# THIRD QUARTER

Fiscal 2019 Report to Shareholders

# Canaccord Genuity Group Inc. Reports Third Quarter Fiscal 2019 Results

***Excluding significant items, third quarter earnings per common share of $0.28[1]***

*(All dollar amounts are stated in Canadian dollars unless otherwise indicated)*

**TORONTO, February 13, 2019 –** During the third quarter of fiscal 2019, the quarter ended December 31, 2018, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated $331.6 million in revenue. Excluding significant items[1], the Company recorded net income[3] of $36.8 million or net income of $34.5 million attributable to common shareholders[2] (earnings per common share of $0.28). Including all significant items, on an IFRS basis, the Company recorded net income[3] of $32.5 million or net income attributable to common shareholders[2] of $30.1 million (earnings per common share of $0.25).

"We delivered another solid quarter of revenue growth in global capital markets and consistent results from our global wealth management operations, placing us firmly on track for another strong fiscal year performance," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "We have taken important steps to continue adding scale to our global wealth management businesses and strengthening our capital markets business, with confidence that our efforts will continue to translate into stronger and more sustainable returns for our shareholders."

## Third Quarter of Fiscal 2019 vs. Third Quarter of Fiscal 2018

- Revenue of $331.6 million, an increase of 7.2% or $22.2 million from $309.4 million
- Excluding significant items, expenses of $285.7 million, an increase of 10.2% or $26.5 million from $259.2 million[1]
- Expenses of $291.0 million, an increase of 10.8% or $28.4 million from $262.6 million
- Excluding significant items, diluted earnings per common share (EPS) of $0.28 compared to earnings per common share of $0.31[1]
- Excluding significant items, net income[3] of $36.8 million compared to net income[3] of $39.2 million[1]
- Net income[3] of $32.5 million compared to net income[3] of $36.6 million
- Diluted EPS of $0.25 compared to diluted EPS of $0.29

## Third Quarter of Fiscal 2019 vs. Second Quarter of Fiscal 2019

- Revenue of $331.6 million, an increase of 10.5% or $31.6 million from $300.0 million
- Excluding significant items, expenses of $285.7 million, an increase of 9.1% or $23.8 million from $261.9 million[1]
- Expenses of $291.0 million, an increase of 3.8% or $10.7 million from $280.3 million
- Excluding significant items, diluted EPS of $0.28 compared to diluted EPS of $0.23[1]
- Excluding significant items, net income[3] of $36.8 million compared to net income[3] of $28.9 million[1]
- Net income[3] of $32.5 million compared to net income[3] of $13.1 million
- Diluted EPS of $0.25 compared to earnings per common share of $0.09

**Contents**

## Year-to-Date Fiscal 2019 vs. Year-to-Date Fiscal 2018 (Nine months ended December 31, 2018 vs. Nine months ended December 31, 2017)

- Revenue of $905.8 million, an increase of 29.2% or $205.0 million from $700.8 million
- Excluding significant items, expenses of $792.4 million, an increase of 23.4% or $150.0 million from $642.4 million(1)
- Expenses of $823.5 million, an increase of 24.3% or $160.8 million from $662.8 million
- Excluding significant items, diluted EPS of $0.69 compared to diluted EPS of $0.33(1)
- Excluding significant items, net income(3) of $90.7 million compared to net income(3) of $44.3 million(1)
- Net income(3) of $64.2 million compared to net income(3) of $26.8 million
- Diluted EPS of $0.48 compared to an earnings per common share of $0.17

## Financial Condition at End of Third Quarter Fiscal 2019 vs. Fourth Quarter Fiscal 2018

- Cash and cash equivalents balance of $930.9 million, an increase of $68.1 million from $862.8 million
- Working capital of $644.4 million, an increase of $68.8 million from $575.6 million
- Total shareholders' equity of $839.2 million, a decrease of $2.2 million from Q4/18
- Book value per diluted common share of $6.04, an increase of $0.33 from $5.71(4)
- On February 13, 2019, the Board of Directors approved a dividend of $0.01 per common share, payable on March 15, 2019, with a record date of March 1, 2019.
- On February 13, 2019, the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on April 1, 2019 with a record date of March 15, 2019; and $0.31206 per Series C Preferred Share payable on April 1, 2019 with a record date of March 15, 2019

## Summary of Operations

### CORPORATE

- On August 10, 2018, the Company announced the filing of a normal course issuer bid (NCIB) to purchase common shares of the Company through the facilities of the TSX and on the alternative Canadian trading systems during the period from August 15, 2018 to August 14, 2019. The purpose of any purchases under this program is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be repurchased are 5,677,589, which represented 5.0% of the Company's outstanding common shares at the time of filing the NCIB. During the nine months ended December 31, 2018, there were 152,200 shares purchased and cancelled under the NCIB which commenced August 15, 2017 and ended on August 14, 2018. There were also 876,500 shares that were purchased and cancelled under the current NCIB during the nine months ended December 31, 2018, and 29,500 shares purchased but not yet cancelled as of December 31, 2018.
- On December 3, 2018, the Company launched a new brand identity, which has become an integral part of all firmwide communications, products and experiences. This development honours the transformative changes made across the organization, as the Company significantly advances its strategy to improve alignment across operations and transform its business mix with the objective of delivering more predictable and sustainable results.
- On January 29, 2019, the Company announced the addition of McCarthy Taylor Ltd. to its wealth management operations in the UK & Europe. This development advances Canaccord Genuity Wealth Management (UK & Europe)'s objective of expanding its national footprint and broadening its offering of fully integrated investment and wealth planning services.
- On February 13, 2019, the Company announced that it has acquired 100% of the business of a preeminent New York-based boutique M&A Advisory firm, Petsky Prunier LLC. ("Petsky Prunier"), in an asset purchase for initial consideration of $40 million (US$30 million) in cash and $20 million (US$15 million) in common shares of the Company to be issued over a three-year period. Additional contingent consideration of up to $53.2 million (US$40 million) will be paid in cash over a four-year period subject to meeting certain revenue targets over that period. For the year ended December 31, 2018, Petsky Prunier generated revenue of US$43.0 million. All key Petsky Prunier partners have entered into employment agreements with the Company.

  This development supports the Company's objective of adding scale to its fixed cost base in the region and diversifying its revenue streams, while enhancing its client offering to capture greater market share in its core areas of strength, primarily in the mid-market Technology and Healthcare sectors.
- Dvai Ghose will be retiring from his role as Global Head of Research and Head of Strategic Development, effective March 31, 2019. Derek Dley will assume the role of Director of Canadian Research, effective April 1, 2019.
- Andrew (Andy) Viles has been appointed an Executive Vice-President and Chief Legal Officer for Canaccord Genuity Group Inc. In this capacity, he becomes responsible for ensuring unified oversight and coordination of legal, regulatory and compliance functions across all business and regions where Canaccord Genuity Group operates. Mr. Viles joined Canaccord Genuity in 2003 and most recently served as Head of North American Capital Markets Compliance. He continues to serve as General Counsel for the U.S. entity, where he manages all U.S. legal matters, particularly within investment banking activities. Prior to joining Canaccord Genuity, Mr. Viles was a partner in the national law firm of Goodwin Procter LLP, working in the firm's Corporate Department. As an experienced securities lawyer, he has extensive experience advising on mergers & acquisitions, corporate restructurings, corporate finance, and capital markets transactions. Mr. Viles holds a Bachelor of Arts from Bates College, Lewiston, Maine, and a Juris Doctor from Boston University School of Law. He is a member of the Massachusetts Bar and the American Bar Association.

## CAPITAL MARKETS

- Canaccord Genuity Capital Markets generated revenue of $209.4 million, and after intersegment allocations and excluding significant items, recorded net income before taxes of $31.7 million(1)
- Canaccord Genuity Capital Markets led or co-led 61 transactions globally, raising proceeds of C$2.3 billion(5) during fiscal Q3/19
- During fiscal Q3/19 including the 61 transactions led globally, Canaccord Genuity Capital Markets participated in 104 investment banking transactions globally, raising total proceeds of C$6.3 billion(5)
- Significant investment banking transactions for Canaccord Genuity Capital Markets during fiscal Q3/19 include:
  - C$520.1 million for Curaleaf Holdings, Inc on CSE
  - US$314.2 million for Acreage Holdings, Inc on CSE
  - US$305.0 million for BioPharma Credit plc on LSE
  - US$218.1 million for Harvest Health & Recreation on CSE
  - C$120.2 million for Tilt Holdings Inc. on CSE
  - £108.5 million for Triple Point Social Housing REIT plc on LSE
  - C$107.3 million for Cresco Labs, LLC on CSE
  - US$85.1 million for Canaccord Genuity Growth Corp. on CSE
  - £79.0 million for The Renewables Infrastructure Group Limited on LSE
  - C$76.0 million for The Green Organic Dutchman on TSX
  - C$75.0 million for MedMen Enterprises on CSE
  - AUD$60.6 million for Redbubble Limited on ASX
  - C$57.6 million for Wayland Group (MariCann) on CSE
  - C$51.8 million for Namaste Technologies Inc on TSXV
  - US$42.9 million for VBI Vaccines Inc on NASDAQ
  - US$42.2 million for The Lovesac Company on Nasdaq
  - C$46.0 million for Patriot One Technologies Inc on TSXV
  - C$35.0 million for DionyMed Holdings on CSE
  - AUD$33.1 million Placement for Fluence Corporation Limited on ASX
  - AUD$23.4 million for Westgold Resources Limited on ASX
  - C$23.0 million for Sunniva Inc. on CSE
  - C$21.2 million for MJAR Holdings Corp. on CSE
  - C$20.8 million for Sproutly Canada, Inc on CSE
  - C$20.1 million for Westleaf Cannabis Inc. on TSXV
  - £20.0 million for Litigation Capital Management Limited on AIM
  - US$17.3 million for CPI Aerostructures, Inc on NYSE American
  - US$17.0 million for Histogenics Corporation on NASDAQ
  - AUD$15.5 million capital raise for Bellevue Gold Limited on ASX
  - £11.7 million Placing for Gresham House plc on AIM
- In Canada, Canaccord Genuity Capital Markets participated in raising $358.7 million for government and corporate bond issuances during fiscal Q3/19.
- Canaccord Genuity Capital Markets generated advisory revenues of $40.0 million during fiscal Q3/19, an increase of $8.0 million or 24.8% compared to the same quarter last year
- During Q3/19, significant M&A and advisory transactions included:
  - Michelin on its US$1.7 billion acquisition of Camso Inc.
  - Small World on its sale to Equistone Partners Europe
  - Dedalus on its acquisition of DL Sante
  - Tawana Resources NL on its merger with Alliance Mineral Assets Ltd.
  - ICC Labs Inc. on its C$290 million sale to Aurora Cannabis Inc
  - Reis, Inc. on its acquisition by Moody's Corporation
  - Dentressangle on its acquisition of Acteon Group
  - Alston Gayler and Co Limited on its sale to Miller Insurance Services Limited, part of Willis Towers Watson group
  - Amplio Energy's Italian solar portfolio to a consortium of Plenium Partners, Equitix and Access Capital Partners
  - Eurazeo PME on the disposal of Vignal Lighting Group to EMZ Partners
  - MJardin Group, Inc. on its C$293.2 million Acquisition of GrowForce Holdings Inc.
  - Tendril Networks, Inc. on securing a majority investment from Rubicon Technology Partners
  - Jenkins Shipping on its sale to Alcuin Capital Partners
  - Tessi on the €100 million disposal of CPoR
  - Mason Resources Corp. on its C$35.0 million sale to Hudbay Minerals Inc
  - Sherrill Inc. on its acquisition by Platte River Equity

### CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $116.0 million in revenue in Q3/19
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $60.2 billion at the end of Q3/19[(4)], a decrease of 8.5% from $65.8 billion at the end of Q2/19 and an increase of 1.7% from $59.2 billion at the end of Q3/18 due to negative market fluctuations at the end of December 2018

### CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $54.2 million in revenue and, after intersegment allocations and before taxes, recorded net income of $8.9 million in Q3/19
- Assets under administration in Canada were $18.3 billion as at December 31, 2018 a decrease of 7.5% from $19.7 billion at the end of the previous quarter and an increase of 26.4% from $14.5 billion at the end of Q3/18[(4)]
- Assets under management in Canada (discretionary) were $4.0 billion as at December 31, 2018, a decrease of 4.9% from $4.2 billion at the end of the previous quarter and an increase of 39.3% from $2.8 billion at the end of Q3/18[(4)]. These assets are included in total assets under administration. The decrease in assets under management and administration from Q2/19 to Q3/19 was due to a decrease in market value at the end of the quarter
- Canaccord Genuity Wealth Management had 150 Advisory Teams[(6)] at the end of fiscal Q3/19, unchanged from September 30, 2018 and an increase of 16 from December 31, 2017

### CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $61.8 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $10.6 million before taxes in Q3/19[(1)]
- Assets under management (discretionary and non-discretionary) were $41.2 billion (£23.8 billion) as at December 31, 2018, a decrease of 9.0% from $45.2 billion (£26.9 billion) at the end of the previous quarter and a decrease of 6.0% from $43.8 billion (£25.8 billion) at December 31, 2017.[(4)] In local currency (GBP), assets under management at December 31, 2018 decreased by 11.5% compared to September 30, 2018 and by 7.9% compared to December 31, 2017[(4)]. The decrease in assets under management from Q2/19 to Q3/19 was due to a decrease in market value towards the end of December 2018

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS measures on page 5.
(2) Net income attributable to common shareholders is calculated as the net income adjusted for non-controlling interests and preferred share dividends.
(3) Before non-controlling interests and preferred share dividends.
(4) See Non-IFRS Measures on page 5.
(5) Transactions over $1.5 million. Internally sourced information.
(6) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

## NON-IFRS MEASURES

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share and figures that exclude significant items. Significant items include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, certain accounting charges related to the change in the Company's long-term incentive plan as recorded with effect on March 31, 2018, certain incentive-based costs related to the acquisition of Hargreave Hale recorded under development costs, loss related to the extinguishment of convertible debentures as recorded for accounting purposes, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants, settlement of a promissory note issued as purchase consideration in shares at the Company's option and conversion of convertible debentures divided by the number of diluted common shares that would then be outstanding including estimated amounts in respect of share issuance commitments including options, warrants, convertible debentures and a promissory note, as applicable, and adjusted for shares purchased or committed to be purchased under the Company's normal course issuer bid (NCIB) and not yet cancelled and estimated forfeitures in respect of unvested share awards under share-based payment plans.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of the Company's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of the Company's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of the Company's business; thus, these effects should not be ignored in evaluating and analyzing the Company's financial results. Therefore, management believes that the Company's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

### SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

| (C$ thousands, except per share and % amounts) | Three months ended December 31 2018 | Three months ended December 31 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | Nine months ended December 31 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Total revenue per IFRS | $ 331,600 | $ 309,442 | 7.2% | $ 905,759 | $ 700,797 | 29.2% |
| Total expenses per IFRS | $ 290,991 | $ 262,559 | 10.8% | $ 823,538 | $ 662,752 | 24.3% |
| *Revenue* | | | | | | |
| *Total revenue excluding significant items* | $ 331,600 | $ 309,442 | 7.2% | $ 905,759 | $ 700,797 | 29.2% |
| *Expenses* | | | | | | |
| *Significant items recorded in Canaccord Genuity Capital Markets* | | | | | | |
| Amortization of intangible assets | 639 | 579 | 10.4% | 1,857 | 1,738 | 6.7% |
| Restructuring costs[2] | — | — | — | 1,316 | 4,704 | (72.0)% |
| Acquisition related costs | — | — | — | 1,173 | — | n.m. |
| *Significant items recorded in Canaccord Genuity Wealth Management* | | | | | | |
| Amortization of intangible assets | 2,745 | 2,820 | (2.7)% | 8,353 | 5,406 | 54.5% |
| Restructuring costs[2] | — | — | — | — | 2,000 | (100.0)% |
| Acquisition-related costs | 170 | — | n.m. | 170 | 6,548 | (96.0)% |
| Incentive based costs related to acquisition[3] | 1,490 | — | n.m. | 4,530 | — | n.m. |
| Development costs[4] | 245 | — | n.m. | 245 | — | n.m. |
| *Significant items recorded in Corporate and Other* | | | | | | |
| Loss on extinguishment of convertible debentures | — | — | n.m. | 13,500 | — | n.m. |
| Total significant items | 5,289 | 3,399 | 55.6% | 31,144 | 20,396 | 52.7% |
| Total expenses excluding significant items | 285,702 | 259,160 | 10.2% | 792,394 | 642,356 | 23.4% |
| Net income before taxes – adjusted | $ 45,898 | $ 50,282 | (8.7)% | $ 113,365 | $ 58,441 | 94.0% |
| Income taxes – adjusted | 9,055 | 11,100 | (18.4)% | 22,620 | 14,096 | 60.5% |
| Net income – adjusted | $ 36,843 | 39,182 | (6.0)% | $ 90,745 | 44,345 | 104.6% |
| Net income attributable to common shareholders, adjusted | $ 34,491 | $ 34,665 | (0.5)% | $ 82,433 | $ 35,008 | 135.5% |
| Earnings per common share – basic, adjusted | $ 0.35 | $ 0.38 | (7.9)% | $ 0.86 | $ 0.38 | 126.3% |
| Earnings per common share – diluted, adjusted | $ 0.28 | $ 0.31 | (9.7)% | $ 0.69 | $ 0.33 | 109.1% |

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures above.
(2) Restructuring costs for the nine months ended December 31, 2018 were incurred in connection with our UK capital markets operations. Restructuring costs for the nine months ended December 31, 2017 related to termination benefits incurred as a result of the closing of certain trading operations in the UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate and other integration costs related to the acquisition of Hargreave Hale.

(3) Incentive-based costs related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria recorded under development costs.
(4) Related to costs directly attributable to internal development of software used in our UK wealth management operations
n.m..: not meaningful

## BUSINESS SEGMENT RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

| | | | | *Excluding significant items(A)* | *IFRS* |
|---|---|---|---|---|---|
| (C$ thousands, except per share amounts) | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total | Total |
| Revenue | $ 209,373 | $ 115,979 | $ 6,248 | $ 331,600 | $ 331,600 |
| Expenses | (173,649) | (98,136) | (19,206) | (290,991) | (290,991) |
| Inter-segment allocations | (4,628) | (3,030) | 7,658 | — | — |
| Income (loss) before income taxes and significant items | $ 31,096 | $ 14,813 | $ (5,300) | $ 40,609 | $ 40,609 |
| *Significant items(A)* | | | | | |
| Amortization of intangible assets | 639 | 2,745 | — | 3,384 | — |
| Incentive-based costs related to acquisition | — | 1,490 | — | 1,490 | — |
| Development costs | — | 245 | — | 245 | — |
| Acquisition related costs | — | 170 | — | 170 | — |
| Total significant items | 639 | 4,650 | — | 5,289 | — |
| Income (loss) before income taxes | 31,735 | 19,463 | (5,300) | 45,898 | 40,609 |
| Income (taxes) recovery(B) | (9,142) | (4,035) | 4,122 | (9,055) | (8,151) |
| Non-controlling interests | (1) | — | — | (1) | (1) |
| Preferred share dividends(C) | (1,513) | (838) | — | (2,351) | (2,351) |
| Corporate and other(C) | (758) | (420) | 1,178 | — | — |
| Net income attributable to common shareholders | 20,321 | 14,170 | — | 34,491 | 30,106 |
| Dilutive EPS factors | | | | | |
| Interest on convertible debentures, net of tax(C) | 1,095 | 606 | — | 1,701 | 1,701 |
| | 21,416 | 14,776 | — | 36,192 | 31,807 |
| Average diluted number of shares(D) | 129,169 | 129,169 | | 129,169 | 129,169 |
| Diluted earnings per share, excluding significant items(A) | **$ 0.17** | **$ 0.11** | | **$ 0.28** | |
| Diluted earnings per share on an IFRS basis | | | | | **$ 0.25** |

(A) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.
(B) Allocation of consolidated tax provision based on management estimates by region and by business unit.
(C) Allocation to capital markets and wealth management segments based on revenue.
(D) This is the diluted share number used to calculate diluted EPS.

## BUSINESS SEGMENT RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

| | | | | *Excluding significant items(A)* | *IFRS* |
|---|---|---|---|---|---|
| (C$ thousands, except per share amounts) | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total | Total |
| Revenue | $ 544,279 | $ 344,681 | $ 16,799 | $ 905,759 | $ 905,759 |
| Expenses | (465,830) | (289,129) | (68,579) | (823,538) | (823,538) |
| Inter-segment allocations | (13,043) | (10,048) | 23,091 | — | — |
| Income (loss) before income taxes and significant items | $ 65,406 | $ 45,504 | $ (28,689) | $ 82,221 | $ 82,221 |
| *Significant items(A)* | | | | | |
| Amortization of intangible assets | $ 1,857 | $ 8,353 | — | $ 10,210 | — |
| Restructuring costs | 1,316 | — | — | 1,316 | — |
| Acquisition-related costs | 1,173 | 170 | — | 1,343 | — |
| Loss on extinguishment of convertible debentures | — | — | 13,500 | 13,500 | — |
| Development costs | — | 245 | — | 245 | — |
| Incentive-based costs related to acquisition | — | 4,530 | — | 4,530 | — |
| Total significant items | 4,346 | 13,298 | 13,500 | 31,144 | — |
| Income (loss) before income taxes | 69,752 | 58,802 | (15,189) | 113,365 | 82,221 |
| Income (taxes) recovery(B) | (18,771) | (10,449) | 6,600 | (22,620) | (17,987) |
| Non-controlling interests | (1,259) | — | — | (1,259) | (1,259) |
| Preferred share dividends(C) | (4,318) | (2,735) | — | (7,053) | (7,053) |
| Corporate and other(C) | (5,259) | (3,330) | 8,589 | — | — |
| Net income attributable to common shareholders | 40,145 | 42,288 | — | 82,433 | 55,922 |
| Dilutive EPS factors | | | | | |
| Interest on convertible debentures, net of tax(C) | 3,353 | 2,123 | — | 5,476 | 5,476 |
| | 43,498 | 44,411 | — | 87,909 | 61,398 |
| Average diluted number of shares(D) | 127,633 | 127,633 | | 127,633 | 127,633 |
| Diluted earnings per share, excluding significant items(A) | **$ 0.34** | **$ 0.35** | | **$ 0.69** | |
| Diluted earnings per share on an IFRS basis | | | | | **$ 0.48** |

(A) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.
(B) Allocation of consolidated tax provision based on management estimates by region and by business unit.
(C) Allocation to capital markets and wealth management segments based on revenue.
(D) This is the diluted share number used to calculate diluted EPS.

# Fellow Shareholders:

In the final months of 2018, global equities suffered steep declines amidst persistent worries over trade and economic growth. In fact, the three-month period ended December 31, 2018 was one of the worst quarters for global equities in many years, as uncertainties over the outlook for the world economy came to a head against a backdrop of tightening global monetary conditions, US-China trade tensions and political uncertainty in the UK and Europe.

Against this backdrop, we achieved our highest firmwide quarterly revenue of $331.6 million, an increase of 7.2% over the same period a year ago. On an adjusted [(1)] basis, Canaccord Genuity Group Inc. earned pre-tax net income of $45.9 million and diluted earnings per share of $0.28, which brings our adjusted pre-tax income and diluted earnings per share for the first nine months of this fiscal year to $113.4 million and $0.69 respectively — well ahead of the 12-month results that we achieved in our previous full fiscal year.

With our continued focus on revenue growth and cost discipline, we have achieved meaningful margin improvement, even as we have invested for growth. On an adjusted basis, our pre-tax profit margin for the first nine months of fiscal 2019 increased by 4.2 percentage points when compared to the same period a year ago.

We have also allocated more capital to share buybacks. For the nine months ended December 31, 2018, a total of 1,028,700 shares were purchased and cancelled and we expect to continue our share repurchase program into our fourth fiscal quarter.

## Our results for the third quarter and first nine months of fiscal 2019 reflect our priority of focusing our efforts on increasing contributions from stable and higher margin businesses, as we pursue opportunities in areas where we have strong domain expertise

Continuing on this theme, today we announced our acquisition of Petsky Prunier, a premier boutique M&A advisory firm based in New York, with a focus in the mid-market Technology and Healthcare sectors. For some time now, we have been evaluating opportunities to add scale to our U.S. capital markets business with a particular emphasis on growing contributions from higher-margin advisory services. The CG Capital Markets and Petsky Prunier combination creates a powerful offering for clients of both firms, who will benefit from significantly enhanced advisory capability and reach, in addition to the globally integrated sales, trading, and equity research capabilities that our broader capital markets platform provides. Furthermore, this combination is an excellent fit for us culturally and we look forward to significantly advancing our market position for mid-market advisory services in the region.

We have structured a transaction that encourages the partnership and collaboration that we know are integral to driving growth and stability across our platform. The transaction will be accretive to our earnings and we feel confident that it will deliver incremental value for our shareholders, as we diversify our U.S. revenue streams to provide more resiliency in our financial results.

## Advancing our market leadership through unparalleled mid-market execution and advisory capability

Our global capital markets business was the strongest contributor to our third fiscal quarter results, having contributed 62.0% of the adjusted pre-tax net income attributable to our combined operating businesses. Total revenue from these operations amounted to $209.4 million for the quarter, with the most notable contributions coming from our Canadian and U.S. businesses.

Performance in our Canadian operations was driven by higher commissions and fees revenue, reflecting increased contributions by our Jitneytrade operation. While investment banking and advisory revenue decreased modestly compared to the same period a year ago, we maintained our position as the top underwriter for Canadian equities during the three-month period. Most importantly, I would like to highlight that Canaccord Genuity was the leading equities underwriter in Canada for calendar 2018 based on league table data provided by FP Infomart. Our U.S. capital markets business delivered its fifth consecutive quarter of profitability, driven by revenue increases across all segments, with notable increases in commissions & fees, investment banking and advisory activities.

As anticipated, our UK & Europe capital markets operation returned to profitability, primarily due to the completion of some significant advisory mandates during the third fiscal quarter, which led to a 19.6% increase year over year in revenue earned by this segment. This business also achieved a notable increase in investment banking revenue during the quarter, in part due to the contributions from our corporate broking team, which has won seven new mandates during the third fiscal quarter, contributing to a total of 23 new engagements for the last twelve months. We have continued to focus on managing this operation to provide more consistent and stable results from this business. Finally, results in our Australian business were impacted by mark-to-market losses on its fee-based inventory positions. That said, this business improved its position in the regional league tables and is advancing nicely into its position as a leading independent mid-market investment bank by deepening domain expertise and relationships in the region to capture additional market share in our core focus sectors.

