



Interim Condensed Consolidated  
Financial Statements of  
**FIERA CAPITAL CORPORATION**

For the three and nine-month periods ended  
September 30, 2019 and 2018  
(Unaudited)



# Fiera Capital Corporation

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# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Earnings (Loss)

For the three and nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars, except per share data)

	Three-month periods		Nine-month periods	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Revenues</b>				
Base management fees	150,316	126,936	414,952	357,064
Performance fees	1,564	1,174	4,725	5,294
Other revenues	8,076	8,999	32,968	20,964
	<b>159,956</b>	<b>137,109</b>	<b>452,645</b>	<b>383,322</b>
<b>Expenses</b>				
Selling, general and administrative expenses	116,905	106,710	336,524	303,483
External managers	1,849	544	2,280	1,284
Amortization of intangible assets (Note 7)	13,525	11,834	38,562	32,345
Depreciation of property and equipment	1,403	1,091	3,703	3,056
Depreciation of right-of-use assets	4,892	-	14,510	-
Restructuring, integration and other costs (Note 6)	3,577	871	7,727	4,188
Acquisition costs	2,306	2,594	10,683	8,120
	<b>144,457</b>	<b>123,644</b>	<b>413,989</b>	<b>352,476</b>
Earnings before under-noted items	15,499	13,465	38,656	30,846
Realized (gain) loss on investments	140	(3)	(307)	26
Loss (gain) on disposal of assets	(199)	1	101	1
Interest on lease liabilities	1,393	-	3,965	-
Interest on long-term debt and other financial charges	8,865	5,393	22,972	15,208
Accretion and change in fair value of purchase price obligations (Note 8)	8,801	5,978	21,928	16,165
(Gain) loss on lease modifications and other	(114)	-	(114)	-
Revaluation of puttable financial instrument liability	317	-	667	-
Revaluation of assets held-for-sale (Note 9)	-	-	(699)	-
Earnings (loss) before income taxes	(3,704)	2,096	(9,857)	(554)
Income tax expense	889	969	6,103	2,627
<b>Net earnings (loss) for the periods</b>	<b>(4,593)</b>	<b>1,127</b>	<b>(15,960)</b>	<b>(3,181)</b>
<b>Net earnings (loss) attributable to:</b>				
Company's shareholders	(4,740)	995	(16,806)	(3,304)
Non-controlling interest	147	132	846	123
	<b>(4,593)</b>	<b>1,127</b>	<b>(15,960)</b>	<b>(3,181)</b>
Net earnings (loss) per share (Note 13)				
Basic	(0.05)	0.01	(0.17)	(0.04)
Diluted	(0.05)	0.01	(0.17)	(0.04)

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and nine-month periods ended September 30,

(Unaudited)

*(In thousands of Canadian dollars, except per share data)*

	Three-month periods		Nine-month periods	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings (loss) for the periods	(4,593)	1,127	(15,960)	(3,181)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to earnings (loss):				
Cash flow hedges (net of income taxes of \$128 and \$923 for the three and nine-month periods ended September 30, 2019, respectively, and net of income taxes of \$92 and \$772 for the three and nine-month periods ended September 30, 2018) (Note 8)	(839)	602	(6,045)	5,040
Unrealized exchange differences on translating financial statements of foreign operations	3,113	(4,268)	(13,350)	7,171
Other comprehensive income (loss)	2,274	(3,666)	(19,395)	12,211
<b>Comprehensive income (loss)</b>	<b>(2,319)</b>	<b>(2,539)</b>	<b>(35,355)</b>	<b>9,030</b>
<b>Comprehensive income (loss) attributable to:</b>				
Company's shareholders	(2,466)	(2,671)	(36,201)	8,907
Non-controlling interest	147	132	846	123
	<b>(2,319)</b>	<b>(2,539)</b>	<b>(35,355)</b>	<b>9,030</b>

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(In thousands of Canadian dollars, except per share data)

	As at September 30, 2019	As at December 31, 2018
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	87,800	52,466
Restricted cash and cash equivalents	11,687	1,012
Trade and other receivables	137,611	148,459
Rent receivable	737	-
Assets held-for-sale (Note 9)	-	35,711
Investments	4,687	4,857
Prepaid expenses and other assets	20,407	14,943
	<b>262,929</b>	<b>257,448</b>
Non-current assets		
Goodwill (Note 7)	686,584	631,699
Intangible assets (Note 7)	537,070	529,062
Right-of-use assets (Note 3)	128,685	-
Property and equipment	28,084	16,499
Derivative financial instruments (Note 8)	352	5,366
Deferred income taxes	25,757	20,093
Deferred charges and other	1,787	440
Other non-current assets	5,000	-
Investments in joint ventures, associates and other	22,018	-
	<b>1,698,266</b>	<b>1,460,607</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	140,711	144,059
Current portion of purchase price obligations (Note 8)	37,766	32,487
Current portion of lease liabilities (Note 3)	16,634	-
Restructuring provisions (Note 6)	3,408	2,289
Derivative financial instruments (Note 8)	201	1,672
Current portion of long-term debt (Note 10)	-	388
Amounts due to related parties	-	2,599
Client deposits and deferred revenues	3,753	727
Amounts due to holders of redeemable units (Note 9)	-	5,394
Deferred income taxes on assets held-for-sale	-	704
	<b>202,473</b>	<b>190,319</b>
Non-current liabilities		
Long-term debt (Note 10)	479,469	421,139
Convertible debt (Note 11)	185,140	79,008
Lease liabilities (Note 3)	131,584	-
Derivative financial instruments (Note 8)	5,661	1,560
Puttable financial instrument liability (Notes 5 and 8)	13,061	-
Purchase price obligations (Note 8)	96,880	98,221
Long-term restructuring provisions (Note 6)	115	715
Cash-settled share-based liabilities	565	10,470
Other non-current liabilities	7,161	4,670
Deferred lease obligations	-	3,955
Lease inducements	-	4,335
Deferred income taxes	16,042	12,489
	<b>1,138,151</b>	<b>826,881</b>
<b>Equity attributable to:</b>		
Company's shareholders	558,323	632,958
Non-controlling interest	1,792	768
	<b>560,115</b>	<b>633,726</b>
	<b>1,698,266</b>	<b>1,460,607</b>

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars)

