



Q1 2020

Interim Report to Shareholders



2020 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 months ended March 31, 2020, has been prepared as at May 11, 2020. The three months ended March 31, 2020, shall be referred to in this MD&A as the "Quarter". The comparative period of the three months ended March 31, 2019, shall be referred to in this MD&A as the "Prior Year Quarter". 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 33.

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 section should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and the Company's audited financial statements for the year ended December 31, 2019, prepared in accordance with IFRS. Additional information relating to the Company, including its 2019 Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A makes reference to Distributable Cash Flow, which is a non-GAAP measure and does 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 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.

- Net and comprehensive earnings for the Quarter were \$20.1 million, or \$0.05 per Restricted Voting Share, compared to a net loss of \$8.4 million or \$0.88 per Restricted Voting Share for the Prior Year Quarter.
- Distributable Cash Flow for the Quarter was \$3.9 million, compared to Distributable Cash Flow of \$3.5 million in the Prior Year Quarter driven by higher revenues and partially offset by higher management fees.
- Distributable Cash Flow for the rolling twelve-month period ended March 31, 2020 was \$1.42 per Share as compared to \$1.57 per Share for the rolling twelve-month period ended March 31, 2019. The decrease in Distributable Cash Flow was mainly driven by higher management fees partially offset by higher revenues and lower income taxes.
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of \$0.1125 per Restricted Voting Share payable on April 30, 2020, to shareholders of record on March 31, 2020. This represents an annualized dividend of \$1.35 per Restricted Voting Share.

(Unaudited)
(in 000's) except per Share amounts and number of REALTORS®
For three months ended March 31,

	2020	2019
Fixed franchise fees	\$ 7,541	\$ 7,326
Variable franchise fees	2,619	2,145
Other revenue	962	646
Revenues	11,122	10,117
Cost of other revenue	(119)	(109)
Administration expenses	(655)	(398)
Management fees	(4,076)	(3,694)
Interest expense	(750)	(765)
Current income tax expense	(730)	(729)
Cash used in investing activities	(912)	(962)
Distributable Cash Flow	\$ 3,880	\$ 3,460
Dividends paid	\$ 3,201	\$ 3,201
Interest on Exchangeable Units paid	\$ 1,452	\$ 1,452
Net and comprehensive earnings (loss)	\$ 20,126	\$ (8,392)
Number of REALTORS®	19,120	19,231
Net and comprehensive earnings (loss) per Share	\$ 0.05	\$ (0.88)
Dividends paid per Restricted Voting Share	\$ 0.34	\$ 0.34
Interest paid on Exchangeable Units per Exchangeable Unit	\$ 0.44	\$ 0.44
Distributable Cash Flow, rolling twelve-month period ended March 31,	\$ 18,151	\$ 20,073
Distributable Cash Flow per Share, rolling twelve-month period ended March 31,	\$ 1.42	\$ 1.57

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 has resulted in governments enacting emergency measures to combat the spread of virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have caused material disruption to the Company's business and has resulted in a global economic slowdown. The duration and impact of the COVID-19 outbreak as well as the impact of government actions to control the spread of the disease and the economic impacts are unknown at this time.

Management's Discussion and Analysis of Results and Financial Condition

With the exception of the province of Quebec, the buying and selling of homes was deemed to be an "essential service" throughout Canada, allowing our Franchisees to continue to operate. Subsequent to the end of the Quarter, the province of Quebec also deemed real estate to be an essential service. However, the impact of government mandated restrictions designed to limit human contact contributed to a significant drop in the business of our Franchisees in the last half of March and through April. The Company's revenues and operating results for the second quarter of 2020 are expected to be lower than the results for the Quarter and for the second quarter of 2019.

The Company and the Manager are committed to the health and safety of all staff and the success of the Company's network of brokerages and REALTORS®. The Manager and the Company responded quickly to government mandated social distancing by moving all employees to work from home, supporting enhanced technology solutions to minimize social contact (such as virtual open houses) and providing enhanced education and communication programs to support REALTORS®.

In response to the impact of COVID-19 on our Franchisees, the Company introduced the Pandemic Fee Relief Plan which was implemented to provide the support that is necessary to preserve our network and the presence of our Brands at a time when we believe 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.

Management continues to closely evaluate the impact of COVID-19 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. The effects of any prolonged decreases in future operating cash flows could result in the Company recording additional impairment charges in future periods on the Company's intangible assets and increased provisions for uncollectible accounts receivable and could have a significant negative affect on the company's results of operations.

Subsequent to March 31, 2020, the Company entered into an agreement with the Manager and BBP whereby the Company can defer payment of a portion of the monthly management fee payable to the Manager under the MSA, under certain circumstances, and payment of interest on the Exchangeable Units for the period from April, 2020 to September, 2020. The agreement can be extended to December, 2020 by mutual consent. Amounts deferred under this agreement are non-interest bearing and are due sixty months after 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.

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.

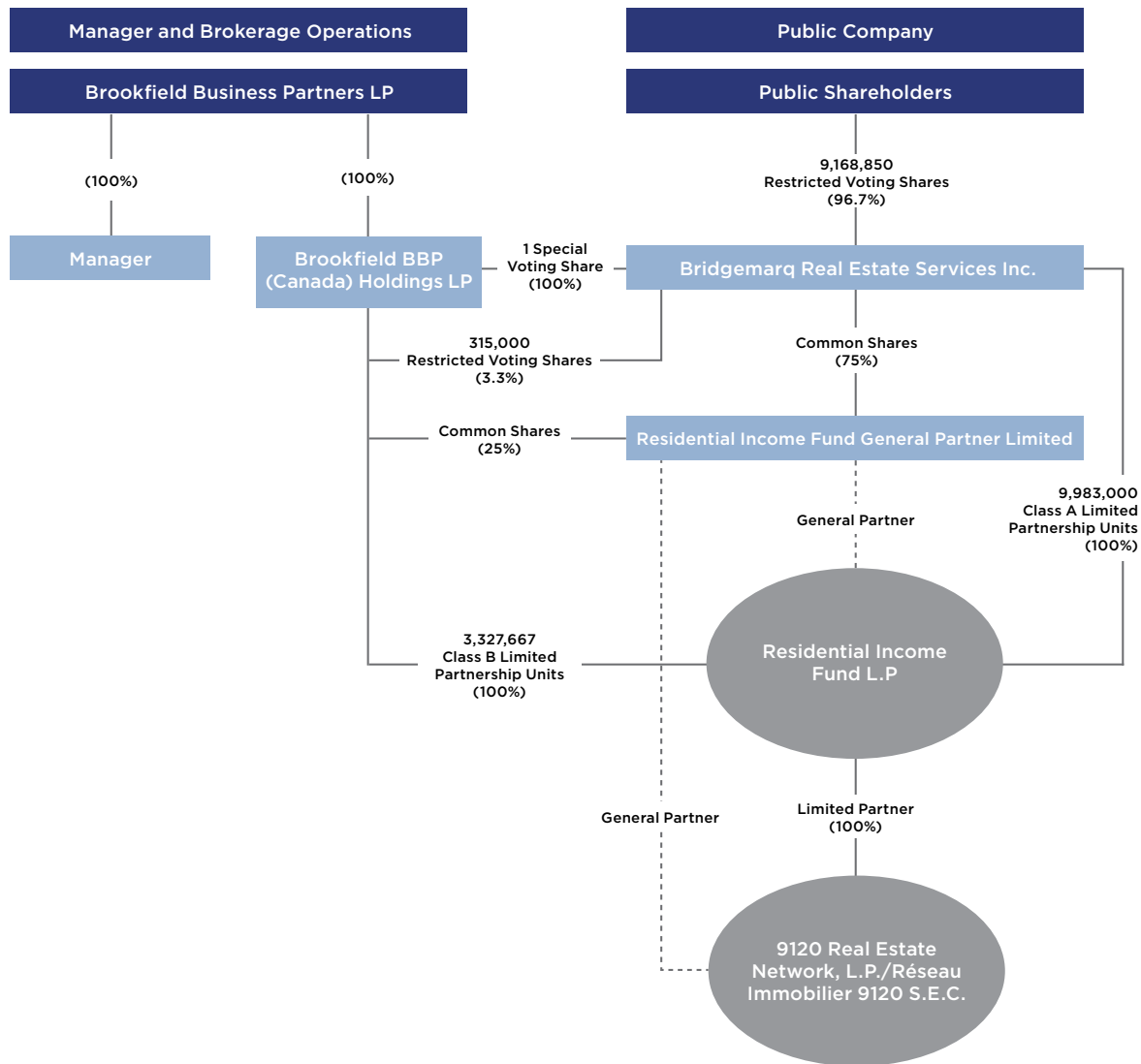
Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, Bridgemarq directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which Bridgemarq derives its revenue.

Brookfield 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"), 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 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 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, BBP indirectly owns 315,000 Restricted Voting Shares.

Management’s Discussion and Analysis of Results and Financial Condition

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

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



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 stakeholders with an investment vehicle that pays a significant portion 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

Management's Discussion and Analysis of Results and Financial Condition

activity that can occur in the Canadian residential real estate market ("Canadian Market"). In response to the unprecedented measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Pandemic Fee Relief Plan (the "Relief Plan") to its Franchisees. This temporary, fee plan is designed to provide financial support to the Company's Franchisees at a time when real estate markets are expected to reach unprecedented lows. The Relief Plan for those Royal LePage Franchisees operating in Quebec was modified from the original announcement and consists of a rebate equal to the monthly fixed franchise fee, or \$128 per REALTOR®, for each of March, 2020 and April, 2020. The Relief Plan for Via Capitale Franchisees consists of a rebate equal to \$150 per REALTOR® to be applied in April, 2020. The Relief Plan for those Royal LePage Franchisees operating outside of Quebec, is an optional, variable fee only plan and is effective from April 1, 2020 through December 31, 2020, at which time all Franchisees will revert back to the traditional plan, which is weighted towards fees that are fixed in nature. Franchisees, representing approximately 98% of the REALTORS® in the Company Network, who are eligible to participate in the Relief Plan have elected to do so.

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 2019 Annual Information Form, which is available at 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 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 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.

Subsequent to March 31, 2020, the Company entered into an agreement with the Manager whereby the Company may, in certain circumstances, defer payment of a portion of the monthly management fee payable under the MSA for the period from April, 2020 to September, 2020. The agreement may be extended to December 31 by mutual consent. 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.

In addition, and in accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements under IFRS was \$4.7 million and the fair value ascribed to the other agreements was \$4.6 million.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the MSA is allocated toward reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements, with the remainder charged to the Company's statement of net and comprehensive income.

Management's Discussion and Analysis of Results and Financial Condition

Company Revenues

As at March 31, 2020, the Company received franchise fees from 19,120 REALTORS[®] contracted with 352 Broker-Owners operating under 296 Franchise Agreements from 677 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands, operating collectively as the Company Network, with an approximate 17% share of the Canadian Market, based on 2019 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 68% of the Company's revenues for the Quarter (Prior Year Quarter – 72%) 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 24% of the Company's revenues for the Quarter (Prior Year Quarter – 21%) 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 8% of total revenues (Prior Year Quarter – 6%).

In 2019, approximately 66% 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. Effective April 1, 2020, the Company announced the Relief Plan to its Franchisees. This temporary fee plan was implemented to support the 19,120 REALTORS[®] in the Company Network who would be materially impacted by what is expected to be an unprecedented drop in real estate market activity in Canada as a result of the spread of COVID-19. For those Franchisees outside Quebec, the Relief Plan offers a variable fee option and is effective from April 1, 2020 through December 31, 2020, at which time all Franchisees will revert back to the traditional plan which is weighted towards fees that are fixed in nature. 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, fixed franchise fees from Royal LePage Franchisees consisted of a fixed monthly fee of \$133 per REALTOR[®] for approximately 90% of the Royal LePage Network and \$128 per REALTOR[®] for 10% of the Royal LePage Network. Fixed franchise fees from Via Capitale Franchisees consisted primarily of a fixed monthly fee of \$170 per REALTOR[®]. For those approximately 350 Royal LePage REALTORS[®] who participate in the Royal LePage commercial real estate program, an additional monthly fee of \$100 is paid to the Company.