All said, the market events during our third fiscal quarter created opportunities for us to showcase the agility that our independent platform provides, as we continued to establish our strong track record of delivering successful outcomes for growing companies in varying economic climates.

1 Adjusted earnings are a non-GAAP, non-IFRS measure generally referred to by the company as net income excluding significant items. Refer to non-IFRS measures in the Company's MD&A.

## Continuing to grow our wealth management operations in the UK & Europe and Canada

Total client assets in our global wealth management businesses at the end of our third fiscal quarter amounted to $60.2 billion, a modest increase compared to the same period a year ago, but a sequential decrease of 8.5%. This decrease was entirely driven by market depreciation during the period and we note that this drop is less severe than those observed in global equities. A more stable market backdrop at the start of our fourth fiscal quarter has supported a return to more normalized valuations, and we continue to add growth across our operations.

Our combined global wealth management operations earned revenue of $116.0 million for our third quarter, a year-over-year increase of 6.0%, which was primarily driven by higher commission-based and interest revenue in our Canadian business. Adjusted pre-tax net income was unchanged compared to the same quarter of last year, reflecting higher compensation expenses and increased hiring incentives in connection with our growth strategy.

Our Canadian wealth management business has delivered its eighth consecutive quarter of profitability. Assets in this business increased by 26.4% year-over-year, reflecting our recruitment initiatives, in addition to higher market values over the year. At current asset levels, we have greater confidence that this business will continue to be profitable and we are focused on initiatives that will drive longer-term margin improvement.

Subsequent to the end of the quarter, we announced that our UK & Europe wealth management business acquired McCarthy Taylor, an independent financial advisory firm headquartered in Worcester, serving clients across the UK Midlands. The firm provides bespoke financial planning and discretionary investment management and manages client assets of approximately £171 million [(2)]. In addition to contributing to growth in our client assets, this development advances our objective of expanding our national footprint and broadening our offering of fully integrated investment and wealth planning services in this important region. We remain committed to this business and we have a number of opportunities to expand our offering in the region.

Although we can expect that the impact of market events that began in December 2018 will be moderately evident in our fourth fiscal quarter results, we continue to add to our client assets and build our professional base in Canada and explore acquisition opportunities in the UK & Europe. Looking forward, we are focused on achieving sustainable growth and longevity of client assets, and we are investing in the development of products and strategies to increase our relevance to the clients we serve and capture a greater share of the wealth wallet.

The global macroeconomic environment continues to have solid near-term fundamentals and we remain constructive in our outlook for activity levels across our operations over the near- and medium-terms. We see opportunities for productive growth across our businesses and we are allocating our resources accordingly.

In our global wealth management businesses, we continue to hire strategically while looking for opportunities to add scale. We are also investing to expand our product offering and provide the resources our investment professionals need to continue doing great work for our clients. As with any period of change in the market backdrop, we can expect that investor appetite for active portfolio management and other advice-driven services will increase and we are positioning our business accordingly.

The work we do is essential to supporting a vibrant market for small- and mid-sized companies and the investors who follow them and we expect to see a continued need for companies and financial sponsors in all of our key markets to transact, as they strive to stay competitive in a rapidly evolving global economy.

We remain focused on serving all our clients well while we manage the firm for profitable growth. We expect that our efforts will continue to translate into stronger and more sustainable returns for our shareholders.

**DAN DAVIAU**
President & CEO
Canaccord Genuity Group Inc.

2 As of January 4, 2019

# Management's Discussion and Analysis

Third quarter fiscal 2019 for the three months and nine months ended December 31, 2018 — this document is dated February 13, 2019

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and nine- month periods ended December 31, 2018 compared to the corresponding period in the preceding fiscal year. The three-month period ended December 31, 2018 is also referred to as third quarter 2019 and Q3/19. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord Genuity Group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity Capital Markets" refers to the investment banking and capital markets segment of the Company. This discussion should be read in conjunction with: the unaudited interim condensed consolidated financial statements for the three- and nine- month period ended December 31, 2018, beginning on page 39 of this report; our Annual Information Form (AIF) dated June 25, 2018; and the 2018 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2018 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 6, 2018 (the 2018 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2018 except as disclosed in this MD&A. The Company's financial information is expressed in Canadian dollars unless otherwise specified.

## Cautionary Statement Regarding Forward-Looking Information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and the Company's growth, results of operations, performance, business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's unaudited interim condensed and Audited Annual Consolidated Financial Statements and in its 2018 Annual Report and AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which include market, liquidity, credit, operational, legal, cyber and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2019 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and Audited Annual Consolidated Financial Statements and in its 2018 Annual Report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is also not exhaustive.

Although the forward-looking information contained in this document is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this document and should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Certain statements included in this document may be considered "financial outlook" for purposes of applicable Canadian securities laws, and such financial outlook may not be appropriate for purposes other than this document. Except as may be required by applicable law, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, further developments or otherwise.

## Presentation of Financial Information and Non-IFRS Measures

This MD&A is based on the unaudited interim condensed consolidated financial statements for the three- and nine-month period ended December 31, 2018 (Third quarter 2019 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Third quarter 2019 Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), and using accounting policies consistent with those applied in preparing the Company's Audited Annual Consolidated Financial Statements for the year ended March 31, 2018.

### NON-IFRS MEASURES

Certain non-IFRS measures are utilized by the Company as measures of financial performance. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Non-IFRS measures presented include assets under administration, assets under management, book value per diluted common share, return on common equity and figures that exclude significant items.

The Company's capital is represented by common and preferred shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants, settlement of a promissory note issued as purchase consideration in shares at the Company's option, and conversion of convertible debentures divided by the number of diluted common shares that would then be outstanding including estimated amounts in respect of share issuance commitments including options, warrants, convertible debentures and a promissory note, as applicable, and adjusted for shares purchased or committed to be purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

Assets under administration (AUA) and assets under management (AUM) are non-IFRS measures of client assets that are common to the wealth management business. AUA — Canada, AUM — Australia and AUM — UK & Europe are the market value of client assets managed and administered by the Company from which the Company earns commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. AUM — Canada includes all assets managed on a discretionary basis under programs that are generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program.* Services provided include the selection of investments and the provision of investment advice. The Company's method of calculating AUA — Canada, AUM — Canada, AUM — Australia and AUM — UK & Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Genuity Wealth Management business segment. AUM — Canada is also administered by the Company and is included in AUA — Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, certain accounting charges related to the change in the Company's long-term incentive plan as recorded with effect on March 31, 2018, certain incentive-based costs related to the acquisition of Hargreave Hale recorded under development costs, loss related to the extinguishment of convertible debentures as recorded for accounting purposes as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. See the Selected Financial Information Excluding Significant Items table on page 16.

Management believes that these non-IFRS measures allow for a better evaluation of the operating performance of the Company's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of the Company's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of the Company's business; thus, these effects should not be ignored in evaluating and analyzing the Company's financial results. Therefore, management believes that the Company's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

## Business Overview

Through its principal subsidiaries, Canaccord Genuity Group Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets. Since its establishment in 1950, the Company has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord Genuity Group has wealth management offices located in Canada, the UK, Guernsey, Jersey, the Isle of Man and Australia. Canaccord Genuity Capital Markets, the Company's international capital markets division, operates in North America, the UK & Europe, Asia, Australia and the Middle East.

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX. Canaccord Genuity Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord Genuity Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C. The Company's 6.25% Convertible Unsecured Senior Subordinated Debentures are listed on the TSX under the symbol CF.DA.A.

Our business is affected by the overall condition of the worldwide equity and debt markets.

## Market Environment During Q3 Fiscal 2019

**Economic backdrop:**

Towards the end the third quarter of fiscal 2019 equity markets reversed course, posting widespread negative returns. During the period, world equities, the S&P 500, the S&P/TSX and emerging markets (EMs) declined 12.7%, 13.5%, 10.1% and 7.4% respectively. Global trade tensions, rising interest rates, a strong U.S. dollar and elevated crude oil prices tightened financial conditions during the first half of fiscal 2019 and likely contributed to the negative stock market returns. In addition, the position of the U.S. Federal Reserve likely compounded investors' fears of higher interest rates in calendar 2019, along with an increased fear of an economic recession, which drove a temporary retreat in risk assets.

**Investment banking and advisory**

While heightened market volatility has the potential to impair capital raising and advisory activities in some areas of our business, we also note that small- and mid-cap equities tend to be more domestically focused. Activity in fiscal Q3/19 maintained a robust pace, despite higher volatility in equity markets and the negative returns for global small cap equities, as indicated in the table below. As a result, they appear less sensitive to trade tensions and global macroeconomic and geopolitical risks than large-caps. With expectations that commodity prices will rebound over the coming months, we can also expect that the lower valuations have the potential to drive M&A activities in the natural resource sectors, as recent business combinations suggest.

| Index Value at End | Q3/18 | | Q4/18 | | Q1/19 | | Q2/19 | | Q3/19 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| of Fiscal Quarter | 12/29/2017 | (Y/Y) | 3/30/2018 | (Y/Y) | 6/29/2018 | (Y/Y) | 9/28/2018 | (Y/Y) | 12/31/2018 | (Y/Y) | (Q/Q) |
| S&P IFCI Global Small Cap | 301.8 | 34.5% | 306.1 | 21.7% | 277.6 | 8.3% | 259.8 | -6.7% | 238.4 | -21.0% | -8.3% |
| S&P IFCI Global Large Cap | 258.6 | 34.6% | 261.1 | 22.1% | 239.1 | 5.8% | 236.3 | -2.1% | 218.6 | -15.5% | -7.5% |

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

Our capital raising and advisory activities are primarily focused on small- and mid-capitalization companies in specific growth sectors of the global economy. These sectors may experience growth or downturns independent of broader economic and market conditions, and government regulation can also have a more profound impact on capital formation for smaller companies. Volatility in the business environment for these industries or in the market for securities of companies within these industries in the regions where we operate could adversely affect our financial results and ultimately, the market value of our shares. Advisory revenues are primarily dependent on the successful completion of merger, acquisition or restructuring mandates. Weak economic and global financial market conditions and uncertainties with respect to Brexit would result in a challenging business environment for small and mid-market M&A and capital raising activity but may provide opportunities for our restructuring business.

**Trading**

Fluctuations in equity markets, commodity prices and bond yields tend to stimulate trading activities. As a result, the surge in volatility experienced during our third fiscal quarter led to increased trading volumes in the U.S., Europe and Canada when compared to levels from the same period last year. Looking ahead, we continue to expect that the implementation of MiFID II in some of our jurisdictions carries some potential to impair trading volumes in the medium to long-term.

| Average Value During | Q3/18 | | Q4/18 | | Q1/19 | | Q2/19 | | Q3/19 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Quarter/Year | 29-Dec-17 | (Y/Y) | 30-Mar-18 | (Y/Y) | 29-Jun-18 | (Y/Y) | 28-Sep-18 | (Y/Y) | 31-Dec-18 | (Y/Y) | (Q/Q) |
| Russell 2000 | 1511.5 | 17.4% | 1554.1 | 13.0% | 1608.2 | 15.7% | 1698.4 | 19.9% | 1496.8 | -1.0% | -11.9% |
| S&P 400 Mid Cap | 1853.4 | 16.5% | 1914.1 | 12.2% | 1932.6 | 11.7% | 2011.4 | 15.2% | 1824.1 | -1.6% | -9.3% |
| FTSE 100 | 7480.4 | 8.0% | 7354.7 | 1.1% | 7544.7 | 2.1% | 7553.0 | 2.3% | 6991.6 | -6.5% | -7.4% |
| MSCI EU Mid Cap | 1107.9 | 18.0% | 1104.5 | 10.0% | 1115.8 | 4.5% | 1123.5 | 4.9% | 1012.0 | -8.7% | -9.9% |
| S&P/TSX | 15982.8 | 7.0% | 15746.2 | 1.3% | 15872.1 | 2.6% | 16303.8 | 7.4% | 15042.0 | -5.9% | -7.7% |

Source: Thomson Reuters Datastream, Canaccord Genuity estimates

### Global wealth management

The market value of world equities declined abruptly during fiscal Q3/19. Despite much lower commodity prices (-22.9%), Canadian and emerging market equities (-10.1% and -7.4% respectively) outperformed U.S. equities (-13.5%). Moreover, the marked depreciation in the Canadian dollar lessened the blow from the negative performance in international holdings in investors' portfolios. The flight to safety in Treasury bonds also mitigated the negative return in balanced portfolios. Although total AUM in wealth management declined in fiscal Q3/19, resulting in lower management fees for the period, we note that the drop is much less severe than that observed in global equities.

| Total Return (excl. currencies) | Q3/18 Change (Q/Q) | Q4/18 Change (Q/Q) | Q1/19 Change (Q/Q) | Q2/19 Change (Q/Q) | Q3/19 Change (Q/Q) | Fiscal 2019 Change |
|---|---|---|---|---|---|---|
| S&P 500 | 6.6% | -0.8% | 3.4% | 7.7% | -13.5% | -3.7% |
| S&P/TSX | 4.5% | -4.5% | 6.8% | -0.6% | -10.1% | -4.6% |
| MSCI EMERGING MARKETS | 5.7% | 0.8% | -3.4% | 0.1% | -7.4% | -10.4% |
| MSCI WORLD | 5.8% | -0.8% | 0.7% | 4.4% | -12.7% | -8.2% |
| S&P GS COMMODITY INDEX | 9.9% | 2.2% | 8.0% | 1.3% | -22.9% | -15.7% |
| US 10-YEAR T-BONDS | -0.2% | -2.4% | -0.6% | -1.5% | 4.6% | 2.4% |
| CAD/USD | -0.9% | -2.4% | -1.8% | 1.8% | -5.4% | -5.5% |
| CAD/EUR | -2.4% | -5.0% | 3.5% | 2.4% | -4.2% | 1.6% |

### Outlook

The U.S. Federal Reserve sent a message of patience with regards to future rate hikes and we can expect that the decline in bond yields, lower oil prices and US dollar depreciation seen since October 2018 will act as reflation forces to support the global economy and allow global growth to stabilize and re-accelerate in late summer.

Our Strategy Group believes that the odds of a global recession remain low and for this reason, we expect that our agency business should continue to grow at a moderate pace. Financing activities typically accelerate during the late-stage of a business cycle and, in the event of a shift from growth to value, we can expect a broadening in the scope of sectors looking for investment banking and advisory services. M&A activities previously put on hold due to heightened volatility are expected to resume as markets recover. And finally, as with any period of change in the market backdrop, our wealth management businesses should benefit from increased investor appetite for active portfolio management and other wealth management services.

## ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

Canaccord Genuity Group Inc.'s operations are divided into two business segments: Canaccord Genuity Capital Markets (investment banking and capital markets operations) and Canaccord Genuity Wealth Management. Together, these operations offer a wide range of complementary investment banking services, investment products and brokerage services to the Company's institutional, corporate and private clients. The Company's administrative segment is referred to as Corporate and Other.

### Canaccord Genuity Capital Markets

Canaccord Genuity Capital Markets is the global capital markets division of Canaccord Genuity Group Inc., offering institutional and corporate clients idea-driven investment banking, merger and acquisition, research, sales and trading services with capabilities in North America, the UK & Europe, Asia, Australia and the Middle East. We are committed to providing valued services to our clients throughout the entire lifecycle of their business and operating as a gold standard independent investment bank — expansive in resources and reach, but targeted in industry expertise, market focus and individual client attention.

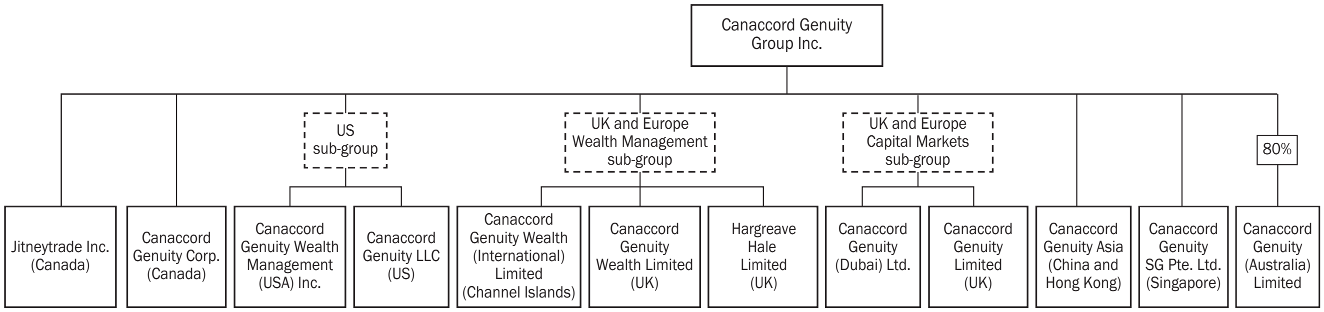
### Canaccord Genuity Wealth Management

Canaccord Genuity Wealth Management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries through a full suite of services tailored to the needs of clients in each of its markets. The Company's wealth management division now has Investment Advisors (IAs) and professionals in Canada, the UK, Jersey, Guernsey, the Isle of Man and Australia.

### Corporate and Other

Canaccord Genuity Group's administrative segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and activities not specifically allocable to either the Canaccord Genuity Capital Markets or Canaccord Genuity Wealth Management divisions. Also included in this segment are the Company's operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions of Canaccord Genuity Group Inc.

## Corporate structure




The chart shows principal operating companies of the Canaccord Genuity Group.

Effective August 10, 2018, the Company owns 80% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd. and Canaccord Genuity (Australia) Limited [March 31, 2018 — 50%], but for accounting purposes, as of December 31, 2018 the Company is considered to have an 85% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. [March 31, 2018 — 58%].

## Consolidated Operating Results

### THIRD QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018 SUMMARY DATA(1)(2)(7)

| (C$ thousands, except per share and % amounts, and number of employees) | Three months ended December 31 2018 | 2017 | 2016 | QTD Q3/19 vs. Q3/18 | Nine months ended December 31 2018 | 2017 | 2016 | YTD FY 2019 vs. FY 2018 |
|---|---|---|---|---|---|---|---|---|
| **Canaccord Genuity Group Inc. (CGGI)** | | | | | | | | |
| Revenue | | | | | | | | |
| Commissions and fees | **$ 143,115** | $ 125,709 | $ 102,637 | 13.8% | **$ 418,897** | $ 326,789 | $ 290,851 | 28.2% |
| Investment banking | **98,978** | 112,629 | 46,508 | (12.1)% | **233,925** | 186,681 | 124,534 | 25.3% |
| Advisory fees | **40,698** | 31,957 | 17,127 | 27.4% | **110,008** | 81,442 | 78,275 | 35.1% |
| Principal trading | **30,776** | 29,138 | 33,569 | 5.6% | **90,633** | 77,874 | 87,974 | 16.4% |
| Interest | **12,703** | 6,861 | 4,017 | 85.1% | **37,275** | 17,830 | 11,630 | 109.1% |
| Other | **5,330** | 3,148 | 4,250 | 69.3% | **15,021** | 10,181 | 14,626 | 47.5% |
| Total revenue | **331,600** | 309,442 | 208,108 | 7.2% | **905,759** | 700,797 | 607,890 | 29.2% |
| Expenses | | | | | | | | |
| Incentive compensation | **166,719** | 158,631 | 106,941 | 5.1% | **455,958** | 366,205 | 318,596 | 24.5% |
| Salaries and benefits | **29,220** | 26,537 | 21,064 | 10.1% | **85,405** | 70,608 | 63,606 | 21% |
| Other overhead expenses(3) | **94,725** | 77,297 | 74,392 | 22.5% | **265,601** | 212,385 | 209,209 | 25.1% |
| Acquisition-related costs | 170 | — | — | n.m. | **1,343** | 6,548 | — | (79.5)% |
| Restructuring costs(4) | — | — | — | — | **1,316** | 6,704 | — | (80.4)% |
| Loss on extinguishment of convertible debentures | — | — | — | — | **13,500** | — | — | n.m. |
| Share of loss from associate | **157** | 94 | — | 67.0% | **415** | 302 | — | 37.4% |
| Total expenses | **290,991** | 262,559 | 202,397 | 10.8% | **823,538** | 662,752 | 591,411 | 24.3% |
| Income before income taxes | **40,609** | 46,883 | 5,711 | (13.4)% | **82,221** | 38,045 | 16,479 | 116.1% |
| Net income | **$ 32,458** | $ 36,598 | $ 4,544 | (11.3)% | **$ 64,234** | $ 26,780 | $ 12,199 | 139.9% |
| Net income attributable to: | | | | | | | | |
| CGGI shareholders | **$ 32,457** | $ 34,432 | $ 3,755 | (5.7)% | **$ 62,975** | $ 24,685 | $ 9,217 | 155.1% |
| Non-controlling interests | **$ 1** | $ 2,166 | $ 789 | (100.0)% | **$ 1,259** | $ 2,095 | $ 2,982 | (39.9)% |
| Earnings per common share – diluted | **$ 0.25** | $ 0.29 | $ 0.01 | (18.2)% | **$ 0.48** | $ 0.17 | $ 0.01 | 182.4% |
| Dividends per common share | **$ 0.01** | $ 0.01 | — | — | **$ 0.03** | $ 0.03 | — | — |
| Book value per diluted common share(5) | **$ 6.04** | $ 5.11 | $ 4.85 | 18.2% | | | | |
| Total assets | **$3,998,083** | $3,317,204 | $2,776,098 | 20.5% | | | | |
| Total liabilities | **$3,156,579** | $2,538,841 | $2,030,844 | 24.3% | | | | |
| Non-controlling interests | **$ 2,338** | $ 12,031 | $ 9,651 | (80.6)% | | | | |
| Total shareholders' equity | **$ 839,166** | $ 766,332 | $ 735,603 | 9.5% | | | | |
| Number of employees | **2,048** | 1,939 | 1,733 | 5.6% | | | | |
| **Excluding significant items(6)** | | | | | | | | |
| Total revenue | **$ 331,600** | $ 309,442 | $ 208,108 | 7.2% | **$ 905,759** | $ 700,797 | $ 606,697 | 29.2% |
| Total expenses | **285,702** | 259,160 | 200,294 | 10.2% | **792,394** | 642,356 | 584,935 | 23.4% |
| Income before income taxes | **45,898** | 50,282 | 7,814 | (8.7)% | **113,365** | 58,441 | 21,762 | 94.0% |
| Net income | **36,843** | 39,182 | 6,309 | (6.0)% | **90,745** | 44,345 | 16,456 | 104.6% |
| Net income attributable to: | | | | | | | | |
| CGGI shareholders | **36,842** | 37,016 | 5,447 | (0.5)% | **89,486** | 42,250 | 13,264 | 111.8% |
| Non-controlling interests | **1** | 2,166 | 862 | (100.0)% | **1,259** | 2,095 | 3,192 | (39.9)% |
| Net income attributable to common shareholders, adjusted | **34,491** | 34,665 | 2,907 | (0.5)% | **82,433** | 35,008 | 4,726 | 135.5% |
| Earnings per common share – diluted | **0.28** | 0.31 | 0.03 | (9.7)% | **0.69** | 0.33 | 0.05 | 109.1% |

(1) Data is in accordance with IFRS except for book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 5.
(2) The operating results of the Australian operations have been fully consolidated and a non-controlling interest has been recognized for the three and nine months ended December 31, 2018 [April 1, 2018 to August 9, 2018 — 42% and post acquisition of an additional 30% interest in the Australian operations on August 10, 2018 — 15%; three and nine months ended December 31, 2017 — 42% and December 31, 2016 — 42%.].
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Restructuring costs for the nine months ended December 31, 2018 were incurred in connection with our UK capital markets operations. Restructuring costs for the nine months ended December 31, 2017 related to termination benefits incurred as a result of the closing of certain trading operations in the UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate and other integration costs related to the acquisition of Hargreave Hale.
(5) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants, settlement of a promissory note in shares at the Company's option, and the conversion of convertible debentures, divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, and adjusted for shares purchased or committed to be purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(6) Net income and earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.
(7) Data includes the operating results of Hargreave Hale Limited since September 18, 2017 and the operating results of Jitneytrade Inc. and Finlogik Inc. since June 6, 2018.
n.m.: not meaningful

## SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

| (C$ thousands, except per share and % amounts) | Three months ended December 31 2018 | Three months ended December 31 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | Nine months ended December 31 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Total revenue per IFRS | $ 331,600 | $ 309,442 | 7.2% | $ 905,759 | $ 700,797 | 29.2% |
| Total expenses per IFRS | $ 290,991 | $ 262,559 | 10.8% | $ 823,538 | $ 662,752 | 24.3% |
| *Revenue* | | | | | | |
| *Total revenue excluding significant items* | $ 331,600 | $ 309,442 | 7.2% | $ 905,759 | $ 700,797 | 29.2% |
| *Expenses* | | | | | | |
| Significant items recorded in Canaccord Genuity Capital Markets | | | | | | |
| Amortization of intangible assets | 639 | 579 | 10.4% | 1,857 | 1,738 | 6.7% |
| Restructuring costs[2] | — | — | — | 1,316 | 4,704 | (72.0)% |
| Acquisition related costs | — | — | — | 1,173 | — | n.m. |
| *Significant items recorded in Canaccord Genuity Wealth Management* | | | | | | |
| Amortization of intangible assets | 2,745 | 2,820 | (2.7)% | 8,353 | 5,406 | 54.5% |
| Restructuring costs[2] | — | — | — | — | 2,000 | (100.0)% |
| Acquisition-related costs | 170 | — | n.m. | 170 | 6,548 | (96.0)% |
| Incentive based costs related to acquisition[3] | 1,490 | — | n.m. | 4,530 | — | n.m. |
| Development costs[4] | 245 | — | n.m. | 245 | — | n.m. |
| *Significant items recorded in Corporate and Other* | | | | | | |
| Loss on extinguishment of convertible debentures | — | — | n.m. | 13,500 | — | n.m. |
| Total significant items | 5,289 | 3,399 | 55.6% | 31,144 | 20,396 | 52.7% |
| Total expenses excluding significant items | 285,702 | 259,160 | 10.2% | 792,394 | 642,356 | 23.4% |
| Net income before taxes – adjusted | $ 45,898 | $ 50,282 | (8.7)% | $ 113,365 | $ 58,441 | 94.0% |
| Income taxes – adjusted | 9,055 | 11,100 | (18.4)% | 22,620 | 14,096 | 60.5% |
| Net income – adjusted | $ 36,843 | 39,182 | (6.0)% | $ 90,745 | 44,345 | 104.6% |
| Net income attributable to common shareholders, adjusted | $ 34,491 | $ 34,665 | (0.5)% | $ 82,433 | $ 35,008 | 135.5% |
| Earnings per common share – basic, adjusted | $ 0.35 | $ 0.38 | (7.9)% | $ 0.86 | $ 0.38 | 126.3% |
| Earnings per common share – diluted, adjusted | $ 0.28 | $ 0.31 | (9.7)% | $ 0.69 | $ 0.33 | 109.1% |

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.
(2) Restructuring costs for the nine months ended December 31, 2018 were incurred in connection with our UK capital markets operations. Restructuring costs for the nine months ended December 31, 2017 related to termination benefits incurred as a result of the closing of certain trading operations in the UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate and other integration costs related to the acquisition of Hargreave Hale.
(3) Incentive-based costs related to the acquisition of Hargreave Hale determined with reference to financial targets and other performance criteria recorded under development costs.
(4) Related to costs directly attributable to internal development of software used in our UK wealth management operations
n.m..: not meaningful

### Foreign exchange

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling appreciated against the Canadian dollar by approximately 0.4% in Q3/19 when compared to Q3/18, while the US dollar appreciated against the Canadian dollar by approximately 4.4%. For the nine months ended December 31, 2018, the pound sterling and the US dollar appreciated against the Canadian dollar by approximately 2.1% and 1.4%, respectively. This change in foreign exchange contributed to certain changes in revenue and expense items in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity Capital Markets and Canaccord Genuity Wealth Management UK & Europe.