	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, 2018	775,615	5,501	22,475	3,339	(211,628)	37,656	632,958	768	633,726
Net earnings (loss)	-	-	-	-	(16,806)	-	(16,806)	846	(15,960)
Other comprehensive income (loss)	-	-	-	-	-	(19,395)	(19,395)	-	(19,395)
Comprehensive income (loss)	-	-	-	-	(16,806)	(19,395)	(36,201)	846	(35,355)
Share-based compensation expense	-	-	7,697	-	-	-	7,697	-	7,697
Shares issued as part of a business combination (Notes 5, 12)	35,313	-	-	-	-	-	35,313	-	35,313
Shares issued as settlement of purchase price obligations (Note 12)	5,532	-	-	-	-	-	5,532	-	5,532
Performance and restricted share units settled (Note 12)	10,710	-	(7,168)	-	-	-	3,542	-	3,542
Stock options exercised (Note 12)	1,241	-	(238)	-	-	-	1,003	-	1,003
Conversion of holdback shares (Note 12)	5,501	(5,501)	-	-	-	-	-	-	-
Business combination (Note 5)	-	-	-	-	-	-	-	178	178
Dividends (Note 12)	-	-	-	-	(62,574)	-	(62,574)	-	(62,574)
Common shares issued under DRIP (Note 12)	113	-	-	-	-	-	113	-	113
Share repurchase and cancellation (Note 12)	(23,742)	-	(5,318)	-	-	-	(29,060)	-	(29,060)
<b>Balance, September 30, 2019</b>	<b>810,283</b>	<b>-</b>	<b>17,448</b>	<b>3,339</b>	<b>(291,008)</b>	<b>18,261</b>	<b>558,323</b>	<b>1,792</b>	<b>560,115</b>
Balance, December 31, 2017	691,586	(860)	18,660	3,330	(133,195)	13,024	592,545	(534)	592,011
Impact of IFRS 9	-	-	-	-	161	(161)	-	-	-
Net earnings (loss)	-	-	-	-	(3,304)	-	(3,304)	123	(3,181)
Other comprehensive income	-	-	-	-	-	12,211	12,211	-	12,211
Comprehensive income (loss)	-	-	-	-	(3,304)	12,211	8,907	123	9,030
Share-based compensation expense (Note 12)	-	-	8,138	-	-	-	8,138	-	8,138
Shares issued as part of a business combination (Note 12)	66,708	-	-	-	-	-	66,708	-	66,708
Shares issued as settlement of purchase price obligations (Note 12)	4,076	5,501	-	-	-	-	9,577	-	9,577
Performance and restricted share units settled (Note 12)	5,543	-	(3,159)	-	-	-	2,384	-	2,384
Stock options exercised (Note 12)	3,583	-	(872)	-	-	-	2,711	-	2,711
Adjustment to transaction costs on previously issued shares	192	-	-	9	-	-	201	-	201
Cancellation of shares	(27)	27	-	-	-	-	-	-	-
Net change in non-controlling interest	-	-	-	-	-	-	-	1,044	1,044
Capital contribution	-	-	305	-	-	-	305	-	305
Dividends (Note 12)	-	-	-	-	(54,044)	-	(54,044)	-	(54,044)
<b>Balance, September 30, 2018</b>	<b>771,661</b>	<b>4,668</b>	<b>23,072</b>	<b>3,339</b>	<b>(190,382)</b>	<b>25,074</b>	<b>637,432</b>	<b>633</b>	<b>638,065</b>

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

# Fiera Capital Corporation

## Interim Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30,

(Unaudited)

(In thousands of Canadian dollars)

	2019	2018
	\$	\$
<b>Operating activities</b>		
Net loss	(15,960)	(3,181)
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment and right-of-use assets	56,775	35,401
Amortization of deferred charges	318	297
Revaluation of assets held-for-sale	(699)	-
Loss on disposal of intangible assets and property and equipment	(108)	(1)
(Gain) loss on lease modification and other	(114)	-
Accretion and change in fair value of purchase price obligations and puttable financial instrument liability	22,595	16,165
Lease inducements and deferred lease obligations	-	(887)
Share-based compensation expense	7,697	8,138
Cash-settled share-based compensation expense	9,564	11,469
Restructuring, integration and other costs	519	(2,599)
Interest on lease liabilities	3,965	-
Interest on long-term debt and other financial charges	22,972	15,634
Income tax expense	6,103	2,627
Income tax paid	(14,268)	(6,505)
Realized and unrealized (gain) loss on financial instruments	(196)	338
Realized (gain) loss on investments	(609)	27
Other non-current liabilities	(2,469)	1,475
Share of earnings in joint ventures	735	-
Changes in non-cash operating working capital items (Note 15)	(22,474)	(34,951)
<b>Net cash generated by (used in) operating activities</b>	<b>74,346</b>	<b>43,447</b>
<b>Investing activities</b>		
Business combinations (Note 5)	(60,443)	(53,195)
Disposal of assets	33,831	-
Settlement of purchase price adjustments and obligations	(15,892)	(12,088)
Investments, net	(1,388)	(18,032)
Purchase of property and equipment	(12,866)	(1,836)
Purchase or acquisition of intangible assets	(13,246)	(8,768)
Deferred charges and other assets	(5,021)	(165)
Restricted cash and cash equivalents	(10,637)	(11)
<b>Net cash generated by (used in) investing activities</b>	<b>(85,662)</b>	<b>(94,095)</b>
<b>Financing activities</b>		
Settlement of share-based compensation	(2,688)	(585)
Dividends paid on common shares, net of dividend reinvested	(62,461)	(54,044)
Lease payments	(6,363)	-
Issuance of share capital net of issuance costs of \$16 (2018 - \$7)	987	2,703
Share repurchase and cancellation	(29,060)	-
Contribution (purchase) of non-controlling interest	-	1,044
Long-term debt, net	70,114	117,449
Issuance of debentures, net of transaction costs	104,963	-
Interest paid on long-term debt	(17,616)	(14,003)
Settlement of derivative financial instruments	(6,414)	(2,527)
Financing charges	(495)	(1,485)
<b>Net cash generated by (used in) financing activities</b>	<b>50,967</b>	<b>48,552</b>
Net decrease in cash and cash equivalents	39,651	(2,096)
Effect of exchange rate changes on cash denominated in foreign currencies	(4,317)	443
Cash and cash equivalents – beginning of period	52,466	41,079
<b>Cash and cash equivalents – end of period</b>	<b>87,800</b>	<b>39,426</b>

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 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 interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2019 and 2018 on November 7, 2019.

### 2. Basis of presentation

#### Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*, as issued by the International Accounting Standard Board (“IASB”) and accordingly, do not include all disclosures required under International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2018, except for the impact of the adoption of the standards, interpretations and amendments described in Note 3.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2018 and December 31, 2017.

The Company has prepared and presented these interim condensed consolidated financial statements in Canadian dollars, its functional and reporting currency.



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 3. Adoption of new IFRS and changes in accounting policies

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2018.

#### 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 representing its rights to use its office facilities, office equipment and other assets 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.

#### Definition of a lease

Previously, under IAS 17, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 – *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. 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 of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

At inception 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.

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, the Company recognizes right-of-use assets and lease liabilities for most leases, therefore these leases are recognized in the interim condensed consolidated statement of financial position.

However, the Company has elected not to recognize right-of-use assets and lease liabilities for certain leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 3. Adoption of new IFRS and changes in accounting policies (continued)

The Company leases assets, including office facilities, office equipment and other assets. The carrying amounts of right-of-use assets are as follows:

	Right-of-use assets
	\$
Balance as at January 1, 2019	117,268
Balance as at September 30, 2019	128,685

#### Significant accounting policies

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, and 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 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 lessee's incremental borrowing rate as the discount rate. The Company applies judgement to determine the discount rate.

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 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, which may significantly affect the carrying amount of lease liabilities and the right-of-use assets recognized.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 3. Adoption of new IFRS and changes in accounting policies (continued)

#### Transition

At transition, 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.
- 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.

