

# Consolidated Financial Statements of FIERA CAPITAL CORPORATION

DECEMBER 31, 2018 and 2017



**FIERA**CAPITAL

# Fiera Capital Corporation

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# Independent Auditor's Report

To the Shareholders of  
Fiera Capital Corporation

## Opinion

We have audited the consolidated financial statements of Fiera Capital Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

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

## Other Information

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

March 21, 2019  
Montreal, Quebec

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

# Fiera Capital Corporation

## Consolidated Statements of Earnings (Loss)

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

	2018	2017
	\$	\$
<b>Revenues</b>		
Base management fees	485,624	405,056
Performance fees	23,102	34,572
Other revenues (Note 11)	31,559	19,468
	<b>540,285</b>	<b>459,096</b>
<b>Expenses</b>		
Selling, general and administrative expenses (Note 20)	425,924	358,454
External managers	1,845	2,176
Amortization of intangible assets (Note 9)	44,813	41,110
Depreciation of property and equipment (Note 10)	4,235	3,817
Restructuring, integration and other costs (Note 5)	7,586	15,150
Acquisition costs	11,086	5,434
	<b>495,489</b>	<b>426,141</b>
Earnings before under-noted items	<b>44,796</b>	<b>32,955</b>
Realized gain on investments	(145)	(137)
Loss on disposal of intangible assets (Note 9)	26	371
Loss on disposal of property and equipment (Note 10)	56	522
Interest on long-term debt and other financial charges (Note 21)	25,355	11,479
Accretion and change in fair value of purchase price obligations	24,497	5,852
Revaluation of assets held-for-sale (Note 4)	191	-
Earnings(loss) before income taxes	<b>(5,184)</b>	<b>14,868</b>
Income tax expense (recovery) (Note 13)	(429)	4,156
<b>Net earnings (loss)</b>	<b>(4,755)</b>	<b>10,712</b>
<b>Net earnings (loss) attributable to:</b>		
Company's shareholders	(5,013)	10,671
Non-controlling interest	258	41
	<b>(4,755)</b>	<b>10,712</b>
Net earnings (loss) per share (Note 17)		
Basic	(0.05)	0.13
Diluted	(0.05)	0.12

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

# Fiera Capital Corporation

## Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31,

(In thousands of Canadian dollars)

	2018	2017
	\$	\$
Net earnings (loss)	(4,755)	10,712
Other comprehensive income (loss):		
Items that may be reclassified subsequently to earnings:		
Unrealized gain on available-for-sale financial assets (net of income taxes of \$17 in 2017)	-	156
Reclassification of gain on disposal of investments (net of income tax recovery of \$3 in 2017)	-	(24)
Cash flow hedges (net of income taxes of \$259 in 2018 and \$320 in 2017) (Note 11)	1,833	2,094
Unrealized foreign exchange differences on translating financial statements of foreign operations	22,960	(17,300)
Other comprehensive income (loss)	24,793	(15,074)
<b>Comprehensive income (loss)</b>	<b>20,038</b>	<b>(4,362)</b>
<b>Comprehensive income (loss) attributable to:</b>		
Company's shareholders	19,780	(4,403)
Non-controlling-interest	258	41
	<b>20,038</b>	<b>(4,362)</b>

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

# Fiera Capital Corporation

## Consolidated Statements of Financial Position

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

	2018	2017
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	52,466	41,079
Restricted cash	1,012	930
Accounts receivable (Note 8)	148,459	128,398
Assets held-for-sale (Note 4 and 7)	35,711	-
Investments (Note 11)	4,857	5,408
Prepaid expenses and other assets	14,943	10,082
	<b>257,448</b>	<b>185,897</b>
Non-current assets		
Goodwill (Note 9)	631,699	523,885
Intangible assets (Note 9)	529,062	462,281
Property and equipment (Note 10)	16,499	16,572
Derivative financial instruments (Note 11)	5,366	3,484
Deferred income taxes (Note 13)	20,093	11,665
Deferred charges and other	440	1,131
	<b>1,460,607</b>	<b>1,204,915</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	144,059	114,008
Current portion of purchase price obligations (Note 11)	32,487	31,050
Restructuring provisions (Note 5)	2,289	5,273
Derivative financial instruments (Note 11)	1,672	-
Current portion of long-term debt (Note 14)	388	1,354
Amounts due to related parties	2,599	1,241
Client deposits and deferred revenues	727	501
Amounts due to holders of redeemable units (Note 7)	5,394	-
Deferred income taxes on assets held-for-sale (Note 4)	704	-
	<b>190,319</b>	<b>153,427</b>
Non-current liabilities		
Long-term debt (Note 14)	421,139	292,417
Convertible debentures (Note 15)	79,008	77,461
Derivative financial instruments (Note 11)	1,560	-
Purchase price obligations (Note 11)	98,221	58,086
Long-term restructuring provisions (Note 5)	715	715
Cash settled share-based liabilities (Note 18)	10,470	3,087
Other non-current liabilities	4,670	3,338
Deferred lease obligations	3,955	3,939
Lease inducements	4,335	4,420
Deferred income taxes (Note 13)	12,489	16,014
	<b>826,881</b>	<b>612,904</b>
<b>Equity attributable to:</b>		
Company's shareholders	632,958	592,545
Non-controlling interest	768	(534)
	<b>633,726</b>	<b>592,011</b>
	<b>1,460,607</b>	<b>1,204,915</b>

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

### Approved by the Board of Directors

/s/ Jean-Guy Desjardins

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Jean-Guy Desjardins, Director

/s/ Raymond Laurin

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Raymond Laurin, Director



# Fiera Capital Corporation

## Consolidated Statements of Changes in Equity

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

	Notes	Share Capital	Restricted and holdback shares	Contributed surplus	Convertible debentures equity component	Retained earnings (deficit)	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non-Controlling Interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016		582,134	1,848	16,285	-	(62,129)	28,098	566,236	30,409	596,645
Net earnings		-	-	-	-	10,671	-	10,671	41	10,712
Other comprehensive income (loss)		-	-	-	-	-	(15,074)	(15,074)	-	(15,074)
Comprehensive income (loss)		-	-	-	-	10,671	(15,074)	(4,403)	41	(4,362)
Share-based compensation expense	18	-	-	9,707	-	-	-	9,707	113	9,820
Performance and restricted share units vested	16	13,612	-	(8,323)	-	-	-	5,289	-	5,289
Restricted shares vested		-	854	(854)	-	-	-	-	-	-
Stock options exercised	16	3,816	-	(902)	-	-	-	2,914	-	2,914
Shares issued as part of a business combination	4	500	-	-	-	-	-	500	-	500
Issuance of convertible debentures, net of tax	15	-	-	-	3,330	-	-	3,330	-	3,330
Extinguishment of puttable financial instrument liabilities	11	-	-	2,747	-	-	-	2,747	-	2,747
Net change in non-controlling interest		-	-	-	-	-	-	-	(54,771)	(54,771)
Loss on dilution of non-controlling interest		-	-	-	-	(24,174)	-	(24,174)	24,174	-
Shares issued as settlement of purchase price obligations	16	8,478	-	-	-	-	-	8,478	-	8,478
Shares issued as part of equity financing	16	79,484	-	-	-	-	-	79,484	-	79,484
Cancellation of shares	16	(4)	4	-	-	-	-	-	-	-
Conversion of holdback shares	16	3,566	(3,566)	-	-	-	-	-	-	-
Dividends	16	-	-	-	-	(57,563)	-	(57,563)	(500)	(58,063)
<b>Balance, December 31, 2017</b>		<b>691,586</b>	<b>(860)</b>	<b>18,660</b>	<b>3,330</b>	<b>(133,195)</b>	<b>13,024</b>	<b>592,545</b>	<b>(534)</b>	<b>592,011</b>
Change in accounting policy - impact of IFRS 9	2,16	-	-	-	-	161	(161)	-	-	-
Net earnings (loss)		-	-	-	-	(5,013)	-	(5,013)	258	(4,755)
Other comprehensive income		-	-	-	-	-	24,793	24,793	-	24,793
Comprehensive income (loss)		-	-	-	-	(5,013)	24,793	19,780	258	20,038
Share-based compensation expense	18	-	-	10,813	-	-	-	10,813	-	10,813
Performance and restricted share units vested	16	9,072	-	(5,164)	-	-	-	3,908	-	3,908
Restricted shares vested		-	821	(821)	-	-	-	-	-	-
Adjustment to transaction costs on previously issued shares	16	192	-	-	9	-	-	201	-	201
Stock options exercised	16	4,172	-	(1,013)	-	-	-	3,159	-	3,159
Shares issued as part of a business combination	4,16	66,708	-	-	-	-	-	66,708	-	66,708
Net change in non-controlling interest		-	-	-	-	-	-	-	1,044	1,044
Shares issued as settlement of purchase price obligations	4,16	4,076	5,501	-	-	-	-	9,577	-	9,577
Cancellation of shares	16	(191)	39	-	-	-	-	(152)	-	(152)
Dividends	16	-	-	-	-	(73,581)	-	(73,581)	-	(73,581)
<b>Balance, December 31, 2018</b>		<b>775,615</b>	<b>5,501</b>	<b>22,475</b>	<b>3,339</b>	<b>(211,628)</b>	<b>37,656</b>	<b>632,958</b>	<b>768</b>	<b>633,726</b>

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

**Fiera Capital Corporation**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31,  
*(In thousands of Canadian dollars)*

	2018	2017
	\$	\$
<b>Operating activities</b>		
Net earnings (loss)	(4,755)	10,712
Adjustments for:		
Amortization of intangible assets and depreciation of property and equipment	49,048	44,927
Amortization of deferred charges	390	572
Loss on disposal of intangible assets and property and equipment	82	893
Accretion and change in fair value of purchase price obligations	24,497	5,852
Lease inducements and deferred lease obligations	(1,223)	(872)
Share-based compensation expense	10,813	9,820
Cash settled share-based compensation expense	14,155	8,466
Restructuring, integration and other costs	(2,984)	3,374
Interest on long-term debt and other financial charges	25,355	11,479
Income tax expense (recovery)	(429)	4,156
Income tax paid	(7,916)	(13,417)
Revaluation of assets held-for-sale	191	-
Realized and unrealized (gain) loss on financial instruments	674	(1,717)
Realized (gain) loss on investments	(231)	(137)
Other non-current liabilities	1,550	2,100
Changes in non-cash operating working capital items (Note 22)	(2,923)	6,316
<b>Net cash generated from operating activities</b>	<b>106,294</b>	<b>92,524</b>
<b>Investing activities</b>		
Business combinations (Note 4)	(53,706)	-
Settlement of purchase price adjustments and obligations	(25,107)	(3,431)
Investments, net	(17,969)	5,029
Purchase of property and equipment	(2,512)	(3,238)
Acquisition of intangible assets	(11,297)	(21,543)
Proceeds from disposal of intangible assets and property and equipment	-	1,052
Settlement of puttable financial instrument liabilities	-	(2,753)
Deferred lease obligations and lease inducements	-	1,338
Deferred charges and other	(141)	(191)
Restricted cash	(13)	(325)
<b>Net cash used in investing activities</b>	<b>(110,745)</b>	<b>(24,062)</b>
<b>Financing activities</b>		
Settlement of share-based compensation	(1,333)	(1,382)
Dividends paid	(73,581)	(58,312)
Issuance of share capital less issuance costs of \$7 (\$4,141 in 2017)	3,151	82,067
Contribution (purchase) of non-controlling interest	1,044	(36,324)
Long-term debt, net	109,261	(110,888)
Interest paid on long-term debt	(20,890)	(16,145)
Settlement of derivative financial instruments	654	(7,158)
Issuance of convertible debentures (less issuance costs of \$4,269 in 2017)	-	82,465
Financing charges	(1,495)	(210)
<b>Net cash generated by (used in) financing activities</b>	<b>16,811</b>	<b>(65,887)</b>
Net increase in cash and cash equivalents	12,360	2,575
Effects of exchange rate changes on cash denominated in foreign currencies	(973)	(1,606)
Cash and cash equivalents – beginning of year	41,079	40,110
Cash and cash equivalents – end of year	52,466	41,079

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

*(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 1501 McGill College Avenue, Suite 800, Montréal, Quebec, Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “FSZ”.

