



Bridgemarq Real Estate Services Reports First Quarter Results and Monthly Dividend

(TORONTO, ON) May 7, 2019 – Brookfield Real Estate Services Inc. (dba Bridgemarq Real Estate Services) (“Bridgemarq” or the “Company”) (TSX: BRE) today announced its first quarter financial results (including its distributable cash flow), and the approval of a monthly dividend to holders of the Company’s restricted voting shares.

HIGHLIGHTS

- Net loss for the quarter was \$8.4 million as a result of a loss of \$7.8 million on the fair value of the exchangeable units issued by the Company, driven by a rise in the Company’s share price.
- The Company’s network of REALTORS® (the “Network”) increased to 19,231, up from 18,725 as at December 31, 2018.
- Distributable cash flow for the first quarter was \$3.5 million compared to negative distributable cash flow of \$2.2 million for the same period in 2018.
- The Board of Directors of the Company approved a dividend of \$0.1125 per restricted voting share, payable June 28, 2019 to shareholders of record on May 31, 2019.

FIRST QUARTER OPERATING RESULTS

Net loss for the quarter was \$8.4 million, or \$0.88 per Share, compared to a net loss of \$0.4 million or \$0.04 per Share, for the same period in 2018. The primary driver of the net loss is the determination of the fair value on the exchangeable units. The fair value of the exchangeable units is determined with reference to the trading price of the Company’s restricted voting shares. The Company’s share price rose from \$14.57 as at December 31, 2018 to \$16.91 as at March 31, 2019.

Distributable cash flow for the quarter was \$3.5 million, compared to negative distributable cash flow of \$2.2 million generated in the first quarter of 2018. Under the terms of the previous management services agreement, the Company acquired franchise agreements from the Manager during the first quarter of each fiscal year resulting in a deficiency in distributable cash flow. In 2018, the Company borrowed \$7.2 million on its debt facilities to finance the acquisition of franchise agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining distributable cash flow to shareholders and holders of exchangeable units.

Revenues during the first quarter were \$10.0 million, compared to \$10.5 million in the same period in 2018. For the rolling twelve-month period ended March, 31, 2019, revenues were \$41.6 million, compared to \$44.3 million for the same period in 2018. Reduced revenues are primarily due to the expiry in August 2018 of the arrangement whereby certain franchisees paid premium franchise fees, partly offset by the transfer of ancillary revenues that were previously earned by the Company’s manager under the recently amended management services agreement. Revenues generated by the Company are primarily fixed in nature, based on the number of REALTORS® in the network. This fixed nature of the Company’s revenues provides the Company some protection from the impact of a cooling housing market, but also reduces the degree to which the Company participates in periods of rapid market expansion.

“Given the current dynamics of the Canadian real estate market, we are pleased with the Company’s performance this quarter,” said Phil Soper, President and Chief Executive Officer, Bridgemarq Real

Estate Services. “The Company continues to see a high rate of renewals and healthy agent count growth. We are continuing to develop best-in-class tools to attract and retain brokers and agents seeking to differentiate their offering in an increasingly competitive real estate services industry.”

THE COMPANY NETWORK

As at March 31, 2019, the Network was comprised of 19,231 REALTORS[®], operating under 298 franchise agreements providing services from 682 locations, with an approximate one-fifth share of the Canadian residential real estate market (“Canadian Market”) based on 2018 transactional dollar volume. On January 3, 2019, the Company was assigned franchise agreements comprised of 495 REALTORS[®] operating under the Royal LePage and Via Capitale Brands, for nominal consideration. The estimated annual royalty stream related to these Franchise Agreements is \$0.9 million.

Since 2003, the Company’s network has grown at a 5% compound annual growth rate, outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

CASH DIVIDEND

The Company declared a cash dividend of \$0.1125 per restricted voting share payable on June 28, 2019, to shareholders of record on May 31, 2019. This represents a targeted annual dividend of \$1.35 per restricted voting share.

CONFERENCE CALL

Bridgemarq Real Estate Services will discuss its first quarter financial results at the Company’s Annual Meeting on Tuesday May 7, 2019 at 10:00 a.m. at Vantage Venues, Inverness Room, 27th Floor, 150 King Street West, Toronto, Ontario.

Participants can join via webcast

at: <https://event.on24.com/wcc/r/1991721/895F5E94D8C8E8B847BADADAEF4A4AEF>

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

A copy of the Annual Meeting presentation will be available on the Company’s website by Monday, May 13, 2019 at: <https://www.bridgemarq.com/investor-centre>

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 or recovery 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 “attract”, “believes”, “continues”, “driver”, “have”, “has”, “grown”, “growth”, “outperforming”, “reduces”, “representing”, “retain”, “through”, “targeted” 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 18,000 REALTORS®. We operate in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. Bridgemarq Real Estate Services is the registered trade name of Brookfield Real Estate Services Inc. 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.

For more information, please contact:

Sarah Louise Gardiner
Director of Investor Relations
Bridgemarq Real Estate Services
info@bridgemarq.com
Tel: 416-510-5783

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

Bridgemarq Real Estate Services

Interim Balance Sheet Highlights

As at (Unaudited, in thousands of Canadian dollars)	March 31, 2019	December 31, 2018
Cash	\$ 3,635	\$ 4,339
Other current assets	6,604	4,954
Total current assets	10,239	9,293
Non-current assets	93,070	86,366
Total assets	\$ 103,309	\$ 95,659
Accounts payable and accrued liabilities	\$ 995	\$ 1,003
Interest payable on Exchangeable Units	484	484
Dividends payable to shareholders	1,067	1,067
Other current liabilities	3,243	-
Total current liabilities	5,789	2,554
Debt facilities	73,307	71,297
Other non-current liabilities	6,211	-
Exchangeable Units	56,271	48,484
Total Liabilities	141,578	122,335
Shareholders' deficit	(38,269)	(26,676)
Total Liabilities and Shareholders' deficit	\$ 103,309	\$ 95,659

Interim Loss Highlights

For three months ended March 31, (Unaudited, in thousands of Canadian dollars)	2019	2018
Revenues	\$ 10,008	\$ 10,470
Administration, Management Fee and Interest Expense	(4,857)	(2,915)
	5,151	7,555
Impairment, write-off and amortization of intangible assets	(3,138)	(2,009)
Interest on Exchangeable Units	(1,452)	(1,452)
Loss on fair value of Exchangeable Units	(7,787)	(2,928)
Gain (Loss) on interest rate swap	(969)	59
Loss on fair value of purchase obligation	-	(518)
Income tax expense	(197)	(1,072)
Net and comprehensive loss	\$ (8,392)	\$ (365)
Basic loss per Restricted Voting Share	\$ (0.88)	\$ (0.04)
Diluted loss per Share	\$ (0.88)	\$ (0.04)

Interim Cash Flow Highlights

For three months ended March 31, (Unaudited, in thousands of Canadian dollars)	2019	2018
Cash provided by Operating activities:	\$ 1,459	\$ 3,721
Cash provided used for Investing activities:	(962)	(8,530)
Cash provided by Financing activities:	(1,201)	3,999
Change in cash for the period	(704)	(810)
Cash, beginning of the period	4,339	3,458
Cash, end of the period	\$ 3,635	\$ 2,648