#### Impacts on transition

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities. The impact on transition 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 classified as operating leases, the Company discounted the contractual lease payments using an incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate for the Company's leases was 4.34% as at January 1, 2019.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 3. Adoption of new IFRS and changes in accounting policies (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
Of which are 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

As a result of initially applying IFRS 16, the Company recognized depreciation and interest accretion expense, instead of operating lease expense. During the three and nine-month periods ended September 30, 2019, the Company recognized \$4,892 and \$14,510 of depreciation charges and \$1,393 and \$3,965 of interest accretion expense from these leases.

#### 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 interim condensed 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. This interpretation does not have a significant impact on these interim condensed consolidated financial statements.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 3. Adoption of new IFRS and changes in accounting policies (continued)

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 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. These amendments do not have a significant impact on these interim condensed consolidated financial statements.

Annual improvements to IFRS (2018-2020 cycle)

In May 2019, the IASB published an exposure draft ED/2019/2 “Annual Improvements to IFRS Standards 2018 – 2020”. It contains proposed amendments to certain International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

The proposed amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards would require a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; The proposed amendment to IFRS 9 Financial Instruments clarifies which fees an entity includes when it applies the “10 percent” test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. Applying the proposed amendment, an entity would include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf; The proposed amendment to IFRS 16 Leases to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. These amendments are not expected to have a significant impact on the Company's consolidated financial statements.

### 4. IFRS issued but not yet adopted

No new IFRS were issued during the nine-month period ended September 30, 2019 and there are no other standards that are not yet effective that are expected to have a significant impact on the Company's interim condensed consolidated financial statements in the current or future reporting periods or on foreseeable future transactions.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 5. Business combinations and other transactions

#### Palmer Capital Partners Limited

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 CA\$52,285 (British Pounds (GBP) 30,200) included CA\$35,310 (GBP 20,200) paid in cash to the sellers and the issuance of 1,430,036 Class A Shares, representing CA\$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 10).

The Palmer Capital management shareholders 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 8 f). The put right on the non-controlling interest in Palmer Capital is classified as a financial liability in the interim condensed consolidated statements of financial position.

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 as follows:

	\$
Cash	19,724
Other current assets	7,904
Property and equipment	191
Investments in joint ventures and associates	22,303
Right-of-use assets	684
Goodwill (nil deductible for tax purposes)	22,295
Intangible assets	6,049
Accounts payable and accrued liabilities	(10,335)
Lease liabilities	(578)
Deferred income tax liabilities	(2,715)
	<b>65,522</b>

During the three-month period ended September 30, 2019, the Company adjusted the purchase price allocation. As a result, the Company recorded increases in intangible assets and deferred income tax liabilities, which were offset by decreases in investments in joint ventures and associates, other current assets, right-of-use assets, lease liabilities and goodwill.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

The Company expects to finalize the allocation of the final purchase price to the assets acquired and liabilities assumed accounting for this acquisition within twelve months of the acquisition date.

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 \$6,049.

The Company incurred acquisition-related costs of \$4,058 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the interim condensed consolidated statements of earnings (loss).

#### Pro forma impact

The impact of the acquisition for the nine-month period ended September 30, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	5,402
Net earnings (loss)	(307)

If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the nine-month period ended September 30, 2019 would have been as follows:

	\$
Revenues	455,489
Net earnings (loss)	(17,804)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a nine-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, 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. The acquisition accounting will be finalized within twelve months of the acquisition date.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

#### Integrated Asset Management

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

The total purchase consideration paid at closing to the sellers was \$78,838. 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 \$2,185 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 10) and from the proceeds from the issuance of Hybrid debentures (Note 11).

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 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 2021 and the other one in 2024. Consideration includes CVRs.

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 the liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Cash	13,830
Other current assets	3,324
Property and equipment	86
Investment in joint ventures and associates	1,064
Right-of-use assets	2,747
Goodwill (nil deductible for tax purposes)	40,003
Intangible assets	29,070
Other non-current assets	5,000
Accounts payable and accrued liabilities	(8,214)
Lease liabilities	(3,348)
Deferred income tax liability	(6,731)
Non-controlling interest	(178)
	<b>76,653</b>

The Company expects to finalize the allocation of the final purchase price to the assets acquired and liabilities assumed accounting for this acquisition within twelve months of the acquisition date.

Purchase consideration	\$
Cash consideration	55,500
Share capital	18,338
Purchase price adjustments	(2,185)
Contingent Value Rights	5,000
	<b>76,653</b>



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

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 \$28,719 and software intangibles of \$351.

The Company incurred acquisition-related costs of \$2,450 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the interim condensed consolidated statements of earnings (loss).

#### Pro forma impact

The impact of the acquisition for the nine-month period ended September 30, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	4,776
Net earnings (loss)	654

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If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the nine-month period ended September 30, 2019 would have been as follows:

	\$
Revenues	460,891
Net earnings (loss)	(16,442)

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The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a nine-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, 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.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

#### 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 12). 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 substantially all of the assets and assumed certain liabilities of Foresters Asset Management Inc. ("Foresters"), an Ontario-based investment management firm. Subsequent to the acquisition date, the company was renamed as Fiera Capital Fund Management Inc. ("FCFM"). 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.

The total purchase consideration for these transactions of \$31,362 included \$24,657 paid in cash to the sellers and a contingent purchase price obligations of \$6,849 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 \$144 which will be settled before December 31, 2019 and is recorded as reduction of the total purchase consideration. The total purchase consideration remains subject to additional post-closing price adjustments. The Company financed the cash portion of the purchase consideration with its revolving Credit Facility (Note 10) and from the proceeds from the issuance of the Hybrid debentures (Note 11).

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

	\$
Cash	9,127
Short-term investments	141
Other current assets	5,703
Property and equipment	467
Right-of-use assets	1,644
Deferred income tax asset	6,052
Goodwill (nil deductible for tax purposes)	1,723
Intangible assets	17,836
Accounts payable and accrued liabilities	(9,687)
Lease liabilities	(1,644)
	<b>31,362</b>

The Company expects to finalize the allocation of the final purchase price for the business combination to the assets acquired and liabilities assumed accounting for this acquisition within twelve months of the acquisition date.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

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 CA\$17,836.

In relation to the Foresters transaction and the Natixis Canada transaction which includes a distribution agreement, and 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 CA\$2,440 which are mainly composed of legal, financial advisor fees and due diligence costs.