### Geographies

Commencing in Q3/17, the operating results of our Australian operations were disclosed as a separate geography. Prior to Q3/17 Australia was included as part of Other Foreign Locations. The operating results of the Australian operations have been fully consolidated and a non-controlling interest of 15.0% [prior to closing date of August 10, 2018 and year ended March 31, 2018 — 42%] has been recognized for accounting purposes since the closing date of August 10, 2018 of the Company's acquisition of an additional 30% interest.

Also, commencing in Q3/17, our Dubai operation, which was previously included in Other Foreign Locations, was included as part of Canaccord Genuity Capital Markets UK & Europe. The Other Foreign Locations geographic segment is now comprised of our Asian based operations, including our new Singapore operation that began in fiscal 2019, China and Hong Kong, and prior to their sale or closure also included our former operations in Barbados and our advisory and capital raising business in Singapore.

These reclassifications reflect the growing contributions from Australia and the working associations between the UK and Dubai. For purposes of the discussion provided herein the Canaccord Genuity Capital Markets operations in the UK, Europe and Dubai are referred to as the "UK".

Operating results of Hargreave Hale Limited ("Hargreave Hale") are included since the closing date of September 18, 2017 as part of Canaccord Genuity Wealth Management UK & Europe. Operating results of Jitneytrade Inc. and Finlogik Inc. (collectively referred to as "Jitneytrade") are included as part of Canaccord Genuity Capital Markets Canada since the closing date of June 6, 2018.

### Goodwill

In determining whether to perform an impairment test, the Company considers factors such as its market capitalization, market conditions generally and overall economic conditions as well as market conditions in the key sectors in which the Company operates and the impact that such conditions are expected to have on the Company's operations.

Utilizing management's preliminary estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill and indefinite life intangible assets associated with any of its wealth management business units in the UK & Europe or its goodwill recorded in Canaccord Genuity Capital Markets Canada (Genuity) or Canada (Jitneytrade). Notwithstanding this determination as of December 31, 2018, changes or uncertainty in the economic environment may cause this determination to change. If the business climate changes and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the goodwill recorded in Canaccord Genuity Capital Markets Canada (Genuity) or Canaccord Genuity Capital Markets Canada (Jitneytrade). Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in its indefinite life intangible asset related to the Genuity brand name, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

### Revenue

*Third quarter 2019 vs. third quarter 2018*

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other.

Revenue for the three months ended December 31, 2018 was $331.6 million, an increase of 7.2% or $22.2 million compared to the same period a year ago, across both our capital markets and wealth management operations. The Canaccord Genuity Capital Markets segment experienced an increase of $13.2 million or 6.7% in Q3/19 compared to the same quarter in the prior year. This increase was largely driven by higher commissions and fees revenue generated by our Canadian and US operations, higher advisory fees generated by our US and UK operations, partially offset by lower revenue generated by our Australian operations. Further contributing to the increase in overall consolidated revenue was an increase of $6.6 million or 6.0% generated in our Canaccord Genuity Wealth Management segment during the three months ended December 31, 2018 compared to Q3/18, primarily due to an increase in commission-based and interest revenue in our North American wealth management business.

Revenue in our Canaccord Genuity Capital Markets segment increased by 6.7% compared to Q3/18, largely driven by higher commissions and fees and advisory fees revenue. Our US operations, which benefitted from increased capital raising and advisory activities as well as increased trading volumes during the quarter, generated $81.2 million of revenue in Q3/19, an increase of $14.6 million or 21.9% over Q3/18. In our UK operations, the completion of certain advisory mandates during the current quarter led to an increase in revenue of $6.3 million or 19.6% compared to Q3/18. The completion of the acquisition of Jitneytrade in Q1/19 largely contributed to an increase in commission and fees revenue in our Canadian operations, which generated an overall increase in revenue of $8.1 million or 10.7% compared to the same period in the prior year. Offsetting these increases was a decrease in revenue of $15.8 million or 71.5% of revenue in our Australian operations to $6.3 million in Q3/19, mainly driven by lower investment banking revenue recorded in Q3/19. The decrease in Australian investment banking revenue in the current quarter was partially due to exceptionally high profits and gains recorded in certain inventory and warrant positions earned in respect of investment banking activity in Q3/18 and prior periods.

Consistent with our strategic focus to strengthen contributions from our global wealth management operations, revenue from our wealth management business increased by $6.6 million or 6.0% compared to Q3/18. Revenue in our UK & Europe wealth management operations increased slightly by $0.8 million or 1.4% compared to Q3/18. Measured in local currency (GBP), revenue remained consistent at £36.0 million compared to the same period in the prior year. Revenue from our North America wealth management operations increased by $5.8 million or 11.9% compared to the three months ended December 31, 2017, driven by an increase in commissions and fees revenue and interest income related to client margin accounts partially offset by a decrease in investment banking revenue.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $17.4 million or 13.8%, to $143.1 million in Q3/19 compared to the same period a year ago. The Canaccord Genuity Capital Markets segment experienced an increase of $12.8 million or 35.1% in commissions and fees revenue compared to the same quarter in the prior year mainly due to increased trading activity in our Canadian and US operations driven by market volatility during the quarter, as well as contributions from our acquisition of Jitneytrade completed in Q1/19.

Commissions and fees revenue earned in connection with the Canaccord Genuity Wealth Management segment was $93.7 million, an increase of $4.6 million or 5.1% over Q3/18. As discussed above, increased activity in our North American wealth management operations was the primary reason for the increase in commissions and fees revenue.

Investment banking revenue decreased by $13.7 million or 12.1% compared to the same period a year ago, to $99.0 million in Q3/19. Our Australian operations were negatively impacted by reduced financing activity in the Australian markets as well as large gains recorded in certain inventory and warrant positions earned in respect of investment banking activity in Q3/18 and prior periods, which led to a decrease of $14.3 million or 81.3% compared to the same period in the prior year. Our Canadian capital markets operations continued to participate in numerous transactions in the cannabis sector and generated investment banking revenue of $53.8 million in Q3/19, which represented a decrease of 3.0% compared to the exceptionally strong investment banking revenue recorded in Q3/18. Offsetting the decreases in Canada and Australia was an increase of $2.7 million and $1.4 million in our US and UK operations, respectively, compared to the three months ended December 31, 2017, due to increased financing activities in those regions in the current period.

Advisory fees revenue was $40.7 million for Q3/19, an increase of $8.7 million or 27.4% from the same quarter a year ago. The largest increase was recorded in our UK operations, which generated advisory revenue of $18.9 million, a $6.8 million or 55.5% increase over Q3/18, due to the completion of certain advisory mandates. Consistent with our emphasis on growing our advisory business in the US, our US operations also experienced an increase of $2.0 million or 17.7% in revenue compared to Q3/18. Our Canadian operations recorded a decrease of $0.7 million or 7.8% compared to Q3/18 due to a lower number of advisory transactions closing in Q3/19.

Principal trading revenue was $30.8 million in Q3/19, representing a $1.6 million or 5.6% increase compared to Q3/18. Our US operations reported an increase of $2.6 million or 10.5%, resulting from increased market volatility compared to the same period in the prior year. Our UK capital markets operations experienced a decrease in principal trading revenue of $1.1 million compared to the same quarter in the prior year.

Interest revenue was $12.7 million for the three months ended December 31, 2018, representing an increase of $5.8 million from Q3/18, resulting from higher stock loan revenue recognized in Q3/19 in both our Canadian capital markets and wealth management operations. In addition, client interest revenue also increased as a result of higher client margin account activity as well as an increase in interest rates compared to Q3/18. Other revenue was $5.3 million for Q3/19, an increase of $2.2 million from the same period a year ago, because of higher foreign exchange gains and increase in revenue from our correspondent brokerage services business.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

Revenue for the nine months ended December 31, 2018 was $905.8 million, an increase of 29.2% or $205.0 million compared to the same period a year ago. As a result of increased activity in our focus sectors, revenue from our capital markets operations increased by $107.4 million or 24.6%, to $544.3 million for the nine months ended December 31, 2018. Also contributing to the total revenue increase was our global wealth management operations, which generated $344.7 million on a year to date basis in fiscal 2019, representing an increase of $90.8 million or 35.8% compared to the same period in the prior year.

Commissions and fees revenue was $418.9 million, representing an increase of $92.1 million or 28.2% compared to the nine months ended December 31, 2017, reflecting the growth in our North American wealth management operations, contributions from the acquisition of Hargreave Hale in September 2017, as well as contributions from the acquisition of Jitneytrade in Q1/19 as discussed above.

Investment banking revenue increased by $47.2 million or 25.3% to $233.9 million, compared to $186.7 million in the same period a year ago. Because of improved financing activity by corporate issuers in our focus sectors in those regions, both our Canadian and US capital markets operations reported increases in investment banking revenue of $21.6 million or 25.6% and $34.7 million or 134.8%, respectively, during the nine months ended December 31, 2018 compared to the same period in the prior year. Our Australian operations reported lower investment banking revenue, a decrease of $7.8 million compared to the first nine months of fiscal 2018, partially resulting from lower gains in certain inventory and warrant positions earned in respect of investment banking activity during the same period in the prior year. A decrease of $8.2 million or 39.3% in our UK operations resulted from a decline in financing activity in that region.

Advisory fees revenue of $110.0 million represented an increase of 35.1% or $28.6 million compared to the same period in the prior year, primarily due to increases of $23.6 million or 126.2% in our Canadian capital markets operations and $8.0 million or 31.4% in our US operations attributable to the completion of several large advisory mandates during the period. Partially offsetting these increases was a decrease of $3.4 million in advisory fee revenue in our UK capital markets operations compared to the same period in the prior year.

Revenue derived from principal trading was $90.6 million, an increase of $12.8 million or 16.4% compared to the nine months ended December 31, 2017. Our US operations generated the largest increase in principal trading revenue of $11.0 million or 17.7% largely due to higher volatility in the market. Our Canadian operations also generated an increase of $2.3 million in revenue compared to the nine months ended December 31, 2017.

Interest revenue increased by $19.4 million or 109.1% compared to the nine months ended December 31, 2017 to $37.3 million on a year to date basis for fiscal 2019 mainly due to higher revenue earned from our Canadian capital markets and wealth management operations due to higher interest earned on client accounts and stock loan interest revenue. Other revenue increased by $4.8 million to $15.0 million during the nine months ended December 31, 2018 due to higher foreign exchange gains as well as an increase in revenue from our correspondent services business.

### Expenses

Expenses for the three months ended December 31, 2018 were $291.0 million, an increase of 10.8% or $28.4 million from Q3/18. For the nine months ended December 31, 2018 expenses were $823.5 million, an increase of 24.3% or $160.8 million compared to the same period in the prior year. Excluding significant items[1], total expenses as a percentage of revenue increased by 2.4 percentage points for the three months ended December 31, 2018 but decreased by 4.2 percentage points for the nine months ended December 31, 2018.

**EXPENSES AS A PERCENTAGE OF REVENUE**

| | Three months ended December 31 | | | Nine months ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | Quarter-over-quarter change | **2018** | 2017 | YTD-over-YTD change |
| Incentive compensation | **50.3%** | 51.3% | (1.0) p.p. | **50.3%** | 52.3% | (2.0) p.p. |
| Salaries and benefits | **8.8%** | 8.5% | 0.3 p.p. | **9.4%** | 10.0% | (0.6) p.p. |
| Other overhead expenses(1) | **28.7%** | 25.0% | 3.7 p.p. | **29.5%** | 30.4% | (0.9) p.p. |
| Restructuring costs | **0.0%** | 0.0% | 0.0 p.p. | **0.1%** | 1.0% | (0.9) p.p. |
| Acquisition-related costs | **0.0%** | 0.0% | 0.0 p.p. | **0.1%** | 0.9% | (0.8) p.p. |
| Loss on extinguishment of convertible debentures | **0.0%** | 0.0% | 0.0 p.p. | **1.5%** | 0.0% | 1.5 p.p. |
| Share of loss of an associate | **0.0%** | 0.0% | 0.0 p.p. | **0.0%** | 0.0% | 0.0 p.p. |
| Total | **87.8%** | 84.8% | 3.0 p.p. | **90.9%** | 94.6% | (3.7) p.p. |

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
p.p.: percentage points

### Compensation expense

***Third quarter 2019 vs. third quarter 2018***

Incentive compensation expense was $166.7 million, an increase of 5.1% or $8.1 million compared to Q3/18. Incentive compensation expense as a percentage of revenue was 50.3%, a slight decrease of 1.0 percentage points from the same period in the prior year.

Salaries and benefits expense related to infrastructure and support groups in the current quarter increased by $2.7 million compared to Q3/18, to $29.2 million in Q3/19, largely due to additional costs resulting from expansion in our UK & Europe wealth management operations. Despite the increase in salaries and benefits expense, total compensation expense as a percentage of revenue decreased by 0.8% to 59.1% in Q3/19.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

Incentive compensation expense was $456.0 million for the nine months ended December 31, 2018, an increase of 24.5% from the same period in the prior year. Incentive compensation as a percentage of total revenue was 50.3%, a decrease of 2.0 percentage points over the same period in the prior year partially due to lower fixed costs such as the amortization expense associated with awards made under our long-term incentive plan ("LTIP") in prior periods as a result of the changes made to the accounting for such awards in fiscal 2018.

Salaries and benefits expense of $85.4 million for the nine months ended December 31, 2018 was $14.8 million or 21.0% higher than in the same period a year ago due to the expansion of our UK wealth management operations as discussed previously. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 59.8%, a decrease of 2.5 percentage points from 62.3% in the same period a year ago.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

## OTHER OVERHEAD EXPENSES

| (C$ thousands, except % amounts) | Three months ended December 31 2018 | 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Trading costs | **$ 24,575** | $ 16,521 | 48.8% | **$ 65,537** | $ 47,781 | 37.2% |
| Premises and equipment | **10,647** | 10,511 | 1.3% | **30,824** | 29,467 | 4.6% |
| Communication and technology | **16,575** | 14,558 | 13.9% | **46,776** | 41,379 | 13.0% |
| Interest | **5,903** | 4,171 | 41.5% | **19,715** | 12,347 | 59.7% |
| General and administrative | **26,689** | 23,108 | 15.5% | **71,665** | 59,876 | 19.7% |
| Amortization[(1)] | **5,675** | 6,916 | (17.9)% | **18,511** | 17,058 | 8.5% |
| Development costs | **4,661** | 1,512 | 208.3% | **12,573** | 4,477 | 180.8% |
| Total other overhead expenses | **$ 94,725** | $ 77,297 | 22.5% | **$ 265,601** | $ 212,385 | 25.1% |

(1) Includes amortization of intangible assets. See the Selected Financial Information Excluding Significant Items table on page 16.

### *Third quarter 2019 vs. third quarter 2018*

In order to support the higher headcount, increased capital markets activity including our principal trading operations and expansion of our wealth management business with the Hargreave Hale acquisition, all our overhead expenses except for amortization expense experienced increases compared to the three months ended December 31, 2017.

Other overhead expenses were $94.7 million in Q3/19, an increase of $17.4 million or 22.5% compared to Q3/18. As a percentage of revenue, other overhead expenses increased by 3.6 percentage points compared to Q3/18.

Communications and technology expense increased by $2.0 million or 13.9% in Q3/19 compared to the same period in the prior year. As a result of the expansion of our wealth management operations and higher headcount, communication and technology expense in our UK & Europe and North American wealth management operations increased by $0.5 million and $0.4 million, respectively, compared to Q3/18. Our capital markets operations in Canada also experienced an increase of $0.9 million or 47.7% attributable to growth in this segment.

Higher trading costs in our Canadian and US capital markets operations was the primary reason for the $8.1 million of 48.8% increase in trading costs compared to Q3/18, in line with our increase in the related revenue. The completion of our acquisition of Jitneytrade in Q1/19 also contributed to higher trading costs recorded in our Canadian capital markets operations this quarter. Although generally in line with the increase in commissions and fees revenue, trading costs in the US are also impacted by the costs of ADR conversions and international settling and clearing costs which do not necessarily vary with revenue.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, increased by $3.6 million or 15.5% compared to Q3/18. Our US and Canadian capital markets operations reported increases of $1.3 million and $0.4 million, respectively, in Q3/19 compared to the three months ended December 31, 2017 mostly due to additional costs in professional fees incurred to support the growth in these regions. The acquisition of Jitneytrade also contributed to the increase in general and administrative expense in our Canadian capital markets operations. Our North American wealth management operations reported an increase of $0.5 million or 23.7% in Q3/19 compared to the same period in the prior year as a result of higher conference and office costs to promote the growth of this operation. Our UK & Europe wealth management operations also experienced an increase of $1.4 million or 28.7% compared to Q3/18 as a result of additional reserves recorded in respect of certain ongoing legal matters.

Interest expense increased by $1.7 million or 41.5% in Q3/19 compared to the three months ended December 31, 2017. In our Corporate & Other segment, interest expense increased by $1.4 million largely due to higher interest costs associated with the unsecured subordinated convertible debentures issued in Q2/19.

Development costs increased by $3.1 million or 208.3% in Q3/19 compared to the same period in the prior year largely due to the incentive-based costs related to the acquisition of Hargreave Hale. In addition, new hire incentive-based costs recorded by our North American wealth management business unit also contributed to the increase in development costs.

During the three months ended December 31, 2018, the Company recorded $0.2 million of acquisition-related costs related to the acquisition of McCarthy Taylor Ltd., which was announced on January 29, 2019, in its UK & Europe wealth management operations.

### *Year-to-date fiscal 2019 vs. year-to-date fiscal 2018*

Other overhead expenses for the nine months ended December 31, 2018 increased by $53.2 million to $265.6 million, a 25.1% increase from the same period a year ago. As a percentage of revenue, other overhead expenses decreased by 1.0 percentage points compared to the nine months ended December 31, 2017 as a result of an increase in revenue and the fixed nature of certain overhead expenses.

Trading costs increased by $17.8 million or 37.2% for the nine months ended December 31, 2018 compared to the same period in the prior year primarily due to higher costs in our Canadian and US capital markets operations for the reasons discussed above.

Partially due to the inclusion of expenses for Hargreave Hale for the full nine months on a year to date basis during fiscal 2019 with that acquisition closing at the end of Q2/18, several overhead expenses increased during the current period compared to the nine months ended December 31, 2017. There was an increase of $1.4 million or 4.6% in premises and equipment expense due to additional office space and a $5.4 million or 13% increase in communication and technology expense due to higher headcount. An increase in headcount in our Canadian capital markets and wealth management operations for the nine months ended December 31, 2018 also contributed to an increase in our communication and technology expense.

Interest expense increased by $7.4 million or 59.7% compared to the nine months ended December 31, 2017. In our Corporate and Other segment, acceleration of attributed interest expense related to the redemption of the $60.0 million unsecured senior subordinated debentures issued in October 2016 during Q2/19 contributed to an increase of $4.3 million in this segment. In addition, interest expense also increased by $1.3 million compared to the same period in the prior year in our North American wealth management operations due to higher client interest resulting from higher cash balances held during the period as well as increases in interest rates.

General and administrative expense increased by $11.8 million or 19.7% for the nine months ended December 31, 2018 compared to the same period in the prior year. Our North American wealth management operations reported an increase of $3.9 million or 72.1% compared to the same period in the prior year as a result of higher conference costs as well as transfer fees related to the addition of new clients in connection with new investment advisors hired during the current period. In addition, our Canadian capital markets operations also reported an increase of $1.9 million or 18.2%, mainly relating to higher promotion and travel and professional fees required to support the level of activity and headcount in this business unit. Our UK & Europe wealth management operations also experienced an increase of $2.6 million or 22.1% compared to the same period in the prior year due to the inclusion of Hargreave Hale for full nine months as discussed above as well as additional reserves recorded in respect of certain ongoing legal matters.

The increase in amortization expense of $1.5 million or 8.5% related to the amortization in connection with our acquisitions of Hargreave Hale in Q3/18 as well as Jitneytrade in Q1/19.

Development costs increased by $8.1 million during the period compared to the nine months ended December 31, 2017, mainly due to incentive-based costs across our Canadian and UK wealth management operations as discussed above.

There were $1.3 million of restructuring costs recorded in the nine months ended December 31, 2018 in connection with our UK capital markets operations. There were $6.7 million of restructuring costs recorded during the first nine months of fiscal 2018 related to staff reductions in our US and Canadian capital markets operations, costs related to the closure of certain trading operations in Dublin, as well as costs associated with the rationalization of office space related to the acquisition of Hargreave Hale.

In connection with the acquisition of Jitneytrade, the Company incurred $1.2 million of acquisition-related costs during the nine months ended December 31, 2018. In addition, the Company recorded $0.2 million of acquisition-related costs related to the acquisition of McCarthy Taylor Ltd., which was announced on January 29, 2019, in its UK & Europe wealth management operations. The acquisition-related costs included professional and employment costs incurred during the period. In the same period in the prior year, the Company recorded $6.5 million of acquisition-related costs in relation to the acquisition of Hargreave Hale.

**Net income**

***Third quarter 2019 vs. third quarter 2018***

Net income for Q3/19 was $32.5 million compared to $36.6 million in the same period a year ago. Diluted earnings per common share (diluted EPS) were $0.25 in Q3/19 compared to $0.29 per common share in Q3/18.

Excluding significant items(1), net income for Q3/19 was $36.8 million or net income attributable to common shareholders of $34.5 million compared to net income of $39.2 million or net income of $34.7 million attributable to common shareholders in Q3/18. Diluted EPS, excluding significant items(1) was $0.28 in Q3/19 compared to diluted EPS excluding significant items(1) of $0.31 in Q3/18.

The effective tax rate for Q3/19 was 20.1% compared to an effective tax rate of 21.9% in the same quarter last year. The difference in the effective tax recovery rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations in prior years and certain adjustments made to tax provisions recorded in prior periods.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

Net income for the nine months ended December 31, 2018 was $64.2 million compared to $26.8 million for the same period a year ago, an increase of $37.5 million or 139.9%. Diluted EPS for the nine-month period was $0.48 compared to $0.17 per common share for the same period a year ago. The increase in net income was largely due to the net contribution from the increase in revenue.

Excluding significant items(1), net income for the nine months ended December 31, 2018 was $90.7 million or net income of $82.4 million attributable to common shareholders compared to net income of $44.3 million or net income of $35.0 million attributable to common shareholders for the nine months ended December 31, 2017. Diluted EPS excluding significant items(1) were $0.69 for the nine months ended December 31, 2018 compared to $0.33 in the same period a year ago.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

The effective tax rate for the nine months ended December 31, 2018 was 21.9% compared to an effective tax rate of 29.6% in the same period in the prior year mainly due to the non-recognition of certain deferred tax assets in our foreign operations and certain tax adjustments made to tax provision recorded in prior periods.

## Results of Operations by Business Segment

### CANACCORD GENUITY CAPITAL MARKETS(1)(2)(6)

| (C$ thousands, except number of employees and % amounts) | Three months ended December 31 2018 | Three months ended December 31 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | Nine months ended December 31 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Revenue | **$ 209,373** | $ 196,203 | 6.7% | **$ 544,279** | $ 436,869 | 24.6% |
| Expenses | | | | | | |
| Incentive compensation | **111,303** | 105,802 | 5.2% | **292,370** | 247,893 | 17.9% |
| Salaries and benefits | **6,199** | 6,417 | (3.4)% | **17,856** | 19,112 | (6.6)% |
| Other overhead expenses | **56,147** | 45,883 | 22.4% | **153,115** | 133,039 | 15.1% |
| Acquisition-related costs | **—** | — | — | **1,173** | — | n.m. |
| Restructuring costs(3) | **—** | — | — | **1,316** | 4,704 | (72.0)% |
| Total expenses | **173,649** | 158,102 | 9.8% | **465,830** | 404,748 | 15.1% |
| Intersegment allocations(4) | **4,628** | 3,835 | 20.7% | **13,043** | 12,018 | 8.5% |
| Income before income taxes(4) | **$ 31,096** | $ 34,266 | (9.3)% | **$ 65,406** | $ 20,103 | 228.0% |
| Number of employees | **772** | 731 | 5.6% | | | |
| **Excluding significant items(5)** | | | | | | |
| Total expenses | **$ 173,010** | $ 157,523 | 9.8% | **$ 461,484** | $ 398,306 | 15.9% |
| Intersegment allocations(4) | **4,628** | 3,835 | 20.7% | **13,043** | 12,018 | 8.5% |
| Income before income taxes(4) | **31,735** | 34,845 | (8.9)% | **69,752** | 26,545 | 162.8% |

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) The operating results of the Australian operations have been fully consolidated and a non-controlling interest has been recognized for the three and nine months ended December 31, 2018 [April 1, 2018 to August 9, 2018 — 42% and post-acquisition of an additional 30% interest in the Australian operations on August 10, 2018 — 15%; three and nine months ended December 31, 2017 — 42%].
(3) Restructuring costs for the nine months ended December 31, 2018 were incurred in connection with our UK capital markets operations. Restructuring costs for the nine months ended December 31, 2017 related to termination benefits incurred as a result of the closing of certain trading operations in the UK & Europe capital markets operations, staff reductions in our Canadian and US capital markets operations, as well as real estate and other integration costs related to the acquisition of Hargreave Hale.
(4) Income before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on pge 30.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 16.
(6) Operating results for Jitneytrade Inc. and Finlogik Inc. are included beginning June 6, 2018.
n.m.: not meaningful

Canaccord Genuity Capital Markets provides investment banking, research, and sales and trading services to corporate, institutional and government clients and it conducts principal trading activities in Canada, the US, the UK & Europe, and the Asia-Pacific region. Canaccord Genuity Capital Markets has offices in 20 cities in 9 countries worldwide.