On January 1, 2020, the Company increased the monthly fixed franchise fees paid by Royal LePage Franchisees from \$128 to \$133 per REALTOR[®] for approximately 90% of REALTORS[®] operating under the Royal LePage and Johnston & Daniel Brands with the balance of the increase taking effect on July 1, 2020.

Effective April 1, 2020, the Company introduced the Relief Plan to the Franchisees in the Company Network. Under the terms of the Relief Plan, Royal LePage Franchisees operating in Quebec will receive a rebate equal to the monthly fixed franchise, of \$128 per REALTOR[®], for each of March, 2020 and April, 2020 while Via Capitale Franchisees will receive a rebate of \$150 in April, 2020. The rebates provided in the Quarter amounted to \$0.3 million. Under the Relief Plan, Franchisees representing approximately 82% of REALTORS[®] in the Company Network will pay only variable franchise fees from April 1 through December 31, 2020 as described below.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by the Franchisees' REALTORS[®]. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS[®] and, for the Quarter, are derived as 1% of each REALTOR[®]'s Gross Revenues, subject to an annual 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 annual cap, the Gross Revenues of all Team members are aggregated to one cap for the Quarter.

On January 1, 2020, the Company implemented an increase in the annual cap for the variable franchise fee from \$1,350 to \$1,400 per year.

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 2019, the variable fees associated with approximately 2,700 REALTORS[®] and 1,100 Teams (representing more than 4,200 REALTORS[®]) that exceeded the \$1,350 cap accounted for approximately 13% of revenues.

Management's Discussion and Analysis of Results and Financial Condition

Under the terms of the Relief Plan, those Franchisees operating outside of Quebec will pay variable franchise fees derived as 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 is a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue is 4.2% to a cap of \$3,213. For those REALTORS® who are members of a Team, variable franchise fees are determined as 3% of Gross Revenues up to a cap of \$1,200 per Team member. Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network will pay only variable franchise fees from April 1 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. Revenues earned from referral fees include fees paid by financial institutions for mortgage referrals and fees earned from Franchisees who purchase customer leads from the Company.

Overview of First Quarter 2020 Operating Results

Exchangeable Units outstanding;

Number of REALTORS®

For the three months ended March 31,

	2020	2019
Fixed franchise fees	\$ 7,541	\$ 7,326
Variable franchise fees	2,619	2,145
Other revenue	962	646
Premium franchise fees	-	-
Revenues	11,122	10,117
Less:		
Cost of other revenue	119	109
Administration expenses	655	398
Management fees	4,076	3,694
Interest expense	750	765
	\$ 5,522	\$ 5,151
Impairment and write-off of intangible assets	(170)	(482)
Amortization of intangible assets	(2,249)	(2,656)
Interest on Exchangeable Units	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	20,931	(7,787)
Loss on interest rate swap	(2,335)	(969)
Current income tax expense	(730)	(729)
Deferred income tax recovery	609	532
Net and comprehensive earnings	\$ 20,126	\$ (8,392)
Basic earnings per Restricted Voting Share	\$ 2.12	\$ (0.88)
Diluted earnings per Share	\$ 0.05	\$ (0.88)
Dividends paid per Restricted Voting Share	\$ 0.34	\$ 0.34
Interest paid per Exchangeable Unit	\$ 0.44	\$ 0.44
Restricted Voting Shares outstanding	9,483,850	9,483,850
Exchangeable Units outstanding	3,327,667	3,327,667
Number of REALTORS®	19,120	19,231
(in 000's)	March 31,	December 31,
As at	2020	2019
Total assets	\$ 92,443	\$ 94,793
Total liabilities	\$ 111,921	\$ 131,196

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 stronger real estate markets throughout Canada as well as an increase in the monthly fixed franchise fees paid by Royal LePage Franchisees from \$128 to \$133 per REALTOR® for approximately 90% of REALTORS® operating under the Royal LePage and Johnston & Daniel Brands as well as an increase in the annual cap for the variable franchise fee from \$1,350 to \$1,400 per year.

Net Earnings:

For the Quarter, the Company generated net earnings of \$20.1 million or \$2.12 per Share, compared to a net loss of \$8.4 million or \$0.88 per Share in the Prior Year Quarter.

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

- A gain on the determination of the fair value on the Exchangeable Units of \$20.9 million in the Quarter, compared to a loss of \$7.8 million during the Prior Year Quarter;
- A \$1.0 million increase in revenues as discussed above;
- A \$0.4 million decrease in amortization of intangible assets; and
- A \$0.3 million decrease in impairment and write-off of intangible assets; partly offset by
- A \$1.4 million increase in the loss on the fair value of the interest rate swap;
- A \$0.4 million increase in management fees as a result of the increased revenues; and
- A \$0.3 million increase in administration expenses due to higher bad debt expenses.

Total Assets:

Total assets decreased by \$2.4 million during the Quarter. The main drivers of the decrease were as follows:

- A \$2.1 million decrease in the carrying value of intangible assets, due to amortization expense recorded in the Quarter; and
- A \$1.2 million decrease in cash; partly offset by;
- A \$0.5 million increase in accounts receivable; and
- A \$0.6 million increase in deferred income tax asset.

Total Liabilities:

Total liabilities decreased by \$19.3 million in the Quarter. The main drivers of the decrease were as follows:

- A \$20.9 million decrease in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under *Annual Operating Results and Cash Flows – Loss on fair value of Exchangeable Units*);
- A \$0.7 million reduction in the contract transfer obligation; partly offset by;
- A \$2.3 million increase in the interest rate swap liability.

DIVIDENDS AND DISTRIBUTIONS:

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

Interest on Exchangeable Units was also consistent with Prior Year Quarter.

There can be no assurance regarding the amounts of income to be generated by the Company and distributed to the shareholders or unitholders. The actual amount of dividends in respect of the Restricted Voting Shares depends upon numerous factors, including payment of the Franchise Fees by Franchisees.

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; and
4. The Company’s growth opportunities.

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.

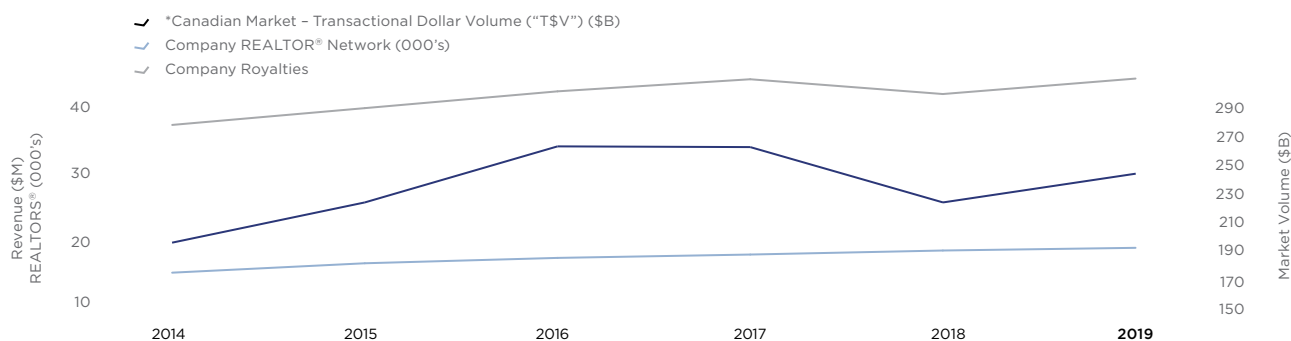
FIXED - FEE STRUCTURE

The Company estimates that for 2019, approximately 78% 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 are subject to an annual cap of \$1,400 per REALTOR® or Team of REALTORS® for the Quarter. For the period from April 1, 2020 to December 31, 2020, variable franchise fees are subject to a cap of \$2,295 per REALTOR® (\$3,213 per REALTOR® who participates in the Royal LePage commercial program) or \$1,200 per Team member. 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® or Team will 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 AND CHANGES 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 underlying consumer price index.

During the Quarter, 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®. The increases were effective January 1, 2020 for approximately 90% of REALTORS® operating under the Royal LePage and Johnston & Daniel Brands with the balance of the increase taking effect on July 1, 2020. In addition, the Company announced an increase in the maximum annual variable franchise fee payable based on 1% of each REALTOR®’s or Team’s Gross Revenue from \$1,350 to \$1,400 effective January 1, 2020.

Management's Discussion and Analysis of Results and Financial Condition

In response to the unprecedented measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Relief Plan to its Franchisees. This temporary fee plan is designed to provide financial support to the Company's Franchisees at a time when real estate markets are expected to reach unprecedented lows. The Relief Plan for those Royal LePage Franchisees operating in Quebec is comprised of a rebate of the monthly fixed franchise fee for the months of March, 2020 and April 2020. The Relief Plan for Via Capitale Franchisees consists of a rebate equal to \$150 per REALTOR® to be applied in April, 2020. Under the terms of the Relief Plan, those Franchisees operating outside of Quebec will pay variable franchise fees derived as 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 is a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue is 4.2% to a cap of \$3,213. For those REALTORS® who are members of a Team, variable franchise fees are determined as 3% of Gross Revenues up to a cap of \$1,200 per Team member.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at March 31, 2020, the Company Network of 19,120 REALTORS® operated through 296 Franchise Agreements, contracted with 352 Broker-Owners, providing services across the country through 677 locations. Of the Brokerages in the Company Network, approximately 65% 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 Network is under-represented in British Columbia and Alberta. The Company has a relatively strong presence in Ontario (as a result of a historical base there) and Quebec (due in part to operating under two separate brands).

As at March 31, 2020	Canadian ¹ REALTOR® Population	Company REALTOR® Population
Ontario	59%	59%
British Columbia	17%	13%
Quebec	10%	16%
Alberta	8%	5%
Maritimes	3%	4%
Prairies	3%	4%
Total	100%	100%

¹ 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.

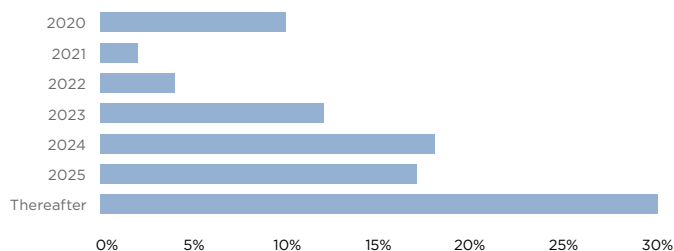
The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly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

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.

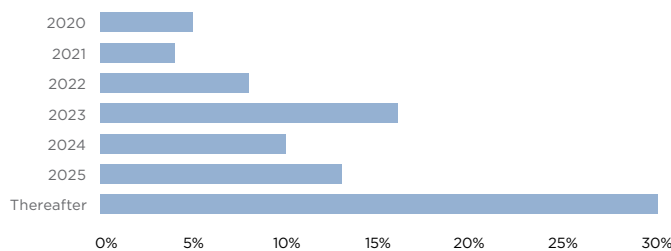
Management’s Discussion and Analysis of Results and Financial Condition

A summary of the Company’s agreement renewal profiles as at March 31, 2020 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)



RENEWALS

The Company has historically been able to achieve renewal success in more than 95% 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, three Franchise Agreements, representing 106 REALTORS® of the Company Network extended their term or renewed.