#### Pro forma impact

The impact of the business acquisition for the nine-month period ended September 30, 2019 on the Company's revenues and net earnings (loss) was as follows:

	\$
Revenues	4,629
Net earnings (loss)	51

If the business combination would have occurred on January 1, 2019, the Company's consolidated revenues and net earnings (loss) for the nine-month period ended September 30, 2019 would have been as follows:

	\$
Revenues	461,809
Net earnings (loss)	(15,207)

The Company considers the pro forma figures to be an approximate measurement of the financial performance of the combined businesses over a nine-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, 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.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

#### 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 derecognized intangible assets of \$5,280 during the year ended December 31, 2018, goodwill of \$6,543 of which \$176 was derecognized during the nine-month period ended September 30, 2019 (\$6,367 during the year ended December 31, 2018) and other assets of \$364 of which \$27 was derecognized during the nine-month period ended September 30, 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 interim condensed consolidated statement of earnings (loss) during the nine-month period ended September 30, 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 6. Restructuring, integration and other costs

During the three and nine-month periods ended September 30, the Company recorded the following:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Restructuring provisions related to severance costs	2,310	310	6,342	2,313
Other restructuring costs	191	22	311	55
Integration and other costs	1,076	539	1,074	1,820
	<b>3,577</b>	<b>871</b>	<b>7,727</b>	<b>4,188</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 provision for severance-related expenses during the nine-month period ended September 30, 2019 is as follows:

	Severance
	\$
Balance, December 31, 2018	3,004
Additions during the period	6,942
Paid during the period	(5,823)
Reversal of provision	(600)
Balance, September 30, 2019	<b>3,523</b>

Provision for severance	As at September 30, 2019	As at December 31, 2018
	\$	\$
Current portion	3,408	2,289
Non-current portion	115	715
Total	<b>3,523</b>	<b>3,004</b>

#### Integration

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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 7. Goodwill and intangible assets

	Goodwill	Indefinite life		Finite-life		Total
		Asset management contracts	Asset management contracts	Customer relationships	Other	
	\$	\$	\$	\$	\$	\$
<b>For the nine-month period ended September 30, 2019</b>						
Opening carrying amount	631,699	86,143	52,788	371,923	18,208	529,062
Reclassification to assets held-for-sale	(176)	-	-	-	-	-
Business combinations and other transactions	64,021	-	34,768	3,282	351	38,401
Disposals	-	-	-	-	(828)	(828)
Additions	-	-	-	15,718	280	15,998
Additions – internally developed	-	-	-	-	2,668	2,668
Amortization for the period	-	-	(17,450)	(15,878)	(5,234)	(38,562)
Foreign exchange difference	(8,960)	(2,512)	(1,399)	(5,407)	(351)	(9,669)
<b>Closing carrying amount</b>	<b>686,584</b>	<b>83,631</b>	<b>68,707</b>	<b>369,638</b>	<b>15,094</b>	<b>537,070</b>
<b>Balance, September 30, 2019</b>						
Cost	667,931	80,965	157,312	477,259	37,190	752,726
Accumulated amortization and impairment	(1,918)	-	(88,660)	(126,958)	(22,779)	(238,397)
Foreign exchange difference	20,571	2,666	55	19,337	683	22,741
<b>Closing carrying amount</b>	<b>686,584</b>	<b>83,631</b>	<b>68,707</b>	<b>369,638</b>	<b>15,094</b>	<b>537,070</b>

#### Derecognition

During the nine-month period ended September 30, 2019, the Company derecognized other intangible assets with a cost of \$1,965 an accumulated amortization of \$1,137 for proceeds of \$989 (2018 – nil). The company recognized a gain on disposal of intangible assets of \$161 in the interim condensed consolidated statements of earnings (loss).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 8. Financial instruments

#### *Fair value*

##### *Investments*

The cost and fair value of investments recorded at fair value through profit or loss is \$4,242 and \$4,687 respectively as at September 30, 2019 (\$4,574 and \$4,857 respectively as at December 31, 2018). Total realized and unrealized gain (loss) of \$(21) and \$196 was recognized in other revenues during the three and nine-month periods ended September 30, 2019 (loss of \$105 and \$337 during the three and nine-month periods ended September 30, 2018).

##### *Convertible debt*

###### *a) Convertible debentures*

The Convertible debentures (Note 11) are recorded at an amortized cost of \$80,040 as at September 30, 2019 (\$79,008 as at December 31, 2018). The fair value based on market quotes is \$88,234 as at September 30, 2019 (\$87,544 as at December 31, 2018).

###### *b) Hybrid debentures*

The Hybrid debentures (Note 11) are recorded at an amortized cost of \$105,100 as at September 30, 2019. The fair value based on market quotes is \$113,300 as at September 30, 2019.

##### *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 debt instruments with comparable terms and in similar market conditions.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 8. 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 interim condensed 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 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. The Company determines the fair value of its interest rate swap and cross currency swap contracts by applying valuation techniques.

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

	For the three-month period ended September 30, 2019	For the nine-month period ended September 30, 2019	As at September 30, 2019					
			Fair value		Notional amount: term to maturity			
			Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>								
a) Forward foreign exchange contracts								
– held for trading	(911)	1,117	-	(201)	56,065	-	-	-
b) Cross currency swaps								
– held for trading	4,598	(5,601)	1,542	-	225,000	-	-	-
<b>Interest rate contracts</b>								
c) Swap contracts								
– held for trading	837	(2,148)	352	(3,199)	-	250,000	-	-
d) Swap contracts								
– cash flow hedges	-	-	-	(2,462)	-	223,756	-	-



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 8. Financial instruments (continued)

	For the three-month period ended September 30, 2018	For the nine-month period ended September 30, 2018	As at December 31, 2018					
			Fair value		Notional amount: term to maturity			
			Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years
	\$	\$	\$	\$	\$	\$	\$	
<b>Foreign exchange contracts</b>								
a) Forward foreign exchange contracts								
– held for trading	946	(1,785)	-	(1,672)	45,374	-	-	-
b) Cross currency swaps								
– held for trading	(2,583)	(1,457)	1,083	-	80,000	-	-	-
<b>Interest rate contracts</b>								
c) Swap contracts								
– held for trading	1,025	1,037	860	(1,560)	-	190,000	-	-
d) Swap contracts								
– cash flow hedges	-	-	4,506	-	-	230,550	-	-

Financial statement presentation:

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Current derivative financial instrument assets <sup>(1)</sup>	1,542	1,083
Non-current derivative financial instrument assets	352	5,366
Current derivative financial instrument liabilities	(201)	(1,672)
Non-current derivative financial instrument liabilities	(5,661)	(1,560)

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

a) Forward foreign exchange contracts – held for trading

#### Company

The Company enters 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.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 8. Financial instruments (continued)

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 the interim condensed consolidated statement of earnings (loss) in accordance with the nature of the economically hedged item and therefore, as other revenues.

The Company recorded a loss of \$686 and a gain of \$1,344 during the three and nine-month periods ended September 30, 2019, respectively (gain of \$1,118 and a loss of \$1,535 during the three and nine-month periods ended September 30, 2018, respectively) and received \$165 during the nine-month period ended September 30, 2019 as settlement of the contracts that matured during the period (paid \$1,295 during the nine-month period ended September 30, 2018). The fair value of the forward exchange contracts is a liability of \$58 as at September 30, 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. This subsidiary recorded a loss of \$225 and \$227 during the three and nine-month periods ended September 30, 2019 (losses of \$172 and \$250 for the three and nine-month periods ended September 30, 2018, respectively). A total of \$520 was paid during the nine-month period ended September 30, 2019 as settlement of the contracts (paid \$34 during the nine-month period ended September 30, 2018). As at September 30, 2019, the fair value of the contracts was a liability of \$143 (a 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 10), the Company can borrow either in US dollars based on US base rate plus a spread varying from 0.00% to 1.50% or the LIBOR rate plus a spread varying from 1.00% to 2.50%, or in Canadian dollars based on the Canadian prime rate plus a spread varying from 0.00% to 1.50%. To benefit from interest cost savings, the Company has effectively created, until October 2019, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 1.99% on CA\$225,000 (CDOR plus 1.57% on CA\$80,000 as at December 31, 2018) by borrowing against the US dollar revolving facility, the equivalent of CA\$225,000 (US\$171,000) (CA\$80,000 (US\$59,400) as at December 31, 2018) at LIBOR plus 2.25%, and swapping it into CDOR plus 1.99% with a one-month cross currency swap.

The objective of this strategy is 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 interim condensed consolidated statement of earnings (loss) in accordance with the nature of the economically hedged item, the revolving facility (Note 10), and therefore is presented in interest on long-term debt and other financial charges.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 8. Financial instruments (continued)

The Company recorded a gain of \$4,598 and a loss of \$5,601 during the three and nine-month periods ended September 30, 2019, respectively, with no net impact on earnings (loss) as described above (a loss of \$2,583 and \$1,457 during the three and nine-month periods ended September 30, 2018, respectively). A total of \$6,059 was paid during the nine-month period ended September 30, 2019 (paid \$1,267 for the nine-month period ended September 30, 2018) as settlement of the contracts, simultaneously with the payment of the US denominated economically hedged portion of the revolving facility, since the financing terms are exactly matched. The fair value of the cross currency swap contracts was an asset of \$1,542 as at September 30, 2019 (\$1,083 as at December 31, 2018).

#### c) Interest rate swap contracts – 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 three and nine-month periods ended September 30, 2019.

The net gain or loss on these derivative financial instruments is recognized in the interim condensed consolidated statement of earnings (loss) with interest on long-term debt and other financial charges. The Company recorded a gain of \$837 and a loss of \$2,148 during the three and nine-month periods ended September 30, 2019 (a gain of \$1,025 and \$1,037 during the three and nine-month periods ended September 30, 2018). The fair value of the interest rate swap contracts is an asset of \$352 and a liability of \$3,199 as at September 30, 2019 (an asset of \$860 and a 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 three and nine-month periods ended September 30, 2019.

The effective portion of changes in the fair value of these contracts is recognized in other comprehensive income (loss) and accumulated in a hedging reserve. The Company recorded an other comprehensive loss of \$839 and \$6,045 during the three and nine-month periods ended September 30, 2019 (net of income taxes of \$128 and \$923) (a gain in other comprehensive income of \$602 and \$5,040 during the three and nine-month periods ended September 30, 2018 (net of income taxes of \$92 and \$772, respectively)).

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the interim condensed consolidated statement of earnings (loss). There is no ineffective portion on these contracts for the three and nine-month periods ended September 30, 2019 and 2018. The fair value of the interest rate swap contracts designated as cash flow hedges is a liability of \$2,462 as at September 30, 2019 (asset of \$4,506 as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

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### 8. Financial instruments (continued)

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 (Note 10) are US\$337,579 as at September 30, 2019 (US\$219,400 as at December 31, 2018).

#### 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 is not exercisable as at September 30, 2019, this derivative financial instrument has no financial impact on the Company's interim condensed consolidated financial statements.

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

Under the terms of the Sale and Purchase Agreement, the acquirer, Fiera Real Estate 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 the highest of 20% of GBP 50,000, and a prescribed price calculated based on a multiplier of earnings before interest, taxes and depreciation as defined in the share Sale and Purchase Agreement. Since the put and the call option have the same exercise price and exercise dates are within a month of each other, the call option is accounted for as a forward purchase contract. The fair value of the call option is nil at September 30, 2019 and was nil at the acquisition date of July 3, 2019.

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 interim condensed consolidated statement of net earnings (loss). The fair value of the puttable financial instrument liability is \$13,061 at September 30, 2019.

# Fiera Capital Corporation

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(Unaudited)

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### 8. Financial instruments (continued)

Financial instruments by category:

	As at September 30, 2019 – classified under IFRS 9		
	Amortized cost	Fair value through profit or loss	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	87,800	-	87,800
Restricted cash and cash equivalents	11,687	-	11,687
Investments	-	4,687	4,687
Trade and other receivables	137,611	-	137,611
Long-term receivable <sup>(1)</sup>	559	-	559
Derivative financial instruments <sup>(2)</sup>	-	1,894	1,894
<b>Total</b>	<b>237,657</b>	<b>6,581</b>	<b>244,238</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	140,711	-	140,711
Purchase price obligations	-	134,646	134,646
Puttable financial instrument liability	-	13,061	13,061
Other non-current liabilities <sup>(4)</sup>	-	5,000	5,000
Derivative financial instruments	-	5,862	5,862
Amounts due to related parties	-	-	-
Client deposits <sup>(3)</sup>	189	-	189
Long-term debt	479,469	-	479,469
Convertible debt	185,140	-	185,140
<b>Total</b>	<b>805,509</b>	<b>158,569</b>	<b>964,078</b>

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

<sup>(2)</sup> Includes \$1,542 presented in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

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

<sup>(4)</sup> Excludes \$2,161 in other non-current liabilities not categorized as financial instruments.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

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

### 8. 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 and cash equivalents	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 debt	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 interim condensed consolidated statements of financial position.

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

<sup>(3)</sup> Presented in client deposits and deferred revenues on the interim condensed 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

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

### 8. Financial instruments (continued)

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

	As at September 30, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments <sup>(1)</sup>	-	4,683	4	4,687
Derivative financial instruments	-	1,894	-	1,894
<b>Total financial assets</b>	-	6,577	4	6,581
<b>Financial liabilities</b>				
Purchase price obligations	-	-	134,646	134,646
Puttable financial instrument liability	-	-	13,061	13,061
Other non-current liabilities	-	-	5,000	5,000
Derivative financial instruments	-	5,862	-	5,862
<b>Total financial liabilities</b>	-	5,862	152,707	158,569

<sup>(1)</sup> Excludes investments in joint ventures, associates and other.

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

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

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

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### 8. Financial instruments (continued)

Level 3

The fair value of purchase price obligations, the puttable financial instrument liabilities and the CVRs is 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 liabilities and CVRs presented in other non-current liabilities are Level 3 financial liabilities. The Company has used 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. A reasonable change in unobservable inputs would not result in a significant change in the fair value of puttable financial instrument liabilities, CVRs and purchase price obligations other than for the City National Rochdale ("CNR") liability and Clearwater liability, which are presented below.

Purchase price obligation - CNR:

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 as 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 September 30, 2019 and December 31, 2018, the Company used 9% and 10% for market growth rate and net contributions rate, 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 September 30, 2019 and December 31, 2018, 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 September 30, 2019 was CA\$73,819 (US\$55,755) and CA\$74,118 (US\$54,331) as at December 31, 2018.