The Company’s Board of Directors (the “Board”) approved the consolidated financial statements for the years ended December 31, 2018 and 2017, on March 21, 2019.

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

#### Compliance with IFRS

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2018.

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

### Adoption of new IFRS

On January 1, 2018, the Company adopted the following new IFRS standards.

#### IFRS 9 – Financial Instruments

IFRS 9 replaced IAS 39 – *Financial Instruments: Recognition and Measurement* and was mandatorily effective for annual periods beginning on or after January 1, 2018. As permitted by IFRS 9, the Company has taken the exemption not to restate the comparative information in the consolidated financial statements with respect to classification and measurement requirements. The retrospective impact of applying IFRS 9 was accounted for through adjustments to the opening balance of retained earnings (deficit) and accumulated other comprehensive income as at January 1, 2018.

The adoption of IFRS 9 did not have a significant impact on the Company's consolidated financial statements.

#### Classification and measurement

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, all equity instrument financial assets must be classified as at fair value through profit or loss. However, the Company may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as at fair value through other comprehensive income with no subsequent reclassification of gains and losses to net earnings. This election is made on an investment-by-investment basis. Dividends will continue to be recognized in net earnings. This designation is also available for existing non-trading equity instruments at the date of IFRS 9 adoption. Derivative financial instruments continue to be measured at fair value through profit or loss.

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018 are disclosed in Note 3. There were no changes to the measurement categories under IFRS 9 for the Company's financial liabilities as at January 1, 2018. Financial assets will not be reclassified subsequent to their initial recognition, unless the Company identifies changes in the business model in managing financial assets.

As a result of the application of the classification and measurement requirements of IFRS 9, on January 1, 2018, the Company reclassified its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and therefore reclassified an unrealized gain of \$161 from accumulated other comprehensive income to retained earnings (deficit).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Impairment

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. The new ECL impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company’s financial assets subject to the new impairment model are cash and cash equivalents, accounts receivable and long-term receivable. The new impairment guidance using an expected credit loss model did not have a significant impact on the carrying amounts of the Company’s accounts receivable or long-term receivable as the Company has had negligible credit losses.

#### Hedge accounting

The hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Company elected not to adopt the general hedge accounting requirements of IFRS 9 and instead chose to continue to apply the requirements in IAS 39 – *Financial instruments: recognition and measurement*.

The Company also adopted amendments to the revised hedge accounting disclosures required by IFRS 7 – *Financial Instruments: Disclosures*.

#### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 – *Revenue* and was mandatorily effective for annual periods beginning on or after January 1, 2018. The new standard specifies a five-step approach to determine how and when to recognize revenue and requires additional disclosures. The Company completed an impact assessment for all major revenue streams, reviewed contracts and analyzed revenue recognized by the Company.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company elected to adopt IFRS 15 using the modified retrospective approach with the effect of initially applying this standard at the date of initial application (January 1, 2018). However, the adoption of IFRS 15 did not have a significant impact on the ongoing recognition of the Company’s revenues or net earnings (loss) and therefore there were no opening retained earnings (deficit) adjustments required as at January 1, 2018.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Revised IFRS, interpretations and amendments

The following revised standards are effective for annual periods beginning on January 1, 2018. Their adoption did not have a significant impact on the amounts reported or disclosures made in these financial statements.

#### Amendments to IFRS 2 – Share-based payments

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

#### IFRIC 22 – Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* to clarify the exchange rate that should be used for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

#### Significant accounting policies

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

#### Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities held at fair value through profit or loss (including derivatives) and assets available-for-sale (before IFRS 9 became effective on January 1, 2018), which have been measured at fair value as disclosed in note 11 - *Financial Instruments*.

#### Consolidation

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

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

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

#### **Business combinations**

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

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

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

#### **Investments in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Company's interests in joint ventures are accounted for using the equity method of accounting.

Subsequent to the acquisition date, the Company's share of earnings of a joint venture is recognized in the consolidated statements of earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

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

#### Foreign currency translation

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

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

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

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

#### Derivative financial instruments

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

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



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

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

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

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

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

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

#### Revenue recognition

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

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

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

#### Other revenues

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

#### Deferred revenues

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

#### Employee benefits

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

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

##### *Bonus plans*

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

##### *Share-based compensation*

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

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

##### *Stock options*

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

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

##### *Deferred share unit plan*

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

#### *Restricted share unit plan*

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

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

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

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

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

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

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

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

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

#### PSU Plan

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

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

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

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

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

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

#### Acquisition costs

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Earnings per share

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

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

#### Financial instruments

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

#### Classification

The Company applied the IFRS 9 classification and measurement requirements applicable to financial instruments for the year ended December 31, 2018. The 2017 comparative period has not been restated and the IAS 39 requirements have been applied.

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

The table below presents the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents and restricted cash	Loans and receivables	Amortized cost
Investments	Available-for-sale / Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Long-term receivable <sup>(1)</sup>	Loans and receivables	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Amounts due to related parties	Financial liabilities at amortized cost	Amortized cost
Client deposits <sup>(2)</sup>	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost
Convertible debentures – liability component	Financial liabilities at amortized cost	Amortized cost
Purchase price obligations	Fair value through profit or loss	Fair value through profit or loss

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

<sup>(2)</sup> Presented in client deposits and deferred revenues on the consolidated statements of financial position.

#### Classification and measurement of financial instruments for the year ended December 31, 2018

##### Financial assets at amortized cost

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

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

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

#### *Financial liabilities at amortized cost*

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

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

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

#### **Classification and measurement of financial instruments for the year ended December 31, 2017**

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. With the exception of the long-term receivable, these assets are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, if applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment, if applicable.

On adoption of IFRS 9, the assets previously classified and measured as loans and receivables were reclassified as financial assets at amortized cost.

##### *Available-for-sale*

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months or management expects to dispose of it within twelve months.

Dividends on available-for-sale equity instruments are recognized in the consolidated statements of earnings (loss) when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are transferred from accumulated other comprehensive income (loss) to the consolidated statements of earnings (loss).

Available-for-sale investments are assessed for indicators of impairment at the end of each reporting period. The investments are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred, the estimated future cash flows of the investment have been affected, such as a significant or prolonged decline in the fair value of the investment below cost.

On adoption of IFRS 9, the assets previously classified and measured as available-for-sale were reclassified as financial assets at fair value through profit or loss.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

#### Cash and cash equivalents

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

#### Restricted cash

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

#### Investments

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

#### Assets held-for-sale

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

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

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

#### Goodwill

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



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## Notes to the Consolidated Financial Statements

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

#### Intangible assets other than goodwill

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

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

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

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

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

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

#### Property and equipment

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

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

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

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

#### Deferred charges

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

#### Impairment of non-financial assets

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

#### **Restructuring provisions**

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

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

#### **Compound financial instruments**

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

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

#### **Leases**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any lease inducements received from the lessor) are charged to the consolidated statements of earnings (loss) on a straight-line basis over the term of the lease.

#### **Deferred lease obligations**

The Company leases office space with a predetermined fixed escalation of the minimum rent. The Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred lease obligations.

#### **Lease inducements**

Lease inducements consist of allocations received from lessors for leasehold improvements and are amortized on a straight-line basis over the lease term.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

#### Income taxes

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

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

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

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

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

#### Share capital

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

#### Dividends

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

#### Contributed surplus

Contributed surplus is mostly comprised of a reserve for share-based payments recorded at fair value at the grant date.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Significant accounting judgments and estimation uncertainties

The application of the Company's accounting policies requires management to make estimates and use judgment that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

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

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately.

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

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

#### *Cash generating unit*

The Company determined that it had one CGU for the purpose of assessing the carrying value of the allocated goodwill and indefinite-life intangible assets.

#### *Share-based payments*

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

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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

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

#### *Business combinations*

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

#### *Income taxes*

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

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

#### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory at December 31, 2018 and have not been early adopted. The Company's assessment of the impact of these new standards and interpretations is summarized as follows:

##### IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases. It supersedes the IASB's current lease standard, IAS 17 – Leases, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize an asset representing the right to use the underlying asset and a financial liability representing an obligation to make lease payments. The Company expects to apply the recognition exemption for low-value leases. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

The Company has assessed the impact that the initial application of IFRS 16 will have on its consolidated financial statements, as described below.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### *Leases for which the Company is a Lessee*

The Company will recognise right-of-use assets and lease liabilities for its leases of office facilities, equipment and other assets that meet the definition of a lease. The nature of expenses related to leases will change under IFRS 16, because the Company will recognize a depreciation charge for right-of-use assets and an interest expense on lease liabilities. Previously, under IFRS 17, the Company recognized operating lease expenses on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. The Company will apply this standard from its mandatory adoption date of January 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease payments).

At transition, lease liabilities were measured as 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 are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Low-value leases will continue to be recognized as an expense in the consolidated statement of earnings (loss). Operating cash flows will increase and financing cash flows will decrease as repayment of the principle portion of the lease liabilities will be classified as cash flow from financing activities.

The Company's activities as a lessor are not material and the Company does not expect any significant impact on the consolidated financial statements, however some additional disclosures may be required.

The Company does not expect the adoption of IFRS 16 to impact its ability to comply with restrictive covenants including minimum financial ratios applicable to its Credit Facility as described in note 14.

#### 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 new interpretation is applicable to annual reporting periods beginning on or after January 1, 2019. The Company is evaluating the impact of this interpretation on its consolidated financial statements however it is not expected to have a significant impact for the Company.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

Annual improvements to IFRS (2015-2017) cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle. The pronouncement contains amendments to four International Financial Reporting Standards (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 are effective for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of these amendments on its consolidated financial statements however it is not expected to have a significant impact for the Company.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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### 4. Business combinations and other transactions

#### Disposal of Fiera Capital Funds Inc.

On October 22, 2018, the Company entered into an agreement with Canoe Financial LP (Canoe), a Canadian mutual fund company, pursuant to which the Company will sell its interest in Fiera Capital Funds Inc., a wholly-owned subsidiary and Canadian registered mutual fund dealer, and its right to manage nine retail mutual funds which are managed by the Company.

On October 22, 2018, the Company revalued the non-current assets held-for sale to the lower of their carrying amount and their fair value less costs to sell and a revaluation adjustment of \$191 was recognized in revaluation of assets held-for-sale in the consolidated statements of earnings (loss). The intangible assets and property and equipment are no longer amortized or depreciated from the date that the assets are classified as held-for-sale. Assets held-for-sale includes amounts reclassified from intangible assets of \$5,280, goodwill of \$6,367 as well as other assets of \$337.

On February 22, 2019, the sale transaction closed and the Company sold its interest in Fiera Capital Funds Inc. and the nine retail mutual funds to Canoe who became the trustee, manager and portfolio manager of these funds for total consideration of \$12,075. The transaction was settled in cash at closing.

#### Clearwater Capital Partners, LLC

On August 9, 2018, the Company acquired the equity interests in Clearwater Capital Partners, LLC ("Clearwater"), an Asia focused credit and special situations investment firm headquartered in Hong Kong.

On the date of closing, the total purchase consideration of CA\$54,339 (US\$41,854) included CA\$15,579 (US\$12,000) paid in cash to the sellers, the issuance of Class A Shares with a fair value of CA\$11,685 (US\$9,000), and fair value of a contingent purchase price obligations of CA\$35,055 (US\$27,000) which will be payable to the sellers if certain terms and conditions are met. The purchase consideration is subject to an initial net working capital adjustment and other post-closing adjustments of CA\$7,980 (US\$6,146) which were settled at closing as a reduction of the cash consideration paid at closing.