During the Quarter, two Franchise Agreements were terminated, both of which were as a result of Franchisees merging operations.

NUMBER OF REALTORS® IN THE COMPANY NETWORK

For the Quarter, the Company Network of 19,120 REALTORS® increased by 9 REALTORS® compared to a net increase of 386 REALTORS® (including 495 added through the transfer of Franchise Agreements from the Manager on January 3, 2019) in the Prior Year Quarter.

	2003 ¹ - 2014	2015	2016	2017	2018	2019	2020 ³
Company Network							
Opening REALTOR® Count	9,238	15,377	16,794	17,580	18,135	18,725	19,111
Net REALTOR® growth for the period	6,139	1,417	786	555	590	386	9
Closing REALTOR® Count	15,377	16,794	17,580	18,135	18,725	19,111	19,120
% Change in the period	66%	9%	5%	3%	3%	2%	0%
Canadian REALTOR® Population²							
CREA REALTOR® Membership	110,821	114,664	121,212	125,316	129,752	133,242	-
% Change in the period	56%	3%	6%	3%	4%	3%	-

¹Opening Count as at August 2003, CREA opening count of 71,267

²Source: CREA, CREA Membership data as of March 31, 2020 not available as of MDA date

³As at March 31, 2020

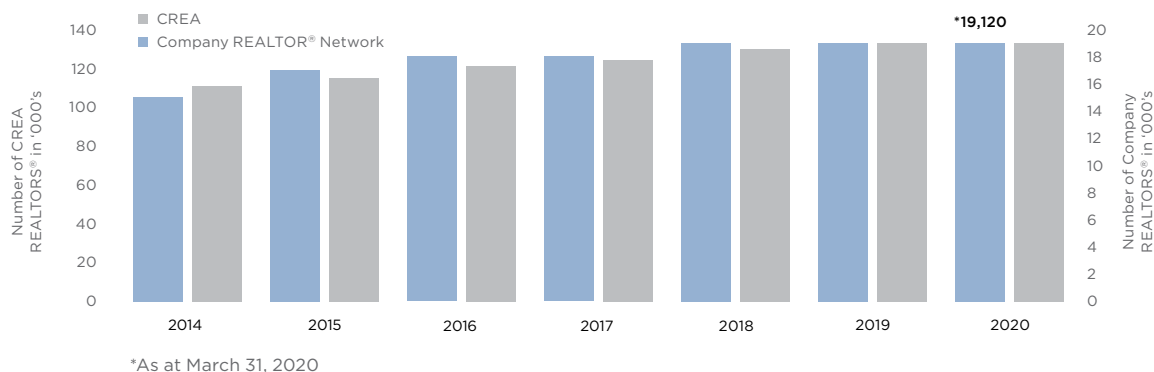
The increase in the number of Canadian REALTORS® in the Company Network has in part been driven by the growth in the Canadian Market, increases in discount brokerage offerings (which have attracted new entrants to the industry), and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company’s Network has grown at a 5% compound annual growth rate (“CAGR”), outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

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.

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN REAL ESTATE REALTORS®

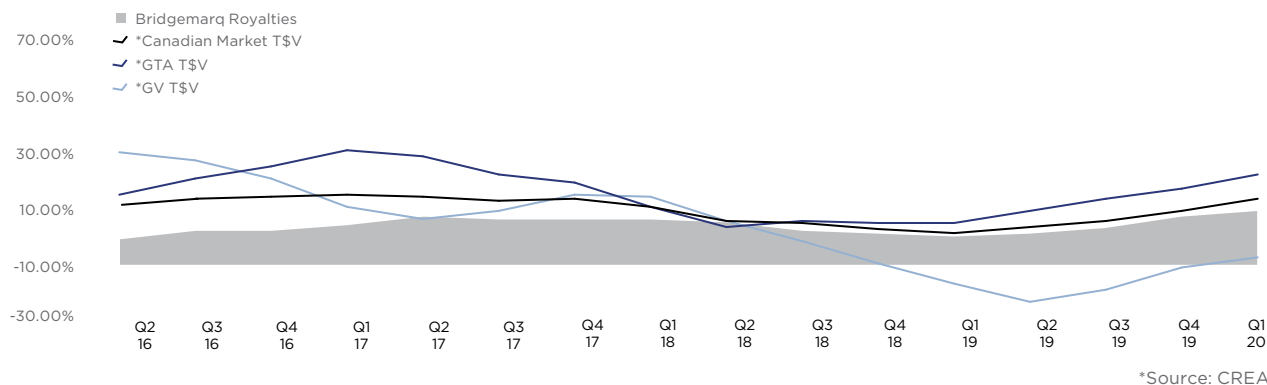
(Years ended December 31)



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 second quarter of 2016.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



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. After prolonged weakness over the previous two years driven by weakness in the Greater Toronto Area ("GTA", which experienced peak growth in the first quarter of 2017) and the Greater Vancouver Area ("GVA") market (which peaked in the second quarter of 2016), Canadian market growth turned positive in the second quarter of 2019 when the GTA showed its first year-over-year quarterly improvement in twelve months. This momentum continued into the first quarter of 2020 when the GVA market came off of 30-year lows. In the last two weeks of March, 2020, home sale volumes fell dramatically in the face of government actions to combat the spread of COVID-19.

During the Quarter, the Canadian Market closed up 30%, at \$57.9 billion, as compared to the Prior Year Quarter at \$44.4 billion. The increase in transaction dollar volume was driven by a 13% increase in price and a 15% increase in units sold.

During the Quarter, the GTA market closed up 41%, at \$17.7 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 15% increase in price and 23% increase in units sold.

During the Quarter, the GVA market closed up 54%, at \$6.5 billion, as compared to the Prior Year Quarter, driven by a 45% increase in number of units sold and 6% increase in selling prices.

During the Quarter, the Greater Montreal Area ("GMA") market closed up 25%, at \$6.0 billion, as compared to the Prior Year Quarter, driven by a 12% increase in selling prices and a 13% increase in units sold.

However, as noted, all Canadian markets saw a dramatic drop in total transactional dollar volume in the last half of March 2020 which continued into April.

Management's Discussion and Analysis of Results and Financial Condition

COMPANY'S GROWTH OPPORTUNITIES

Growth in the Company's revenues is achieved through:

- Increasing the number of REALTORS® in the Company Network through recruitment growth;
- Entering into new Franchise Agreements;
- Increasing the productivity of REALTORS®;
- Expanding the range of products and services supporting Franchisees and their REALTORS®; and
- Increasing the adoption of the Company's products and services and growing other revenues.

The products and services offered by the Company are supported by ongoing training programs for Brokers and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain REALTORS®.

GROWTH IN THE NUMBER OF REALTORS® AND OTHER REVENUES

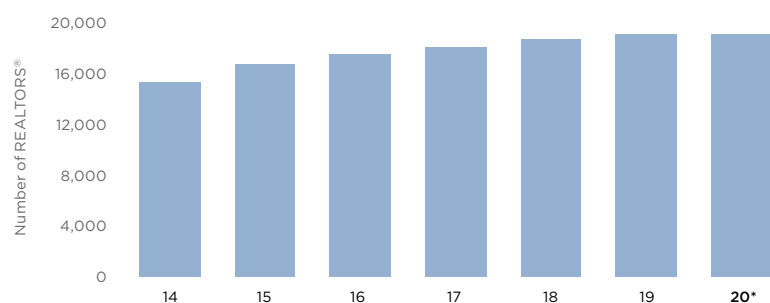
The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. This is generally achieved through entering into new Franchise Agreements.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 107% (9,882 REALTORS®). This represents a CAGR of 5% in the Company Network.

In accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale brands, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4.7 million.

A summary of Company Network growth since 2014 is summarized in the chart below.

COMPANY GROWTH



Year ended December 31, except 2020
* As at March 31, 2020

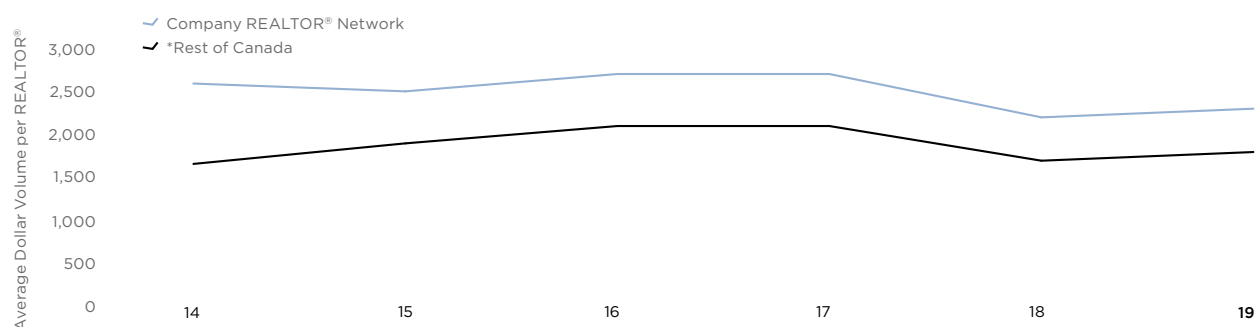
Management's Discussion and Analysis of Results and Financial Condition

REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately \$2.1 million in transactional dollar volume for the twelve months ended December 31, 2019, compared to an estimated \$1.8 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. The transactional dollar volume generated by an average Canadian REALTOR® increased by 6% compared to 2018, which is consistent with the increase in the Canadian Market. 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 years ended December 31, 2014, through 2019, 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

In response to the unprecedented and challenging business environment created by COVID-19, the Company's brands have quickly adapted their products and services through leveraging best-in-class technology to provide support, resources and assets specific to operating productively and safely. As a result, the Company's brands, franchisees and network of REALTORS® have maintained a high level of service throughout the pandemic.

Royal LePage is preparing to launch rlpSPHERE, its new technology platform designed to drive revenue, reduce costs and improve client service levels. This digital ecosystem seamlessly brings together all of the tools and systems Franchisees and their agents need to more easily run and grow their business. This start-to-finish solution will also be available to the Johnston & Daniel brand.

The Canadian Residential Real Estate Market

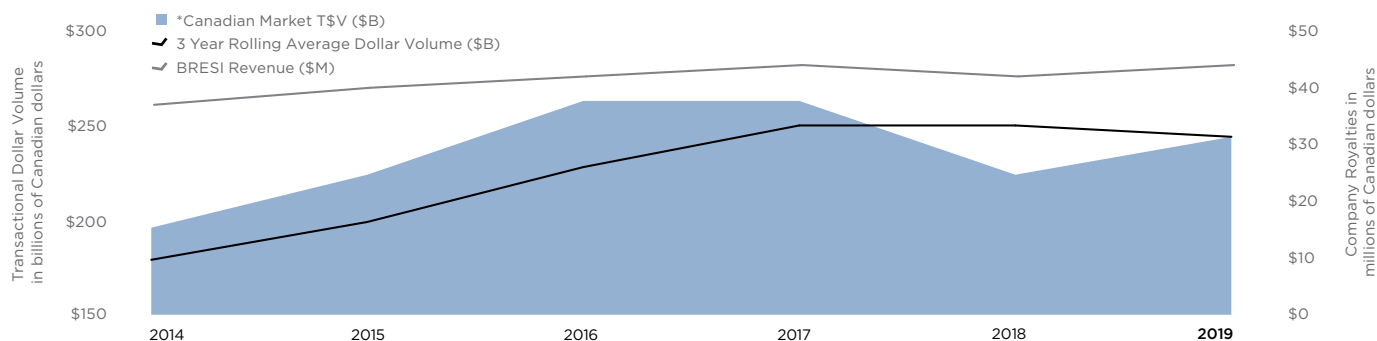
Since 2004, the Canadian Market has grown at a CAGR of 6% compared to our revenues, which have grown at a rate of 4%. Our fee structure has historically been biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market. However, for the period from April 1, 2020 to December 2020, the Company has implemented the Relief Plan to its Franchisees. This temporary, fee plan is a variable fee only plan and is designed to provide financial support to the Company's Franchisees. As such, for 2020, the Company's franchise fees will be more closely correlated with the changes in the Canadian Market.

