

# Q2 2021

## Interim Report to Shareholders



# 2021 Management's Discussion and Analysis of Results and Financial Condition

## Management's Discussion and Analysis

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### INTRODUCTION

This management's discussion and analysis ("MD&A") of the financial results and financial condition of Bridgemarq Real Estate Services Inc. for the three and six months ended June 30, 2021, has been prepared as at August 9, 2021. The three months ended June 30, 2021, shall be referred to in this MD&A as the "Quarter". The six-month period ended June 30, 2021 shall be referred as the "YTD". The comparative period of the three months ended June 30, 2020, shall be referred to in this MD&A as the "Prior Year Quarter". The comparative period for the six-months ended June 30, 2021 shall be referred as the "Prior Year Period". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 35.

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this document should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, and the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2021, each of which are prepared in accordance with IFRS. Additional information relating to the Company, including its 2020 Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.bridgemarq.com](http://www.bridgemarq.com).

This MD&A makes reference to Distributable Cash Flow and Distributable Cash Flow per Share, which are non-GAAP measures and do not have any standardized meaning under IFRS. Please see *Distributable Cash Flow reconciled to Cash Flow from Operations* for a reconciliation of Distributable Cash Flow to cash flow from operating activities in the interim condensed consolidated statements of cash flows and further information about Distributable Cash Flow.

# Management's Discussion and Analysis of Results and Financial Condition

## Highlights

The table below sets out selected historical information and other data for the Company.

- Revenues for the Quarter amounted to \$14.0 million, an increase of 22% over the Prior Year Quarter. While strong housing markets were the primary contributor to the improved revenues, the Company also benefitted from an increase in the number of REALTORS® in the Company Network.
- For the Quarter, the Company generated net earnings of \$0.9 million, compared to a net loss of \$9.2 million in the Prior Year Quarter. The change over the Prior Year Quarter was driven by a reduction in the loss on the fair valuation of the Company's Exchangeable Units of \$2.6 million compared to a loss of \$11.0 million in the Prior Year Quarter.
- Distributable Cash Flow for the Quarter was \$6.4 million or \$0.50 per Share, compared to Distributable Cash Flow of \$3.7 million or \$0.29 per share in the Prior Year Quarter. The increase in Distributable Cash Flow was driven by higher revenues and lower administration expenses, partly offset by higher management fee and higher income tax expenses.
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of \$0.1125 per Restricted Voting Share payable on September 30, 2021, to shareholders of record on August 31, 2021. This represents a targeted annual dividend of \$1.35 per Restricted Voting Share.

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed franchise fees	\$ 7,665	\$ 1,276	\$ 15,249	\$ 8,817
Variable franchise fees	4,806	8,467	8,551	11,086
Other revenue	1,481	1,651	3,251	2,613
Revenues	13,952	11,394	27,051	22,516
Cost of other revenue	(294)	(165)	(567)	(284)
Administration expenses	(90)	(174)	(142)	(829)
Management fees	(5,364)	(4,203)	(10,541)	(8,279)
Interest expense	(745)	(732)	(1,485)	(1,482)
Current income tax expense	(1,008)	(556)	(2,116)	(1,286)
Cash used in investing activities	(47)	(1,845)	(157)	(2,757)
Distributable Cash Flow	\$ 6,404	\$ 3,719	\$ 12,043	\$ 7,599
Dividends	\$ 3,201	\$ 3,201	\$ 6,402	\$ 6,402
Interest on Exchangeable Units	\$ 1,452	\$ 1,452	\$ 2,904	\$ 2,904
Net and comprehensive earnings (loss)	\$ 914	\$ (9,176)	\$ (1,622)	\$ 10,950
Number of REALTORS®	19,588	18,921	19,588	18,921
Net and comprehensive earnings (loss) per Share	\$ 0.10	\$ (0.97)	\$ (0.17)	\$ 0.31
Dividends per Restricted Voting Share	\$ 0.34	\$ 0.34	\$ 0.68	\$ 0.68
Interest on Exchangeable Units per Exchangeable Unit	\$ 0.44	\$ 0.44	\$ 0.87	\$ 0.87
Distributable Cash Flow, rolling twelve-month period ended June 30,			\$ 18,190	\$ 16,988
Distributable Cash Flow per Share, rolling twelve-month period ended June 30,			\$ 1.42	\$ 1.33

# Management's Discussion and Analysis of Results and Financial Condition

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In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus, specifically identified as "COVID-19". The outbreak resulted in governments enacting emergency measures to combat the spread of the virus through the remainder of 2020 and into 2021. Many of these measures are continuing and include the implementation of travel bans, self-imposed quarantine, curfews, limitations on social gatherings, mandated reductions in retail and other economic activities and social distancing. These measures caused material disruption to the Company's business for a portion of 2020.

In response to the impact of COVID-19 on our Franchisees, the Company introduced the Pandemic Fee Relief Plan (the "Relief Plan") which was implemented to provide the support that was necessary to preserve our network and the presence of our Brands at a time when we believed the business revenues of our Franchisees could drop to unprecedented levels in a short period of time. The Relief Plan is further discussed under *Business Strategy*.

Since June of 2020, real estate markets in Canada have been very strong, consistently setting records for both the selling price of homes and number of homes sold. While it appears that any negative impact of the pandemic on the Company's operations has lessened, management continues to closely evaluate the impact of COVID-19 and Canadian real estate markets in general on the Company's business. It is not possible to estimate the length and severity of these developments and the impact on the future financial results of the Company, despite the fact that case counts across Canada have declined and vaccinations have been approved in many countries and are being rapidly administered in Canada.

## Organization

Bridgemarq's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, Bridgemarq owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

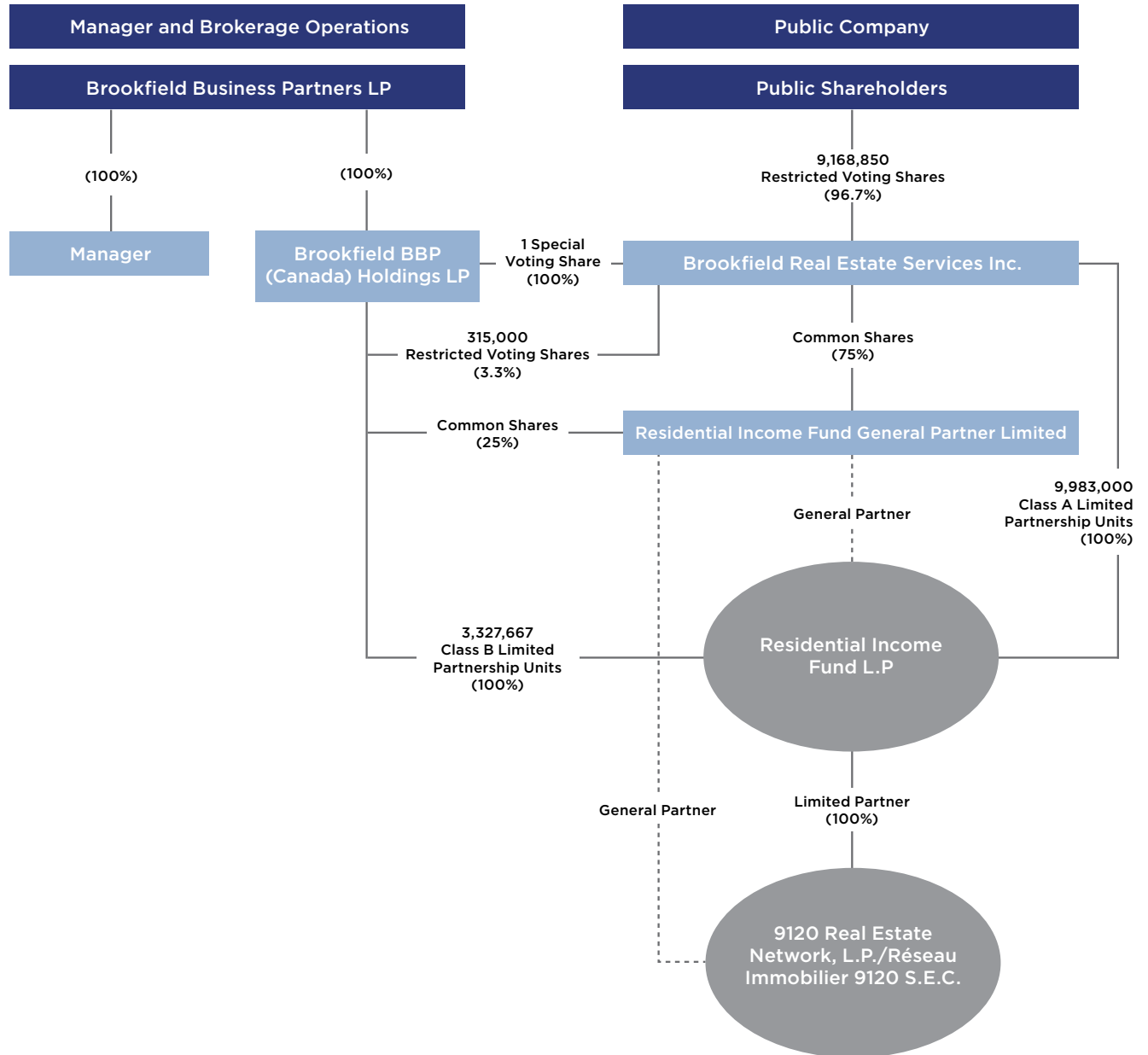
Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, Bridgemarq directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which Bridgemarq derives its revenue.

Brookfield owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units"), the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner and one Special Voting Share of Bridgemarq. The Special Voting Share entitles Brookfield to a number of votes at any meeting of the restricted voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates. In addition to its ownership of the Exchangeable Units, the common shares of the General Partner and the Special Voting Share, Brookfield indirectly owns 315,000 Restricted Voting Shares.

The Company receives certain management, administrative and support services from the Manager. Bridgemarq derives its revenue from franchise fees and other services it provides which are ancillary to the services it provides under Franchise Agreements with Franchisees.

# Management’s Discussion and Analysis of Results and Financial Condition

The ownership structure of the Company and the Manager is set out below:



# Management's Discussion and Analysis of Results and Financial Condition

## Business Strategy

The Company is a Canadian based real estate services firm that supplies REALTORS® with information, tools and services to assist them in providing efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate services Brands, each of which offers a unique value proposition, the Company caters to the diverse service requirements of regional real estate professionals, in virtually all significant population centres across Canada.

Bridgemarq's objective is to provide its shareholders with an investment vehicle that pays a substantial amount of its Distributable Cash Flow to its shareholders in the form of dividends. The Company's revenue is driven primarily by franchise fees derived from long-term Franchise Agreements. These franchise fees have historically been weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian Market.

In response to the measures taken by governments across Canada to combat the spread of COVID-19, the Company implemented the Pandemic Fee Relief Plan for its Franchisees. This temporary fee plan provided fee rebates to the Company's Franchisees to support them during an uncertain period at the start of the pandemic. In addition, for those Royal LePage Franchisees operating outside of Quebec who elected to participate in the Relief Plan, fixed franchise fees were suspended for the period from April 1, 2020 through December 31, 2020 and Franchisees were charged a higher variable franchise fee subject to a cap. In 2020, Franchisees, representing approximately 98% of the REALTORS® in the Company Network, who were eligible to participate in the Relief Plan elected to do so. Under the Relief Plan, approximately 82% of the Company Network paid only variable fees for the period from April 2020 to December 2020, subject to a cap. Effective January 1, 2021, all Franchisees reverted back to the traditional fee plan, which is weighted towards fees that are fixed in nature.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the manner in which the Company structures the contracted revenue streams, the success in attracting REALTORS® to the Company's Brands through their value propositions and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's 2020 Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com).

The Company seeks to increase its Distributable Cash Flow by increasing the number of REALTORS® in the Company Network through entering into Franchise Agreements and by attracting and retaining REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

## Management Services Agreement

The Company is party to a Management Services Agreement (the "MSA"), which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager. The MSA has a term of ten years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate the MSA no later than six months prior to expiry.

Under the terms of the MSA, the Company pays a monthly management fee to the Manager comprised of:

- a fixed management fee of \$840,000, plus
- a variable management fee equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the MSA) or 0.342% of the market value of the Restricted Voting Shares on a diluted basis for the first five years of the initial term of the MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter.

During the second quarter of 2020, the Company entered into an agreement with the Manager whereby the Company was permitted to defer payment of the monthly management fee payable under the MSA for the period from April, 2020 to December, 2020. Amounts deferred under this agreement are non-interest bearing and are due five years from the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units at the option of the Company.

# Management's Discussion and Analysis of Results and Financial Condition

As a result of the capitalization of certain Franchise Agreements and other contracts transferred to the Company upon entering into the MSA, a portion of future payments for management fees will be allocated toward reducing the Company's contract transfer obligation and associated interest expense, with the remainder charged to the Company's statement of net and comprehensive earnings.

## Company Revenues

As at June 30, 2021, the Company received franchise fees under 286 Franchise Agreements representing 19,588 REALTORS® operating from 663 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands operating collectively as the Company Network, with an approximate 16% share of the Canadian Market, based on 2020 transactional dollar volume.

The Company generates revenue from franchise fees with both fixed and variable components as well as other revenues. Fixed franchise fees represent fees that are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Approximately 55% of the Company's revenues for the Quarter (Prior Year Quarter - 12%) were derived from fixed franchise fees. Variable franchise fees represent franchise and other fees that are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Approximately 34% of the Company's revenues for the Quarter (Prior Year Quarter - 74%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of Franchise Agreements and include lead management fees received from Franchisees and fees for referral services paid by third parties. During the Quarter, other revenues represented 11% of total revenues (Prior Year Quarter - 14%).

In 2020, approximately 65% of the Company's annual franchise fees were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. This includes a portion of variable franchise fees which are effectively fixed in nature due to the fact that variable franchise fees are subject to a cap. The Company believes that the combination of a revenue stream based on the number of REALTORS® in the Network, increasing REALTOR® productivity and steady growth in the Canadian Market provides the base for strong and stable cash flows. A description of each type of revenue follows:

**Fixed Franchise Fees** are paid based on the number of REALTORS® in the Company Network. For the Quarter and YTD, fixed franchise fees from Royal LePage Franchisees consisted of a fixed monthly fee of \$133 per REALTOR®. For the Prior Year Quarter, fixed franchise fees were suspended under the Pandemic Fee Relief Plan for approximately 90% of the Royal LePage Network in favour of a higher variable fee, subject to a cap. Fixed fees from Via Capitale Franchisees consisted primarily of a fixed monthly fee of \$170 per REALTOR®. For those approximately 390 Royal LePage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of \$100 was paid to the Company during the Quarter and YTD.

Under the terms of the Relief Plan, Royal LePage Franchisees operating in Quebec received rebates equal to the monthly fixed franchise fee, of \$128 per REALTOR®, for March and April, 2020, while Via Capitale Franchisees received a rebate equal to \$150 for the month of April, 2020. These rebates amounted to a total rebate of \$0.6 million in the Prior Year Period.

**Variable Franchise Fees** are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of \$1,400 per year. Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® who are members of a Team pay fixed franchise fees. However, for the purposes of the \$1,400 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2020 under the Relief Plan, the variable fees associated with approximately 4,710 REALTORS® and 1,172 Teams (representing more than 3,600 REALTORS® that exceeded the cap accounted for approximately 37% of revenues.

## Management's Discussion and Analysis of Results and Financial Condition

Under the terms of the Relief Plan, fixed franchise fees were suspended during the Prior Year Quarter for those Franchisees operating outside of Quebec and variable franchise fees were increased to 3% of each REALTOR®'s Gross Revenues, subject to a cap of \$2,295 for the period from April 1, 2020 until December 31, 2020. If that REALTOR was a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue is 4.2% to a cap of \$3,213.

As part of the transition to the Relief Plan, the Company provided certain rebates to Franchisees based on individual REALTOR® production from January 1, 2020 to March 31, 2020. These rebates amounted to \$0.6 million in the Prior Year Quarter. Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network paid only variable franchise fees from April 1, 2020 through December 31, 2020.

**Other Revenues** consist of revenues earned for services provided to Franchisees and REALTORS® outside of the franchise fees earned under the Franchise Agreements. Other revenues include referral fees paid by financial institutions for mortgage referrals and fees earned from Franchisees who purchase customer leads from the Company.

