indefinite-life intangible assets for impairment as at December 31, 2019 and 2018, the Company compared the aggregate recoverable amount of the assets to their respective carrying amounts. Key assumptions included the following:

	2019	2018
	%	%
Weighted average revenue growth rate	15.0	13.6
Discount rate	27.5	25.5

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 10. Goodwill and intangible assets (continued)

The recoverable amount has been determined based on the higher of value-in-use and fair value less cost of disposal using five-year cash flow budgets and forecasts approved by management and the Board. These make use of observable market inputs when available. Cash flows beyond the five-year budget are determined using an expected long-term growth rate of 2.5%. The discount rate is derived from the weighted average cost of capital.

Reasonable changes in key assumptions would not cause the recoverable amount of indefinite life intangible assets to fall below the carrying value.

As a result of the impairment analysis, the Company determined that the recoverable amounts exceeded the carrying amounts and therefore, there was no impairment.

### 11. Property and equipment

	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
For the year ended December 31, 2018				
Opening carrying amount	3,183	2,529	10,860	16,572
Additions	372	1,180	1,405	2,957
Business combinations	147	93	8	248
Disposals	(45)	(11)	–	(56)
Depreciation	(931)	(1,325)	(1,979)	(4,235)
Foreign exchange difference	191	108	714	1,013
Closing carrying amount	2,917	2,574	11,008	16,499
Balance, December 31, 2018				
Cost	7,937	6,770	19,295	34,002
Accumulated depreciation	(5,085)	(4,340)	(8,379)	(17,804)
Foreign exchange difference	65	144	92	301
Closing carrying amount	2,917	2,574	11,008	16,499
For the year ended December 31, 2019				
Opening carrying amount	2,917	2,574	11,008	16,499
Additions	3,016	2,450	11,716	17,182
Business combinations	42	199	508	749
Disposals	(48)	(6)	–	(54)
Depreciation	(1,201)	(1,651)	(2,355)	(5,207)
Foreign exchange difference	(99)	(51)	324	174
Closing carrying amount	4,627	3,515	21,201	29,343
Balance, December 31, 2019				
Cost	10,791	9,411	29,231	49,433
Accumulated depreciation	(6,130)	(5,989)	(8,446)	(20,565)
Foreign exchange difference	(34)	93	416	475
Closing carrying amount	4,627	3,515	21,201	29,343

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 12. Leases

The Company mainly leases offices. Rental contracts are typically entered into for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but right-of-use assets may not be used as security for borrowing purposes.

#### *Right-of-use assets*

	Right-of-use assets
	\$
<b>For the year ended December 31, 2019</b>	
Right-of-use assets recognized as at January 1, 2019	117,268
Additions	22,208
Lease modifications and adjustments	1,785
Business combinations	5,113
Depreciation	(19,923)
Derecognition	(431)
Foreign exchange difference	(2,628)
Closing carrying amount	123,392
<b>Balance, December 31, 2019</b>	
Cost	145,419
Accumulated depreciation	(19,405)
Foreign exchange difference	(2,622)
Closing carrying amount	123,392

#### *Lease liabilities*

The Company's lease agreements expire at different dates until 2035. Total lease payments for each of the next five years, and thereafter, are as follows:

	\$
2020	19,099
2021	21,004
2022	18,862
2023	20,107
2024	16,786
Thereafter	83,428
	179,286
Less : interest	(34,470)
<b>Total lease liabilities, net of rent receivable</b>	<b>144,816</b>

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 12. Leases (continued)

#### *Extension options*

Some leases contain extension options exercisable by the Company. The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows of \$29,753 from 2020 to 2040 have not been included in the lease liability because it is not reasonably certain that these extension options will be exercised.

#### *Lease commitments*

Subsequent to December 31, 2019, the Company entered into two lease contracts for offices expiring in 2030 and 2034. The total payments for each of the next five years, and thereafter for these leases are as follows:

	\$
2020	524
2021	1,863
2022	2,481
2023	2,549
2024	2,583
Thereafter	26,378
	36,378

### 13. Financial instruments

The Company, through its financial assets and liabilities, has exposure to the following risks from its financial instruments: market risk, credit risk, interest rate risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at December 31, 2019 and 2018.

The Company's business is the management of investment assets. The key performance driver of the Company's ongoing results is the level of AUM. The level of AUM is directly linked to investment returns and the Company's ability to attract and retain clients.

The Company's consolidated statements of financial position includes a portfolio of investments. The value of these investments is subject to a number of risk factors.

#### *Market risk*

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how these exposures are managed.

Appreciation or depreciation in the fair value of equity securities affect the amount and timing of recognition of gains and losses on equity securities and investment funds in the Company's portfolio resulting in changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the fair value of the equity, investment fund and fixed income financial assets held.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

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### 13. Financial instruments (continued)

The Company's portfolio managers monitor the risks of the portfolio as part of its daily operations. The Company's portfolio of equity and equity-related securities as at December 31, 2019 and 2018 is comprised of investment funds and other securities with a fair value of \$8,400 as at December 31, 2019 and \$4,857 as at December 31, 2018. Investment funds are comprised of a well-diversified portfolio of investments in equities and bonds.

A 10% change in the fair value of the Company's equity and equity-related holdings as at December 31, 2019 and 2018 would have an impact of increasing or decreasing comprehensive income by \$840 and \$486 respectively.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's principal financial assets which are subject to credit risk are cash and cash equivalents, restricted cash and cash equivalents, investments and trade and other receivables. The carrying amounts of financial assets on the consolidated statements of financial position, other than derivative financial instruments represent the Company's maximum exposure to credit risk at the consolidated statements of financial position dates.

The credit risk on cash and cash equivalents and restricted cash and cash equivalents is limited because the counterparties are commercial banks or financial institutions with high credit ratings assigned by independent credit-rating agencies.

The Company's credit risk is attributable primarily to its trade receivables. The amounts disclosed in the consolidated statements of financial position are net of expected credit losses, estimated by the Company's management based on previous experience and its assessment of the current economic environment and financial condition of the counterparties. In order to reduce its risk, management has adopted credit policies that include regular review of client balances. No customer represents more than 10% of the Company's accounts receivable as at December 31, 2019 and 2018.

#### *Interest rate risk*

The Company is exposed to interest rate risk through its cash and cash equivalents and long-term debt. The interest rates on the long-term debt are variable and expose the Company to cash flow interest rate risk.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting debt from floating rates to fixed rates. The Company obtained its long-term debt at a floating rate and swapped a portion of it into fixed rates that were lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swap contracts, the Company agrees with the counterparty to exchange, at specified intervals, the difference between the fixed contract rate and floating-rate interest amounts calculated by reference to the agreed notional amounts.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to cash and cash equivalents, restricted cash, accounts receivable, investments, derivative financial instruments, accounts payable and accrued liabilities, puttable financial instrument liability, purchase price obligations and long-term debt. The Company manages a portion of its exposure to foreign currency by matching asset and liability positions. More specifically, the Company matches the long-term debt in foreign currency with long-term assets in the same currency.

The consolidated statements of financial position as at December 31, 2019 and 2018 include the following amounts expressed in Canadian dollars with respect to the net financial assets (liabilities) for which cash flows are denominated in the following currencies:

	2019	2018
Currency	\$	\$
USD	(446,277)	(335,203)
GBP	(17,162)	–

Based on the balances outstanding (excluding long-term debt) as at December 31, 2019, a 5% strengthening or weakening of the US dollar versus the Canadian dollar would result in an increase or decrease in total comprehensive income of \$1,364 (2018 - \$1,794). A 5% strengthening or weakening of the GBP versus the Canadian dollar would result in an increase or decrease in total comprehensive income of \$858 (2018 – nil). The above calculation does not include the US dollar long-term debt, which is partially hedged by a long-term asset in the same currency. This long-term asset is not included in the consolidated statements of financial position given that it is an intercompany balance and is eliminated on consolidation.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

#### Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when they become due. The Company monitors its cash and cash equivalents balance and cash flows generated from operations to meet its requirements.

The Company generates enough cash from its operating activities and has sufficient available financing through its long-term debt to finance its activities and to respect its obligations as they become due.

The Company has the following financial instrument liabilities as at December 31, 2019:

	Carrying amount	Contractual cash flow commitments						
		2020	2021	2022	2023	2024	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	207,447	207,447	–	–	–	–	–	207,447
Amount due to related parties	1,512	1,512	–	–	–	–	–	1,512
Long-term debt <sup>(1)</sup>	449,490	–	–	–	449,490	–	–	449,490
Convertible debt	185,793	–	–	–	86,250	110,000	–	196,250
Purchase price obligations	127,374	31,710	44,061	49,085	33,241	27,774	102,758	288,629
Puttable financial instrument liability	13,997	–	–	20,898	–	–	–	20,898
Other non-current liabilities	3,703	–	–	–	4,946	130	–	5,076
	989,316	240,669	44,061	69,983	573,927	137,904	102,758	1,169,302

<sup>(1)</sup> Excluding deferred financing charges of \$2,791 (Note 16).