After a strong first quarter in 2017, the Canadian Market saw a decline in the last nine months of the year. The slowdown in the market continued through 2018 and into the first quarter of 2019 and is partly the result of higher interest rates in 2018, various government-mandated regulations including tightened mortgage rules, and new taxes, which targeted certain foreign buyers of residential real estate in Ontario and BC. In the second quarter of 2019, the Canadian Market saw its first year-over-year improvement in almost two years on the strength of improvement in the GTA market. Markets improved through the rest of 2019 as the GVA market bounced off 30-year lows. Overall, the Canadian Market increased 9% in 2019 compared to 2018. That improvement continued into the first quarter of 2020 until mid-March when governments across Canada began placing restrictions on the operation of businesses and social interaction in an effort to fight the spread of COVID-19. COVID-19 has had dramatic impacts on the Canadian economy and the Canadian Market. Certain government directives have severely limited the face-to-face contact that is so common in the purchase and sale of a home. The extent to which COVID-19 will continue to impact the Canadian Market and the business of the Company is not known at this time. However, we do expect a significant drop in the Canadian Market in the short-term.

Management’s Discussion and Analysis of Results and Financial Condition

TRANSACTION DOLLAR VOLUME - CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2014–2018)

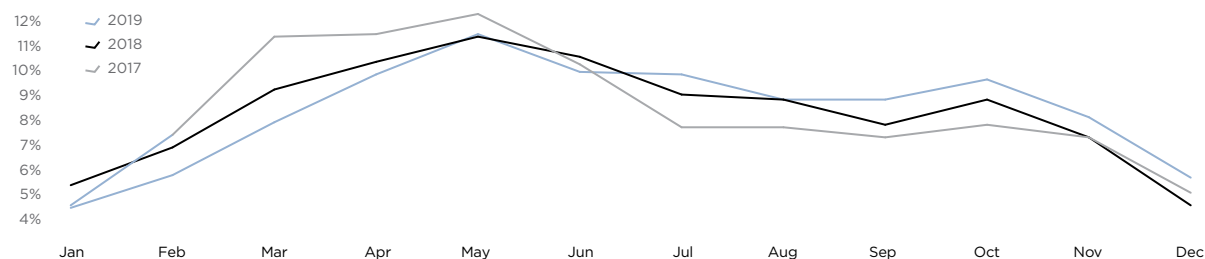


*Source: CREA

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, as summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

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



*Source: CREA

Canadian Market Outlook

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

From CREA¹: Home sales recorded over Canadian MLS® Systems dropped by 14.3% in March 2020 compared to February, as the economic turmoil and physical distancing rules surrounding the COVID-19 pandemic caused both buyers and sellers to increasingly retreat to the sidelines over the second half of the month.

“March 2020 will be remembered around the planet for a long time. Canadian home sales and listings were increasing heading into what was expected to be a busy spring for Canadian REALTORS®,” said Jason Stephen, president of CREA. “After Friday the 13th, everything went sideways. REALTORS® are complying with government directives and advice, all the while adopting virtual technologies allowing them to continue showing properties to clients already in the market, and completing all necessary documents. They remain your best source for information and guidance when negotiating the sale or purchase of a home in these unprecedented times,” continued Stephen.

“Numbers for March 2020 are a reflection of two very different realities, with most of the stronger sales and price growth recorded during the pre-COVID-19 reality which we are no longer in,” said Shaun Cathcart, CREA’s Senior Economist. “The numbers that matter most for understanding what follows are those from mid-March on, and things didn’t really start to ratchet down until week four. Preliminary data from the first week of April suggest both sales and new listings were only about half of what would be normal for that time of year.”

¹ Source: Canadian home sales and listings down in March, published April 15, 2020

Management's Discussion and Analysis of Results and Financial Condition

From TRREB²: Toronto Regional Real Estate Board President Michael Collins released the following key housing market statistics for April 2020:

- Greater Toronto Area REALTORS[®] reported 2,975 residential transactions through TRREB's MLS[®] System. This result was down by 67 per cent compared to April 2019. Weekday sales remained within a relatively steady range during the month, averaging 130 per day.
- New listings amounted to 6,174 in April 2020 – down on a year-over-year basis by a similar rate compared to sales (64.1 per cent).

“The necessary social distancing and economic impacts associated with COVID-19 clearly impacted home sales and listings throughout April 2020. However, REALTORS[®] have been able to facilitate some transactions on behalf of buyers and sellers through the use of innovative techniques including virtual open houses. TRREB has also provided a live stream virtual open house option on Member listings featured on our public websites, and I would expect the use of these innovative techniques to increase as some level of social distancing remains in place for the foreseeable future,” said Mr. Collins.

- The average selling price for April 2020 transactions was up by 0.1 per cent compared to the average price reported for April 2019. The semi-detached and townhouse market segments experienced annual average price growth above the rate of inflation. The condominium apartment and detached segments experienced year-over-year price declines on average.
- The trend for the MLS[®] Home Price Index Composite Benchmark, which had been on an upward trajectory since the beginning of 2019 flattened in April. On a year-over-year basis, the Benchmark was up by 10 per cent.
- The MLS[®] HPI indices represent prices for typical homes with consistent attributes from one period to the next. The fact that the MLS[®] HPI was up year-over-year by a greater rate than the average selling price suggests that the share of higher end deals completed in April 2020 versus April 2019 was down.

From the BoC³: The Bank of Canada maintained its target for the overnight rate at 1/4 percent, which the Bank considers its effective lower bound. The Bank Rate is correspondingly 1/2 percent and the deposit rate is 1/4 percent. The Bank also announced new measures to provide additional support to Canada's financial system.

The necessary efforts to contain the COVID-19 pandemic have caused a sudden and deep contraction in economic activity and employment worldwide. In financial markets, this has driven a flight to safety and a sharp repricing of a wide range of assets. It has also pushed down prices for commodities, especially oil. In this environment, the Canadian dollar has depreciated since January, although by less than many other currencies. The sudden halt in global activity will be followed by regional recoveries at different times, depending on the duration and severity of the outbreak in each region. This means that the global economic recovery, when it comes, could be protracted and uneven.

The Canadian economy was in a solid position ahead of the COVID-19 outbreak, but has since been hit by widespread shutdowns and lower oil prices. One early measure of the extent of the damage was an unprecedented drop in employment in March, with more than one million jobs lost across Canada. Many more workers reported shorter hours, and by early April some six million Canadians had applied for the Canada Emergency Response Benefit.

The outlook is too uncertain at this point to provide a complete forecast. However, Bank analysis of alternative scenarios suggests the level of real activity was down 1-3 percent in the first quarter of 2020, and will be 15-30 percent lower in the second quarter than in fourth-quarter 2019. CPI inflation is expected to be close to 0 percent in the second quarter of 2020. This is primarily due to the transitory effects of lower gasoline prices.

The pandemic-driven contraction has prompted decisive policy action to support individuals and businesses and to lay the foundation for economic recovery once containment measures start to ease. Fiscal programs, designed to expand according to the magnitude of the shock, will help individuals and businesses weather this shutdown phase of the pandemic, and support incomes and confidence leading into the recovery. These programs have been complemented by actions taken by other federal agencies and provincial governments.

² Source: TORONTO REGIONAL REAL ESTATE BOARD RELEASES MONTHLY MARKET REPORT published May 5, 2020

³ Source: BoC press release published April 15, 2020

Management's Discussion and Analysis of Results and Financial Condition

For its part, the Bank of Canada has taken measures to improve market function so that monetary policy actions have their intended effect on the economy. This helps ensure that households and businesses continue to have access to the credit they need to bridge this difficult time, and that lower interest rates find their way to ultimate borrowers. The Bank has lowered its target for the overnight rate 150 basis points over the last three weeks, to its effective lower bound. It has also conducted lending operations to financial institutions and asset purchases in core funding markets amounting to around \$200 billion.

These actions have served to ease market dysfunction and help keep credit channels open, although they remain strained. The next challenge for markets will be managing increased demand for near-term financing by federal and provincial governments, and businesses and households. The situation calls for special actions by the central bank. To this end, the Bank is furthering its efforts with several important steps.

Under its previously-announced program, the Bank will continue to purchase at least \$5 billion in Government of Canada securities per week in the secondary market, and will increase the level of purchases as required to maintain proper functioning of the government bond market. Also, the Bank is temporarily increasing the amount of Treasury Bills it acquires at auctions to up to 40 percent, effective immediately.

The Bank has also announced the development of a new Provincial Bond Purchase Program of up to \$50 billion, to supplement its Provincial Money Market Purchase Program. Further, the Bank is announcing a new Corporate Bond Purchase Program, in which the Bank will acquire up to a total of \$10 billion in investment grade corporate bonds in the secondary market. Both of these programs will be put in place in the coming weeks. Finally, the Bank is further enhancing its term repo facility to permit funding for up to 24 months.

These measures will work in combination to ease pressure on Canadian borrowers. As containment restrictions are eased and economic activity resumes, fiscal and monetary policy actions will help underpin confidence and stimulate spending by consumers and businesses to restore growth. The Bank's Governing Council stands ready to adjust the scale or duration of its programs if necessary. All the Bank's actions are aimed at helping to bridge the current period of containment and create the conditions for a sustainable recovery and achievement of the inflation target over time.

COMPANY AND MARKET UPDATE

Following a strong performance in 2019, the Company began 2020 with positive momentum. Late in the first quarter, the COVID-19 pandemic began to significantly disrupt business operations. COVID-19 has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have had an immediate and negative impact on the Canadian economy and the real estate services industry. The duration and impact of COVID-19 outbreak as well as the impact of government actions to control the spread of the disease and the economic impacts are unknown at this time. Due to the uncertainty of the duration and magnitude of the pandemic, the Company cannot reasonably quantify the impact to the Company's future results of operations or financial position.

The strength of the Company's first quarter financials is a result of a vibrant real estate market leading up to mid-March compared to the first quarter of 2019. While real estate services have been deemed an essential service in all Canadian provinces (with Quebec recently announcing that real estate services are now essential), COVID-19 has resulted in our network of REALTORS® conducting significantly fewer transactions compared to the first quarter of 2020. Recent information released from real estate boards servicing some of Canada's largest markets indicate activity in April 2020 to be as much as 70% lower than April 2019.

While in the past Canadian real estate markets have shown resiliency in times of economic slowdown, management believes that the timing of any recovery in real estate activity is too difficult to determine in today's unprecedented environment.

Management's Discussion and Analysis of Results and Financial Condition

First Quarter Operating Results and Cash Flows

(Unaudited)
(in 000's) except per Share amounts and
Number of REALTORS®;
For the three months ended March 31,

	2020	2019
Revenues		
Fixed franchise fees	\$ 7,541	\$ 7,326
Variable franchise fees	2,619	2,145
Other revenue	962	646
	11,122	10,117
Less:		
Cost of other revenue	119	109
Administration expenses	655	398
Management fees	4,076	3,694
Interest expense	750	765
	5,522	5,151
Impairment and write-off of intangible assets	(170)	(482)
Amortization of intangible assets	(2,249)	(2,656)
Interest on Exchangeable Units	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	20,931	(7,787)
Loss on interest rate swap	(2,335)	(969)
Earnings (loss) before income taxes	20,247	(8,195)
Current income tax expense	730	729
Deferred income tax recovery	(609)	(532)
Net and comprehensive earnings (loss)	\$ 20,126	\$ (8,392)
Basic earnings (loss) per Restricted Voting Share	\$ 2.12	\$ (0.88)
Diluted earnings (loss) per Share	\$ 0.05	\$ (0.88)
Number of REALTORS®	19,120	19,231

Cash Flow Information (in 000's)

Cash provided by (used for):		
Operating activities	\$ 2,890	\$ 1,459
Investing activities	(912)	(962)
Financing activities	(3,201)	(1,201)

During the Quarter, the Company generated net earnings of \$20.1 million compared to a net loss of \$8.2 million in the Prior Year Quarter.