### Overview of Second Quarter 2021 Operating Results

(Unaudited)  
(in 000's) except per Share amounts;  
Restricted Voting Shares outstanding;  
Exchangeable Units outstanding;  
Number of REALTORS®

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed franchise fees	\$ 7,665	\$ 1,276	\$ 15,249	\$ 8,817
Variable franchise fees	4,806	8,467	8,551	11,086
Other revenue	1,481	1,651	3,251	2,613
Revenues	13,952	11,394	27,051	22,516
Less:				
Cost of other revenue	294	165	567	284
Administration expenses	90	174	142	829
Management fees	5,364	4,203	10,541	8,279
Interest expense	745	732	1,485	1,482
	\$ 7,459	\$ 6,120	\$ 14,316	\$ 11,642
Impairment and write-off of intangible assets	-	(113)	-	(283)
Amortization of intangible assets	(1,913)	(2,198)	(3,864)	(4,447)
Interest expense on Exchangeable Units	(1,452)	(1,452)	(2,904)	(2,904)
Gain (loss) on fair value of Exchangeable Units	(2,529)	(11,048)	(7,887)	9,883
Gain (loss) on interest rate swap	380	(211)	945	(2,546)
Gain on deferred payments	-	881	-	881
Current income tax expense	(1,008)	(556)	(2,116)	(1,286)
Deferred income tax recovery (expense)	(23)	(599)	(112)	10
Net and comprehensive earnings (loss)	\$ 914	\$ (9,176)	\$ (1,622)	\$ 10,950
Basic earnings (loss) per Restricted Voting Share	\$ 0.10	\$ (0.97)	\$ (0.17)	\$ 1.15
Diluted earnings (loss) per Share	\$ 0.10	\$ (0.97)	\$ (0.17)	\$ 0.31
Dividends paid per Restricted Voting Share	\$ 0.34	\$ 0.34	\$ 0.68	\$ 0.68
Interest expense per Exchangeable Unit	\$ 0.44	\$ 0.44	\$ 0.87	\$ 0.87
Restricted Voting Shares outstanding	9,483,850	9,483,850	9,483,850	9,483,850
Exchangeable Units outstanding	3,327,667	3,327,667	3,327,667	3,327,667
Number of REALTORS®	19,588	18,921	19,588	18,921

(in 000's)  
As at

	June 30, 2021	December 31, 2020
Total assets	\$ 85,730	\$ 88,959
Total liabilities	\$ 142,193	\$ 137,398



# Management's Discussion and Analysis of Results and Financial Condition

## VARIATION OF OPERATING RESULTS FOR THE QUARTER COMPARED TO THE PRIOR YEAR QUARTER

### Revenues:

Revenues have increased compared to the Prior Year Quarter as a result of an increase in agent count as well as stronger real estate markets across Canada. Real estate markets were negatively impacted by the pandemic in the Prior Year Quarter.

### Net Earnings:

For the Quarter, the Company generated net earnings of \$0.9 million or \$0.10 per Share, compared to a net loss of \$9.2 million or \$0.97 per Share in the Prior Year Quarter.

The primary drivers of the increase in net earnings compared to the Prior Year Quarter were:

- A \$2.5 million loss on the fair valuation of the Exchangeable Units compared to a loss of \$11.0 million in the Prior Year Quarter
- A \$2.6 million increase in revenue as a result of the increase in agent count and stronger real estate markets;
- A \$0.4 million gain on the fair value of the interest rate swap compared to a loss of \$0.2 million in the Prior Year Quarter; and
- A \$0.3 million decrease in amortization expense due to a number of intangible assets being fully amortized during 2020; partly offset by
- A \$1.2 million increase in management fees as a result of higher revenues; and

### Total Assets:

Total assets decreased by \$3.2 million in the YTD. The main drivers of the net decrease were as follows:

- A \$4.0 million decrease in the carrying value of intangible assets, driven by amortization expense recorded in the YTD;
- A \$0.6 million reduction in income taxes receivable due to tax refunds received during the Quarter; and
- A \$0.5 million reduction in cash balances; partly offset by
- A \$2.1 million increase in accounts receivable due to higher revenues in the Quarter compared to the fourth quarter of 2020.

### Total Liabilities:

Total liabilities increased by \$4.8 million in the YTD. The main drivers of the net increase were as follows:

- A \$7.9 million increase in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under First Quarter Operating Results and Cash Flows - Loss on fair value of Exchangeable Units); partly offset by;
- A \$2.5 million decrease in debt facilities due to a repayment during the Quarter; and
- A \$0.9 million decrease in the interest rate swap liability.

## DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on the Restricted Voting Shares were \$0.34 per share in the Quarter, consistent with the Prior Year Quarter.

Interest on Exchangeable Units also remained consistent with the Prior Year Quarter.

# Management's Discussion and Analysis of Results and Financial Condition

## Key Performance Drivers

Key performance drivers of the Company's business include:

1. The stability of the Company's revenue streams;
2. The number of REALTORS® in the Company Network;
3. Transaction dollar volumes;
4. REALTOR® Productivity; and
5. Products and services offered to REALTORS®.

## STABILITY OF THE COMPANY'S REVENUE STREAMS

The stability of the Company's revenue streams is derived from a number of factors, including the fixed-fee structure of the Company's franchise fees, the ability to increase franchise fees under the terms of the Franchise Agreements, the geographic distribution of the Company Network, and the length and renewal of the Franchise Agreements owned by the Company.

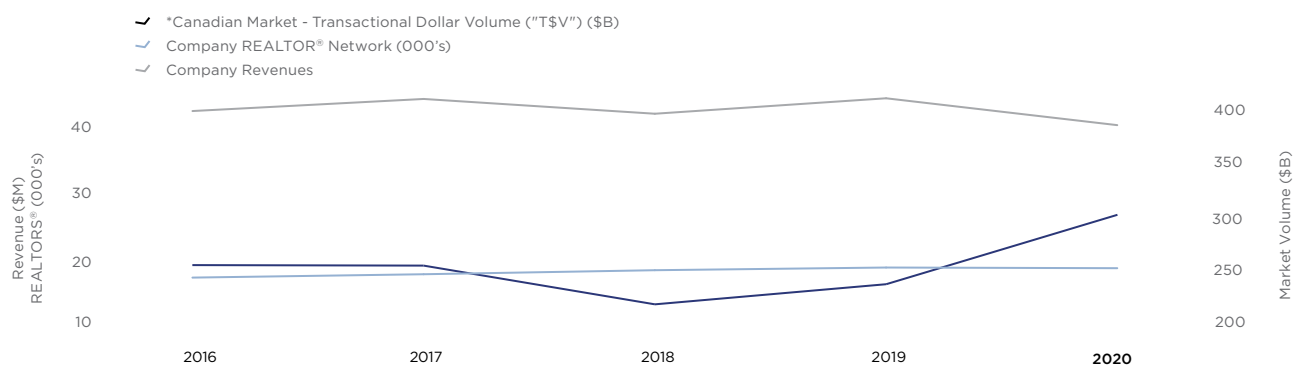
### FIXED - FEE STRUCTURE

The Company estimates that for 2020, approximately 65% of its revenues were fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company's variable franchise fees were effectively fixed in nature.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees were subject to an annual cap of \$1,400 per REALTOR® or Team of REALTORS® prior to April 1, 2020. For the period from April 1, 2020 to December 31, 2020, variable franchise fees were subject to a cap of \$2,295 per REALTOR® (\$3,213 per REALTOR® who participated in the Royal LePage commercial program) or \$1,200 per Team member. For those REALTORS® or Teams who reach the relevant cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team does not change based on changes in the Canadian Market.

The chart below compares the Company's annual revenues to the Canadian Market and the underlying number of REALTORS® in the Company Network. The quarterly rolling twelve month changes in the Company's revenues and the Canadian Market is shown under "Transactional Dollar Volumes" on page 12.

## REVENUES, MARKET AND REALTOR® TRENDS



\*Source: Canadian Real Estate Association ("CREA")

## INCREASE IN FEES

Under the terms of the Franchise Agreements, the Company is permitted to increase the franchise fees it charges based on changes in the Canadian consumer price index.

In 2020, the Company implemented an increase in the monthly fixed franchise fees paid by Royal LePage and Johnston & Daniel Franchisees from \$128 to \$133 per REALTOR® and increased in the maximum annual variable franchise fee payable under its standard fee plan based on 1% of each REALTOR®'s or Team's Gross Revenue from \$1,350 to \$1,400 effective.

The impact of the increase in fees was not fully realized in 2020 as a result of the implementation of the Relief Plan in April 2020. Effective January 1, 2021, all Franchisees have reverted back to the standard fee plan which is biased towards fixed franchise fees.

# Management's Discussion and Analysis of Results and Financial Condition

## GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at June 30, 2021, the Company Network of 19,588 REALTORS® operated through 286 Franchise Agreements, providing services to 663 locations across the country. Of the Brokerages in the Company Network, approximately 55% operate with fewer than 50 REALTORS® and represent 15% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has more than 1,700 REALTORS®.

The Company Network is geographically dispersed. As compared to the distribution of REALTORS® across Canada, the Company is focused on growing the Company Network in all regions of Canada.

As at Jun 30, 2021	Canadian <sup>1</sup> REALTOR® Population	Company REALTOR® Population
Ontario	60%	59%
British Columbia	17%	12%
Quebec	10%	16%
Alberta	8%	5%
Maritimes	3%	4%
Prairies	2%	4%
Total	100%	100%

<sup>1</sup> Source: CREA

## FRANCHISE AGREEMENTS

Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the Franchise Agreement.

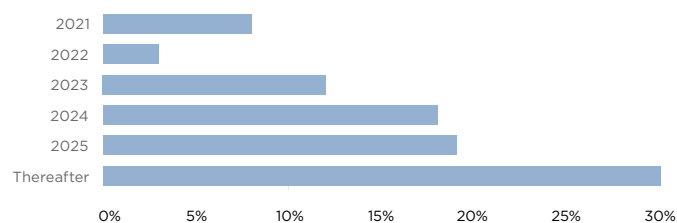
The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms a further ten years in advance of renewal dates when opportunities present themselves.

The Via Capitale Franchise Agreements, which represent 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

A summary of the Company's agreement renewal profiles as at June 30, 2021 for the Company Network is shown below.

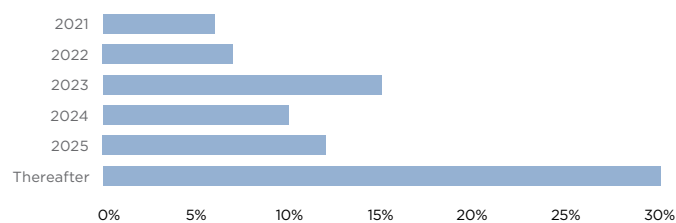
### % OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of REALTORS®)



### % OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agreements)



# Management's Discussion and Analysis of Results and Financial Condition

## RENEWALS

The Company has historically been able to achieve renewal success in more than 98% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those agreements. Due to the ongoing success of the Company's Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, one Franchise Agreements, representing 8 REALTORS®, extended their term or renewed, and 5 Franchise Agreements, representing 214 REALTORS®, renewed early.

During the Prior Year Quarter, two Franchise Agreements, representing 94 REALTORS®, extended their term or renewed.

During the Quarter, one Franchise Agreement was terminated as a result of Franchisees merging operations and remaining a part of the Company Network.

During the Prior Year Quarter, one Franchise Agreements was terminated as a result of Franchisees merging operations.

## NUMBER OF REALTORS® IN THE COMPANY NETWORK

For the YTD, the Company Network of 19,588 REALTORS® increased by 542 REALTORS® compared to a net decrease of 190 REALTORS® in the Prior Year Period.

	2016	2017	2018	2019	2020	2021 <sup>2</sup>
Company Network						
Opening REALTOR® Count	16,794	17,580	18,135	18,725	19,111	19,046
Net REALTOR® growth (attrition) for the period	786	555	590	386	(65)	542
Closing REALTOR® Count	17,580	18,135	18,725	19,111	19,046	19,588
% Change in the period	5%	3%	3%	2%	0%	3%

	2016	2017	2018	2019	2020	2021
Canadian REALTOR® Population <sup>1</sup>						
CREA REALTOR® Membership	121,212	125,316	129,752	133,242	134,803	140,331
% Change in the period	6%	3%	4%	3%	1%	4%

<sup>1</sup> Source: CREA, CREA Membership data as of June 30, 2021 not available as of MDA date

<sup>2</sup> As at June 30, 2021

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. The number of REALTORS® in the Company Network increases when the Company enters into new Franchise Agreements with Franchisees and when our existing Franchisees are successful in increasing the number of REALTORS® at their Brokerage.

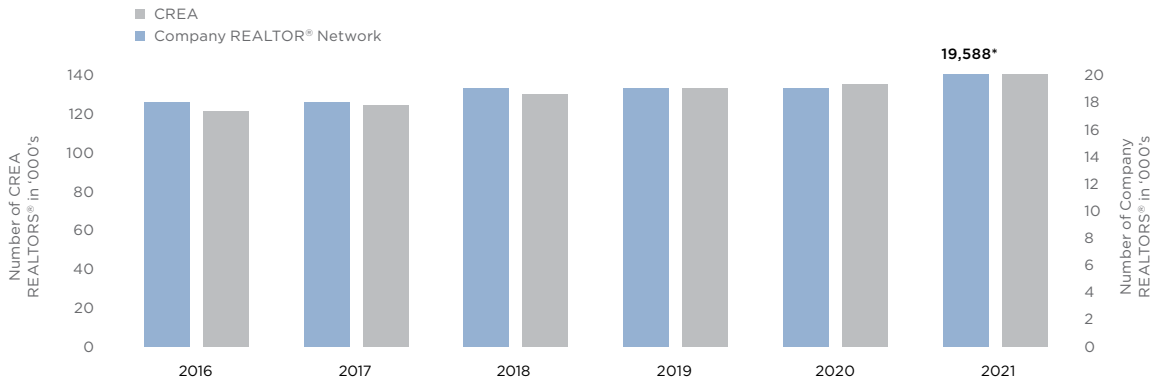
Since January 1, 2016, the Company Network has grown by 16% from 16,794 REALTORS® to 19,588 at June 30, 2021. Growth in the Company Network slowed in 2020 primarily due to the pandemic.

During the YTD, the Company's REALTOR® count grew by 542. This growth included the addition of one new Franchisee in southern Ontario who converted to Royal LePage from a competitor with 34 REALTORS®. The remainder of the growth was due primarily to successful recruitment efforts at our existing Franchisees.

# Management’s Discussion and Analysis of Results and Financial Condition

## CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)

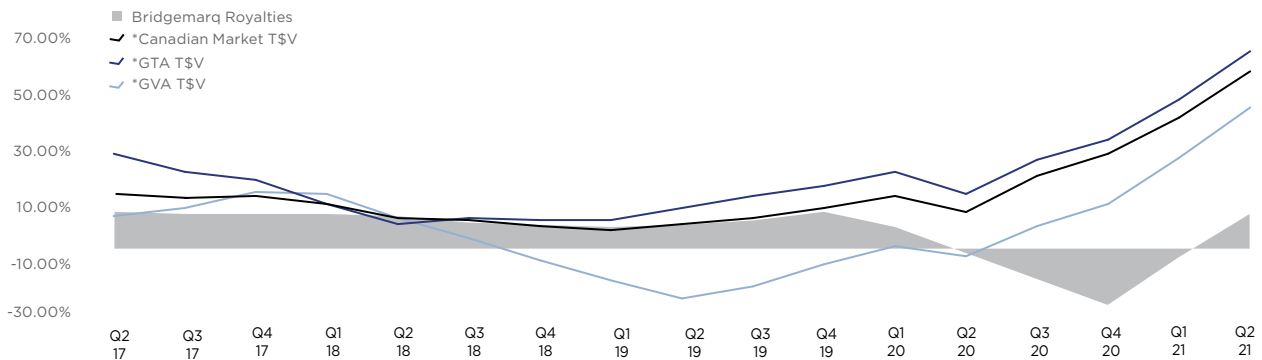


\* As at June 30, 2021

## TRANSACTIONAL DOLLAR VOLUMES

The chart below shows the cumulative growth in the Canadian Market and select urban markets as compared to the growth in the Company’s revenues since the first quarter of 2017.

