

Bridgemarq Real Estate Services, Inc.

2025 First Quarter Results Conference Call

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CONFERENCE CALL PARTICIPANTS

Jeff Fenwick

Cormark Securities – Analyst

PRESENTATION

Operator

Good afternoon. My name is Sylvie, and I would like to welcome everyone to the Bridgemark Real Estate Services, Inc. 2025 First Quarter Results Conference Call.

Note that this call is being recorded. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. For those of you who dialed in to the conference call, if you would like to ask a question, simply press star then number one on your telephone keypad. If you would like to withdraw from the queue, 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 following the dial in questions after the presentation, time permitting.

I would now like to introduce Mr. Spencer Enright, chief Executive Officer of Bridgemark Real Estate Services, Inc. Mr. Enright, you may begin the conference.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. Thank you very much, Operator.

Good afternoon, everyone, and thanks for joining us on the call today.

With me today is our Chief Financial Officer, Glen McMillan. I'll begin with a brief overview of our Company's first quarter results. Glen will then discuss our financial results in more detail. I'll conclude by

providing some remarks and operational highlights, Company updates and market development. Following our remarks, Glen and I would be happy to take your questions.

I want to remind you that some of the remarks expressed during this call may contain forward-looking statements. You should not place reliance on these forward-looking statements because they involve known and unknown risks and uncertainty 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 statement. I encourage everyone to review the cautionary language found in our news release and on or our regulatory filing. These can be found on our website and on SEDAR+.

We're pleased with the strong momentum we've created in the first month of 2025, especially given the significant slowdowns in our largest housing markets and global uncertainty created by recent geopolitical events. Revenue for Q1 was \$78 million compared to \$11.9 million last year, which you know, reflects the addition of the brokerage business that we acquired on March 31, 2024.

At its meeting yesterday, our Board of Directors approved the dividend of \$0.1125 per share, payable on June 30th to shareholders of record on May 30. This indicates an annualized dividend of \$1.35 per share, which is consistent with last year's rate in 2024.

With that, I'll turn the call over to Glen, for a closer look at our first quarter financial performance.

Glen McMillan – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Thank you, Spencer, and good afternoon, everyone.

As Spencer mentioned, revenue during the first three months of the year was \$78 million, a significant increase over the \$11.9 million reported in the first quarter of last year, reflecting the gross commission income from our brokerage operations. Franchise fees did increase marginally due to the benefit of fee increases that we implemented on January 1.

The number of realtors in our franchise and brokerage network sits at 20,845, a decline of 1 percent since the end of last year, a better performance than the overall market, which is down 3 percent, as far as total agents. Our agent count includes 1,931 agents operating at the Royal LePage and Via Capitale brokerages and 708 at our Proprio Direct brokerage.

In the first quarter, the Company generated net earnings of \$6 million compared to a net loss of \$400,000 in 2024. The higher earnings are largely driven by a gain of \$5.7 million on the fair valuation of the exchangeable unit. Our adjusted net earnings, which considers our operating earnings before certain non-cash, non-operating adjustments and payments to holders of exchangeable units, amounted to \$3.1 million for the first quarter up from \$2.4 million in the same quarter last year.

The improvement reflects the addition of the operating results of the brokerage operations, lower interest expenses and lower impairment of intangible assets. Cash used in operating activity amounted to \$1.3 million in the first quarter, as a result of a \$4.4 million seasonal increase working capital. Last year, we generated cash from operating activities of \$2.1 million. We also generated \$4.1 million in free cash flow in Q1, a modest improvement from the \$4 million generated in the same quarter last year.

The Canadian residential real estate market contracted in the first quarter of 2025, closing at \$66 billion, a decrease of 7 percent compared to the same period in 2024, driven by a 2 percent decline in the average selling price and a 5 percent decrease in unit sales.

The greater Toronto area market was down 23 percent year-over-year, closing at \$13.8 billion. During that time, unit sales decreased 21 percent, while the average selling price dipped 2 percent.

The greater Vancouver market was down 12 percent year-over-year, closing at \$6.7 billion, driven by a 7 percent decrease in unit sales and a 5 percent decline in average selling price.

Meanwhile, in the province of Quebec, the residential real estate market reported an increase of 22 percent in the first quarter compared to last year. This reflects a 13 percent increase in unit sales and a 9 percent increase in average selling price.

Spencer will now provide some additional insights into the market and an update on our operations.

Spencer Enright – Chief Executive Officer, Bridgemarq Real Estate Services, Inc.

Thanks very much, Glen.

In the first quarter, market activity dropped by double digits, Canada's two most expensive real estate regions, as we previously mentioned. The greater Toronto and greater Vancouver markets experienced a much softer than usual spring season. The slowdown is largely tied to weakened consumer confidence, driven by ongoing trade tension to the United States that have raised concerns about the country's economic outlook. The Quebec market, as we said, showed strong growth in the

quarter with significant improvements in both price and volume. It appears that the uncertainty created by recent trade talks has spurred the market effect, unlike the impact on the rest of the country.