#### Fair value

#### Investments

The cost and fair value of investments recorded at fair value through profit or loss was \$8,100 and \$8,400, respectively, as at December 31, 2019 (\$4,574 and \$4,857 respectively as at December 31, 2018). An unrealized gain of \$488 and realized gain of \$368 was recognized in realized and unrealized (gain) loss on investments during the year ended December 31, 2019 (unrealized loss of \$623 and realized gain of \$768 during the year ended December 31, 2018).

#### Convertible and hybrid debentures

The convertible and hybrid debentures are recorded respectively at an amortized cost of \$80,425 and \$105,368 as at December 31, 2019 (\$79,008 and nil as at December 31, 2018). Their fair value based on market quotes is respectively \$90,537 and \$112,475 as at December 31, 2019 (\$87,544 and nil as at December 31, 2018).

#### Long-term debt

The fair value of long-term debt approximates its carrying amount, given that it is subject to terms and conditions, including variable interest rates, similar to those available to the Company for instruments with comparable terms.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

#### Derivative financial instruments

The Company's derivative financial instruments consist of cross currency swap, interest rate swap and foreign exchange forward contracts which are presented at fair value on the consolidated statements of financial position.

The fair value of derivatives that are not traded on an active market is determined using valuation techniques which maximize the use of observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. To the extent practicable, valuation techniques incorporate all factors that market participants would consider in setting a price and they are consistent with accepted economic methods for valuing financial instruments.

The Company determines the fair value of its foreign exchange forward contracts by calculating the difference between the forward exchange rates at the measurement date and the contractual forward price for the residual maturity of the contract.

Net gains (losses), fair value and the notional amount of derivatives by term to maturity are as follows:

	For the year ended December 31, 2019	As at December 31, 2019				
		Fair value		Notional amount: term to maturity		
		Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
		\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>						
a) Forward foreign exchange contracts – held for trading	2,216	755	–	62,300	–	–
b) Cross currency swaps – held for trading	(12,257)	–	(3,540)	225,000	–	–
<b>Interest rate contracts</b>						
c) Swap contracts – held for trading	(710)	537	(1,946)	–	250,000	–
d) Swap contracts – cash flow hedges	–	–	(1,615)	–	219,151	–

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

	For the year ended December 31, 2018	As at December 31, 2018				
		Fair value		Notional amount: term to maturity		
		Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	\$	\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>						
a) Forward foreign exchange contracts						
– held for trading	(5,294)	–	(1,672)	45,374	–	–
b) Cross currency swaps – held for trading	4,700	1,083	–	80,000	–	–
<b>Interest rate contracts</b>						
c) Swap contracts – held for trading	(1,770)	860	(1,560)	–	190,000	–
d) Swap contracts – cash flow hedges	–	4,506	–	–	230,550	–

Financial statement presentation as at December 31:

	2019	2018
	\$	\$
Current derivative financial instrument assets <sup>(1)</sup>	755	1,083
Non-current derivative financial instrument assets	537	5,366
Current derivative financial instrument liabilities	(3,540)	(1,672)
Non-current derivative financial instrument liabilities	(3,561)	(1,560)

<sup>(1)</sup> Included in prepaid expenses and other assets on the consolidated statements of financial position.

#### a) Forward foreign exchange contracts

##### Company

The Company enters into forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in US dollars.

For the year ended December 31, 2019 and 2018, the Company has entered into month-end spot rate forward exchange contracts with various terms to maturity that aim to manage the currency fluctuation risk associated with up to twelve months of estimated future revenues in US dollars.

Forward foreign exchange contracts are recognized at fair value at the date the contracts are entered into and are subsequently remeasured to fair value through profit or loss at the end of each reporting period. The gain or loss on these derivative financial instruments is recognized in other revenues in the consolidated statement of earnings (loss) in accordance with the nature of the hedged item.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 13. Financial instruments (continued)

The Company recorded a gain of \$2,347 during the year ended December 31, 2019 (loss of \$4,673 for the year ended December 31, 2018) and paid \$376 as settlement of contracts that matured during the year (paid \$2,939 during the year ended December 31, 2018). The fair value of the foreign exchange contracts is an asset of \$735 as at December 31, 2019 (liability of \$1,237 as at December 31, 2018).

#### *Subsidiaries*

One of the Company's subsidiaries enters into forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in Euros. The subsidiary recorded a loss of \$131 and a loss of \$621 during the years ended December 31, 2019 and 2018, respectively. A total of \$587 and \$186 was paid during the year ended December 31, 2019 and 2018 respectively as settlement of the contracts. As at December 31, 2019, the fair value of these contracts was an asset of \$20 (liability of \$435 as at December 31, 2018).

#### b) Cross currency swaps – held for trading

Under the terms of the Company's revolving facility (Note 16), the Company can borrow either in US dollars based on US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%, or in Canadian dollars based on the Canadian prime rate plus a spread varying from 0.0% to 1.5%. To benefit from interest cost savings, the Company has effectively created, until January 16, 2020, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 1.51% on \$225,000 (1.57% on \$80,000 as at December 31, 2018) by borrowing against the US dollar revolving facility, the equivalent of \$225,000 (US\$170,500) (\$80,000 (US\$59,400) as at December 31, 2018) at LIBOR plus 2.00%, and swapping it into CDOR plus 1.51% with a one-month cross currency swap.

The objective of this strategy was to provide cost savings without currency risk since the terms of the US LIBOR financing and the cross-currency swap are exactly matched (US dollar notional amount, LIBOR rate, trade and maturity dates). Losses (gains) on cross currency swaps are offset by equivalent gains (losses) on the translation of the US denominated economically hedged portion of the revolving facility since the financing terms are exactly matched.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statements of earnings (loss) in accordance with the nature of the economically hedged item, the revolving facility, and therefore is presented in interest on long-term debt and other financial charges. The Company recorded a loss of \$12,257 during the year ended December 31, 2019, with no net impact on earnings as described above (gain of \$4,700 during the year ended December 31, 2018). A total of \$7,633 was paid during the year ended December 31, 2019 as settlement of these contracts (\$3,617 was received during the year ended December 31, 2018).

The fair value of the cross-currency swap contracts was a liability of \$3,540 as at December 31, 2019 (asset of \$1,083 as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 13. Financial instruments (continued)

#### c) Interest rate swap contract – held for trading

The Company enters into interest rate swap contracts to manage the impact of the interest rate fluctuations on its credit facility denominated in Canadian dollars. Interest is settled on a monthly basis.

In May 2019, the Company entered into two interest rate swap contracts with an original notional amount of \$35,000 and \$25,000 maturing on May 2, 2022 and May 13, 2022 respectively. The contracts consist of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.945% (on \$35,000) and 1.900% (on \$25,000). There were no changes to the terms of the other interest rate swap contracts (held for trading) held by the Company during the year ended December 31, 2019.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings (loss) with interest on long-term debt and other financial charges. The Company recorded a loss of \$710 during the year ended December 31, 2019 (loss of \$1,770 during the year ended December 31, 2018).

The fair value of the interest rate swap contracts is an asset of \$537 and a liability of \$1,946 as at December 31, 2019 (asset of \$860 and liability of \$1,560 as at December 31, 2018).

#### d) Interest rate swap contracts – Cash flow hedges

The Company holds interest rate swap contracts designated as cash flows hedges which satisfy the requirements for hedge accounting. There were no changes to the terms of the contracts held by the Company during the year ended December 31, 2019.

The effective portion of changes in the fair value of these contracts is recognized in other comprehensive income and accumulated in a hedging reserve. The Company recorded another comprehensive loss of \$5,310 (net of income taxes of \$811) during the year ended December 31, 2019 (gain of \$1,833 (net of income taxes of \$259) during the year ended December 31, 2018).

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the consolidated statement of earnings (loss). There is no ineffective portion on these contracts for the years ended December 31, 2019 and 2018. The fair value of the interest rate swap contracts designated as cash flow hedges is a liability of \$1,615 as at December 31, 2019 (asset of \$4,506 as at December 31, 2018).

The Company remains exposed to fluctuations in the US base or LIBOR rates on the difference between the US dollar credit facility and the notional amounts of the US dollar interest rate swap contracts. The drawings in US dollars on the credit facility are US\$323,660 as at December 31, 2019 (US\$219,400 as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 13. Financial instruments (continued)

#### e) Call option related to WGAM

On December 1, 2018, Fiera Capital Inc. ("FCI"), wholly-owned subsidiary of the Company, entered into an agreement with Wilkinson Global Capital Partners LLC (the "Partners") by which the Partners have the right, but not the obligation, to purchase all, but not less than all, of the Company's equity interest in WGAM, a wholly-owned subsidiary of the Company that manages special client accounts under investment advisory agreements. The call right can be exercised at any time during the period from January 1, 2021 (the call commencement date) until January 1, 2023 (the call expiration date) or on an earlier date at the discretion of FCI. If the Partners do not exercise the call option by the call expiration date or within 30 days of notice, the call option will expire. The call exercise price is designed to represent the fair value of the WGAM business. Since the call option price is based on the estimated fair value of the WGAM business and it is not exercisable at December 31, 2019, this derivative financial instrument has no financial impact in the Company's consolidated financial statements.