### QUARTERLY ROLLING TWELVE-MONTH % CHANGE



\*Source: CREA

Transactional dollar volume of real estate in Canada began to decline nationally during the first quarter of 2017 as real estate values and volumes weakened. This downward trend continued until the first quarter of 2019 when the GTA showed its first year-over-year quarterly improvement in twelve months. This momentum continued into the second quarter of 2019 when the GVA market came off of 30-year lows. After four consecutive quarters of growth in transaction dollar volume, home sale volumes fell dramatically in the face of government actions to combat the spread of COVID-19 during the second quarter of 2020. However, during the last half of 2020, and into 2021, activity across Canada rebounded dramatically (to record levels in many markets) as pent up demand, low interest rates, changing work and commuting patterns, increasing requirements for people to work from home and other factors increased the demand for housing. The Company’s revenues however fell during the fourth quarter of 2020 compared to the fourth quarter of 2019 as a result of revenues being capped under the Relief Plan. Upon expiry of the Relief Plan, the Company’s revenues rebounded and improved by 20% during the YTD compared to the Prior Year Period.

During the Quarter, the Canadian Market closed up 153%, at \$141.7 billion, as compared to the Prior Year Quarter at \$ 55.9 billion. The increase in transaction dollar volume was driven by a 53% increase in units sold and a 27% increase in price.

During the Quarter, the GTA market closed up 179%, at \$40.1 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 21% increase in price and 127% increase in units sold.

# Management's Discussion and Analysis of Results and Financial Condition

During the Quarter, the GVA market closed up 195%, at \$15.8 billion, as compared to the Prior Year Quarter, driven by a 12% increase in price and a 157% increase in units sold.

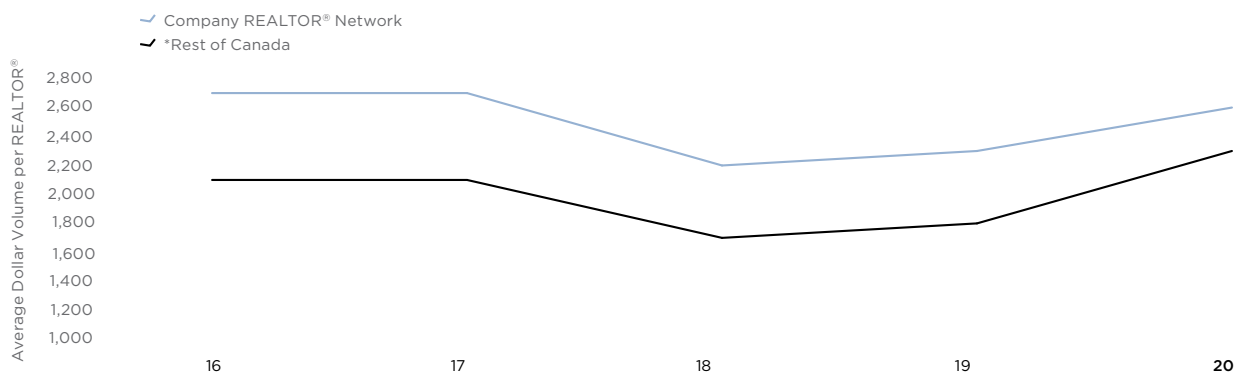
During the Quarter, the Greater Montreal Area market closed up 104%, at \$8.8 billion, as compared to the Prior Year Quarter, driven by a 18% increase in selling price and a 60% increase in units sold.

## REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately \$2.6 million in transactional dollar volume for the twelve months ended December 31, 2020, compared to an estimated \$2.3 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. Management believes that the higher productivity of the Company's Network of REALTORS®, makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® for the past five calendar years is summarized in the chart below.

### CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

(Average T\$V per REALTOR®, in '000 of Canadian dollars)



\*Source: CREA

## PRODUCTS AND SERVICES OFFERED TO REALTORS®

The Company provides a broad array of innovative products and services to Franchisees and their REALTORS®. Most of these products and services are provided in exchange for the franchise fees paid by our Franchisees. These include, among others, the use of our real estate Brands to promote their businesses, use of and access to internal and external communication tools including our websites and intranets, education and learning services, recruiting support, business development coaching and consulting and access to fully integrated technology tools to help them manage their business.

In addition to those products and services, the Company provides additional services which are useful to REALTORS® and Franchisees but are not provided under the Franchise Agreements. These include, access to branded promotional materials including office supplies and clothing, a lead referral service and mortgage referral services on behalf of certain financial institutions. Certain of these products and services provide incremental revenue to the Company.

The Manager, on behalf of the Company, invests in new products, tools and services to assist Franchisees in managing their businesses. In the Quarter, the Manager launched the Royal LePage blog. This consumer-facing website focuses on real estate markets, buying and selling, home improvement and lifestyle content. The Manager also refreshed and enhanced the Royal LePage industry-facing blog, Leading Edge, with a new design that positions the brand as a leader in real estate services technology and supports recruitment efforts.

# Management's Discussion and Analysis of Results and Financial Condition

The Johnston & Daniel brand unveiled an enhanced international marketing program. With the addition of its newest partner, J&D Global now offers more premium digital exposure including top tier international news outlets. Currently, J&D Global generates more than half a billion page views for listings over \$1 million in 133 global markets across 23 countries.

The Via Capitale brand entered into an agreement with a Montreal-based mortgage firm to give clients access to improved insurance products and more competitive residential and commercial financing.

## The Canadian Residential Real Estate Market

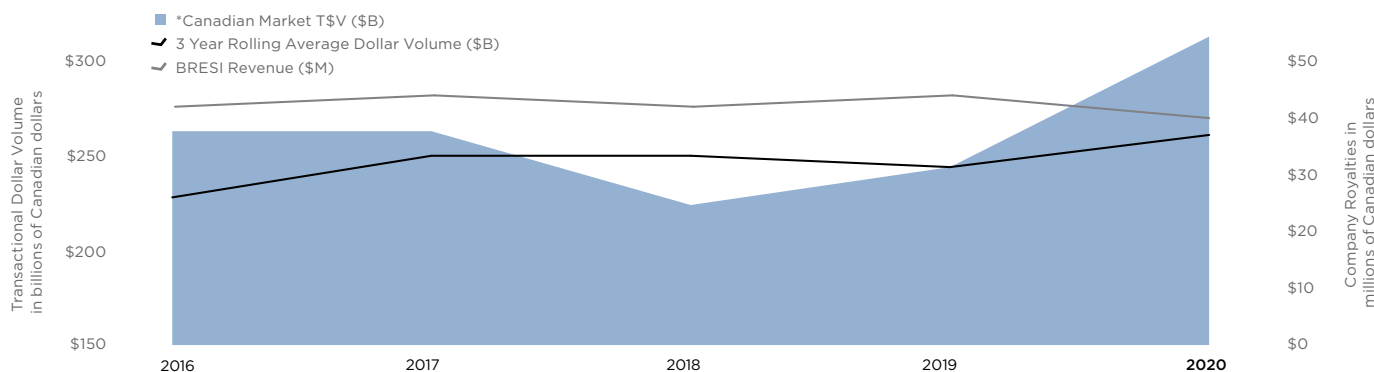
Low interest rates and the desire for more living space drove the strong demand that characterized the second half of 2020 and the first quarter of 2021. While these factors remain, demand did begin to moderate in the second quarter of the year as some potential buyers were priced out of the market by rapidly rising home prices. While demand calmed to a more sustainable pace, it continued to outstrip supply and home prices rose, albeit at a moderating rate.

Housing market activity is expected to remain strong in the months ahead due in part to surging immigration and the return of rental demand. In October 2020, the federal government announced that it would accept over 1.2 million immigrants in the 2021 to 2023 time period. Company research reveals that new Canadians tend to rent homes during their first three years in the country. Add to this housing demand from numerous sectors, including employment recovery in travel, tourism and hospitality, and the return of in-person classes at universities and colleges, meaning both domestic and foreign students will be looking for places to live. This could revitalize the investor segment and support rising condominium prices. Buyers who paused their search due to lack of supply or other reasons are also expected to return to the market as the fierce competition for listed homes eases.

There remains a concern that if a new wave of COVID-19 infections occurs, it could impact the economy and employment, slowing housing demand.

## TRANSACTION DOLLAR VOLUME - CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2016-2020)



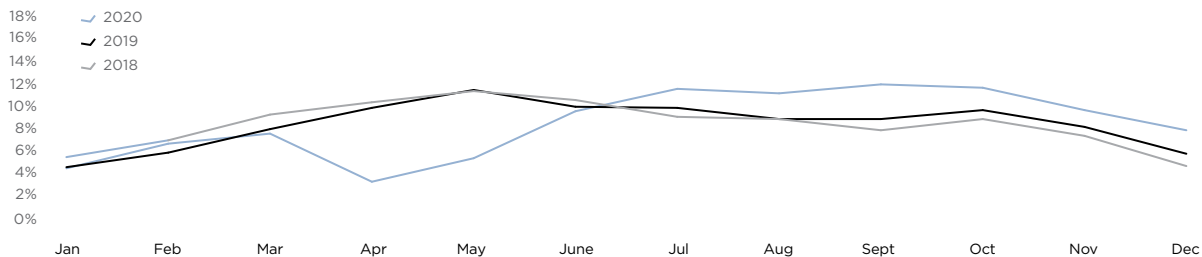
\*Source: CREA

The Company's revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company's revenues. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

# Management's Discussion and Analysis of Results and Financial Condition

## CANADIAN RESIDENTIAL REAL ESTATE MARKET

(\*% Canadian Market T\$V by month)



\*Source: CREA

In the chart above, we can see that historical seasonality patterns for the Canadian Market did not hold true for 2020, primarily due to the pandemic. Government restrictions around social interaction and travel and economic uncertainty emerged in March 2020, contributing to the Canadian Market experiencing its largest ever year-over-year declines in April and May, 2020. From May, 2020 through December, 2020, real estate markets were very strong with many Canadian markets experiencing all-time monthly highs during this period, as low interest rates, pent-up demand and changing work-from-home patterns emerged.

## Canadian Market Outlook

A summary of key commentary on the Canadian Market, as reported by the Canadian Real Estate Association ("CREA"), the Toronto Real Estate Board ("TREB") and the Bank of Canada ("BoC") follows:

**From CREA<sup>1</sup>:** On June 15, 2021, CREA updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate boards and associations.

Over the past several years, record levels of international immigration (not including 2020), low interest rates, and an increasingly middle-aged Millennial cohort have combined to fuel very strong household formation and housing demand in Canada. Recall that prior to COVID-19, the number of available listings nationally was already at a 14-year low and the national number of months of inventory on the eve of the lockdowns had fallen to below 4 months (seller's market territory).

COVID-19 supercharged trends that were already present, with even stronger first-time home buying activity teaming up with a surge in existing owners choosing to pull up stakes and move to find the right place to ride out the pandemic. This served to drive prices sharply higher while supply fell further to reach all-time lows. That said, with vaccination now well underway, the urgency with which so many sought out housing over the last year appears to be fading and the market is settling down, albeit from a very high starting point.

The mass vaccination of society and reopening of our lives and economies along with the associated migration and international immigration introduce a considerable amount of uncertainty to the outlook over the balance of 2021 and into 2022. Still, it is hard to see how these factors will not act as tailwinds to both housing demand and prices, particularly as inventories are still stuck at record lows.

Current trends and the outlook for housing market fundamentals suggest activity will remain strong through 2021, resulting in a record number of sales this year despite the slowdown that began in April. Over time, activity is forecast to continue returning towards more typical levels. As a result, 2022 is expected to see significantly fewer MLS® transactions than in 2021 while nonetheless still marking the second-best year on record.

Some 682,900 properties are forecast to trade hands via Canadian MLS® systems in 2021. This would be a record-setting result, and an increase of 23.8% over 2020. The strength of demand in 2021 has been geographically broad-based and CREA anticipates double-digit sales growth in every province with the exception of Quebec, where the second half of 2020 was comparatively stronger than the first five months of 2021.

<sup>1</sup> Source: Housing activity forecast to continue easing over the second half of 2021 and into 2022, published June 15, 2021



# Management's Discussion and Analysis of Results and Financial Condition

The national average home price is forecast to rise by 19.3% on an annual basis to just over \$677,775 in 2021. This reflects the current unprecedented imbalance of supply and demand, currently close to 2 months of inventory nationally. While market conditions have eased a little in recent months, they nonetheless continue to favour sellers to some extent in virtually all local markets.

On a monthly and quarterly basis, sales are forecast to continue trending back towards more typical levels through the latter half of 2021 and into 2022. Limited supply and higher prices are expected to tap the brakes on activity in 2022 compared to 2021, although increased churn in resale markets resulting from the COVID-related shake-up to so many people's lives may continue to boost activity above what was normal before COVID-19. Indeed, it is possible that many of the moves associated with changes related to remote work won't play out until further down the road when we have more certainty about what the future will look like post-COVID.

National home sales are forecast to fall by 13% to around 594,000 units in 2022. This easing trend is expected to play out across Canada with buyers facing both higher prices and a lack of available supply, while at the same time the urgency to purchase a home base to ride out the pandemic continues to fade alongside the virus itself.

Sales declines are forecast to be largest in B.C. and Ontario, resulting in a "Simpson's Paradox" in the average price whereby every province is forecast to post a larger year-over-year increase than the one at the national level due to the compositional shift in sales away from the most expensive provincial markets. The national average price is forecast to edge up by just 0.6% to \$681,500 in 2022.

**From TREB<sup>2</sup>:** On July 6, 2021, TRREB published an update to their forecast for 2021.

TRREB released its initial forecast for 2021 at the beginning of February in conjunction with its annual Market Year in Review and Outlook report. The outlook for 2021 called for 105,000 transactions reported through TRREB's MLS<sup>®</sup> System with an average selling price of \$1,025,000.

The reasoning underlying the sales forecast was that an improving regional economy and very low borrowing costs would continue to fuel strong demand, but this demand would ebb somewhat in 2021 because of stalled population growth due to pandemic-related border closures. While sales do appear to have peaked this year and TRREB is no longer reporting record months in terms of home sales, first quarter activity was higher than expected. March home sales, at over 15,000, represented an all-time monthly record.

Taking into account the record Q1 2021 sales result, but still accounting for sales trending below record levels for the remainder of this year, TRREB is revising its 2021 sales forecast upward to 115,000 transactions. With year-over-year sales growth continuing to outpace new listings growth, the forecast average selling price has also been revised upward to \$1,070,000.

"Home sales soared at the start of the year, with a huge sales record in the first quarter. However, the record pace of sales has run its course as pent-up demand has increasingly been satisfied in the absence of normal population growth. With this said, a persistent lack of inventory across most segments of the market will keep competition between buyers strong, resulting in an average selling price well above \$1 million through the end of 2021," said TRREB Chief Market Analyst Jason Mercer.

**From the BoC<sup>3</sup>:** On July 14, 2021, the Bank of Canada announced it was holding its target for the overnight rate at the effective lower bound of 0 percent, with the Bank Rate at 0 percent and the deposit rate at 0 percent. The Bank is maintaining its extraordinary forward guidance on the path for the overnight rate. This is reinforced and supplemented by the Bank's quantitative easing (QE) program, which is being adjusted to a target pace of \$2 billion per week. This adjustment reflects continued progress towards recovery and the Bank's increased confidence in the strength of the Canadian economic outlook.

The global economy is recovering strongly from the COVID-19 pandemic, with continued progress on vaccinations, particularly in advanced economies. However, the recovery is still highly uneven and remains dependent on the course of the virus. The recent spread of new COVID-19 variants is a growing concern, especially for regions where vaccination rates remain low.

<sup>2</sup> Source: TREB Updates its sales forecast and average list price upwards, published July 6, 2021

<sup>3</sup> Source: BoC press release published July 14, 2021

## Management's Discussion and Analysis of Results and Financial Condition

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Global GDP growth is expected to reach 7 percent this year and then moderate to about 4 ½ percent in 2022 and just over 3 percent in 2023. This is a slightly stronger forecast than the one in the Bank's April Monetary Policy Report (MPR) and primarily reflects a stronger US outlook. Global financial conditions remain highly accommodative. Rising demand is supporting higher oil prices, while non-energy commodity prices remain elevated. The Canada-US exchange rate is little changed since April.

In Canada, the third wave of the virus slowed growth in the second quarter. However, falling COVID-19 cases, progress on vaccinations and easing containment restrictions all point to a strong pickup in the second half of this year. The Bank now expects GDP growth of around 6 percent in 2021 – a little slower than was expected in April – but has revised up its 2022 forecast to 4 ½ percent and projects 3 ½ percent growth in 2023.