Revenues for the Quarter totaled \$11.1 million, compared to \$10.1 million for the Prior Year Quarter. Fixed franchise fees represented 68% of revenues for the Quarter (Prior Year Quarter - 72%). Revenues increased due to an improvement in the Canadian Real Estate market and an increase in fixed franchise fees implemented effective January 1, 2020.

Fixed franchise fees for the Quarter increased by 3% as compared to the Prior Year Quarter, due to the increase in the monthly fixed franchise fees implemented effective January 1, 2020.

Variable franchise fees for the Quarter increased by 22%, as a result of the improvement in the Canadian Market.

Management's Discussion and Analysis of Results and Financial Condition

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues are also generally market driven and have increased 50% due to improvement in the Canadian Market.

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

Administration expenses of \$0.7 million for the Quarter were higher than the Prior Year Quarter primarily due to higher bad debt expense.

Management fee expense of \$4.1 million for the Quarter increased due to the increase in revenues compared to Prior Year Quarter. In addition, a smaller portion of the management fee paid to the Manager was allocated to the contract transfer obligation.

Interest expense of \$0.7 million has decreased compared to the Prior Year Quarter as a result of the lower interest rates in the Quarter.

Impairment and write-off of intangible assets represents an impairment of \$0.2 million for the Quarter compared to \$0.5 million during the Prior Year Quarter. During the Quarter, the Company recorded impairment charges related to eight Franchise Agreements where their carrying value exceeded their recoverable amount. In the Prior Year Quarter, the Company recorded impairment charges for four Franchise Agreements.

Amortization of Intangible Assets for the Quarter totaled \$2.2 million compared to \$2.7 million in the Prior Year Quarter. The lower charge is due a number of intangible assets becoming fully amortized during 2019.

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 (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 March 31, 2020, the Company's Restricted Voting Shares were valued at \$8.43 per share compared to \$14.72 at December 31, 2019, resulting in a gain of \$20.9 million for the Quarter. This gain represents a decrease in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares increased from \$14.57 at December 31, 2018 to \$16.91 at March 31, 2019, resulting in a loss of \$7.8 million.

Gain (loss) on interest rate swap of \$2.3 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 Quarter was 1% (Prior Year Quarter-2%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings 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 as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation.

Cash provided by operating activities increased to \$2.9 million compared to \$1.5 million in the Prior Year Quarter as result of higher revenues and lower instalments for income taxes partly offset by higher management fees.

Cash used in investing activities decreased to \$0.9 million from \$1.0 million in the Prior Year Quarter as a result of lower payments on the contract transfer obligation, partly offset by rebate of fixed franchise fees provided under the Relief Plan.

Cash used in financing activities decreased by \$2.0 million compared to the Prior Year Quarter when the Company borrowed \$2.0 million under its debt facilities.

Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results and Distributable Cash Flow

(Unaudited) For three months ended,	2020				2019			
(in 000's) except per Share amounts and number of REALTORS®; number of REALTORS®;	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
Revenues								
Fixed franchise fees	\$ 7,541	\$ 7,303	\$ 7,389	\$ 7,267	\$ 7,326	\$ 7,146	\$ 7,211	\$ 7,058
Variable franchise fees	2,619	2,183	3,077	3,233	2,145	1,799	3,121	3,243
Premium franchise fees	-	-	-	-	-	-	809	1,171
Other revenue	962	1,182	1,260	1,338	646	-	-	-
	11,122	10,668	11,726	11,838	10,117	8,945	11,141	11,472
Less:								
Cost of other revenue	119	107	155	153	109	-	-	-
Administration expenses	655	429	53	316	398	543	82	280
Management fees	4,076	3,730	4,041	4,013	3,694	1,547	2,078	2,103
Interest expense	750	761	748	757	765	666	669	679
	5,522	5,641	6,729	6,599	5,151	6,189	8,312	8,410
Impairment and write-off of intangible assets, net	(170)	(32)	-	(168)	(482)	(245)	(322)	(129)
Amortization of intangible assets	(2,249)	(2,631)	(2,634)	(2,639)	(2,656)	(1,871)	(1,900)	(1,926)
Interest on Exchangeable Units	(1,452)	(1,451)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	20,931	-	633	6,655	(7,787)	7,254	9,151	(6,988)
Gain (loss) on interest rate swap	(2,335)	659	155	(460)	(969)	(97)	108	4
Gain (loss) on fair value of purchase obligation	-	-	-	-	-	77	2	(26)
Earnings (loss) before income tax	20,247	2,186	3,431	8,535	(8,195)	9,855	13,899	(2,107)
Current income tax expense	730	675	882	703	729	1,045	1,367	1,568
Deferred income tax expense (recovery)	(609)	218	127	80	(532)	(65)	(12)	(10)
Net and comprehensive earnings (loss)	\$ 20,126	\$ 1,293	\$ 2,422	\$ 7,752	\$ (8,392)	\$ 8,875	\$ 12,544	\$ (3,665)
Basic earnings (loss) per Restricted Voting Share	\$ 2.12	\$ 0.14	\$ 0.26	\$ 0.82	\$ (0.88)	\$ 0.94	\$ 1.32	\$ (0.39)
Diluted earnings (loss) per Share	\$ 0.05	\$ 0.14	\$ 0.26	\$ 0.20	\$ (0.88)	\$ 0.24	\$ 0.38	\$ (0.39)
Number of REALTORS®	19,120	19,111	19,184	19,046	19,231	18,725	18,799	18,780

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 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 requirements.

The calculation of Distributable Cash Flow for the Quarter and the rolling twelve months ended March 31, 2020 is presented in the tables below with comparative amounts for 2019.

For three months ended, (\$ 000's)	2020 Mar. 31	2019 Mar. 31
Revenues	\$ 11,122	\$ 10,117
Less:		
Cost of other revenue	119	109
Administration expenses	655	398
Management fees	4,076	3,694
Interest expense	750	765
Current income tax expense	730	729
Cash used for investing activities	912	962
Distributable Cash Flow	\$ 3,880	\$ 3,460

During the Quarter, the Company generated Distributable Cash Flow of \$3.9 million compared to \$3.5 million in the Prior Year Quarter. The increase is primarily due to higher revenues partly offset by higher management fees.

For twelve months ended, (in 000's) except per Share amounts	2020 Mar. 31,	2019 Mar. 31,
Revenues	\$ 45,354	\$ 41,566
Less:		
Administration expenses	1,453	1,303
Management fees	15,860	9,422
Interest expense	3,016	2,779
Current income tax expense	2,990	4,709
Cash used for investing activities	3,884	3,280
Distributable Cash Flow per Share	\$ 1.42	\$ 1.57

For the rolling twelve months ended March 31, 2020, the Company generated Distributable Cash Flow of \$18.2 million or \$1.42 per Share, as compared to \$20.1 million or \$1.57 per Share generated during the Prior Year Quarter. Distributable Cash Flow decreased compared to the Prior Year Quarter primarily due to higher management fees partially offset by higher revenues and lower income taxes. While management fees under the MSA are higher after January 1, 2019, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly.

Distributable Cash Flow is a non-GAAP measure and does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Management believes that Distributable Cash Flow is a useful supplemental measure of performance as it provides 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 and other requirements. Investors are cautioned, however, that Distributable Cash Flow should not be interpreted as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

Management's Discussion and Analysis of Results and Financial Condition

Cash Flow From Operating Activities Reconciled to Distributable Cash Flow

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 Restricted Voting Share and holders of Exchangeable Units.

(Unaudited) (\$ 000's) For three months ended,	2020 Mar. 31	2019 Mar. 31
Cash flow from operating activities	\$ 2,890	\$ 1,459
Add (deduct):		
Interest on Exchangeable Units	1,452	1,452
Income tax expense	(730)	(729)
Income taxes paid	630	1,355
Changes in non-cash working capital items	559	896
Interest expense	(2,163)	(2,106)
Interest paid	2,154	2,095
Cash used in investing activities	(912)	(962)
Distributable Cash Flow	\$ 3,880	\$ 3,460

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 value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. 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.

Debt Facilities

As at March 31, 2020 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%.

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 operating income before deducting amortization and net impairment or recovery of intangible assets and interest expense. 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.

Management's Discussion and Analysis of Results and Financial Condition

In March of 2019, the Company 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% for the period from November 2019 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 March 31, 2020 the Company determined that the fair value of the interest rate swap represents a liability of \$2.8 million (December 31, 2019 - \$0.5 million). For the Quarter, the Company recognized a fair value loss of \$2.3 million (Prior Year Quarter-\$1.0 million).

Liquidity

Distributable Cash Flow is a significant source of liquidity for the Company. Distributable Cash Flow is derived substantially from revenues received. 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 during the year to determine the Manager's progress in identifying potential new Franchise Agreements.

In light of the possible negative impacts of COVID-19 on our business, the Company is preparing for reduced cash flows from reduced revenues and slower economic activity. The Company is taking measures to reduce costs and preserve liquidity wherever possible. Subsequent to March 31, 2020, the Company entered into an agreement with the Manager and BBP whereby the Company can defer payment of a portion of the monthly management fee payable to the Manager under the MSA, under certain circumstances, and payment of interest on the Exchangeable Units for the period from April, 2020 to September, 2020. The agreement can be extended to December, 2020 by mutual consent. Amounts deferred under this agreement are non-interest bearing and are due sixty months after 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.

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 decreased by \$0.2 million from \$5.5 million as at December 31, 2019 to \$5.3 million as at March 31, 2020. The decrease in working capital resulted primarily from:

- A \$1.2 million decrease in cash; partly offset by
- A \$0.5 million increase in Accounts receivable; and
- A \$0.6 million decrease in in contract transfer obligation.

Management's Discussion and Analysis of Results and Financial Condition

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

(\$ 000's) As at	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Change in Quarter	Change in Year
Current assets										
Cash	\$ 3,979	\$ 5,202	\$ 5,709	\$ 4,090	\$ 3,635	\$ 4,339	\$ 4,267	\$ 4,888	\$ (1,223)	\$ 344
Accounts receivable and current portion of notes receivable	5,038	4,559	4,602	5,561	5,343	4,125	4,083	5,234	479	(305)
Prepaid expenses	256	211	187	192	190	207	187	179	45	66
Current income tax receivable	73	173	218	901	984	358	48	60	(100)	(911)
Goods and Services tax receivable	-	-	-	62	87	264	-	257	-	(87)
	\$ 9,346	\$ 10,145	\$ 10,716	\$ 10,806	\$ 10,239	\$ 9,293	\$ 8,585	\$ 10,618	\$ (799)	\$ (893)
Current liabilities										
Accounts payable and accrued liabilities	\$ 1,172	\$ 1,210	\$ 1,212	\$ 1,438	\$ 1,132	\$ 1,003	\$ 1,119	\$ 1,109	\$ (38)	\$ 40
Contract transfer obligation	1,280	1,920	2,705	3,122	3,106	-	-	-	(640)	(1,826)
Purchase obligation	-	-	-	-	-	-	2,307	2,310	-	-
Current income tax liability	-	-	-	-	-	-	-	-	-	-
Interest payable to Exchangeable Unitholders	484	484	484	484	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	-	-
	4,003	4,681	5,468	6,111	5,789	2,554	4,977	4,970	(678)	(1,786)
Net working capital	\$ 5,343	\$ 5,464	\$ 5,248	\$ 4,695	\$ 4,450	\$ 6,739	\$ 3,608	\$ 5,648	\$ (121)	\$ 893

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at March 31, 2020 and December 31, 2019 is presented below:

(Unaudited) (in 000's) As at	Mar. 31, 2020	Dec. 31, 2019
Cash	\$ 3,979	\$ 5,202
Term Facility	-	-
Acquisition Facility	1,500	1,500
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 6,500	\$ 6,500
Available resources	\$ 10,479	\$ 11,702

As at March 31, 2020, \$18.5 million of the Acquisition Facility has been drawn by the Company, leaving \$6.5 million available under the debt facilities. This is consistent with the net borrowing capacity as at December 31, 2019.

