

## Brookfield Real Estate Services Inc. Reports Second Quarter Results and Monthly Dividend

**(TORONTO, ON) August 10, 2018** – Brookfield Real Estate Services Inc. (TSX: BRE) (the “Company”), a leading provider of services to residential real estate brokers and their REALTORS<sup>®1</sup> today announced its second quarter financial results and the approval of a monthly dividend to holders of the Company’s restricted voting shares.

### HIGHLIGHTS

- Softer real estate markets contributed to lower royalty revenues and lower operating income relative to the prior year despite an increase in the number of REALTORS<sup>®</sup> representing the Company’s brands.
- The Company distributed dividends of \$3.2 million to holders of restricted voting shares.
- Cash flow from operations (“CFFO”) on a rolling twelve-month basis decreased by 2.1% compared to 2017 to \$2.51 per Share, driven by a decrease in variable fees and premium fees.
- The Company’s network of REALTORS<sup>®</sup> (the “Network”) increased to 18,780, up from 18,135 as at December 31, 2017.
- The Board of Directors of the Company approved a dividend to shareholders of \$0.1125 per restricted voting share payable September 28, 2018 to shareholders of record August 31, 2018, representing a target annual dividend of \$1.35 per restricted voting share.

### SECOND QUARTER OPERATING RESULTS

Royalties for the three months ended June 30, 2018 were \$11.5 million, compared to \$12.1 million in Q2 2017 as a result of weaker real estate markets in Canada, particularly in the Greater Vancouver and Greater Toronto regions. For the rolling twelve-month period ended June 30, 2018, royalties were \$43.6 million, down marginally compared to \$44.7 million for the same period in 2017.

The Company generated a net loss of \$3.7 million, or \$0.39 per share (“Share”) for the three months ended June 30, 2018, compared to net earnings of \$3.3 million or \$0.35 per Share, for the same period in 2017. In addition to lower operating income, net earnings were negatively affected by a loss on the fair value of its Exchangeable Units of \$7.0 million in the quarter compared to a loss of \$1.1 million in the second quarter of 2017. The non-cash loss on the fair value of Exchangeable Units is the result of an increase in the market price of the Company’s restricted voting share, which are used to determine the fair value of the obligation associated with the Exchangeable Units.

CFFO for the second quarter was \$8.4 million or \$0.66 per Share on a diluted basis, an 8.4% decrease as compared to \$9.2 million or \$0.72 per Share for the same period in 2017. For the rolling twelve-month period ended June 30, 2018, CFFO was \$2.51 per Share as compared to \$2.56 per Share for the rolling twelve-month period ended June 30, 2017.

During the second quarter, the Company paid dividends totaling \$3.2 million (or \$0.34 per share) to holders of restricted voting shares, an increase of 4% over the second quarter of 2017.

“Despite a significant year-over-year decline in Canadian home sales, the decrease in royalty revenue realized by the Company has been limited to 2.6% compared to last year as the majority of our fees are fixed in nature.” said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. “Network growth remains paramount to our Company’s success and we are pleased that our brands have continued to attract, develop and support top producers this quarter.”

## **THE COMPANY NETWORK**

As at June 30, 2018, the Network was comprised of 18,780 REALTORS<sup>®</sup>, operating under 295 franchise agreements providing services from 673 locations, with an approximate 20% share of the Canadian residential real estate market (“Canadian Market”) based on 2017 transactional dollar volume.

## **CASH DIVIDEND**

The Company declared a cash dividend of \$0.1125 per restricted voting share payable on September 28, 2018, to shareholders of record on August 31, 2018. This represents a targeted annual dividend of \$1.35 per restricted voting share.

## **CONFERENCE CALL**

Brookfield Real Estate Services Inc. will host a conference call on Friday, August 10, 2018 at 10:00 a.m. ET to discuss its second quarter results.

Participants can join via webcast at:

<https://event.on24.com/wcc/r/1798154/C2AD2E0B64531DF1EE6F9BF2375F47D4>

Please connect approximately ten minutes prior to the beginning of the webcast to ensure participation.

A recording of the conference call will be available in the Investor Centre section of the Company's website by Wednesday, August 15, 2018.

## **CFFO**

This news release and accompanying financial highlights make reference to CFFO on a total and per Share basis. CFFO is defined as operating income prior to deducting impairment and amortization of intangible assets. CFFO is used by the Company to measure the amount of cash generated from operations which is available to pay income taxes and distributions 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 Exchangeable Unitholders converted Class B LP units into Shares of the Company. The Company uses CFFO to assess its operating results and the financial position of its business and believes that many of its shareholders and analysts also find this measure useful. CFFO does not have any standard meaning prescribed by International Financial Reporting Standards 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 “continued”, “targeted”, “remains” 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 Company's strategy with respect to dividends, changes in the supply of houses for sale in Canada or in any particular region within Canada, changes in the demand for houses in Canada or any particular region within Canada, 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, the availability of attractive investment opportunities, the average rate of commissions charged, 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, the availability of equity and debt financing, 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](http://www.sedar.com). 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 Brookfield Real Estate Services Inc.**

Brookfield Real Estate Services Inc. is a leading provider of services to residential real estate brokers and a network of over 18,000 REALTORS®. We operate in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. For more information, go to [www.Brookfieldresinc.com](http://www.Brookfieldresinc.com).