Consumption is expected to lead the recovery as households return to more normal spending patterns, while housing market activity is projected to ease back from historical highs. Stronger international demand should underpin a solid recovery in exports. As domestic and foreign demand increases and confidence improves, business investment will gain strength. Employment has once again begun to rebound, and we expect the hardest-hit segments of the labour market to post strong gains as the economy re-opens. However, the pace of the recovery will vary among industries and workers, and it could take some time to hire workers with the right skills to fill jobs. The aftermath of lockdowns and ongoing structural changes in the economy both mean that estimates of potential output and when the output gap will close are particularly uncertain.

CPI inflation was 3.6 percent in May, boosted by temporary factors that include base-year effects and stronger gasoline prices, as well as pandemic-related bottlenecks as economies re-open. Core measures of inflation have also risen but by less than the CPI. In some high-contact services, demand is rebounding faster than supply, pushing up prices from low levels. Transitory supply constraints in shipping and value chain disruptions for semiconductors are also translating into higher prices for cars and some other goods. With higher gasoline prices and on-going supply bottlenecks, inflation is likely to remain above 3 percent through the second half of this year and ease back toward 2 percent in 2022, as short-run imbalances diminish and the considerable overall slack in the economy pulls inflation lower. The factors pushing up inflation are transitory, but their persistence and magnitude are uncertain and will be monitored closely.

The Governing Council judges that the Canadian economy still has considerable excess capacity, and that the recovery continues to require extraordinary monetary policy support. [The Bank] remain(s) committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank's July projection, this happens sometime in the second half of 2022. The Bank's QE program continues to reinforce this commitment and keep interest rates low across the yield curve. Decisions regarding further adjustments to the pace of net bond purchases will be guided by Governing Council's ongoing assessment of the strength and durability of the recovery. We will continue to provide the appropriate degree of monetary policy stimulus to support the recovery and achieve the inflation objective.

# Management's Discussion and Analysis of Results and Financial Condition

## Second Quarter Operating Results and Cash Flows

(Unaudited) (in 000's) except per Share amounts and Number of REALTORS®;	Three months June 30, ended 2021	Three months June 30, ended 2020	Six months June 30, ended 2021	Six months June 30, ended 2020
Revenues				
Fixed franchise fees	\$ 7,665	\$ 1,276	\$ 15,249	\$ 8,817
Variable franchise fees	4,806	8,467	8,551	11,086
Other revenue	1,481	1,651	3,251	2,613
	<b>13,952</b>	11,394	<b>27,051</b>	22,516
Less:				
Cost of other revenue	294	165	567	284
Administration expenses	90	174	142	829
Management fees	5,364	4,203	10,541	8,279
Interest expense	745	732	1,485	1,482
	<b>\$ 7,459</b>	\$ 6,120	<b>\$ 14,316</b>	\$ 11,642
Impairment and write-off of intangible assets	-	(113)	-	(283)
Amortization of intangible assets	(1,913)	(2,198)	(3,864)	(4,447)
Interest on Exchangeable Units	(1,452)	(1,452)	(2,904)	(2,904)
Gain (loss) on fair value of Exchangeable Units	(2,529)	(11,048)	(7,887)	9,883
Gain (loss) on interest rate swap	380	(211)	945	(2,546)
Gain on deferred payments	-	881	-	881
Earnings (loss) before income taxes	<b>\$ 1,945</b>	\$ (8,021)	<b>\$ 606</b>	\$ 12,226
Current income tax expense	1,008	556	2,116	1,286
Deferred income tax expense	23	599	112	(10)
Net and comprehensive earnings (loss)	<b>\$ 914</b>	\$ (9,176)	<b>\$ (1,622)</b>	\$ 10,950
Basic earnings (loss) per Restricted Voting Share	<b>\$ 0.10</b>	\$ (0.97)	<b>\$ (0.17)</b>	\$ 1.15
Diluted earnings (loss) per Share	<b>\$ 0.10</b>	\$ (0.97)	<b>\$ (0.17)</b>	\$ 0.31
Number of REALTORS®	<b>19,588</b>	18,921	<b>19,588</b>	18,921

### Cash Flow Information (in 000's)

Cash provided by (used for):				
Operating activities	\$ 5,291	\$ 10,485	\$ 8,511	\$ 13,375
Investing activities	(47)	(1,845)	(157)	(2,757)
Financing activities	(5,701)	(3,201)	(8,902)	(6,402)

## SECOND QUARTER OPERATING RESULTS AND CASH FLOWS

During the Quarter, the Company generated a net loss of \$0.9 million and cash provided by operating activities of \$5.3 million, as compared to a net loss of \$9.2 million and cash provided by operating activities of \$10.5 million in the Prior Year Quarter.

**Revenues** for the Quarter totaled \$14.0 million, compared to \$11.4 million for the Prior Year Quarter. Fixed franchise fees represented 55% of revenues for the Quarter (Prior Year Quarter - 11%). Revenues increased due to an increase in agent count, the expiry of the Relief Plan on January 1, 2021 and an improvement in the Canadian Market.

**Fixed franchise fees** for the Quarter increased by 500% as compared to the Prior Year Quarter, due to the expiry of the Relief Plan, which suspended fixed fees and charged increased variable fees for approximately 82% of the company network for the period from April 1 to December 31, 2020. The increase is also due to an increase in the number of agents in the network.

**Variable franchise fees** for the Quarter decreased by 43% compared to the Prior Year Quarter as a result of the expiry of the Relief Plan, partially offset by significantly stronger real estate markets.

## Management's Discussion and Analysis of Results and Financial Condition

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**Other Revenues** for the Quarter decreased by 10% compared to the Prior Year Quarter due to a one-time increase in mortgage referral programs in Quebec in the Prior Year Quarter as a result of the transition to new regulations.

**Cost of other revenue** represents the direct costs associated with lead management referrals and other revenues.

**Administration expenses** for the Quarter decreased by 48% due to a recovery of bad debt expense of \$0.2 million in the Quarter compared to a recovery of bad debt expense of \$0.1 million in the Prior Year Quarter.

**Management fee expense** was \$5.4 million for the Quarter, which was 28% higher than the Prior Year Quarter due to higher revenues and a reduction in the portion of management fee payments allocated to the amortization of the contract transfer obligation.

**Interest expense** of \$0.7 million was consistent compared to the Prior Year Quarter due to the interest accretion on deferred payments being substantially offset by the benefit of lower interest rates.

**Amortization of Intangible Assets** for the Quarter totaled \$1.9 million, a decrease of \$0.3 million compared to the Prior Year Quarter as a result of a number of intangible assets becoming fully amortized in 2020.

**Interest on Exchangeable Units** represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to \$0.44 per Exchangeable Unit, unchanged from the Prior Year Quarter. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

**Gain on fair value of Exchangeable Units** represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At June 30, 2021, the Company's Restricted Voting Shares were valued at \$17.17 per share up from \$16.41 at March 31, 2021, resulting in a loss in the Quarter of \$2.5 million. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares increased from \$8.43 per share at March 31, 2020 to \$11.75 per share at June 30, 2020 resulting in a loss of \$11.0 million for the Prior Year Quarter.

**Gain on interest rate swap** of \$0.4 million is a non-cash item which represents the change in fair value of the Company's interest rate swap which swaps the variable interest rate obligation on \$55.0 million of the Company's outstanding debt facilities to a fixed rate of 3.94% through December 31, 2023.

**Income Tax Expense** The effective income tax rate for the Quarter was 53% (Prior Year Quarter – greater than 100%). The Company's effective income tax rate is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income (including, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, interest expense on accretion of deferred payments and losses associated with the interest rate swaps.) as well as items that are excluded from the determination of net earnings but included in the determination of taxable income (including, payments associated with the contract transfer obligation).

**Cash provided by operating activities** decreased by \$5.2 million compared to the Prior Year Quarter as result of higher management fees, higher income tax payments, a decrease in non-cash working capital in the Prior Year Quarter and deferral payments of management fees and interest on Exchangeable Units in the Prior Year Quarter, partly offset by higher revenues.

**Cash used in investing activities** decreased by \$1.8 million as a result of rebates provided under the Relief Plan in the Prior Year Quarter and a reduction in the amount of management fees allocated to repayment of the contract transfer obligation.

**Cash used for financing activities** increased by \$2.5 million due to a debt repayment in the Quarter. Dividends paid to shareholders were consistent with the Prior Year Quarter.

# Management's Discussion and Analysis of Results and Financial Condition

## YEAR TO DATE OPERATING RESULTS AND CASH FLOWS

For the YTD, the Company incurred a net loss of \$1.6 million compared to net earnings of \$11.0 million in the Prior Year Period.

**Revenues** for the YTD totaled \$27.1 million, compared to \$22.5 million for the Prior Year Period. Fixed franchise fees represented 56% of revenues for the YTD (Prior Year Period - 39%). Variable franchise fees represented 32% of revenues for the YTD (Prior Year Period - 49%). Revenues increased due to an increase in agent count, the expiry of the Relief Plan on January 1, 2021 and an improvement in the Canadian Market.

**Fixed franchise fees** for the YTD increased by 73% as compared to the Prior Year Period, due to the expiration of the Relief Plan on December 31, 2020 and an increase in the number of agents in the YTD.

**Variable franchise fees** for the YTD decreased by 23%, due to the expiration of the Relief Plan, partially offset by significant improvements in the Canadian Market.

**Other Revenues** for the YTD increased by 24% due to strong Canadian Market. Other revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to franchisees) which experienced significant increases in volumes due to greater web traffic and higher mortgage initiations during the strong real estate markets in the YTD.

**Cost of other revenue** represents the direct costs associated with lead management referrals and other revenues.

**Administration expenses** of \$0.1 million for the YTD were lower than the Prior Year Period primarily due to a recovery of bad debt expenses of \$0.3 million compared to a bad debt expense of \$0.3 million in the Prior Year Period.

**Management fee expense** of \$10.5 million for the YTD increased due to the increase in revenues compared to Prior Year Period. In addition, a smaller portion of the management fee paid to the Manager was allocated to the contract transfer obligation.

**Interest expense** of \$1.5 million was consistent compared to the Prior Year Period due to the interest accretion on deferred payments being substantially offset by the benefit of lower interest rates in the YTD.

**Amortization of Intangible Assets** for the YTD totaled \$3.9 million compared to \$4.5 million in the Prior Year Period. The lower charge is due a number of intangible assets becoming fully amortized during 2020.

**Interest on Exchangeable Units** represents the distributions to Exchangeable Unitholders. For the YTD, total distributions amounted to \$0.87 per Exchangeable Unit unchanged from the Prior Year Period. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

**Gain (loss) on fair value of Exchangeable Units** represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At June 30, 2021, the Company's Restricted Voting Shares were valued at \$17.17 per share compared to \$14.80 at December 31, 2020, resulting in a loss of \$7.9 million for the YTD. This loss represents an increase in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Period, the price of the Company's Restricted Voting Shares increased from \$14.72 at December 31, 2019 to \$11.75 at June 30, 2020, resulting in a gain of \$9.9 million.

**Gain (loss) on interest rate swap** of \$0.9 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. In March of 2019, the Company entered into an interest rate swap agreement to swap the variable interest rate obligation on \$55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023.

**Income Tax Expense** The effective income tax rate paid by the Company for the YTD was greater than 100% (Prior Year Period - 10%). The Company's effective income tax rate is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income (including, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, interest expense on accretion of deferred payments and losses associated with the interest rate swaps.) as well as items that are excluded from the determination of net earnings but included in the determination of taxable income (including, payments associated with the contract transfer obligation).

## Management's Discussion and Analysis of Results and Financial Condition

**Cash provided by operating activities** decreased to \$8.5 million compared to \$13.4 million in the Prior Year Period as result of an increase in non-cash working capital and higher management fees in the YTD and deferred payments to the Manager and BBU in the Prior Year Period, partly offset by higher revenues.

**Cash used in investing activities** decreased to \$0.2 million from \$2.8 million in the Prior Year Period as a result of rebates provided under the Relief Plan in the Prior Year Period and lower payments on the contract transfer obligation.

**Cash used in financing activities** decreased by \$2.5 million compared to the Prior Year Period due to a repayment under the debt facilities.

### Summary of Quarterly Results

(Unaudited)

For three months ended,

2021

2020

2019

(in 000's) except per Share amounts  
and number of REALTORS®;  
number of REALTORS®;

	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenues								
Fixed franchise fees	\$ 7,665	\$ 7,584	\$ 1,191	\$ 1,239	\$ 1,276	\$ 7,541	\$ 7,303	\$ 7,389
Variable franchise fees	4,806	3,745	4,776	8,038	8,467	2,619	2,183	3,077
Other revenue	1,481	1,770	1,119	1,460	1,651	962	1,182	1,260
	13,952	13,099	7,086	10,737	11,394	11,122	10,668	11,726
Less:								
Cost of other revenue	294	273	235	197	165	119	107	155
Administration expenses (recovery)	90	52	(171)	(50)	174	655	429	53
Management fees	5,364	5,177	4,185	4,411	4,203	4,076	3,730	4,041
Interest expense	745	740	758	761	732	750	761	748
	7,459	6,857	2,079	5,418	6,120	5,522	5,641	6,729
Impairment and write-off of intangible assets, net	-	-	(9)	(76)	(113)	(170)	(32)	-
Amortization of intangible assets	(1,913)	(1,951)	(2,017)	(2,041)	(2,198)	(2,249)	(2,631)	(2,634)
Interest on Exchangeable Units	(1,452)	(1,452)	(1,451)	(1,452)	(1,452)	(1,452)	(1,451)	(1,452)
Gain (loss) on fair value of Exchangeable Units	(2,529)	(5,358)	(6,622)	(3,527)	(11,048)	20,931	-	633
Gain (loss) on interest rate swap	380	565	205	133	(211)	(2,335)	659	155
Gain on deferred payments	-	-	-	310	881	-	-	-
Earnings (loss) before income tax	1,945	(1,339)	(7,815)	(1,235)	(8,021)	20,247	2,186	3,431
Current income tax expense	1,008	1,108	82	722	556	730	675	882
Deferred income tax expense (recovery)	23	89	80	250	599	(609)	218	127
Net and comprehensive earnings (loss)	\$ 914	\$ (2,536)	\$ (7,977)	\$ (2,207)	\$ (9,176)	\$ 20,126	\$ 1,293	\$ 2,422
Basic earnings (loss) per Restricted Voting Share	\$ 0.10	\$ (0.27)	\$ (0.84)	\$ (0.23)	\$ (0.97)	\$ 2.12	\$ 0.14	\$ 0.26
Diluted earnings (loss) per Share	\$ 0.10	\$ (0.27)	\$ (0.84)	\$ (0.23)	\$ (0.97)	\$ 0.05	\$ 0.14	\$ 0.26
Number of REALTORS®	19,588	19,316	19,046	18,930	18,921	19,120	19,111	19,184

# Management's Discussion and Analysis of Results and Financial Condition

## DISTRIBUTABLE CASH FLOW

Distributable Cash Flow represents operating income before deducting amortization and net impairment of intangible assets minus current income tax expense 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 for distribution to the Company's shareholders on a diluted basis, subject to working capital and other investment requirements.

The calculation of Distributable Cash Flow for the three and six months ended June 30, 2021 is presented in the table below with comparative amounts for 2020.

(Unaudited) (\$ 000's)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Fixed franchise fees	\$ 7,665	\$ 1,276	\$ 15,249	\$ 8,817
Variable franchise fees	4,806	8,467	8,551	11,086
Other revenue	1,481	1,651	3,251	2,613
Revenues	13,952	11,394	27,051	22,516
Less:				
Cost of other revenue	294	165	567	284
Administration expenses	90	174	142	829
Management fees	5,364	4,203	10,541	8,279
Interest expense	745	732	1,485	1,482
Current income tax expense	1,008	556	2,116	1,286
Cash used for investing activities	47	1,845	157	2,757
Distributable Cash Flow	\$ 6,404	\$ 3,719	\$ 12,043	\$ 7,599
Distributable Cash Flow per Share	\$ 0.50	\$ 0.29	\$ 0.94	\$ 0.59

Distributable Cash Flow for the Quarter totaled \$6.4 million, an increase of \$2.7 million primarily due to higher revenues, no payment of rebates under the Relief Plan in 2021, partly offset by higher management fees and higher current income tax expenses.

The calculation of Distributable Cash Flow for the trailing twelve-month period ended June 30, 2021 is presented in the table below with comparative amounts for 2020.

