

Bridgemarq Real Estate Services, Inc.

2024 Fourth Quarter Results Conference Call

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CONFERENCE CALL PARTICIPANTS

Fernando Torrealba

Cormark Securities – Analyst

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. 2024 Fourth 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 speakers' remarks, there will be a question-and-answer session. For those 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 from the question queue, please press star, then two on your keypad. For those of you joining us via webcast, if you would like to ask a question, simply type it in the Q&A box on your screen. We will answer these questions following the dial-in questions after the presentation, time permitting.

I would like to introduce Mr. Spencer Enright, Chief Executive Officer of Bridgemarq Real Estate Services, Inc. Mr. Enright, you may begin.

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

Thank you, Operator.

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

With me today is our Chief Financial Officer, Glen McMillan. I'll turn it over to Glen in a moment to talk about our financial results and summarize what the real estate markets did in 2024. I will then

provide some remarks on operational highlights, Company update, and broader market developments. Following our remarks, Glen and I will 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 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. I encourage everyone to review the cautionary language found in our news release and on our regulatory filings. These can be found on our website and on SEDAR+.

Twenty twenty-four was an exciting year for Bridgemarq. The expansion of our business into real estate brokerage operations and the internalization of management of our franchise business opens the door to future growth for the Company. Revenue for 2024 amounted to \$350.7 million, compared to \$48.5 million in 2023, which is reflective of the addition of the brokerage operations we acquired on March 31.

At its meeting yesterday, our Board of Directors approved a dividend, payable on April 30, of \$0.1125 per share to shareholders of record on March 31. This indicates an annualized dividend of \$1.35 per share.

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

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

Thank you, Spencer, and good morning, everyone.

As Spencer mentioned, revenue for 2024 was up significantly year-over-year, due to the inclusion of the operating results of our brokerage business. In the fourth quarter, revenues amounted to \$101.5 million, compared to \$10.8 million in the fourth quarter of last year.

The number of realtors in our franchise network currently sits at 20,283. This includes approximately 2,000 agents operating at the Royal LePage and Via Capitale brokerages, which we acquired as part of the transaction. Including the Québec-based Proprio Direct brokerage, our corporately-owned brokerages are comprised of approximately 2,700 realtors operating in the Greater Toronto and Vancouver Areas, and in the Province of Québec.

In 2024, the Company generated a net loss of \$10.3 million, compared to net earnings of \$4 million last year. The lower net earnings are largely driven by a non-cash accounting loss on the fair valuation of the exchangeable units, higher interest expense on our debt, and increased depreciation and amortization expenses associated with the acquired brokerage business.

Now, starting last quarter, we introduced the concept of adjusted net earnings in an effort to remove some of the accounting noise and provide users with the measure that better reflects the operating results of the Company. Adjusted net earnings represents our after-tax operating income before giving effect to certain non-cash and non-operating adjustments, including the loss on the fair value of exchangeable units, which I spoke about a moment ago, and also excluding payments to exchangeable unitholders.

In 2024, adjusted net earnings amounted to \$7.3 million, down from \$12.4 million in the prior year. The reduction is largely due to higher interest expense on third-party debt, an increase in non-cash

amortization of intangible assets acquired as part of the acquisition, and other non-cash impairment charges, partly offset of the positive impacts of the acquired brokerage businesses.

Cash provided by operating activities increased by \$3.4 million in the year, compared to last year, due primarily to the inclusion of the results of the brokerage operations, a reduction in working capital, partly offset by higher interest costs.

The Company generated \$16.8 million in free cash flow in 2024, down from the \$18.1 million generated in 2023, with the driver due to increased interest expenses. Up until the end of 2023, we had a favourable fixed-rate interest rate swap which matured at the end of that year, and, as a result, interest expense on our debt increased by \$1.7 million in 2024.

Despite periods of weak activity in certain markets last year, the overall Canadian market showed positive growth, closing at \$338 billion, an increase of 12 percent, compared to 2023. This was driven by an 11 percent increase in unit sales and a 2 percent rise in average selling price.

The Greater Toronto real estate market expanded by a modest 2 percent year-over-year, compared to 2023, as prices remained flat and unit sales increased by 2 percent.

The Greater Vancouver real estate market also recorded modest gains of 2 percent, driven by a 1 percent increase in both unit sales and average price.

Meanwhile, in the Province of Québec, the residential real estate market recorded a healthy 28 percent increase, compared to the previous year, reflecting a 19 percent increase in unit sales and an 8 percent increase in average selling price.

Now, I'll turn it over to Spencer to provide additional insights into the market and an update on our operations.

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

Thanks, Glen.

In the final quarter of 2024, we saw an increase in sales activity in major markets across the country, compared to the end of 2023, when interest rates were significantly higher. In Toronto and Vancouver, the country's most expensive real estate markets, we've seen inventory continue to build, while prices have remained stable. Although buyer confidence remains tentative, these improved conditions, combined with declining interest rates, will prove favourable for buyers. More choice and greater affordability will offer first-time buyers an entryway into the market.

