Bridgemarq Real Estate Services Reports Annual Results and Monthly Dividend

(TORONTO, ON) March 6, 2020 – Bridgemarq Real Estate Services Inc. ("Bridgemarq" or the "Company") (TSX: BRE) a leading provider of services to residential real estate brokers and their REALTORS®[1], today announced its 2019 annual and fourth quarter financial results and the approval of a monthly dividend to holders of the Company's restricted voting shares.

HIGHLIGHTS

- Fourth quarter revenues improved by 20.2% over 2018 on stronger real estate markets after a weak first half of the year.
- The Company generated distributable cash flow of $17.2 million or $1.34 per Share, compared to $14.4 million or $1.13 per Share in 2018.
- The Company's network of REALTORS® (the "Network") increased to 19,111 on December 31, 2019, up 2.1% from 18,725 at December 31, 2018.
- The Board of Directors of the Company approved a dividend to shareholders of $0.1125 per restricted voting share payable April 30, 2020 to shareholders of record March 31, 2020, representing a target annual dividend of $1.35 per restricted voting share, consistent with 2019.

OPERATING RESULTS

Revenues in the fourth quarter were strong at $10.7 million, up 20.2% from $8.9 million in the fourth quarter of 2018 as markets rebounded in the last half of the year and the Company benefited from other revenues of $1.2 million pertaining to ancillary services which were previously earned directly by the manager of the Company. On a full year basis, revenues for the year ended December 31, 2019, were $44.3 million compared to $42.0 million in 2018. Revenues have increased primarily as a result of an increase in the number of REALTORS® in the Network and the inclusion of $4.4 million in other revenues. These positive impacts were partly offset by the first half weakness in the Canadian market and the expiry in 2018 of the obligation of certain brokerages to pay premium fees.

Net earnings in 2019 were $3.1 million or $0.32 per Share as compared to $17.4 million, or $1.30 per Share in 2018. The primary drivers of the reduction in net earnings, despite higher revenues, are the determination of the fair value on the exchangeable units issued by the Company, an increase in management fees as a result of changes to the Management Services Agreement at the start of the year, and higher amortization of intangible assets.

For the fourth quarter of 2019, distributable cash flow was $4.0 million compared to $3.1 million in the fourth quarter of 2018. On a full year basis distributable cash flow for 2019 was $17.2 million or $1.34 per Share as compared to $14.4 million or $1.13 per Share in 2018. The increase in distributable cash flow was mainly driven by lower cash flows used in investing activities and lower income taxes, partially offset by higher management fees. Under the MSA, the Company pays higher management fees but no longer acquires franchise agreements from the Manager. Beginning in 2019, the Company enters into franchise agreements directly.

“Our Company posted strong results for the final quarter of the year, buoyed by a rebound in the residential real estate market. We are pleased with the Company’s financial performance in 2019 overall, and with continued growth in the number of realtors across our network,” said Phil Soper, President and Chief Executive Officer, Bridgemarq Real Estate Services. “We are optimistic that 2020 will be a solid year for the Company. In particular, we are pleased with improvements in the Greater Toronto Area real estate market, which has recently shown promising signs of a sustained sales recovery.”

THE COMPANY NETWORK

As at December 31, 2019, the Company’s network was comprised of 19,111 REALTORS®, operating under 301 franchise agreements, providing services from 678 locations, with an approximate 17% share of the Canadian residential real estate market based on 2019 transactional dollar volume.

REAL ESTATE MARKET OUTLOOK

On March 4, the Bank of Canada reduced interest rates by 50 basis points in response to COVID-19, citing the virus as a materially negative shock to the Canadian and global markets. Globally, virus-related production shutdowns and the resulting shocks to supply chains suggest a weakened Canadian economy in the first half of 2020. While the interest rate reduction was the largest in four years, and lower interest rates are generally supportive of real estate activity, the virus’ short- and long-term risk to the economy and employment is unknown.

A recent announcement that, beginning on April 6, the qualification hurdle presented by the federal mortgage stress test will be eased is also supportive of real estate market activity. The mortgage stress test will use the five-year fixed insured mortgage rate instead of the Bank of Canada five-year rate. As the five-year fixed insured mortgage rate is generally lower, it is favourable to buyers.

During the second half of 2019, pent up demand from the market correction that spanned from the implementation of the mortgage stress test in 2018 through to the first half of 2019 drove an increase in national unit sales. Both the Greater Toronto Area and Greater Vancouver saw a significant lift in activity. While Vancouver’s inventory levels were able to absorb buyer demand, low inventory in the Greater Toronto Area put significant upward pressure on home prices.

CASH DIVIDEND

The Company declared a cash dividend of $0.1125 per restricted voting share payable on April 30, 2020, to shareholders of record on March 31, 2020. This represents a targeted annual dividend of $1.35 per restricted voting share.

CONFERENCE CALL

Bridgemarq Real Estate Services Inc. will host a conference call on Friday, March 6, 2019 at 10 a.m. ET to discuss its annual and fourth quarter financial results for 2019.

To access the call by telephone, please dial 1-888-231-8191 or 647-427-7450. Please connect approximately ten minutes prior to the beginning of the call to ensure participation. A recording of the conference call will be available in the Investor Centre section of the Company's website by Tuesday, March 17, 2019.