Revenue from Canaccord Genuity Capital Markets is generated from commissions and advisory fees earned in connection with investment banking transactions and institutional sales and trading activity, as well as trading gains and losses from Canaccord Genuity Capital Markets' principal and international trading operations.

The operating results of Jitneytrade Inc. and Finlogik Inc. (collectively referred to as "Jitneytrade") beginning June 6, 2018 are included in the discussion below.

### REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY CAPITAL MARKETS REVENUE

| | Three months ended December 31 2018 | Three months ended December 31 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | Nine months ended December 31 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Revenue generated in: | | | | | | |
| Canada | **39.8%** | 38.4% | 1.4 p.p. | **37.9%** | 31.7% | 6.2 p.p. |
| UK | **18.4%** | 16.4% | 2.0 p.p. | **14.7%** | 21.4% | (6.7) p.p. |
| US | **38.8%** | 33.9% | 4.8 p.p. | **42.3%** | 38.4% | 3.9 p.p. |
| Australia | **3.0%** | 11.3% | (8.3) p.p. | **5.1%** | 8.5% | (3.4) p.p. |
| Other Foreign Locations | **0.0%** | 0.0% | 0.0 p.p. | **0.0%** | 0.0% | (0.0) p.p. |
| Canaccord Genuity Capital Markets (total) | **100%** | 100% | | **100%** | 100% | |

p.p.: percentage points
n.m.: not meaningful

***Third quarter 2019 vs. third quarter 2018***

*Revenue*

Canaccord Genuity Capital Markets generated revenue of $209.4 million in Q3/19, an increase of 6.7% or $13.2 million from the same quarter a year ago. Revenue increased most notably in our Canadian and US operations, which generated increases of $8.1 million or 10.7% and $14.6 million or 21.9%, respectively, compared to Q3/18. In Canada, the majority of the revenue increase was driven by commissions and fees revenue, which increased by $7.5 million compared to Q3/18, partially due to our acquisition of Jitneytrade completed in Q1/19. Revenue increased across all the major categories in our US operations compared to Q3/18, reflecting the strength of our diverse revenue streams. Revenue in our UK operations increased by $6.3 million or 19.6% compared to Q3/18, to $38.5 million for the three months ended December 31, 2018, largely as a result of the completion of certain advisory mandates during the quarter. Partially offsetting these increases was a decrease in revenue of $15.8 million or 71.5% in our Australian operations compared to Q3/18, due to slower investment banking activities during the current quarter as well as a reversal of unrealized gains recorded in certain inventory and warrant positions in respect of investment banking activity in Q3/18.

*Expenses*

Expenses for Q3/19 were $173.6 million, an increase of 9.8% or $15.5 million compared to Q3/18. Excluding significant items(1), total expenses as a percentage of revenue increased by 2.3 percentage points from the same period a year ago as a result of increases in certain overhead expenses to support the growth in this operating segment.

*Incentive compensation and salaries and benefits*

Incentive compensation expense for Q3/19 increased by $5.5 million or 5.2% compared to Q3/18. Incentive compensation expense as a percentage of revenue was 53.2%, a slight decrease of 0.8 percentage points from Q3/18.

Salaries and benefits expense decreased slightly by $0.2 million in Q3/19 compared to Q3/18. Total compensation expense as a percentage of revenue was 56.1%, 1.1 percentage points lower than in Q3/18.

In Canada, total compensation as a percentage of revenue decreased by 2.7 percentage points from Q3/18 to 50.8% in Q3/19, largely due to a lower fixed component of incentive compensation expense which does not vary with revenue resulting from a reduction in LTIP expense during the current quarter. Our US operations reported a decrease of 1.6 percentage points compared to Q3/18 due to higher revenue and a lower fixed component of incentive compensation expense. Because of the increase in revenue and the fixed nature of certain components of production-based compensation, total compensation as a percentage of revenue in our UK operations decreased by 1.4 percentage points to 62.5% in Q3/19 compared to the three months ended December 31, 2017. Our Australian segment experienced an increase of 9.4 percentage points from Q3/18 due to certain fixed staff costs and the significant decrease in revenue.

**CANACCORD GENUITY CAPITAL MARKETS TOTAL COMPENSATION EXPENSE AS A PERCENTAGE OF REVENUE BY GEOGRAPHY**

| | Three months ended December 31 | | | Nine months ended December 31 | | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | Quarter-over-quarter change | **2018** | 2017 | YTD-over-YTD change |
| Canada | **50.8%** | 53.5% | (2.7) p.p. | **50.2%** | 56.1% | (5.9) p.p. |
| UK | **62.5%** | 63.9% | (1.4) p.p. | **71.5%** | 67.9% | 3.6 p.p. |
| US | **57.9%** | 59.5% | (1.6) p.p. | **57.4%** | 61.4% | (4.0) p.p. |
| Australia | **61.7%** | 52.3% | 9.4 p.p. | **60.8%** | 59.7% | 1.1 p.p. |
| Other Foreign Locations | **n.m.** | n.m. | n.m. | **n.m.** | n.m. | n.m. |
| Canaccord Genuity Capital Markets (total) | **56.1%** | 57.2% | (1.1) p.p. | **57.0%** | 61.1% | (4.1) p.p. |

p.p.: percentage points
n.m. not meaningful

*Other overhead expenses*

Total other overhead expenses excluding significant items(1) for Q3/19 were $55.5 million, an increase of 22.5% compared to Q3/18, with the most significant increases in trading costs, communication and technology and general and administrative expense.

Trading costs increased by $7.4 million or 56.5% compared to Q3/18 mainly due to higher costs in our Canadian and US operations, in line with the increase in commissions and fees revenue. The trading costs in our Canadian operations were also impacted by the acquisition of Jitneytrade which closed in Q1/19. In addition, there are other factors contributing to the increase in trading costs which do not vary with our revenue such as the ADR conversion costs and international settlement costs associated with international equities trading activity in our US operations.

Communication and technology expense and general and administrative expense increased by $1.3 million and $1.5 million, respectively, compared to Q3/18, primarily in our Canadian and US operations to support the business growth in these regions.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

*Income before income taxes*
Income before income taxes, including allocated overhead expenses, was $31.1 million in Q3/19 compared to income of $34.3 million in the same quarter a year ago. Excluding significant items[(1)], income before income taxes, including allocated overhead expenses, was $31.7 million in Q3/19 compared to $34.8 million in Q3/18. The increase in income before income taxes was primarily attributable to higher revenue earned in our Canadian and US operations during Q3/19.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

*Revenue*
Revenue for Canaccord Genuity Capital Markets for the nine months ended December 31, 2018 was $544.3 million, an increase of $107.4 million or 24.6% compared to the same period in the prior fiscal year. Revenue increased in our Canadian and US operations, by 48.9% and 37.2%, respectively, compared to the nine months ended December 31, 2017, while both our UK and Australian operations generated lower revenue in the current period. In Canada, most of the revenue increase was driven by higher banking and advisory activity. We continue to participate in numerous transactions in the cannabis sector contributing to higher investment banking and advisory fees revenue during the first nine months of fiscal 2019. Commissions and fees revenue also increased by $13.6 million largely as a result of the contributions from our acquisition of Jitneytrade completed in Q1/19. Revenue in our US operations increased by $62.4 million or 37.2% over the first nine months of fiscal 2018, largely driven by increased capital raising activity and completion of several advisory transactions during the quarter, as well as an increase in principal trading revenue. Our UK operations experienced a decrease of $13.8 million or 14.7% in revenue for the nine months ended December 31, 2018, largely due to the declines in both investment banking and advisory fees revenue resulting from reduced market activity in the region. In Australia, revenue decreased by $8.8 million over the first nine months of fiscal 2018 which was primarily attributable to lower investment banking activity, as well as reduced profits and gains on warrant and inventory positions earned in connection with investment banking activity.

*Expenses*
Expenses for the nine months ended December 31, 2018 were $465.8 million, an increase of 15.1% or $61.1 million from the same period in the prior year. Excluding significant items[(1)], total expenses as a percentage of revenue decreased by 6.4 percentage points compared to the first nine months of fiscal 2018 as a result of increased revenue and the fixed nature of certain expenses that do not vary with revenue.

*Incentive compensation and salaries and benefits*
Incentive compensation expense as a percentage of revenue decreased by 3.0 percentage points to 53.7% for the nine months ended December 31, 2018. Total compensation as a percentage of revenue decreased from 61.1% for the nine months ended December 31, 2017 to 57.0% in the current period, mainly due to an increase in revenue and a reduction in certain fixed compensation costs such as LTIP amortization and salaries and benefits expense which do not vary with revenue levels in the current period.

*Other overhead expenses*
Total overhead expenses excluding significant items[(1)] were $151.3 million for the nine months ended December 31, 2018, an increase of 15.2% compared to the same period in the prior year, mainly attributable to increases in trading costs and general and administrative expense, and partially offset by a decrease in amortization expense in our UK operations.

Consistent with the increase in commissions and fees revenue, trading costs increased by $16.8 million compared to the first nine months of fiscal 2018. In addition, as discussed above, our trading costs were also affected by certain costs associated with our international equities trading activity in our US operations that do not vary with revenue.

General and administrative expense was $38.4 million for the first nine months of fiscal 2019, an increase of $4.1 million or 11.8% compared to the same period in the prior year. The increase was mainly attributable to higher promotion and travel and professional fees to support the higher headcount and growth in our Canadian operations.

*Income before income taxes*
Income before income taxes for the nine months ended December 31, 2018 was $65.4 million, compared to income before income taxes of $20.1 million in the same period a year ago. Excluding significant items[(1)], income before income taxes for the nine months ended December 31, 2018 was $69.8 million, compared to $26.5 million from the same period a year ago. The increase in pre-tax income excluding significant items[(1)] was attributable to higher revenue generated in our Canadian and US operating segments combined with fixed overhead costs that do not vary with revenue level.

## CANACCORD GENUITY WEALTH MANAGEMENT
Revenue from Canaccord Genuity Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-related products and services, margin interest, and commissions and fees earned from investment banking and venture capital transactions by private clients.

Prior year operating results of Hargreave Hale are included under Canaccord Genuity Wealth Management (UK & Europe) since the closing date of September 18, 2017.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

## CANACCORD GENUITY WEALTH MANAGEMENT NORTH AMERICA[1]

| (C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts) | Three months ended December 31 2018 | 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Revenue | $ 54,202 | $ 48,428 | 11.9% | $ 153,190 | $ 117,427 | 30.5% |
| Expenses | | | | | | |
| Incentive compensation | 27,907 | 25,068 | 11.3% | 78,434 | 59,705 | 31.4% |
| Salaries and benefits | 3,513 | 2,586 | 35.8% | 9,757 | 7,892 | 23.6% |
| Other overhead expenses | 11,196 | 9,931 | 12.7% | 34,178 | 26,748 | 27.8% |
| Total expenses | 42,616 | 37,585 | 13.4% | 122,369 | 94,345 | 29.7% |
| Intersegment allocations[2] | 2,725 | 3,345 | (18.5)% | 9,131 | 11,346 | (19.5)% |
| Income before income taxes[2] | $ 8,861 | $ 7,498 | 18.2% | $ 21,690 | $ 11,736 | 84.8% |
| AUM – Canada (discretionary)[3] | 3,954 | 2,838 | 39.3% | | | |
| AUA – Canada[4] | 18,260 | 14,451 | 26.4% | | | |
| Number of Advisory Teams – Canada | 150 | 134 | 11.9-% | | | |
| Number of employees | 425 | 352 | 20.7% | | | |
| **Excluding significant items[5]** | | | | | | |
| Total expenses | $ 42,616 | $ 37,585 | 13.4% | $ 122,369 | $ 94,345 | 29.7% |
| Intersegment allocations[2] | 2,725 | 3,345 | (18.5)% | 9,131 | 11,346 | (19.5)% |
| Income before income taxes[2] | 8,861 | 7,498 | 18.2% | 21,690 | 11,736 | 84.8% |

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 5.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 30.
(3) AUM in Canada are assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program*.
(4) AUA in Canada is the market value of client assets administered by the Company, from which the Company earns commissions and fees and includes AUM.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 16.
n.m.: not meaningful

### *Third quarter 2019 vs. third quarter 2018*

Revenue from Canaccord Genuity Wealth Management North America was $54.2 million, an increase of $5.8 million or 11.9% compared to the three months ended December 31, 2017. The increase was driven by higher commissions and fees revenue as well as higher stock loan revenue and interest earned on margin accounts.

AUA in Canada increased by 26.4% to $18.3 billion at December 31, 2018 compared to $14.5 billion at December 31, 2017, reflecting the recruitment initiatives in this sector as well as higher market values year over year. There were 150 Advisory Teams in Canada, an increase of 16 from a year ago. Fee-related revenue in our North American operations as a percentage of total revenue increased by 4.7 percentage points compared to Q3/18 and accounted for 33.7% of the wealth management revenue in Canada during the third quarter of fiscal 2019.

Total expenses increased by $5.0 million or 13.4% in Q3/19 compared to Q3/18, to $42.6 million. Total expenses as a percentage of revenue increased by 1.0 percentage points from Q3/18.

Incentive compensation expense increased by $2.8 million or 11.3% compared to Q3/18, consistent with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue increased by 0.9 percentage point compared to Q3/18, to 58.0%.

Other overhead expenses increased by 12.7% compared to Q3/18. The largest increases in expenses were in communication and technology expense, general and administrative expense and development costs. Communication and technology expense increased by $0.4 million or 39.9% compared to Q3/18 as a result of increased headcount. General and administrative expense increased by $0.5 million largely due to higher transfer fees associated with new client accounts. Development costs increased by $1.2 million as a result of additional hiring incentives recorded in Q3/19 compared to Q3/18. Offsetting these increases in overhead expenses was a decrease of $0.6 million in premises and equipment expense.

Income before income taxes and after allocated costs for Q3/19 was $8.9 million compared to income of $7.5 million reported in Q3/18, an increase of $1.4 million or 18.2%, largely due to the increase in revenue.

### *Year-to-date fiscal 2019 vs. year-to-date fiscal 2018*

For the nine months ended December 31, 2018, revenue from Canaccord Genuity Wealth Management North America was $153.2 million, an increase of $35.8 million or 30.5% from the same period in the prior year.

Expenses for the nine months ended December 31, 2018 were $122.4 million, an increase of $28.0 million or 29.7% from the same period in the prior year mainly due to higher incentive compensation expense resulting from the increase in our incentive-based revenue. Salaries and benefits expense increased by $1.9 million compared to the nine months ended December 31, 2017 as a result of higher headcount to support the growth in this business. Total compensation expense as a percentage of revenue was 57.6%, unchanged from the same period in the prior year.

Non-compensation expense as a percentage of revenue decreased slightly by 0.2% compared to the same period in the prior year, mainly due to the increase in revenue and the fixed nature of certain overhead expenses. General and administrative expenses increased by $3.9 million for the nine months ended December 31, 2018, primarily due to higher conference expense as well as transfer fees associated with new client accounts. Interest expense also increased by $1.3 million as a result of higher interest rates compared to the same period in the prior year. Development costs increased by $2.7 million or 81.2% compared to the same period in the prior year due to increased hiring incentives as discussed above.

Income before income taxes for the nine months ended December 31, 2018 was $21.7 million, compared to income before income taxes of $11.7 million for the same period a year ago mainly as a result of the net increase in revenue after variable costs.

### CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE[(1)(5)]

| (C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts) | Three months ended December 31 2018 | Three months ended December 31 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | Nine months ended December 31 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Revenue | **$ 61,777** | $ 60,945 | 1.4% | **$ 191,491** | $ 136,460 | 40.3% |
| Expenses | | | | | | |
| Incentive compensation | **22,360** | 23,912 | (6.5)% | **72,628** | 50,398 | 44.1% |
| Salaries and benefits | **12,292** | 11,055 | 11.2% | **36,322** | 24,300 | 49.5% |
| Other overhead expenses | **20,698** | 16,832 | 23.0% | **57,640** | 38,640 | 49.2% |
| Restructuring expense | **—** | — | — | **—** | 2,000 | (100.0)% |
| Acquisition- related costs | **170** | — | n.m. | **170** | 6,548 | (97.4)% |
| Total expenses | **55,520** | 51,799 | 7.2% | **166,760** | 121,886 | 36.8% |
| Intersegment allocations[(2)] | **305** | 322 | (5.3)% | **917** | 953 | (3.8)% |
| Income (loss) before income taxes[(2)] | **$ 5,952** | $ 8,824 | (32.5)% | **$ 23,814** | $ 13,621 | 74.8% |
| AUM – UK and Europe[(3)] | **41,153** | 43,791 | (6.0)% | | | |
| Number of investment professionals and fund managers – UK and Europe | **188** | 197 | (4.6)% | | | |
| Number of employees | **548** | 574 | (4.5)% | | | |
| **Excluding significant items[(4)]** | | | | | | |
| Total expenses | **$ 50,870** | $ 48,979 | 3.9% | **$ 153,462** | $ 107,932 | 42.2% |
| Intersegment allocations[(2)] | **305** | 322 | (5.3)% | **917** | 953 | (3.8)% |
| Income before income taxes[(2)] | **10,602** | 11,644 | (8.9)% | **37,112** | 27,575 | 34.6% |

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 5.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 30.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, from which the Company earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 16.
(5) Includes the operating results of Hargreave Hale since the closing date of September 18, 2017.
n.m. not meaningful

***Third quarter 2019 vs. third quarter 2018***

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operations is largely produced through fee-based and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q3/19 was $61.8 million, a slight increase of $0.8 million or 1.4% from Q3/18.

AUM in the UK & Europe as of December 31, 2018 was $41.2 billion, a decrease of 6.0% or $2.6 billion compared to $43.8 billion as of December 31, 2017. Measured in local currency (GBP), AUA decreased by 7.9% from £25.8 billion at Q3/18 to £23.8 billion at Q3/19. The decrease was largely related to a decline in the market value of the managed assets at the end of Q3/19.

The fee-related revenue in our UK & European wealth management operations accounted for 73.7% of total revenue in this region in Q3/19, an increase of 4.9 percentage points from the same quarter in the prior year.

Incentive compensation expense was $22.4 million, a decrease of $1.6 million compared to Q3/18. Salaries and benefits expense increased by $1.2 million compared to Q3/18 to $12.3 million in Q3/19 as a result of an increase in fixed staff costs to support the growth in this operation. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 1.3 percentage points from 57.4% in Q3/18 to 56.1% in Q3/19.

Non-compensation expenses as a percentage of revenue increased by 6.2% compared to Q3/18, mainly due to the increase in certain overhead expenses to support the growth in this region. The largest increase in overhead expenses was development costs, which increased by $1.9 million compared to Q3/18, mainly related to incentive -based costs associated with the acquisition of Hargreave Hale. General and administrative expense also increased by $1.4 million or 28.7% as a result of additional reserves recorded in respect of certain ongoing legal matters. In addition, there was $0.2 million of costs directly attributable to internal development of client software used in this operation.

During the three months ended December 31, 2018, the Company recorded $0.2 million of acquisition-related costs related to the acquisition of McCarthy Taylor Ltd., which was announced on January 29, 2019. There were no acquisition-related costs recorded in Q3/18.

Income before income taxes was $6.0 million compared to the income before income taxes of $8.8 million in the same period a year ago as a result of the acquisition-related costs and restructuring costs recorded in the same period in the prior year. Excluding significant items[(1)], which include amortization of intangible assets, restructuring expense, acquisition-related costs, costs related to internal development of software, and incentive- based costs related to acquisition, net income before income taxes was $10.6 million, an decrease of $1.0 million compared to Q3/18.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

Revenue from Canaccord Genuity Wealth Management UK and Europe was $191.5 million for the nine months ended December 31, 2018, an increase of $55.0 million or 40.3% from the same period in the prior year.

Expenses for the nine months ended December 31, 2018 were $166.8 million, an increase of $44.9 million or 36.8% from the same period in the prior year, mainly due to the inclusion of the Hargreave Hale expenses for the full nine months on a year to date basis during fiscal 2019 given that the acquisition closed at the end of Q2/18.

Incentive compensation expense increased by $22.2 million or 44.1% compared to the nine months ended December 31, 2017, largely reflecting the 40.3% increase in revenue. Salaries and benefits increased by $12.0 million or 49.5% as a result of additional costs from our Hargreave Hale acquisition as discussed above. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased by 2.2 percentage points to 56.9% for the nine months ended December 31, 2018 as a result of the higher fixed staff costs.

Total overhead expenses excluding significant items[(1)] as a percentage of revenue decreased by 1.1% compared to the first nine months of fiscal 2018, largely due to the increase in revenue and the fixed nature of certain overhead expenses. Communication and technology expense and development costs recorded increases of $4.3 million and $5.6 million, respectively, compared to the same period in the prior year, due to the inclusion of Hargreave Hale operating results for full the full nine-month period in the current fiscal year as the acquisition of closed near the end of Q2/18. Amortization expense also increased by $3.6 million or 47.4% attributable to the amortization of the intangible assets recognized through the Hargreave Hale acquisition. General and administrative expense increased by $2.6 million or 22.1% as a result of additional reserves recorded in respect of certain ongoing legal matters.

There were no restructuring costs recorded during the current period. During the nine months ended December 31, 2018, the Company recorded $0.2 million of acquisition-related costs related to the acquisition of McCarthy Taylor Ltd., which was announced on January 29, 2019. For the nine months ended December 31, 2017, there were restructuring and acquisition related costs of $2.0 million and $6.5 million, respectively, associated with the acquisition of Hargreave Hale.

Income before income taxes was $23.8 million compared to $13.6 million in the same period a year ago reflecting the full contribution of our expanded UK & Europe wealth management operations including Hargreave Hale for the full nine months in the current period. Excluding significant items[(1)], net income before income taxes was $37.1 million, an increase of $9.5 million compared to the same period in the prior year.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

## CORPORATE AND OTHER[1]

| (C$ thousands, except number of employees and % amounts) | Three months ended December 31 2018 | 2017 | Quarter-over-quarter change | Nine months ended December 31 2018 | 2017 | YTD-over-YTD change |
|---|---|---|---|---|---|---|
| Revenue | $ 6,248 | $ 3,866 | 61.6% | $ 16,799 | $ 10,041 | 67.3% |
| Expenses | | | | | | |
| Incentive compensation | 5,149 | 3,849 | 33.8% | 12,526 | 8,209 | 52.6% |
| Salaries and benefits | 7,216 | 6,479 | 11.4% | 21,470 | 19,304 | 11.2% |
| Other overhead expenses | 6,684 | 4,651 | 43.7% | 20,668 | 13,958 | 48.1% |
| Loss on extinguishment of convertible debentures | — | — | — | 13,500 | — | n.m. |
| Share of loss of an associate | 157 | 94 | 67.0% | 415 | 302 | 37.4% |
| Total expenses | 19,206 | 15,073 | 27.4% | 68,579 | 41,773 | 64.2% |
| Intersegment allocations[2] | (7,658) | (7,502) | (2.1)% | (23,091) | (24,317) | 5.0% |
| Loss before income taxes[2] | $ (5,300) | $ (3,705) | (43.0)% | $ (28,689) | $ (7,415) | (286.9)% |
| Number of employees | 303 | 282 | 7.4% | | | |
| **Excluding significant items[3]** | | | | | | |
| Total expenses | $ 19,206 | $ 15,073 | 27.4% | $ 55,079 | $ 41,773 | 31.9% |
| Intersegment allocations[2] | (7,658) | (7,502) | (2.1)% | (23,091) | (24,317) | 5.0% |
| Loss before income taxes[2] | (5,300) | (3,705) | (43.0)% | (15,189) | (7,415) | (104.8)% |

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 5.
(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 30.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 16.
n.m.: not meaningful

This segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest, foreign exchange gains and losses, and expenses not specifically allocable to either the Canaccord Genuity Capital Markets or Canaccord Genuity Wealth Management divisions. Also included in this segment are the Company's operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

***Third quarter 2019 vs. third quarter 2018***

Revenue in the Corporate and Other segment for the three months ended December 31, 2018 was $6.2 million, an increase of $2.4 million or 61.6% from the same quarter a year ago resulting from an increase in interest revenue from higher cash balances held during the period and higher interest rates, foreign exchange gains as well as an increase in revenue from our Pinnacle correspondent services business.

Expenses for Q3/19 increased by $4.1 million or 27.4%, to $19.2 million compared to the three months ended December 31, 2017.

Incentive compensation expense increased by $1.3 million compared to Q3/18, driven by higher profitability of the Company. Salaries and benefits expense increased by $0.7 million compared to Q3/18 to $7.2 million for the three months ended December 31, 2018 attributable to the higher headcount to support the growth in our capital markets and wealth management businesses in Canada.

Overhead expenses increased by $2.0 million or 43.7% compared to Q3/18, largely due to higher interest expense in connection with the unsecured senior subordinated convertible debentures issued in Q2/19.

Overall, loss before income taxes was $5.3 million compared to a loss before income taxes of $3.7 million in the same period a year ago.

***Year-to-date fiscal 2019 vs. year-to-date fiscal 2018***

Revenue was $16.8 million for the nine months ended December 31, 2018, an increase of $6.8 million or 67.3% from the same period in the prior year primarily as a result of an increase in interest revenue resulting from an increase in interest rates and higher cash balances held during the period.

Expenses for the nine months ended December 31, 2018 were $68.6 million, an increase of $26.8 million or 64.2% from the same period in the prior year. As a result of the redemption of the $60.0 million unsecured subordinated convertible debentures (the "Debentures") issued in October 2016, during Q2/19, there was a loss of $13.5 million recognized on the extinguishment of the Debentures for accounting purposes. In addition, incentive compensation expense increased by $4.3 million or 52.6% and salaries and benefits expense increased by $2.2 million or 11.2% compared to the nine months ended December 31, 2017. The increase in compensation costs was in line with the higher profitability of the Company and the increased level of support required for our expanded operations in the capital markets and wealth managements segments.

Overall, the loss before income taxes, after intersegment allocations, was $28.7 million in the first nine months of fiscal 2019 compared to a loss before income taxes of $7.4 million in the same period a year ago. Excluding significant items[1], loss before income taxes was $15.2 million for the nine months ended December 31, 2018 compared to $7.4 million in the same period in the prior year, mainly due to higher interest expense related to the Debentures as well as compensation costs partially offset by higher interest revenue.