On Wednesday this week, the Bank of Canada cut its key lending rate by another 25 basis points, to land at 2.75 percent. This marks the seventh consecutive cut, and a total of 225 points since last June. The Central Bank's Governing Council has noted that it will proceed carefully with any further changes to interest rates as it assesses both the upward pressures of inflation from higher costs and the downward pressures from weaker demand. Notwithstanding the hesitation due to economic uncertainty, declining borrowing rates should encourage more buyers off the sidelines, as their borrowing power continues to improve.

Now, I'd like to give you a few updates on the Company's operations.

Twenty twenty-four was a year of positive growth, with the acquisition of several brokerages, including Via Capitale and Proprio Direct, as well as the corporately-owned Royal LePage branches. Bridgemarq is proud to be an all-Canadian company, whose success is rooted firmly in the domestic brands that make up our dynamic portfolio. This is led, of course, by our 112-year-strong flagship national brand, Royal LePage, which continues to attract and retain top real estate professionals from across the country. We also added close to 700 agents in the Province of Québec last year, operating under the Proprio Direct banner.

In 2024, we continued to demonstrate our commitment to innovation and technological advancement, focused on leveraging such things as artificial intelligence tools to support our networks of real estate professionals. All of our brands have incorporated various tailored AI tools into their respective service offerings. For example, Proprio Direct launched a series of tools that provide data-driven insights to agents and enhances the virtual staging of homes to better serve their clients.

We continue to interact with Canadians every day through our industry-leading website and social media profile. RoyalLePage.ca remains the most visited real estate company website in Canada.

Our commitment to innovation and continuous improvement in our service offerings enable us to continue to attract and support top talented realtors and, in turn, deliver greater value to our shareholders.

As I've mentioned, 2024 marked an historic year for the Company, and we are very excited to explore the growth opportunities that lie ahead, both in 2025, and beyond. With our stable cash flows

and multiple pathways to expansion, Bridgemarq's unique operating model is well positioned for continued success.

With that, I will turn the call back to our Operator and open the call to questions.

Q & A

Operator

Thank you, sir. Ladies and gentlemen, as stated, if you do have any questions on the phone, please press star, followed by one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you be using a speakerphone, you will need to lift the handset first before pressing any keys, and if over the webcast, please type in your questions on your screen.

Your first question will be from Fernando Torrealba at Cormark Securities. Please go ahead.

Fernando Torrealba – Analyst, Cormark Securities

Thank you, and good morning, everyone. This is Fernando on for Jeff Fenwick. I was hoping that maybe we could get a bit more commentary on the commission rates for the quarter. It looks like it's been on a bit of an uptrend for the past couple of months, and just wondering what moves that around, and whether we should think of the current commission rate as the run rate moving forward, or if maybe there's seasonality in that.

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

Sorry, is this Fernando or Jeff?

Fernando Torrealba – Analyst, Cormark Securities

Frenando, on for Jeff.

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

Fernando?

Fernando Torrealba – Analyst, Cormark Securities

It's Fernando, yes.

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

Yes, okay, great. Fernando, I think it's probably better for you to look at the full year numbers. There is some seasonality that's built into those commission rates, and it's really a function of a number of things. Market is one thing, but also there's the seasonality over the course of the year. I think you really need to look at the full year numbers to get a better sense.

Fernando Torrealba – Analyst, Cormark Securities

Got you, excellent, and then maybe just one follow-up there on OpEx. It looks like there was maybe a little bit of a pickup on operating expenses for the quarter. Basically, the same question, what's driving that, and I'm guessing, as well, maybe a bit of seasonality there?

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

Yes, there's really nothing significant there. I think, when you're looking at comparing seasonality, there are some challenges with the addition of the brokerage businesses, that it does make it, certainly, difficult to compare a year-over-year basis. But there's—other than, maybe, some year-end catch-up adjustments, there's really nothing from an operating perspective that would drive that.

Fernando Torrealba – Analyst, Cormark Securities

Got you. Okay, thank you. I'll requeue for now.

Operator

Thank you. Once again, for those on the phone, please press star, one if you have any questions.

A follow-up from Fernando.

Fernando Torrealba – Analyst, Cormark Securities

All right, perfect. Maybe just turning to 2025, I have to ask the tariff question. I'm just wondering if you have any insights as to whether, in your experience, tariffs are keeping people on the sidelines for transacting so far in 2025, or if it's maybe keeping people on the sidelines for joining the industry as brokers. Any thoughts there at the macro level and potential derivative impacts there from tariffs?