The Company financed the cash portion of the purchase consideration with its revolving credit facility (Note 14).

At closing, 982,532 Class A Shares were issued at fair value of CA\$12.18 based on the closing share price on the closing date. Of the total Class A Shares issued, 245,633 were issued to the sellers on closing and 736,899 are held in escrow and will be released to the sellers over a 3-year period following the closing date, subject to certain terms and conditions, with 88,428 Class A Shares being released at the first anniversary date of the closing and 324,235 and 324,236 Class A Share respectively being released to the sellers on the second and third anniversary date of the closing. The Class A Shares do not have voting rights until their release from escrow but are entitled to dividends.

The initial fair value of the contingent purchase price obligations includes several components each of which is based on a formula based on earnings before interest, taxes, depreciation and amortization ("EBITDA") subject to certain adjustments or management fees and subject to certain thresholds as defined in the agreement. The maximum amount payable if all the conditions are met is CA\$57,125 (US\$44,000).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Clearwater Capital Partners, LLC (continued)

The present value of forecasted contingent purchase price obligations was estimated at closing at CA\$35,055 (US\$27,000). The purchase price obligations will be settled in cash or Class A Shares, at the discretion of the Company, if certain terms and conditions are met.

The transaction was accounted for as a business combination using the acquisition method.

During the year ended December 31, 2018, the Company finalized the accounting for this acquisition. In November, 2018, the net working capital and other purchase price adjustments were finalized and as a result, 12,702 Class A Shares which had been held in escrow on account of the seller were released and cancelled (Note 16).

The final purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Cash	2,698
Other current assets	2,058
Property and equipment	124
Investment in affiliated companies	409
Other assets	26
Intangible assets	16,878
Goodwill (nil deductible for tax purposes)	46,114
Accounts payable and accrued liabilities	(13,968)
	<b>54,339</b>
	\$
<b>Purchase consideration</b>	
Cash consideration	15,579
Share capital	11,685
Fair value of purchase price obligations	35,055
Purchase price adjustments	(7,980)
	<b>54,339</b>

Goodwill was attributable to an experienced team knowledgeable in investment advisory and investment management and related services and the potential for business development in Asia. Management of Fiera Capital identified intangible assets acquired from Clearwater which had been accounted for separately from goodwill. These intangible assets include asset management contracts valued at CA\$16,878 (US\$13,000).

The Company incurred acquisition-related costs of \$3,598 mainly composed of legal, financial advisor fees and due diligence costs. These costs were included in acquisition costs in the consolidated statements of earnings (loss).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Clearwater Capital Partners, LLC (continued)

##### Pro forma impact

The impact of the acquisition for year ended December 31, 2018 on the Company's base management fees and net earnings (loss) was as follows:

	\$
Base management fees	7,565
Net earnings (loss)	(1,338)

If the business combination would have occurred on January 1, 2018, the Company's consolidated base management fees and net earnings (loss) for the year ended December 31, 2018 would have been as follows:

	\$
Base management fees	489,857
Net earnings (loss)	(6,063)

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

The above pro forma net earnings (loss) include 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.

#### CGOV Asset Management

On May 31, 2018, the Company acquired substantially all of the assets and assumed certain liabilities of CGOV Asset Management ("CGOV"), an Ontario-based investment management firm focused on high-net-worth and institutional investors. With a client base in Ontario and Western Canada, the transaction allows Fiera Capital to be a competitive force in the high-net-worth segment across Canada.

On the date of closing, the total purchase consideration of \$112,285 included \$48,200 paid in cash to the seller, the issuance of Class A Shares with a fair value of \$55,136, fair value of contingent purchase price obligation of \$5,501 which will be settled in Class A Shares subject to certain terms and conditions and an initial net working capital adjustment of \$3,448, which was settled in cash during the three-month period ended September 2018. At closing, 5,541,561 Class A Shares were issued at fair value of \$66,166 based on the closing share price on the closing date.

Of the total Class A Shares issued, 4,617,783 are held in escrow and will be released to the seller over a 5-year period following the closing date, subject to certain terms and conditions, with 419,064 Class A Shares being released at the 18-month anniversary date of the closing, 2,519,231, 839,744 and 839,744 Class A Shares respectively being released to the seller on the third, fourth and fifth anniversary dates of the closing. These escrow shares are entitled to dividends.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### CGOV Asset Management (continued)

The remaining 923,778 Class A Shares issued to the seller and held in escrow for contingent consideration will be released to the seller on the fifth anniversary date of the closing, contingent upon the Company retaining, at the end of a four-year period following the closing, at least 80% of the institutional assets under management of CGOV as at the signature date of the Asset Purchase Agreement. Contingently issuable Class A Shares with a fair value of \$5,501 are included in the initial purchase price consideration and are recorded as Holdback Shares in the consolidated statements of changes in equity. This value represents 50% of the total value of the contingently issuable shares held in escrow and is based on the Company's best estimate with regards to satisfaction of the performance condition. These escrow shares are entitled to dividends.

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

During the three-month period ended December 31, 2018, the Company finalized the accounting for this acquisition and revised certain valuation assumptions and adjusted the purchase price allocation by reducing intangible assets by \$4,000 and reducing deferred income tax liability by \$1,060, with a corresponding net increase to goodwill of \$2,940.

The final purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the acquisition date as follows:

	\$
Accounts receivable	3,380
Prepaid expenses and other assets	268
Property and equipment	69
Intangible assets	63,000
Goodwill (nil deductible for tax purposes)	49,492
Deferred income taxes	(3,924)
	112,285

Purchase consideration	\$
Cash consideration	48,200
Share capital	55,136
Fair value of contingent purchase price obligation	5,501
Purchase price adjustment	3,448
	112,285

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### CGOV Asset Management (continued)

The goodwill is attributable to synergies expected as a result of the consolidation of the Company's operations. Management of Fiera Capital has identified intangible assets acquired from CGOV which have been accounted for separately from goodwill. These intangible assets include customer relationships valued at \$60,000 and non-compete agreements valued at \$3,000.

The Company incurred acquisition-related costs of \$1,897 mainly composed of legal, financial advisor, compliance fees and due diligence costs. These costs were included in acquisition costs in the consolidated statement of earnings (loss).

The Company financed the cash portion of the acquisition price with its revolving credit facility (Note 14).

#### Pro forma impact

The impact of the acquisition for the year ended December 31, 2018 on the Company's base management fees and net earnings (loss) was as follows:

	\$
Base management fees	12,802
Net earnings (loss)	2,024

If the business combination would have occurred on January 1, 2018, the Company's consolidated base management fees and net earnings (loss) for the year ended December 31, 2018 would have been as follows:

	\$
Base management fees	494,829
Net earnings (loss)	258

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

The above pro forma net earnings include 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.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### City National Rochdale (“CNR”)

On December 1, 2017, the Company entered into an agreement to acquire a management contract in connection with the City National Rochdale Emerging Markets Fund (the “CNR Fund”), a mutual fund that invests primarily in Asian emerging and developed markets. The transaction was in line with the Company’s global asset management growth strategy, and provided a complementary presence in the emerging markets strategy.

On June 4, 2018, the CNR Fund was reorganized and all of its net assets were transferred to a new Fiera fund. The Fiera fund has similar investment objectives and strategies and is managed by the Company’s portfolio management team.

On December 1, 2017, the Company paid an initial purchase consideration of CA\$15,466 (US\$12,000) in cash. This amount was recorded as an indefinite life intangible asset management contract. Additional contingent consideration is linked to realized fund revenue and includes an amount up to CA\$15,466 (US\$12,000) payable over five years and additional contingent payments payable over the ten-year term of the agreement.

Contingent payments by the Company to CNR are recorded as purchase price obligations and represent a financing arrangement whereby the Company pays management and service fees to the seller relating to certain qualified client accounts over five-year and ten-year periods. Contingent payments will be made to the seller depending on the amount of seller-sourced assets in the CNR Fund and based on the Morningstar® rating of the CNR Fund.

The initial present value of forecasted contingent consideration payments to be made to the seller was estimated at CA\$60,574 (US\$47,000) at December 1, 2017 and CA\$60,597 (US\$48,304) at December 31, 2017. This amount was recorded as an indefinite life intangible asset management contract with a corresponding financial instrument liability recorded in purchase price obligations.

For the year ended December 31, 2018, the Company recorded an expense of CA\$18,307 (US\$14,121) (for the period from December 1, 2017 to December 31, 2017, CA\$1,665 (US\$1,304)) in accretion and changes in fair value of purchase price obligations.

The Company incurred acquisition-related costs of CA\$1,144 (US\$896), mainly composed of legal, financial advisor fees and due diligence costs. These costs are capitalized to intangible assets.

#### Natcan Investment Management Inc. (“Natcan”)

On October 1, 2018, in connection with the asset purchase agreement of Natcan, the Company paid cash consideration of \$8,500 as settlement of a purchase price obligation.

#### Samson Capital Advisors LLC (“Samson”)

The purchase price consideration for the 2015 acquisition of Samson included an initial amount of up to US\$4,175 payable over three years if certain targets are achieved. The second target was met and the Company paid US\$1,391 (CA\$1,775) on April 6, 2018.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 5. Restructuring, integration and other costs

During the years ended December 31, 2018 and 2017 the Company recorded the following:

	2018	2017
	\$	\$
Restructuring provisions related to severance	3,627	6,893
Other restructuring costs	783	444
Integration and other costs	3,176	7,813
	<b>7,586</b>	<b>15,150</b>

Restructuring charges are mainly composed of severance costs due to corporate reorganizations following business combinations and other transactions or as a result of the normal evolution of the business. The change in the restructuring provisions for severance-related expenses during the years ended December 31, 2018 and 2017 is as follows:

	Severance
	\$
Balance, December 31, 2016	2,594
Additions during the year	6,893
Paid during the year	(3,499)
Balance, December 31, 2017	<b>5,988</b>
Additions during the year	<b>3,627</b>
Paid during the year	<b>(6,611)</b>
<b>Balance, December 31, 2018</b>	<b>3,004</b>

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Provision for severance		
Current portion	2,289	5,273
Non-current portion	715	715
<b>Total</b>	<b>3,004</b>	<b>5,988</b>

#### *Integration and other costs*

Integration costs are mainly composed of professional fees, relocation and lease related costs and other expenses incurred as a result of the integration of businesses recently acquired. During the year ended December 31, 2017, one of the Company's subsidiaries recorded an expense of \$3,464 resulting from a trading error (2018 – nil).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 6. Investments

The consolidated financial statements include the accounts of the Company and all of its subsidiaries as at December 31, 2018 and 2017. The operating subsidiaries and their principal activities are set out in the table below. Unless otherwise stated, they have share capital solely in ordinary shares that are held directly or indirectly by the Company.