In addition to the capital resources included in the table above, the Company generates Distributable Cash Flow and has agreed to payment deferrals for amounts payable to the Manager and to BBP as described above under *Liquidity* which can be used to fund dividend payments and interest on Exchangeable Units, subject to working capital and operating requirements.

Management's Discussion and Analysis of Results and Financial Condition

Commitments

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

As at March 31,	2020	2021	2022	2023	Beyond 2023	Total
Accounts payable and accrued liabilities	\$ 1,172	\$ -	\$ -	\$ -	\$ -	\$ 1,172
Current contract transfer obligation	960	320	-	-	-	1,280
Interest payable to Exchangeable Unitholders	484	-	-	-	-	484
Dividends payable to shareholders	1,067	-	-	-	-	1,067
Interest on long-term debt	2,172	2,896	2,896	2,896	-	10,860
Interest on contract transfer obligation	145	172	142	114	258	831
Long term contract transfer obligation	-	412	572	340	2,364	3,688
Interest rate swap liability	-	-	-	2,831	-	2,831
Debt facilities	-	-	-	73,500	-	73,500
Exchangeable Units	-	-	-	-	28,052	28,052
Total	\$ 6,000	\$ 3,800	\$ 3,610	\$ 79,681	\$ 30,674	\$ 123,765

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, BBP 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 BBP 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 25 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,783 REALTORS® with 1,274 REALTORS® operating out of 15 locations in the GTA market, 487 REALTORS® operating from 8 locations in the GV market and 22 REALTORS® operating from 2 locations in Quebec.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. All of the corporately owned brokerages have opted into the Relief Plan. The Franchise Agreements for GTA based locations are up for renewal in 2023, while the Franchise Agreements for the GVA 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 may pay the monthly fees to the Manager through the issuance of Exchangeable Units of the Partnership.

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Subsequent to March 31, 2020, the Company entered into an agreement with the Manager and BBP whereby the Company can defer payment of a portion of the monthly management fee payable to the Manager under the MSA, under certain circumstances, and payment of interest on the Exchangeable Units for the period from April, 2020 to September, 2020. The agreement can be extended to December, 2020 by mutual consent. Amounts deferred under this agreement are non-interest bearing and are due sixty months after 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.

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 12 of the consolidated financial statements.

On January 3, 2019, in accordance with terms of the MSA, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands representing 495 REALTORS® as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4.7 million. The fair value ascribed to the other agreements was \$4.6 million.

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

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 consolidated financial statements require the determination 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 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. The impact that COVID-19 and government response to containing it could have on the Canadian economy in the short and medium term is highly unknown. The risks and uncertainties resulting from the pandemic that may affect our future earnings, cash flows and financial condition include the nature and duration of the curtailment and the short to medium-term effect on Canadian real estate markets. Accordingly, significant estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are also 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 judgment and is highly uncertain 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, the Company considers certain factors including, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables 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. When reviewing indicators of impairment for other contracts, the Company considers certain factors including, revenues earned under each contract, term to maturity, collectability of receivables, estimated future revenues to be earned and underlying market conditions. The estimation of future revenues and other forward looking information requires significant judgment and is highly uncertain as a result of the 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 Exchangeable Unit liability.

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% for the period from November 2019 through December 31, 2023. The Company's Term Facility matures 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 March 31, 2020, the Company has drawn \$18.5 million on the Acquisition Facility, and nil on the Operating Facility.

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Disclosure Controls and Internal Controls over Financial

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 March 31, 2020. 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 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 March 31, 2020. 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 March 31, 2020, 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 if and when declared and distributed by Bridgemarq.

The Special Voting Share is owned by BBP 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 and on the Company's website at www.bridgemarq.com under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

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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 “adjust”, “adopting”, “allowing”, “attract”, “are”, “believes”, “brings”, “can”, “challenging”, “charged”, “completing”, “conducting”, “continue(s)”, “continued”, “considers”, “consist”, “could”, “create”, “demand”, “derives”, “drive”, “enacting”, “enhancing”, “entering”, “estimated”, “estimates”, “evaluate”, “exceed”, “expanding”, “expect(ed)”, “forecast(s)”, “further”, “future”, “generally”, “generates”, “grow”, “growing”, “growth”, “have”, “heading”, “impact(ing)”, “improve”, “include”, “increase(s)”, “increasing”, “indicate”, “is”, “leading”, “leveraging”, “limiting”, “maintain”, “makes”, “may”, momentum, “necessary”, “need”, “objective(s)”, “ongoing”, “operates”, “outlook”, “outperforming”, “potential”, “provide(s)”, “provided”, “receives”, “reduce”, “reflects”, “remain”, “restore”, “resumes”, “retain”, “retreat”, “run”, “seeks”, “servicing”, “should”, “slowdown”, “slower”, “spread”, “stands”, “stimulate”, “strives”, “suggest”, “supplement”, “support”, “transfer”, “typically”, “uncertain(ly)”, “underpin”, “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: the duration and effects of the COVID-19 pandemic, including the impact of COVID-19 on the economy and the Company's business, the impact of government or other regulatory initiatives to address the impact of the spread of COVID-19 on the Canadian economy, including the impact on real estate markets, changes in the supply or demand of houses for sale in Canada or in any particular region within Canada, changes in the selling price for houses in Canada or any particular region within Canada, changes in the Company's cash flow as a result of COVID-19, changes in the Company's strategy with respect to and/or ability to pay dividends, changes in the productivity of the Company's REALTORS® or the commissions they charge their customers, changes in government policy, laws or regulations which could reasonably affect the housing markets in Canada, consumer response to any changes in the housing markets in Canada or any changes in government policy, laws or regulations, changes in general economic conditions (including interest rates, consumer confidence and other general economic factors or indicators), changes in global and regional economic growth, the demand for and prices of natural resources on local and international markets, the level of residential real estate transactions, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices as a result of COVID-19 or otherwise, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, our ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, changes in tax laws or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies and recent regulatory developments, 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 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.

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Supplemental Information DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share*)

Month Declared	2020	2019	2018	2017	2016	2015
January	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
February	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
March	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
April	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
May	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
June	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1042
July	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1042
August	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042
September	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042
October	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042
November	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042
December	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083
	\$ 0.3375	\$ 1.3500	\$ 1.3500	\$ 1.3206	\$ 1.2996	\$ 1.2335

SHARE PERFORMANCE

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

	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Trading price range of units (TSX: "BRE")									
Close	\$ 8.43	\$ 14.72	\$ 14.72	\$ 14.91	\$ 16.91	\$ 14.57	\$ 16.75	\$ 19.50	\$ 17.40
High	\$ 15.85	\$ 15.38	\$ 14.92	\$ 17.30	\$ 17.13	\$ 17.24	\$ 19.95	\$ 20.15	\$ 18.25
Low	\$ 6.31	\$ 14.02	\$ 12.87	\$ 14.91	\$ 12.87	\$ 12.36	\$ 15.40	\$ 16.67	\$ 16.27
Average daily volume	27,027	19,317	15,546	11,880	17,245	14,161	17,095	10,548	13,445
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)	\$108,001	\$188,586	\$188,586	\$191,020	\$216,643	\$186,664	\$214,593	\$249,825	\$222,920

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN REAL ESTATE MARKET

For Three months ended	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018
Canada								
Transaction dollar volume ¹	\$ 57,920	\$ 57,324	\$ 66,821	\$ 76,313	\$ 44,414	\$ 46,390	\$ 58,183	\$ 71,195
Average selling price	\$531,722	\$500,938	\$494,268	\$490,529	\$470,307	\$488,699	\$488,875	\$492,372
Number of units sold	108,930	109,381	133,331	151,680	94,436	95,056	120,750	144,113
Number of REALTORS® at period end ²	133,242	133,242	132,254	131,388	130,107	129,752	128,646	127,950
Housing starts	38,170	49,954	55,078	56,122	35,575	52,492	49,187	52,928
Greater Toronto Area								
Transaction dollar volume ¹	\$ 17,656	\$ 16,803	\$ 19,525	\$ 23,074	\$ 12,555	\$ 13,716	\$ 15,708	\$ 18,958
Average selling price	\$890,822	\$ 819,319	\$ 811,602	\$ 810,661	\$777,054	\$787,300	\$786,957	\$789,893
Number of units sold	19,820	19,868	24,007	27,772	16,178	17,395	20,109	23,531
Housing starts	6,840	6,513	8,651	7,907	7,391	11,029	9,427	8,949
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 6,536	\$ 7,463	\$ 6,986	\$ 6,640	\$ 4,254	\$ 4,900	\$ 5,825	\$ 8,634
Average selling price	\$1,029,394	\$ 982,541	\$ 982,541	\$ 990,857	\$ 971,803	\$1,048,435	\$1,050,945	\$1,062,498
Number of units sold	6,349	7,484	7,203	6,617	4,377	4,722	5,703	7,988
Housing starts	4,380	5,912	6,506	9,951	5,772	5,348	5,494	5,698
Greater Montreal Area								
Transaction dollar volume ¹	\$ 6,004	\$ 4,963	\$ 4,385	\$ 6,130	\$ 4,806	\$ 4,000	\$ 3,747	\$ 5,501
Average selling price	\$435,379	\$408,401	\$402,934	\$398,029	\$ 387,165	\$384,754	\$380,962	\$ 376,155
Number of units sold	14,661	11,828	10,777	15,763	13,028	10,134	9,565	14,743
Housing starts	5,008	5,997	5,779	8,247	5,089	8,143	4,816	7,566

¹ (in millions Canadian dollars)

² CREA Membership data as of Mar 31, 2020 not available as of MDA date
Source: CREA, CMHC, TREB