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

Yes, sure, thanks. It's Spencer, I'll take that, I'm happy to. Thanks for the question. Look, first of all, what actually happens with actual tariffs is completely uncertain at this point. There's a threat of

tariffs. I know that this week some tariff decisions were actually made and put in place. But as we're all in the same boat, it's very difficult to predict what we'll expect to actually see in tariffs, not just from our country's government, but from others around the world. It's very unprecedented, we've never really seen this experience here in Canada, in recent memory, certainly.

It's very difficult to understand how everyday Canadians are reacting to that, and we don't really have a pulse on how the population as a whole is doing. We can only really look at what is happening with actual activity in the market. It's reasonable to suspect that when people's confidence is lower, that they'll be a little bit more reluctant to make new commitments in terms of purchases, and certainly a home purchase is a significant one.

We're monitoring it very closely, but if there is a change in buyer behaviour, then our business is well set up to succeed through any of those changes, and as we've seen in the past—you know, our market is cyclical is to begin with and there are peaks and troughs even over multi-years. We've seen other external shocks to the market, as well. The business, the way we've set it up, it's set up to do very well, from a cash flow standpoint, even in periods where we're at a bottom from volume activity.

In terms of realtors, we actually really see not a lot of change in number of realtors in the industry that are registered, and certainly, in our networks, the over 20,000 realtors who we have are very productive people, and even in downcycles, they're still very successful, and can be very successful with the number of transactions they do, the commissions they generate. Short-term issues rarely influence their career decisions when they're—you know, this is the career decision for them.

But we're monitoring that very closely, and I think that, you know, as we look forward to the balance of the year, again, we don't really know what will actually transpire with tariffs. But there could be challenges in local communities where there's more of a vulnerability to export industries than others, but, overall, nationally, we're not seeing anything at this point.

Fernando Torrealba – Analyst, Cormark Securities

Okay, thank you, that's wonderful colour, and then maybe I'll just finish off with the tail-end of that about the realtor count. On the franchise network, is there anything that maybe you would highlight as to what moves that count around? I know, over the past couple of quarters, it has moved around a little bit, not by a lot, so I don't really expect much, other maybe attrition, but just wanted to get your thoughts as to whether there's anything that you may want to highlight as to the move in the realtor count.

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

Sure. First of all, just in terms of our realtor count and population, we grow the number of realtors in our network various different ways. We have a very large franchise network, and the franchisees, those brokerages, those broker/owner/operators, recruit on a daily basis and look to bring in new talent everywhere across the country. That organic growth is happening all the time.

In addition to that, we sign new franchise agreements with companies, individuals from time-to-time, where it makes sense, and so we can grow the realtor count by what we call "reflagging" and creating new franchisee contracts. There's different ways of growing. There's always turnover within the

industry itself, but we also have a very stable realtor population because they are productive, and they've proven to be very loyal to our brand.

On the whole, in the quarter, you may see some fluctuations at different times quarter-by-quarter in terms of realtor count. When we sign new franchisees, we typically highlight when we do that, when we do the larger ones, and so you can definitely look to those as significant step-function increases in our count. Other than that, it's really just normal course, daily recruiting, and typical turnover that we might have seen in past years with our franchise network.

Fernando Torrealba – Analyst, Cormark Securities

Okay, perfect. That's it for me. Thank you.

Operator

Thank you. At this time, Mr. Enright, we have no other questions on the phone.

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

Thank you. We do have one, I believe, via webcast. Glen, do you want to read it out?

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

Yes, there's actually two there. The first one is, "In the previous 2025 presentation, the combined franchise operations and brokerage operations EBITDA is more than the total year-to-date EBITDA. Does that mean that Proprio loses money negative EBITDA?"

That's not what it means. Proprio's EBITDA is included as part of the brokerage operations. The difference between the sum of the franchise operations EBITDA and the brokerage operations EBITDA is there are costs that we do not allocate to those segments. It's a corporate cost segment, and those costs are comprised mainly of senior management expenses that are not allocable to one segment or the other. Public company-related costs—as you know, we are a public company and there are costs associated with that, we don't burden the segment with those costs. There's also Directors' fees and audit-related costs that are not allocated back to those segments.

The second question is, "The dividend payments appear to exceed free cash flow. Will there be a need to reduce the dividend payments?"

The Company has a history of paying a significant amount of its free cash flow out to its shareholders, and is committed to doing that. The dividends, themselves, are actually determined on a monthly basis, and are determined by the Board of Directors, and approved, as I say, on a monthly basis. The Company, at this point, does have a significant amount of resources in order to support those dividends in the short term, and we also do believe that the current year, we are expecting free cash flow to improve as markets start to improve over the next little while.

Those are all the questions.

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

Great, thanks, Glen, and thank you, Operator.

I'd like to thank everyone once again for joining us on today's call, and look forward to speaking to you again after we release our first quarter results in May. Thank you very much, everyone.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we ask that you please disconnect your lines. Have a good weekend.