For twelve months ended, (in 000's) except per Share amounts	June 30, 2021	June 30, 2020
Revenues	\$ 43,875	\$ 44,910
Less:		
Administration expenses (recovery)	(79)	1,311
Management fees	19,137	16,050
Interest expense	3,004	2,991
Current income tax expense	2,920	2,843
Cash used for investing activities	703	4,727
Distributable Cash Flow per Share	\$ 1.42	\$ 1.33



## Management's Discussion and Analysis of Results and Financial Condition

For the twelve-month period ended June 30, 2021, the Company generated Distributable Cash Flow of \$18.1 million or \$1.42 per Share, as compared to \$17.0 million or \$1.33 per Share generated for the twelve-month period ended June 30, 2020. Distributable cash flow per share is calculated by dividing the distributable cash flow by the total number of Restricted Voting Shares outstanding, on a diluted basis. Distributable Cash Flow increased compared to the Prior Year Quarter primarily due to lower administration expenses and the impact of rebates provided under the Relief Plan in 2020, partly offset by higher management fees.

Distributable Cash Flow and Distributable Cash Flow per Share are non-GAAP measures and do not have standardized meanings under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Management believes that Distributable Cash Flow and Distributable Cash Flow per Share are useful supplemental measures of performance as they provide investors with an indication of the amount of cash flow generated after investing activities which is available to holders of Restricted Voting Shares and Exchangeable Unitholders, subject to working capital requirements. Investors are cautioned, however, that Distributable Cash Flow and Distributable Cash Flow per Share should not be interpreted as alternatives to using net earnings or net earnings per Share (as measures of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

### DISTRIBUTABLE CASH FLOW RECONCILED TO CASH FLOW FROM OPERATING ACTIVITIES

The table below presents a reconciliation of cash flow from operating activities, as presented in the consolidated statements of cash flows, to Distributable Cash Flow, a measure used by the Company to assess the resources available to the Company for distribution to holders of Restricted Voting Share and holders of Exchangeable Units.

(Unaudited) (\$ 000's)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flow from operating activities	\$ 5,291	\$ 10,485	\$ 8,511	\$ 13,375
Add (deduct):				
Interest on Exchangeable Units	1,452	1,452	2,904	2,904
Income tax expense	(1,008)	(556)	(2,116)	(1,286)
Income taxes paid	750	630	1,500	1,260
Changes in non-cash working capital items	24	(1,484)	1,524	(925)
Interest expense	(2,156)	(2,131)	(4,303)	(4,294)
Interest paid	2,099	2,059	4,181	4,213
Interest income	13	11	(22)	52
Interest received	(14)	(9)	21	(50)
Deferral of payments	-	(4,012)	-	(4,012)
Gain on deferred payments	-	(881)	-	(881)
Cash used in investing activities	(47)	(1,845)	(157)	(2,757)
Distributable Cash Flow	\$ 6,404	\$ 3,719	\$ 12,043	\$ 7,599

The Company has paid out, in the past, and could pay out, in any given period, cash in excess of net earnings to shareholders as a significant portion of the Company's operating expenses is made up of non-cash amortization of intangible assets and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net earnings as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The Company has paid out a significant portion of its Distributable Cash Flow in the past in the form of dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders. It is management's expectation, at the discretion of the Board, that for the foreseeable future, the Company will continue to pay out a significant portion of its Distributable Cash Flow to holders of Restricted Voting Share and Exchangeable Unitholders, subject to working capital requirements and other investment opportunities.



# Management's Discussion and Analysis of Results and Financial Condition

## Debt Facilities

As at June 30, 2021 the Company's \$80.0 million financing is comprised of the following three arrangements, maturing December 31, 2023:

- A \$55.0 million term facility (the "Term Facility"). The Term Facility bears interest at a variable rate of Banker's Acceptances ("BAs") +1.70% or Prime + 0.5%;
- A \$20.0 million acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility; and
- A \$5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%.

During the Quarter, the Company repaid \$2.5 million of the amount outstanding on the Acquisition Facility. As at June 30, 2021, the Company has drawn \$55.0 million on the Term Facility, \$16.0 million on the Acquisition Facility and nil on the Operating Facility.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 3:1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 as outlined in the loan agreement. Consolidated EBITDA is defined as earnings (loss) before income tax adjusted for amortization and net impairment or recovery of intangible assets, interest expense, hedging activities and fair value adjustments on the Exchangeable Units. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. The Company is compliant with these covenants for all periods presented.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the \$55.0 million Term Facility to a fixed rate obligation of 3.94% through December 31, 2023. This interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings. At June 30, 2021 the Company determined that the fair value of the interest rate swap represents a liability of \$1.8 million (December 31, 2020 - \$2.7 million). For the Quarter, the Company recognized a fair value gain of \$0.4 million (Prior Year Quarter- loss of \$0.2 million).

## Liquidity

Revenues from franchise fees and other services provided to Franchisees are the largest source of liquidity for the Company. Given that Franchisees are contractually obligated to pay franchise fees for up to ten years under the Franchise Agreements and given the high degree of success the Company has had in renewing its Franchise Agreements in the past when they come due, the Company believes that the existing portfolio of Franchise Agreements, along with its non-cash working capital and capital resources, will generate sufficient cash flow for the Company to meet its operating commitments.

The Company's ability to grow its Distributable Cash Flow is dependent upon its ability to increase the size of the Network, which it can do by, a) supporting Franchisees in their efforts to recruit REALTORS® to their Brokerages, b) assisting Franchisees to acquire Brokerages from outside the Network and, c) entering into new Franchise Agreements. In addition, the Company has the opportunity to grow its sources of other revenue and may consider other types of investments in the future. The Company has entered into the Acquisition Facility to provide capital resources in the event they are presented with opportunities to grow the Company. The Company meets regularly with the Manager regularly during the year to determine the Manager's progress in identifying potential new Franchise Agreements.

During the Quarter, the Company generated Distributable Cash Flow of \$6.4 million, compared to \$3.7 million in the Prior Year Quarter. The increase is due primarily to higher revenues partly offset by higher management fees and current income tax expenses.

## Management's Discussion and Analysis of Results and Financial Condition

In 2020, the Company entered into an agreement with the Manager and Brookfield whereby the Company deferred certain payments of management fees payable to the Manager and payments of interest on the Exchangeable Units. Amounts deferred under this agreement are non-interest bearing, are due in 2025 and can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company.

The Company paid dividends to shareholders and interest to holders of Exchangeable Units totaling \$9.3 million for the YTD, unchanged from the Prior Year Period.

### WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by cash flow from operating activities, collections of accounts receivable, payments of accounts payable and payment of dividends and interest.

Overall, working capital increased by \$0.4 million from \$8.9 million as at December 31, 2020 to \$9.3 million at June 30, 2021. The increase in working capital resulted primarily from:

- A \$2.1 million increase in accounts receivable due to higher revenues in the Quarter relative to the fourth quarter of 2020;
- A \$0.5 million increase in accounts payable and accrued liabilities; partly offset by
- A \$0.6 million decrease in income tax receivable as a result of refunds received in the Quarter; and
- A \$0.6 million decrease in cash;

A summary of the Company's working capital is presented below:

(\$ 000's) As at	June 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Change in Quarter	Change in Year
Current assets										
Cash	\$ 8,608	\$ 9,065	\$ 9,156	\$ 10,648	\$ 9,418	\$ 3,979	\$ 5,202	\$ 5,709	\$ (457)	\$ (810)
Accounts receivable and current portion of notes receivable	4,436	4,260	2,376	4,132	5,139	5,038	4,559	4,602	176	(703)
Prepaid expenses	120	131	143	130	124	256	211	187	(11)	(4)
Current income tax receivable	35	294	652	145	147	73	173	218	(259)	(112)
Goods and Services tax receivable	-	-	-	-	-	-	-	-	-	-
	\$ 13,199	\$ 13,750	\$ 12,327	\$ 15,055	\$ 14,828	\$ 9,346	\$ 10,145	\$ 10,716	\$ (551)	\$ (1,629)
Current liabilities										
Accounts payable and accrued liabilities	\$ 1,778	\$ 1,650	\$ 1,283	\$ 1,342	\$ 2,197	\$ 1,172	\$ 1,210	\$ 1,212	\$ 128	\$ (419)
Contract transfer obligation	559	552	549	604	842	1,280	1,920	2,705	7	(283)
Interest payable to Exchangeable Unitholders	484	484	484	484	968	484	484	484	-	(484)
Dividends payable to Restricted Voting shareholders	1,067	1,067	1,067	1,067	1,067	1,067	1,067	1,067	-	-
	3,888	3,753	3,383	3,497	5,074	4,003	4,681	5,468	135	(1,186)
Net working capital	\$ 9,311	\$ 9,997	\$ 8,944	\$ 11,558	\$ 9,754	\$ 5,343	\$ 5,464	\$ 5,248	\$ (686)	\$ (443)

# Management's Discussion and Analysis of Results and Financial Condition

## Cash and Capital Resources

A summary of cash and capital resources available to the Company as at June 30, 2021 and December 31, 2020 is presented below:

(in 000's) As at	June 30, 2021	December 31, 2020
Cash	\$ 8,608	\$ 9,156
Term Facility	-	-
Acquisition Facility	4,000	1,500
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 9,000	\$ 6,500
Available resources	\$ 17,608	\$ 15,656

As at June 30, 2021, \$16.0 million of the Acquisition Facility has been drawn by the Company, leaving \$9.0 million available under the debt facilities. This improvement over net borrowing capacity at December 31, 2020 is due to a repayment on the Acquisition Facility of \$2.5 million in the Quarter.

In addition to the capital resources included in the table above, the Company generates substantial Distributable Cash Flow which can be used to fund dividend payments and interest on Exchangeable Units and to repay amounts owing under the debt facilities, subject to working capital and other investment requirements.

## Commitments

The estimated contractual liabilities and their dates of maturity are summarized in the chart below.

As at June 30,	2021	2022	2023	2024	2025	Beyond 2025	Total
Accounts payable and accrued liabilities	\$ 1,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,778
Current contract transfer obligation	559	-	-	-	-	-	\$ 559
Interest payable to Exchangeable Unitholders	484	-	-	-	-	-	\$ 484
Dividends payable to shareholders	1,067	-	-	-	-	-	\$ 1,067
Interest on long-term debt	1,399	2,797	2,797	-	-	-	\$ 6,993
Interest on contract transfer obligation	83	143	114	90	72	97	\$ 599
Long term contract transfer obligation	-	290	602	356	375	1,241	\$ 2,864
Interest rate swap liability	-	-	1,759	-	-	-	\$ 1,759
Debt facilities	-	-	71,000	-	-	-	\$ 71,000
Deferred payments	-	-	-	-	6,616	-	\$ 6,616
Exchangeable Units	-	-	-	-	-	57,136	\$ 57,136
Total	\$ 5,370	\$ 3,230	\$ 76,272	\$ 446	\$ 7,063	\$ 58,474	\$ 150,855

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Transactions with Related Parties

As at the date of this MD&A, Brookfield controlled approximately 28.4% of the Company through its ownership of the Exchangeable Units of the Partnership and 315,000 Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of Brookfield as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential real estate brokerage franchise operations.

The Manager operates 26 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by approximately 1,700 REALTORS® with 1,227 REALTORS® operating out of 15 locations in the GTA market, 444 REALTORS® operating from 9 locations in the GV market and 21 REALTORS® operating from 2 locations in Quebec.

## Management's Discussion and Analysis of Results and Financial Condition

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees and participated in the Relief Plan. The Franchise Agreements for GTA based locations are up for renewal in 2023, while the Franchise Agreements for the GV operations are up for renewal between 2023-2024. The Franchise Agreements for the Quebec locations are up for renewal in 2028.

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. Under the MSA, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and, in return, is paid a monthly fee equal to \$840,000 plus:

- a) during the first five years of the initial term of the MSA, the greater of:
  - (i) 23.5% of the Distributable Cash (as such term is defined in the MSA) of the Company; and
  - (ii) 0.342% of the Current Market Value (as such term is defined in the MSA), and
- b) after the first five years of the initial term of the MSA, the greater of:
  - (i) 25.0% of the Distributable Cash of the Company; and
  - (ii) 0.375% of the Current Market Value.

Under certain circumstances, the Company can pay the monthly fees to the Manager through the issuance of Exchangeable Units of the Partnership.

As a result of the capitalization of certain Franchise Agreements and other contracts transferred to the Company upon entering into the MSA, a portion of future payments for management fees will be allocated toward reducing the Company's contract transfer obligation and associated interest expense, with the remainder charged to the Company's statement of net and comprehensive earnings.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 13 of the interim condensed consolidated financial statements.

### Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include bad debt expense (which is included in the Company's administration costs), and the amortization of intangible assets.

The Company's intangible assets are regularly monitored for indications of impairment and reversal of impairment in the carrying value of these assets.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's interim condensed consolidated financial statements require the estimation of future cash flows utilized in assessing the fair value and related net impairment or recovery of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of deferred payments, measuring the fair value of the Exchangeable Units and the interest rate swaps and measuring fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis and, where applicable, relevant forward looking information, as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these interim condensed consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents management from quantifying the overall impact of these movements on the Company's interim condensed consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

# Management's Discussion and Analysis of Results and Financial Condition

## CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant impact on the amounts in the financial statements.

### Forward Looking Information for Accounts Receivable and Notes Receivable

The measurement of estimated credit losses for accounts receivable and notes receivable and the assessment of increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement and is uncertain, particularly as a result of impact of the COVID-19 pandemic. In assessing the valuation of accounts receivable, the Company evaluates the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

### Impairment of Intangible Assets and recovery of impairment

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not more than their recoverable amount (i.e. the higher of; a) fair value less costs of disposal, and b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements, other contracts or Trademarks. When reviewing indicators of impairment for Franchise Agreements or other contracts, the Company considers certain factors including, franchise fees or other revenues earned, term to maturity, historical REALTOR® count, collectability of receivables, estimated future revenues to be earned, estimated future costs appropriately allocable to intangible assets and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or if the recovery of the carrying amount is no longer reasonably assured. The estimation of future cash flows and other forward looking information requires significant judgement and is highly uncertain as a result of, among other things, the potential impact of the COVID-19 pandemic. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed and is recorded as a recovery of impairment.

## Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, contract transfer obligation, interest payable to Exchangeable Unitholders, dividends payable to holders of Restricted Voting Shares, debt facilities, interest rate swap liability and deferred payments.

The Company is exposed to credit risk with respect to accounts and notes receivable to the extent that any Franchisees are unable to pay their fees. The Company's credit risk is limited to the recorded amount of accounts and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding amounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

The Company is party to an interest rate swap agreement which swaps the variable interest rate obligation on the \$55.0 million Term Facility to a fixed rate obligation of 3.94% through to the expiry of the Company's Term Facility on December 31, 2023. The Company is exposed to the risk of interest rate fluctuations on its \$20.0 million Acquisition Facility and its \$5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at June 30, 2021, the Company has drawn \$16.0 million on the Acquisition Facility, and nil on the Operating Facility.

# Management's Discussion and Analysis of Results and Financial Condition

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## Disclosure Controls and Internal Controls over Financial Reporting

The Company takes all necessary steps to ensure that material information regarding the Company's reports filed or submitted under securities legislation fairly presents the financial information of the Company. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures as well as internal control over financial reporting.

### DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at June 30, 2021. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

### INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's interim condensed consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at June 30, 2021. The design of ICFR is undertaken in accordance with the 2013 COSO framework.

## Outstanding Restricted Voting Shares

Bridgemarq is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of August 9, 2021, Bridgemarq has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

Each Restricted Voting Share represents a proportionate voting right in Bridgemarq, and holders of Bridgemarq's Restricted Voting Shares are entitled to dividends declared and distributed by Bridgemarq.

The Special Voting Share is owned by Brookfield and represents the proportionate voting rights of Exchangeable Unitholders in the Company. The Special Voting Share is not eligible to receive dividends and can be redeemed at \$0.01 per share.