For Twelve months ended	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018
Canada								
Transaction dollar volume ¹	\$258,379	\$322,627	\$330,683	\$225,300	\$ 220,182	\$224,040	\$ 231,510	\$232,625
Average selling price	\$513,347	\$506,890	\$544,035	\$487,746	\$484,604	\$488,700	\$ 491,519	\$490,700
Number of units sold	503,322	636,484	607,834	461,922	454,355	458,442	471,009	474,068
Housing starts	199,324	249,269	254,345	193,376	190,182	196,712	199,538	205,837
Greater Toronto Area								
Transaction dollar volume ¹	\$ 77,058	\$ 94,569	\$ 97,753	\$ 65,052	\$ 60,936	\$ 60,958	\$ 61,864	\$ 59,857
Average selling price	\$842,465	\$827,342	\$893,873	\$798,635	\$ 789,196	\$787,300	\$780,392	\$ 772,318
Number of units sold	91,467	114,305	109,359	81,454	77,213	77,426	79,273	77,503
Housing starts	29,911	34,597	43,629	35,754	36,796	41,107	38,656	40,613
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 27,624	\$ 34,891	\$ 29,765	\$ 21,618	\$ 23,612	\$ 26,264	\$ 29,746	\$ 32,985
Average selling price	\$998,948	\$ 978,811	\$ 988,138	\$1,009,281	\$1,036,064	\$1,048,433	\$ 1,051,011	\$1,044,180
Number of units sold	27,653	35,646	30,122	21,419	22,790	25,051	28,302	31,589
Housing starts	26,749	35,211	34,083	26,565	22,312	23,404	26,235	26,566
Greater Montreal Area								
Transaction dollar volume ¹	\$ 21,481	\$ 25,632	\$ 23,706	\$ 18,683	\$ 18,054	\$ 17,653	\$ 17,600	\$ 17,173
Average selling price	\$405,084	\$401,334	\$ 391,974	\$385,286	\$380,322	\$377,584	\$ 371,297	\$ 368,182
Number of units sold	53,029	63,867	60,479	48,490	47,470	46,753	47,400	46,643
Housing starts	25,031	28,745	33,037	26,295	25,614	25,000	25,827	26,992

¹ (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 Mar. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Fixed franchise fees	\$ 7,541	\$ 29,285	\$ 28,326	\$ 26,816	\$ 25,844	\$ 24,771	\$ 23,256
Variable franchise fees	2,619	10,638	10,737	10,853	10,229	9,196	8,560
Other revenue	962	4,426	-	-	-	-	-
Premium franchise fees	-	-	2,964	6,569	6,363	5,892	5,576
Revenues	11,122	44,349	42,027	44,238	42,436	39,859	37,392
Less:							
Cost of other revenue	119	524	-	-	-	-	-
Administration expenses	655	1,196	1,259	816	1,058	1,286	1,626
Management fees	4,076	15,478	7,616	8,178	7,754	7,229	6,469
Interest Expense	750	3,031	2,686	2,532	2,606	2,428	3,419
Current income tax expense	730	2,989	5,183	5,280	4,893	4,469	3,657
Cash used for investing activities	912	3,934	10,849	10,119	9,366	18,121	5,985
Distributable Cash Flow	\$ 3,880	\$ 17,197	\$ 14,434	\$ 17,313	\$ 16,759	\$ 6,326	\$ 16,236
Less:							
Dividends to shareholders	3,201	12,803	12,803	12,485	12,325	11,619	11,305
Interest to Exchangeable Unitholders	1,452	5,806	5,806	5,750	5,710	5,434	5,856
Total distributions	\$ 4,653	\$ 18,609	\$ 18,609	\$ 18,235	\$ 18,035	\$ 17,053	\$ 17,161
Distributions payment rate ¹	120%	108%	129%	105%	108%	270%	106%

¹ 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 FLOW

(\$ 000's)	Three months ended Mar. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Cash Flow from Operating activities	\$ 2,890	\$ 15,600	\$ 18,971	\$ 21,060	\$ 20,148	\$ 20,433	\$ 16,957
Add (deduct):							
Changes in non-cash working capital items	559	(924)	(229)	608	111	(1,045)	127
Interest on Exchangeable Units	1,452	5,806	5,806	5,750	5,710	5,434	5,856
Change in accrued income taxes	(100)	698	758	35	205	(332)	(456)
Change in accrued interest expense	(9)	(49)	(23)	(21)	(49)	(43)	(263)
Cash used in investing activities	(912)	(3,934)	(10,849)	(10,119)	(9,366)	(18,121)	(5,985)
Distributable Cash Flow	\$ 3,880	\$ 17,197	\$ 14,434	\$ 17,313	\$ 16,759	\$ 6,326	\$ 16,236

SELECTED OPERATING INFORMATION

As at	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Number of REALTORS®	19,120	19,111	19,184	19,046	19,231	18,725	18,135	17,580	16,794	15,377
Number of locations	677	678	674	671	682	673	658	667	662	637
Number of franchise agreements	296	301	297	295	298	291	293	297	305	302

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

"BBP" 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.

"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.

"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 BBP 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

“**Interest Rate Swaps**” means the financial arrangement entered into with a Canadian Chartered Bank 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 Swap 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, a corporation incorporated under the laws of the Province of Ontario and an indirectly, wholly-owned subsidiary of BBP, 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) (In thousands of Canadian dollars)	Note	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash		\$ 3,979	\$ 5,202
Accounts receivable	4,12	4,865	4,351
Current portion of notes receivable	5	173	208
Current income tax receivable		73	173
Prepaid expenses		256	211
		9,346	10,145
Non-current assets			
Notes receivable	5	100	103
Deferred income tax asset	7	7,327	6,718
Intangible assets	6	75,670	77,827
		\$ 92,443	\$ 94,793
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 1,172	\$ 1,210
Contract transfer obligation	6,12	1,280	1,920
Interest payable to Exchangeable Unitholders	10,12	484	484
Dividends payable to shareholders	12	1,067	1,067
		4,003	4,681
Non-current liabilities			
Debt facilities	8	73,347	73,338
Contract transfer obligation	6,12	3,688	3,698
Interest rate swap liability	8	2,831	496
Exchangeable Units	9	28,052	48,983
		111,921	131,196
Shareholders' deficit			
Restricted voting shares	10	140,076	140,076
Deficit		(159,554)	(176,479)
		(19,478)	(36,403)
		\$ 92,443	\$ 94,793

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

(Unaudited)

For the three months ended March 31,

(In thousands of Canadian dollars, except per share amounts)

	Note	2020	2019
Revenues			
Fixed franchise fees		\$ 7,541	\$ 7,326
Variable franchise fees		2,619	2,145
Other revenue		962	646
		11,122	10,117
Expenses			
Cost of other revenue		119	109
Administration expenses	4,12	655	398
Management fees	3,12	4,076	3,694
Interest expense	8	750	765
Impairment and write-off of intangible assets, net	6	170	482
Amortization of intangible assets	6	2,249	2,656
		8,019	8,104
Operating income			
Interest on Exchangeable Units	9,12	(1,452)	(1,452)
Gain (loss) on fair value of Exchangeable Units	9	20,931	(7,787)
Loss on interest rate swap	8	(2,335)	(969)
Earnings (loss) before income tax		20,247	(8,195)
Current income tax expense		730	729
Deferred income tax recovery		(609)	(532)
Income tax expense	7	121	197
Net and comprehensive earnings (loss)		\$ 20,126	\$ (8,392)
Basic earnings (loss) per share	11	\$ 2.12	\$ (0.88)
Weighted average number of shares outstanding used in computing basic loss per share		9,483,850	9,483,850
Diluted earnings (loss) per share	11	\$ 0.05	\$ (0.88)
Weighted average number of shares outstanding used in computing diluted loss per share		12,811,517	12,811,517

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

(Unaudited)

For the three months ended March 31,

(In thousands of Canadian dollars)

	Common Equity	Deficit	Total Deficit
Balance, December 31, 2019	\$ 140,076	\$ (176,479)	\$ (36,403)
Net earnings	-	20,126	20,126
Dividends paid	-	(3,201)	(3,201)
Balance, March 31, 2020	\$ 140,076	\$ (159,554)	\$ (19,478)

(In thousands of Canadian dollars)

	Common Equity	Deficit	Total Deficit
Balance, December 31, 2018	\$ 140,076	\$ (166,752)	\$ (26,676)
Net loss	-	(8,392)	(8,392)
Dividends paid	-	(3,201)	(3,201)
Balance, March 31, 2019	\$ 140,076	\$ (178,345)	\$ (38,269)

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) For the three months ended March 31, (In thousands of Canadian dollars)	Note	2020	2019
Cash provided by (used for):			
Operating activities			
Net earnings (loss) for the period		\$ 20,126	\$ (8,392)
Adjusted for			
Loss (gain) on fair value of Exchangeable Units	9	(20,931)	7,787
Loss on interest rate swap	8	2,335	969
Interest expense		2,163	2,106
Interest paid		(2,154)	(2,095)
Interest income		(41)	21
Interest received		41	(21)
Current income tax expense	7	730	729
Income taxes paid		(630)	(1,355)
Deferred income tax recovery	7	(609)	(532)
Impairment and write-off of intangible assets	6	170	482
Amortization of intangible assets	6	2,249	2,656
Changes in non-cash working capital		(559)	(896)
		2,890	1,459
Investing activities			
Payment of contract transfer obligation	6	(650)	(829)
Franchise agreement expenses	6	(262)	(143)
Interest expense on contract transfer obligation		66	111
Interest expense paid on contract transfer obligation		(66)	(101)
		(912)	(962)
Financing activities			
Borrowings under debt facilities	8	-	2,000
Dividends paid to shareholders	11	(3,201)	(3,201)
		(3,201)	(1,201)
Increase in cash during the period		(1,223)	(704)
Cash, beginning of the period		5,202	4,339
Cash, end of the period		\$ 3,979	\$ 3,635

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31 2020 and 2019

(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 Residential Income Fund L.P. (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 and/or its affiliates.

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 (see Note 12). 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 was effective January 1, 2019 and 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 no later than six months prior to expiry.

During the three ended March 31, 2020, the Company derived approximately 91% (2019 – 94%) of its revenues from franchise fees it receives under the Franchise Agreements.

2. Significant Accounting Policies

BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board using the accounting policies described herein and the accounting policies used to prepare the Annual Financial Statements of the Company as of and for the year ended December 31, 2019.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on May 11, 2020 and should be read in conjunction with the audited Annual Financial Statements of the Company for the year ended December 31, 2019.

The interim condensed consolidated financial statements have been prepared on a going concern basis.

The Company’s significant accounting policies are as follows:

ACCOUNTS RECEIVABLE

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31 2020 and 2019

(Expressed in thousands of Canadian dollars, unless stated otherwise)

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements 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.

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements. These costs include 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. These costs 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 consolidated statement of net and comprehensive earnings. Where the franchise agreement expenses represent cash payments or fee rebates to franchisees, the amortization or charge 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 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 (or cash-generating unit) 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 income 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 REALTORS®’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.

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

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 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.

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 sale transaction associated with the referral is closed 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 typically see stronger transactional dollar volumes in the second and third quarters of each year.

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 income in the period the change occurs. The fair value of these financial liabilities is based on the market price of the Company's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect, if any, of the Exchangeable Unitholders exercising their right to exchange Class B LP units of the Partnership into restricted voting shares of Bridgemarq.

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 months ended March 31, 2020, the Company incurred management fees of \$4,792 (2019 - \$4,634) for these services, \$4,076 of which was charged to the interim condensed consolidated statements of net and comprehensive earnings (2019 - \$3,694) and \$716 was used to reduce the contract transfer obligation owing to the Manager plus related interest (2019 - \$940).

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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. Accounts receivable are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at March 31, 2020, the Company had accounts receivable of \$4,865 (December 31, 2019 - \$4,351) net of an allowance for doubtful accounts of \$1,150 (December 31, 2019 - \$749). During the three months ended March 31, 2020, administration expenses included \$400 of bad debt expense (2019 - \$206).

Management analyses accounts 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.

The table below summarizes the aging of accounts receivable as at March 31, 2020 and December 31, 2019.

As at,	March 31, 2020	December 31, 2019
Current	\$ 3,592	\$ 3,459
30 Days	746	683
60 Days	468	323
90+ Days	1,209	635
Subtotal	\$ 6,015	\$ 5,100
Allowance for Doubtful Accounts	(1,150)	(749)
Accounts Receivable	\$ 4,865	\$ 4,351

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 based on a spread above the prime interest rate. As at March 31, 2020, the Company had notes receivable of \$273 (December 31, 2019 - \$311), of which \$173 was due within 12 months (December 31, 2019 - \$208) and \$100 was considered non-current (December 31, 2019 - \$103).