The Bank of Canada left the key lending rate unchanged at its last meeting, marking the end of nearly a year of consecutive interest rate cuts. Central Bank emphasized that amid ongoing global economic uncertainty forecasting GDP growth has become increasingly challenging and at the risk of inflation, reaccelerating as risk (inaudible). The overnight lending rate currently sits at 2.75 percent as the bank awaits greater clarity on the direction of the economy and how best to respond.

In March, Canada's consumer price index increased 2.3 percent year-over-year, down slightly from the 2.6 percent reported in February, but mainly due to the lower cost of travel and gasoline. This remains within the bank's target range of 2 percent to 3 percent.

In its latest labor force survey, the statistics in Canada reported that the national unemployment rate rose by two percentage point—0.2 percentage points to 6.9 percent in April, followed by a 0.1 percentage point increase in March.

With these consecutive increases, the jobless rate has returned to levels last seen in November, the highest since January 2017. Given the current trade conflict with our southern neighbor, it is unclear what the Bank of Canada's next rate announcement will be. However, if consumer confidence improved, the modest increase in market activity could emerge in the latter half of the year.

Now I'll give you a few updates on the Company's operation. Over the last 12 months, our business has expanded significantly. With the acquisition of several brokerages, including Via Capitale

and Proprio Direct, as well as our corporately owned Royal LePage branch, our diverse brand portfolio led by our 112-year-strong flagship Canadian brand, Royal LePage, continues to attract and retain top real estate professionals across the country.

While our agent count was lower in the quarter, the reduction of 1 percent in our agent count was better than the 3 percent overall drop in the number of agents in the industry. We remain dedicated to advancing our industry leading technology platform, particularly those designed for lead generation and client engagement, and we continue to improve our offering in best in class training and coaching program for our superior realtor network.

During the first quarter, we launched the new Proudly Canadian national advertising campaign, highlighting Royal LePage's, uniquely Canadian value proposition to both clients and prospects. In addition to a comprehensive digital advertising strategy, the campaign provides agents in our network with a suite of digital assets to showcase and amplify the brand Canadian identity across various platforms.

We continue to invest in enhancing our realtor's productivity through education and the use of artificial intelligence, a key focus for enhancing productivity, efficiency and client service delivery. For example, realtors at Proprio Direct and those operating under the luxury banner, Johnson and Daniel, benefit from new and ongoing support for AI integration, including marketing tools and recruiting resources.

To enhance its public visibility, our Quebec-based Via Capitale brand, launched a comprehensive advertising campaign, including sponsorship of a popular television show, which has earned millions of impressions across a range of media platforms.

By continuing to invest in these areas, we're driving the growth of our top performing brands, opening new avenues for success and increasing value for our shareholders. Through our broadened businesses and service offering, we're well positioned to continue to expand our reach across the Canadian real estate industry. Our ability to attract and support high performing real estate professionals, remains a key driver of the long-term value we offer our shareholders. We're confident, we are equipped to continue to drive and grow regardless of the market dynamics at play.

With that, I'll turn the call back over to our Operator and open the call to any questions you may have.

Q & A

Operator

Thank you, sir. Ladies and gentlemen, as stated, if you do have any questions from the phone, please press star followed by one. If you would like to ask a question via the webcast, please type it in the appropriate box on your screen.

First question will be from Jeff Fenwick at Cormark Securities. Please go ahead, Jeff.

Jeff Fenwick – Analyst, Cormark Securities

Hi, good afternoon, everyone.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Hey, Jeff.

Jeff Fenwick – Analyst, Cormark Securities

I wanted to start my questioning off with the realtor base that's out there. If you look over the last few quarters that's been slowly contracting and just wondering if you'd comment a little bit on the factors that might be driving that. Then looking forward, how much of a focus are you putting there on growing either the franchise network or potentially the broker network here?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. For sure, Jeff. First of all, if you dial back a couple years, we saw a significant increase in registrants in the industry. A lot of that was driven post pandemic to people looking at this as a new career. We saw a huge intake of new people looking to make a realtor profession their new career. Since then, we've seen some moderations of that, it's not an easy business to be successful in, and so we've seen some moderation of that.

I'd say from our network standpoint, and I mentioned this at our AGM this morning, our realtors are one and a half times more productive than the rest of the market. We have such an outstanding caliber of productive and successful realtors that we're not nearly as impacted by new entrants that have tried and not made a go of it. We certainly do have some attrition in our network, but not

anywhere near to the extent of what you see industry wide. That's one of the major, I think, factors that's impacting the industry and much less so ourselves.

Jeff Fenwick – Analyst, Cormark Securities

Then obviously, under the new structure, I think part of the business plan was to be a bit more focused on driving growth here. Just how do you approach business development? Is it any different now or are you a bit more active in recruiting? Would you contemplate acquiring other brokerage platforms to expand your presence?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. Recruiting is an ongoing effort by all of our brokerage operations. Every individual entrepreneur who's a franchisee for us recruits on a daily basis, as well as our own employees in our corporately owned branch operation. That's what I call organic recruiting. You'll see in any given time, additions there all across the country. From a franchising standpoint, we do add new franchises. We've added several in the last quarter across both Via Capital and Royal LePage. They factor into the total agent count numbers that we show. We don't necessarily highlight that as a separate growth path, but we've seen some good success in new franchises across the country.

