

**Bridgemarq Real Estate Services Inc.**

**Investor Information Conference Call**

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## **CORPORATE PARTICIPANTS**

### **Spencer Enright**

*Bridgemarq Real Estate Services Inc. — Chairman of the Board*

### **Phil Soper**

*Bridgemarq Real Estate Services Inc. — President & Chief Executive Officer*

### **Glen McMillan**

*Bridgemarq Real Estate Services Inc. — Chief Financial Officer*

## PRESENTATION

### Operator

Good morning. My name is Sylvie and I will be your conference operator. I would like to welcome everyone to the Bridgemarq Real Estate Services Inc. Investor Information Call. This call is being recorded.

All telephone lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. For those of you who dialed into the conference call, if you would like to ask a question, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press star two. For those of you joining us via webcast, if you would like to ask a question, simply type it into the Q&A box on your screen. We will answer these questions in sequence, allowing the dial-in questions after the presentation. Thank you.

I would now like to introduce Mr. Spencer Enright, Chairman of the Board of Bridgemarq Real Estate Services Inc. Mr. Enright, you may begin your call.

**Spencer Enright** — Chairman of the Board, Bridgemarq Real Estate Services Inc.

Thank you, operator, and welcome, everyone, to the Bridgemarq Real Estate Services Investor Information Call. We are here today to update you on an exciting development regarding our future growth and operations of the company. Specifically, we recently signed an agreement with our largest equity holder, Brookfield Business Partners, to accomplish a number of things: first, to acquire certain

real estate brokerages owned by Brookfield Business Partners; second, to internalize the management of the company; and finally, to settle management fees and other distributions that were previously deferred through the issuance of equity in the company.

I'm here today with our President and Chief Executive Officer, Phil Soper, and our Chief Financial Officer, Glen McMillan, to update you on this exciting development. Phil, Glenn, and I will take you through a presentation and we'll be happy to answer any questions you may have at the end of the presentation. For those of you who are participating via conference call, you may want to follow along referring to the presentation which is on our website at [www.bridgemarq.com](http://www.bridgemarq.com). You will find a link to download today's presentation at the top of the homepage. The presentation will remain available on the site following this call.

Before we start, I would like to remind you that this presentation does contain forward-looking information and other forward-looking statements. You should not place reliance on these forward-looking statements because they involve known and unknown risks and uncertainties that may cause the actual results and performance of the company to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Slide two of the presentation provides a fulsome discussion of these forward statements and the nature of the risks and uncertainties that could cause actual results to differ from those expressed or implied in this presentation. Please refer to the cautionary language on slide two.

In this presentation we will refer to certain pro forma financial information. This pro forma financial information includes certain adjustments and assumptions and is intended to reflect the impact

on the company as if the transaction had occurred at the start of the period presented. This pro forma information has not been independently verified and does not include, for example, all of the costs that are expected to be incurred by the company in connection with the transaction. This pro forma financial information is included for informational purposes only and you should not place undue reliance on this pro forma financial information.

In addition, in this presentation we will refer to EBITDA when we are talking about pro forma financial results of the company. EBITDA is a non-GAAP financial measure and does not have any standardized meaning or definition under current accounting and reporting standards and, accordingly, may not be comparable to similarly described measures used by other companies. In the appendix to the presentation, we have provided a reconciliation of EBITDA to the most directly comparable measure included in the company's published financial results.

All right. Today is an exciting day for our company. We have entered into a definitive agreement with Brookfield Business Partners to complete a transaction that is intended to position the company for innovation, growth, and continued strong cash flow generation. As I mentioned at the top of the call, we will acquire a significant portfolio of 30 highly strategic residential real estate brokerage locations operating under our Royal LePage, Johnston & Daniel, and Via Capitale banners. In addition, we are acquiring the Proprio Direct business, which is a leading and fast-growing virtual brokerage operating in the province of Quebec. We are also internalizing management. Specifically, we are acquiring the management company, which we will refer to as the Manager, which currently provides management services to the company under the terms of the management services agreement. The Manager has been responsible for managing Bridgemarq for over 20 years.

In addition to the acquisition of the brokerages, Proprio Direct, and internalization of the Manager, we have agreed to settle the \$6.6 million outstanding balance of deferred payments through the issuance of exchangeable units. This results in a simplification of the capital structure of the company, preserves our cash resources through the issuance of equity to settle these liabilities, which otherwise were scheduled to mature in fiscal 2025. Taken as a whole, this transaction marks an exciting new growth chapter for the company in its storied 110-year history. It positions Bridgemarq to remain as a venerable market leader in Canadian real estate and enables us to expand our real estate footprint in Canada, capturing more revenues, expanding our capabilities beyond franchising.