## Quarterly Results

Our quarterly results are generally not significantly affected by seasonal factors. However, the Company's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond the Company's control. The business is affected by the overall condition of the global capital markets. The Company's revenue from an underwriting transaction is recorded only when the transaction has been substantially completed. Consequently, the timing of revenue recognition can materially affect Canaccord Genuity Group Inc.'s quarterly results.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before December 31, 2018. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

| (C$ thousands, except per share amounts) | **Fiscal 2019** | | | Fiscal 2018 | | | | Fiscal 2017 |
|---|---|---|---|---|---|---|---|---|
| | **Q3** | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenue | | | | | | | | |
| Canaccord Genuity Capital Markets | **$ 209,373** | $ 178,734 | $ 156,172 | $ 200,687 | $ 196,203 | $ 118,880 | $ 121,786 | $ 193,520 |
| Canaccord Genuity Wealth Management: | | | | | | | | |
| North America | **54,202** | 52,199 | 46,789 | 51,455 | 48,428 | 32,081 | 36,918 | 40,268 |
| UK & Europe | **61,777** | 63,927 | 65,787 | 64,923 | 60,945 | 37,482 | 38,033 | 33,065 |
| Corporate and Other | **6,248** | 5,176 | 5,375 | 5,015 | 3,866 | 3,104 | 3,071 | 4,803 |
| Total revenue | **331,600** | 300,036 | 274,123 | 322,080 | 309,442 | 191,547 | 199,808 | 271,656 |
| Net income (loss) | **$ 32,458** | $ 13,127 | $ 18,649 | $ (9,703) | $ 36,598 | $ (7,258) | $ (2,560) | $ 30,987 |
| Earnings (loss) per common share – basic | **$ 0.31** | $ 0.11 | $ 0.16 | $ (0.15) | $ 0.35 | $ (0.11) | $ (0.05) | $ 0.29 |
| Earnings (loss) per common share – diluted | **$ 0.25** | $ 0.09 | $ 0.14 | $ (0.15) | $ 0.29 | $ (0.11) | $ (0.05) | $ 0.26 |
| Net Income (loss), excluding significant items[1] | **$ 36,843** | $ 28,867 | $ 25,035 | $ 37,312 | $ 39,182 | $ 3,548 | $ 1,615 | $ 32,740 |
| Earnings (loss) per common share, excluding significant items[1] – basic | **$ 0.35** | $ 0.27 | $ 0.23 | $ 0.36 | $ 0.38 | $ 0.01 | $ (0.01) | $ 0.31 |
| Earnings (loss) per common share, excluding significant items[1] – diluted | **$ 0.28** | $ 0.23 | $ 0.19 | $ 0.28 | $ 0.31 | $ 0.01 | $ (0.01) | $ 0.27 |

(1) Data is in accordance with IFRS except for figures excluding significant items.. See Non-IFRS Measures on page 5.

On a consolidated basis, revenue in Q3/19 was $331.6 million, an increase of 7.2% compared to Q3/18, marking it as the highest quarter in terms of revenue in the past eight completed periods. Our revenue in the recent quarters has been positively impacted by the business growth in our wealth management operations as well as stronger activity levels in our capital markets operations. Our strategic shift to strengthen contributions from our global wealth management business has helped to stabilize our revenue levels and net income before income taxes.

As a result of improved market activity and the completion of certain large transactions in this quarter, the Canaccord Genuity Capital Markets division reported an increase in revenue of 6.7% compared to the same period a year ago, and 17.1% compared to the previous quarter.

In Canada, our participation in numerous investment banking and advisory transactions in the cannabis sector contributed to higher revenue in the last few quarters, with Q3/19 generating $83.3 million in revenue, a 10.7% increase compared to Q3/18, and the highest in the past eight completed quarters. In addition, our commissions and fees revenue in Q3/19 also showed the positive impact of our acquisition of Jitneytrade that closed in Q1/19, with an increase of 85.8% over the same period in the prior year. Excluding significant items[1], the Canadian operations generated pre-tax income after allocated costs of $22.8 million, the second highest in the past eight quarters.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

Revenue in our US operations was $81.2 million in Q3/19, the highest in the last eight completed quarters and a 11.7% increase from Q2/19. With the efforts to focus on our core capabilities in fiscal 2018, our US operations have been reporting higher profitability since Q3/18. In particular, investment banking revenue for the nine months ended December 31, 2018 increased by $34.7 million or 134.8%, compared to the same period last year. Another important priority for our US operations has been to increase the diversity of our revenue streams, with particular emphasis on our advisory business. This focus has resulted in our advisory fees revenue increasing over the past 4 completed quarters, reaching $13.0 million in Q3/19.

The completion of several advisory transactions in our UK capital markets operations resulted in an increase in revenue of 19.6% from Q3/18 and 97.0% from Q2/19 to $38.5 million in Q3/19. In an effort to adapt to the current market environment and reduce overhead costs, our UK operations incurred a restructuring charge of $1.3 million in Q1/19. The current quarter also showed our UK operations returned to profitability with a pre-tax income of $4.2 million.

In Australia, revenue for Q3/19 was $6.3 million, a decrease of 33.4% from the previous quarter and a decrease of 71.5% from the same period a year ago. Contributing to the revenue in this region, particularly in Q4/18 and Q3/18, were profits and gains recorded in certain inventory and warrant positions earned in respect of investment banking activity in the current and prior periods. Despite the decrease in revenue this quarter, our Australian operations continued to generate a positive contribution to the Company's overall profitability.

Revenue in our Canaccord Genuity Wealth Management North America operations has grown as we continue to invest in that division, with an increase in revenue of 11.9% compared to a year ago to $54.2 million in Q3/19, the highest in the past eight completed quarters. Our commitment to recruitment efforts in Canada has resulted in an increase of 16 Investment Advisory teams compared to Q3/18, and AUA has increased by 26.4% year over year, but decreased 7.5% compared to the previous quarter primarily due to negative market fluctuations at the end of December. In addition to an increase in commission and fees revenue, revenue attributable to investment banking activity in this segment has remained consistently higher over the past few quarters, reflecting the increased private client participation in new issue activity in our Canadian operations because of the increased activity in companies in new and developing industry sectors such as cannabis. Pre-tax income including allocated costs was $8.9 million in Q3/19, an increase of 18.2% compared to Q3/18 and 15.5% compared to the prior quarter.

The Canaccord Genuity Wealth Management UK & Europe operations continued to experience steady revenue growth after our expansion through the acquisition of Hargreave Hale in Q2/18. Measured in local currency, revenue remained consisted over Q3/18 and Q2/19. At the end of Q3/19, fee-related revenue was at 73.7%, a 4.9 percentage point increase from Q3/18 and in line with the previous quarter. Assets under management for this group have also generally increased over the past eight completed financial quarters, however, Q3/19 was negatively impacted by market fluctuations which led to a decrease of 9.0% compared to the previous quarter. Pre-tax income including allocated costs excluding significant items(1) was $10.6 million for Q3/19, reflecting the strong contributions to the overall profitability of the group.

The movement in revenue in the Corporate and Other division was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar, as well as changes in business volume within the correspondent brokerage services operations.

## Intersegment Allocated Costs

Included in the Corporate and Other segment are certain support services and other expenses that have been incurred to support the activities within the Canaccord Genuity Capital Markets and Canaccord Genuity Wealth Management segments in Canada. Certain trading, clearing and settlement charges are included as a trading cost in the applicable business units and as a trading cost recovery in Corporate and Other. In addition, certain overhead costs are charged by Canaccord Genuity Capital Markets UK & Europe to Canaccord Genuity Wealth Management UK & Europe and included in intersegment allocated costs for these business units.

## Financial Condition

Below are specific changes in selected items on the Q3/19 unaudited interim condensed consolidated statement of financial position as compared to the Audited Annual Consolidated Financial Statements.

### ASSETS

Cash and cash equivalents were $930.9 million on December 31, 2018 compared to $862.8 million on March 31, 2018. Refer to the Liquidity and Capital Resources section on page 32 for more details.

Securities owned were $709.0 million on December 31, 2018 compared to $469.2 million on March 31, 2018 due mainly to an increase in corporate and government debt owned as of December 31, 2018.

Accounts receivable were $1.9 billion at December 31, 2018, a decrease of $0.3 billion from March 31, 2018 due to a decrease in receivable from brokers and investment dealers.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 5.

Goodwill was $260.1 million and intangible assets were $146.7 million at December 31, 2018. At March 31, 2018, goodwill was $258.0 million and intangible assets were $160.8 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc, and the wealth management businesses of Eden Financial Ltd., Hargreave Hale, and as of June 6, 2018, Jitneytrade.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $62.7 million at December 31, 2018 compared to $54.1 million at March 31, 2018. The increase was mainly due to increases in income tax receivable and investments.

### LIABILITIES

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. At December 31, 2018, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $654.6 million [March 31, 2018 — $669.2 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. As of December 31, 2018, the Company had $5.9 million bank indebtedness outstanding [March 31, 2018 — $nil].

Securities sold short were $438.3 million at December 31, 2018 compared to $301.0 million at March 31, 2018, mostly due to an increase in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $2.4 billion at December 31, 2018 compared to $2.6 billion at March 31, 2018 due to a decrease in payables to brokers and investment dealers.

Other liabilities, consisting of subordinated debt, income taxes payable and deferred tax liabilities were $28.3 million at December 31, 2018, a decrease from $29.1 million at March 31, 2018, mostly due to a decrease in income tax payable.

In connection with our acquisition of Hargreave Hale through a subsidiary of the Company, that subsidiary obtained a £40.0 million bank loan to finance a portion of the cash consideration. During the nine months ended December 31, 2018, the Company made a repayment of £2.7 million ($4.5 million). The carrying value of the bank loan net of unamortized financing costs was $63.8 million (£36.9 million) at December 31, 2018 and $71.4 million (£39.4 million) at the end of March 31, 2018. The loan is repayable in instalments of principal and interest over the period ending in September 2021. The interest rate on this loan is LIBOR plus 2.125% per annum for Q3/19.

Also, in connection with the acquisition of Hargreave Hale, there were deferred and contingent consideration of $8.8 million and $47.6 million, respectively, recorded as of December 31, 2018 (March 31, 2018 — $10.0 million and $49.8 million, respectively). Refer to Note 12 of the Audited Annual Consolidated Financial Statements for further information on the purchase consideration for Hargreave Hale. In addition, in connection with the acquisition of Jitneytrade, contingent consideration of $4.0 million and deferred consideration of $0.7 million were recorded as of December 31, 2018. There was also a promissory note of $5.7 million recorded as of December 31, 2018 as part of the consideration for the purchase of non-controlling interests in Canaccord Genuity (Australia) Limited. Refer to Notes 8 and 9 of the interim condensed consolidated financial statements for the three and nine months ended December 31, 2018 for further information on the purchase consideration for Jitneytrade and the non-controlling interests in Canaccord Genuity (Australia) Limited.

## Off-Balance Sheet Arrangements

As of December 31, 2018, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $2.7 million (US$2.0 million) [March 31, 2018 — $2.7 million (US$2.0 million)] as a rent guarantee for its leased premises in New York.

## Bank Indebtedness and Other Credit Facilities

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As of December 31, 2018, the Company had $5.9 million bank indebtedness outstanding [March 31, 2018 — $nil].

As discussed above, excluding the bank loan of £40.0 million in connection with the acquisition of Hargreave Hale, subsidiaries of the Company also have other credit facilities, such as call loans, letters of credit and overdraft facilities, with banks in Canada and the UK. The aggregate amount of other credit facilities available to the Company was $654.6 million as of December 31, 2018 [March 31, 2018 — $669.2 million]. As of December 31, 2018, there were no balances outstanding under these other credit facilities.

In the normal course of business, the Company enters into contracts that give rise to commitments of future minimum payments that affect its liquidity.

The following table summarizes the Company's long- term contractual obligations on December 31, 2018:

| | | Contractual obligations payments due by period | | | |
|---|---|---|---|---|---|
| (C$ thousands) | Total | Fiscal 2020 | Fiscal 2021 – Fiscal 2022 | Fiscal 2023 – Fiscal 2024 | Thereafter |
| Premises and equipment operating leases | 152,876 | 33,612 | 59,903 | 37,850 | 21,511 |
| Bank loan(1) | 63,242 | 10,783 | 52,459 | — | — |
| Convertible debentures(2) | 174,200 | 8,295 | 16,590 | 149,315 | — |
| Total contractual obligations | 390,318 | 52,690 | 128,952 | 187,165 | 21,511 |

(1) Bank loan consists of £40,000,000 credit facility obtained to finance a portion of the cash consideration for the acquisition of Hargreave Hale. The bank loan bears interest at LIBOR plus 2.125% per annum as of December 31, 2018 and is repayable in instalments of principal and interest over the period ending in September 2021. A principal repayment of £2,670,000 was made during the nine months ended December 31, 2018.

(2) Convertible debentures consist of the unsecured senior subordinated convertible debentures (the "Debentures") issued in Q3/19. The Debentures bear interest at a rate of 6.25% per annum and mature on December 31, 2023. The Company, under certain circumstances, may redeem the Debentures on or after December 31, 2021.

## Liquidity and Capital Resources

The Company has a capital structure comprised of the equity portion of the convertible debentures, preferred shares, common shares, warrants, contributed surplus, retained earnings (deficit) and accumulated other comprehensive income. On December 31, 2018, cash and cash equivalents were $930.9 million, an increase of $68.1 million from $862.8 million as of March 31, 2018. During the nine months ended December 31, 2018, financing activities provided cash in the amount of $1.6 million, mainly due to proceeds from the issuance of convertible debentures and an increase in bank indebtedness, partially offset by purchases of common shares for the LTIP and cash dividends paid on common and preferred shares. Investing activities used cash in the amount of $29.7 million mainly for the acquisition of Jitneytrade and purchase of the non-controlling interest in our Australian operations. Operating activities provided cash in the amount of $103.4 million, which was largely due to changes in non-cash working capital. A decrease in cash of $7.2 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the nine months ended December 31, 2018, cash provided by financing activities increased by $4.5 million primarily due to an increase in bank indebtedness and proceeds from convertible debentures in the current period, partially offset by additional cash used in the purchase of common shares for the LTIP and cash dividends paid on common shares. Cash used in investing activities decreased by $31.9 million during the nine months ended December 31, 2018 compared to the same prior in the prior year, mainly due to the acquisition of Hargreave Hale in the same period in the prior year, partially offset by the acquisition of Jitneytrade and the purchase of non-controlling interests in the current period. Changes in non-cash working capital balances led to an increase in cash provided by operating activities of $125.0 million. In addition, cash balances decreased by $8.5 million from the effects of foreign exchange translation on cash balances in Q3/19 compared to Q3/18. Overall, cash and cash equivalents increased by $338.0 million from $592.9 million at December 31, 2017 to $930.9 million at December 31, 2018.

The Company's business requires capital for operating and regulatory purposes. The majority of current assets reflected on the Company's audited consolidated statements of financial position are highly liquid. The majority of the positions held as securities owned are readily marketable, and all are recorded at their fair value. Securities sold short are highly liquid securities. The fair value of these securities fluctuates daily as factors such as changes in market conditions, economic conditions and investor outlook affect market prices. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal two-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

## Convertible Debentures

On August 22, 2018, the Company completed its bought deal offering of convertible unsecured senior subordinated debentures for gross proceeds of $59,225,000 (the "Offered Debentures"). The Company had also closed the concurrent non-brokered private placement with a large Canadian asset manager, for gross proceeds of $73,500,000, which together with the gross proceeds from the Offered Debentures, represent an aggregate principal amount of $132,725,000 (together with the Offered Debentures, the "Convertible Debentures"). The proceeds of the non-brokered private placement were used to repay the convertible debentures issued in October 2016 in the principal amount of $60,000,000 and a premium of $13,500,000 for a total of $73,500,000. The remainder of the proceeds will be used by the Company to finance growth in its wealth management business in Canada and the UK & Europe, and elsewhere as opportunities arise.

The Convertible Debentures bear interest at a rate of 6.25% per annum, payable semi-annually on the last day of December and June each year commencing December 31, 2018. The Convertible Debentures are convertible at the holder's option into common shares of the Company, at a conversion price of $10.00 per common share. The Convertible Debentures mature on December 31, 2023 and may be redeemed by the Company in certain circumstances, on or after December 31, 2021.

## Outstanding Share Data

| | Outstanding shares as of December 31 | |
|---|---|---|
| | **2018** | 2017 |
| **Preferred shares** | | |
| Series A – issued shares outstanding | **4,540,000** | 4,540,000 |
| Series C – issued shares outstanding | **4,000,000** | 4,000,000 |
| **Common shares** | | |
| Issued shares excluding unvested shares(1) | **96,258,812** | 92,281,321 |
| Issued shares outstanding(2) | **114,857,175** | 113,511,468 |
| Issued shares outstanding – diluted(3) | **136,658,570** | 124,208,736 |
| Average shares outstanding – basic | **96,116,700** | 92,540,647 |
| Average shares outstanding – diluted | **127,633,311** | 105,382,900 |
| Average shares outstanding – diluted, excluding significant items(3)(4) | **127,633,311** | 105,382,900 |

(1) Excludes 33,680 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 18,086,283 unvested shares purchased by employee benefit trusts for the LTIP, as well as 478,400 shares committed to be purchased under the normal course issuer bid.
(2) Includes 33,680 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 18,086,283 unvested shares purchased by employee benefit trusts for the LTIP, as well as 478,400 shares committed to be purchased under the normal course issuer bid.
(3) Includes 21,801,395 share issuance commitments net of forfeitures.
(4) See Non-IFRS Measures on page 5. This is the diluted share number used to calculate diluted EPS on an excluding significant items basis.

On August 10, 2018, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,677,589 of its common shares during the period from August 15, 2018 to August 14, 2019 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the nine months ended December 31, 2018, there were 152,200 shares purchased and cancelled under the NCIB which commenced August 15, 2017 and ended on August 14, 2018. There were also 876,500 shares that were purchased and cancelled during the current NCIB during the nine months ended December 31, 2018 and 29,500 shares that were purchased but not yet cancelled as of December 31, 2018.

The Company has entered into a predefined plan with a designated broker to allow for the repurchase of its common shares under this NCIB. The Company's broker may repurchase the common shares under the plan on any trading day during the NCIB, including at any time during the Company's internal trading blackout periods. The plan has been reviewed by the TSX and will terminate on the earlier of the termination of the plan by the Company in accordance with its terms and the expiry of the NCIB.

The ability to make purchases under the current NCIB commenced on August 15, 2018 and will continue for one year (to August 14, 2019) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX, the daily purchases are limited to 60,212 common shares of the Company (which is 25% of the average daily trading volume of common shares of the Company on the TSX (ADTV) in the six calendar months from February 2018 to July 2018 (25% of the ADTV of 240,851)).

As of January 31, 2019, the Company has 114,567,675 common shares issued and outstanding.

## Share-Based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2018 Annual Report except as follows:

### PERFORMANCE STOCK OPTIONS

On June 1, 2018, the Company created a performance share option ("PSO") plan that was approved at the Company's Annual General Meeting held on August 2, 2018. On June 14, 2018, the Company granted 5,620,000 options under the PSO plan. The options have an exercise price of $6.73 per share. In addition, the Company granted 600,000 options on August 16, 2018 with an exercise price of $7.067. The PSOs have a term of five years and will time-vest ratably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of the grant). The PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a four times exercise price cap on payout value (i.e. the gain on the exercise of the options is limited to three times the exercise price). The PSOs will expire on June 14, 2023.

## Financial Instruments

### FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On December 31, 2018, forward contracts outstanding to sell US dollars had a notional amount of US$2.7 million, a decrease of US $4.3 million compared to December 31, 2017. There were no forward contracts outstanding to buy US dollars at December 31, 2018, a decrease of US $2.1 million from December 31, 2017. Some of the

Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

These contracts were entered into in an attempt to mitigate foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default.

### FUTURES

The Company's Canadian operations are involved in trading various futures contracts, in an attempt to mitigate market risk, interest rate risk, yield curve risk and liquidity risk. Futures contracts are agreements to buy or sell a standardized amount of an underlying asset, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations have traditionally engaged in the trading of Canadian & US Government bond futures contracts to mitigate its risk. The Company's Canadian operations also began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At December 31, 2018, the notional amount of the bond futures contracts outstanding was long $12.2 million [March 31, 2018 – long $0.1 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. As at December 31, 2018, the notional amount of the US bond futures contracts outstanding was long $8.3 million (US$6.4 million) [March 31, 2018 – nil].

The fair value of all of the above futures contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income (loss) during the reporting period.

## Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, who are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company. A list of the Company's principal trading subsidiaries and principal intermediate holding companies is disclosed in Note 22 of Audited Annual Consolidated Financial Statements.

Security trades executed for employees, officers and directors of the Company are transacted in accordance with terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan, and a PSO plan. Directors have the right to acquire deferred share units (DSUs).

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

| (C$ thousands) | **December 31, 2018** | March 31, 2018 |
|---|---|---|
| Accounts Receivable | **$ 79** | $ 969 |
| Accounts payable and accrued liabilities | **1,131** | 1,527 |

## Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the three- and nine- months ended December 31, 2018 have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB).

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include, revenue recognition, share-based payments, income taxes, valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of intangible assets related to software costs and provisions. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives.

Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisitions of Hargreave Hale and Jitneytrade.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Due to economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all applicable CGUs as of December 31, 2018.

In accordance with IAS 36, "Impairment of Assets" (IAS 36), the recoverable amounts of the CGUs' net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which record goodwill in their carrying value as of December 31, 2018 were Canaccord Genuity Capital Markets Canada (Genuity) and Canada (Jitneytrade) and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) and UK (Hargreave Hale). The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2018 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilized a five-year compound annual revenue growth rate of 5.0% [March 31, 2018 – 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity Capital Markets, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) UK (Hargreave Hale) was 2.5% [March 31, 2018 – 2.5%].

Refer to Note 10 of the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018 for further information regarding the key assumptions used in connection with the December 31, 2018 interim impairment tests of goodwill and other assets.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the first nine months of fiscal 2019 and are discussed under "Critical Accounting Policies and Estimates" in our 2018 Annual Report.

## Changes in Accounting Policies

The accounting policies applied in the preparation of the Q3/19 unaudited interim condensed consolidated financial statements are consistent with those discussed in Note 5 of the Audited Annual Consolidated Financial Statements except for the following new accounting standards adopted as of April 1, 2018:

*IFRS 9, "Financial Instruments" ("IFRS 9")*

On April 1, 2018, the Company adopted IFRS 9 which replaces IAS 39 – Financial Instruments: Recognition and Measurement. The Company adopted the standard using the modified retrospective approach. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities.

The following summarizes the impact of IFRS 9 on the unaudited interim condensed consolidated financial statements for the three- and nine-months ended December 31, 2018:

<u>Classification – financial assets and liabilities</u>

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

On initial recognition, financial assets are classified as instruments measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification is based on two criteria: the Company's business approach for managing the financial assets; and whether the instruments' contractual cash flows result in cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). The business approach considers whether the Company's objective is to receive cash flows from holding the financial assets, from selling the assets or a combination of both.

- Amortized costs – A financial asset is measured at amortized cost if it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and the contractual terms of the financial asset result in cash flows that meet the SPPI criteria. Items included in this category include cash and cash equivalents and accounts receivable.
- FVOCI – A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset result in cash flows that are SPPI. Included in the FVOCI category is our investment in Euroclear, which was previously classified as available for sale under IAS 39. There are no other financial assets classified as FVOCI.
- All other financial assets are measured at FVTPL and consist of marketable securities owned and sold short.

Impairment – financial assets

The adoption of IFRS 9 changed the Company's accounting for impairment loss for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach ("ECL)". Under the ECL model, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECLs are recognized on the following basis:

– A maximum 12-month allowance for ECL is recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

– A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments' initial recognition, reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.

– A lifetime ECL is recognized for credit impaired financial instruments.

IFRS 9 also provides a simplified approach to ECLs for trade receivables that is based on the adoption of a valuation policy which utilizes an entity's historic loss experience by age banding, adjusted for forward looking estimates and other considerations as applicable.

The Company's accounts receivables are classified as financial assets measured at amortized costs, and are subject to the new ECL model. Accounts receivable include trade receivables from clients and brokers and dealers. All our corporate finance and client receivables have a maturity of less than 12 months from initial recognition, therefore the allowance is limited to 12-month ECLs. The Company established a valuation policy that is based on its historical credit loss experience adjusted for forward-looking factors or other considerations as appropriate. The impact of the provision is not considered to have a significant impact to our interim consolidated financial statements for the nine months ended December 31, 2018.

Hedge accounting requirement

IFRS 9 offers greater flexibility to the types of transactions eligible for hedge accounting. As the Company does not apply hedge accounting under IAS 39 and IFRS 9, the adoption of IFRS 9 does not have any material impact on our unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018.

*IFRS 15, "Revenue from Contracts with Customers"*

On April 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the initial steps in revenue recognition are to identify the appropriate contracts with customers and define the performance obligations in the contracts. Revenue is recognized when the performance obligations are satisfied – when "control" of goods or services transfers to the customers. IFRS 15 also requires the transaction price to be allocated to each separate performance obligation in proportion to stand-alone selling prices. In addition, variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The impact on adoption of IFRS 15 on the Company's standard revenue contracts are as follows:

– Commissions and fees – Commission and fees revenue consists of revenue generated through commission-based brokerage services and the sale of fee-based products and services. As discussed above, IFRS 15 requires entities to recognize revenue when "control" of goods or services transfers to the customers whereas IAS 18 required entities to recognize revenue when the "risk and rewards" of the goods or services are transferred to the customers. The performance obligation for the recognition of commission and fees revenue is satisfied through the settlement of trades for clients. There is no material change in the amount or timing of revenue recognized under IFRS 15 compared to IAS 18 as the point of transfer of risk and reward for services and transfer of control occur at the same time.

– Investment banking – Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. There is no material impact on the recognition of investment banking revenue under IFRS 15 compared to IAS 18. Under IAS 18, revenue was recognized upon closing of the underwriting mandate, which also represents completion of the performance obligation under IFRS 15.

– Advisory fees – Advisory fees consist of management and advisory fees, including fees from mergers and acquisition activities. The performance obligation for recognition of advisory fees revenue is met when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. In certain cases, some fees are collected based on progress and do not correspond to the satisfaction of any discrete performance obligation. Under IFRS 15, such payments may need to be deferred or recognized on an amortized basis until the performance obligation is satisfied. The impact of this change on the opening retained earnings as of April 1, 2018 and for the nine months ended December 31, 2018 is insignificant.

The following revenue types are excluded from the scope of IFRS 15: Principal trading revenue which consists of revenue earned in connection with principal trading operations, interest revenue, as well as other revenue consisting of foreign exchange gains or losses and revenue earned from our correspondent brokerage services.

## Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2018 Annual Report, during the nine months ended December 31, 2018 except for the adoption of IFRS 15 and IFRS 9 as of April 1, 2018 as discussed above.