Name	Percentage of equity interest attributable to the Company				Principal activities
	Direct		Indirect		
	2018	2017	2018	2017	
Fiera Capital (Asia) Inc. <sup>(1)</sup>	100%	-	-	-	Holding company
Clearwater Capital Partners, LLC <sup>(1)</sup>	-	-	100%	-	Holding company
Clearwater Capital Partners Holding, Ltd. <sup>(1)</sup>	-	-	100%	-	Asset management
Clearwater Capital Partners Singapore Pte Ltd. <sup>(1)</sup>	-	-	100%	-	Asset management
Clearwater Capital Partners Hong Kong Limited <sup>(1)</sup>	-	-	100%	-	Asset management
Clearwater Capital Partners, L.P. <sup>(1)</sup>	-	-	100%	-	Asset management
Clearwater Investment Advisors India Private Limited <sup>(1)</sup>	-	-	100%	-	Asset management
Fiera Properties Limited	100%	100%	-	-	Asset management
Fiera Properties (Europe) Limited <sup>(2)</sup>	-	-	100%	-	Holding company
Fiera Properties Debt Strategies Ltd.	-	-	100%	100%	Asset management
Roycom Inc.	-	-	100%	100%	Asset management
Fiera US Holding Inc.	100%	100%	-	-	Holding company
Bel Air Investment Advisors LLC	-	-	100%	100%	Asset management
Bel Air Management LLC	-	-	100%	100%	Asset management
Bel Air Securities LLC	-	-	100%	100%	Asset management
Fiera Capital Inc.	-	-	100%	100%	Asset management
Fiera Capital (Asia) Limited (formerly City National Rochdale Asia Limited)	-	-	100%	100%	Other
Global Diversified Lending GP LLC (formerly, GDLF GP (Canada) Inc.) <sup>(3)</sup>	-	-	100%	100%	Asset management
Wilkinson Global Asset Management LLC <sup>(4)</sup>	-	-	100%	-	Asset management
Gestion Fiera Capital S.a.r.l.	-	-	100%	100%	Other
Fiera Capital (Europe) Limited	100%	100%	-	-	Asset management
Fiera Capital (UK) Limited	-	-	100%	100%	Asset management
Fiera Capital (IOM) Limited	-	-	100%	100%	Asset management
Fiera Capital (Services) Limited (formerly, Charlemagne Capital (Services) Limited)	-	-	100%	100%	Other
Charlemagne Capital (Investments) Limited	-	-	100%	100%	Asset management
Fiera Capital Funds Inc. <sup>(5)</sup>	100%	100%	-	-	Asset management
Fiera Private Lending Inc.	100%	100%	-	-	Asset management
General Partner Centria Capital Start-Up Fund Inc.	-	-	100%	100%	Asset management
General Partner Fiera FP Real Estate Investment Fund I Inc.	-	-	100%	100%	Asset management
General Partner Fiera FP Real Estate Investment Fund II Inc.	-	-	100%	100%	Asset management
General Partner Fiera FP Mezzanine Financing Fund Inc.	-	-	100%	100%	Asset management
General Partner Fiera FP Business Financing Fund Inc.	-	-	100%	100%	Asset management



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 6. Investments (continued)

Name	Percentage of equity interest attributable to the Company				Principal activities
	Direct		Indirect		
	2018	2017	2018	2017	
General Partner Fiera FP Real Estate Financing Fund Inc.	-	-	100%	100%	Asset management
General Partner Centria Capital Fund Inc.	-	-	100%	100%	Asset management
Fiera Infrastructure Inc.	75%	75%	-	-	Asset management
Fiera Infrastructure UK Ltd <sup>(6)</sup>	-	-	100%	-	Holding company
Fiera Infra GP Inc.	-	-	100%	100%	Asset management
Aquila GP Inc.	-	-	100%	100%	Asset management
Fiera Comox Partners Inc. <sup>(7)</sup>	60.4%	65%	-	-	Asset management
Fiera Comox US Inc.	-	-	100%	100%	Asset management

<sup>1)</sup> Fiera Capital (Asia) Inc. was incorporated as a wholly-owned subsidiary on July 4, 2018 and it acquired Clearwater Capital Partners, LLP and its wholly-owned subsidiaries on August 9, 2018. Business combinations are described in Note 4.

<sup>2)</sup> In December 2018, the Company incorporated a wholly-owned subsidiary, Fiera Properties (Europe) Limited.

<sup>3)</sup> In July 2018, the Company's wholly-owned subsidiary, GDLF FP (Canada) Inc. changed its name to Global Diversified Lending GP LLC.

<sup>4)</sup> In August 2018, the Company acquired a wholly-owned subsidiary, Wilkinson Global Asset Management LLC.

<sup>5)</sup> On February 22, 2019, the Company sold its interest in Fiera Capital Funds Inc. (Note 4)

<sup>6)</sup> In February 2018, the Company incorporated a wholly-owned subsidiary, Fiera Infrastructure UK Ltd.

<sup>7)</sup> In April 2018, the Company's subsidiary Fiera Comox Partners Inc. issued shares and as a result, the Company's ownership interest in Fiera Comox Partners Inc. decreased from 65.0% to 60.4%.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 7. Structured entities

#### *Unconsolidated structured entities*

The Company manages several investment funds which are unconsolidated structured entities. These investment funds are open-ended and closed-ended investment companies, mutual funds, limited partnerships, pooled funds or other investment entities which invest in a range of assets. Segregated mandates managed on behalf of clients and investment trusts are not considered structured entities. The structured entities are generally financed by the issue of units or shares to investors, although certain funds, mainly property, infrastructure and private equity funds, are also permitted to raise financing through loans from third parties. The Company does not provide a guarantee for the repayment of any borrowings held by these entities and did not provide financial support to unconsolidated structured entities during the years ended December 31, 2018 and 2017.

The Company generates revenues from management and other fees from providing investment management and related services to these investment funds. The fees from these investment funds are calculated based on assets under management or on committed capital. Investment funds are susceptible to market price risk arising from uncertainties about future value of the assets they hold. Market risks are discussed in Note 11 – *Financial instruments*.

The following table summarizes the carrying value of the Company's interests in unconsolidated structured entities recognized in the consolidated statement of financial position and the assets under management of unconsolidated structured entities as at December 31, 2018 and 2017. The Company's maximum exposure to loss is the carrying amount of the investment funds held and the loss of future fees.

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Company's interest in investment funds	4,494	5,101
Assets under management of unconsolidated structured entities	34.0 billion	30.0 billion

#### *Consolidated structured entities*

##### **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.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 7. Structured entities (continued)

The assets and liabilities of the funds controlled by the Company as at December 31, 2018 are as follows:

	December 31, 2018
	\$
<b>Assets</b>	
Investment in Short Term Investment Fund	2,249
Investment in private equity	22,536
Forward currency contracts, at fair value	4
Cash	9
<b>Total assets</b>	<b>24,798</b>
<b>Liabilities</b>	
Forward currency contracts, at fair value	784
Accrued liabilities	21
<b>Total liabilities</b>	<b>805</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>23,993</b>

Since the Company has a committed plan to market the funds and to dispose of its direct holdings within one year, the units held are available for immediate sale, and management is actively seeking new investors, the Company has classified the net assets of the funds as assets held-for-sale in the consolidated statement of financial position.

The redeemable units that are owned by other unitholders are presented as a liability for redeemable units in the Company's consolidated statement of financial position since the units are redeemable at the option of the holders.

#### *Fund investments and transfers between levels of the fair value hierarchy*

The investment in private equity is classified as Level 3 (described in Note 11) and all other investments, cash and derivatives are classified as Level 2 (Note 11). During the period from which the Company consolidates the funds and December 31, 2018, there were no transfers of investments between levels.

#### Level 3

Fair value measurements for Level 3 investments are derived from valuation techniques. The substitution of one or more data from these techniques by one or several reasonably possible assumptions should not result in significant changes in the fair value of these investments. The fair value of the investment in private equity has been determined using a discounted cash flow model and by comparing the fair value to recent transactions. Significant unobservable inputs in the discounted cash flow model include expected cash flows and a risk-adjusted discount rate.

The Company did not hold any interests in consolidated structured entities as at December 31, 2017.

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**8. Accounts receivable**

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Trade accounts	120,980	107,839
Trade accounts – related companies of shareholders	15,006	12,720
Trade accounts – related parties	8,824	2,909
Other	3,649	4,930
	<b>148,459</b>	<b>128,398</b>

The aging of accounts receivable was as follows:

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Trade		
Current	113,359	104,322
Aged between 61 – 119 days	5,256	2,192
Aged greater than 120 days	2,365	1,325
Total trade	<b>120,980</b>	<b>107,839</b>
Related companies of shareholders and related parties		
Current	23,811	14,144
Aged between 61 – 119 days	10	4
Aged greater than 120 days	9	1,481
Total related companies of shareholders and related parties	<b>23,830</b>	<b>15,629</b>
Other	3,649	4,930
	<b>148,459</b>	<b>128,398</b>

As at December 31, 2018, there was a provision for estimated credit losses of \$119 (2017 - \$19).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 9. Goodwill and intangible assets

	Goodwill	Indefinite life Asset management contracts	Asset management contracts	Finite-life Customer relationships	Other	Total
	\$	\$	\$	\$	\$	\$
<b>For the year ended December 31, 2017</b>						
Opening carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
Additions	-	-	-	2,211	2,203	4,414
Additions – internally developed	-	-	-	-	1	1
Business combinations	(3,995)	77,184	(17,322)	-	-	59,862
Disposals	-	-	-	-	(1,371)	(1,371)
Amortization for the year	-	-	(10,659)	(25,498)	(4,953)	(41,110)
Foreign exchange difference	(13,150)	(2,240)	(1,703)	(13,558)	(774)	(18,275)
Closing carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
<b>Balance, December 31, 2017</b>						
Cost	514,847	85,732	105,666	394,357	25,611	611,366
Accumulated amortization and impairment	(1,918)	-	(50,939)	(91,889)	(13,593)	(156,421)
Foreign exchange difference	10,956	(1,663)	(818)	9,364	453	7,336
Closing carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
<b>For the year ended December 31, 2018</b>						
Opening carrying amount	523,885	84,069	53,909	311,832	12,471	462,281
Additions	-	-	-	3,902	946	4,848
Additions – internally developed	-	-	-	-	6,578	6,578
Reclassification to assets held-for-sale	(6,367)	(5,280)	-	-	-	(5,280)
Business combinations	95,606	513	16,878	60,000	3,009	80,400
Disposals	-	-	-	-	(26)	(26)
Amortization for the year	-	-	(20,271)	(19,191)	(5,351)	(44,813)
Foreign exchange difference	18,575	6,841	2,272	15,380	581	25,074
Closing carrying amount	631,699	86,143	52,788	371,923	18,208	529,062
<b>Balance, December 31, 2018</b>						
Cost	604,086	80,965	122,544	458,259	35,856	697,624
Accumulated amortization and impairment	(1,918)	-	(71,210)	(111,080)	(18,682)	(200,972)
Foreign exchange difference	29,531	5,178	1,454	24,744	1,034	32,410
Closing carrying amount	631,699	86,143	52,788	371,923	18,208	529,062

#### Derecognition

During the year ended December 31, 2018, the Company derecognized other intangible assets with a cost of \$288 (2017 - \$1,897) and accumulated amortization of \$262 (2017 - \$526) for no proceeds (2017 – for proceeds of \$1,000). The Company recognized a loss on disposal of intangible assets of \$26 (2017 – loss of \$371) in the consolidated statements of earnings (loss).

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

#### *Goodwill impairment test*

During the fourth quarters of 2018 and 2017, in the context of its annual impairment testing, the Company completed its impairment analysis and assessed the recoverability of its assets. For goodwill impairment testing purposes, the operating segment represents the lowest level within the Company at which management monitors goodwill.