On slide six we have summarized the important aspects of the transaction. I have already described the transaction structure; namely, that we will acquire the businesses inclusive of the Manager and the brokerages as well as agreeing to settle outstanding deferred payment liabilities. In consideration for the acquisition of these businesses and to extinguish the deferred payment obligation, the company will issue 2.9 million exchangeable units to Brookfield Business Partners. At a volume-weighted average price for the five days prior to the announcement, or VWAP for short, of \$11.74, the consideration is valued at \$34 million. As a result of the transaction, Brookfield's ownership interest in the company is expected to increase from 28.4% to approximately 41.7% on a fully diluted basis.

The transaction was negotiated between Brookfield and a committee of Bridgemarq's Board of Directors, which was comprised solely of independent members. We refer to this committee as the Special Committee. The Special Committee conducted a thorough review of the transaction and engaged independent, legal, and financial advisers to assist them with their duties. Based on the fairness opinion issued by their independent financial adviser, the Special Committee unanimously recommends the

transaction to be approved by shareholders. The Bridgemarq Board of Directors approved the transaction subject to certain closing conditions on December 14<sup>th</sup>. The acquisition constitutes a related party transaction for the purposes of Multilateral Instrument 61-101, Protection of Minority Security Holders in Special Transactions.

Under applicable TSX rules, the transaction requires the approval of Bridgemarq shareholders due to the issuance of exchangeable units representing more than 10% of the outstanding restricted voting shares issued by the company. In accordance with TSX rules, Brookfield will be excluded from voting for the purposes of such shareholder approval. It should be noted that all directors and senior officers who hold shares representing approximately 0.7% of the outstanding restricted voting shares issued by the company have each committed to vote those shares in favour of approval. Accordingly, the company will prepare and issue a Management Information Circular outlining important information about the transaction sometime in March 2024. We are also announcing that the company intends to hold a vote on the transaction at a meeting of shareholders to be scheduled in April 2024. If the transaction is approved by shareholders, the transaction is expected to close shortly after that meeting. We will be publishing exact dates in the coming weeks.

All right. What does this do for our company? Our Board of Directors, together with the management team and Brookfield Business Partners, is excited to reposition the company to benefit in a number of meaningful ways through this transaction. Firstly, we will simplify our organizational model. By internalizing management, we will be disclosing the detailed cost of the underlying operations, thus increasing the transparency of the business for shareholders. We will also deleverage our balance sheet as a result of this transaction while at the same time maintaining our liquidity. By issuing shares instead

of cash as consideration to settle certain deferred fees, we preserve our current and future cash resources to improve our ability to meet future cash requirements. Internalization of management results in a strengthened alignment of the company's interest with those of the management team. In addition, with Brookfield increasing its ownership percentage in the company, the interests of our largest shareholder are even more closely aligned now to those of the company and all its shareholders.

Over the past 20 years, we have successfully managed and grown our franchise networks in every province in Canada. Moving forward, by now incorporating direct ownership of leading brokerage operations into our suite of capabilities, the company instantly becomes better equipped to manage and grow its franchise networks. This is a similar structure that exists in many large successful franchise businesses operating worldwide by deploying a combination of franchise and company-owned stores. With the addition of direct brokerage ownership under our well-known and much-loved brands such as Royal LePage and Via Capitale, and under the innovative successful Proprio Direct model, we immediately expand the paths available to us for generating meaningful top-line revenue growth.

Finally, while this is certainly not an exhaustive list, I'll add that the pro forma metrics are compelling. Glen will provide more details later in the call, but the transaction results in an immediate increase in our EBITDA, as reflected on a pro forma basis, both historically for the 2022 fiscal year as well as on a latest 12-month pro forma basis as of September 30, 2023. This is at a time when the residential real estate market has been in a cyclical trough for the past six quarters. In fact, as has been recently reported in the media, the sales activity in, for example, Canada's largest market, the Greater Toronto area, is on pace in 2023 to experience the lowest level of housing resale transactions in over 20 years. But looking ahead, as interest rates begin to drop, mortgage rates improve, and market sales activity



rebounds, these factors will be positive for our business and will set us up to deliver performance on these businesses that is ultimately accretive to Bridgemark's cash flow on a per-unit basis.

For those of you on the call following along with the presentation, which I'll remind everyone is accessible on our website, [www.bridgemark.com](http://www.bridgemark.com), we are currently on slide eight of the presentation. I would now like to walk everyone through some more details of the transaction's structure, after which we'll have our CEO, Phil Soper, share more details about the Manager as well as the brokerage being acquired.