# Fiera Capital Corporation

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(Unaudited)

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

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### 8. Financial instruments (continued)

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

- A variance of 350 basis points in the market growth rate, as an increase or (decrease), would result in an increase (decrease) of approximately CA\$5,296 (US\$4,000) in the fair value of the purchase price obligation.
- A variance of 300 basis points in the net contributions rate, as an increase or (decrease) would result in an increase (decrease) of approximately CA\$2,648 (US\$2,000) in the fair value of the purchase price obligation.
- A variance of 200 basis points in the risk-adjusted discount rate, as an increase (discount), would result in a decrease (increase) of approximately CA\$2,648 (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. 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, the market growth and the net contributions and established a reasonable fair value range that could result in a CA\$7,944 (US\$6,000) increase or decrease in the fair value of the purchase price obligation as at September 30, 2019 (CA\$8,080 (US\$6,000) as at December 31, 2018).

# Fiera Capital Corporation

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(Unaudited)

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### 8. 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 CA\$1,391 (US\$1,026) during the three and nine-month periods ended September 30, 2019. The fair value of the Clearwater purchase price obligation as at September 30, 2019 was CA\$43,185 (US\$32,616) and CA\$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 (loss) 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 flow to their present value. The Company used a discount rate 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. 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, revenue, EBITDA, and cross-selling forecasts and established a reasonable fair value range between CA\$37,072 (US\$28,000) and CA\$41,044 (US\$31,000) for its purchase price obligation as at September 30, 2019.

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

### 8. Financial instruments (continued)

The reconciliation of Level 3 fair value measurements is presented as follows.

	Investments	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	-	(1,274)	(13,237)	(5,000)	(19,511)
Additions from asset acquisitions	-	(5,575)	-	-	(5,575)
Revaluation of puttable financial instrument liability	-	-	(667)	-	(667)
Settlement of purchase price obligations	-	21,440	-	-	21,440
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(20,537)	-	-	(20,537)
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	-	3,399	843	-	4,242
<b>Fair value as at September 30, 2019</b>	<b>4</b>	<b>(134,646)</b>	<b>(13,061)</b>	<b>(5,000)</b>	<b>(152,703)</b>

	Investments	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2017	11	(89,136)	(89,125)
Addition from business combination	-	(38,503)	(38,503)
Settlement of purchase price obligations	-	16,171	16,171
Total realized and unrealized gains included in other revenues	(3)	-	(3)
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(16,165)	(16,165)
Total realized and unrealized exchange differences recognized in net earnings (loss) and foreign operations included in other comprehensive income	-	(2,060)	(2,060)
<b>Fair value as at September 30, 2018</b>	<b>8</b>	<b>(129,693)</b>	<b>(129,685)</b>

There were no transfers between levels during the three and nine-month periods ended September 30, 2019 and 2018.

# Fiera Capital Corporation

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### 9. 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 nine-month period ended September 30, 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 interim condensed 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 interim condensed consolidated statement of financial position since the units are redeemable at the option of the holders.

During the three and nine-month periods ended September 30, 2019, the Company revalued the underlying investment to fair value and recorded a gain of \$nil and \$699, recognized as revaluation of assets held-for-sale.

### 10. Long-term debt

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Credit facility		
Revolving facility	481,657	422,805
Other facilities	-	919
Deferred financing charges	(2,188)	(2,197)
	479,469	421,527
Less current portion	-	(388)
Non-current portion	479,469	421,139

#### Credit Facility

On May 28, 2018, the Company entered into the Fifth 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, there are no minimum repayments until June 30, 2022, 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 CA\$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%.

# Fiera Capital Corporation

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(Unaudited)

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

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 0.00% to 1.50% 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 0.00% to 1.50% or the LIBOR rate plus a spread varying from 1.00% to 2.50%.

As at September 30, 2019, the total amount drawn on the Facility was CA\$34,702 and US\$337,579 (CA\$446,955) (CA\$123,500 and US\$219,400 (CA\$299,305) as at December 31, 2018).

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 September 30, 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 CA\$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 CA\$688, under which monthly payments of CA\$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 CA\$750. This credit limit bore interest at prime plus up to 0.25% to 1.00% which was also based on the ratio of senior debt 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 CA\$950. It bears interest at prime plus 1.50% and has no fixed maturity date. As at September 30, 2019 the subsidiary had not drawn on the line of credit (nil as at December 31, 2018).

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### 11. Convertible Debt

The balance of the convertible debt as at September 30, 2019 consists of the following:

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Convertible debentures – 5.00% due June 23, 2023	80,040	79,008
Hybrid debentures – 5.60% due July 31, 2024	105,100	-
Non-current portion	185,140	79,008

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

	As at September 30, 2019	As at December 31, 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)
Cumulative accretion expense on equity component	2,389	1,357
Non-current portion	80,040	79,008

On December 21, 2017, the Company issued 86,250 unsecured convertible debentures at 5.00% maturing on June 23, 2023 (the “Convertible debentures”), with interest payable semi-annually in arrears on June 30 and December 31 of each year starting June 30, 2018, for gross proceeds of CA\$86,250. The Convertible debentures are convertible at the option of the holder at a conversion price of \$18.85 per 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 nine-month period ended September 30, 2019, an amount of \$2,156 was paid representing accrued interest from December 31, 2018 to June 30, 2019 (an amount of \$4,431 was paid on December 31, 2018 representing the accrued cash interest from the issuance date to December 31, 2018).

# Fiera Capital Corporation

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(Unaudited)

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

### 11. Convertible debt (continued)

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

	As at September 30, 2019
	\$
Face value	110,000
Less:	
Issuance costs	(5,037)
Cumulative accretion expense	137
Non-current portion	105,100

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 over-allotment 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 occurrence of 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 at a redemption price equal to 102.80% of the principal amount redeemed plus accrued and unpaid interest, if any. On and after July 31, 2023 and prior to July 31, 2024, the Hybrid debentures will be redeemable, in whole or in part, from time to time, at the Company's option at par plus accrued and unpaid interest, if any. The Company will have the option to repay the principal amount of the Hybrid debentures due at redemption or maturity 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.

The Company incurred underwriting fees and issuance costs of \$5,037 which are netted against the Hybrid debentures. The Hybrid debentures are accounted for at amortized cost, using the effective interest rate method.

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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

	Class A subordinate voting shares ("Class A Shares")		Class B special voting shares ("Class B Shares")		Total	
	Number	\$	Number	\$	Number	\$
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 a business combination (Note 5)	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	10,760	113	-	-	10,760	113
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 September 30, 2019 <sup>(1)</sup>	81,342,363	779,392	19,412,401	30,891	100,754,764	810,283
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 (Note 5)	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	629,239	5,543	-	-	629,239	5,543
Stock options exercised	336,606	3,583	-	-	336,606	3,583
Cancellation of shares	(2,886)	(27)	-	-	(2,886)	(27)
Transfers from Class B Shares to Class A Shares	32,089	51	(32,089)	(51)	-	-
Adjustment to transaction costs on shares previously issued	-	192	-	-	-	192
As at September 30, 2018	77,180,400	740,770	19,412,401	30,891	96,592,801	771,661

<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 637,294 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

2019

#### Issuance of shares

*Shares issued as part of a 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 Lending (formerly, Private Debt and formerly Centria Commerce Inc.) prior to the acquisition date, and subsequently renamed Fiera Private Lending, then Fiera Private Debt, 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 nine-month period ended September 30, 2019, 2,194,706 Class A Shares were issued following the vesting of performance share units.

*Stock option exercised*

During the nine-month period ended September 30, 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 Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 12. 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 a total consideration of CA\$128,160. In relation to acquiring an 11.0% equity interest in the Company, Natixis Canada Holdings has the right to elect one director to the Company's Board. The Board approved the share purchase agreement for the purchase for cancellation of 2,450,000 of its Class A Shares from Natcan for a total consideration of CA\$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 5).

#### Transfers

During the nine-month period ended September 30, 2019, no Class B Shares were converted into Class A Shares.

#### Dividends

During the nine-month period ended September 30, 2019, the Company declared dividends on Class A shares and Class B shares totalling \$62,574 (\$0.63 per share).

#### 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 nine-month period ended September 30, 2019, 10,760 Class A Shares were issued for \$113 of reinvested dividends. These shares were issued from treasury at a discount of nil.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

2018

#### Issuance of shares

*Shares issued as part of purchase price obligations*

On February 22, 2018, in connection with the asset purchase agreement of 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 nine-month period ended September 30, 2018, 629,239 Class A Shares were issued following the vesting of performance share units and restricted share units.

*Stock option exercised*

During the nine-month period ended September 30, 2018, 336,606 stock options were exercised, and 336,606 Class A Shares were issued for \$3,584.

#### Cancellation of shares

During the nine-month period ended September 30, 2018, 2,886 Class A Shares were cancelled due to the forfeiture of restricted shares.

#### Transfers

During the nine-month period ended September 30, 2018, 32,089 Class B Shares were converted into Class A Shares on a one-for-one basis.

#### Dividends

During the nine-month period ended September 30, 2018, the Company declared and paid dividends on Class A shares and Class B shares totalling \$54,044 (\$0.58 per share) and nil on holdback shares.

#### Accumulated other comprehensive income

The components of accumulated other comprehensive income (loss) include:

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Cash flow hedges	(2,118)	3,927
Unrealized exchange differences on translating financial statements of foreign operations	20,379	33,729
	18,261	37,656

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 13. Earnings (loss) per share

Basic and diluted 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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings (loss) attributable to the Company's shareholders for the periods	<b>(4,740)</b>	995	<b>(16,806)</b>	(3,304)
Weighted average shares outstanding – basic	<b>100,706,636</b>	96,177,830	<b>99,038,804</b>	93,111,539
Effect of dilutive share-based awards and contingent consideration payable in shares	-	6,870,004	-	-
Weighted average shares outstanding – diluted	<b>100,706,636</b>	103,047,834	<b>99,038,804</b>	93,111,539
Basic earnings (loss) per share	<b>(0.05)</b>	0.01	<b>(0.17)</b>	(0.04)
Diluted earnings (loss) per share	<b>(0.05)</b>	0.01	<b>(0.17)</b>	(0.04)

For the three and nine-month periods ended September 30, 2019, the share-based awards and contingent consideration payable in shares of 10,009,507 and 9,628,691 as well as the 86,250 Convertible debentures and 110,000 Hybrid debentures were all anti-dilutive.

For the three and nine-month period ended September 30, 2018, the share-based awards and contingent consideration payable in shares of 10,693,593 and the 86,250 Convertible debentures were all anti-dilutive.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 14. Share-based payments

a) Stock option plan:

A summary of the changes that occurred in the Company's stock option plans during the nine-month periods ended September 30, 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 periods	3,977,191	12.21	4,183,852	11.86
Granted	1,070,000	12.25	305,000	12.22
Exercised	(152,377)	6.58	(336,606)	8.06
Forfeited	(296,867)	13.29	(120,252)	13.63
Expired	(25,000)	13.58	-	-
Outstanding – end of periods	4,572,947	12.32	4,031,994	12.15
Options exercisable – end of periods	1,111,510	11.53	588,615	8.06

The following table presents the weighted average assumptions used to determine the fair value of options granted using the Black-Scholes option pricing model during the three and nine-month periods ended September 30, 2019 and 2018:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
Dividend yield (%)	-	6.14	6.89	6.20
Risk-free interest rate (%)	-	2.26	1.59	2.25
Expected life (years)	-	7.50	7.73	7.50
Expected volatility for the share price (%)	-	26.26	25.32	26.30
Weighted-average fair values (\$)	-	1.43	1.04	1.41
Share-based compensation expense (\$)	193	497	380	1,329

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 that approximates the expected life of options.

b) Deferred share unit ("DSU") plan

One DSU unit is equivalent to one Class A Share of the Company. The Company recorded a (recovery) expense of \$(7) and \$(3) for this plan during the three and nine-month periods ended September 30, 2019, respectively (an expense (recovery) of \$9 and (\$4) during the three and nine-month periods ended September 30, 2018, respectively). As at September 30, 2019, the Company had a liability for an amount of \$91 for the 8,865 units outstanding under the DSU plan (\$95 for 8,395 units as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

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

The following table presents transactions that occurred in the Company's RSU Plan during the nine-month periods ended September 30, 2019 and 2018.

	2019	2018
Outstanding units – beginning of period	258,560	608,635
Vested	(136,234)	-
Reinvested in lieu of dividends	15,868	19,955
Granted	100,001	(248,694)
Outstanding units – end of period	238,195	379,896

One RSU unit is equivalent to one Class A Share of the Company. The Company recorded an expense of \$338 and \$1,188 for these grants during the three and nine-month periods ended September 30, 2019, respectively (\$780 and \$2,820 during the three and nine-month periods ended September 30, 2018, respectively). During the nine-month period ended September 30, 2019, 136,234 Class A Shares were issued and no cash was paid as settlement of vested RSUs (201,442 Class A Shares were issued as settlement of RSU vested and \$585 was paid in cash during the nine-month period ended 30 September 2018). As at September 30, 2019, the Company had a liability in the amount of \$1,408 for the 238,195 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")

The following table presents transactions that occurred in Company's RSU Plan during the nine-month periods ended September 30, 2019 and 2018.

	2019	2018
Outstanding units – beginning of period	528,308	504,380
Vested	(172,057)	76,873
Forfeited	-	25,989
Reinvested in lieu of dividends	28,786	(32,607)
Granted	63,501	(728)
Outstanding units – end of period	448,538	573,907

RSU cash units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$312 and \$1,692 for these grants during the three and nine-month periods ended September 30, 2019, respectively (\$1,022 and \$1,838 during the three and nine-month periods ended September 30, 2018, respectively). During the nine-month period ended September 30, 2019, 172,057 units vested (2018 – 32,607 units vested) and an amount of \$1,945 was paid as partial settlement of these units (2018 - \$391). In addition, \$1,528 was paid during the nine-month period ended September 30, 2019 as settlement of units that vested in 2018. As at September 30, 2019, the Company had a liability in the amount of \$2,520 for the 448,538 units outstanding under this RSU Plan (\$4,305 for 528,308 units as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

#### e) Restricted share plan

As at December 31, 2018, there were no longer any restricted shares outstanding. Therefore, on March 21, 2019 the Board approved the termination of the Restricted share plan effective as at such date. No expenses were recorded for the restricted share plan during the three and nine-month periods ended September 30, 2019 (an expense of \$88 and \$260 was recorded during the three and nine-month periods ended September 30, 2018 for this grant).