## Disclosure Controls and Procedures and Internal Control Over Financial Reporting

### DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2018, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President & Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52 – 109*. Based on that evaluation, the President & CEO and the Executive Vice President & Chief Financial Officer concluded that our disclosure controls and procedures were effective as at December 31, 2018.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes made in our internal control over financial reporting that occurred during the quarter ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Dividend Policy

Although dividends are expected to be declared and paid quarterly, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, the Company's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

## Dividend Declaration

On February 13, 2019, the Board of Directors approved a dividend of $0.01 per common share, payable on March 15, 2019, with a record date of March 1, 2019.

On February 13, 2019, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on April 1, 2019 to Series A Preferred shareholders of record as at March 15, 2019.

On February 13, 2019, the Board of Directors approved a cash dividend of $0.31206 per Series C Preferred Share payable on April 1, 2019 to Series C Preferred shareholders of record as at March 15, 2019.

## Risks

The Company's ability to maintain and successfully execute its business strategy depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company's business and results of operations.

The securities industry and the Company's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on the Company's profitability. An investment in the common or preferred shares of the Company involves a number of risks, including market, liquidity, credit, operational, legal, cyber and regulatory risks, which could be substantial and are inherent in the Company's business. The Company is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. In addition, the Company's operations in the UK are exposed to market risk and volatility risk associated with the UK's decision to depart from the EU, referred to as "Brexit". Canaccord Genuity Wealth Management revenue is dependent on both trading volumes and asset values and, as such, is dependent on the level of market activity, investor confidence and the level of market prices. Canaccord Genuity Capital Markets' revenue is dependent on financing activity by corporate issuers, participation in advisory engagements, the success of its market making and principal trading, as well as the willingness of institutional clients to actively trade and participate in capital markets transactions. There may also be a lag between market fluctuations, changes in business conditions and the level of the Company's market activity and the impact that these factors have on the Company's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK & Europe, Hong Kong, Australia and elsewhere. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on the Company's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that govern the Company's subsidiaries' use of regulatory capital are listed in Note 24 of the Company's 2018 Audited Annual Consolidated Financial Statements.

The Company and its affiliates provide financial advisory, underwriting and other services to, and trade the securities of issuers that are involved with new and emerging industries, including the cannabis industry. Activities within such industries, including the cannabis industry, typically have not had the benefit of a history of successful operating results. In addition to the economic uncertainties associated with new industries, new activities and new issuers, the laws applicable to such industries or activities, particularly the cannabis industry and the activities of issuers in that industry, and the effect or enforcement of such laws are undetermined, conflicting and uncertain. With respect to the US cannabis industry, cannabis continues to be a controlled substance under the United States Controlled Substances Act and as such, there is a risk that certain issuers, while in compliance with applicable state law, may be prosecuted under federal law. Accordingly, the Company has adopted policies and procedures reasonably designed to ensure compliance with the United States Currency and Foreign Transactions Reporting Act of 1970 (the "Bank Secrecy Act") and the guidance issued by the United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-G001 (the "FinCEN Guidance") relating to providing financial services to marijuana related businesses in the United States (as that term is used in the FinCEN Guidance). While the Company takes steps to identify the risks associated with emerging industries, including the US cannabis industry, and only provides services to those issuers where it determines that there is no material risk to the Company or where any risk is unlikely to result in a material adverse consequence to the Company, there is a risk that the Company could be the subject of third party proceedings which may have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The Company has determined that any such proceedings are unlikely and, accordingly, has not recorded a provision in respect of such matters.

Further discussion regarding risks can be found in our Annual Information Form.

## Additional Information

A comprehensive discussion of the Company's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2018 Annual Report, which are available on our website at *www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com*.

# Unaudited Interim Condensed Consolidated Statements of Financial Position

| As at (in thousands of Canadian dollars) | Notes | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | $ 930,912 | $ 862,838 |
| Securities owned | 4 | 709,037 | 469,217 |
| Accounts receivable | 6,19 | 1,888,600 | 2,215,837 |
| Income taxes receivable | | 9,789 | 1,170 |
| **Total current assets** | | 3,538,338 | 3,549,062 |
| Deferred tax assets | | 20,831 | 19,941 |
| Investments | 7 | 6,184 | 2,035 |
| Equipment and leasehold improvements | | 25,941 | 30,967 |
| Intangible assets | 10 | 146,721 | 160,757 |
| Goodwill | 10 | 260,068 | 257,974 |
| | | $ 3,998,083 | $ 4,020,736 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Bank Indebtedness | 5 | $ 5,903 | $ — |
| Securities sold short | 4 | 438,348 | 301,006 |
| Accounts payable and accrued liabilities | 6,19 | 2,418,820 | 2,638,954 |
| Provisions | 21 | 7,561 | 8,428 |
| Income taxes payable | | 6,527 | 7,851 |
| Subordinated debt | 12 | 7,500 | 7,500 |
| Current portion of bank loan | 13 | 9,238 | 9,679 |
| **Total current liabilities** | | 2,893,897 | 2,973,418 |
| Deferred tax liabilities | | 14,264 | 13,715 |
| Convertible debentures | 14 | 126,964 | 57,081 |
| Deferred consideration | 5,8 | 9,553 | 9,997 |
| Contingent consideration | 5,8 | 51,572 | 49,844 |
| Promissory note | 5,9 | 5,733 | — |
| Bank loan | 13 | 54,596 | 61,758 |
| | | 3,156,579 | 3,165,813 |
| **Shareholders' equity** | | | |
| Preferred shares | 15 | 205,641 | 205,641 |
| Common shares | 16 | 664,907 | 649,846 |
| Equity portion of convertible debentures | 14 | 5,156 | 2,604 |
| Warrants | 16 | 1,975 | 1,975 |
| Contributed surplus | | 94,024 | 145,426 |
| Retained deficit | | (236,939) | (277,472) |
| Accumulated other comprehensive income | | 104,402 | 113,332 |
| **Total shareholders' equity** | | 839,166 | 841,352 |
| Non-controlling interests | | 2,338 | 13,571 |
| **Total equity** | | 841,504 | 854,923 |
| | | $ 3,998,083 | $ 4,020,736 |

See accompanying notes

On behalf of the Board:

"*Daniel Daviau*"

**DANIEL DAVIAU**
Director

"*Terrence A. Lyons*"

**TERRENCE A. LYONS**
Director

# Unaudited Interim Condensed Consolidated Statements of Operations

| (in thousands of Canadian dollars, except per share amounts) | Notes | For the three months ended December 31, 2018 | For the three months ended December 31, 2017 | For the nine months ended December 31, 2018 | For the nine months ended December 31, 2017 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Commissions and fees | | $ 143,115 | $ 125,709 | $ 418,897 | $ 326,789 |
| Investment banking | | 98,978 | 112,629 | 233,925 | 186,681 |
| Advisory fees | | 40,698 | 31,957 | 110,008 | 81,442 |
| Principal trading | | 30,776 | 29,138 | 90,633 | 77,874 |
| Interest | | 12,703 | 6,861 | 37,275 | 17,830 |
| Other | | 5,330 | 3,148 | 15,021 | 10,181 |
| | | 331,600 | 309,442 | 905,759 | 700,797 |
| **EXPENSES** | | | | | |
| Incentive compensation | | 166,719 | 158,631 | 455,958 | 366,205 |
| Salaries and benefits | | 29,220 | 26,537 | 85,405 | 70,608 |
| Trading costs | | 24,575 | 16,521 | 65,537 | 47,781 |
| Premises and equipment | | 10,647 | 10,511 | 30,824 | 29,467 |
| Communication and technology | | 16,575 | 14,558 | 46,776 | 41,379 |
| Interest | | 5,903 | 4,171 | 19,715 | 12,347 |
| General and administrative | | 26,689 | 23,108 | 71,665 | 59,876 |
| Amortization | | 5,675 | 6,916 | 18,511 | 17,058 |
| Development costs | | 4,661 | 1,512 | 12,573 | 4,477 |
| Restructuring costs | 21 | — | — | 1,316 | 6,704 |
| Acquisition-related costs | | 170 | — | 1,343 | 6,548 |
| Loss on extinguishment of convertible debentures | 14 | — | — | 13,500 | — |
| Share of loss of an associate | 7 | 157 | 94 | 415 | 302 |
| | | 290,991 | $ 262,559 | 823,538 | $ 662,752 |
| Net income before income taxes | | 40,609 | 46,883 | 82,221 | 38,045 |
| Income taxes | | | | | |
| Current | | 6,414 | 7,738 | 19,690 | 9,338 |
| Deferred | | 1,737 | 2,547 | (1,703) | 1,927 |
| | 11 | 8,151 | 10,285 | 17,987 | 11,265 |
| **Net income for the period** | | $ 32,458 | $ 36,598 | $ 64,234 | $ 26,780 |
| **Net income attributable to:** | | | | | |
| CGGI shareholders | | $ 32,457 | $ 34,432 | $ 62,975 | $ 24,685 |
| Non-controlling interests | | $ 1 | $ 2,166 | $ 1,259 | $ 2,095 |
| **Weighted average number of common shares outstanding (thousands)** | | | | | |
| Basic | | 97,163 | 92,030 | 96,117 | 92,541 |
| Diluted | | 129,169 | 113,613 | 127,633 | 105,383 |
| **Net income per common share** | | | | | |
| Basic | 16 | $ 0.31 | $ 0.35 | $ 0.58 | $ 0.19 |
| Diluted | 16 | $ 0.25 | $ 0.29 | $ 0.48 | $ 0.17 |
| **Dividend per common share** | 17 | $ 0.01 | $ 0.01 | $ 0.03 | $ 0.03 |
| **Dividend per Series A Preferred Share** | 17 | $ 0.24 | $ 0.24 | $ 0.72 | $ 0.72 |
| **Dividend per Series C Preferred Share** | 17 | $ 0.31 | $ 0.31 | $ 0.93 | $ 0.93 |

See accompanying notes

# Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| (in thousands of Canadian dollars) | **December 31, 2018** | December 31, 2017 | **December 31, 2018** | December 31, 2017 |
| **Net income for the period** | **$ 32,458** | $ 36,598 | **$ 64,234** | $ 26,780 |
| **Other comprehensive income** | | | | |
| Net change in unrealized losses on translation of foreign operations | **18,749** | 6,571 | **(8,495)** | (10,114) |
| **Comprehensive income for the period** | **$ 51,207** | $ 43,169 | **$ 55,739** | $ 16,666 |
| **Comprehensive income (loss) attributable to:** | | | | |
| CGGI shareholders | **$ 51,421** | $ 41,014 | **$ 54,045** | $ 13,740 |
| Non-controlling interests | **$ (214)** | $ 2,155 | **$ 1,694** | $ 2,926 |

See accompanying notes

# Unaudited Interim Condensed Consolidated Statements of Changes in Equity

| For the nine months ended (in thousands of Canadian dollars) | Notes | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Preferred shares, opening and closing** | 15 | $ 205,641 | $ 205,641 |
| Common shares, opening | | 649,846 | 641,449 |
| Shares issued in connection with share-based payments | | 233 | — |
| Acquisition of common shares for long-term incentive plan (LTIP) | | (32,073) | (27,606) |
| Release of vested common shares from employee benefit trust | | 38,657 | 26,581 |
| Shares issued in connection with purchase of non-controlling interests | 9 | 16,807 | — |
| Shares cancelled | | (7,026) | — |
| Shares committed to be purchased under normal course issuer bid | | (2,857) | — |
| Net unvested share purchase loans | | 1,320 | 1,847 |
| **Common shares, closing** | 16 | 664,907 | 642,271 |
| **Warrants, opening and closing** | 16 | 1,975 | 1,975 |
| Convertible debentures – equity, opening | 14 | 2,604 | 2,604 |
| Equity portion of convertible debentures issued during the period, net of tax | 14 | 2,552 | — |
| **Convertible debentures – equity, closing** | | 5,156 | 2,604 |
| Contributed surplus, opening | | 145,426 | 85,405 |
| Share-based payments, net | | (23,814) | 7,679 |
| Shares cancelled | | 509 | — |
| Purchase of non-controlling interests | 9 | (27,315) | — |
| Change in deferred tax asset relating to share based payments | | 260 | — |
| Unvested share purchase loans | | (1,042) | (971) |
| **Contributed surplus, closing** | | 94,024 | 92,113 |
| Retained deficit, opening | | (277,472) | (267,559) |
| Net income attributable to CGGI shareholders | | 62,975 | 24,685 |
| Preferred shares dividends | 17 | (7,053) | (7,242) |
| Common shares dividends | 17 | (15,389) | (12,481) |
| **Retained deficit, closing** | | (236,939) | (262,597) |
| Accumulated other comprehensive income, opening | | 113,332 | 95,270 |
| Other comprehensive loss attributable to CGGI shareholders | | (8,930) | (10,945) |
| **Accumulated other comprehensive income, closing** | | 104,402 | 84,325 |
| **Total shareholders' equity** | | 839,166 | 766,332 |
| Non-controlling interests, opening | | 13,571 | 11,858 |
| Foreign exchange on non-controlling interests | | (506) | 692 |
| Comprehensive income attributable to non-controlling interests | | 1,694 | 2,926 |
| Purchase of non-controlling interests | 9 | (9,697) | — |
| Dividends paid to non-controlling interests | | (2,724) | (3,445) |
| **Non-controlling interests, closing** | | 2,338 | 12,031 |
| **Total equity** | | $ 841,504 | $ 778,363 |

See accompanying notes

# Unaudited Interim Condensed Consolidated Statements of Cash Flows

| For the nine months ended (in thousands of Canadian dollars) | Notes | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net income for the period | | $ 64,234 | $ 26,780 |
| Items not affecting cash | | | |
| Amortization | | 18,511 | 17,058 |
| Deferred income tax recovery | | (1,703) | 1,927 |
| Share-based compensation expense | 18 | 19,783 | 36,058 |
| Share of loss of associate | 7 | 415 | 302 |
| Loss on extinguishment of convertible debentures | | 13,500 | — |
| Changes in non-cash working capital | | | |
| (Increase) decrease in securities owned | | (239,820) | 269,868 |
| Decrease in accounts receivable | | 301,430 | 1,637,201 |
| (Increase) decrease in net income taxes receivable | | (8,430) | 14,803 |
| Increase (decrease) in securities sold short | | 137,342 | (302,988) |
| Decrease in accounts payable, accrued liabilities and provisions | | (201,869) | (1,722,589) |
| **Cash provided by (used in) operating activities** | | 103,393 | (21,580) |
| **FINANCING ACTIVITIES** | | | |
| Bank indebtedness | | 5,903 | (22,513) |
| Acquisition of common shares for long-term incentive plan | | (32,073) | (27,606) |
| Purchase of shares for cancellation | | (6,517) | — |
| Proceeds from bank loan | | — | 66,864 |
| Cash dividends paid on common shares | | (15,389) | (12,482) |
| Cash dividends paid on preferred shares | | (7,053) | (7,241) |
| Proceeds from convertible debentures | | 56,699 | — |
| **Cash provided by (used in) financing activities** | | 1,570 | (2,978) |
| **INVESTING ACTIVITIES** | | | |
| Purchase of equipment and leasehold improvements | | (1,171) | (4,647) |
| Acquisition of Hargreave Hale Limited, net of cash acquired | | — | (54,475) |
| Acquisition of Jitneytrade Inc. and Finlogik Inc., net of cash acquired | | (7,547) | — |
| Purchase of non-controlling interests | 9 | (14,431) | — |
| Purchase of investments | | (4,063) | — |
| Investment in associate | | (2,500) | (2,500) |
| **Cash used in investing activities** | | (29,712) | (61,622) |
| **Effect of foreign exchange on cash balances** | | (7,177) | 1,284 |
| **Increase (decrease) in cash position** | | 68,074 | (84,896) |
| Cash position, beginning of period | | 862,838 | 677,769 |
| **Cash position, end of period** | | $ 930,912 | $ 592,873 |
| **Supplemental cash flow information** | | | |
| Interest received | | $ 37,567 | $ 17,708 |
| Interest paid | | $ 18,018 | $ 11,669 |
| Income taxes paid | | $ 28,892 | $ 5,715 |

See accompanying notes

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

*(in thousands of Canadian dollars, except per share amounts)*

## NOTE 01 Corporate Information

Through its principal subsidiaries, Canaccord Genuity Group Inc. (the Company or CGGI) is a leading independent, full-service investment dealer with capital markets operations in Canada, the United Kingdom (UK) & Europe, the United States of America (US), Australia, China, Singapore and Dubai. The Company also has wealth management operations in Canada, the UK & Europe, and Australia. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's private, institutional and corporate clients.

Canaccord Genuity Group Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

The Company's common shares are publicly traded under the symbol CF on the Toronto Stock Exchange (TSX). The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C. The Company's 6.25% Convertible Unsecured Senior Subordinated Debentures are listed on the TSX under the symbol CF.DA.A.

The Company's business experiences considerable variations in revenue and income from quarter to quarter and year to year due to factors beyond the Company's control. The Company's business is affected by the overall condition of the worldwide equity and debt markets.

## NOTE 02 Basis of Preparation

### STATEMENT OF COMPLIANCE

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB).

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2018 (March 31, 2018 consolidated financial statements) filed on SEDAR on June 6, 2018. All defined terms used herein are consistent with those terms defined in the March 31, 2018 consolidated financial statements.

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis except for investments, securities owned and securities sold short, which have been measured at fair value as set out in the relevant accounting policies.

These unaudited interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except when otherwise indicated.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 13, 2019.

### USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, accompanying note disclosures, and the disclosure of contingent liabilities at the reporting date. Therefore, actual results may differ from those estimates and assumptions. The significant judgments, estimates and assumptions include revenue recognition, share-based payments, income taxes and valuation of deferred tax assets, impairment of goodwill, intangible assets and other long-lived assets, expected credit loss provision, fair value of financial instruments, capitalization of intangible assets related to software costs, and provisions. Amendments may be made to estimates relating to net assets acquired in an acquisition as well as the allocation of identifiable intangible assets between indefinite life and finite lives. Judgments, estimates and assumptions were also utilized in connection with the valuation of goodwill and intangible assets acquired in connection with the acquisitions of Hargreave Hale and Jitneytrade Inc. and Finlogik Inc. [Note 8].

## NOTE 3 Adoption of New and Revised Standards

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those discussed in Note 5 of the March 31, 2018 consolidated financial statements except the Company adopted the following new accounting standards as of April 1, 2018:

*IFRS 9, "Financial Instruments"* ("IFRS 9")

On April 1, 2018, the Company adopted IFRS 9 which replaces IAS 39 – Financial Instruments: Recognition and Measurement. The Company adopted the standard using the modified retrospective approach. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities.

The following summarizes the impact of IFRS 9 on the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018:

<u>Classification – financial assets and liabilities</u>

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

On initial recognition, financial assets are classified as instruments measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification is based on two criteria: the Company's business approach for managing the financial assets; and whether the instruments' contractual cash flows result in cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). The business approach considers whether the Company's objective is to receive cash flows from holding the financial assets, from selling the assets or a combination of both.

– Amortized costs – A financial asset is measured at amortized cost if it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and the contractual terms of the financial asset result in cash flows that meet the SPPI criteria. Items included in this category include cash and cash equivalents and accounts receivable.

– FVOCI – A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset result in cash flows that are SPPI. Included in the FVOCI category is our investment in Euroclear, which was previously classified as available for sale under IAS 39. There are no other financial assets classified as FVOCI.

– All other financial assets are measured at FVTPL and consist of marketable securities owned and sold short.

The Company reclassifies financial assets only when its business approach for managing those assets changes.

<u>Impairment – financial assets</u>

The adoption of IFRS 9 changed the Company's accounting for impairment loss for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach ("ECL)". Under the ECL model, the Company has to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. ECLs are recognized on the following basis:

– A maximum 12 month allowance for ECL is recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

– A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments' initial recognition, reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.

– A lifetime ECL allowance is recognized for credit impaired financial instruments.

IFRS 9 also provides a simplified approach to ECLs for trade receivables that is based on the adoption of a valuation policy which utilizes an entity's historic loss experience by age banding, adjusted for forward looking estimates and other considerations as applicable.

The Company's accounts receivables are classified as financial assets measured at amortized costs and are subject to the new ECL model. Accounts receivable includes trade receivables from clients and brokers and dealers. All our corporate finance and client receivables have a maturity of less than 12 months from initial recognition, therefore the allowance is limited to 12-month ECLs. The Company established a valuation policy that is based on its historical credit loss experience adjusted for forward-looking factors or other considerations as appropriate. The impact of the provision is not considered to have a significant impact to our interim consolidated financial statements for the nine months ended December 31, 2018.

Hedge accounting

IFRS 9 offers greater flexibility to the types of transactions eligible for hedge accounting. As the Company does not apply hedge accounting under IAS 39 and IFRS 9, the adoption of IFRS 9 does not have any material impact on our unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018.

*IFRS 15, "Revenue from Contracts with Customers"*

On April 1, 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS 15 replaces IAS 18 "Revenue" and establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Under IFRS 15, the initial steps in revenue recognition are to identify the appropriate contracts with customers and define the performance obligations in the contracts. Revenue is recognized when the performance obligations are satisfied – when "control" of goods or services transfers to the customers. IFRS 15 also requires the transaction price to be allocated to each separate performance obligation in proportion to stand-alone selling prices. In addition, variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The impact on adoption of IFRS 15 on the Company's standard revenue contracts are as follows:

– Commissions and fees – Commission and fees revenue consists of revenue generated through commission-based brokerage services and the sale of fee-based products and services. As discussed above, IFRS 15 requires entities to recognize revenue when "control" of goods or services transfers to the customers whereas IAS 18 required entities to recognize revenue when the "risk and rewards" of the goods or services are transferred to the customers. The performance obligation for the recognition of commission and fees revenue is satisfied through the settlement of trades for clients. There is no material change in the amount or timing of revenue recognized under IFRS 15 compared to IAS 18 as the point of transfer of risk and reward for services and transfer of control occur at the same time.

– Investment banking – Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. There is no material impact on the recognition of investment banking revenue under IFRS 15 compared to IAS 18. Under IAS 18, revenue was recognized upon closing of the underwriting mandate, which also represents completion of the performance obligation under IFRS 15.

– Advisory fees – Advisory fees consist of management and advisory fees, including fees from mergers and acquisition activities. The performance obligation for the recognition of advisory fees revenue is met when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable. In certain cases, some fees are collected based on progress and do not correspond to the satisfaction of any discrete performance obligation. Under IFRS 15, such payments may need to be deferred or recognized on an amortized basis until the performance obligation is satisfied. The impact of this change on the opening retained earnings as of April 1, 2018 and for the nine months ended December 31, 2018 is insignificant.

– The following revenue types are excluded from the scope of IFRS 15: Principal trading revenue which consists of revenue earned in connection with principal trading operations, interest revenue, as well as other revenue consisting of foreign exchange gains or losses and revenue earned from our correspondent brokerage services.

## NOTE 04 Securities Owned and Securities Sold Short

| | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|
| | **Securities owned** | **Securities sold short** | Securities owned | Securities sold short |
| Corporate and government debt | **$ 447,764** | **$ 339,995** | $ 254,671 | $ 220,792 |
| Equities and convertible debentures | **261,273** | **98,353** | 214,546 | 80,214 |
| | **$ 709,037** | **$ 438,348** | $ 469,217 | $ 301,006 |

As at December 31 2018, corporate and government debt maturities range from 2019 to 2098 [March 31, 2018 – 2018 to 2098] and bear interest ranging from 0.0% to 14.0% [March 31, 2018 – 0.0% to 14.0%].

## NOTE 05 Financial Instruments

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at December 31, 2018 and March 31, 2018 are as follows:

| | Fair value through profit and loss | | Fair value through other comprehensive income | | Amortized costs | | Total | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2018 | March 31, 2018 | December 31, 2018 | March 31, 2018 | December 31, 2018 | March 31, 2018 | December 31, 2018 | March 31, 2018 |
| **Financial assets** | | | | | | | | |
| Securities owned | **$ 702,726** | $ 462,741 | **$ 6,311** | $ 6,476 | **$ —** | $ — | **$ 709,037** | $ 469,217 |
| Accounts receivable from brokers and investment dealers | **—** | — | **—** | — | **854,130** | 1,405,380 | **854,130** | 1,405,380 |
| Accounts receivable from clients | **—** | — | **—** | — | **413,602** | 333,434 | **413,602** | 333,434 |
| RRSP cash balances held in trust | **—** | — | **—** | — | **361,361** | 330,369 | **361,361** | 330,369 |
| Other accounts receivable | **—** | — | **—** | — | **259,507** | 146,654 | **259,507** | 146,654 |
| Investments | 4,063 | — | — | — | — | — | 4,063 | — |
| **Total financial assets** | **$ 706,789** | $ 462,741 | **$ 6,311** | $ 6,476 | **$ 1,888,600** | $ 2,215,837 | **$ 2,601,700** | $ 2,685,054 |
| **Financial liabilities** | | | | | | | | |
| Securities sold short | **$ 438,348** | $ 301,006 | **$ —** | $ — | **$ —** | $ — | **$ 438,348** | $ 301,006 |
| Accounts payable to brokers and investment dealers | **—** | — | **—** | — | **662,375** | 1,051,546 | **662,375** | 1,051,546 |
| Accounts payable to clients | **—** | — | **—** | — | **1,391,260** | 1,228,201 | **1,391,260** | 1,228,201 |
| Other accounts payable and accrued liabilities | **—** | — | **—** | — | **365,185** | 359,207 | **365,185** | 359,207 |
| Subordinated debt | **—** | — | **—** | — | **7,500** | 7,500 | **7,500** | 7,500 |
| Convertible debentures | **—** | — | **—** | — | **126,964** | 57,081 | **126,964** | 57,081 |
| Deferred consideration | **—** | — | **—** | — | **9,553** | 9,997 | **9,553** | 9,997 |
| Contingent consideration | **—** | — | **—** | — | **51,572** | 49,844 | **51,572** | 49,844 |
| Promissory note | **—** | — | **—** | — | **5,733** | — | **5,733** | — |
| Bank loan | | | | | **63,834** | 71,437 | **63,834** | 71,437 |
| **Total financial liabilities** | **$ 438,348** | $ 301,006 | **$ —** | $ — | **$ 2,683,976** | $ 2,834,813 | **$ 3,122,324** | $ 3,135,819 |

The Company has not designated any financial instruments as fair value through profit or loss upon initial recognition.

### FAIR VALUE HIERARCHY

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at December 31, 2018, the Company held the following classes of financial instruments measured at fair value:

| | | | Estimated fair value December 31, 2018 | | |
|---|---|---|---|---|---|
| | December 31, 2018 | Level 1 | Level 2 | Level 3 |
| **Securities owned** | | | | |
| Corporate debt | $ 65,767 | $ — | $ 65,767 | $ — |
| Government debt | 381,997 | 108,190 | 273,807 | — |
| **Corporate and government debt** | 447,764 | 108,190 | 339,574 | — |
| Equities | 260,918 | 165,438 | 95,239 | 241 |
| Convertible debentures | 355 | — | 355 | — |
| **Equities and convertible debentures** | 261,273 | 165,438 | 95,594 | 241 |
| | $ 709,037 | $ 273,628 | $ 435,168 | $ 241 |
| **Investments** | 4,063 | — | — | 4,063 |
| | 713,100 | 273,628 | 435,168 | 4,304 |
| **Securities sold short** | | | | |
| Corporate debt | $ (768) | $ — | $ (768) | $ — |
| Government debt | (339,099) | (98,288) | (240,811) | — |
| **Corporate and government debt** | (339,867) | (98,288) | (241,579) | — |
| Equities | (98,481) | (78,516) | (19,965) | — |
| Convertible debentures | — | — | — | — |
| **Equities and convertible debentures** | (98,481) | (78,516) | (19,965) | — |
| | (438,348) | (176,804) | (261,544) | — |
| **Deferred consideration**[(1)] | (9,553) | — | — | (9,553) |
| **Contingent consideration**[(1)] | (51,572) | — | — | (51,572) |
| **Promissory note**[(1)] | (5,733) | — | — | (5,733) |
| | $ (505,206) | $ (176,804) | $ (261,544) | $ (66,858) |

(1) Contingent and deferred considerations are settled in cash and the promissory note may be partially or completely settled in shares at the Company's option. They are classified as financial liabilities with any subsequent gains or losses recognized in earnings.

As at March 31, 2018, the Company held the following classes of financial instruments measured at fair value:

| | | Estimated fair value March 31, 2018 | | |
|---|---|---|---|---|
| | March 31, 2018 | Level 1 | Level 2 | Level 3 |
| **Securities owned** | | | | |
| Corporate debt | $ 13,794 | $ — | $ 13,794 | $ — |
| Government debt | 240,877 | 30,593 | 210,284 | — |
| **Corporate and government debt** | 254,671 | 30,593 | 224,078 | — |
| Equities | 214,086 | 165,546 | 48,404 | 136 |
| Convertible debentures | 460 | — | 460 | — |
| **Equities and convertible debentures** | 214,546 | 165,546 | 48,864 | 136 |
| | $ 469,217 | $ 196,139 | $ 272,942 | $ 136 |
| **Securities sold short** | | | | |
| Corporate debt | $ (4,836) | $ — | $ (4,836) | $ — |
| Government debt | (215,956) | (34,388) | (181,568) | — |
| **Corporate and government debt** | (220,792) | (34,388) | (186,404) | — |
| Equities | (79,011) | (66,714) | (12,297) | — |
| Convertible debentures | (1,203) | — | (1,203) | — |
| **Equities and convertible debentures** | (80,214) | (66,714) | (13,500) | — |
| | (301,006) | (101,102) | (199,904) | — |
| **Deferred considerations** | (9,997) | — | — | (9,997) |
| **Contingent consideration** | (49,844) | — | — | (49,844) |
| | $ (360,847) | $ (101,102) | $ (199,904) | $ (59,841) |

**Movement in net Level 3 financial liabilities**

| | | |
|---|---|---|
| Balance, March 31, 2018 | $ | (59,705) |
| Addition of contingent consideration | | (4,000) |
| Addition of deferred consideration | | (742) |
| Addition of a promissory note | | (5,594) |
| Purchase of investments | | 4,063 |
| Foreign exchange revaluation of deferred and contingent consideration and promissory note | | 3,424 |
| **Balance, December 31, 2018** | $ | **(62,554)** |

In addition to the $56.4 million of deferred and contingent consideration in connection with the acquisition of Hargreave Hale during the year ended March 31, 2018 included as level 3 financial liabilities, there was $4.7 million of contingent and deferred considerations included as part of the total purchase consideration for the acquisition of Jitneytrade Inc. and Finlogik Inc. directly and indirectly through the purchase of Finlogik Capital Inc. (collectively referred to as "Jitneytrade") [Note 8]. There was also a promissory note of $5.7 million at December 31, 2018 related to the purchase of an additional 30% interest in Canaccord Genuity (Australia) Limited during the nine months ended December 31, 2018 [Note 9]. The contingent and deferred considerations are settled in cash, and the Australian promissory note may be partially or completely settled in shares at the Company's option. Any subsequent gains or losses are recognized in earnings.

During the nine months ended December 31, 2018, the Company also invested $4.1 million in Family Office Networks Inc. ("FON") and Capital Markets Gateway Inc. ("CMG") which have been included as level 3 financial instruments given the investments do not have any observable inputs or market indicators. [Note 7].

## FAIR VALUE ESTIMATION

### i. Level 2 financial instruments

Level 2 financial instruments include the Company's investment in certain corporate and government debt, convertible debt, and over-the-counter equities. The fair values of corporate and government debt, and convertible debt classified as Level 2 are determined using the quoted market prices of identical assets or liabilities in markets that do not have transactions which take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company regularly reviews the transaction frequency and volume of trading in these instruments to determine the accuracy of pricing information.

Level 2 financial instruments also include the Company's investment in Euroclear, which has an estimated fair value of $6.3 million (€ 4.1 million) as at December 31, 2018 [March 31, 2018 – $6.4 million (€4.1 million)]. The current fair value is determined using a market-based approach based on recent share buyback transactions. This investment is classified as a financial asset measured at fair value through other comprehensive income.

### ii. Level 3 financial instruments

The fair value for level 3 investments classified as financial instruments measured at fair value through profit and loss ("FVTPL") is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for FVTPL financial instruments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. During the nine months ended December 31, 2018, the Company invested $4.1 million in FON and CMG which have been classified as level 3 financial instruments given the investments do not have any observable inputs or market indicators [Note 7].

The fair value of the FVTPL investments as at December 31, 2018 was $4.3 million [March 31, 2018 – $0.1 million].

Level 3 financial liabilities also include the deferred and contingent considerations included as part of the total purchase consideration for the acquisitions of Hargreave Hale and Jitneytrade [Note 8], as well as the promissory note in connection with the purchase of an additional 30% interest in Canaccord Genuity (Australia) Limited [Note 9]. The fair value for these financial liabilities approximate their carrying value as of December 31, 2018.

The fair value measurements determined as described above may not be indicative of net realizable value or reflective of future values. Furthermore, the Company believes its valuation methods are appropriate and consistent with those which would be utilized by a market participant.

### Foreign exchange forward contracts

The Company uses derivative financial instruments to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity.

Forward contracts outstanding at December 31, 2018:

| | Notional amount (millions) | | Average price | Maturity | | Fair value |
|---|---|---|---|---|---|---|
| To sell US dollars | USD$ | 2.7 | $1.37 (CAD/USD) | January 2, 2019 | $ | 4 |
| To buy US dollars | — | | — | — | | — |

Forward contracts outstanding at March 31, 2018:

| | | Notional amount (millions) | Average price | | Maturity | | Fair value |
|---|---|---|---|---|---|---|---|
| To sell US dollars | USD$ | 17.7 | $1.28 | (CAD/USD) | April 2, 2018 | $ | (240) |
| To buy US dollars | USD$ | 2.1 | $1.29 | (CAD/USD) | April 2, 2018 | $ | 3 |

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the Euro. The weighted average term to maturity is 64 days as at December 31, 2018 [March 31, 2018 – 85 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at December 31, 2018 and March 31, 2018, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

| | **December 31, 2018** | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Notional amount** | Assets | Liabilities | Notional amount |
| Foreign exchange forward contracts | **$ 1,283** | **$ 1,168** | **$ 137,535** | $ 847 | $ 747 | $ 141,662 |

## FUTURES

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At December 31, 2018, the notional amount of the bond futures contracts outstanding was long $12.2 million [March 31, 2018 – long $0.1 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. As at December 31, 2018, the notional amount of the US bond futures contracts outstanding was long $8.3 million (US$6.4 million) [March 31, 2018 – nil].

The fair value of all of the above futures contracts is nominal due to their short term to maturity and are included in accounts receivable and accounts payable and accrued liabilities. Realized and unrealized gains and losses related to these contracts are recognized in the statement of operations during the reporting period.

## SECURITIES LENDING AND BORROWING

| | Cash | | Securities | |
|---|---|---|---|---|
| | Loaned or delivered as collateral | Borrowed or received as collateral | Loaned or delivered as collateral | Borrowed or received as collateral |
| **December 31, 2018** | **$ 217,244** | **$ 45,428** | **$ 65,387** | **$ 284,579** |
| March 31, 2018 | $ 185,042 | $ 36,359 | $ 52,685 | $ 227,677 |

Securities lending and borrowing are included in the accounts receivable and accounts payable and accrued liabilities balances on the statements of financial position.

## BANK INDEBTEDNESS

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by either unpaid client securities and/or securities owned by the Company. As at December 31, 2018 the Company had a balance of $5.9 million (£3.4 million) outstanding [March 31, 2018 – $nil].

## BANK LOAN

A subsidiary of the Company entered into a £40.0 million (C$69.2 million as of December 31, 2018) senior credit facility to finance a portion of the cash consideration for its acquisition of Hargreave Hale Limited [Note 8]. During the nine months ended December 31, 2018, the Company made a repayment of £2.7 million ($4.5 million). The balance outstanding as of December 31, 2018 net of unamortized financing fees was £36.9 million ($63.8 million) [March 31, 2018 – (£39.4 million) ($71.4 million)]. The loan is repayable in instalments of principal and interest over a period of 4 years. The interest rate on this loan is LIBOR plus 2.125% per annum as at December 31, 2018 [March 31, 2018 – 3.375% per annum].

## OTHER CREDIT FACILITIES

Excluding the bank loan of £40.0 million in connection with the acquisition of Hargreave Hale, subsidiaries of the Company have other credit facilities with banks in Canada and the UK for an aggregate amount of $654.6 million. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. As of December 31, 2018, and 2017, there were no balances outstanding under these other credit facilities.

A subsidiary of the Company has also entered into secured irrevocable standby letters of credit from a financial institution totaling $2.7 million (US$2.0 million) [March 31, 2018 – $2.7 million (US$2.0 million)] as rent guarantees for its leased premises in New York. As of December 31, 2018, and March 31, 2018, there were no outstanding balances under these standby letters of credit.

## NOTE 06 Accounts Receivable and Accounts Payable and Accrued Liabilities

### ACCOUNTS RECEIVABLE

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| Brokers and investment dealers | $ 854,130 | $ 1,405,380 |
| Clients | 413,602 | 333,434 |
| RRSP cash balances held in trust | 361,361 | 330,369 |
| Other | 259,507 | 146,654 |
| | $ 1,888,600 | $ 2,215,837 |

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| Brokers and investment dealers | $ 662,375 | $ 1,051,546 |
| Clients | 1,391,260 | 1,228,201 |
| Other | 365,185 | 359,207 |
| | $ 2,418,820 | $ 2,638,954 |

Amounts due from and to brokers and investment dealers include balances from resale and repurchase agreements, securities loaned and borrowed, as well as brokers' and dealers' counterparty balances.

Client security purchases are entered into on either a cash or a margin basis. In the case of a margin account, the Company extends a loan to a client for the purchase of securities, using securities purchased and/or other securities in the client's account as collateral. Amounts loaned to any client are limited by the margin regulations of the regulatory authorities and are subject to the Company's credit review and daily monitoring procedures.

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client's account. Interest on margin loans and on amounts due to clients is based on a floating rate [December 31, 2018 – 6.95% to 8.25% and 0.00% to 0.15%, respectively; March 31, 2018 – 6.45% to 7.50% and 0.00% to 0.45%, respectively].

As at December 31, 2018, the allowance for doubtful accounts was $3.6 million [March 31, 2018 – $3.4 million].

## NOTE 07 Investments

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| Investments | $ 6,184 | $ 2,035 |

During the year ended March 31, 2018, the Company, through a wholly-owned subsidiary, invested $2.5 million for 833,333 Class B Units, at $3.00 per unit, in Canaccord Genuity Acquisition Corp. ("CGAC"). CGAC was a special purpose acquisition corporation formed to effect an acquisition of one or more businesses. On August 13, 2018, CGAC announced that it has completed its qualifying transaction ("the Closing"), pursuant to which it has merged with Spark Power Corp. In conjunction with the Closing, CGAC has been renamed Spark Power Group Inc. ("Spark Power"). Following the Closing, the Company is no longer considered to exert significant influence over the operations of Spark Power. Accordingly, the investment in Spark Power is accounted for as financial assets measured at FVTPL and included as marketable securities on the statement of financial position as at December 31, 2018.

During the nine months ended December 31, 2018, the Company, through a wholly-owned subsidiary, invested $2.5 million for 833,333 Class B Units, at $3.00 per unit, in Canaccord Genuity Growth Corp. ("CGGC"). CGGC is a special purpose acquisition corporation formed to effect an acquisition of one or more businesses. Each Class B Unit consists of one Class B Share and one warrant.

The Company holds a 23.5% interest in CGGC and is considered to exert significant influence over the operations of CGGC. Accordingly, the investment in CGGC is accounted for using the equity method. The Company's equity portion of the net loss of CGGC for the nine months ended December 31, 2018 was $0.4 million.

During the nine months ended December 31, 2018, the Company, through a wholly owned subsidiary, invested US$1.0 million ($1.3 million as at December 31, 2018) for 8,889 Series A Preferred Shares, at $112.50 per unit, in Family Office Networks Inc. ("FON"). FON offers a diverse list of financial management services to its clients. The Company is not considered to exert significant influence over the operations of FON. Accordingly, the investment in FON is accounted for as financial assets measured at FVTPL and included as investments on the statement of financial position as at December 31, 2018.

During the nine months ended December 31, 2018, the Company, through a wholly owned subsidiary, invested U$2.0 million ($2.7 million as at December 31, 2018) for 579,206 Series A Preferred Shares, at $3.453 per unit, in Capital Markets Gateway Inc. ("CMG"). CMG offers its clients a comprehensive suite of financial services. The Company is not considered to exert significant influence over the operations of CMG. Accordingly, the investment in CMG is accounted for as financial assets measured at FVTPL and included as investments on the statement of financial position as at December 31, 2018.

## NOTE 08 Business Combination

On April 25, 2018, the Company announced that it has entered into an agreement to acquire Jitneytrade Inc. and Finlogik Inc., directly and indirectly through the purchase of Finlogik Capital Inc. (collectively referred to as "Jitneytrade"). Jitneytrade Inc. is a direct access broker and an active trader in futures and equity options in Canada. Finlogik Inc. is in the business of delivering value-added fintech solutions in the Canadian market. The acquisition closed on June 6, 2018. This acquisition serves to support the Company's mid-market growth strategy by enhancing its market share of equities trading and providing access to new areas of growth through accelerating its development of an enhanced fintech product offering. Total purchase consideration was $14.8 million, of which $10.1 million was paid on closing with an additional $0.7 million of deferred consideration payable on June 8, 2020. There is also an estimated $4.0 million of contingent consideration payable over a period of up to five years, based on certain performance measures. Of the total cash consideration, $1.3 million is being held in escrow to be released over a period of up to June 8, 2020.

The preliminary purchase price, determined by the fair value of the consideration given at the date of the acquisition and the fair value of the net assets acquired on the date of the acquisition, was as follows:

### CONSIDERATION PAID

| | | |
|---|---|---|
| Cash | $ | 10,058 |
| Deferred consideration | | 744 |
| Contingent consideration | | 4,000 |
| | $ | 14,802 |

### NET ASSETS ACQUIRED

| | | |
|---|---|---|
| Cash | $ | 2,511 |
| Accounts receivable | | 4,896 |
| Other tangible assets | | 3,114 |
| Liabilities | | (6,790) |
| Identifiable intangible assets | | 1,922 |
| Deferred tax liability related to identifiable intangible assets | | (509) |
| Goodwill | | 9,658 |
| | $ | 14,802 |

Identifiable intangible assets of $1.9 million were recognized and relate to customer relationships. The goodwill of $9.7 million represents the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Management has estimated the fair value of the contingent consideration related to this acquisition to be up to $4.0 million as of the acquisition date and will be payable over a period of up to five years. The contingent consideration must be settled in cash and meets the definition of a financial liability, and subsequent changes to the fair value of the contingent consideration will be recognized in the statement of operations. The determination of the fair value is based upon discounted cash flows, and the key assumption affecting the fair value is the probability that the performance measures will be met.

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired from Jitneytrade are estimates, which were made by management at the time of the preparation of these interim unaudited consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets and the allocation of identifiable intangible assets between indefinite life and finite lives. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

The aggregate acquisition-related expenses incurred by the Company in connection with the acquisition of Jitneytrade are $1.2 million. These expenses are mainly comprised of professional and employment costs.

Contributions to revenue and net loss by Jitneytrade, including acquisition-related costs, were $11.4 million and $0.5 million, respectively, since the acquisition date.

Had Jitneytrade been consolidated from April 1, 2018, as part of the consolidated statement of operations, the consolidated revenue and net income would have been approximately $922.4 million and $65.0 million, respectively, for the nine months ended December 31, 2018. These figures represent historical results and are not necessarily indicative of future performance.

The preliminary purchase price allocation for the acquisition of Hargreave Hale Limited completed on September 18, 2017 was finalized during the nine months ended December 31, 2018, prior to the end of the 12 months period in which changes can be made after the acquisition date as prescribed by IFRS 3 “Business Combination”. No changes were made to the purchase price allocation disclosed in the audited consolidated financial statements for the year ended March 31, 2018.

## NOTE 09 Interest in Other Entities

On August 10, 2018, the Company completed its acquisition of an additional 30% of the shares in its Australian capital markets and wealth management business, Canaccord Genuity (Australia) Limited (the “Purchase”). This transaction increases the Company’s ownership in Canaccord Genuity (Australia) Limited from 50% to 80%. An additional 5% [March 31, 2018 – 8%] of the issued shares of Canaccord Genuity (Australia) Limited are held by CGA Employee Share Trust which is considered controlled by the Company under IFRS 10. As a result, the Company has an 85% controlling interest in Canaccord Genuity (Australia) Limited [March 31, 2018 – 58%].

The consideration for the Purchase as of August 10, 2018 was $37.0 million (A$38.5 million) comprised of $14.4 million (A$15.0 million) cash, a promissory note of $5.8 million (A$6.0 million), and an issuance of 2,331,132 shares with a value of $16.8 million (A$17.5 million). The shares are subject to a three-year escrow arrangement with annual releases. The promissory note may be settled in cash or shares at the Company’s option, bears interest at 4.0% per annum and is payable by February 9, 2020.

As a result of the purchase of non-controlling interests, the Company recorded a reduction in its non-controlling interest of $9.7 million and in its contributed surplus of $27.3 million during the nine months ended December 31, 2018.

## NOTE 10 Goodwill and Other Intangible Assets

| | Goodwill | Brand names | Customer relationships | Technology | Non-competition | Trading licenses | Fund management | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross amount** | | | | | | | | |
| **Balance, March 31, 2018** | $ 580,606 | $ 44,930 | $ 123,174 | $ 35,401 | $ 14,153 | $ 196 | $ 40,238 | $ 258,092 |
| Additions | 9,658 | — | 1,922 | 1,020 | — | — | — | 2,942 |
| Foreign exchange | (7,564) | — | (4,027) | (1,438) | — | — | (1,834) | (7,299) |
| **Balance, December 31, 2018** | 582,700 | 44,930 | 121,069 | 34,983 | 14,153 | 196 | 38,404 | 253,735 |
| **Accumulated amortization and impairment** | | | | | | | | |
| **Balance, March 31, 2018** | (322,632) | — | (61,778) | (19,373) | (14,153) | (196) | (1,835) | (97,335) |
| Amortization | — | — | (8,463) | (1,780) | — | — | (1,739) | (11,982) |
| Foreign exchange | — | — | 1,529 | 701 | — | — | 73 | 2,303 |
| **Balance, December 31, 2018** | (322,632) | — | (68,712) | (20,452) | (14,153) | (196) | (3,501) | (107,014) |
| **Net book value** | | | | | | | | |
| March 31, 2018 | 257,974 | 44,930 | 61,396 | 16,028 | — | — | 38,403 | 160,757 |
| **December 31, 2018** | $ 260,068 | $ 44,930 | $ 52,357 | $ 14,531 | $ — | $ — | $ 34,903 | $ 146,721 |

Identifiable intangible assets purchased through the acquisitions of Genuity Capital Markets (Genuity), the 80% interest in Canaccord Genuity (Australia) Limited (Canaccord Genuity Australia), Collins Stewart Hawkpoint plc (CSHP), Eden Financial, Hargreave Hale and Jitneytrade are customer relationships, non-competition agreements, trading licenses, fund management contract and technology, which have finite lives and are amortized on a straight-line basis over their estimated useful lives. Branding acquired through the acquisition of Genuity is considered to have an indefinite life as the Company has no plans to cease its use in the future.

As a result of the acquisition of Jitneytrade, the Company recognized goodwill of $9.7 million and identifiable intangible assets of $1.9 million relating to customer relationships as of the acquisition date, which is being amortized over 8 years [Note 8].

### IMPAIRMENT TESTING OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

The carrying amounts of goodwill and indefinite life intangible assets acquired through business combinations have been allocated to the cash-generating units (CGUs) as follows:

| | Intangible assets with indefinite lives | | Goodwill | | Total | |
|---|---|---|---|---|---|---|
| | **December 31, 2018** | March 31, 2018 | **December 31, 2018** | March 31, 2018 | **December 31, 2018** | March 31, 2018 |
| **Canaccord Genuity CGUs** | | | | | | |
| Canada (Genuity) | **$ 44,930** | $ 44,930 | **$ 92,074** | $ 92,074 | **$ 137,004** | $ 137,004 |
| Canada (Jitneytrade) | **—** | — | **9,658** | — | **9,658** | — |
| **Canaccord Genuity Wealth Management CGUs** | | | | | | |
| UK and Europe (Channel Islands) | **—** | — | **93,296** | 97,754 | **93,296** | 97,754 |
| UK and Europe (Eden Financial Ltd.) (“Eden”) | **—** | — | **10,270** | 10,761 | **10,270** | 10,761 |
| UK and Europe (Hargreave Hale) | **—** | — | **54,770** | 57,385 | **54,770** | 57,385 |
| | **$ 44,930** | $ 44,930 | **$ 260,068** | $ 257,974 | **$ 304,998** | $ 302,904 |

The Genuity brand name is considered to have an indefinite life as the Company has no plans to cease its use in the future.

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill and other assets impairment testing was carried out for all applicable CGUs at December 31, 2018.

In accordance with IAS 36, “Impairment of Assets” (IAS 36), the recoverable amounts of the CGUs’ net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs’ net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company’s capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which record goodwill in their carrying value as of December 31, 2018 were Canaccord Genuity Capital Markets, Canada (Genuity) and Canada (Jitneytrade) and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) and UK (Hargreave Hale). The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2018 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilized a five-year compound annual revenue growth rate of 5.0% [March 31, 2018 – 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity, Canada (Genuity) and Canada (Jitneytrade) and Canaccord Genuity Wealth Management UK & Europe (Channel Islands), UK (Eden) UK (Hargreave Hale) was 2.5% [March 31, 2018 – 2.5%].

## NOTE 11 Income Taxes

The Company's income tax expense differs from the amount that would be computed by applying the combined federal and provincial/state income tax rates as a result of the following:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **December 31, 2018** | December 31, 2017 | **December 31, 2018** | December 31, 2017 |
| Income taxes at the statutory rate of 27.0% (F2018: 26.0%) | **$ 10,964** | $ 12,188 | **$ 22,199** | $ 9,890 |
| Difference in tax rates in foreign jurisdictions | **(875)** | 531 | **(1,460)** | (1,892) |
| Non-deductible items affecting the determination of taxable income | **789** | 170 | **4,236** | 1,247 |
| Share based payments | **1,031** | (3,418) | **130** | (593) |
| Change in accounting and tax base estimate | **(3,253)** | (107) | **(4,530)** | 65 |
| Other | **659** | 232 | **175** | (246) |
| Impact of change in tax rates on temporary differences | **—** | 6,201 | **—** | 6,201 |
| Utilization of tax losses and other temporary differences previously not recognized | **(1,164)** | (5,512) | **(2,763)** | (3,407) |
| Income tax expense – current and deferred | **$ 8,151** | $ 10,285 | **$ 17,987** | $ 11,265 |

## NOTE 12 Subordinated Debt

| | **December 31, 2018** | March 31, 2018 |
|---|---|---|
| Loan payable, interest payable monthly at prime + 4% per annum, due on demand | **$ 7,500** | $ 7,500 |

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at December 31, 2018 and March 31, 2018, the interest rates for the subordinated debt were 7.95% and 7.45%, respectively. The carrying value of subordinated debt approximates its fair value due to the short-term nature of this liability.

## NOTE 13 Bank Loan

| | **December 31, 2018** | March 31, 2018 |
|---|---|---|
| Loan | **$ 64,577** | $ 72,500 |
| Less: Unamortized financing fees | **(743)** | (1,063) |
| | **63,834** | 71,437 |
| Current portion | **9,238** | 9,679 |
| Long term portion | **54,596** | 61,758 |

In connection with the acquisition of Hargreave Hale [Note 8], a subsidiary of the Company entered into a senior credit facility in the amount of £40.0 million to finance a portion of the cash consideration. During the nine months ended December 31, 2018, the Company made a repayment of £2.7 million ($4.5 million).

The balance outstanding as of December 31, 2018 net of unamortized financing fees was £36.9 million ($63.8 million). The loan is repayable in instalments of principal and interest over the period ending in September 2021. The interest rate on this loan is LIBOR plus 2.125% per annum at December 31, 2018 [March 31, 2018 – 3.375% per annum].

## NOTE 14 Convertible Debentures

| | **December 31, 2018** | | March 31, 2018 | |
|---|---|---|---|---|
| | **Liability** | **Equity** | Liability | Equity |
| Convertible debentures | **$ 126,964** | **$ 5,156** | $ 57,081 | $ 2,604 |

On August 22, 2018, the Company completed its bought deal offering of convertible unsecured senior subordinated debentures for gross proceeds of $59,225,000 (the "Offered Debentures"). The Company had also closed the concurrent non-brokered private placement with a large Canadian asset manager, for gross proceeds of $73,500,000, which together with the gross proceeds from the Offered Debentures, represent an aggregate principal amount of $132,725,000 (together with the Offered Debentures, the "Convertible Debentures"). The Company used the proceeds from the Convertible Debentures to redeem the $60.0 million convertible unsecured subordinated debentures issued in 2016. The remainder of the proceeds will be used by the Company to finance growth in its wealth management business in Canada and the UK & Europe, and elsewhere as opportunities arise. The net amount recognized after deducting issue costs net of deferred tax liability was $129.2 million.