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

As at,	March 31, 2020	December 31, 2019
Current portion	\$ 173	\$ 208
Receivable in 13-24 months	28	28
Receivable thereafter	72	75
Notes Receivable	\$ 273	\$ 311

6. Intangible Assets

In accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as the Ancillary Agreements, which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4,706 and the fair value ascribed to the Ancillary Agreements was \$4,590 with the fair value for these agreements determined using a discounted cash flow model. A portion of management fees payable under the MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the three months ended March 31, 2020, \$650 of payments for management fees paid under the MSA were allocated to reduce the contract transfer obligation (2019 - \$829) with a further \$66 allocated to interest on the contract transfer obligation (2019 - \$111). The contract transfer obligation bears interest at variable rates.

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(Expressed in thousands of Canadian dollars, unless stated otherwise)

For the three months ended March 31, 2020, the Company identified eight Franchise Agreements with a carrying amount in excess of their recoverable amount (2019 – four). For the three months ended March 31, 2020, the Company recognized an impairment charge of \$170 related to those Franchise Agreements (2019 – \$467).

For the three months ended March 31, 2019, the Company identified one Franchise Agreements that was subject to early termination or non-renewal. For the three months ended March 31, 2019, the Company recognized a write-off of \$15 related to that Franchise Agreement.

For the three months ended March 31, 2020, the Company recorded amortization of intangible assets of \$2,249 (2019 – \$2,656), of which \$65 was recorded as a reduction in revenues (2019 – \$5).

A summary of intangible assets is provided in the chart below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2019	\$ 246,231	\$ 5,427	\$ 251,658
Franchise agreement expenses	262	-	262
Impairment	(170)	-	(170)
At March 31, 2020	\$ 246,323	\$ 5,427	\$ 251,750
Accumulated amortization			
At December 31, 2019	\$ (170,812)	\$ (3,019)	\$ (173,831)
Amortization expense	(2,203)	(46)	(2,249)
At March 31, 2020	\$ (173,015)	\$ (3,065)	\$ (176,080)
Carrying value			
At December 31, 2019	\$ 75,419	\$ 2,408	\$ 77,827
At March 31, 2020	\$ 73,308	\$ 2,362	\$ 75,670

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:

For the three months ended March 31,	2020	2019
Earnings (loss) before income tax for the period:	\$ 20,247	\$ (8,195)
Expected income tax expense (recovery) at statutory rate of 26.5% (2018 – 26.5%)	5,366	(2,171)
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	124	127
Non-deductible loss (gain) on fair value of Exchangeable Units	(5,547)	2,064
Non-deductible interest on Exchangeable Units	385	385
Non-deductible impairment and write-off of intangible assets, net	5	5
Income allocated to Exchangeable Unitholders	(215)	(213)
Recognition of deferred tax assets and other	3	-
Total income tax expense	\$ 121	\$ 197

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(Expressed in thousands of Canadian dollars, unless stated otherwise)

The major components of income tax expense include the following:

Years ended December 31,	2020	2019
Current income tax expense	\$ 730	\$ 729
Deferred income tax recovery	(609)	(532)
Total income tax expense	\$ 121	\$ 197

The significant components of the Company's deferred tax assets are as follows:

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2019	\$ 5,099	\$ 1,488	\$ 132	\$ 6,718
Deferred income tax recovery (expense)	163	(172)	618	609
At March 31, 2020	\$ 5,262	\$ 1,316	\$ 750	\$ 7,327

	Intangible Assets	Contract transfer obligation	Other	Total
Deferred income tax assets:				
At December 31, 2018	\$ 6,642	\$ -	\$ (31)	\$ 6,611
Transfer of contracts on January 3, 2019	(2,463)	2,463	-	-
Deferred income tax recovery (expense)	920	(975)	163	107
At December 31, 2019	\$ 5,099	\$ 1,488	\$ 132	\$ 6,718

8. Debt Facilities

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

As at	March 31, 2020	December 31, 2019
Term facility	\$ 55,000	\$ 55,000
Acquisition facility	18,500	18,500
	\$ 73,500	\$ 73,500
Financing fees	(153)	(162)
Debt facilities	\$ 73,347	\$ 73,338

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 March 31, 2020.

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.

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The Company's ability to borrow under these arrangements is subject to certain 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 operating income before impairment and amortization of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At March 31, 2020 and December 31, 2019, the Company complied with all covenants under the debt facilities.

In March of 2019, the Company 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% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their fair value with any change in their fair value recorded as a gain or loss in the Company's interim condensed consolidated statements of net and comprehensive earnings. 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 March 31, 2020, the Company determined that the fair value of the interest rate swaps represents a liability of \$2,831 (December 31, 2019 - \$496). For the three months ended March 31, 2020, the Company recognized a fair value loss of \$2,335 (2019 - \$969).

9. 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 March 31, 2020, the Company used the closing market price of Bridgemarq's shares of \$8.43 (December 31, 2019 - \$14.72). During the three months ended March 31, 2020, the Company recorded a gain of \$20,931 related to the fair value of the Exchangeable Units (2019 - a loss of \$7,787).

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 months ended March 31, 2020 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of \$1,452 (2019 - \$1,452).

10. 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 March 31, 2020 or the year ended December 31, 2019.

No preferred shares were issued or outstanding as at March 31, 2020 or December 31, 2019.

The following table summarizes the outstanding shares of Bridgemarq:

As at March 31,	2020	2019
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

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11. Earnings Per Share

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

For the three month's ended March 31,

(In thousands of Canadian dollars, except share and per share amounts)

	2020	2019
Net earnings (loss) available to restricted voting shareholders – basic	\$ 20,126	\$ (8,392)
Interest on Exchangeable Units	1,452	1,452
Loss (gain) on fair value of Exchangeable Units	(20,931)	7,787
Net earnings available to restricted voting shareholders – diluted	\$ 647	\$ 847
Weighted average number of shares outstanding used in computing basic earnings per share	9,483,850	9,483,850
Total outstanding Exchangeable Units	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
Basic earnings (loss) per share	\$ 2.12	\$ (0.88)
Diluted earnings (loss) per share	\$ 0.05	\$ (0.88)
Dividends declared	\$ 3,201	\$ 3,201
Restricted voting shares	9,483,850	9,483,850
Dividends per restricted voting share	\$ 0.34	\$ 0.34

12. 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 months ended March 31, 2020 and 2019. These transactions have been recorded at the exchange amount as agreed between the parties.

For the three months ended March 31,

	2020	2019
a) Revenues		
Fixed franchise fees	\$ 695	\$ 711
Variable franchise fees	\$ 301	\$ 288
Premium franchise fees	\$ 31	\$ 24
b) Expenses		
Management fees	\$ 4,076	\$ 3,694
Insurance premiums and other	\$ 5	\$ 5
Interest on contract transfer obligation	\$ 66	\$ 111
c) Interest		
Interest to Exchangeable Unitholders	\$ 1,452	\$ 1,452

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

As at	March 31, 2020	December 31, 2019
d) Accounts receivable		
Franchise fees receivable	\$ 366	\$ 305
e) Accounts payable and accrued liabilities		
Management fees	\$ 745	\$ 763
Interest on contract transfer obligation	\$ 21	\$ 24
f) Interest payable to Exchangeable Unitholders	\$ 484	\$ 484
g) Contract transfer obligation	\$ 4,968	\$ 5,618

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On January 3, 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements, which give the Company the rights to receive certain revenues previously earned by the Manager, to the Company for nominal consideration. The fair value ascribed to these agreements was \$9,296. A portion of management fees payable under the MSA has been allocated to the repayment of the contract transfer obligation associated with these transferred agreements. The members of the Company's board of directors are compensated for their services. During the three months ended March 31, 2020, the Company incurred \$49 in directors' fees (2018 - \$48). These directors' fees are included in administration expenses.

13. Financial Instruments

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 a result of impact of the COVID-19 pandemic (Note 17).

As at March 31, 2020, the Company has recorded an allowance for doubtful accounts of \$1,150 (December 31, 2019 - \$749).

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. Also, the Company has a \$20,000 Acquisition Facility, of which \$18,500 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 March 31,	2020	2021	2022	2023	Beyond 2023	Total
Accounts payable and accrued liabilities	\$ 1,172	\$ -	\$ -	\$ -	\$ -	\$ 1,172
Current contract transfer obligation	960	320	-	-	-	1,280
Interest payable to Exchangeable Unitholders	484	-	-	-	-	484
Dividends payable to shareholders	1,067	-	-	-	-	1,067
Interest on long-term debt	2,172	2,896	2,896	2,896	-	10,860
Interest on contract transfer obligation	145	172	142	114	258	831
Long term contract transfer obligation	-	412	572	340	2,364	3,688
Interest rate swap liability	-	-	-	2,831	-	2,831
Debt facilities	-	-	-	73,500	-	73,500
Exchangeable Units	-	-	-	-	28,052	28,052
Total	\$ 6,000	\$ 3,800	\$ 3,610	\$ 79,681	\$ 30,674	\$ 123,765

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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 the Company's outstanding borrowings of \$73,500 approximate their carrying value of \$73,348 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of \$4,968 as a result of their floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets as at March 31, 2020 and December 31, 2019, classified using the fair value hierarchy.

As at March 31, 2020	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Exchangeable Units	28,052	-	-	28,052
Interest rate swap liability	-	2,831	-	2,831
Total	\$ 28,052	\$ 2,831	\$ -	\$ 30,883

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Financial liability:				
Exchangeable Units	48,983	-	-	48,983
Interest rate swap liability	-	496	-	496
Total	\$ 48,983	\$ 496	\$ -	\$ 49,479

See Note 9 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.

14. 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.

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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 March 31, 2020 and December 31, 2019. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

15. 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 months ended March 31, 2020, 94% (2019 - 95%) are generated from services provided under the Royal LePage and Johnston and Daniel brands and 6% (2019 - 5%) are generated from services provided under the Via Capitale brand.

16. Global Pandemic

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 has resulted in governments enacting emergency measures to combat the spread of virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have caused material disruption to Company's business and has resulted in a global economic slowdown. The duration and impact of COVID-19 outbreak as well as the impact of government actions to control the spread of the disease and the economic impacts are unknown at this time.

Management is closely evaluating the impact of COVID-19 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. The effects of any expected prolonged decreases in future operating cash flows could result in the Company recording additional impairment charges in future periods on the Company's intangible assets and could negatively affect the Company's results of operations.

In response to the potential impact of COVID-19 on the Company's Franchisees, the Company recently announced temporary changes to the fees it charges its franchisees. For the period from April 1, 2020 to December 31, 2020, the Company has suspended fixed franchise fees and increased variable franchise fees for franchisees representing approximately 82% of the Company's REALTORS®. The temporary plan was implemented to provide the support that is necessary to preserve the franchise network and the presence of the Company's brands.

A significant deterioration in results of the Company's operations could impact the Company's ability to remain in compliance with its debt covenants. The Company believes it will have adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In order to improve its liquidity, the Company has negotiated a deferral of management fee payments to the Manager and a deferral of interest payments on the Exchangeable Units to BBP (Note 17) and has applied judgment in assessing its ability to meet, or, if necessary, renegotiate or obtain a waiver of such covenants for an appropriate period of time.

17. Subsequent Event

Subsequent to March 31, 2020, the Company entered into an agreement with the Manager and BBP whereby the Company can defer payment of a portion of the monthly management fee payable to the Manager under the MSA, under certain circumstances, and payment of interest on the Exchangeable Units for the period from April, 2020 to September, 2020. The agreement can be extended to December, 2020 by mutual consent. Amounts deferred under this agreement are non-interest bearing and are due sixty months after 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.



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