Goodwill is monitored by management based on the Company's operating segment: asset management. In assessing goodwill for impairment as at December 31, 2018 and 2017, the Company compared the aggregate recoverable amount of the operating segment to the carrying amount. The recoverable amount has been determined based on the value-in-use using five-year cash flow budgets and forecasts approved by management and the Board. These make use of observable market inputs when available. Cash flows beyond the five-year budget are determined using an expected long-term growth rate. Key assumptions included the following:

	2018	2017
	%	%
Weighted average growth rate	11.0	11.0
Discount rate	11.0	11.0

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

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

In assessing indefinite-life intangible assets for impairment as at December 31, 2018 and 2017, the Company compared the aggregate recoverable amount of the assets to their respective carrying amounts. Key assumptions included the following:

	2018	2017
	%	%
Weighted average growth rate	2.5	2.5
Discount rate	11.0	11.0

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

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

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

# Fiera Capital Corporation

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### 10. Property and equipment

	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>For the year ended December 31, 2017</b>				
Opening carrying amount	3,859	2,010	12,529	18,398
Additions	731	1,565	1,198	3,494
Disposals	(295)	(25)	(269)	(589)
Depreciation	(914)	(966)	(1,937)	(3,817)
Foreign exchange difference	(198)	(55)	(661)	(914)
Closing carrying amount	3,183	2,529	10,860	16,572
<b>Balance, December 31, 2017</b>				
Cost	7,479	5,580	17,994	31,053
Accumulated depreciation	(4,170)	(3,087)	(6,512)	(13,769)
Foreign exchange difference	(126)	36	(622)	(712)
Closing carrying amount	3,183	2,529	10,860	16,572
<b>For the year ended December 31, 2018</b>				
Opening carrying amount	3,183	2,529	10,860	16,572
Additions	372	1,180	1,405	2,957
Business combinations	147	93	8	248
Disposals	(45)	(11)	-	(56)
Depreciation	(931)	(1,325)	(1,979)	(4,235)
Foreign exchange difference	191	108	714	1,013
Closing carrying amount	2,917	2,574	11,008	16,499
<b>Balance, December 31, 2018</b>				
Cost	7,937	6,770	19,295	34,002
Accumulated depreciation	(5,085)	(4,340)	(8,379)	(17,804)
Foreign exchange difference	65	144	92	301
Closing carrying amount	2,917	2,574	11,008	16,499

During the year ended December 31, 2018, the Company derecognized office furniture and equipment with a cost of \$61 (2017 – \$435) and accumulated amortization of \$16 (2017 – \$140), computer equipment with a cost of \$83 (2017 – \$62) and accumulated amortization of \$72 (2017 – \$37) and leasehold improvements with a cost of \$112 (2017 – \$512) and accumulated amortization of \$112 (2017 – \$243), for no proceeds (2017 – total proceeds of \$67 of which \$15 was recorded in accounts receivable). During the year ended December 31, 2018, the Company recognized a loss on disposal of property and equipment of \$56 in the consolidated statements of earnings (loss) (2017 – \$522).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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### 11. Financial instruments

The Company, through its financial assets and liabilities, has exposure to the following risks from its financial instruments: market risk, credit risk, interest rate risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at December 31, 2018 and 2017. Information on consolidated structured entity assets held-for-sale (Note 7) is excluded from the financial instruments note.

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

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

#### *Market risk*

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

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

The Company's portfolio managers monitor the risks of the portfolio as part of its daily operations. The Company's portfolio of equity and equity-related securities as at December 31, 2018 and 2017 is comprised of investment funds and other securities with a fair value of \$4,857 as at December 31, 2018 and \$5,408 as at December 31, 2017. Investment funds are comprised of a well-diversified portfolio of investments in equities and bonds.

A 10% change in the fair value of the Company's equity and equity-related holdings as at December 31, 2018 and 2017 would have an impact of increasing or decreasing comprehensive income by \$486 and \$541 respectively.

#### *Credit risk*

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

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



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. Financial instruments (continued)

The Company's credit risk is attributable primarily to its trade receivables. The amounts disclosed in the consolidated statements of financial position are net of expected credit losses, estimated by the Company's management based on previous experience and its assessment of the current economic environment and financial condition of the counterparties. In order to reduce its risk, management has adopted credit policies that include regular review of client balances. No customer represents more than 10% of the Company's accounts receivable as at December 31, 2018 and 2017.

#### *Interest rate risk*

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

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

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure relates to cash and cash equivalents, accounts receivable, derivative financial instruments, accounts payable and accrued liabilities, purchase price obligations and long-term debt denominated in US dollars and the operations of its US businesses, Fiera Capital (Europe) and Clearwater which are predominantly in US dollars. The Company manages a portion of its exposure to foreign currency by matching asset and liability positions. More specifically, the Company matches the long-term debt in foreign currency with long-term assets in the same currency.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. Financial instruments (continued)

The consolidated statements of financial position as at December 31, 2018 and 2017 include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in US dollars:

	2018	2017
	\$	\$
Cash and cash equivalents	26,954	17,721
Restricted cash	869	793
Investments	3,516	4,116
Accounts receivable	60,988	66,184
Derivative financial instruments	3,917	2,911
Accounts payable and accrued liabilities	(72,604)	(64,800)
Purchase price obligations	(114,950)	(63,848)
Long-term debt	(299,305)	(219,538)

Based on the balances outstanding (excluding long-term debt) as at December 31, 2018, a 5% increase/decrease of the US dollar against the Canadian dollar would result in an increase/decrease in total comprehensive income of \$568 (2017 - \$1,846). The above calculation does not include the US dollar long-term debt, which is partially hedged by a long-term asset in the same currency. This long-term asset is not included in the consolidated statements of financial position given that it is an intercompany balance and is eliminated on consolidation.

#### Liquidity risk

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

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

The Company has the following financial liabilities as at December 31, 2018:

	Carrying amount	Contractual cash flow commitments						
		2019	2020	2021	2022	2023	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	144,059	144,059	-	-	-	-	-	144,059
Amount due to related parties	2,599	2,599	-	-	-	-	-	2,599
Long-term debt <sup>(1)</sup>	423,724	388	531	-	422,805	-	-	423,724
Convertible debentures	79,008	-	-	-	-	86,250	-	86,250
Purchase price obligations	130,708	31,511	41,744	41,930	41,740	31,508	124,881	313,314
	780,098	178,557	42,275	41,930	464,545	117,758	124,881	969,946

<sup>(1)</sup> Excluding deferred financing charges of \$2,197 (Note 14).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. Financial instruments (continued)

Fair value

#### *Investments*

The cost and fair value of investments recorded at fair value through profit or loss was \$4,574 and \$4,857, respectively, as at December 31, 2018 (\$2,848 and \$2,933 respectively as at December 31, 2017). An unrealized loss of \$623 was recognized in other revenues during the year ended December 31, 2018 (gain of \$1,237 during the year ended December 31, 2017).

As at December 31, 2017, the cost and fair value of investments recorded as available-for-sale was \$2,296 and \$2,475 respectively. As a result of the adoption of IFRS 9 on January 1, 2018, the Company reclassified its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and reclassified an unrealized gain of \$161 (net of income taxes of \$18) from accumulated other comprehensive income to retained earnings (deficit).

#### *Convertible debentures*

The convertible debentures are recorded at an amortized cost of \$79,008 as at December 31, 2018 (\$77,461 as at December 31, 2017). The fair value based on market quotes is \$87,544 as at December 31, 2018 (\$88,018 as at December 31, 2017).

#### *Long-term debt*

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

#### *Derivative financial instruments*

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. Financial instruments (continued)

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

	For the year ended December 31, 2017	As at December 31, 2017				
		Fair value		Notional amount: term to maturity		
		Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	Net gain (loss) on derivatives					
		\$	\$	\$	\$	\$
<b>Foreign exchange contracts</b>						
a) Forward foreign exchange contracts						
– held for trading	2,408	497	-	51,875	-	-
b) Cross currency swaps – held for trading	(7,950)	-	-	-	-	-
<b>Interest rate contracts</b>						
c) Swap contracts – held for trading	3,463	1,070	-	-	30,000	-
d) Swap contracts – cash flow hedges	-	2,414	-	-	212,011	-

Financial statement presentation as at December 31:

	2018	2017
	\$	\$
Current derivative financial instrument assets <sup>(1)</sup>	1,083	497
Non-current derivative financial instrument assets	5,366	3,484
Current derivative financial instrument liabilities	(1,672)	-
Non-current derivative financial instrument liabilities	(1,560)	-

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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### 11. Financial instruments (continued)

a) Forward foreign exchange contracts

#### **Forward foreign exchange contracts - held for trading**

##### *Company*

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

In December 2016, the Company entered into a series of average rate forward foreign exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in US dollars for the year ended December 31, 2017. In August 2017, the series of average rate forward foreign exchange contracts, which matured one-by-one on a monthly basis until December 2017, was converted into month-end spot rate forward exchange contracts. Since August 2017, 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.

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

The Company recorded a loss of \$4,673 during the year ended December 31, 2018 (gain of \$2,148 for the year ended December 31, 2017) and paid \$2,939 as settlement of contracts that matured during the year (received \$1,974 during the year ended December 31, 2017). The fair value of the foreign exchange contracts is a liability of \$1,237 as at December 31, 2018 (asset of \$497 as at December 31, 2017).

##### *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 and British pounds. The subsidiary recorded a loss of \$621 and a gain \$260 during the years ended December 31, 2018 and 2017, respectively. A total of \$186 was paid during the year ended December 31, 2018 as settlement of the contracts. As at December 31, 2018, the fair value of these contracts was a liability of \$435 (nil as at December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. Financial instruments (continued)

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

Under the terms of the Company's revolving facility (Note 14), the Company can borrow either in US dollars based on US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%, or in Canadian dollars based on the Canadian prime rate plus a spread varying from 0.0% to 1.5%. To benefit from interest cost savings, the Company has effectively created, as at December 31, 2018, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 1.57% on CA\$80,000 (nil as at December 31, 2017) by borrowing against the US dollar revolving facility, the equivalent of CA\$80,000 (US\$59,400) (nil as at December 31, 2017) at LIBOR plus 2.25%, and swapping it into CDOR plus 1.57% with a one-month cross currency swap. The contract was entered into on December 31, 2018 and matures on January 31, 2019.

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

The net gain or loss on these derivative financial instruments is recognized in the consolidated statements of earnings (loss) in accordance with the nature of the economically hedged item, the revolving facility, and therefore is presented in interest on long-term debt and other financial charges. The Company recorded a gain of \$4,700 during the year ended December 31, 2018, with no net impact on earnings as described above (loss of \$7,950 during the year ended December 31, 2017). A total of \$3,617 was received during the year ended December 31, 2018 as settlement of these contracts (\$9,272 was paid during the year ended December 31, 2017).

The fair value of the cross currency swap contracts was an asset of \$1,083 as at December 31, 2018 (nil as at December 31, 2017).

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

The Company enters into interest rate swap contracts to manage the impact of the interest rate fluctuations on its credit facility denominated in Canadian dollars

On May 1, 2012, the Company entered into an interest rate swap contract with an original amortizing notional amount of CA\$108,000. The contract consisted of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.835%. Interest was settled on a monthly basis. The interest swap matured on April 3, 2017 and an amount of \$74 was paid as settlement of this contract.

On May 31, 2017, the Company entered into an interest rate swap contract with an original amortizing notional amount of CA\$100,000 at inception and maturing on May 31, 2022. As at December 31, 2018, the notional amount was CA\$30,000 (2017 – CA\$30,000). The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.335%. The Company received an amount of \$2,188 as a crystallized gain, in December 2017, when the notional amount of the contract decreased from CA\$100,000 to CA\$30,000. Interest is settled on a monthly basis.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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### 11. Financial instruments (continued)

In March 2018, the Company entered into two interest rate swap contracts with original notional amounts of CA\$10,000 and CA\$40,000 at inception and maturing on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.350% (on CA\$10,000 notional contract) and 2.358% (on CA\$40,000 notional contract). Interest is settled on a monthly basis.

In May 2018, the Company entered into an interest rate swap contract with an original notional amount of CA\$47,000 maturing on May 31, 2022. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.430%. Interest is settled on a monthly basis.

In September 2018, the Company entered into an interest rate swap contract with an original notional amount of CA\$18,000 maturing on May 31, 2022. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.530%. Interest is settled on a monthly basis.

In October 2018, the Company entered into an interest rate swap contract with an original notional amount of CA\$45,000 maturing on May 31, 2022. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 2.703%. Interest is settled on a monthly basis.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings (loss) with interest on long-term debt and other financial charges. The Company recorded a loss of \$1,770 during the year ended December 31, 2018 (gain of \$3,463 during the year ended December 31, 2017).