The $60.0 million convertible unsecured subordinated debentures issued in October 2016 were considered extinguished for accounting purposes under IFRS 9 Financial Instruments. As a result, the liability associated with the extinguished debentures was derecognized on the statement of financial position as at December 31, 2018 and the Company recorded a loss of $13.5 million on the extinguishment during the nine months ended December 31, 2018.

The Convertible Debentures bear interest at a rate of 6.25% per annum, payable semi-annually on the last day of December and June each year commencing December 31, 2018. The Convertible Debentures are convertible at the holder's option into common shares of the Company, at a conversion price of $10.00 per common share. The Convertible Debentures mature on December 31, 2023 and may be redeemed by the Company in certain circumstances, on or after December 31, 2021.

The Debentures are classified as compound financial instruments. On initial recognition, the fair value of the liability is calculated based on the present value of future cash flows under the instruments, discounted at 7%, being equal to the rate of interest applied by the market at the time of issue to instruments of comparable credit status and future cash flows, without the conversion feature. The residual amount is recorded as a component of shareholders' equity.

## NOTE 15 Preferred Shares

| | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|
| | Amount | Number of shares | Amount | Number of shares |
| Series A Preferred Shares issued and outstanding | $ 110,818 | 4,540,000 | $ 110,818 | 4,540,000 |
| Series C Preferred Shares issued and outstanding | 97,450 | 4,000,000 | 97,450 | 4,000,000 |
| Series C Preferred Shares held in treasury | (2,627) | (106,794) | (2,627) | (106,794) |
| | 94,823 | 3,893,206 | 94,823 | 3,893,206 |
| | $ 205,641 | 8,433,206 | $ 205,641 | 8,433,206 |

Terms of the Series A and C Preferred Shares are disclosed in Note 18 of the March 31, 2018 consolidated financial statements.

## NOTE 16 Common Shares and Warrants

| | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|
| Common Shares | Amount | Number of shares | Amount | Number of shares |
| Issued and fully paid | $ 782,760 | 114,857,175 | $ 772,746 | 113,522,629 |
| Unvested share purchase loans | (3,778) | (33,680) | (5,098) | (654,322) |
| Held for the LTIP | (111,218) | (18,086,283) | (117,802) | (19,814,432) |
| Shares committed to be purchased normal course issuer bid | (2,857) | (478,400) | — | — |
| | $ 664,907 | 96,258,812 | $ 649,846 | 93,053,875 |

| | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|
| **Warrants** | Amount | Number of shares | Amount | Number of shares |
| **Warrants issued in connection with private placement** | $ 1,975 | 3,438,412 | $ 1,975 | 3,438,412 |

The terms of the warrants are disclosed in the March 31, 2018 consolidated financial statements.

### [i] AUTHORIZED

Unlimited common shares without par value

### [ii] ISSUED AND FULLY PAID

| | Number of shares | Amount |
|---|---|---|
| Balance, March 31, 2018 | 113,522,629 | $ 772,746 |
| Shares issued in connection with share-based payment plans | 32,114 | 233 |
| Shares issued in connection with purchase of non-controlling interest (Note 9) | 2,331,132 | 16,807 |
| Shares cancelled | (1,028,700) | (7,026) |
| **Balance, December 31, 2018** | **114,857,175** | **$ 782,760** |

On August 10, 2018, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,677,589 of its common shares during the period from August 15, 2018 to August 14, 2019 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the nine months ended December 31, 2018, there were 152,200 shares purchased and cancelled under the NCIB which commenced August 15, 2017 and ended on August 14, 2018. There were also 876,500 shares that were purchased and cancelled under the current NCIB during the nine months ended December 31, 2018, and 29,500 shares purchased but not yet cancelled as of December 31, 2018.

In addition, the Company has entered into an non-cancellable automated share purchase plan with a designated broker during the period from January 1, 2019 to the date of these unaudited interim condensed consolidated financial statements. Accordingly, the Company accrued a liability of $2.9 million at December 31, 2018 representing an estimate of the value of the maximum number of shares (478,400) the Company committed to purchase under the non-cancellable plan.

### [iii] EARNINGS PER COMMON SHARE

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **December 31, 2018** | December 31, 2017 | **December 31, 2018** | December 31, 2017 |
| **Basic earnings per common share** | | | | |
| Net income attributable to CGGI shareholders | **$ 32,457** | $ 34,432 | **$ 62,975** | $ 24,685 |
| Preferred shares dividends | **(2,351)** | (2,351) | **(7,053)** | (7,242) |
| Net income available to common shareholders | **30,106** | 32,081 | **55,922** | 17,443 |
| Weighted average number of common shares (number) | **97,162,550** | 92,030,048 | **96,116,700** | 92,540,647 |
| Basic earnings per share | **$ 0.31** | $ 0.35 | **$ 0.58** | $ 0.19 |
| **Diluted earnings per common share** | | | | |
| Net income available to common shareholders | **30,106** | **32,081** | **55,922** | 17,443 |
| Interest on convertible debentures, net of tax | **1,701** | **841** | **5,476** | n/a |
| Adjusted net earnings available to common shareholders | **31,807** | **32,922** | **61,398** | 17,443 |
| Weighted average number of common shares (number) | **97,162,550** | 92,030,048 | **96,116,700** | 92,540,647 |
| Dilutive effect in connection with LTIP (number) | **16,865,445** | 11,088,472 | **16,922,202** | 11,556,062 |
| Dilutive effect in connection with warrants (number) | **782,359** | n/a | **873,288** | n/a |
| Dilutive effect in connection with performance stock options (number) | **—** | n/a | **—** | n/a |
| Dilutive effect in connection with a promissory note (number) | **1,053,053** | n/a | **415,451** | n/a |
| Dilutive effect in connection with other share-based payment plans (number) | **33,151** | 1,263,698 | **33,170** | 1,286,191 |
| Dilutive effect in connection with convertible debentures (number) | **13,272,500** | 9,230,769 | **13,272,500** | n/a |
| Adjusted weighted average number of common shares (number) | **129,169,058** | 113,612,987 | **127,633,311** | 105,382,900 |
| Diluted earnings per common share | **$ 0.25** | $ 0.29 | **$ 0.48** | $ 0.17 |

The promissory note issued as part of the purchase consideration for the purchase of non-controlling interests can be partially or completely settled in shares at the Company's option [Note 9]. As such, as per IAS 33, the weighted average number of common shares for the purpose of the diluted EPS calculation is increased by the weighted average number of additional common shares that would have been outstanding assuming the promissory note is settled in shares.

## NOTE 17 Dividends

### COMMON SHARES DIVIDENDS

The Company declared the following common share dividend during the nine months ended December 31, 2018:

| Record date | Payment date | Cash dividend per common share | Total common dividend amount |
|---|---|---|---|
| November 30, 2018 | December 10, 2018 | $ 0.01 | $ 1,157 |
| August 31, 2018 | September 10, 2018 | $ 0.01 | $ 1,157 |
| June 22, 2018 | July 3, 2018 | $ 0.12 | $ 13,626 |

On February 13, 2019, the Board of Directors approved a dividend of $0.01 per common share, payable on March 15, 2019, with a record date of March 1, 2019 [Note 22].

### PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the nine months ended December 31, 2018:

| Record date | Payment date | Cash dividend per Series A Preferred Share | Cash dividend per Series C Preferred Share | Total preferred dividend amount |
|---|---|---|---|---|
| December 14, 2018 | December 31, 2018 | $ 0.24281 | $ 0.312060 | $ 2,351 |
| September 14, 2018 | October 1, 2018 | $ 0.24281 | $ 0.312060 | $ 2,351 |
| June 22, 2018 | July 3, 2018 | $ 0.24281 | $ 0.312060 | $ 2,351 |

On February 13, 2019, the Board approved a cash dividend of $0.24281 per Series A Preferred Share payable on April 1, 2019 to Series A Preferred shareholders of record as at March 15, 2019 [Note 22].

On February 13, 2019, the Board approved a cash dividend of $0.31206 per Series C Preferred Share payable on April 1, 2019 to Series C Preferred shareholders of record as at March 15, 2019 [Note 22].

## NOTE 18 Share-based Payment Plans

### i. LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP) or the “Plan”, eligible participants are awarded restricted share units (RSUs), which generally vest over three years. All awards under the Plan are settled by transfer of shares from employee benefit trusts (“Trusts”) which are funded by the Company, or certain of its subsidiaries, as the case may be, with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest. No further shares may be issued from treasury under the LTIP.

Effective as of March 31, 2018 the Plan was changed to remove certain employment-related conditions for the vesting of RSU awards made as part of the normal course incentive compensation payment cycle. With the change, RSUs will continue to vest after termination of employment so long as the employee does not violate certain post-termination restrictions and is not engaged in certain competitive or soliciting activities as provided in the Plan. Because of this change, the Company determined that the awards do not meet the criteria for an in-substance service condition, as defined by IFRS 2 “Share based payments”. Accordingly, RSUs granted as part of the normal course incentive compensation payment cycle are expensed in the period in which those awards are deemed to be earned with a corresponding increase in contributed surplus, which is generally the fiscal period in which the awards are either made or the immediately preceding fiscal year for those awards made after the end of such fiscal year but were determined and earned in respect of that fiscal year.

For certain awards, typically new hire awards or retention awards, vesting is subject to continued employment and therefore these awards are subject to a continuing service requirement. Accordingly, the Company recognizes the cost of such awards as an expense on a graded basis over the applicable vesting period with a corresponding increase in contributed surplus.

There were 4,661,519 RSUs granted in lieu of cash compensation to employees during the period ended December 31, 2018 [December 31, 2017 – 7,100,298 RSUs]. The Trusts purchased 4,485,030 common shares during the nine months ended December 31, 2018 [December 31, 2017 – 5,255,670 common shares].

The fair value of the RSUs at the measurement date is based on the fair value on the grant date. The weighted average fair value of RSUs granted during the nine-month period ended December 31, 2018 was $7.06 [December 31, 2017 – $4.98].

| | Number |
|---|---|
| Awards outstanding, March 31, 2018 | 20,130,388 |
| Grants | 4,661,519 |
| Vested | (6,193,169) |
| Forfeited | (74,075) |
| **Awards outstanding, December 31, 2018** | **18,524,663** |

| | Number |
|---|---|
| Common shares held by the Trusts, March 31, 2018 | 19,814,432 |
| Acquired | 4,485,030 |
| Released on vesting | (6,213,179) |
| **Common shares held by the Trusts, December 31, 2018** | **18,086,283** |

### ii. PERFORMANCE SHARE UNITS

The Company adopted a performance share unit ("PSU") plan for certain senior executives during the year ended March 31, 2018. On June 12, 2018 the Company granted 877,485 units under the PSU plan. The PSUs are a notional equity-based instrument linked to the value of the Company's common shares. At the end of a 3-year vesting period, the number of PSUs which vest is determined upon performance against certain pre-determined metrics. The PSUs cliff vest on the third anniversary of the date of the grant. The PSUs are settled in cash, based on the market price of the Company's shares at the time of vesting.

The PSUs were measured at fair value on grant date. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations. The carrying amount of the liability recognized in accounts payable and accrued liabilities relating to PSUs at December 31, 2018 was $6.7 million [March 31, 2018 – $6.1 million].

### iii. PERFORMANCE STOCK OPTIONS

On June 1, 2018, the Company created a performance share option ("PSO") plan that was approved at the Company's Annual General Meeting held on August 2, 2018. On June 14, 2018, the Company granted 5,620,000 options under the PSO plan. The options have an exercise price of $6.73 per share. In addition, the Company granted 600,000 options on August 16, 2018 with an exercise price of $7.067. For accounting purposes under IFRS 2, the grant date of the PSOs is August 2, 2018, being the date the PSO plan was approved at the Annual General Meeting. The PSOs have a term of five years and will time-vest ratably over four years (with one third vesting on each of the second, third and fourth anniversaries of the date of the grant). The PSOs will also be subject to market (stock price) performance vesting conditions, as well as have a four times exercise price cap on payout value (i.e. the gain on the exercise of the options is limited to three times the exercise price). The PSOs will expire on June 14, 2023.

The following is a summary of the Company's PSOs as at December 31, 2018:

| | Number of PSOs | Weighted average exercise price |
|---|---|---|
| Balance, March 31, 2018 | — | $ — |
| Granted | 6,220,000 | 6.76 |
| Exercised | — | — |
| Balance, December 31, 2018 | 6,220,000 | $ 6.76 |

Under IFRS 2 Share-based payments, the impact of market conditions such as a target share price upon which vesting is conditioned, should be considered when estimating the fair value of the PSOs. A Monte Carlo simulation is used to simulate a range of possible future stock prices for the Company over the period from the grant date to the expiry date of the PSOs. The purpose of this modeling is to use a probabilistic approach for estimating the fair value of the PSOs under IFRS 2. The following assumptions were used in the Monte Carlo model for grants made in the nine months ended December 31, 2018:

| | |
|---|---|
| Dividend yield | 2.16% |
| Expected volatility | 40.92% |
| Risk-free interest rate | 2.24% |
| Expected life | 4 years |

The weighted average fair value of the PSOs awarded is $1.93 per option. Compensation expense of $1.8 million was recognized for the nine months ended December 31, 2018.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's PSOs.

### iv. SHARE-BASED COMPENSATION EXPENSE

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **December 31, 2018** | December 31, 2017 | **December 31, 2018** | December 31, 2017 |
| Long-term incentive plan | **$ 4,669** | $ 11,712 | **$ 17,007** | $ 34,822 |
| Forgivable common share purchase loans | **279** | 300 | **314** | 894 |
| Deferred share units (cash-settled) | **176** | — | **161** | — |
| PSO | **1,062** | 595 | **1,801** | 342 |
| PSU (cash-settled) | **—** | — | **500** | — |
| Total share-based compensation expense | **$ 6,186** | $ 12,607 | **$ 19,783** | $ 36,058 |

## NOTE 19 Related Party Transactions

Security trades executed by the Company for officers and directors are transacted in accordance with the terms and conditions applicable to all clients. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

Accounts receivable and accounts payable and accrued liabilities include the following balances with key management personnel:

| | **December 31, 2018** | March 31, 2018 |
|---|---|---|
| Accounts receivable | **79** | $ 969 |
| Accounts payable and accrued liabilities | **1,131** | $ 1,527 |

## NOTE 20 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity – includes investment banking, advisory, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK, Europe and Dubai, Australia and the US. Operations located in Other Foreign Locations under Canaccord Genuity Asia are also included in Canaccord Genuity.

Canaccord Genuity Wealth Management – provides brokerage services and investment advice to retail or institutional clients in Canada, the US, and the UK and Europe.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

The Company's industry segments are managed separately because each business offers different services and requires different personnel and marketing strategies. The Company evaluates the performance of each business based on operating results, without regard to non-controlling interests.

The Company does not allocate total assets, liabilities or equipment and leasehold improvements to the segments. Amortization of tangible assets is allocated to the segments based on the square footage occupied. Amortization of identifiable intangible assets is allocated to the Canaccord Genuity segment, as it relates to the acquisitions of Genuity, Jitneytrade and the initial 50% interest in Canaccord Genuity Australia. Amortization of the identifiable intangible assets acquired through the purchase of Collins Stewart Hawkpoint plc (CSHP) is allocated to Canaccord Genuity and Canaccord Genuity Wealth Management segments in the UK and Europe (Channel Islands). Amortization of identifiable intangible assets acquired through the acquisition of Eden Financial Ltd. is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Eden Financial Ltd.). Amortization of identifiable intangible assets acquired through the acquisition of Hargreave Hale is allocated to Canaccord Genuity Wealth Management segments in the UK and Europe (Hargreave Hale). There are no significant intersegment revenues. Income taxes are managed on a Company basis and are not allocated to operating segments. All revenue and operating profit is derived from external customers. The Company also does not allocate cash flows by reportable segments.

| For the three months ended | December 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total |
| Commissions and fees | $ 49,398 | $ 93,717 | $ — | $ 143,115 | $ 36,551 | $ 89,157 | $ 1 | $ 125,709 |
| Investment banking | 84,399 | 14,579 | — | 98,978 | 96,198 | 16,431 | — | 112,629 |
| Advisory fees | 40,049 | 649 | — | 40,698 | 32,097 | (140) | — | 31,957 |
| Principal trading | 30,746 | 53 | (23) | 30,776 | 29,115 | 23 | — | 29,138 |
| Interest | 3,522 | 5,578 | 3,603 | 12,703 | 1,944 | 3,162 | 1,755 | 6,861 |
| Other | 1,259 | 1,403 | 2,668 | 5,330 | 298 | 740 | 2,110 | 3,148 |
| Expenses, excluding undernoted | 169,443 | 88,727 | 16,255 | 274,425 | 153,807 | 82,689 | 13,370 | 249,866 |
| Amortization | 1,639 | 3,910 | 126 | 5,675 | 2,312 | 4,217 | 387 | 6,916 |
| Development costs | 135 | 4,482 | 44 | 4,661 | 88 | 1,385 | 39 | 1,512 |
| Interest expense | 2,432 | 847 | 2,624 | 5,903 | 1,895 | 1,093 | 1,183 | 4,171 |
| Acquisition-related costs | — | 170 | — | 170 | — | — | — | — |
| Share of loss of an associate | — | — | 157 | 157 | — | — | 94 | 94 |
| Income (loss) before intersegment allocations and income taxes | 35,724 | 17,843 | (12,958) | 40,609 | 38,101 | 19,989 | (11,207) | 46,883 |
| Intersegment allocations | 4,628 | 3,030 | (7,658) | — | 3,835 | 3,667 | (7,502) | — |
| Income (loss) before income taxes | $ 31,096 | $ 14,813 | $ (5,300) | $ 40,609 | $ 34,266 | $ 16,322 | $ (3,705) | $ 46,883 |

| For the nine months ended | December 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total | Canaccord Genuity Capital Markets | Canaccord Genuity Wealth Management | Corporate and Other | Total |
| Commissions and fees | $ 134,355 | $ 284,542 | $ — | $ 418,897 | $ 114,363 | $ 212,427 | $ (1) | $ 326,789 |
| Investment banking | 196,417 | 37,508 | — | 233,925 | 156,011 | 30,670 | — | 186,681 |
| Advisory fees | 108,606 | 1,402 | — | 110,008 | 81,442 | — | — | 81,442 |
| Principal trading | 90,617 | 39 | (23) | 90,633 | 77,693 | 177 | 4 | 77,874 |
| Interest | 10,475 | 18,313 | 8,487 | 37,275 | 5,757 | 8,225 | 3,848 | 17,830 |
| Other | 3,809 | 2,877 | 8,335 | 15,021 | 1,603 | 2,388 | 6,190 | 10,181 |
| Expenses, excluding undernoted | 449,871 | 260,882 | 45,412 | 756,165 | 385,550 | 193,565 | 36,201 | 615,316 |
| Amortization | 5,549 | 12,225 | 737 | 18,511 | 7,168 | 8,890 | 1,000 | 17,058 |
| Development costs | 309 | 12,146 | 118 | 12,573 | 473 | 3,855 | 149 | 4,477 |
| Interest expense | 7,612 | 3,706 | 8,397 | 19,715 | 6,853 | 1,373 | 4,121 | 12,347 |
| Restructuring costs | 1,316 | — | — | 1,316 | 4,704 | 2,000 | — | 6,704 |
| Acquisition-related costs | 1,173 | 170 | — | 1,343 | — | 6,548 | — | 6,548 |
| Loss on extinguishment of convertible debentures | — | — | 13,500 | 13,500 | — | — | — | — |
| Share of loss of an associate | — | — | 415 | 415 | — | — | 302 | 302 |
| Income (loss) before intersegment allocations and income taxes | 78,449 | 55,552 | (51,780) | 82,221 | 32,121 | 37,656 | (31,732) | 38,045 |
| Intersegment allocations | 13,043 | 10,048 | (23,091) | — | 12,018 | 12,299 | (24,317) | — |
| Income (loss) before income taxes | $ 65,406 | $ 45,504 | $ (28,689) | $ 82,221 | $ 20,103 | $ 25,357 | $ (7,415) | $ 38,045 |

For geographic reporting purposes, the Company's business operations are grouped into Canada, the US, the UK and Europe (including Dubai), Australia and Other Foreign Locations which is comprised of our Asian operations. The following table presents the revenue of the Company by geographic location (revenue is attributed to geographic areas on the basis of location of the underlying corporate operating results):

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **December 31, 2018** | December 31, 2017 | **December 31, 2018** | December 31, 2017 |
| Canada | **$ 143,252** | $ 126,791 | **$ 374,401** | $ 263,889 |
| UK and Europe | **100,319** | 93,167 | **271,392** | 230,122 |
| United States | **81,747** | 67,384 | **231,911** | 169,855 |
| Australia | **6,296** | 22,117 | **28,080** | 36,920 |
| Other Foreign Locations | **(14)** | (17) | **(25)** | 11 |
| | **$ 331,600** | $ 309,442 | **$ 905,759** | $ 700,797 |

## NOTE 21 Provisions and Contingencies

### PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the nine months ended December 31, 2018:

| | Legal provisions | Restructuring provisions | Total provisions |
|---|---|---|---|
| **Balance, March 31, 2018** | **$ 3,253** | **$ 5,175** | **$ 8,428** |
| **Additions** | **2,946** | **1,316** | **4,262** |
| **Utilized** | **(672)** | **(4,457)** | **(5,129)** |
| **Balance, December 31, 2018** | **$ 5,527** | **$ 2,034** | **$ 7,561** |

The restructuring provision recorded during the period ended December 31, 2018 related to termination benefits incurred as a result of the restructuring in our UK and Europe capital markets operations.

### COMMITMENTS, LITIGATION PROCEEDINGS AND CONTINGENT LIABILITIES

In the normal course of business, the Company is involved in litigation, and as of December 31, 2018, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of December 31, 2018, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

There were no additional changes to the Company's commitments or contingencies from those described in Notes 26 and 27 of the March 31, 2018 audited consolidated financial statements and Note 20 of the interim consolidated financial statements for the three months ended June 30, 2018.

## NOTE 22 Subsequent Events

### i. ACQUISITIONS

On January 29, 2019, the Company announced that through its UK & Europe wealth management business, it has acquired McCarthy Taylor Ltd., an independent UK- based financial advisory firm. This development advances the Company's objective of expanding its national footprint and broadening its offering of fully integrated investment and wealth planning services. As the transaction was completed after December 31, 2018, the preliminary purchase price allocation was not included in these unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018.

On February 13, 2019, the Company announced that it has acquired 100% of the business of a preeminent New York-based boutique M&A Advisory firm, Petsky Prunier LLC. ("Petsky Prunier"), in an asset purchase for initial consideration of $40 million (US$30 million) in cash and $20 million (US$15 million) in common shares of the Company to be issued over a three-year period. Additional contingent consideration of up to $53.2 million (US$40 million) will be paid in cash over a four-year period subject to meeting certain revenue targets over that period. For the year ended December 31, 2018, Petsky Prunier generated revenue of US$43.0 million. All key Petsky Prunier partners have entered into employment agreements with the Company. This development supports the Company's objective of adding scale to its fixed cost base in the region and diversifying its revenue streams, while enhancing its client offering to capture greater market share in its core areas of strength. As the transaction was completed after December 31, 2018, the preliminary purchase price allocation was not included in these unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2018.

### ii. DIVIDENDS

On February 13, 2019, the Board of Directors approved a dividend of $0.01 per common share, payable on March 15, 2019, with a record date of March 1, 2019 [Note 17].

On February 13, 2019, the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on April 1, 2019, with a record date of March 15, 2019; and $0.31206 per Series C Preferred Share payable on April 1, 2019 with a record date of March 15, 2019 [Note 17].

# Shareholder Information

## Corporate Headquarters

**STREET ADDRESS**

Canaccord Genuity Group Inc.
609 Granville Street, Suite 2200
Vancouver, BC, Canada

**MAILING ADDRESS**

Pacific Centre
609 Granville Street, Suite 2200
P.O. Box 10337
Vancouver, BC V7Y 1H2, Canada

## Stock Exchange Listing

Common shares:
TSX: CF

Preferred shares:
Series A (TSX): CF.PR.A.
Series C (TSX): CF.PR.C.

Convertible Unsecured Senior Subordinated Debentures
TSX: CF.DA.A

## Corporate Website

www.canaccordgenuity.com

## General Shareholder Inquiries and Information

**INVESTOR RELATIONS**

161 Bay Street, Suite 3000
Toronto, ON, Canada
Telephone: 416.869.7293
Fax: 416.947.8343
Email: investor.relations@cgf.com

## Media Relations and Inquiries from Institutional Investors and Analysts

**Christina Marinoff**
Vice President, Investor Relations and Communications
Phone: 416-687-5507
Email: cmarinoff@cgf.com

The Canaccord Genuity Group Inc. 2018 Annual Report is available on our website at www.canaccordgenuitygroup.com. For a printed copy, please contact the Investor Relations department.

## Expected Dividend(1) and Earnings Release Dates for the Next Four Quarters

| | Expected earnings release date | Preferred dividend record date | Preferred dividend payment date | Common dividend record date | Common dividend payment date |
|---|---|---|---|---|---|
| Q4/19 | June 5, 2019 | June 21, 2019 | July 2, 2019 | June 21, 2019 | July 2, 2019 |
| Q1/20 | August 7, 2019 | September 13, 2019 | September 30, 2019 | August 30, 2019 | September 10, 2019 |
| Q2/20 | November 6, 2019 | December 20, 2019 | December 31, 2019 | November 29, 2019 | December 10, 2019 |
| Q3/20 | February 5, 2020 | March 20, 2020 | March 31, 2020 | February 28, 2020 | March 10, 2020 |

(1) Dividends are subject to Board of Directors approval. All dividend payments will depend on general business conditions and the Company's financial conditions, results of operations, capital requirements and such other factors as the Board determines to be relevant.

## Shareholder Administration

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, contact:

**COMPUTERSHARE**
**INVESTOR SERVICES INC.**

100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone toll free (North America): 1.800.564.6253
International: 514.982.7555
Fax: 1.866.249.7775
Toll free fax (North America) or International fax: 416.263.9524
Email: service@computershare.com
Website: www.computershare.com

Offers enrolment for self-service account management for registered shareholders through the Investor Centre.

## Financial Information

For present and archived financial information, please visit www.canaccordgenuitygroup.com

## Auditor

Ernst & Young LLP
Chartered Professional Accountants
Vancouver, BC