Then in terms of any acquisitive growth, I wouldn't say that that's our core strategy for growth. It's certainly opportunistic if it makes sense, but we've got the brands we need to cover, I would say, every need that either realtors or consumers are looking for in Canada. We're not looking necessarily to add brands, but we're looking to always add high quality realtors to our brand and our network.

That I would say more of the organic side is our core focus and will continue to be for the balance of the year. Then from time to time, we will look at acquisitions of other brokerage operations but those are as they happen, and we validate and assess those on a case by case basis. There isn't necessarily a consistency to that or a predictability to that, it's when opportunities arise.

Jeff Fenwick – Analyst, Cormark Securities

Okay. That's helpful, thank you. Then maybe you could comment just on your comfort with the run rate of the business versus the payout ratio. I know we've just come through a couple of seasonally weaker quarters, so we're hoping that we'll see a nice step up in activity here through the spring and summer. But I did note that you drew \$4 million on your operating line, pay rate is still running above a 100 percent. I guess you have options of looking to obviously working on things like marketing and broker productivity, but how comfortable are you there? Are there other areas maybe for some cost savings that might help you out as well?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. For sure, Jeff. I think what we see on a quarter by quarter basis, this is a cyclical business, each quarter in a fiscal cycle will be different from the other ones. What we see in the first quarter, typically does have a robust spring market. We haven't seen as much of that as perhaps we would've liked to have seen or thought we would see in Toronto and Vancouver.

But as I mentioned, Quebec is very strong, outperforming expectations from a market standpoint. The majority of our cash flow is driven off of our franchise fee structures with our franchisees, very stable month by month. As we go through the year, we'll see each quarter contribute

in a slightly different way to our full-year cash flow. But at this point, we're on target with where we expect it to be for the quarter. We have to wait and see how quickly the market's rebound in Toronto and Vancouver. We're still very confident and bullish on the underlying macro factors affecting demand. Supply is still constrained, still an issue, and while affordability is an issue, the demand for housing is very strong. We do expect the markets to improve versus what we saw in the first quarter and that'll definitely help us generate more cash flow, certainly in our brokerage operations as we go through the balance of the year.

Jeff Fenwick – Analyst, Cormark Securities

Okay. Great. Thanks for that. Then maybe one, I guess it's related to broker productivity, which you mentioned you have a strength in, and I noted your commentary on the AI tools that you've been rolling out at proprio. What are the plans there that sounds like something that could certainly be very helpful? Is it a solution that you could roll out in time across the rest of your operations?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. In fact, we've launched AI tools across all of our brands. I highlighted what we did on one, but really, it's happening everywhere. What we've seen of course is realtors as they go about their business of securing clients, servicing those clients and helping Canadians find home of their dreams that they're looking to engage and leverage technology as much as anyone. There's lots of ways to do that in the real estate industry, and so we're providing access to tools, access to functionality, training those realtors on those so they don't have to go through that learning and discovery phase on their own each individually. We're doing all that heavy lifting for them, and then giving it to them in terms of best

practices and some guided training. But it's happening across the board. Royal LePage for sure, we're doing a lot of that. I highlighted one, but we're doing it everywhere.

Jeff Fenwick – Analyst, Cormark Securities

Okay. That's great to hear. Then maybe just one last one here. I noticed it looked like the commission payout ratio was a little less than expected, meaning Bridgemark retained a bit more of those gross commission dollars in the quarter. Can you just remind us of what the factors are there? I guess it's maybe the mix of which brokerage groups are generating the revenue, and they all have slightly different commission rates or is there some other factor there that would be impactful?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. I'll turn it to Glen for details. In broad terms, any given quarter compared to another, you're going to see mixed variance. Mix in geography because how much we get in terms of commission splits varies by region, mix in which realtors are the ones that are doing the deals because we have different agreements with different realtors depending on their success and their productivity. But that's just more of a general sense.

Glen, do you want to add to that?

Glen McMillan – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Yes. The only thing I would really add is we talked on the franchise side of the business that there is on—for variable franchisees, there is the impact of capping that happened. While it's much less common on the brokerage operations, we do have some. As Spencer said, the brokerage split plans are

different by brokerage, by brand, by geography. It's a very complicated web and we do have some that are subject to capping. That capping, we tend to see that in the fourth quarter, no capping in the first quarter. That's one thing.

Jeff Fenwick – Analyst, Cormark Securities

Okay. Great. Thanks for that color. I'll requeue.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Appreciate it, Jeff. Thanks.

Glen McMillan – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Thanks, Jeff.

Operator

Once again, a reminder to please press star one, should you wish to ask a question on the phone.

At this time, Mr. Enright, we have no other phone questions.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes. Terrific. Thanks, Operator. Do we have any other questions?

Glen McMillan – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

There's no questions.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Okay. Thanks, Glen.

With that, first of all, I'd like to thank everybody once again for joining us on today's call. Look forward to speaking to you again after we release our Q2 results in August. Take care.

Operator

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