On the left-hand side of this slide, we show graphically the current structure of Bridgemark as well as the entities to be acquired. The company, depicted as BRESI on the chart, is currently owned 71.6% by public shareholders on a fully diluted basis and the remainder by Brookfield Business Partners, shown in the chart as BBU. BRESI currently acts as franchisor to the Royal LePage and Via Capitale branded networks of real estate brokerages franchises shown in the chart as franchise brokerages. Again, still on the left-hand side and shown in beige, are the businesses being acquired by the company, all of which are currently owned 100% by Brookfield Business Partners. On the right-hand side of the page we can see that, once the transaction has closed, the organization structure is greatly simplified. BRESI as a public company will now operate with a more traditional internalized management structure and will own a combination of corporately-owned brokerages as well as franchise locations across Canada.

I will now turn the call over to Phil, who will introduce everyone to the management team and describe the brokerages we are acquiring.

**Phil Soper** — President & Chief Executive Officer, Bridgemarq Real Estate Services Inc.

Thanks very much, Spencer. Welcome everyone, to those joining us on the call today.

What you see in slide nine is the franchise management team. These are the people that, behind the scenes, have been operating and executing the MSA, the management services agreement. They are not only long-time leaders on our own management team, but seasoned professionals well regarded across the real estate industry. Collectively, Bridgemarq, the Manager, and the brokerages being acquired effectively already operate as the largest real estate services organization in Canada. We develop, sell, and deliver a wide variety of services, ranging from in-person training and coaching to sophisticated cloud-based AI technologies. The size and geographical scope of the operating companies that these women and men are responsible for range from Royal LePage itself, a 110-year-old Canadian institution offering residential and commercial real property brokerage services in virtually every community in the nation to Johnston & Daniel and Immobilier Tremblant boutique brokerages focused on high-end properties in narrowly defined high net worth communities.

Our operating platform is similar to models successfully employed by large firms in the United States, but is unique here in Canada. The company's management team operates both as a brokerage service provider, delivering brand, technology, and training products to franchisees who operate independently under long-term contracts. And we operate as a brokerage franchisee ourselves. We eat our own cooking. These are commonly called company or corporate brokerages. Bridgemarq investors will be familiar with our franchise offering, even if you're unfamiliar with the faces on the org chart. These have been provided to franchisees for some time and will be continued to be delivered on a

move-forward basis by the same team of experienced proven professionals. It is on the corporately-owned brokerage operations that are new to Bridgemarq shareholders and which I will elaborate further here in this call.

Owning and operating brokerages directly is a smart move for Bridgemarq. I would like to point out the three principal benefits to this business model. The first is participation in fees earned. When a consumer client pays a real estate commission, typically the largest share of that commission fee goes to the agent, the second largest to the local brokerage office, and the smaller share is paid to the franchisor. Franchising is a great business, because a tiny slice of a client fee multiplied by thousands and thousands of transactions obviously adds up. It's what's driven our company for many years. Operating corporate brokerages is accretive at the individual transaction level because the firm can benefit both from the franchisor and the franchisee portion of the fee which clients pay for our services.

The second reason is very relevant for an industry leader like Bridgemarq. We typically are the first to market in Canada with new real estate services. Our own brokerages can serve as testing grounds for innovative approaches and technologies. A recent example I'd share would be the development, testing, and piloting of the rlpSPHERE digital brokerage platform that we launched in 2020 and which I've updated shareholders quarterly for a few years now on. It was the first end-to-end digital platform offered in Canada and still the only one. Get it right internally first and then the rollout and adoption by independent franchise owners is quicker and smoother.

Finally would be the broad area of market management and attrition mitigation. With the network as large as ours, with hundreds of independent brokerage businesses, we must deal with the

unexpected. From time to time, we encounter situations such as when an owner falls ill and doesn't have an individual available immediately to operate their business or when the owner decides she or he wants to retire at the end of their contract and there is no immediate successor available to take over the franchise. Having the operating expertise in-house and regulatory licenses in place to acquire or otherwise support the brokerage and keep it within the franchise system is a unique ability that we possess here in Canada.

So let me turn to those brokerage entities that will in the future be part of our business. Proprio Direct, led by Philippe Lecoq out of Montreal, is one of the most interesting real estate brokerage entities operating in North America today. By the numbers, it is the largest real estate brokerage in the province of Quebec, about double the size of the next largest, with more than 700 brokers serving clients right across the province. For our international shareholders, Quebec is large; at 1.5 million square kilometers, about twice the size of Texas. Proprio Direct services those 700 brokers with one real estate office, quite a unique way to approach the industry. In industry parlance, Proprio Direct is what we call a virtual brokerage. That is something of a misnomer, because the real estate agents themselves are very real. They are licensed insured professionals just like our other brands in Quebec. The difference is the company delivers services to them through network technology versus a geographically distributed retail-style bricks-and-mortar infrastructure. The technology stack behind Proprio Direct is focused on lead generation and is much more consumer focused than a typical real estate brokerage firm. The agents in the field and the company share the responsibility for attracting new clients and the fees generated are shared as well, with the company doing more and making more per transaction than a typical brokerage.