#### f) Puttable financial instrument liability and call option related to Palmer Capital

Under the terms of the Sale and Purchase Agreement Fiera Real Estate, the acquirer, has the right but not the obligation to acquire the 20% non-controlling interest in Palmer Capital. This call right can be exercised by the acquirer on April 30, 2022 or on April 30 of any year thereafter. The non-controlling interest shareholders of Palmer Capital have the right but not the obligation to exercise their put right on the 20% non-controlling interest of Palmer Capital on March 31, 2022 or on March 31 of any year thereafter. If exercised, both the put and the call right would require Fiera Real Estate or the Company to acquire the 20% non-controlling interest in Palmer Capital.

The exercise price is the same for both the put and the call rights. The exercise price is a prescribed price calculated based on a multiplier of earnings before interest, taxes and depreciation as defined in the Sale and Purchase Agreement.

The put right on the non-controlling interest in Palmer Capital is classified as a financial liability and measured at fair value through profit and loss. It was initially measured at fair value of \$13,237 at the acquisition date and subsequently remeasured at each reporting date with changes in fair value recognized in the consolidated statement of net earnings (loss). The fair value of the puttable financial instrument liability is \$13,997 at December 31, 2019.

#### g) Contingent value rights related to IAM

Through the acquisition of IAM, IAM shareholders received CVRs (Note 4). The Company accounted for the CVR asset at fair value on the acquisition date, and subsequently revalued the instrument at amortized cost. The short-term portion of the CVR asset is recorded within Trade and other receivables, while the long-term portion is recorded in Other non-current assets. The CVR liability, on the acquisition date, was recorded at fair value and subsequently revalued at fair value through profit and loss. The short-term portion of the CVR liability was recorded in Trade accounts payable and accrued liabilities, while the long-term portion was recorded in Other non-current liabilities.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

Financial instruments by category:

	Amortized cost	As at December 31, 2019	
		Fair value through profit or loss	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	96,219	–	96,219
Restricted cash and cash equivalents	8,148	–	8,148
Investments	–	2,657	2,657
Trade and other receivables	175,970	–	175,970
Long-term receivable <sup>(1)</sup>	630	–	630
Long-term investments	–	5,743	5,743
Derivative financial instruments <sup>(2)</sup>	–	1,292	1,292
Other non-current assets <sup>(5)</sup>	6,654	–	6,654
<b>Total</b>	<b>287,621</b>	<b>9,692</b>	<b>297,313</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	200,316	7,131	207,447
Purchase price obligations	–	127,374	127,374
Puttable financial instrument liability	–	13,997	13,997
Other non-current liabilities <sup>(4)</sup>	–	3,703	3,703
Derivative financial instruments	–	7,101	7,101
Amounts due to related parties	1,512	–	1,512
Client deposits <sup>(3)</sup>	155	–	155
Long-term debt	446,699	–	446,699
Convertible debt	185,793	–	185,793
<b>Total</b>	<b>834,475</b>	<b>159,306</b>	<b>993,781</b>

<sup>(1)</sup> Presented in deferred charges and other on the consolidated statements of financial position.

<sup>(2)</sup> Includes \$755 presented in prepaid expenses and other assets on the consolidated statements of financial position.

<sup>(3)</sup> Presented in client deposits and deferred revenues on the consolidated statements of financial position.

<sup>(4)</sup> Represents the long-term portion of the CVR liability and excludes \$4,325 in other non-current liabilities not categorized as financial instruments.

<sup>(5)</sup> Represents the long-term portion of the CVR asset.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

	Amortized cost	As at December 31, 2018	
		Fair value through profit or loss	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	52,466	–	52,466
Restricted cash	1,012	–	1,012
Investments	–	4,857	4,857
Trade and other receivables	148,459	–	148,459
Long-term receivable <sup>(1)</sup>	22	–	22
Derivative financial instruments <sup>(2)</sup>	–	6,449	6,449
<b>Total</b>	<b>201,959</b>	<b>11,306</b>	<b>213,265</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	144,059	–	144,059
Purchase price obligations	–	130,708	130,708
Derivative financial instruments	–	3,232	3,232
Amounts due to related parties	2,599	–	2,599
Client deposits <sup>(3)</sup>	388	–	388
Long-term debt	421,527	–	421,527
Convertible debentures	79,008	–	79,008
<b>Total</b>	<b>647,581</b>	<b>133,940</b>	<b>781,521</b>

<sup>(1)</sup> Presented in deferred charges and other on the consolidated statements of financial position.

<sup>(2)</sup> Includes \$1,083 presented in prepaid expenses and other assets on the consolidated statements of financial position.

<sup>(3)</sup> Presented in client deposits and deferred revenues on the consolidated statements of financial position.

#### Fair value hierarchy

The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value are classified using a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy:

	Level 1	Level 2	As at December 31, 2019 Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments	–	2,653	4	2,657
Long-term investments	–	–	5,743	5,743
Derivative financial instruments	–	1,292	–	1,292
<b>Total financial assets</b>	<b>–</b>	<b>3,945</b>	<b>5,747</b>	<b>9,692</b>
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	–	–	7,131	7,131
Purchase price obligations	–	–	127,374	127,374
Puttable financial instrument liability	–	–	13,997	13,997
Other non-current liabilities	–	–	3,703	3,703
Derivative financial instruments	–	7,101	–	7,101
<b>Total financial liabilities</b>	<b>–</b>	<b>7,101</b>	<b>152,205</b>	<b>159,306</b>

	Level 1	Level 2	As at December 31, 2018 Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments	–	4,853	4	4,857
Derivative financial instruments	–	6,449	–	6,449
<b>Total financial assets</b>	<b>–</b>	<b>11,302</b>	<b>4</b>	<b>11,306</b>
<b>Financial liabilities</b>				
Purchase price obligations	–	–	130,708	130,708
Derivative financial instruments	–	3,232	–	3,232
<b>Total financial liabilities</b>	<b>–</b>	<b>3,232</b>	<b>130,708</b>	<b>133,940</b>

#### Level 3

The fair value of purchase price obligations, the puttable financial instrument liabilities and the CVRs are determined using a discounted cash flow analysis which makes use of unobservable inputs such as expected cash flows and risk adjusted discount rates. Expected cash flows are estimated based on the terms of the contractual arrangements and the Company's knowledge of the business and how the current economic environment is likely to impact it.

Purchase price obligations, puttable financial instrument liability and the CVRs are Level 3 financial liabilities. The Company uses valuation techniques to record the fair value of the liabilities at the reporting date. The Company analyzed the characteristics of the liability being valued, including the circumstances and the information available as at the valuation date and selected the most appropriate valuation technique.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 13. Financial instruments (continued)

Purchase price obligation - CNR:

A reasonable change in unobservable inputs would not result in a significant change in the fair value of purchase price obligations other than for the City National Rochdale ("CNR") liability, which is presented below.

The main Level 3 inputs used by the Company to value the purchase price obligations of CNR are derived from the following unobservable inputs and determined as follows:

- Annual revenue growth factors, such market rate and net contributions rate, are estimated based on internal and external data and publications, economic conditions, and the specific characteristics of the financial liability. A higher annual revenue growth factor will result in a higher fair value. To assess the fair value as at December 31, 2019, for market growth rate and net contributions rate, the Company used 8.6% and 2.5%, respectively.
- The risk-adjusted discount rate is determined by adjusting a risk-free rate to reflect the specific risks associated with the financial liability. The discount rate is the input used to bring the future cash flows to their present value. A higher discount rate would result in a lower fair value. To assess the fair value as at December 31, 2019, the Company used a discount rate of 41%.

The discounted cash flow method was used to measure the present value of the expected future cash flows to be paid to CNR as contingent consideration. The fair value of the CNR purchase price obligation as at December 31, 2019 was \$74,054 (US\$57,108) and \$74,118 (US\$54,331) as at December 31, 2018.

The significant unobservable inputs are annual revenue growth factors, market growth and net contributions, and the risk-adjusted discount rate.

- An increase (decrease) of 350 basis points in the market growth rate would result in an increase (decrease) of approximately \$5,187 (US\$4,000) in the fair value of the purchase price obligation.
- An increase (decrease) of 300 basis points in the net contributions rate would result in an increase (decrease) of approximately \$2,204 (US\$1,700) in the fair value of the purchase price obligation.
- An increase (decrease) of 200 basis points in the risk-adjusted discount rate would result in a decrease (increase) of approximately \$2,594 (US\$2,000) in the fair value of the purchase price obligation.

Due to the unobservable nature of the inputs, there may be uncertainty about the valuation of these Level 3 financial instruments and using reasonably possible alternative assumptions would change the fair value. Moreover, the relationship between the risk-adjusted discount rate and the other unobservable inputs is not necessarily a direct relationship and different inter-relationships could be reasonably applied. The Company varied the significant unobservable inputs such as the risk-adjusted discount rate, the market growth and the net contributions and established a reasonable fair value range that could result in a \$7,781 (US\$6,000) increase or decrease in the fair value of the purchase price obligation as at December 31, 2019 (\$8,080 (US\$6,000) as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 13. Financial instruments (continued)

Purchase price obligation – Clearwater:

The discounted cash flow method was used to measure the present value of the expected future cash flows to be paid to the sellers as contingent consideration. The Company increased the fair value of the purchase price obligation and recorded an expense of \$1,359 (US\$1,026) during the year ended December 31, 2019. The fair value of the Clearwater purchase price obligation as at December 31, 2019 was \$43,753 (US\$33,738) and \$39,955 (US\$28,553) as at December 31, 2018.

The main Level 3 inputs used by the Company to value the Clearwater purchase price obligations are derived from unobservable inputs of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, management's estimates of revenue from cross-selling, and the risk-adjusted discount rate. The discount rate is the input used to bring the future cash flows to their present value. The Company used discount rates between 10% and 15%.

Due to the unobservable nature of the inputs, there may be uncertainty about the valuation of these Level 3 financial instruments and using reasonably possible alternative assumptions would change the fair value. Moreover, the relationship between the risk-adjusted discount rate and the other unobservable inputs is not necessarily a direct relationship and different inter-relationships could be reasonably applied. The Company varied the significant unobservable inputs such as the risk-adjusted discount rate, revenue, EBITDA, and cross-selling forecasts and established a reasonable fair value range between \$36,309 (US\$28,000) and \$40,199 (US\$31,000) for its purchase price obligation as at December 31, 2019.

Puttable financial instrument liability:

The discounted cash flow method was used to measure the present value of the expected future cash flows to be paid to the non-controlling interest shareholders. During the year ended December 31, 2019, the Company recorded an expense of \$1,003 (GBP598) as revaluation of the puttable financial instrument liability. The fair value of the puttable financial instrument liability was \$13,997 (GBP8,148) as at December 31, 2019.

The main Level 3 inputs used by the Company to value the puttable financial instrument liability are derived from unobservable inputs of earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, and the risk-adjusted discount rate. The discount rate is the input used to bring the future cash flow to their present value. The company used a discount rate of 17%.

Due to the unobservable nature of the inputs, there may be uncertainty about the valuation of these Level 3 financial instruments and using reasonably possible alternative assumptions would change the fair value. Moreover, the relationship between the risk-adjusted discount rate and the other unobservable inputs does not necessarily have direct relationship and different inter-relationships could be reasonably applied. The Company varied the significant unobservable inputs such as the risk-adjusted discount rate and EBITDA and established a reasonable fair value range between \$13,228 (GBP7,700) and \$16,148 (GBP9,400) for its purchase price obligation as at December 31, 2019.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	Investments	Long-term investments	Accounts payable and accrued liabilities	Purchase price obligations	Puttable financial instrument liability	Other non-current liabilities	Total
	\$	\$		\$	\$	\$	\$
Fair value as at December 31, 2018	4	–	–	(130,708)	–	–	(130,704)
Additions from business combinations	–	9,653	(6,880)	(1,343)	(13,237)	(3,703)	(15,510)
Additions from asset acquisitions	–	–	–	(5,576)	–	–	(5,576)
Additional investments	–	2,345	–	–	–	–	2,345
Disposal of investments	–	(6,556)	–	–	–	–	(6,556)
Revaluation of puttable financial instrument liability	–	–	–	–	(1,003)	–	(1,003)
Settlement of purchase price obligations	–	–	–	34,386	–	–	34,386
Total realized and unrealized (losses)	–	568	–	–	–	–	568
Other	–	(61)	–	–	–	–	(61)
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations and CVR	–	–	(251)	(28,589)	–	–	(28,840)
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	–	–	–	(1,391)	–	–	(1,391)
Total realized and unrealized exchange differences recognized in net earnings (loss) and on foreign operations included in other comprehensive income	–	(206)	–	5,847	243	–	5,884
<b>Fair value as at December 31, 2019</b>	<b>4</b>	<b>5,743</b>	<b>(7,131)</b>	<b>(127,374)</b>	<b>(13,997)</b>	<b>(3,703)</b>	<b>(146,458)</b>

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 13. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

	Investments	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2017	11	(89,136)	(89,125)
Additional purchase price obligations	–	(38,503)	(38,503)
Settlement of purchase price obligations	–	29,191	29,191
Total realized and unrealized (losses)	(7)	–	(7)
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	–	(852)	(852)
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	–	(23,645)	(23,645)
Total realized and unrealized (losses) included in interest on long-term debt and other financial charges	–	(1,845)	(1,845)
Total realized and unrealized (losses) included in other comprehensive income	–	(5,918)	(5,918)
<b>Fair value as at December 31, 2018</b>	<b>4</b>	<b>(130,708)</b>	<b>(130,704)</b>

There were no transfers between levels during the years ended December 31, 2019 and 2018.

### 14. Accounts payable and accrued liabilities

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Trade accounts payable and accrued liabilities	52,182	36,298
Wages and vacation payable	8,297	8,522
Bonuses and commissions payable	115,601	86,666
Cash settled share-based liabilities	24,228	7,525
Income taxes payable (recoverable)	4,503	3,403
Sales taxes payable	2,636	1,645
	<b>207,447</b>	<b>144,059</b>

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 15. Income taxes

Income tax expense for the years ended December 31, is as follows:

	2019	2018
	\$	\$
Current income taxes	15,650	14,060
Deferred income taxes (recovery)	(5,958)	(14,489)
	9,692	(429)

The Company's income tax expense differs from the amounts that would have been obtained using the combined Canadian federal and provincial statutory tax rates for the years ended December 31, as follows:

	2019	2018
	\$	\$
Earnings (loss) before income taxes	(1,014)	(5,184)
Combined federal and provincial statutory tax rates	26.6%	26.7%
Income tax expense (recovery) based on combined statutory income tax rate	(271)	(1,382)
Difference between Canadian and foreign statutory rates	(2,465)	(2,305)
Non-deductible and non-taxable items <sup>(1)</sup>	11,539	4,719
Taxable capital gain on disposal of assets	1,411	–
Prior years' tax adjustments	(522)	(1,461)
	9,692	(429)

<sup>(1)</sup> Includes acquisition costs of \$2,246 (2018 - \$1,811), finance fees of \$3,741 (2018 – nil), accretion and change in fair value of purchase price obligations of \$2,010 (2018 – \$1,176).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 15. Income taxes (continued)

The movement in deferred income tax assets and liabilities during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	IFRS 16 Assets & Obligations	Joint venture investments & associates	Restructuring provisions	Carry forward losses	Intangible assets	Property and equipment	Other	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	–	–	854	14,862	(25,192)	(1,158)	6,285	(4,349)
Charged to earnings (loss)	–	–	(304)	1,357	9,242	351	3,843	14,489
Convertible debentures (Note 17)	–	–	–	–	–	–	(53)	(53)
Business combinations	–	–	–	–	(3,923)	25	–	(3,898)
Charged to other comprehensive income	–	–	–	–	–	–	(259)	(259)
Reclassification to deferred income taxes on assets held- for-sale	–	–	–	–	704	–	–	704
Reclassification to assets held-for-sale	–	–	–	(65)	–	–	–	(65)
Foreign exchange difference	–	–	–	1,124	(767)	(121)	799	1,035
Balance, December 31, 2018	–	–	550	17,278	(19,936)	(903)	10,615	7,604
Charged to earnings (loss)	5,540	164	142	(1,281)	7,305	(3,722)	(2,190)	5,958
Business combinations (Note 4)	–	(1,227)	–	6,988	(7,880)	–	(3,859)	(5,978)
Charged to other comprehensive income	–	–	–	–	–	–	811	811
Disposal of assets held for sale	–	–	–	–	(704)	–	–	(704)
Charged to contributed surplus	–	–	–	–	–	–	2,048	2,048
Foreign exchange difference	(180)	311	–	(43)	904	(176)	(1,037)	(221)
<b>Balance, December 31, 2019</b>	<b>5,360</b>	<b>(752)</b>	<b>692</b>	<b>22,942</b>	<b>(20,311)</b>	<b>(4,801)</b>	<b>6,388</b>	<b>9,518</b>

Financial statement presentation as at December 31:

	2019	2018
	\$	\$
Non-current deferred income tax assets	23,559	20,093
Non-current deferred income tax liabilities	(14,041)	(12,489)
<b>Total</b>	<b>9,518</b>	<b>7,604</b>

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 16. Long-term debt

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Credit facility		
Revolving facility	449,490	422,805
Other facilities	–	919
Deferred financing charges	(2,791)	(2,197)
	446,699	421,527
Less current portion	–	(388)
Non-current portion	446,699	421,139

#### Credit Facility

On November 14, 2019, the Company entered into the Sixth Amended and Restated Credit Agreement ("Credit Agreement") with a Canadian banking syndicate of lenders. The Facility is used for general corporate purposes. It is comprised of a \$600,000 senior unsecured revolving facility ("Facility") which can be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Credit Agreement and subject to the repayment of the Company's Convertible debentures on June 23, 2023 (Note 17), there are no minimum repayments until June 30, 2023, the date at which the amount drawn is repayable in full. At any time, subject to certain terms and conditions, the Company may request an increase in the available Facility by an amount of up to \$200,000 subject to the acceptance of the individual lenders in the banking syndicate. Subject to certain terms and conditions, the Credit Agreement allows for extensions of the Facility's maturity date, in one-year increments, at the request of the Company and subject to the acceptance of a group of lenders within the banking syndicate whose commitments amount to, in the aggregate, more than 66 2/3%.