The fair value of the interest rate swap contracts is an asset of \$860 and a liability of \$1,560 as at December 31, 2018 (asset of \$1,070 as at December 31, 2017).

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

The Company enters into US dollar interest rate swap contracts to manage the impact of the interest rate fluctuations on its credit facility (Note 14) denominated in US dollars.

On May 31, 2017, the Company entered into two US dollar interest rate swap contracts with original notional amounts of US\$125,000 and US\$44,000 respectively at inception and maturing on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 1.84%. Interest is settled on a monthly basis.

On May 31, 2018, the Company entered into a US dollar interest rate swap contract with an original notional amount of US\$11,000 maturing on May 31, 2022. The contract consisted of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 2.655%. Interest was settled on a monthly basis. This contract was unwound in November 2018 and an amount of \$162 was received as settlement. This realized gain was reclassified from other comprehensive income to interest on long-term debt and other financial charges on the consolidated statement of earnings (loss).

These contracts are designated as cash flows hedges and satisfy the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts are recognized in other comprehensive income and accumulated in a hedging reserve. The Company recorded a gain in other comprehensive income of \$1,833 (net of income taxes of \$259) during the year ended December 31, 2018 (gain of \$2,094 (net of income taxes of \$320) during the year ended December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 11. Financial instruments (continued)

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the consolidated statement of earnings (loss). There is no ineffective portion on these contracts for the years ended December 31, 2018 and 2017. The fair value of the interest rate swap contracts designated as cash flow hedges is an asset of \$4,506 as at December 31, 2018 (asset of \$2,414 as at December 31, 2017).

The Company remains exposed to fluctuations in the US base or LIBOR rates on the difference between the US dollar credit facility and the notional amounts of the US dollar interest rate swap contracts. The drawings in US dollars on the credit facility are US\$219,400 as at December 31, 2018 (US\$50,000 on the revolving facility and US\$125,000 on the term facility under the previous credit agreement as at December 31, 2017).

#### e) Call option

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

Financial instruments by category:

	December 31, 2018 – classified under IFRS 9		
	Amortized cost	Fair value through profit or loss	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	52,466	-	52,466
Restricted cash	1,012	-	1,012
Investments	-	4,857	4,857
Accounts receivable	148,459	-	148,459
Long-term receivable <sup>(1)</sup>	22	-	22
Derivative financial instruments <sup>(2)</sup>	-	6,449	6,449
<b>Total</b>	<b>201,959</b>	<b>11,306</b>	<b>213,265</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	144,059	-	144,059
Purchase price obligations	-	130,708	130,708
Derivative financial instruments	-	3,232	3,232
Amounts due to related parties	2,599	-	2,599
Client deposits <sup>(3)</sup>	388	-	388
Long-term debt	421,527	-	421,527
Convertible debentures	79,008	-	79,008
<b>Total</b>	<b>647,581</b>	<b>133,940</b>	<b>781,521</b>

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

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

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



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 11. Financial instruments (continued)

	As at December 31, 2017 – classified under IAS 39				
	Loans and receivables	Available-for-sale	Fair value through profit or loss	Financial liabilities at amortized cost	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	41,079	–	–	–	41,079
Restricted cash	930	–	–	–	930
Investments	–	2,475	2,933	–	5,408
Accounts receivable	128,398	–	–	–	128,398
Long-term receivable <sup>(1)</sup>	69	–	–	–	69
Derivative financial instruments <sup>(2)</sup>	–	–	3,981	–	3,981
<b>Total</b>	<b>170,476</b>	<b>2,475</b>	<b>6,914</b>	<b>–</b>	<b>179,865</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	–	–	–	114,008	114,008
Purchase price obligations	–	–	89,136	–	89,136
Amounts due to related parties	–	–	–	1,241	1,241
Client deposits <sup>(3)</sup>	–	–	–	155	155
Long-term debt	–	–	–	293,771	293,771
Convertible debentures	–	–	–	77,461	77,461
<b>Total</b>	<b>–</b>	<b>–</b>	<b>89,136</b>	<b>486,636</b>	<b>575,772</b>

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

<sup>(2)</sup> Includes \$497 presented in prepaid expenses and other assets on the consolidated statements of financial position.

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

#### Fair value hierarchy

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

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 11. Financial instruments (continued)

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

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments	-	4,853	4	4,857
Derivative financial instruments	-	6,449	-	6,449
<b>Total financial assets</b>	-	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

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Investments	-	5,397	11	5,408
Derivative financial instruments	-	3,981	-	3,981
<b>Total financial assets</b>	-	9,378	11	9,389
<b>Financial liabilities</b>				
Purchase price obligations	-	-	89,136	89,136
Derivative financial instruments	-	-	-	-
<b>Total financial liabilities</b>	-	-	89,136	89,136

#### Level 3

The fair value of purchase price obligations 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 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.

Purchase price obligation - CNR:

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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### 11. Financial instruments (continued)

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 December 31, 2018, the Company used a 9% and 10% respectively for market growth rate and net contributions rate.
- The risk-adjusted discount rate is determined by adjusting a risk-free rate to reflect the specific risks associated with the financial liability. The discount rate is the input used to bring the future cash flows to their present value. A higher discount rate would result in a lower fair value. To assess the fair value as at December 31, 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 December 31, 2018 was CA\$74,118 (US\$54,331) and CA\$60,574 (US\$47,000) as at December 31, 2017.

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\$5,390 (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\$2,690 (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\$2,690 (US\$2,000) in the fair value of the purchase price obligation.

Due to the unobservable nature of the inputs, there may be uncertainty about the valuation of these Level 3 financial instruments and using reasonably possible alternative assumptions would change the fair value. Moreover, the relationship between the risk-adjusted discount rate and the other unobservable inputs 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\$8,080 (US\$6,000) increase or decrease in the fair value of the purchase price obligation as at December 31, 2018 (nil as at December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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### 11. 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 fair value of the Clearwater purchase price obligation as at December 31, 2018 was CA\$39,955 (US\$28,553) and CA\$35,055 (US\$27,000) as at August 9, 2018.

The main Level 3 inputs used by the Company to value the Clearwater purchase price obligations are derived from unobservable inputs of revenue and earnings before interest, taxes, depreciation and amortization (“EBITDA”) forecasts, management’s estimates of revenue from cross-selling, and the risk-adjusted discount rate. The discount rate is the input used to bring the future cash flow to their present value. 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. Moreover, the relationship between the risk-adjusted discount rate and the other unobservable inputs does not necessarily have direct relationship and different inter-relationships could be reasonably applied. The Company varied the significant unobservable inputs such as the risk-adjusted discount rate, revenue, EBITDA, and cross-selling forecasts and established a reasonable fair value range between CA\$35,470 (US\$26,000) and CA\$40,925 (US\$30,000) for its purchase price obligation as at December 31, 2018.

Reconciliation of Level 3 fair value measurements:

	Investments	Purchase price obligations	Total
	\$	\$	\$
Fair value as at December 31, 2016	9	(34,968)	(34,959)
Additional purchase price obligations	-	(60,574)	(60,574)
Settlement of purchase price obligations	-	10,363	10,363
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	-	800	800
Total realized and unrealized gains included in other revenues	2	-	2
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(6,617)	(6,617)
Total realized and unrealized gains included in other comprehensive income	-	1,860	1,860
Fair value as at December 31, 2017	11	(89,136)	(89,125)

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 11. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements:

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

There were no transfers between levels during the years ended December 31, 2018 and 2017.

### 12. Accounts payable and accrued liabilities

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Trade accounts payable and accrued liabilities	36,298	29,555
Wages and vacation payable	8,522	4,583
Bonuses and commissions payable	86,666	76,275
Cash settled share-based liabilities	7,525	5,528
Income taxes payable (recoverable)	3,403	(2,746)
Sales taxes payable	1,645	813
	<b>144,059</b>	<b>114,008</b>

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 13. Income taxes

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

	2018	2017
	\$	\$
Current income taxes	14,060	11,356
Deferred income taxes (recovery)	(14,489)	(7,200)
	<b>(429)</b>	4,156

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

	2018	2017
	\$	\$
Earnings (loss) before income taxes	(5,184)	14,868
Combined federal and provincial statutory tax rates	26.7%	26.5%
Income tax expense based on combined statutory income tax rate	(1,382)	3,940
Difference between Canadian and foreign statutory rates	(2,305)	(8,799)
Share-based compensation	1,992	1,751
Non-deductible acquisition costs	1,811	355
Non-deductible accretion and change in fair value of purchase price obligations	1,176	-
Impact of US tax reform	-	6,017
Prior years' tax adjustments	(1,461)	(198)
Other (non-taxable) non-deductible amounts	(260)	1,090
	<b>(429)</b>	4,156

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 13. Income taxes (continued)

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

	Lease inducements & Deferred lease obligations	Restructuring provisions	Carry forward losses	Intangible assets	Property and equipment	Other	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	2,980	688	9,707	(36,086)	(1,724)	9,603	(14,832)
Charged to earnings	(827)	166	5,971	5,881	460	(4,451)	7,200
Convertible debentures (Note 15)	-	-	-	-	-	(1,225)	(1,225)
Charged to equity (Note 16)	-	-	-	-	-	1,092	1,092
Business combinations	-	-	-	4,090	-	-	4,090
Charged to other comprehensive income	-	-	-	-	-	(334)	(334)
Foreign exchange difference	(141)	-	(816)	923	106	(412)	(340)
<b>Balance, December 31, 2017</b>	<b>2,012</b>	<b>854</b>	<b>14,862</b>	<b>(25,192)</b>	<b>(1,158)</b>	<b>4,273</b>	<b>(4,349)</b>
Charged to earnings	(164)	(304)	1,357	9,242	351	4,007	14,489
Convertible debentures (Note 15)	-	-	-	-	-	(53)	(53)
Business combinations (Note 4)	-	-	-	(3,923)	25	-	(3,898)
Charged to other comprehensive income	-	-	-	-	-	(259)	(259)
Reclassification to deferred income taxes on assets held-for-sale	-	-	-	704	-	-	704
Reclassification to assets held-for-sale	-	-	(65)	-	-	-	(65)
Foreign exchange difference	136	-	1,124	(767)	(121)	663	1,035
<b>Balance, December 31, 2018</b>	<b>1,984</b>	<b>550</b>	<b>17,278</b>	<b>(19,936)</b>	<b>(903)</b>	<b>8,631</b>	<b>7,604</b>

Financial statement presentation as at December 31:

	2018	2017
	\$	\$
Non-current deferred income tax assets	20,093	11,665
Non-current deferred income tax liabilities	(12,489)	(16,014)
<b>Total</b>	<b>7,604</b>	<b>(4,349)</b>

### 14. Long-term debt

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Credit facility		
Term facility	-	156,813
Revolving facility	422,805	136,725
Other facilities	919	1,585
Deferred financing charges	(2,197)	(1,352)
	421,527	293,771
Less current portion	(388)	(1,354)
<b>Non-current portion</b>	<b>421,139</b>	<b>292,417</b>

# Fiera Capital Corporation

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

#### 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. 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 in the aggregate, to more than 66 2/3%, subject to certain terms and conditions.

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

Prior to May 28, 2018, the Fourth Amended and Restated Credit Agreement (the “Previous Credit Agreement”) included a US\$125,000 term (non-revolving) facility and a CA\$350,000 senior unsecured revolving facility which could be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Previous Credit Agreement, there were no minimum repayments on the term facility until May 31, 2019, and until March 25, 2020 for the revolving facility, at which dates the amounts drawn were repayable in full. On May 28, 2018, the term facility was terminated and balances drawn on that date were converted to the Facility.

There were no changes to the interest rates applicable on the Previous Credit Facility. As at December 31, 2018, the total amount drawn on the Facility was CA\$123,500 and US\$219,400 (CA\$299,305) (CA\$74,000 and US\$50,000 (CA\$62,725) on the revolving facility, and US\$125,000 (CA\$156,813) on the term facility under the Previous Credit Agreement at December 31, 2017).

