

Bridgemarq Real Estate Services Inc.

Fourth Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

Philip Soper

Bridgemarq Real Estate Services, Inc. — President and Chief Executive Officer

Glen McMillan

Bridgemarq Real Estate Services, Inc. — Chief Financial Officer

PRESENTATION

Operator

Good morning. My name is Sylvie, and I would like to welcome everyone to the Bridgemarq Real Estate Services, Inc. 2021 Fourth Quarter Results Conference Call. Note that all lines have been placed on mute to prevent any background noise.

I would like to introduce to you Mr. Phil Soper, President and CEO of Bridgemarq Real Estate Services, Inc. Mr. Soper, you may begin the conference.

Philip Soper — President and Chief Executive Officer, Bridgemarq Real Estate Services, Inc.

Thank you, Sylvie, and good morning everyone.

With me today is our Chief Financial Officer, Glen McMillan. We appreciate you joining us on the call.

Today, following our usual format, I will begin with a brief overview of the Company's recent financial results and business updates. Glen will then discuss our financials in more detail and I'll conclude by providing some remarks, more detail on operational highlights and market developments. Following this, both Glen and I would be happy to take your questions.

I want to remind everyone 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 forward-looking statements. I encourage everyone to review the cautionary language found in our news release and all of our regulatory filings, which can be found on our Bridgemarq website and on SEDAR.

With the lifting of health restrictions, the pandemic's hold on the economy and day-to-day life seems to be further loosening its grip. However, it remains important to consider the potential future impact of the COVID-19 pandemic on the economy, real estate market, and even Company performance. We remain optimistic that the worst of COVID-19 is behind us; however, if there's one lesson we can take away from the past two years, it is that a global health crisis such as this is full of unpredictable turns and twists.

News, certainly, has emerged, sadly, with the unprovoked invasion of the Ukraine by Russia. Commodity prices have risen sharply and there may be an impact to global inflation, further supply disruptions, and all of this could weigh on global growth. However, we do not believe at this stage that the situation in Eastern Europe poses a material risk to the Canadian housing market. Twenty-twenty-one was a very strong year for the Canadian real estate market, and for the Company. We are very pleased with our financial and operational results. Revenue for 2021 was \$50.2 million compared to \$40.3 million in 2020, which is an impressive 25 percent improvement.

Distributable cash flow for the year was \$21.4 million compared to \$13.9 million in the previous year. The increases were driven by the Company's growing network, and we'll talk more about that

later, strong real estate markets, and the expiry of the pandemic fee relief plan on December 31, 2020. Regular listeners will be familiar with the unprecedented support. We showed our realtors in 2020 during the challenging early days of the pandemic, through the pandemic fee relief plan. Glen will discuss this briefly, and both of us would be happy to review the plan, what it meant, what it was about, during the Q&A, if there are people on the call who are new to following the Company.

We are delighted that the Company's network of realtors grew by over 1,100 agents during 2021. That's almost a 6 percent increase over 2020, and a near record year of growth for us. Certainly, the kind of growth that is very pleasing to stakeholders, shareholders. Growth in 2021 is a testament to our brands building their track to retain high-performing real estate professionals. I will speak to our investments in leading technologies as well as best-in-class business services later in the call.

At our Board meeting yesterday, the Board of Directors approved a dividend payment on April 29 of \$0.1125 per share to shareholders of record on March 31. This indicates an annualized dividend of \$1.35 per share.

I'll now turn things over to Glen for a look at our fourth quarter and full-year financial performance.

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

Thank you, Phil, and good morning everyone.

Revenue in the fourth quarter of 2021 was \$10.7 million compared to \$7.1 million in Q4 of 2020. The improvement was as the result of stronger real estate markets, growth in our agent base, and the

expiry of the pandemic fee relief plan on December 31, 2020. As Phil mentioned earlier, we implemented the relief plan at the onset of the pandemic to provide support to our network of realtors at a time when there was significant uncertainty as to how the pandemic could affect Canadian housing markets and the economy in general.

For the fourth quarter, the Company generated earnings of \$2.6 million compared to a net loss of \$8 million in the fourth quarter of last year. Fourth quarter earnings included a gain on the fair valuation of the Company's exchangeable units of \$1.1 million compared to a loss of \$6.6 million in the fourth quarter of last year. These noncash adjustments required under generally accepted accounting principles are determined with reference to the share price of the Company's restricted voting shares. These gains or losses do not impact the cash flow of the Company.

For the fourth quarter, distributable cash flow amounted to \$4.1 million compared to \$1.9 million in the fourth quarter of last year. For the full year, as Phil mentioned, we achieved our highest revenue ever, generating \$50.2 million compared to \$40.3 million last year. The Company benefited from the strength of the Canadian market. Twenty-twenty-one was the strongest year on record, at \$459 billion in transactional dollar volume. This is a 47 percent year-over-year increase.

Net earnings for 2021 were \$4.1 million or \$0.51 per share, compared to earnings of \$0.8 million or \$0.08 a share in 2020. These results included a \$1.9 million noncash gain, resulting from a decrease in the fair value of the interest rate swap the Company has designated as a hedge against its variable interest rate debt. In 2020, the Company recorded a \$2.2 million loss on the fair valuation of the swap.