## Risk Factors

Risks related to the residential real estate brokerage industry and the business of the Company are outlined in the Company's Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.bridgemarq.com](http://www.bridgemarq.com) under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

# Management's Discussion and Analysis of Results and Financial Condition

## Forward-Looking Statements

This MD&A contains forward-looking information and other “forward-looking statements” within the meaning of applicable securities legislation. Words such as “anticipates”, “appears”, “attracting”, “are”, “believes”, “can”, “choosing”, “continue(s)”, “continued”, “contributing”, “consist”, “consistently”, “could”, “decline”, “demand”, “derives”, “does”, “eases”, “estimate(s)”, “evaluate”, “exceed(s)”, “expected”, “expects”, “exposed”, “fade”, “focuses”, “forecast(s)”, “fuel”, “further”, “future”, “gain”, “generate(s)”, “give”, “grow”, “growing”, “growth”, “has”, “have”, “impact”, “improved”, “improving”, “include”, “increase(s)”, “increasing”, “invests”, “is”, “judges”, “keep”, “makes”, “may”, “moderating”, “momentum”, “objective(s)”, “offer”, “on”, “ongoing”, “operate(s)”, “outlook”, “owing”, “peaked”, “play”, “potential”, “projection”, “projects”, “provide(s)”, “provided”, “purchase(s)”, “pushing”, “receives”, “recovering”, “recovery”, “reflects”, “remain(s)”, “remaining”, “reopen”, “return”, “represent(s)”, “represent(ing)”, “resulting”, “retaining”, “return”, “reveals”, “rise”, “seeks”, “setting”, “should”, “slowed”, “stalled”, “strives”, “stronger”, “suggest”, “supercharged”, “support”, “surge”, “sustainable”, “teaming”, “translating”, “typical(ly)”, “uncertainty”, “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, but are not limited to: the duration and effects of the COVID-19 pandemic, including the impact of COVID-19 on the economy, the Company's business, government or other regulatory initiatives to address the spread of COVID-19 and changes in government policy, laws or regulations which could reasonably affect the housing market in Canada and consumer response thereto, a change in general economic conditions (including interest rates, consumer confidence, commodity prices, real estate legislation and regulations and other general economic factors or indicators), 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 revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to acquire, renew and/or extend Franchise Agreements, the ability to increase fees, the 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, conversion of Exchangeable Units into Restricted Voting Shares, a change in tax law 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). 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, regulatory developments and the ability to obtain financing on acceptable terms, including as the foregoing relate to COVID-19. 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 forward-looking statements in this MD&A are made as of the date of this MD&A and 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.



# Management's Discussion and Analysis of Results and Financial Condition

## Supplemental Information HISTORY OF DIVIDENDS DECLARED

(per Restricted Voting Share\*)  
Month Declared

	2021	2020	2019	2018	2017	2016
January	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
February	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
March	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
April	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
May	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
June	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
July	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
August	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083
September	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083
October	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083
November	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083
December	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083
	<b>\$ 0.6750</b>	\$ 1.3500	\$ 1.3500	\$ 1.3500	\$ 1.3206	\$ 1.2996

\* Amounts declared prior to 2011 represent distributions declared to unitholders, prior to the Company's re-organization from an income trust to a corporate structure on December 31, 2010.

## SHARE PERFORMANCE

(in Canadian dollars)  
except shares outstanding  
and average daily volume  
For three months ended,

	June 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
Trading price range of units (TSX: "BRE")									
Close	\$ 17.17	\$ 16.41	\$ 14.80	\$ 12.81	\$ 11.75	\$ 8.43	\$ 14.72	\$ 14.72	\$ 14.91
High	\$ 18.00	\$ 17.00	\$ 14.88	\$ 14.19	\$ 11.99	\$ 15.85	\$ 15.38	\$ 14.92	\$ 17.30
Low	\$ 15.80	\$ 14.33	\$ 14.75	\$ 11.14	\$ 6.59	\$ 6.31	\$ 14.02	\$ 12.87	\$ 14.91
Average daily volume	11,397	14,371	10,677	11,576	17,592	27,027	19,317	15,546	11,880
Number of restricted voting shares outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850
Market capitalization (\$'000's)	\$219,974	\$210,237	\$189,610	\$164,116	\$150,535	\$108,001	\$188,586	\$188,586	\$191,020



# Management's Discussion and Analysis of Results and Financial Condition

## CANADIAN REAL ESTATE MARKET

For Three months ended	June 30 2021	Mar. 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019
<b>Canada</b>								
Transaction dollar volume <sup>1</sup>	\$ 141,746	\$ 113,813	\$ 90,071	\$ 109,085	\$ 55,949	\$ 57,920	\$ 57,324	\$ 66,821
Average selling price	\$ 685,108	\$ 682,552	\$ 607,280	\$ 604,211	\$ 538,831	\$ 531,722	\$ 500,938	\$ 494,268
Number of units sold	206,274	166,746	148,814	185,561	108,087	108,930	109,381	133,331
Number of REALTORS® at period end <sup>2</sup>	140,331	136,605	134,803	133,120	133,476	133,242	133,242	132,254
Housing starts	66,498	54,502	57,457	58,971	47,525	38,170	49,954	55,078
<b>Greater Toronto Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 40,139	\$ 35,298	\$ 25,161	\$ 31,244	\$ 14,401	\$ 17,656	\$ 16,803	\$ 19,525
Average selling price	\$ 1,075,636	\$ 1,053,585	\$ 929,699	\$ 920,168	\$ 891,167	\$ 890,822	\$ 819,319	\$ 811,602
Number of units sold	36,630	33,503	26,358	32,821	16,152	19,820	19,868	24,007
Housing starts	8,588	9,625	8,502	12,155	11,090	6,840	6,513	8,651
<b>Greater Vancouver Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 15,786	\$ 14,084	\$ 10,986	\$ 10,839	\$ 5,343	\$ 6,536	\$ 7,463	\$ 6,986
Average selling price	\$ 1,179,171	\$ 1,159,167	\$ 1,079,033	\$ 1,103,099	\$ 1,049,475	\$ 1,029,394	\$ 982,541	\$ 982,541
Number of units sold	13,181	12,150	10,075	10,065	5,122	6,349	7,484	7,203
Housing starts	7,972	7,322	6,192	6,415	5,384	4,380	5,912	6,506
<b>Greater Montreal Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 8,837	\$ 7,719	\$ 7,717	\$ 7,291	\$ 4,329	\$ 6,004	\$ 4,963	\$ 4,385
Average selling price	\$ 551,624	\$ 534,155	\$ 501,339	\$ 499,339	\$ 465,748	\$ 435,379	\$ 408,401	\$ 402,934
Number of units sold	16,254	15,425	15,679	15,381	10,156	14,661	11,828	10,777
Housing starts	9,241	8,080	7,981	8,017	6,268	5,008	5,997	5,779

<sup>1</sup> (in millions Canadian dollars)

<sup>2</sup> CREA Membership data as of June 30, 2021 not available as of MDA date

Source: CREA, CMHC, TREB

For Twelve months ended	June 30 2021	Mar. 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019
<b>Canada</b>								
Transaction dollar volume <sup>1</sup>	\$ 454,715	\$ 368,917	\$ 313,025	\$ 280,278	\$ 238,014	\$ 258,379	\$ 244,872	\$ 233,939
Average selling price	\$ 642,802	\$ 605,569	\$ 567,699	\$ 547,462	\$ 517,728	\$ 513,347	\$ 500,938	\$ 493,018
Number of units sold	707,395	609,208	551,392	511,959	459,729	503,322	488,828	474,503
Housing starts	237,428	218,455	202,123	194,620	190,727	199,324	196,729	199,267
<b>Greater Toronto Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 131,842	\$ 106,104	\$ 88,462	\$ 80,104	\$ 68,385	\$ 77,058	\$ 71,957	\$ 68,870
Average selling price	\$ 1,019,568	\$ 974,916	\$ 929,699	\$ 903,484	\$ 856,453	\$ 842,465	\$ 819,319	\$ 806,888
Number of units sold	129,312	108,834	95,151	88,661	79,847	91,467	87,825	85,352
Housing starts	38,870	41,372	38,587	36,598	33,094	29,911	30,462	34,978
<b>Greater Vancouver Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 51,695	\$ 41,252	\$ 33,704	\$ 30,180	\$ 26,327	\$ 27,624	\$ 25,342	\$ 22,779
Average selling price	\$ 1,136,872	\$ 1,102,638	\$ 1,066,198	\$ 1,039,979	\$ 1,006,457	\$ 998,948	\$ 986,796	\$ 993,887
Number of units sold	45,471	37,412	31,611	29,020	26,158	27,653	25,681	22,919
Housing starts	27,901	25,313	22,371	22,091	22,182	26,749	28,141	27,577
<b>Greater Montreal Area</b>								
Transaction dollar volume <sup>1</sup>	\$ 31,564	\$ 27,056	\$ 25,341	\$ 22,586	\$ 19,681	\$ 21,481	\$ 20,284	\$ 19,321
Average selling price	\$ 503,100	\$ 477,680	\$ 453,505	\$ 434,135	\$ 415,008	\$ 405,084	\$ 394,661	\$ 388,739
Number of units sold	62,739	56,641	55,877	52,026	47,422	53,029	51,396	49,702
Housing starts	33,319	30,346	27,274	25,290	23,052	25,031	25,112	27,258

<sup>1</sup> (in millions Canadian dollars)

Source: CREA, CMHC, TREB

# Management's Discussion and Analysis of Results and Financial Condition

## DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

(\$ 000's)	Three months ended June 30, 2021	Six months ended June 30, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Fixed franchise fees	\$ 7,665	\$ 15,249	\$ 11,247	\$ 29,285	\$ 28,326	\$ 26,816	\$ 25,844
Variable franchise fees	4,806	8,551	23,900	10,638	10,737	10,853	10,229
Other revenue	1,481	3,251	5,192	4,426	-	-	-
Premium franchise fees	-	-	-	-	2,964	6,569	6,363
Revenues	13,952	27,051	40,339	44,349	42,027	44,238	42,436
Less:							
Cost of other revenue	294	567	716	524	-	-	-
Administration expenses	90	142	608	1,196	1,259	816	1,058
Management fees	5,364	10,541	16,875	15,478	7,616	8,178	7,754
Interest Expense	745	1,485	3,001	3,031	2,686	2,532	2,606
Current income tax expense	1,008	2,116	2,090	2,989	5,183	5,280	4,893
Cash used for investing activities	47	157	3,109	3,934	10,849	10,119	9,366
Distributable Cash Flow	\$ 6,404	\$ 12,043	\$ 13,940	\$ 17,197	\$ 14,434	\$ 17,313	\$ 16,759
Less:							
Dividends to shareholders	3,201	6,402	12,803	12,803	12,803	12,485	12,325
Interest to Exchangeable Unitholders	1,452	2,904	5,806	5,806	5,806	5,750	5,710
Total distributions	\$ 4,653	\$ 9,306	\$ 18,609	\$ 18,609	\$ 18,609	\$ 18,235	\$ 18,035
Distributions payment rate <sup>1</sup>	73%	77%	133%	108%	129%	105%	108%

<sup>1</sup> This represents the total distributions paid as a percentage of Distributable Cash Flow. A percentage greater than 100% indicates periods where the Company utilized its existing cash resources or its debt facilities to finance certain of its investing activities or its distributions to shareholders and holders of Exchangeable Units.

## CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH

(\$ 000's)	Three months ended June 30, 2021	Six months ended June 30, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Cash Flow from Operating activities	\$ 5,291	\$ 8,511	\$ 19,866	\$ 15,600	\$ 18,971	\$ 21,060	\$ 20,148
Add (deduct):							
Changes in non-cash working capital items	24	1,524	(2,585)	(924)	(229)	608	111
Interest on Exchangeable Units	1,452	2,904	5,806	5,806	5,806	5,750	5,710
Change in accrued income taxes	(258)	(616)	790	698	758	35	205
Change in accrued interest expense	(57)	(122)	(209)	(49)	(23)	(21)	(49)
Change in accrued interest income	(1)	(1)	(3)	-	-	-	-
Deferral of payments	-	-	(6,616)	-	-	-	-
Cash used in investing activities	(47)	(157)	(3,109)	(3,934)	(10,849)	(10,119)	(9,366)
Distributable Cash Flow	\$ 6,404	\$ 12,043	\$ 13,940	\$ 17,197	\$ 14,434	\$ 17,313	\$ 16,759

## Management's Discussion and Analysis of Results and Financial Condition

### SELECTED OPERATING INFORMATION

As at	June 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Number of REALTORS®	<b>19,588</b>	19,316	19,046	19,111	18,725	18,135	17,580
Number of locations	<b>663</b>	663	662	678	673	658	667
Number of franchise agreements	<b>286</b>	287	289	301	291	293	297

# Management's Discussion and Analysis of Results and Financial Condition

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## Glossary of Terms

**"Brands"** means the real estate services brands owned or controlled by Bridgemarq namely, Royal LePage, Johnston & Daniel and Via Capitale.

**"Bridgemarq"** means Bridgemarq Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

**"Broker"** means a REALTOR® who is licensed with the relevant regulatory body to manage a Brokerage.

**"Broker-Owner"** means the individual or a controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston & Daniel or Via Capitale brands and are licensed with the relevant regulatory body to manage a Brokerage.

**"Brokerage"** means a real estate brokerage company, usually owned or controlled by a Broker, which may operate one or more offices or divisions.

**"Brookfield"** means Brookfield BBP (Canada) Holdings LP, a limited partnership governed by the laws of Ontario and a subsidiary of Brookfield Business Partners LP, together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

**"Canadian Market"** means the real estate market in Canada.

**"Company"** means Bridgemarq, together with its subsidiaries.

**"Company Network"** means collectively the Royal LePage Network and the Via Capitale Network.

**"Distributable Cash Flow"** means 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.

**"Exchangeable Units"** means the 3,327,667 Class B LP Units the Partnership issued at the inception of the Company to an affiliate of Brookfield in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units which are owned by Bridgemarq. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for Restricted Voting Shares.

**"Franchise"** means a residential real estate Brokerage franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

**"Franchise Agreements"** means the franchise agreements and addendums thereto pursuant to which Brokerage offices offer residential brokerage services to their REALTORS®, including use of the Trademarks.

**"Franchisees"** means Brokerages which pay franchise fees under the Franchise Agreements.

**"General Partner"** means Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership and a subsidiary of Bridgemarq.

**"Gross Revenue"** means, in respect of a Franchisee, the gross commission income (net of payments to cooperating Brokerages) earned in respect of the closings of residential resale real estate transactions through REALTORS® associated with such Franchisee.

**"International Financial Reporting Standards"** or **"IFRS"** means a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measurable and comparable financial information.

# Management’s Discussion and Analysis of Results and Financial Condition

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**“Interest Rate Swaps”** means the financial arrangements entered into with a Canadian Chartered Bank to fix the interest rate on \$53.0 million of the Company’s Term Facility at 3.64% to October 28, 2019 and to fix the interest rate on the Company’s \$55.0 million Term Facility at 3.94% from October 29, 2019 to December 31, 2023. The fluctuation of the fair value of the Interest Rate Swaps is primarily driven by changes in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangements.

**“Management Services Agreement”** or **“MSA”** means the fourth amended and restated management services agreement, made effective November 6, 2018, together with any amendments thereto, between the Company and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Company including management of the assets of the Company.

**“Manager”** means Bridgemarq Real Estate Services Manager Limited (formerly known as Brookfield Real Estate Services Manager Limited), a corporation incorporated under the laws of the Province of Ontario and an indirectly, wholly-owned subsidiary of Brookfield, together with its subsidiaries. The Manager provides management and administrative services to the Company, including management of the assets of the Company.

**“Network”** means the collection of Brokerages and REALTORS® which operate under one of the Brands controlled by the Company.

**“Partnership”** means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario, and a subsidiary of Bridgemarq.

**“REALTOR®”** and **“REALTORS®”** are the exclusive designation for a member/members of The Canadian Real Estate Association and are defined as an individual/group of individuals licensed to trade in real estate.

**“Restricted Voting Share(s)”** means the restricted voting shares in the capital of Bridgemarq.

**“Royal LePage”** means a nationally recognized real estate Brand controlled by the Company.

**“Royal LePage Network”** means the network of Franchisees operating under the Royal LePage and Johnston & Daniel Brands.

**“Share”** means a Restricted Voting Share 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.

**“Special Voting Share”** means the share of Bridgemarq issued to the holder of the Exchangeable Units to represent voting rights in Bridgemarq proportionate to the number of votes the Exchangeable Unitholders would obtain if they converted their Exchangeable Units to Restricted Voting Shares.

**“System for Electronic Document Analysis and Retrieval”** or **“SEDAR”** means a Canadian mandatory document filing and retrieval system for all Canadian public companies where documents such as prospectuses, financial statements and material change reports are filed and are accessible by the public to further the goal of transparency and full disclosure.

**“Team”** means a group of REALTORS® who work together and market themselves as part of a team rather than as individual REALTORS®.