The renegotiation of the Credit Agreement was treated as a modification under IFRS 9 – *Financial Instruments* and transaction fees of \$1,466 associated with the Facility and \$1,034 associated with the Previous Credit Agreement were capitalized to the Facility as long-term debt in the consolidated statements of financial position.



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

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

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. As at December 31, 2018 all restrictive covenants under the Credit Agreement were met and these were also met at December 31, 2017 under the terms of the Previous Credit Agreement. 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 has an outstanding bank loan in the amount of \$231 of which quarterly payments of CA\$131 are required (respectively CA\$756 and CA\$131 as at December 31, 2017). The loan bears interest at prime plus 0.25% to 1.25% which is based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement), and matures on June 30, 2019. All debt covenant requirements were met as at December 31, 2018 and December 31, 2017. In March 2017, this subsidiary amended its credit agreement to include a leasing facility. As at December 31, 2018, the outstanding balance of this loan is CA\$688 (CA\$ 829 at December 31, 2017), of which monthly payments of CA\$15 are required. As at December 31, 2018, the current and non-current portions of the loan are \$157 and \$531 respectively. This subsidiary also has a line of credit with a limit of CA\$750. It bears interest at prime plus up to 0.25% to 1% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at December 31, 2018 the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

In January 2019, this subsidiary repaid the outstanding balances of the bank loan and the lease facility which had a balance as at December 31, 2018 of \$231 and \$688 respectively.

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 December 31, 2018 the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

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

	2018	2017
	\$	\$
Balance, beginning of year	293,771	430,423
Cash flows		
(Reimbursement)/proceeds from borrowings	109,261	(110,888)
Capitalized borrowing costs	(1,495)	(210)
Non-cash changes		
Changes arising from business combinations	-	-
Amortization of deferred financing charges	650	635
Foreign exchange difference	19,340	(26,189)
Balance, end of year	421,527	293,771

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 15. Convertible debentures

	2018	2017
	\$	\$
Face value	86,250	86,250
Less:		
Issuance costs <sup>(1)</sup>	(4,031)	(4,269)
Equity component (net of issuance costs of \$224 in 2018 and \$237 in 2017)	(4,568)	(4,555)
Accretion expense on equity component	1,357	35
Balance, end of year	79,008	77,461

<sup>(1)</sup> During year ended December 31, 2018, the Company revised the issuance costs and effective interest rate in order to reflect differences between issuance costs estimated at the date of issuance of the unsecured convertible debentures and the invoices subsequently received.

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

In 2017, the proceeds of the convertible debentures were used to finance the cash portion of the repurchase of Fiera Properties' remaining 45.0% non-controlling interest, to reduce indebtedness under the Credit Facility and for general corporate purposes.

During the year ended December 31, 2018, an amount of \$4,431 (2017 – nil) was paid representing the accrued cash interest from the issuance date of the unsecured convertible debentures to December 31, 2018.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Authorized

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

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

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

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

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

The shares have no par value.

#### Preferred Shares

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

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

	Class A Shares		Class B Shares		Total	
	Number	\$	Number	\$	Number	\$
As at December 31, 2016	60,800,655	550,609	19,810,903	31,525	80,611,558	582,134
Conversion of holdback shares	353,928	3,566	-	-	353,928	3,566
Issuance of shares						
Shares issued as part of a business combination	38,880	500	-	-	38,880	500
Shares issued as settlement of purchase price obligations	581,602	8,478	-	-	581,602	8,478
Performance and restricted share units settled	1,364,052	13,612	-	-	1,364,052	13,612
Stock options exercised	397,100	3,816	-	-	397,100	3,816
Shares issued as part of equity financing	6,347,000	79,484	-	-	6,347,000	79,484
Cancellation of shares	(431)	(4)	-	-	(431)	(4)
Transfers from Class B shares to Class A shares	366,413	583	(366,413)	(583)	-	-
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 4)	5,600,315	66,708	-	-	5,600,315	66,708
Shares issued as settlement of purchase price obligations	335,838	4,076	-	-	335,838	4,076
Performance and restricted share units settled	964,200	9,072	-	-	964,200	9,072
Stock options exercised	391,409	4,172	-	-	391,409	4,172
Cancellation of shares	(16,762)	(191)	-	-	(16,762)	(191)
Transfers from Class B Shares to Class A Shares	32,089	51	(32,089)	(51)	-	-
Adjustment to transaction costs on shares previously issued	-	192	-	-	-	192
<b>As at December 31, 2018 <sup>(1)</sup></b>	<b>77,556,288</b>	<b>744,724</b>	<b>19,412,401</b>	<b>30,891</b>	<b>96,968,689</b>	<b>775,615</b>

<sup>(1)</sup> Includes 4,125,055 Class A Shares held in escrow in relation with the Apex acquisition (4,950,066 as at December 31, 2017), 4,617,783 Class A Shares held in escrow in relation with the CGOV acquisition, 724,197 Class A Shares held in escrow in relation with the Clearwater acquisition, nil Class A Shares held in escrow in relation with the Fiera Private Lending acquisition (formerly "Centria Commerce") (338,124 as at December 31, 2017) and nil restricted shares held in escrow in relation to the restricted share plan (81,496 as at December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

2018

#### Issuance of shares

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

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

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

As part of the acquisition of Apex in 2016, the Company issued 5,775,075 Class A Shares. These shares are held in escrow and one seventh will be released each year over a seven-year period commencing on the first anniversary of the closing date. The second tranche vested and 825,011 Class A Shares were released from escrow on June 1, 2018

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

##### *Stock option exercised*

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

#### Cancellation of shares

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

#### Transfers

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

2017

#### Conversion of holdback shares

As part of the acquisition of Samson, 353,928 Class A Shares were issued on May 1, 2017, and an amount of CA\$3,566 was transferred from restricted and holdback shares to share capital in the consolidated statements of changes in equity.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Issuance of shares

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

On December 27, 2017, as part of the acquisition of the remaining interest of Fiera Properties, the Company issued 38,880 Class A Shares worth \$500.

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

On October 18, 2017, in connection with the asset purchase agreement of Natcan Investment Management Inc., the Company issued 581,602 Class A Shares for \$8,500 as settlement of purchase price obligations, less issuance costs of \$22.

##### *Performance shares and restricted shares settled*

During the year ended December 31, 2017, 1,364,052 Class A Shares were issued following the vesting of performance share units and restricted share units.

##### *Stock option exercised*

During the year ended December 31, 2017, 397,100 stock options were exercised and 397,100 Class A Shares were issued for \$3,816.

##### *Shares issued as part of equity financing*

On December 21, 2017, the Company completed an equity financing for gross proceeds of \$82,511. The Company issued 6,347,000 Class A Shares, including the exercise in full of the over-allotment option of 577,000 Class A Shares at a price of \$13.00 per Class A Share pursuant to a bought deal financing with a syndicate of underwriters. In connection with this offering, the Company incurred share issuance costs of \$4,119. A separate deferred income tax asset of \$1,092 was recognized.

#### Cancellation of shares

During the year ended December 31, 2017, 431 Class A Shares were cancelled due to the forfeiture of restricted shares.

#### Transfers

During the year ended December 31, 2017, 366,413 Class B Shares were converted into Class A Shares on a one-for-one basis.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### Dividends

During the year ended December 31, 2018, the Company declared and paid dividends on Class A shares and Class B shares totalling \$73,581 (\$0.78 per share) (2017 – \$57,563 (\$0.70 per share)) of which \$186 were paid on holdback shares (2017 – \$118).

#### Accumulated other comprehensive income

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

	December 31, 2018	December 31, 2017
	\$	\$
Unrealized gain on available-for-sale financial assets	-	161
Cash flow hedges	3,927	2,094
Unrealized exchange differences on translating financial statements of foreign operations	33,729	10,769
	37,656	13,024

### 17. Earnings (loss) per share

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

	For the years ended December 31,	
	2018	2017
	\$	\$
Net earnings (loss) attributable to shareholders	(5,013)	10,671
Weighted average shares outstanding – basic	94,665,002	82,258,569
Effect of dilutive share-based awards	-	5,684,713
Weighted average shares outstanding – diluted	94,665,002	87,943,282
Basic earnings (loss) per share	(0.05)	0.13
Diluted earnings (loss) per share	(0.05)	0.12

For the year ended December 31, 2018, the share-based awards and contingent consideration payable in shares of 12,439,808 and the convertible debentures with a face value of \$86,250 were all anti-dilutive. For the year ended December 31, 2017, the calculation of hypothetical conversions does not include 2,939,631 options or the convertible debentures with a face value of \$86,250 as these are anti-dilutive

### 18. Share-based payments

#### a) Stock option plan

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

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

A summary of the changes that occurred in the Company's stock option plan during the years ended December 31, 2018, and 2017, is presented below:

	2018		2017	
	Number of Class A Share options	Weighted-average exercise price	Number of Class A Share options	Weighted-average exercise price
		\$		\$
Outstanding – beginning of year	4,183,852	11.86	2,799,345	10.25
Granted	305,000	12.22	1,892,000	13.41
Exercised	(391,409)	8.07	(397,100)	7.34
Forfeited	(120,252)	13.63	(110,393)	13.64
Outstanding – end of year	3,977,191	12.21	4,183,852	11.86
Options exercisable – end of year	1,281,812	11.20	859,473	8.17

The following table presents the weighted average assumptions used to determine the share-based compensation expense using the Black-Scholes option-pricing model during the years ended December 31, 2018 and 2017:

	2018	2017
Dividend yield (%)	6.14 to 7.13	4.87 to 5.39
Risk-free interest rate (%)	2.08 to 2.26	1.15 to 1.93
Expected life (years)	7.5	8.9
Expected volatility of the share price (%)	26.26 to 26.84	24.25 to 38.97
Weighted-average fair value (\$)	1.41	2.21
Share-based compensation expense (\$)	1,732	1,402

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

The following table summarizes the stock options outstanding and exercisable as at December 31, 2018:

Range of exercise price	Options outstanding			Options exercisable	
	Number of Class A Share options	Weighted-average remaining contractual life in years	Weighted-average exercise price	Number of Class A Share options	Weighted-average exercise price
			\$		\$
3.67	68,201	1	3.67	68,201	3.67
5.40 to 8.50	574,611	3	8.05	414,611	8.29
8.51 to 14.77	3,334,379	9	13.10	799,000	13.35



# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### b) Deferred share unit (“DSU”) plan

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

One DSU is equivalent to one Class A Share of the Company. The Company recorded an expense (recovery) of (\$12) for this plan during year ended December 31, 2018 (expense of \$13 during the year ended December 31, 2017) and an amount of \$98 was paid out. As at December 31, 2018, the Company had a liability for an amount of \$95 for the 8,395 units outstanding under the DSU plan (\$205 for 15,767 units as at December 31, 2017).

#### c) Restricted share unit (“RSU”) plan

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

The following table presents transactions that occurred in the Company’s RSU Plan during the years ended December 31, 2018 and 2017.

	2018	2017
Outstanding units – beginning of year	608,635	456,303
Granted	-	566,686
Reinvestments in lieu of dividends	24,610	19,124
Vested <sup>(1)</sup>	(374,685)	(420,407)
Forfeited	-	(13,071)
Outstanding units– end of year	258,560	608,635

<sup>(1)</sup> 47,252 restricted share units were settled in cash (2017 – 65,867).