For the full year, the Company recorded a \$5 million loss on the fair valuation of the exchangeable units, compared to a loss of \$300,000 in 2020.

Distributable cash flow for the year amounted to \$21.4 million or \$1.67 per share, improving by \$7.4 million compared to last year. The increase in distributable cash flow was driven by higher revenues, partly offset by higher Management fees and higher current income taxes.

As I mentioned, the Canadian market increased 47 percent in 2021 relative to 2020. This increase is the result of a 21 percent increase in average selling price, and a 21 percent increase in unit sales. For the quarter, the national market increased 9.9 percent over the fourth quarter of last year, rising to just under \$100 billion.

The Greater Toronto Area real estate market was up 50.7 percent for the year, increasing to \$133.3 billion. This was driven by an 18 percent increase in average selling price, and a 28 percent increase in the number of units sold. Just as a point of reference, the GTA represents just under 30 percent of the national housing market.

The Greater Vancouver market closed up 58 percent in 2020, driven by an 11 percent increase in average selling price and a 42 percent increase in units sold.

The Greater Montreal Area was up 16 percent, at \$29.4 billion. This reflects an 18 percent increase in average selling price, partly offset by a 1.7 percent decrease in unit sales.

Phil will now provide additional insights into the market and an update on our operations.

Philip Soper — President and Chief Executive Officer, Bridgemarq Real Estate Services, Inc.

Thanks, Glen.

As Glen stated, the national market and that of our three largest urban centres have had another year of exceptional growth. It is important to take away that the growth was driven by both strong price appreciation and strong growth in unit sales. Lack of supply continues to be the most significant driver of uncomfortably high home price inflation. Due to this chronic low supply of housing, the pipeline of potential buyers who've been unable to transact during the pandemic and needed or wished to do so has continued to grow.

The housing shortage has resonated with governments at all levels and we're pleased that the ongoing dialogue in the industries, and with many Canadians at large, has been focused on increasing the number of homes available to live in in this country, increasing supply, and less so on policies aimed at artificially quelling demand, which is just a Band-Aid, a quick fix to the problem of providing shelter for our growing population.

During the federal election, all major parties, including the current government, recognized that the supply shortage that we're dealing with is a problem that we need to build our way out of. The Liberal Party promised to address the shortage of housing, be it for rent or for purchase, and remember, the Company provides services to deal with both in a number of ways, including giving municipalities new tools to build and repair homes, and convert empty office space into housing. These efforts, these creative solutions are promised to result in some 1.4 million homes built, preserved, or repaired.

Increasing supply is supportive of agent productivity, and we will continue to monitor the progress of all levels of government on this important file in all key markets.

In addition to strong demand from Canadians, there continues to be significant demand from newcomers to Canada. Canada welcomed the most immigrants in a single year in its history, reaching its target of 401,000 new permanent residents last year. This historic achievement is similar to what we achieved way back in 1913, which happens to be when our Company was founded. While some newcomers do purchase homes on arrival in Canada, our research shows that the average duration of time before new Canadians purchase home is three years after arriving in the country. However, in the interim, this surge of demand is greatly supportive of investor market, investors who provide property rentals.

Current low interest rates remain supportive of the real estate market. On March 2, 2022, the Bank of Canada raised its target overnight rate to 0.5 percent. While this rate is still considered historically low, it is the first increase in an expected series of increases, moving the bank rate off the emergency low that was triggered by the beginning of the pandemic. These increases are expected to occur over the balance of 2022. The Bank also announced that economic growth was very strong in the fourth quarter of 2021, at 6.7 percent, stronger than the Bank of Canada's projection, and that first quarter growth is now looking to be very solid and greater than previously forecast.

During 2021, Bridgemarq invested in marketing to raise awareness among brokerage-level decision makers, as well as experienced agents. A prominent theme in our marketing was best-in-class technology, as we continue to leverage the success of rlpSPHERE, our powerful, AI-driven, cloud-based

real estate platform. Consumer brand awareness initiatives this year included a new consumer-facing website that focuses on real estate markets and lifestyles, as well as award-winning media campaigns. Over the past three years, the Royal LePage brand has won seven campaign awards, to Johnson Daniels, a brand unveiled and enhanced international marketing program that is also attracting consumer traffic to its luxury services. These platforms are integrated with our rlpSPHERE operating environment.

During the year, the manager entered into an agreement with a Montreal-based mortgage firm to give our Via Capitale clients access to improved insurance products and competitive residential and commercial financing.

In conclusion, 2021 was a banner year for the Company, both in financial performance terms and overall network growth. We attribute this growth to the Company's investments in its brands, as well as supporting strong market conditions.

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

Q & A

Operator

Thank you, sir.

At this time, Mr. Soper, it appears we have no questions. Please proceed, sir.

Philip Soper — President and Chief Executive Officer, Bridgemarq Real Estate Services, Inc.

Thank you, Sylvie.

I wish to thank everyone once again for participating in today's call. Our next Company update will take place at Bridgemarq's Annual General Meeting, which will be on May 12, 2022. Like the past few AGMs, this will be a virtual meeting, allowing investors and analysts everywhere to join Glen and I, and the Chairman of the Board, Spencer Enright, for a detailed presentation. Please watch for a release in mid-March with details on how to participate.

With that, I will bid you adieu.

Operator

Thank you, sir.

Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we do ask that you please disconnect your lines.