Brookfield Real Estate Services Inc. is an affiliate of Brookfield Asset Management, a leading global alternative asset manager with \$285 billion of assets under management. For more information, go to [www.Brookfield.com](http://www.Brookfield.com).

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<sup>1</sup> REALTORS® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

**Brookfield Real Estate Services Inc.**

**Interim Balance Sheet Highlights**

As at (Unaudited, in thousands of Canadian dollars)	June 30, December 31, <b>2018</b> 2017	
Cash	\$ 4,888	\$ 3,458
Other current assets	5,730	4,645
<b>Total current assets</b>	<b>10,618</b>	<b>8,103</b>
Non-current assets	90,452	85,420
<b>Total assets</b>	<b>\$ 101,070</b>	<b>\$ 93,523</b>
Accounts payable and accrued liabilities	\$ 1,109	\$ 803
Purchase obligation	2,310	1,497
Interest payable on Exchangeable Units	484	484
Dividends payable to shareholders	1,067	1,067
Other current liabilities	-	400
<b>Total current liabilities</b>	<b>4,970</b>	<b>4,251</b>
Debt facilities	72,906	65,677
Exchangeable Units	64,890	54,973
<b>Total Liabilities</b>	<b>142,766</b>	<b>124,901</b>
Shareholders' deficit	(41,696)	(31,378)
<b>Total Liabilities and Shareholders' deficit</b>	<b>\$ 101,070</b>	<b>\$ 93,523</b>

**Interim Earnings (Loss) Highlights**

(Unaudited, in thousands of Canadian dollars)	Three months ended June 30, <b>2018</b>	Three months ended June 30, 2017	Six months ended June 30, <b>2018</b>	Six months ended June 30, 2017
Royalties	\$ 11,472	\$ 12,128	\$ 21,942	\$ 22,537
Administration Expense	(280)	(6)	(634)	(543)
Management Fee	(2,103)	(2,296)	(3,992)	(4,140)
Interest Expense	(679)	(643)	(1,351)	(1,297)
Cash Flow from Operations	8,410	9,183	15,965	16,557
Impairment, write-off and amortization of intangible assets	(2,055)	(2,111)	(4,064)	(4,293)
Interest on Exchangeable Units	(1,452)	(1,427)	(2,904)	(2,855)
Loss on fair value of Exchangeable Units	(6,988)	(1,064)	(9,916)	(2,429)
Gain on interest rate swap	4	420	63	470
Loss on fair value of purchase obligation	(26)	(104)	(544)	(178)
Income tax expense	(1,558)	(1,567)	(2,630)	(2,663)
<b>Net and comprehensive earnings</b>	<b>\$ (3,665)</b>	<b>\$ 3,330</b>	<b>\$ (4,030)</b>	<b>\$ 4,609</b>
<b>Basic earnings per Restricted Voting Share</b>	<b>\$ (0.39)</b>	<b>\$ 0.35</b>	<b>\$ (0.42)</b>	<b>\$ 0.49</b>
<b>Diluted earnings per Share</b>	<b>\$ (0.39)</b>	<b>\$ 0.35</b>	<b>\$ (0.42)</b>	<b>\$ 0.49</b>
<b>Cash Flow from Operations per Share on a diluted basis</b>	<b>\$ 0.66</b>	<b>\$ 0.72</b>	<b>\$ 1.25</b>	<b>\$ 1.29</b>
<b>Cash Flow from Operations per Share on a diluted basis - rolling twelve-month period ended June 30,</b>			<b>\$ 2.51</b>	<b>\$ 2.56</b>

**Interim Cash Flow Highlights**

(Unaudited, in thousands of Canadian dollars)	Three months ended June 30, <b>2018</b>	Three months ended June 30, 2017	Six months ended June 30, <b>2018</b>	Six months ended June 30, 2017
Cash provided by Operating activities:	\$ 5,447	\$ 6,541	\$ 9,168	\$ 9,950
Cash provided used for Investing activities:	(6)	(2,642)	(8,536)	(10,167)
Cash provided / (used) by/for Financing activities:	(3,201)	(4,582)	798	(263)
<b>Change in cash for the period</b>	<b>2,240</b>	<b>(683)</b>	<b>1,430</b>	<b>(480)</b>
<b>Cash, beginning of the period</b>	<b>2,648</b>	<b>3,305</b>	<b>3,458</b>	<b>3,102</b>
<b>Cash, end of the period</b>	<b>\$ 4,888</b>	<b>\$ 2,622</b>	<b>\$ 4,888</b>	<b>\$ 2,622</b>