The Facility bears interest, payable monthly, at variable rates based on the currency in which an amount is drawn and on the quarterly Funded Debt to EBITDA ratio as defined in the Credit Agreement. The interest rate is based on the Canadian prime rate plus a spread which varies from 0.0% to 1.5% or, at the discretion of the Company for amounts drawn in US Dollars, based either on the US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%.

As at December 31, 2019, the total amount drawn on the Facility was \$29,784 and US\$323,660 (\$419,706) (\$123,500 and US\$219,400 (\$299,305) as at December 31, 2018).

The Sixth Amended and Restated Credit Agreement replaced the Fifth Amended and Restated Credit Agreement entered into by the Company on May 28, 2018, with similar terms, which was repayable in full on June 30, 2022.

The renegotiation of the Credit Agreement was treated as a modification under IFRS 9 – *Financial Instruments* and the transaction fees of \$435 associated with the Facility and \$480 associated with the Previous Credit Agreement were capitalized to the Facility as long-term debt in the consolidated statements of financial position. During the year ended December 31, 2019, fees of \$405 related to a modification in the administration of the banking syndicate were also capitalized to the Facility.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 16. Long-term debt (continued)

Prior to May 28, 2018, the Fourth Amended and Restated Credit Agreement (the "Previous Credit Agreement") included a US\$125,000 term (non-revolving) facility and a \$350,000 senior unsecured revolving facility which could be drawn in Canadian or US dollars at the discretion of the Company. There were no changes to the interest rates applicable on the Previous Credit Facility. Transaction fees of \$1,466 associated with the Facility and \$1,034 associated with the Previous Credit Agreement were capitalized to the Facility as long-term debt in the consolidated statements of financial position.

Under the terms of the Credit Agreement and the Previous Credit Agreement, the Company must satisfy certain restrictive covenants including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum Interest Coverage Ratio as defined in the Credit Agreement and the Previous Credit Agreement. EBITDA, a non-IFRS financial measure, includes consolidated earnings (losses) before interest, income taxes, depreciation, amortization and other non-cash items, and excludes extraordinary and unusual items including non-recurring items and certain purchase price obligations as well as certain other adjustments outlined in the Credit Agreement. All restrictive covenants under the Credit Agreement were met as at December 31, 2019 and December 31, 2018. The Credit Agreement also includes covenants that limit the ability of the Company and certain of its subsidiaries that are specifically included in the Credit Agreement as borrowing parties and therefore are guarantors to the Facility, to engage in specified types of transactions and thus imposes certain operating and financing restrictions on these entities.

#### Other Facilities

As at December 31, 2018, one of the Company's subsidiaries had an outstanding bank loan in the amount of \$231 of which quarterly payments of \$131 were required. The loan bore interest at prime plus 0.25% to 1.25% which was based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement). The original maturity of this loan was June 30, 2019, however the subsidiary repaid the total outstanding balance in January 2019. All debt covenant requirements were met as at December 31, 2018.

As at December 31, 2018, this subsidiary also had a leasing facility with an outstanding balance of \$688, under which monthly payments of \$15 were required. In January 2019, the subsidiary repaid the outstanding balance of this lease facility. As at December 31, 2018, the current and non-current portions of the loan were \$157 and \$531 respectively.

As at December 31, 2018, this subsidiary also had a line of credit with a limit of \$750. This credit limit bore interest at prime plus 0.25% to up to 1.00% which was also based on the ratio of senior debt to EBITDA and had no fixed maturity date. As at December 31, 2018 the subsidiary had not drawn on the line of credit and it was cancelled in January 2019.

Another subsidiary of the Company has a line of credit with a dollar limit of \$920. It bears interest at prime plus 1.50% and has no fixed maturity date. As at December 31, 2019 the subsidiary had not drawn on the line of credit (nil as at December 31, 2018).



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 16. Long-term debt (continued)

Reconciliation of long-term debt arising from financing activities for the years ended December 31:

	2019	2018
	\$	\$
Balance, beginning of year	421,527	293,771
Cash flows		
(Reimbursement)/proceeds from borrowings	49,005	109,261
Capitalized borrowing costs	(1,320)	(1,495)
Non-cash changes		
Amortization of deferred financing charges	726	650
Foreign exchange difference	(23,239)	19,340
Balance, end of year	446,699	421,527

### 17. Convertible debt

The balance of the convertible debt as at December 31 consists of the following:

	2019	2018
	\$	\$
Convertible debentures – 5.00% due June 23, 2023	80,425	79,008
Hybrid debentures – 5.60% due July 31, 2024	105,368	-
Non-current portion	185,793	79,008

#### a) Convertible debentures – 5.00% due June 23, 2023

	2019	2018
	\$	\$
Face value	86,250	86,250
Less:		
Issuance costs	(4,031)	(4,031)
Equity component (net of issuance costs of \$224)	(4,568)	(4,568)
Accretion expense on liability component	2,774	1,357
Balance, end of year	80,425	79,008

On December 21, 2017, the Company issued 86,250 unsecured convertible debentures at 5% maturing on June 23, 2023, with interest payable semi-annually in arrears on June 30 and December 31 of each year starting June 30, 2018, for gross proceeds of \$86,250. The convertible debentures are convertible at the option of the holder at a conversion price of \$18.85 per Class A subordinate shares ("Class A Shares"). The convertible debentures are not redeemable by the Company before June 30, 2021. The convertible debentures are redeemable by the Company at a price of \$1 per convertible debenture, plus accrued and unpaid interest, on or after June 30, 2021 and prior to June 30, 2022 (provided that the weighted average trading price of the Class A Shares on the TSX for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given, is not less than 125% of the conversion price of \$18.85 per share). On or after June 30, 2022 but prior to the maturity date, the Company may redeem on not more than 60 days and not less than 30 days prior notice, at a price of \$1 per convertible debenture, plus accrued and unpaid interest.

During the year ended December 31, 2019, an amount of \$4,313 (2018 – \$4,431) was paid representing the accrued cash interest.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 17 Convertible debt (continued)

#### b) Hybrid debentures – 5.60% due July 31, 2024

	As at December 31, 2019
	\$
Face value	110,000
Less:	
Issuance costs	(5,007)
Cumulative accretion expense	375
balance, end of year	105,368

On July 4, 2019, the Company issued \$100,000 senior subordinated unsecured hybrid debentures due July 31, 2024 and on July 9, 2019 the Company issued \$10,000 senior subordinated unsecured hybrid debentures related to the overallotment option, due July 31, 2024 (together, the "Hybrid debentures"). The Hybrid debentures bear interest at a rate of 5.60% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, with the first interest payment on January 31, 2020. The Hybrid debentures will not be redeemable before July 31, 2022, except upon the satisfaction of certain conditions after a change of control of the Company. On and after July 31, 2022 and prior to July 31, 2023, the Hybrid debentures will be redeemable in whole or in part from time to time at the Company's option, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to 102.80% of the principal amount redeemed plus accrued and unpaid interest. On and after July 31, 2023 and prior to the maturity date on July 31, 2024, the Hybrid debentures will be redeemable, in whole or in part, and from time to time, at the Company's option, on not more than 60 days and not less than 30 days prior notice, at a price of \$1 per Hybrid debenture plus accrued and unpaid interest. The Company will have the option to repay the principal amount of the Hybrid debentures due at redemption or at maturity on July 31, 2024 either by paying in cash or by issuing Class A Shares in accordance with the terms of the trust indenture. The Hybrid debentures will not be, at any time, convertible into Class A Shares at the option of the holders. The Hybrid debentures are recorded at amortized cost, net of issuance costs, using the effective interest rate method.

At December 31, 2019, an amount of \$3,080 is recorded in accounts payable and accrued liabilities, representing accrued cash interest from the issuance date to December 31, 2019.

The Company incurred underwriting fees and issuance costs of \$5,007 which are presented as a reduction of the Hybrid debentures.

The proceeds of the Hybrid debentures were used to finance the cash portion of the Natixis Canada, Foresters and IAM acquisitions, to reduce indebtedness under the Credit Facility and for general corporate purposes.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 18. Share capital and accumulated other comprehensive income

#### Authorized

The Company is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares. The Class B Shares may only be issued to Fiera Capital L.P.

Except as described below, the Class A Shares and the Class B Shares have the same rights, are equal in all respects and are treated as if they were shares of one class only. The Class A Shares and Class B Shares rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

The holders of outstanding Class A Shares and Class B Shares are entitled to receive dividends out of assets legally available at such times and in such amounts and form as the Board may, from time to time, determine without preference or distinction between Class A Shares and Class B Shares.

Class A Shares and Class B Shares each carry one vote per share for all matters other than the election of directors. With respect to the election of directors, holders of Class A Shares are entitled to elect, voting separately as a class, one-third of the members of the Board while holders of Class B Shares are entitled to elect, voting separately as a class, two-thirds of the members of the Board of the Company.

The Class A Shares are not convertible into any other class of shares. Class B Shares are convertible into Class A Shares on a one-for-one basis, at the option of the holder as long as Fiera Capital L.P. is controlled by current shareholders of Fiera Capital L.P. or holds at least 20% of the total number of issued and outstanding Class A Shares and Class B Shares.

The shares have no par value.

#### Preferred Shares

The Company is authorized to issue an unlimited number of Preferred Shares. Preferred Shares are issuable in series and would rank, both in regard to dividends and return on capital, in priority to the holders of the Class A Shares, the holders of the Class B Shares and over any other shares ranking junior to the holders of the Preferred Shares. Other conditions could also be applicable to the holders of the Preferred Shares. The Company has not issued any Preferred Shares.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 18. Share capital and accumulated other comprehensive income (continued)

The following table provides details of the issued, fully paid and outstanding common shares:

	Class A Shares		Class B Shares		Total	
	Number	\$	Number	\$	Number	\$
As at December 31, 2017	70,249,199	660,644	19,444,490	30,942	89,693,689	691,586
Issuance of shares						
Shares issued as part of a business combination	5,600,315	66,708	–	–	5,600,315	66,708
Shares issued as settlement of purchase price obligations	335,838	4,076	–	–	335,838	4,076
Performance and restricted share units settled	964,200	9,072	–	–	964,200	9,072
Stock options exercised	391,409	4,172	–	–	391,409	4,172
Cancellation of shares	(16,762)	(191)	–	–	(16,762)	(191)
Transfers from Class B shares to Class A shares	32,089	51	(32,089)	(51)	–	–
Adjustment to transaction costs on share previously issued	–	192	–	–	–	192
As at December 31, 2018	77,556,288	744,724	19,412,401	30,891	96,968,689	775,615
Issuance of shares						
Shares issued as part of business combinations (Note 4)	3,044,333	35,313	–	–	3,044,333	35,313
Shares issued as settlement of purchase price obligations	458,157	5,532	–	–	458,157	5,532
Performance and restricted share units settled	2,194,706	10,710	–	–	2,194,706	10,710
Stock options exercised	152,377	1,241	–	–	152,377	1,241
Reinvested dividends	31,000	339	–	–	31,000	339
Conversion of holdback shares	384,292	5,501	–	–	384,292	5,501
Share repurchase and cancellation	(2,458,550)	(23,742)	–	–	(2,458,550)	(23,742)
As at December 31, 2019 <sup>(1)</sup>	81,362,603	779,618	19,412,401	30,891	100,775,004	810,509

<sup>(1)</sup> Includes 3,300,045 Class A Shares held in escrow in relation with the Apex acquisition (4,125,055 as at December 31, 2018) and 637,293 Class A Shares held in escrow in relation with the Clearwater acquisition (724,197 as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 18. Share capital and accumulated other comprehensive income (continued)

2019

#### Issuance of shares

##### *Shares issued as part of business combinations*

On April 3, 2019, as part of the acquisition of Palmer Capital, the Company issued 1,430,036 Class A Shares for \$16,975.

On July 3, 2019, as part of the acquisition of IAM, the Company issued 1,614,297 Class A Shares for \$18,338.

##### *Shares issued as settlement of purchase price obligations*

On February 13, 2019, in connection with the asset purchase agreement of Fiera Private Debt (formerly, Private Lending and formerly Centria Commerce Inc. prior to the acquisition date), the Company issued 458,157 Class A Shares for \$5,532 as settlement of purchase price obligations, net of issuance costs.

##### *Performance share units and restricted share units settled*

During the year ended December 31, 2019, 2,194,706 Class A Shares were issued following the vesting of performance share units.

##### *Stock option exercised*

During the year ended December 31, 2019, 152,377 stock options were exercised and 152,377 Class A Shares were issued for \$1,241.

#### Conversion of holdback shares

On July 11, 2019, in connection with the acquisition of CGOV Asset Management on May 31, 2018, the Company settled a purchase price obligation payable in contingently issuable Class A Shares.

As a result of the settlement, 384,292 of the 923,778 Class A Shares held in escrow as contingently issuable Class A Shares were released to the seller, and the remaining 539,486 Class A Shares were returned to treasury and cancelled.

Class A Shares held in escrow as reinvested dividends were also released as part of the settlement, with 6,090 Class A Shares released to the seller and 8,550 Class A Shares returned to treasury and cancelled. The Company recorded an increase of \$421 in contributed surplus related to the cancellation of shares and previously paid dividends returned to the Company.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 18. Share capital and accumulated other comprehensive income (continued)

#### Share repurchase and cancellation

##### Natixis

On May 9, 2019, the Company entered into a share purchase agreement by which an affiliate of Natixis Investment Managers S.A. ("Natixis"), a global asset management firm, Natixis Investment Managers Canada Holdings Ltd. ("Natixis Canada Holdings"), acquired a total of 10,680,000 Class A subordinate voting shares ("Class A Shares") of the Company from Natcan Investment Management Inc. ("Natcan"), a wholly-owned subsidiary of National Bank of Canada, and DJM Capital for total consideration of \$128,160. The Board approved the share purchase agreement for the purchase for cancellation of 2,450,000 of its Class A Shares from Natcan for total consideration of \$29,400. The fair value of the shares cancelled was \$23,661 and the premium paid by the Company of \$5,739 was recorded in contributed surplus. The closing and settlement dates for this transaction was May 9, 2019.

On July 3, 2019, the Company completed the acquisition of all of the issued and outstanding shares of Natixis Canada, Natixis' Canadian operations (Note 4).

#### Transfers

During the year ended December 31, 2019, no Class B Shares were converted into Class A Shares.

### 2018

#### Issuance of shares

##### *Shares issued as part of business combinations*

On August 9, 2018, as part of the acquisition of Clearwater, the Company issued 982,532 Class A shares for \$11,723, less issuance costs of \$28.

On May 31, 2018, as part of the acquisition of CGOV, the Company issued 4,617,783 Class A shares for \$55,136, less issuance costs of \$123.

##### *Shares issued as settlement of purchase price obligations*

On February 22, 2018, in connection with the asset purchase agreement of Fiera Private Debt, formerly Fiera Private Lending, the Company issued 335,838 Class A Shares for \$4,083 as settlement of purchase price obligations, less issuance costs of \$7.

##### *Performance share units and restricted share units settled*

During the year ended December 31, 2018, 964,200 Class A Shares were issued following the vesting of performance share units and restricted share units worth \$9,072.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 18. Share capital and accumulated other comprehensive income (continued)

#### *Stock option exercised*

During the year ended December 31, 2018, 391,409 stock options were exercised and 391,409 Class A Shares were issued for \$4,172.

#### **Cancellation of shares**

During the year ended December 31, 2018, 4,060 Class A Shares were cancelled due to the forfeiture of restricted shares and 12,702 Class A Shares were cancelled as settlement of purchase price adjustments related to the Clearwater acquisition.

#### **Transfers**

During the year ended December 31, 2018, 32,089 Class B Shares were converted into Class A Shares on a one-for-one basis.

#### **Dividends**

During the year ended December 31, 2019, the Company declared dividends on Class A shares and Class B shares totalling \$83,732 (\$0.84 per share) (2018 – \$73,581 (\$0.78 per share)) of which \$197 were declared on holdback shares (2018 – \$186). \$83,393 of these dividends were settled in cash (2018 – \$73,581).

#### **Dividend Reinvestment Plan**

The Board approved a Dividend Reinvestment Plan ("DRIP") dated May 30, 2019. The DRIP provides the Company's shareholders with the option to have cash dividends on their Class A Shares automatically reinvested into additional Class A Shares. At the Company's sole discretion, shares issued to settle the dividend payment under the DRIP may be either in the form of newly issued treasury shares, purchased on the open market or a combination of both. The company may also, from time to time, in its sole discretion, offer a discount of up to 5.00% of the average market price for shares purchased from treasury.

During the year ended December 31, 2019, 31,000 Class A Shares were issued for \$339 of reinvested dividends. These shares were issued from treasury at a discount of nil.