DISTRIBUTABLE CASH FLOW

This news release and accompanying financial statements make reference to distributable cash flow. Distributable cash flow is defined as operating income before deducting amortization and net impairment of intangible assets minus current income tax expense and minus cash used in investing activities. Distributable cash flow is used by the Company to measure the amount of cash generated from operations which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if holders of exchangeable units converted Class B LP units into restricted voting shares. The Company uses distributable cash flow to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure useful. Distributable cash flow does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking information and other "forward-looking statements". Words such as "are", "beginning", "believes", "continued", "is", "may", "outlook", "promising", "resulting", "suggest", "sustained", "target", "will", and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward-looking statements include: changes in the supply or demand of houses for sale in Canada or in any particular region within Canada, changes in the selling price for houses in Canada or any particular region within Canada, changes in the Company's strategy with respect to dividends, changes in the productivity of the Company's REALTORS® or the commissions they charge their customers, changes in government policy, laws or regulations which could reasonably affect the housing markets in Canada, consumer response to any changes in the housing markets in Canada or any changes in government policy, laws or regulations, changes in general economic conditions (including interest rates, consumer confidence and other general economic factors or indicators), changes in global and regional economic growth, the demand for and prices of natural resources on local and international markets, the level of residential real estate transactions, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, our ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, changes in tax laws or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies and recent regulatory developments. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

About Bridgemarq Real Estate Services

Bridgemarq is a leading provider of services to residential real estate brokers and a network of over 19,000 REALTORS®.[1] We operate in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. For more information, go to bridgemarq.com.

Bridgemarq is an affiliate of Brookfield Business Partners, a business services and industrials company focused on owning and operating high-quality businesses that benefit from barriers to entry and/or low production costs. Brookfield Business Partners is listed on the New York and Toronto stock exchanges. Further information is available at bbu.brookfield.com.

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[1] The trademarks REALTOR®, REALTORS® and the REALTOR® logo are controlled by The Canadian Real Estate Association (CREA) and identify real estate professionals who are members of CREA.

Bridgemarq Real Estate Services Inc.

Balance Sheet Highlights		December 31, 2019		December 31, 2018
Cash	$	5,202	$	4,339
Other current assets		4,943		4,954
Total current assets		10,145		9,293
Non-current assets		84,648		86,366
Total assets	$	94,793	$	95,659
Accounts payable and accrued liabilities	$	1,210	$	1,003
Interest payable on Exchangeable Units		484		484
Dividends payable to shareholders		1,067		1,067
Contract transfer obligation		1,920		-
Total current liabilities		4,681		2,554
Debt facilities		73,338		71,297
Other non-current liabilities		4,194		-
Exchangeable Units		48,983		48,484
Total Liabilities		131,196		122,335
Shareholders' deficit		(36,403)		(26,676)
Total Liabilities and Shareholders' deficit	$	94,793	$	95,659

Interim Earnings Highlights		Three months ended December 31, 2019		Three months ended December 31, 2018		Year ended December 31, 2019		Year ended December 31, 2018
Fixed franchise fees	$	7,303	$	7,146	$	29,285	$	28,326
Variable franchise fees		2,183		1,799		10,638		10,737
Other revenue		1,182		-		4,426		-
Premium franchise fees		-		-		-		2,964
Revenues		10,668		8,945		44,349		42,027
Cost of other revenue		(107)		-		(524)		-
Administration expenses		(429)		(543)		(1,196)		(1,259)
Management fees		(3,730)		(1,547)		(15,478)		(7,616)
Interest expense		(761)		(666)		(3,031)		(2,686)
		5,641		6,189		24,120		30,466
Impairment, write-off and amortization of intangible assets		(2,663)		(2,116)		(11,242)		(8,401)
Interest on Exchangeable Units		(1,451)		(1,452)		(5,806)		(5,806)
Gain (loss) on fair value of Exchangeable Units		-		7,254		(499)		6,489
Gain (loss) on interest rate swap		659		(97)		(615)		74
Gain (loss) on fair value of purchase obligation		-		77		-		(465)
Income tax expense		(675)		(1,045)		(2,989)		(5,183)
Deferred income tax recovery (expense)		(218)		65		107		217
Net and comprehensive earnings	$	1,293	$	8,875	$	3,076	$	17,391
Basic earnings per Restricted Voting Share	$	0.14	$	0.94	$	0.32	$	1.83
Diluted earnings per Share	$	0.14	$	0.24	$	0.32	$	1.30
Cash Flow Highlights								
Cash provided by operating activities:	$	3,638	$	2,964	$	15,600	$	18,971
Cash used for investing activities:		(944)		(2,052)		(3,934)		(10,849)
Cash used for financing activities:		(3,201)		(840)		(10,803)		(7,241)
Change in cash for the period		(507)		72		863		881
Cash, beginning of the period		5,709		4,267		4,339		3,458
Cash, end of the period	$	5,202	$	4,339	$	5,202	$	4,339
Distributable Cash Flow Highlights								
Distributable Cash Flow	$	4,022	$	3,091	$	17,197	$	14,434
Distributable Cash Flow per Share	$	0.31	$	0.24	$	1.34	$	1.13