One RSU is equivalent to one Class A Share of the Company. The Company recorded an expense of \$3,176 and \$5,715 for these grants during the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, 327,433 Class A Shares (2017 – 354,540) were issued as settlement of RSU vested and \$585 was paid in cash (2017 – \$908). As at December 31, 2018, the Company had a liability in the amount of \$1,759 for the 258,560 units outstanding under the RSU Plan (\$3,075 for 608,635 units as at December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

#### d) Restricted share unit plan – cash (“RSU cash”)

On April 12, 2018, the Board approved an amended and restated RSU cash plan mainly to include various tax considerations. The purpose of this plan is to provide eligible employees with the opportunity to acquire restricted share units in order to retain key employees and to permit them to participate in the growth and development of the Company and to better align the interests of participants with the long-term interests of shareholders of the Company. All RSUs granted under this plan will be settled in cash. The following table presents transactions that occurred in the Company’s RSU Plan during the years ended December 31, 2018 and 2017.

	2018	2017
Outstanding units – beginning of year	504,380	316,133
Granted	154,693	185,256
Reinvestments in lieu of dividends	37,936	21,963
Vested	(167,974)	-
Forfeited	(727)	(18,972)
Outstanding units – end of year	528,308	504,380

RSU cash units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$2,254 and \$1,886 for these grants during the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, 167,974 units vested (2017 – nil), an amount of \$396 was paid as settlement of 32,607 units and the remaining 135,367 units were settled in January 2019. As at December 31, 2018, the Company had a liability totalling \$4,305 for the 528,308 units outstanding (\$2,435 for the 504,380 units as at December 31, 2017).

#### e) Restricted share plan

On October 30, 2015, in relation with the acquisition of Samson, the Board adopted a restricted share plan for the purposes of retaining certain employees and providing them with the opportunity to participate in the growth and development of the Company. The restricted shares vest over a three-year period with one third vesting each year. The restricted shares are entitled to dividends and have voting rights. The plan administrator reinvests the proceeds of the dividends received into additional shares of the Company.

On October 30, 2015, the Company issued 224,699 restricted shares. In conjunction with the restricted share issuance, the Company issued 224,699 Class A Shares which were held in escrow. During the year ended December 31, 2018, the last tranche of this plan vested and 78,548 Class A Shares (2017 – 79,022) that vested were released from escrow and 4,060 restricted shares were forfeited and cancelled (2017 – 431).

The Company recorded an expense of \$284 and \$672 for the years ended December 31, 2018 and 2017, respectively for this grant.

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.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

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

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

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

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

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

#### PSU applicable to BU

The Company recorded the following expense relating to PSU plans applicable to BU during the years ended December 31, 2018 and 2017:

	2018	2017
	\$	\$
Equity-settled grants	6,229	7,493
Cash-settled grants	7,297	886
Total expense	13,526	8,379

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

During the year ended December 31, 2017, the total award value granted under the Company’s PSU plans applicable to BUs was \$10,752. Certain PSU applicable to BUs representing a total value of \$5,211 vested. A total of 206,197 Class A Shares were issued during the year ended December 31, 2017 as settlement of PSU applicable to BUs.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

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

UAR applicable to BU

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

#### g) PSU plan

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

The Company recorded the following expense relating to PSU plans during the years ended December 31, 2018 and 2017:

	2018	2017
	\$	\$
Equity-settled grants	1,292	140
Cash-settled grants	1,126	1,110
Total expense	2,418	1,250

The total award value granted to eligible employees under the Company's PSU plans for the years ended December 31, 2018 and 2017 was \$4,828 and \$1,200 respectively. A total of 19,819 Class A Shares were issued during the year ended December 31, 2018 as settlement of PSU vested in 2017 (2017 – 35,325). Vested units will be settled in 2019 through the issuance of Class A Shares.

#### 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. During the year ended December 31, 2017, another subsidiary's stock option plan was discontinued. The Company's subsidiaries stock option expense in the statements of consolidated net earnings (loss) for the year ended December 31, 2018 was \$2,568 (\$855 for the year ended December 31, 2017). The subsidiary paid an amount of \$651 during the year ended December 31, 2018 as settlement of stock options exercised. The cash settled share-based liability is \$3,956 in the statements of financial position as at December 31, 2018 (\$2,039 as at December 31, 2017).

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 19. Post-employment benefit obligations

The Company contributes to defined contribution plans for its employees. Contributions for the year ended December 31, 2018 amount to \$3,696 (\$3,258 for the year ended December 31, 2017).

Subsequent to a business combination in September 2010, the Company assumed the role of sponsor of six individual pension plans ("IPPs") which had been established by the Company for former employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies. These IPPs are valued on a triennial reporting cycle. The most recent actuarial valuation was performed as at January 1, 2018 for one plan. The next actuarial valuation date is January 1, 2021 for one plan, June 30, 2021 for one plan and January 1, 2019 for four plans. Each IPP plan will be individually wound up upon the death of the respective participant or if applicable, their surviving spouse.

### 20. Expenses by nature

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

	For the years ended December 31,	
	2018	2017
	\$	\$
Salaries, wages and employee benefits	327,613	275,918
Travelling and marketing	12,756	10,999
Reference fees	17,746	13,243
Rent	13,069	11,915
Technical services	26,134	19,674
Professional fees	14,291	13,948
Insurance, permits and taxes	3,289	3,592
Other	11,026	9,165
	425,924	358,454

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

	For the years ended December 31,	
	2018	2017
	\$	\$
Salaries and wages	276,192	233,496
Pension costs	3,696	3,258
Payroll deductions	19,051	17,266
Share-based compensation	10,813	9,820
Cash settled share-based compensation	14,155	8,466
Other	3,706	3,612
	327,613	275,918

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 20. Expenses by nature (continued)

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

	For the years ended December 31,	
	2018	2017
	\$	\$
Salaries and other short-term benefits	24,004	18,173
Share-based payments	5,408	4,119

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

	For the years ended December 31,	
	2018	2017
	\$	\$
Interest on long-term debt	18,092	15,963
Interest on convertible debentures	5,634	118
Interest on derivative financial instruments	(2,843)	(190)
Amortization of deferred financing charges	650	635
Other interest	1,071	598
Foreign exchange	5,844	(10,132)
Change in fair value of derivative financial instruments	(3,093)	4,487
	25,355	11,479

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

	For the years ended December 31,	
	2018	2017
	\$	\$
<b>Changes in non-cash operating working capital items</b>		
Accounts receivable	(7,100)	(15,937)
Prepaid expenses and other assets	(1,528)	(3,929)
Accounts payable and accrued liabilities	4,532	25,946
Amounts due to related parties	1,358	183
Client deposits and deferred revenues	(185)	53
	(2,923)	6,316

The following are non-cash items:

During the year ended December 31, 2018, the Company issued Class A Shares of \$72,209 (2017 – \$500) as part of business combinations, of \$4,083 (2017 – \$8,500) as settlement of purchase price obligations and of \$9,072 (2017 – \$13,612) as settlement for PSUs and RSUs. The Company also cancelled shares previously issued as part of business combinations of \$191 (2017 – \$4) and recorded adjustments to accrued share issuance costs of \$241 and accrued issuance costs related to the convertible debentures of \$238 (share issuance costs of \$783 and issuance costs related to the convertible debentures of \$484 in 2017) included in accounts payable and accrued liabilities. During the year ended December 31, 2017, the conversion of holdback shares of \$3,566, and the extinguishment with an offset to equity of \$2,747 of puttable financial instrument liabilities were also non-cash items.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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

### 22. Additional information relating to consolidated statements of cash flows (continued)

Additions to property and equipment included in accounts payable and accrued liabilities of \$179 (2017 – \$256), additions to intangible assets included in accounts payable and accrued liabilities of \$129 (2017 – \$94) are non-cash items during the year ended December 31, 2018.

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between income taxes paid of \$7,916 (2017 – \$13,417) and income tax expense of \$14,060 (2017 – \$11,356) for a net impact of \$6,144 for the year ended December 31, 2018 (2017 – \$2,061).

### 23. Commitments and contingent liabilities

#### Commitments

The Company leases office space and equipment under non-cancellable operating leases expiring at different dates until 2035. Commitments include future lease payments totalling \$100,967.

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

	\$
2019	21,090
2020	17,471
2021	17,073
2022	14,993
2023	14,164
Thereafter	49,383
	134,174

#### 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.

### 24. Capital management

The Company's capital comprises share capital, retained earnings (deficit), long-term debt and convertible debentures, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lender of the debt. As at December 31, 2018 and 2017, the Company and one of its subsidiaries are subject to calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions*, calculated on a non-consolidated basis, and they have complied with their respective calculations. The Company and its subsidiaries have also complied with their restrictive debt covenants under the various credit facilities.

In order to maintain or adjust its capital structure, the Company may issue shares, proceed to the issuance or repayment of debt or redeem convertible debentures.

# Fiera Capital Corporation

## Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

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### 25. Related party transactions

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

Under a former agreement with a related shareholder, this related shareholder was entitled to appoint two of the four directors of the Company that the holders of Class A Shares are entitled to elect, as long as it holds, directly or indirectly, at least 20% of the outstanding Class A Shares and Class B Shares, together, on a non-diluted basis. Following the closing of the Company's bought deal financing comprised of unsecured convertible debentures (Note 15) and of a Class A Share issuance on December 21, 2017 and subsequent shareholder transactions, the related party's beneficial ownership is approximately 18.0% of the Company's issued and outstanding shares as at December 31, 2018 (19.6 % as at December 31, 2017) and as a result, such agreement terminated and the related party no longer has the right to designate two appointees to the Company's Board. This related shareholder is one of the two co-lead arrangers and one of lenders to the Company's Credit Facility and is the counterparty to the derivative financial instruments presented as being with a related entity in the table below.

At December 31, 2018, the other related shareholder indirectly owns Class B Special Voting Shares representing approximately 7.4% of the Company's issued and outstanding shares (8.1% as at December 31, 2017) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. In order to maintain the rights described above, the related shareholder is required to maintain a minimum ownership level in the Company and a specified minimum level of assets under management. This related shareholder is one of the two co-lead arrangers and one of the lenders to the Company's Credit Facility.

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

	2018	2017
	\$	\$
Base management fees	44,154	43,334
Performance fees	3,779	3,767
Other revenues	367	4,823
Selling, general & administrative expenses		
Reference fees	1,701	1,639
Other	613	785
Interest on long-term debt	15,946	15,859
Net (gain) loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	(3,093)	4,487
Acquisition costs	-	252
Shares issued as settlement of a purchase price obligation	-	8,500
Cash consideration as settlement of a purchase price obligation	8,500	-

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

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### 26. Segment reporting

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

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

	Revenues	Non-current assets
	For the year ended December 31, 2017	As at December 31, 2017
	\$	\$
Canada	223,818	514,222
United States of America	157,818	450,032
Europe and other	77,460	39,546
	459,096	1,003,800

Revenues are attributed to countries on the basis of the customer's location. As at December 31, 2018, non-current assets exclude deferred income taxes of \$20,093 and financial instruments of \$5,388 (\$11,665 and \$3,553 respectively as at December 31, 2017).

### 27. Subsequent events

#### Palmer Capital Partners Limited

On December 21, 2018, the Company entered into a purchase agreement with Palmer Capital Partners Limited ("Palmer Capital"), pursuant to which the Company will acquire an 80% interest in Palmer Capital, a UK focused real estate investment manager, based in London, UK. The Palmer Capital management shareholders will retain a 20% equity interest in Palmer Capital. The transaction is expected to be completed once the closing conditions including obtaining regulatory approvals have been satisfied.

#### Integrated Asset Management

On March 21, 2019, the Company entered into a definitive agreement with Integrated Asset Management Corp. ("IAM") under which the Company will acquire all of the outstanding common shares of IAM. The transaction will be implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Ontario). The transaction is expected to be completed once the closing conditions, including shareholder, court, and regulatory approvals have been satisfied.

#### Dividends declared

On March 21, 2019, the Board declared a quarterly dividend of \$0.21 per share to shareholders of record as at April 3, 2019 which is payable on May 1, 2019.

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**FIERACAPITAL**