#### **Accumulated other comprehensive income**

The components of accumulated other comprehensive income as at December 31 include:

	December 31, 2019	December 31, 2018
	\$	\$
Cash flow hedges	(1,383)	3,927
Other	(61)	–
Unrealized exchange differences on translating financial statements of foreign operations	17,243	33,729
	15,799	37,656

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 19. Earnings (loss) per share

Earnings (loss) per share and the reconciliation of the number of shares used to calculate basic and diluted earnings (loss) per share are as follows:

	For the years ended December 31,	
	2019	2018
	\$	\$
Net earnings (loss) attributable to shareholders	(13,419)	(5,013)
Weighted average shares outstanding – basic	99,045,378	94,665,002
Effect of dilutive share-based awards	–	–
Weighted average shares outstanding – diluted	99,045,378	94,665,002
Basic earnings (loss) per share	(0.14)	(0.05)
Diluted earnings (loss) per share	(0.14)	(0.05)

For the year ended December 31, 2019, the share-based awards payable in 6,103,863 shares and contingent consideration payable in nil shares, as well as the convertible and hybrid debentures with a face value of respectively \$86,250 and \$110,000 were all anti-dilutive. For the year ended December 31, 2018, the calculation of hypothetical conversions does not include 10,274,558 share-based awards payable in shares and 2,165,250 contingent consideration payable in shares, or the convertible debentures with a face value of \$86,250 as these are anti-dilutive

### 20. Share-based payments

#### a) Stock option plan

Under the Company's stock option plan, the exercise price of each stock option is equal to the volume weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the date the stock option is granted. The Board may determine the maximum term for which options are granted and will become exercisable and whether the options will be exercisable in instalments or pursuant to a vesting schedule.

A summary of the changes that occurred in the Company's stock option plan during the years ended December 31, 2019, and 2018, is presented below:

	2019		2018	
	Number of Class A Share options	Weighted-average exercise price	Number of Class A Share options	Weighted-average exercise price
		\$		\$
Outstanding – beginning of year	3,977,191	12.21	4,183,852	11.86
Granted	1,100,000	12.25	305,000	12.22
Exercised	(152,377)	6.58	(391,409)	8.07
Forfeited	(398,045)	13.31	(120,252)	13.63
Outstanding – end of year	4,526,769	12.32	3,977,191	12.21
Options exercisable – end of year	1,176,510	11.60	1,281,812	11.20



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 20. Share-based payments (continued)

The following table presents the weighted average assumptions used to determine the share-based compensation expense using the Black-Scholes option-pricing model during the years ended December 31, 2019 and 2018:

	2019	2018
Dividend yield (%)	6.90	6.20
Risk-free interest rate (%)	1.59	2.25
Expected life (years)	7.72	7.5
Expected volatility of the share price (%)	25.26	26.30
Weighted-average fair value (\$)	1.04	1.41
Share-based compensation expense (\$)	518	1,732

The expected volatility is based on the historical volatility of the Company's share price. The risk-free interest rate used is equal to the yield available on government of Canada bonds at the date of grant with a term equal to the expected life of options.

The following table summarizes the stock options outstanding and exercisable as at December 31, 2019:

Range of exercise price	Options outstanding			Options exercisable	
	Number of Class A Share options	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number of Class A Share options	Weighted-average exercise price
			\$		\$
5.41 to 8.50	516,510	1.72	8.09	396,510	8.30
8.51 to 14.77	4,010,259	8.26	12.86	780,000	13.28

#### b) Deferred share unit ("DSU") plan

In 2007, the Board adopted a deferred share unit plan (the "DSU Plan") for the purposes of strengthening the alignment of interests between the directors and the shareholders by linking a portion of annual director compensation to the future value of the shares, in lieu of cash compensation. As at September 1, 2010, the Board cancelled the DSU plan; however, all existing rights and privileges were kept intact. All directors are now compensated in cash.

As at December 31, 2019, the Company had a liability for an amount of \$106 for the 9,031 units outstanding under the DSU plan (\$95 for 8,395 units as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 20. Share-based payments (continued)

#### c) Restricted share unit ("RSU") plan

On April 12, 2018, the Board approved an amended and restated RSU Plan mainly to include various tax considerations and to specify that the Company may, at its discretion, settle the RSU awards in cash or in shares. The purpose of this plan is to provide eligible employees with the opportunity to acquire RSUs in order to retain key employees and to permit them to participate in the growth and development of the Company and to better align the interests of participants with the long-term interests of shareholders of the Company.

The following table presents transactions that occurred in the Company's RSU Plan during the years ended December 31, 2019 and 2018.

	2019	2018
Outstanding units – beginning of year	258,560	608,635
Granted	100,001	–
Reinvestments in lieu of dividends	20,411	24,610
Vested <sup>(1)</sup>	(136,234)	(374,685)
Forfeited	–	–
Outstanding units– end of year	242,738	258,560

<sup>(1)</sup> No restricted share units were settled in cash (2018 – 47,252).

One RSU is equivalent to one Class A Share of the Company. The Company recorded an expense of \$1,880 and \$3,176 for these grants during the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, 136,234 Class A Shares (2018 – 327,433) were issued as settlement of RSU vested and no cash was paid as settlement of vested RSUs (2018 – \$585). As at December 31, 2019, the Company had a liability in the amount of \$2,100 for the 242,738 units outstanding under the RSU Plan (\$1,759 for 258,560 units as at December 31, 2018).

#### d) Restricted share unit plan – cash ("RSU cash")

On April 12, 2018, the Board approved an amended and restated RSU cash plan mainly to include various tax considerations. The purpose of this plan is to provide eligible employees with the opportunity to acquire restricted share units in order to retain key employees and to permit them to participate in the growth and development of the Company and to better align the interests of participants with the long-term interests of shareholders of the Company. All RSUs granted under this plan will be settled in cash. The following table presents transactions that occurred in the Company's RSU Plan during the years ended December 31, 2019 and 2018.

	2019	2018
Outstanding units – beginning of year	528,308	504,380
Granted	127,389	154,693
Reinvestments in lieu of dividends	38,560	37,936
Vested	(325,643)	(167,974)
Forfeited	–	(727)
Outstanding units – end of year	368,614	528,308

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 20. Share-based payments (continued)

RSU cash units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$2,658 and \$2,254 for these grants during the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, 325,643 units vested (2018 - 167,974) and an amount of \$1,945 was paid in cash as settlement of 172,057 units (2018 - \$396 paid in cash for 32,607 units) and the remaining 153,586 units were settled in cash in January 2020. In addition, \$1,528 was paid during the year as settlement of units that vested in 2018. As at December 31, 2019, the Company had a liability totalling \$3,486 for the 368,614 units outstanding (\$4,305 for the 528,308 units as at December 31, 2018).

#### e) Restricted share plan

As at December 31, 2018, there were no longer any restricted shares outstanding. On March 21, 2019 the Board approved the termination of the Restricted share plan. No expenses were recorded for the restricted share plan during the year ended December 31, 2019 (2018 - \$284).

#### f) PSU and UAR Plan applicable to Business Units

On April 12, 2018, the Board approved an amended and restated PSU plan applicable to Business Units ("BU") mainly to include various tax considerations. Performance share units are provided to eligible employees at an award value which is determined by the Board as the original value of the award. The number of performance share units awarded to a participant as of the award date is calculated by dividing the award value by the value of the PSU BU as determined by the Board at each award date.

PSUs are considered granted when the award notice is approved by the Board and is accepted by the employee. The vesting date is the date at which all vesting terms and conditions set forth in the PSU plan applicable to BU and the employee's award notice have been satisfied.

Vested PSUs are settled in accordance with the terms of the plan. The settlement date value is determined by the product of the number of PSUs vested and the value of the PSU on the applicable vesting date.

In June 2018, the Company amended its Performance Share Unit Plan applicable to Business Units (PSU applicable to BU) plan to include an ability to grant Unit Appreciation Rights applicable to Business Units (UAR applicable to BU).

#### PSU applicable to BU

The Company recorded the following expense relating to PSU plans applicable to BU during the years ended December 31, 2019 and 2018:

	2019	2018
	\$	\$
Equity-settled grants	6,343	6,229
Cash-settled grants	8,540	7,297
Total expense	14,883	13,526

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 20. Share-based payments (continued)

During the year ended December 31, 2019, the total award value granted under the Company's PSU plans applicable to BUs was \$6,320. A total of 1,820,929 Class A Shares were issued during the year ended December 31, 2019 as settlement of PSU applicable to BUs that had vested in 2018 and 7,818 Class A Shares were issued as settlement of PSU applicable to BUs vested in 2019. Vested units that were not settled as at December 31, 2019 will be settled during fiscal year 2020.

During the year ended December 31, 2018, the total award value granted under the Company's PSU plans applicable to BUs was \$6,575. A total of 616,948 Class A Shares were issued during the year ended December 31, 2018 as settlement of PSU applicable to BUs. Vested units were settled in 2019 through the issuance of Class A Shares.

#### UAR applicable to BU

Under the UAR plan applicable to BUs, eligible employees are entitled to receive Class A Shares of the Company for an amount equivalent to the difference between the business value per unit on the vesting date and the exercise price determined on the grant date. The Company recorded an expense of \$1,963 and \$1,276 during the years ended December 31, 2019 and 2018, respectively.

#### g) PSU plan

On April 12, 2018, the Board approved an amended and restated PSU Plan mainly to include various tax considerations and to specify that the Company may, at its discretion, settle the PSU awards in cash or in shares. PSUs are provided to eligible employees at an award value which is determined by the Board as the original value of the award. The number of PSUs awarded to a participant as of the award date is calculated by dividing the award value by the market value on the award date. One PSU unit is equivalent to one Class A Share of the Company.