**“Trademarks”** means the trade-mark rights related to Bridgemarq’s business.

**“Via Capitale”** means a real estate Brand controlled by the Company which operates primarily in the province of Quebec.

**“Via Capitale Network”** means the network of Franchisees operating under the Via Capitale Brand.

**“VCLP”** means 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec, and a subsidiary of Bridgemarq.

## Interim Condensed Consolidated Balance Sheets

(Unaudited) As at, (In thousands of Canadian dollars)	Note	June 30, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash		<b>\$ 8,608</b>	\$ 9,156
Accounts receivable	4,13	<b>4,406</b>	2,348
Current portion of notes receivable	5	<b>30</b>	28
Current income tax receivable		<b>35</b>	652
Prepaid expenses		<b>120</b>	143
		<b>13,199</b>	12,327
<b>Non-current assets</b>			
Notes receivable	5	<b>82</b>	91
Deferred income tax asset	7	<b>6,286</b>	6,398
Intangible assets	6	<b>66,163</b>	70,143
		<b>\$ 85,730</b>	\$ 88,959
<b>Liabilities and shareholders' deficit</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<b>\$ 1,778</b>	\$ 1,282
Contract transfer obligation	3,13	<b>559</b>	549
Interest payable to Exchangeable Unitholders	10,13	<b>484</b>	484
Dividends payable to shareholders	12	<b>1,067</b>	1,067
		<b>3,888</b>	3,382
<b>Non-current liabilities</b>			
Debt facilities	8	<b>70,899</b>	73,379
Deferred payments	9,13	<b>5,645</b>	5,535
Contract transfer obligation	3,13	<b>2,866</b>	3,149
Interest rate swap liability	8	<b>1,759</b>	2,704
Exchangeable Units	10	<b>57,136</b>	49,249
		<b>142,193</b>	137,398
<b>Shareholders' deficit</b>			
Restricted voting shares	11	<b>140,076</b>	140,076
Deficit		<b>(196,539)</b>	(188,515)
		<b>(56,463)</b>	(48,439)
		<b>\$ 85,730</b>	\$ 88,959

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board



**Gail Kilgour**  
Director



**Lorraine Bell**  
Director

## Interim Condensed Consolidated Statements of Net and Comprehensive Earnings (Loss)

(Unaudited) For the three months ended March 31, (In thousands of Canadian dollars, except per share amounts)	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
<b>Revenues</b>					
Fixed franchise fees		\$ 7,665	\$ 1,276	\$ 15,249	\$ 8,817
Variable franchise fees		4,806	8,467	8,551	11,086
Other revenue		1,481	1,651	3,251	2,613
		<b>13,952</b>	<b>11,394</b>	<b>27,051</b>	<b>22,516</b>
<b>Expenses</b>					
Cost of other revenue		294	165	567	284
Administration expenses	4,5,13	90	174	142	829
Management fees	3,13	5,364	4,203	10,541	8,279
Interest expense	3,8,9	745	732	1,485	1,482
Impairment and write-off of intangible assets	6	-	113	-	283
Amortization of intangible assets	6	1,913	2,198	3,864	4,447
		<b>8,406</b>	<b>7,585</b>	<b>16,599</b>	<b>15,604</b>
<b>Operating income</b>					
Interest on Exchangeable Units	10,13	(1,452)	(1,452)	(2,904)	(2,904)
Gain (loss) on fair value of Exchangeable Units	10	(2,529)	(11,048)	(7,887)	9,883
Gain (loss) on interest rate swap	8	380	(211)	945	(2,546)
Gain on deferred payments		-	881	-	881
<b>Earnings (loss) before income tax</b>					
		<b>1,945</b>	<b>(8,021)</b>	<b>606</b>	<b>12,226</b>
Current income tax expense		1,008	556	2,116	1,286
Deferred income tax expense (recovery)		23	599	112	(10)
<b>Income tax expense</b>					
	7	<b>1,031</b>	<b>1,155</b>	<b>2,228</b>	<b>1,276</b>
<b>Net and comprehensive (loss) earnings</b>					
		<b>\$ 914</b>	<b>\$ (9,176)</b>	<b>\$ (1,622)</b>	<b>\$ 10,950</b>
Basic earnings (loss) per share					
	12	<b>\$ 0.10</b>	<b>\$ (0.97)</b>	<b>\$ (0.17)</b>	<b>\$ 1.15</b>
Weighted average number of shares outstanding used in computing basic earning per share					
		<b>9,483,850</b>	<b>9,483,850</b>	<b>9,483,850</b>	<b>9,483,850</b>
Diluted earnings (loss) per share					
	12	<b>\$ 0.10</b>	<b>\$ (0.97)</b>	<b>\$ (0.17)</b>	<b>\$ 0.31</b>
Weighted average number of shares outstanding used in computing diluted earnings per share					
		<b>12,811,517</b>	<b>12,811,517</b>	<b>12,811,517</b>	<b>12,811,517</b>

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

(Unaudited) For the six months ended June 30, (In thousands of Canadian dollars)	Restricted Voting Shares	Deficit	Shareholders' Deficit
Balance, December 31, 2020	\$ 140,076	\$ (188,515)	\$ (48,439)
Net loss	-	(1,622)	(1,622)
Dividends paid	-	(6,402)	(6,402)
<b>Balance, June 30, 2021</b>	<b>\$ 140,076</b>	<b>\$ (196,539)</b>	<b>\$ (56,463)</b>
 (In thousands of Canadian dollars)			
Balance, December 31, 2019	\$ 140,076	\$ (176,479)	\$ (36,403)
Net earnings	-	10,950	10,950
Dividends paid	-	(6,402)	(6,402)
<b>Balance, June 30, 2020</b>	<b>\$ 140,076</b>	<b>\$ (171,931)</b>	<b>\$ (31,855)</b>

See accompanying notes to the interim condensed consolidated financial statements.

## Consolidated Statements of Cash Flows

(Unaudited) (In thousands of Canadian dollars)	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash provided by:					
Operating activities					
Net (loss) earnings for the period		\$ 914	\$ (9,176)	\$ (1,622)	\$ 10,950
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	10	2,529	11,048	7,887	(9,883)
Loss (gain) on interest rate swap	8	(380)	211	(945)	2,546
Deferred payments	3,9,12	-	4,012	-	4,012
Interest expense	3,8,9,10	2,156	2,131	4,303	4,294
Interest paid		(2,099)	(2,059)	(4,181)	(4,213)
Interest income		(13)	(11)	22	(52)
Interest received		14	9	(21)	50
Current income tax expense	7	1,008	556	2,116	1,286
Income taxes paid		(750)	(630)	(1,500)	(1,260)
Deferred income tax expense (recovery)	7	23	599	112	(10)
Impairment and write-off of intangible assets	6	-	113	-	283
Amortization of intangible assets	6	1,913	2,198	3,864	4,447
Net changes in non-cash working capital		(24)	1,484	(1,524)	925
		5,291	10,485	8,511	13,375
Investing activities					
Payment of contract transfer obligation	3,13	(136)	(699)	(273)	(1,349)
Franchise agreement expenses	6	89	(1,146)	116	(1,408)
Interest expense on contract transfer obligation	3,13	44	59	89	125
Interest expense paid on contract transfer obligation	3,13	(44)	(59)	(89)	(125)
		(47)	(1,845)	(157)	(2,757)
Financing activities					
Repayments under debt facilities	8	(2,500)	-	(2,500)	-
Dividends paid to shareholders	12	(3,201)	(3,201)	(6,402)	(6,402)
		(5,701)	(3,201)	(8,902)	(6,402)
Decrease in cash during the period					
Cash, beginning of the period		9,065	5,439	9,156	4,216
Cash, end of the period		\$ 8,608	\$ 9,418	\$ 8,608	\$ 5,202
					\$ 9,418

See accompanying notes to the interim condensed consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 1. Organization

Bridgemarq Real Estate Services Inc. (“Bridgemarq” and, together with its subsidiaries the “Company”), is incorporated under the *Ontario Business Corporations Act*. Bridgemarq is listed on the Toronto Stock Exchange (“TSX”) under the symbol “BRE”. Through its ownership interest in Residential Income Fund L.P. (the “Partnership”), Bridgemarq owns certain Franchise Agreements (“Franchise Agreements”) and Trademark Rights (“Trademarks”) of residential real estate brands in Canada.

Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns 9120 Real Estate Network, L.P. (“VCLP”). In addition, Bridgemarq directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited (“RIFGP”) (Collectively, the Partnership, VCLP and RIFGP represent the Company’s “Subsidiaries” and each of them is a “Subsidiary”). The Partnership and VCLP (together the “Operating Subsidiaries”) own and operate the assets from which the Company derives its revenue.

Brookfield BBP (Canada) Holdings L.P. (“BBP”), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the “Exchangeable Units”) and the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP. In addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 restricted voting shares and one special voting share of Bridgemarq. The special voting share entitles BBP to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder.

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. (“BRESML”, and together with its subsidiaries, the “Manager”), an indirect wholly owned subsidiary of BBP. The Company is party to an amended and restated Management Services Agreement (the “MSA”) with the Manager which governs the relationship between the Manager and the Company. The MSA has an initial term of ten-years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate the MSA no later than six months prior to expiry.

During the three and six months ended June 30, 2021, the Company derived approximately 89% and 88% of its revenues from franchise fees it receives under the Franchise Agreements (three and six months ended June 30, 2020– 86% and 88%).

## 2. Significant Accounting Policies

### BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using the accounting policies described herein and the accounting policies used to prepare the audited annual financial statements of the Company as of and for the year ended December 31, 2020.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on August 9, 2021 and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020.

The consolidated condensed financial statements have been prepared on a going concern basis and include the accounts of the Company.

### ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables and notes receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectable amounts.

### INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements purchased or transferred from the Manager (“Ancillary Agreements”), are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated net impairment losses.

Franchise Agreements and Ancillary Agreements are amortized over the term of the agreements plus one renewal period using the straight-line method on an agreement-by-agreement basis. Trademarks are amortized on a straight-line basis over their expected useful life.

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements including payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company's brands as well as contract specific legal costs, if any. The Company may also provide certain fee rebates to franchisees under certain circumstances. These costs and rebates are capitalized on an agreement-by-agreement basis and amortized over the same term as the agreement to which they relate or, where the underlying agreement is less than a year, charged to the interim condensed consolidated statement of net and comprehensive earnings (loss). The amortization charge for these fee rebates and any franchise agreement expenses represented by cash payments to franchisees is recorded as a reduction in revenues.

The Company reviews intangible assets each reporting period to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements, Trademarks and Ancillary Agreements. When reviewing for indicators of impairment or recovery of impairment of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. When reviewing indicators for impairment on individual Ancillary Agreements, the Company considers certain factors including, prior year's revenues and estimated future revenues under each Ancillary Agreement as well as underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement or Ancillary Agreement exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use). Where the counter-parties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment.

If the carrying value of the intangible asset exceeds the recoverable amount, the intangible asset is written down to the recoverable amount and an impairment loss is charged to net and comprehensive earnings in the period. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed. Where an impairment loss is reversed, the carrying value of the intangible asset is increased to its revised recoverable amount (the lesser of a) the revised estimate of its recoverable amount, and b) the carrying amount that would have been recorded had no impairment loss been recognized previously) and an impairment reversal is recognized as income in the period.

Franchise Agreements subject to early termination or non-renewal, are written off in the period of termination or when non-renewal becomes reasonably assured.

## REVENUE RECOGNITION

The Company is in the business of providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. Certain of these information and services (the "Service Offering") are provided in exchange for franchise fees received from franchisees. The Service Offering is offered as a complete suite of services. Franchisees who pay franchise fees under the Franchise Agreements cannot elect to purchase any service under the Service Offering individually or on a stand-alone basis.

Franchise fees include franchise fees which have both fixed and variable components. Fixed franchise fees are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Fixed franchise fees are recognized over time, which is when the control of the services and the right to use the trademark are transferred to the customer.

Variable franchise fees are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Variable franchise fees are a percentage of a REALTOR®'s gross revenue, which is the gross commission income earned on a transaction. Variable franchise fees are recognized at the point in time when a residential real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor.

In order to respond to the impact of COVID-19 and maintain Bridgemarq's market share by supporting franchisees, the Company announced temporary changes to the franchise fees it charged in 2020. For the period from April 1, 2020 to December 31, 2020, the Company suspended fixed franchise fees and increased variable franchise fees (subject to a cap) for franchisees representing approximately 82% of the Company's REALTORS®.

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

In addition to the Service Offering, the Company provides certain ancillary services to franchisees under the Ancillary Agreements. These include information and services provided outside of those provided in the Franchise Agreements. Each franchisee has the option of purchasing or utilizing the services provided under the Ancillary Agreements independent of the Service Offering. Revenues under the Ancillary Agreements are derived primarily from referral fees charged to external companies, lead management services provided to franchisees and other miscellaneous revenues. The direct costs associated with lead management and other revenues are recorded as cost of other revenue in the interim condensed consolidated statements of net and comprehensive earnings (loss).

External referral fees are generated from external parties who receive service referrals from the Company. External referral fees are recognized as revenue net of their direct costs at the point in time when the Company has completed its obligation under the agreement, which is when the control of the services are transferred to the customer.

Lead management services are provided to REALTORS® and franchisees on a subscription basis. Lead management revenue is recognized at the point in time a lead is assigned to the REALTOR® or the franchisee, which is when the performance obligation has been satisfied.

The Company's revenues are affected by the seasonality of Canadian real estate markets, which historically have seen stronger transactional dollar volumes in the second and third quarters of each year. This historical seasonality pattern did not recur in 2020 as the Canadian real estate market was impacted by a world wide pandemic, particularly in the second quarter of 2020. There can be no certainty that this historical seasonality pattern will recur in 2021.

## EXCHANGEABLE UNITS

Exchangeable Units represent the future distribution obligation of the Company in respect of Class B LP units of the Partnership, and are convertible, on a one-for-one basis, subject to adjustment, into restricted voting shares of Bridgemarq. These financial instruments are classified as a financial liability as the holder can "put" these instruments to the Company as well as by virtue of the Partnership agreement, whereby the Partnership is required to distribute all of its income to the partners. The Company records any changes in the fair value of the Exchangeable Units through net and comprehensive earnings in the period the change occurs. The fair value of these financial liabilities is based on the market price of Bridgemarq's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

## 3. Management Services Agreement

Under the Terms of the MSA, the Manager provides certain management, administrative and support services to the Company.

The monthly fee payable to the Manager is equal to a fixed management fee of \$840 plus a variable management fee equal to a) the greater of i) 23.5% of the distributable cash (as defined in the MSA) of the Company before management fees or ii) 0.342% of the market value of the restricted voting shares on a diluted basis for the first five years of the term of the MSA, and b) the greater of i) 25% of the distributable cash (as defined in the MSA) of the Company before management fees or ii) 0.375% of the market value of the restricted voting shares on a diluted basis thereafter.

For the three and six months ended June 30, 2021, the Company incurred management fees of \$5,545 and \$10,904 (three and six months ended June 30, 2020 - \$4,961 and \$9,753) for these services, \$5,364 and \$10,541 of which was charged to the consolidated statements of net and comprehensive earnings (loss) (three and six months ended June 30, 2020 - \$4,203 and \$8,279) and \$180 and \$362 was used to reduce the contract transfer obligation owing to the Manager plus related interest (three and six months ended June 30, 2020 - \$758 and \$1,474).

## 4. Accounts Receivable

Accounts receivable represent amounts due from the Company's franchise network for franchise fees plus amounts due pursuant to the Ancillary Agreements. As at June 30, 2021, the Company had accounts receivable of \$4,406 (December 31, 2020 - \$2,348) net of an allowance for doubtful accounts of \$84 (December 31, 2020 - \$310). During the three and six months ended June 30, 2021, administration expense included a bad debt recovery related to accounts receivable of \$61 and \$226 (three and six months ended June 30, 2020 - recovery of \$92 and bad debt expense of \$312).

Management analyses accounts receivable and notes receivable to determine the allowance for doubtful accounts by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding fees, franchisee operating performance, historical payment patterns, current collection efforts, relevant forward looking information and the Company's security interests, if any.

## Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The table below summarizes the aging of accounts receivable as at June 30, 2021 and December 31, 2020.

As at,	June 30, 2021	December 31, 2020
Current	\$ 4,121	\$ 1,962
30 Days	208	322
60 Days	77	63
90+ Days	84	311
Subtotal	\$ 4,490	\$ 2,658
Allowance for doubtful accounts	(84)	(310)
Accounts receivable	\$ 4,406	\$ 2,348

The Company recognizes revenues in income to the extent that collection is reasonably assured at the time the revenue is earned.

### 5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest at an agreed rate. Notes receivable are measured net of an allowance for doubtful accounts of nil at June 30, 2021 (December 31, 2020 - \$85).

As at June 30, 2021, the Company had notes receivable of \$112 (December 31, 2020 - \$119), of which \$30 was due within 12 months (December 31, 2020 - \$28) and \$82 was considered non-current (December 31, 2020 - \$91). During the three and six months ended June 30, 2021, administration expense included a bad debt recovery related to notes receivable of \$72 and \$86 (three and six months ended June 30, 2020 - \$14 and \$28).

Scheduled contractual receipts under the terms of the notes receivable are as follows:

As at,	June 30, 2021	December 31, 2020
Current portion	\$ 30	\$ 88
Receivable in 13-24 months	28	53
Receivable thereafter	54	63
Subtotal	112	204
Allowance for doubtful accounts	-	(85)
Notes receivable	\$ 112	\$ 119

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 6. Intangible Assets

Franchise agreement expenses and rebates are recorded as additions to intangible assets net of any recovery of previously paid franchise agreement expenses and net of any amortization of previously capitalized franchise agreement expenses. For the three and six months ended June 30, 2021, net reductions of intangible assets of \$89 and \$116 (three and six months ended June 30, 2020 - net additions of \$1,146 and \$1,408 reflect amortization of those franchise agreement expenses and rebates of \$141 and \$288 (three and six months ended June 30, 2020 - \$77 and \$142) recorded as a reduction of revenues.

The company recorded no impairments or write-offs of intangible assets during the three and six months ended June 30, 2021.

For the three and six months ended June 30, 2020, the Company identified seven and 12 Franchise Agreements with a carrying amount in excess of their recoverable amount and recognized an impairment charge of \$113 and \$283 related to those Franchise Agreements.

A summary of intangible assets as at June 30, 2021 and December 31, 2020 is provided in the charts below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
<b>Cost</b>			
At December 31, 2020	\$ 244,470	\$ 5,427	\$ 249,897
Franchise agreement expenses and rebates, net	(116)	-	(116)
<b>At June 30, 2021</b>	<b>\$ 244,354</b>	<b>\$ 5,427</b>	<b>\$ 249,781</b>
<b>Accumulated amortization</b>			
At December 31, 2020	\$ (176,550)	\$ (3,204)	\$ (179,754)
Amortization expense	(3,772)	(92)	(3,864)
<b>At June 30, 2021</b>	<b>\$ (180,322)</b>	<b>\$ (3,296)</b>	<b>\$ (183,618)</b>
<b>Carrying value</b>			
At December 31, 2020	\$ 67,920	\$ 2,223	\$ 70,143
<b>At June 30, 2021</b>	<b>\$ 64,032</b>	<b>\$ 2,131</b>	<b>\$ 66,163</b>

Year ended December 31, 2020	Franchise Agreements & Ancillary Agreements	Trademarks	Total
<b>Cost</b>			
At December 31, 2019	\$ 246,231	\$ 5,427	\$ 251,658
Franchise agreement expenses and rebates, net	1,189	-	1,189
Impairment	(368)	-	(368)
Agreements expiring during the year	(2,582)	-	(2,582)
<b>At December 31, 2020</b>	<b>\$ 244,470</b>	<b>\$ 5,427</b>	<b>\$ 249,897</b>
<b>Accumulated amortization</b>			
At December 31, 2019	\$ (170,812)	\$ (3,019)	\$ (173,831)
Amortization expense	(8,320)	(185)	(8,505)
Agreements expiring during the year	2,582	-	2,582
<b>At December 31, 2020</b>	<b>\$ (176,550)</b>	<b>\$ (3,204)</b>	<b>\$ (179,754)</b>
<b>Carrying value</b>			
At December 31, 2019	\$ 75,419	\$ 2,408	\$ 77,827
<b>At December 31, 2020</b>	<b>\$ 67,920</b>	<b>\$ 2,223</b>	<b>\$ 70,143</b>

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 7. Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities. Deferred income taxes are computed using substantively enacted tax rates applicable to the years in which the temporary differences are expected to reverse.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended, June 30, 2020
Earnings (loss) before income tax for the period:	\$ 1,945	\$ (8,021)	\$ 606	\$ 12,226
Expected income tax expense (recovery) at statutory rate of 26.5% (2020 - 26.5%)	515	(2,126)	161	3,240
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	122	124	244	249
Non-deductible loss (non-taxable gain) on fair value of Exchangeable Units	670	2,928	2,090	(2,619)
Non-deductible interest on Exchangeable Units	385	385	769	769
Non-deductible impairment and write-off of intangible assets, net	-	8	-	13
Income allocated to Exchangeable Unitholders	(441)	(164)	(816)	(379)
Recognition of deferred tax assets and other	(220)	-	(220)	3
<b>Total income tax expense</b>	<b>\$ 1,031</b>	<b>\$ 1,155</b>	<b>\$ 2,228</b>	<b>\$ 1,276</b>

The major components of income tax expense include the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Current income tax expense	\$ 1,008	\$ 556	\$ 2,116	\$ 1,286
Deferred income tax expense (recovery)	23	599	112	(10)
<b>Total income tax expense</b>	<b>\$ 1,031</b>	<b>\$ 1,155</b>	<b>\$ 2,228</b>	<b>\$ 1,276</b>

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2020	\$ 4,988	\$ 980	\$ 430	\$ 6,398
Deferred income tax recovery (expense)	181	(72)	(221)	(112)
<b>At June 30, 2021</b>	<b>\$ 5,169</b>	<b>\$ 908</b>	<b>\$ 209</b>	<b>\$ 6,286</b>

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2019	\$ 5,098	\$ 1,488	\$ 132	\$ 6,718
Deferred income tax recovery (expense)	(110)	(508)	298	(320)
<b>At December 31, 2020</b>	<b>\$ 4,988</b>	<b>\$ 980</b>	<b>\$ 430</b>	<b>\$ 6,398</b>

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 8. Debt Facilities

The Company's debt is comprised of the following debt facilities:

As at	June 30, 2021	December 31, 2020
Term facility	\$ 55,000	\$ 55,000
Acquisition facility	16,000	18,500
	\$ 71,000	\$ 73,500
Financing fees	(101)	(121)
<b>Debt facilities</b>	<b>\$ 70,899</b>	<b>\$ 73,379</b>

The Company has \$80,000 in financing available under a borrowing agreement with a Canadian Chartered Bank. The debt facilities under this agreement are comprised of the following, which mature on December 31, 2023 ("Maturity"):

A \$55,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A \$20,000 revolving acquisition facility (the "Acquisition Facility") is available to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity.

A \$5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at June 30, 2021.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company and bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to the Company maintain certain financial covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1. The Company is obligated to make limited principal repayments under the Debt Facilities in circumstances where the ratio of Senior Indebtedness to Consolidated EBITDA exceeds 3.4:1. Such payments shall continue until the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25:1.

Consolidated EBITDA is defined as net earnings before income taxes, fair value adjustments on interest rate swaps and Exchangeable Units, impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At June 30, 2021 and December 31, 2020, the Company complied with all covenants under the debt facilities.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the \$55,000 Term Facility to a fixed rate obligation of 3.94% through to Maturity. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in the fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings (loss). The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At June 30, 2021, the Company determined that the fair value of the interest rate swaps represents a liability of \$1,759 (December 31, 2020 - \$2,704). For the three and six months ended June 30, 2021, the Company recognized a fair value gain of \$380 and \$945 (three and six months ended June 30, 2020 - loss of \$211 and \$2,546).



# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 9. Deferred Payments

The Company has deferred payment of certain amounts owing to BBP and the Manager pursuant to an agreement with BBP and the Manager. These deferred payments of \$6,616, are non-interest bearing, are due no later than 2025 and are repayable in cash or the issuance of Exchangeable Units, at the option of the Company. For the three and six months ended June 30, 2021, the Company recorded interest expense of \$55 and \$110 (2020 - nil) reflecting accretion of the carrying value of the deferred payments using the effective interest rate method.

## 10. Exchangeable Units

The Exchangeable Units are exchangeable on a one-for-one basis for restricted voting shares of Bridgemarq at the option of the holder. The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At June 30, 2021, the Company used the closing market price of Bridgemarq's shares of \$17.17 (December 31, 2020 - \$14.80). During the three and six months ended June 30, 2021, the Company recorded a loss of \$2,529 and \$7,887 related to the fair value of the Exchangeable Units (three and six months ended June 30, 2020 - a loss of \$11,048 and a gain of \$9,883).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the three and six months ended June 30, 2021 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$1,452 and \$2,904 (three and six months June 30, 2020 - \$1,452 and \$2,904).

## 11. Share Capital

Bridgemarq is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in Bridgemarq, and holders of the restricted voting shares are entitled to dividends declared and distributed by Bridgemarq.

The special voting share represents the proportionate voting rights of the Exchangeable Unitholders of the Partnership. The special voting share is redeemable by the holder at \$0.01 per share, and the holder is not entitled to dividends declared by Bridgemarq.

No additional restricted voting shares were issued during the three months ended June 30, 2021 or the year ended December 31, 2020.

No preferred shares were issued or outstanding as at June 30, 2021 or December 31, 2020.

The following table summarizes the outstanding shares of Bridgemarq:

As at June 30,	2021	2020
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1



# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## 12. Earnings Per Share

Basic and diluted earnings per share has been determined as follows:

For the three months ended March 31, (In thousands of Canadian dollars, except share and per share amounts)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
<b>Net earnings (loss) available to restricted voting shareholders – basic</b>	<b>\$ 914</b>	\$ (9,176)	<b>\$ (1,622)</b>	\$ 10,950
Interest on Exchangeable Units	1,452	1,452	2,904	2,904
Loss (gain) on fair value of Exchangeable Units	2,529	11,048	7,887	(9,883)
<b>Net earnings available to restricted voting shareholders – diluted</b>	<b>\$ 4,895</b>	\$ 3,324	<b>\$ 9,169</b>	\$ 3,971
Weighted average number of shares outstanding used in computing basic earnings per share	9,483,850	9,483,850	9,483,850	9,483,850
Total outstanding Exchangeable Units	3,327,667	3,327,667	3,327,667	3,327,667
Weighted average number of shares outstanding used in computing diluted earnings per share	12,811,517	12,811,517	12,811,517	12,811,517
<b>Basic earnings (loss) per share</b>	<b>\$ 0.10</b>	\$ (0.97)	<b>\$ (0.17)</b>	\$ 1.15
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.10</b>	\$ (0.97)	<b>\$ (0.17)</b>	\$ 0.31
Dividends declared	\$ 3,201	\$ 3,201	\$ 6,402	\$ 6,402
Restricted voting shares	9,483,850	9,483,850	9,483,850	9,483,850
<b>Dividends per restricted voting share</b>	<b>\$ 0.34</b>	\$ 0.34	<b>\$ 0.68</b>	\$ 0.68

## 13. Related Party Transactions

In addition to transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during the three and six months ended June 30, 2021 and June 30, 2020. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
a) Revenues				
Fixed franchise fees	\$ 671	\$ 15	\$ 1,334	\$ 711
Variable franchise fees	\$ 346	\$ 905	\$ 714	\$ 1,207
Other revenue, net	\$ 36	\$ 20	\$ 96	\$ 51
b) Expenses				
Management fees	\$ 5,364	\$ 4,203	\$ 10,541	\$ 8,279
Insurance premiums and other	\$ 6	\$ 5	\$ 12	\$ 10
Interest on contract transfer obligation	\$ 44	\$ 58	\$ 89	\$ 125
c) Interest				
Interest to Exchangeable Unitholders	\$ 1,452	\$ 1,452	\$ 2,904	\$ 2,904

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

The following amounts due to/from related parties are included in the account balance as described;

As at,	June 30, 2021	December 31, 2020
d) Accounts receivable		
Franchise fees receivable and other	\$ 384	\$ 140
e) Management fees and Interest on contract transfer obligation	\$ 1,283	\$ 839
f) Contract transfer obligation	\$ 3,425	\$ 3,698
g) Interest payable to Exchangeable Unitholders	\$ 484	\$ 484
h) Deferred payments	\$ 5,645	\$ 5,535

Certain members of the Company's board of directors are compensated for their services. During the three and six months ended June 30, 2021, the Company incurred \$73 and \$139 in directors' fees (three and six months ended June 30, 2020 - \$105 and \$157). Directors' fees are included in administration expenses.

## 14. Management of Capital

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

### A) CREDIT RISK

Credit risk arises from the possibility that franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether a provision should be recorded. The estimation and application of monitoring future events or market conditions requires significant judgment and is uncertain.

As at June 30, 2021, the Company has recorded an allowance for doubtful accounts related to accounts receivable of \$84 (December 31, 2020 - \$395).

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. The Company has a \$20,000 Acquisition Facility, of which \$16,000 has been drawn, and a \$5,000 undrawn Operating Facility (see Note 8).

Estimated contractual maturities of the Company's financial liabilities are as follows:

As at June 30,	2021	2022	2023	2024	2025	Beyond 2025	Total
Accounts payable and accrued liabilities	\$ 1,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,778
Current contract transfer obligation	559	-	-	-	-	-	\$ 559
Interest payable to Exchangeable Unitholders	484	-	-	-	-	-	\$ 484
Dividends payable to shareholders	1,067	-	-	-	-	-	\$ 1,067
Interest on long-term debt	1,399	2,797	2,797	-	-	-	\$ 6,993
Interest on contract transfer obligation	83	143	114	90	72	97	\$ 599
Long term contract transfer obligation	-	290	602	356	375	1,241	\$ 2,864
Interest rate swap liability	-	-	1,759	-	-	-	\$ 1,759
Debt facilities	-	-	71,000	-	-	-	\$ 71,000
Deferred payments	-	-	-	-	6,616	-	\$ 6,616
Exchangeable Units	-	-	-	-	-	57,136	\$ 57,136
Total	\$ 5,370	\$ 3,230	\$ 76,272	\$ 446	\$ 7,063	\$ 58,474	\$ 150,855

## C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its debt facilities as the interest rates on these facilities are based on the Prime rate and Banker's Acceptance rates.

As described in Note 8, the Company has entered into a five-year interest rate swap to fix the interest on the Company's \$55,000 Term Facility at 3.94% until December 31, 2023.

The Acquisition Facility bears interest at a variable rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately \$185.

## D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of deferred payments is estimated to approximate its carrying value of \$5,645 due to the Company's option to settle this amount through the issuance of Exchangeable Units at any time. The fair value of the Company's outstanding borrowings of \$71,000 approximate their carrying value of \$70,899 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of \$3,425 as a result of their floating rate terms.

# Notes to the Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020  
(Expressed in thousands of Canadian dollars, unless stated otherwise)

## E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets as at June 30, 2021 and December 31, 2020, classified using the fair value hierarchy.

As at June 30, 2021	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Exchangeable Units	57,136	-	-	57,136
Interest rate swap liability	-	1,759	-	1,759
<b>Total</b>	<b>\$ 57,136</b>	<b>\$ 1,759</b>	<b>\$ -</b>	<b>\$ 58,895</b>

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial liability:				
Exchangeable Units	49,249	-	-	49,249
Interest rate swap liability	-	2,704	-	2,704
<b>Total</b>	<b>\$ 49,249</b>	<b>\$ 2,704</b>	<b>\$ -</b>	<b>\$ 51,953</b>

See Note 10 for disclosures related to Level 1 fair values and Note 8 for disclosures related to the Level 2 fair values. There were no transfers between fair value hierarchy levels during the period.

## 15. Management of Capital

The Company's capital is made up of its cash on hand, debt facilities, Exchangeable Units and shareholders' deficit.

The Company's objectives in managing its capital include; a) maintaining a capital structure that provides financing options to the Company while remaining compliant with the covenants associated with the debt facilities; b) maintaining financial flexibility to preserve its ability to meet financial obligations, including debt servicing and dividends to shareholders; and c) deploying capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with these objectives and to be in a position to respond to changes in economic conditions.

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 8. As at June 30, 2021 and December 31, 2020. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the year.

## 16. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's revenues for the three and six months ended June 30, 2021, 95% (three and six months ended June 30, 2020 - 90% and 92%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 5% (three and six months ended June 30, 2020 - 10 and 8%) are generated from services provided under the Via Capitale brand.



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