#### 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).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

PSU applicable to BU

The Company recorded the following expense relating to PSU plans applicable to BU during the three and nine-month periods ended September 30, 2019 and 2018:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Equity-settled grants	1,442	1,349	4,800	5,039
Cash-settled grants	1,666	1,825	5,580	5,517
Total expense	3,108	3,174	10,380	10,556

The total award value granted under the Company's PSU plans applicable to BU during the nine-month period ended September 30, 2019 was \$6,320 (\$6,575 for the nine-month period ended September 30, 2018), and no PSU applicable to BU vested during the three and nine-month periods ended September 30, 2019 and 2018.

During the nine-month period ended September 30, 2019, 1,820,929 Class A Shares were issued as settlement of PSU applicable to BU vested in 2018 and 7,818 Class A shares were issued as settlement of PSU applicable to BU vested in 2019 (407,978 during the nine-month period ended September 30, 2018).

UAR applicable to BU

Under the UAR applicable to BU, 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 \$740 and \$1,534 during the three and the nine-month periods ended September 30, 2019 (\$383 and \$506 during the three and nine-month periods ended September 30, 2018).



# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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

#### g) PSU plan

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 three and nine-month periods ended September 30, 2019 and 2018:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Equity-settled grants	442	345	1,081	1,003
Cash-settled grants	87	880	1,075	1,523
Total expense	529	1,225	2,156	2,526

During the nine-month periods ended September 30, 2019, the total award value granted under the Company's PSU plans was \$548 and 8,675 PSU vested during the period. A total of 217,882 Class A Shares were issued and \$2,580 was paid during the nine-month period ended September 30, 2019 as settlement of PSU vested in 2018 and in 2019.

During the nine-month periods ended September 30, 2018, the total award value granted under the Company's PSU plans was \$4,828 and no PSU vested during the period. 19,819 Class A Shares were issued during the nine-month period ended September 30, 2018 as settlement of PSU vested in 2017.

#### 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 interim condensed consolidated statements of earnings (loss) for the three and nine-month periods ended September 30, 2019 was \$623 and \$1,725, respectively (\$607 and \$1,613 for the three and nine-month periods ended September 30, 2018). During the three and nine-month periods ended September 30, 2019, an amount of \$108 was paid as settlement of stock options (nil in the three and nine-month periods ended September 30, 2018). The cash settled share-based liability is \$5,573 in the interim condensed consolidated statement of financial position as at September 30, 2019 (\$3,956 as at December 31, 2018).

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 15. Additional information relating to interim condensed consolidated statements of cash flows

	For the nine-month periods ended September 30,	
	2019	2018
	\$	\$
<b>Changes in non-cash operating working capital items</b>		
Trade and other receivables	23,197	4,388
Prepaid expenses and other assets	(4,219)	(3,174)
Accounts payable and accrued liabilities	(41,878)	(37,854)
Amounts due to related parties	(2,599)	1,238
Client deposits and deferred revenues	3,026	451
	<b>(22,474)</b>	<b>(34,951)</b>

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between current income tax expense of \$6,103 for the nine-month period ended September 30, 2019 (\$2,627 for the nine-month period ended September 30, 2018) and income taxes paid of \$14,268 (2018 – \$6,505) for a net impact of (\$8,165) for the nine-month period ended September 30, 2019 ((\$3,878) for the nine-month period ended September 30, 2018).

The following are non-cash items:

During the nine-month period ended September 30, 2019, the Company issued Class A Shares of \$5,548 related to the acquisition of Fiera Private Debt, as well as \$16,975 related to the acquisition of Palmer Capital, \$18,338 related to the IAM acquisition and \$10,710 as settlement of PSUs and RSUs. The puttable financial instrument liability of \$13,237 recorded at the acquisition of Palmer Capital and an amount of \$5,000 for an acquisition of a non-current asset and an increase of \$5,000 related to contingent value rights, are recorded as non-cash items.

During the nine-month period ended September 30, 2018, the Company issued Class A Shares of \$5,543 as settlement for PSUs and RSUs which vested in 2017 and Class A Shares of \$4,083 related to the acquisition of Fiera Private Debt.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

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### 16. Capital management

The Company's capital comprises share capital, retained earnings (deficit), long-term debt and convertible debt, 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 September 30, 2019 and December 31, 2018, the Company (and as at December 31, 2018 a subsidiary of the Company which was sold in February 2019) is 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 is in compliance with the respective calculations. The Company and its subsidiaries, where applicable, have complied with the restrictive debt covenants applicable under the various credit facilities disclosed as long-term debt (Note 10).

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 debt (as applicable under the terms of the respective final short-term prospectuses for these convertible debt).

### 17. 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.

### 18. Related party transactions

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

As at September 30, 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). 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 administrators under the Company's Credit Agreement and effective June 2019 took on the role as administrative agent of the Credit Agreement and is one of the lenders in the syndicate of lenders to the Company's Credit Facility.

Another shareholder was a related shareholder until the Natixis transaction in May 2019 (Note 5). At September 30, 2019 this shareholder's beneficial ownership of the Company's issued and outstanding shares is approximately 6.85% (18.00% as at December 31, 2018). As of May 2019, this shareholder no longer meets the definition of a related party and therefore is excluded from the table below as of May 2019.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 18. Related party transactions (continued)

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Base management	2,130	11,376	19,850	32,959
Performance fees		-	-	218
Other revenues	(380)	1,128	4,718	2,875
Selling, general & administrative expenses				
Reference fees	-	409	544	1,292
Other	-	126	196	475
Interest on long-term debt	5,531	4,143	15,690	11,296
Net (gain) loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	(4,598)	1,558	1,620	420

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. Fees are at prevailing market prices and are settled on normal trade terms.

# Fiera Capital Corporation

## Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2019 and 2018

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

### 19. Segment reporting

The Company has determined that there is one reportable segment, asset management services in Canada, the United States of America and Europe and other.

Geographical information:

Revenues:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Canada	74,531	68,363	226,938	189,229
United States of America	54,743	51,676	158,100	145,549
Europe and other	30,682	17,070	67,607	48,544
	159,956	137,109	452,645	383,322

Non-current assets:

	As at September 30,	As at December 31
	2019	2018
	\$	\$
Canada	752,331	599,334
United States of America	399,730	472,472
Europe and other	252,167	105,872
	1,404,228	1,177,678

Revenues are attributed to countries on the basis of the customer's location. As at September 30, 2019, geographical non-current assets presented above exclude deferred income taxes of \$25,757, derivative financial instruments of \$352 and other non-current assets of \$5,000 (\$20,093, \$5,388 and nil respectively as at December 31, 2018).

### 20. Subsequent events

#### Dividends declared

On November 7, 2019, the Board declared a dividend of \$0.21 per share to shareholders of record on November 20, 2019 and payable on December 18, 2019.

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