The Company recorded the following expense relating to PSU plans during the years ended December 31, 2019 and 2018:

	2019	2018
	\$	\$
Equity-settled grants	1,419	1,292
Cash-settled grants	1,149	1,126
Total expense	2,568	2,418

The total award value granted to eligible employees under the Company's PSU plans for the years ended December 31, 2019 and 2018 was \$548 and \$4,828 respectively. A total of 217,882 Class A Shares were issued and \$2,580 was paid during the year ended December 31, 2019 as settlement of PSU vested in 2018 and 2019 (2018 – 19,819 Class A shares issued as settlement of PSUs vested in 2017). Vested units that were not settled as at December 31, 2019 will be settled in 2020.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

*(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)*

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### 20. Share-based payments (continued)

#### h) Stock option plans in the Company's subsidiaries

One of the Company's subsidiaries has a stock option plan which is based on the shares of the respective subsidiary entity. This plan is accounted for as a cash-settled plan. The Company's subsidiaries stock option expense in the statements of consolidated net earnings (loss) for the year ended December 31, 2019 was \$2,443 (\$2,568 for the year ended December 31, 2018). The subsidiary paid an amount of \$1,119 and \$651 during the years ended December 31, 2019 and 2018, respectively, as settlement of stock options. The cash settled share-based liability is \$5,280 in the statements of financial position as at December 31, 2019 (\$3,956 as at December 31, 2018).

### 21. Post-employment benefit obligations

The Company contributes to defined contribution plans for its employees. Contributions for the year ended December 31, 2019 amount to \$4,566 (\$3,696 for the year ended December 31, 2018).

Subsequent to a business combination in September 2010, the Company assumed the role of sponsor of six individual pension plans ("IPPs") which had been established by the Company for former employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies. These IPPs are valued on a triennial reporting cycle. The most recent actuarial valuation was performed as at January 1, 2019 for four plans. The next actuarial valuation date is January 1, 2021 for one plan, June 30, 2021 for one plan and January 1, 2022 for four plans. Each IPP plan will be individually wound up upon the death of the respective participant or if applicable, their surviving spouse.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 22. Expenses by nature

The details of selling, general and administration expense are as follows:

	For the years ended December 31,	
	2019	2018
	\$	\$
Salaries, wages and employee benefits	377,364	327,613
Travelling and marketing	15,943	12,756
Reference fees	17,426	17,746
Rent	1,681	13,069
Technical services	36,150	26,134
Professional fees	20,151	14,291
Insurance, permits and taxes	3,813	3,289
Other	11,869	11,026
	484,397	425,924

The details of salaries, wages and employee benefits are as follows:

	For the years ended December 31,	
	2019	2018
	\$	\$
Salaries and wages	321,396	276,192
Pension costs	4,566	3,696
Payroll deductions	23,352	19,051
Share-based compensation	10,242	10,813
Cash settled share-based compensation	14,022	14,155
Other	3,786	3,706
	377,364	327,613

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and include the Company's directors and key officers. Compensation awarded to key management is as follows:

	For the years ended December 31,	
	2019	2018
	\$	\$
Salaries and other short-term benefits	31,906	24,004
Share-based payments	5,535	5,408

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 23. Interest on long-term debt and other financial charges

	For the years ended December 31,	
	2019	2018
	\$	\$
Interest on long-term debt	20,507	18,092
Interest on convertible debentures	9,185	5,634
Interest on derivative financial instruments	(422)	(2,843)
Amortization of deferred financing charges	726	650
Other interest	1,316	1,071
Foreign exchange	(12,437)	5,844
Change in fair value of derivative financial instruments	12,966	(3,093)
	31,841	25,355

### 24. Additional information relating to consolidated statements of cash flows

	For the years ended December 31,	
	2019	2018
	\$	\$
<b>Changes in non-cash operating working capital items</b>		
Accounts receivable	(3,888)	(7,100)
Prepaid expenses and other assets	(2,270)	(1,528)
Accounts payable and accrued liabilities	22,204	4,532
Amounts due to related parties	(1,087)	1,358
Client deposits and deferred revenues	1,034	(185)
	15,993	(2,923)

The following are non-cash items:

During the year ended December 31, 2019, the Company issued Class A Shares of \$35,313 (2018 – \$72,209) as part of business combinations, of \$5,532 (2018 – \$4,083) as settlement of purchase price obligations and of \$10,710 (2018 – \$9,072) as settlement for PSUs and RSUs. The puttable financial instrument liability of \$13,237 recorded at the acquisition of Palmer Capital along with an amount of \$19,468 for an acquisition of a contingent value right asset and \$10,453 for a contingent value right liability, are recorded as non-cash items.

During the year ended December 31, 2018, The Company also cancelled shares previously issued as part of business combinations of \$191 and recorded adjustments to accrued share issuance costs of \$241 and accrued issuance costs related to the convertible debentures of \$238 included in accounts payable and accrued liabilities.

Additions to property and equipment included in accounts payable and accrued liabilities of \$1,132 (2018 – \$179) along with additions to intangible assets included in accounts payable and accrued liabilities of \$205 (2018 – \$129) are non-cash items during the year ended December 31, 2019.

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between income taxes paid of \$17,756 (2018 – \$7,916) and income tax expense of \$9,692 (2018 – \$14,060) for a net impact of (\$8,064) for the year ended December 31, 2019 (2018 – \$6,144).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 25. Commitments and Contingent liabilities

#### Commitments

The Company signed contracts for licence, software services and other expiring at different dates until 2024.

The total payments for each of the next five years, and thereafter for commitments are as follows:

	\$
2020	11,207
2021	8,399
2022	4,970
2023	409
2024	273
Thereafter	–
	25,258

#### Contingent liabilities

In the normal course of business, the Company and its subsidiaries may be party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

### 26. Capital management

The Company's capital comprises share capital, retained earnings (deficit), long-term debt, convertible debentures and hybrid debentures, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lender of the debt. As at December 31, 2019 and 2018, the Company and one of its subsidiaries are subject to calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions*, calculated on a non-consolidated basis, and they have complied with their respective calculations. The Company and its subsidiaries have also complied with their restrictive debt covenants under the various credit facilities.

In order to maintain or adjust its capital structure, the Company may issue shares, proceed to the issuance or repayment of debt or redeem convertible debentures (as applicable under the terms of the respective final short-term prospectuses for these convertible debt).



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 27. Related party transactions

In the normal course of business, the Company carries out transactions with related parties which include two related shareholders or with entities under the same common control as these related shareholders.

At December 31, 2019, a related shareholder indirectly owns Class B Special Voting Shares representing approximately 7.2% of the Company's issued and outstanding shares (7.4% as at December 31, 2018) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. This related shareholder is one of the two co-lead arrangers and one of the lenders in the syndicate of lenders to the Company's Credit Facility and effective June 2019 took on the role as administrative agent of the Credit Agreement.

Following the Natixis transaction in May 2019, a shareholder was no longer considered a related party due to a reduction in their beneficial share ownership. Transactions with this shareholder prior to May 2019 are included in the table below.

In addition, following the Natixis transaction in May 2019 (Note 4), a related shareholder owns 10.60% Class A Subordinate voting shares and has the right to elect one director to the Company's Board.

The following table presents transactions either directly with the two related shareholders or with entities under the same common control as these related shareholders:

	2019	2018
	\$	\$
Base management fees	22,150	44,154
Performance fees	–	3,779
Other revenues	5,323	367
Selling, general & administrative expenses		
Reference fees	544	1,701
Other	196	613
Interest on long-term debt	17,331	15,946
Net (gain) loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	8,276	(3,093)
Cash consideration as settlement of a purchase price obligation	–	8,500

The Company has also carried out the following transactions with joint ventures and associates:

	2019	2018
	\$	\$
Other revenues	414	–

The transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

### 28. Segment reporting

The Company has determined that there is one reportable segment, asset management services. The geographical information is provided in the following table:

	Revenues	Non-current assets
	For the year ended December 31, 2019	As at December 31, 2019
	\$	\$
Canada	327,380	744,024
United States of America	216,952	463,329
Europe and other	112,838	167,999
	657,170	1,375,352

	Revenues	Non-current assets
	For the year ended December 31, 2018	As at December 31, 2018
	\$	\$
Canada	268,547	599,334
United States of America	198,261	472,472
Europe and other	73,477	105,872
	540,285	1,177,678

Revenues are attributed to countries on the basis of the client's location. As at December 31, 2019, non-current assets presented above exclude deferred income taxes of \$23,559, financial instruments of \$537 and other non-current assets of \$6,654 (\$20,093, \$5,388 and nil respectively as at December 31, 2018).

### 29. Subsequent events

- I. Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.
- II. On March 18, 2020, the Board declared a quarterly dividend of \$0.21 per share to shareholders of record as at March 31, 2020 which is payable on April 28, 2020.