I want to stress here that there is a role in the marketplace for a number of different brokerage models. Agents nationally employ many different methods for searching for, finding, servicing clients. With our Royal LePage/Royal LePage, Via Capitale, and Johnston & Daniel brands, our brokerages and those of our franchisees' operate with multiple branch offices and high-quality localized staff and services that our realtors find, give them significant value as they work to service their clients. At the same time, a virtual brokerage, such as Proprio Direct, appeals to a different kind of agent. Many of these agents operate in a more autonomous way for certain aspects of their workflow. So, by having multiple go-to-market options, we are better positioned to meet the needs of a wide variety of realtors in the market, which would not otherwise be possible and which is not offered today by any of our competitors.

Attracting agents to our brands in the contemporary real estate industry is similar to the challenge faced in reaching consumer clients. We have to cut through the noise, pass through the agents' filters, and convince them to engage. And to succeed, we have to have an offering that appeals to how they wish to develop their careers, which brings me to the Royal LePage Corporate Brokerage, a business that Karen Yolevski operates for us. Under this business are the Royal LePage, Johnston & Daniel, and Tremblant Immobilier businesses. I'm very proud of this business and its heritage. By our records, it is the oldest real estate business in Canada, founded in 1913 in Toronto by Albert Edward LePage, A.E. LePage. Today it operates in British Columbia's Lower Mainland, Greater Vancouver, the Greater Toronto area, Oakville, and The Laurentians North of Montreal. The business we operate today is large. With more than 1,900 realtors, it is one of the largest and certainly one of the highest-quality brokerages in the country. We sold approximately \$14.5 billion worth of property through the brokerage in 2022 and, notably, generated approximately \$4 million in franchise fees for the Bridgemarq Franchise

Group in 2022. This corporate brokerage entity boasts the highest number of award-winning agents in our company's network, including the number-one agent in Canada and the largest Royal LePage commercial practice. With more sites and scale than most other brokerage businesses in the industry, it is a leader in automation and premises rationalization, a post-pandemic trend that focuses on a move to smaller, high-quality office space. Finally, the business has shown the ability to successfully grow through industry consolidation, completing three key acquisitions in the past 18 months.

Owned brokerage is the fastest growing segment of the North American real estate industry. Bridgemarq is now well positioned to exploit this important market opportunity.

And with that, I'll turn it over to Glen to provide an overview of the benefits of the transaction and some pro forma financial information.

**Glen McMillan** — Chief Financial Officer, Bridgemarq Real Estate Services Inc.

Thank you, Phil.

For those that are following along on the conference call in, we're on slide 13. So, the acquisition of these brokerages, the internalization of the Manager, and the equitization of deferred management fees and distributions will significantly improve the profile of the company and its opportunities for growth. Our already strong network of realtors will grow as a result of the addition of Proprio Direct, our vertical integration into brokerage operations provides us with a more diversified operating base, and our leading brands and innovative business models, which Phil talked about, provide us with expanded opportunities to grow across the country. Our strong track record of distributing a large percentage of

our free cash flow to shareholders is expected to continue, subject to future investment opportunities and at the discretion of the Board of Directors. And finally, our overall leverage will be reduced through settling deferred fees through the issuance of equity.

On slide 14 we've provided some pro forma information, which indicates what the company's results could have been if the transaction had occurred at the beginning of the period presented. As Spencer noted at the start of the call, this pro forma information is included for informational purposes only and listeners should not place undue reliance on this information. Our EBITDA would have been higher for 2022 and for the trailing 12 months on a pro forma basis for the period ended September 30, 2023. This is despite the impact of very weak markets over the past six quarters. As Spencer noted, we do anticipate markets to start to turn in the next few quarters and we will be well positioned to benefit from those improved markets. As a result of the increased earnings profile, our balance sheet is also stronger, as evidenced by a lower debt to EBITDA ratio and a higher interest coverage ratio on a pro forma basis.

As Spencer and Phil mentioned, this is a very exciting time for Bridgemarq, as we expand from our royalty fund past to an integrated diversified real estate company operating across Canada. And with that, I'll turn it over to Sylvie to solicit questions from our listeners.

## Q & A

### Operator

Thanks, Glen. At this time we will open up the phone lines for questions. As stated, if you would like to ask a question on the phone, please press star one on your keypad.

Once again, for the phone questions, please press star one.

And at this time it appears we have no questions on the phone.

**Spencer Enright** — Chairman of the Board, Bridgemarq Real Estate Services Inc.

Well, thank you, operator, and thanks everybody for joining us this morning. We're excited again for this opportunity to share with you the exciting news of this transaction and we look forward to sharing more information with you in the coming months as we prepare information for distribution. Again, thanks very much for everyone who was able to participate.

**Operator**

Thank you. Ladies and gentlemen, this does indeed conclude your conference call. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines.