

Bridgemarq Real Estate Services Inc.

2021 Second Quarter Results

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CORPORATE PARTICIPANTS

Phil Soper

Bridgemarq Real Estate Services Inc. — President & Chief Executive Officer

Glen McMillan

Bridgemarq Real Estate Services Inc. — Chief Financial Officer

PRESENTATION

Operator

Good morning. My name is Colin and I'd like to welcome everyone to the Bridgemaq Real Estate Services Inc. 2021 Second Quarter Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question, simply press star then the number one on your telephone keypad. If you'd like to withdraw your question, please press star followed by two. Thank you.

I would now like to introduce you to Mr. Phil Soper, President and CEO of Bridgemaq Real Estate Services Inc. Mr. Soper, you may begin your conference call.

Phil Soper — President & Chief Executive Officer, Bridgemaq Real Estate Services Inc.

Thank you, Colin, and good morning, everyone. With me today is our Chief Financial Officer, Glen McMillan, and we appreciate you joining us on the call this morning.

Today I'll begin with a brief overview of the Company's second quarter results and business updates. Glen will then discuss our results in more detail and I'll conclude with some operational highlights, Company updates, and market developments. Following our remarks, both Glen and I will be happy to take your questions.

I want to remind you that some of the remarks expressed during the call may contain forward-looking statements. You should not place reliance on these forward-looking statements because they involve known and unknown risks and uncertainties that may cause the actual results and performance

of the Company to differ materially from the anticipated future results expressed or implied by such statements. I encourage everyone to review the cautionary language found in our news release and our regulatory filings, which can be found on both our website and SEDAR.

As I mentioned on recent calls, it remains important to consider the potential impact of the COVID-19 pandemic on the economy, real estate market, and Company performance as an extension of our traditional cautionary language. The pandemic has impacted some industries negatively and some positively and real estate brokerage is clearly in the latter camp. Still, this ongoing health crisis is a shifting and unpredictable variable for investors and we encourage you to take that into consideration.

Within the industry, the Company's brands are well positioned for success. Our best-in-class technology, training, and market has helped us flourish; however, how the sector performs overall will ultimately be impacted by Canada's overall economic performance and, drilling down, factors such as immigration, employment levels, and interest rates.

You are going to hear numbers on today's call such as 153% year-over-year market growth. Please remember that we are comparing today's performance to a period last year in which the economy was artificially restricted, as we all sheltered at home to keep our communities safe. That said, housing's COVID catalyst, as I sometimes call it, in which Canadians put incredible focus on the importance for their home, which had become their offices, their kids' school rooms, their restaurants, gyms, and primary place of entertainment, was and is a very real phenomenon. Business in our industry has been very good. We do see signs of moderation in June, which is typical leading into the summer months; however, unit sales remained significantly higher than the 10-year average and listings continue to be below historical norms.

As a result, while the rate of house price increases should moderate, we continue to see upward pressure on home prices.

The Company itself is very pleased with its second quarter financial performance. Revenue for the quarter was up 22% to \$14 million and distributable cash flow increased by 73% to \$6.4 million compared to the second quarter of 2020, which was negatively impacted by emergency lockdown measures, as I mentioned previously. In addition, going beyond this to capitalizing on those strong market conditions, I am pleased to report that the 2020 launch of our cloud-based, AI-driven rlpSPHERE digital platform, operating platform, has been a big success, allowing us to add a net 667 realtors over the past 12 months. Glen will provide more commentary on Company financials shortly.

At our Board meeting yesterday, the Board of Directors approved a dividend payable on September 30th of \$0.1125 per share to shareholders of record on August 31st. This indicates an annualized dividend of \$1.35 per share, which is consistent with 2020.

With that, I'd like to turn things over to Glen for a look at our second quarter financial performance.

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

Thank you, Phil, and good morning, everyone.

As Phil mentioned, revenue in the second quarter was \$14 million compared to \$11.4 million in the second quarter of last year. For the first six months of the year revenues were \$27.1 million compared to \$22.5 million generated in the first half of 2020. Strong real estate markets across the country contributed to stronger operating results and improved cash flows compared to last year.

Net earnings for the quarter were \$900,000 or \$0.10 per share compared to a loss of \$9.2 million or \$0.97 per share during the second quarter last year. The results reflect a loss of \$2.5 million on the fair valuation of the exchangeable units issued by the Company compared to a loss of \$7.9 million last year.

Distributable cash flow amounted to \$6.4 million in the quarter and, as mentioned, this is a 73% increase over the \$3.7 million generated in the second quarter of last year when we were negatively impacted by the pandemic.

During the quarter the Canadian residential real estate market closed up 153% compared to Q2 of last year when the entire country was locked down and real estate markets reached all-time lows at the start of the pandemic. The increase was driven by a 91% increase in unit sales and a 27% increase in average selling price.

The Greater Toronto Area, which represents about a third of the national housing market, saw markets rise 179% to \$40.1 billion. The primary driver was a 127% increase in unit sales and an average selling price increase of 21%. The Greater Vancouver market closed up 195%, driven by 157% increase in unit sales and a 12% increase in price, and the Montreal market closed up 104%, reflecting a 60% increase in unit sales and an 18% increase in average selling price.

And now I'll turn it over to Phil to provide additional insights into the market and an update on our operations.

Phil Soper — President & Chief Executive Officer, Bridgemarq Real Estate Services Inc.

Thank you, Glen.

While the second quarter total transactional dollar volume increased 25% over the first quarter of the year, signs of moderation have begun to emerge. The Canadian market is shifting towards a more typical summer market where homebuyers pause their search and enjoy good weather. And with the pandemic era restrictions lifting, there have been many more activities for people to enjoy and call it recreational pent-up demand. While housing demand may soften compared to the record unit sales earlier this year, transactions during the second quarter are well above the 10-year average. Barring a significant upset to the economy, we do expect activity to lift again after the summer months in the fall, which is the normal seasonal flow of our industry.

Historically low interest rates, coupled with a sharp rise in household savings, there have been simply many fewer ways and places to spend, have boosted purchasing power and uncertainty regarding the duration of the pandemic and what post-pandemic life holds have increased Canadians desire to upgrade their living space. Many now envision that they will be working at least partially from home permanently or for the foreseeable future as a part of the way companies operate. This opens up many possibilities in terms of where a family might locate. Our business in Atlantic Canada, for example, has experienced a brisk trade. People from the Greater Toronto Area have relocated to much more affordable cities such as Saint John, New Brunswick or Moncton or Charlottetown. It has resulted in something of a revival of medium- and small-town Canada. Canada's highly competitive housing market has resulted in a significant pipeline of potential buyers who were not successful in transacting during the overheated first half of the year. They will continue to be an important source of demand in the months ahead.

The housing investor segment and particularly investors in condominium housing were significantly impacted by the pandemic as domestic student, international student, and newcomer

immigrant demand abruptly halted during the pandemic. The federal government has announced that Canada will be accepting over 1.2 million new Canadians through 2023. Company research shows that new Canadians tend to rent during the first three years in the country, but do have a high propensity to purchase after that. In addition, with the return of in-person classes at colleges and universities, demand for student accommodation should shift closer to pre-pandemic levels.

New entrants to the workforce, and more specifically those in travel, tourism, and hospitality industries, were the hardest hit by the economic fallout from the pandemic. Many returned to living with parents. Others never had the opportunity to move out. If businesses continue to reopen as expected, this group will achieve employment in larger and larger numbers and gain the financial confidence needed to rent or purchase a home.

In July, the Bank of Canada stated that the economy reopened after the third wave of COVID-19, as it reopened, growth should continue to rebound strongly. The bank is forecasting expansion of approximately 6% this year, slowing to about 4.5% in 2022. Very strong growth. They also expect employment to continue to rebound to pre-pandemic levels. This ongoing demand is expected to strain Canada's already chronically low supply of housing while putting upward pressure on home prices. It's also important to note that this lack of inventory acts as a drag on overall industry sales. The

Company's network continues to be highly productive while working remotely. As a leading real estate tech company, the ongoing investments that have been made in our products and services through the years have allowed the network to thrive in the current market. Our technology platform, rlpSPHERE that I spoke to at the outset, is a work-from-anywhere on any platform digital operating system.

The leadership of the Company's brands continues to meet and exceed the evolving demands of the network through new products and services, along with comprehensive training programs to help them understand how to leverage these business services and technologies to help them succeed. During the second quarter, the Royal LePage brand launched a consumer-facing blog focused on real estate markets, buying and selling, home improvement, and lifestyle content. The brand's industry-facing blog, Royal LePage Leading Edge, was refreshed and enhanced during the quarter with new design that supports recruitment efforts and position the company as a leader in real estate services technology.

Also during the quarter, our Johnston & Daniel business unveiled enhanced international marketing platform. Through the new partnership, J&D Global now offers more premium digital exposure, including top-tier international news outlets, for Canada's premium boutique, luxury brokerage. These investments in products and services are critical to recruiting and retention efforts. The Company's strong network growth is a testament to the brand's performance in delivering on first-to-market tools that can create competitive benefits. We are pleased to see the brand's offerings resonating within the industry.

In conclusion, while there remain many unknowns regarding the impact of the pandemic, market fundamentals remain supportive of real estate demand. The Company's strong performance during the second quarter is a result of both market performance and network growth. The Company's brands continue to enhance their offering by putting leading technologies into the hands of our front-facing people.

And with that, I'd like to turn the call back to our operator and open up to questions. Thank you.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Once again, should you have a question, please press star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment for your first question.

And as a final reminder, should you have a question, please press star followed by one.

Okay. It appears there are no questions at this time. I'll turn it back to Phil for closing remarks.

Phil Soper — President & Chief Executive Officer, Bridgemarq Real Estate Services Inc.

Thank you, everybody, for tuning in. We look forward to keeping you up to date with our regularly released studies on market performance and specifically to our shareholders at our next quarterly call.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.