

Bridgemarq Real Estate Services Inc.

2021 Third Quarter Results

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CORPORATE PARTICIPANTS

Phil Soper

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

Glen McMillan

Bridgemarq Real Estate Services Inc. — Chief Financial Officer

PRESENTATION

Operator

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

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

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

Thank you, Michelle, and good morning, everyone. With me today is our Chief Financial Officer, Glen McMillan. We appreciate you joining us on the call this morning and would be pleased to take your calls after our prepared remarks.

Today I will begin with a brief overview of the Company's third quarter results and then Glen will then discuss our financial results in more detail and I'll conclude by providing some remarks on operational highlights, Company updates, and market developments.

I want to remind you that some of the remarks expressed during the call may contain forward-looking statements. You should not place reliance on these forward-looking statements because they

involve known and unknown risks and uncertainties that may cause the actual results and performance of the Company to differ materially from the anticipated future results expressed or implied by statements you hear during the call. I encourage everyone to review the cautionary language found in our news release and on our regulatory filings, which can be found on our website and on SEDAR.

As I mentioned in previous calls dating back to the spring 2020, it remains important to consider the potential impact of the COVID-19 pandemic on the economy, real estate market, and even Company performance. While we are currently seeing case counts come down and restrictions being lifted in many parts of the country, and we appear to be on the path to normality, we have learned over the past couple of years that this health crisis and the related impact on the economy is very difficult to predict.

Within the industry, the Company's celebrated brands are well positioned for success through best-in-class technology, business services, training and coaching; however, how the sector performs overall will be impacted by Canada's overall economic performance, more specifically things like employment levels and interest rates.

As Glen will expand on later in the call, we returned to our standard franchise fee structure in 2021 after supporting our agents with the Pandemic Fee Relief Program in 2020 and the results thereafter have been very satisfying. The Company turned in another strong financial performance in the quarter just past. Revenue was up 16% to \$12.4 million and distributable cash flow increased by 18% to \$5.2 million compared to the third quarter of last year. Finally, I am delighted to announce that the Company's network of realtors grew by over 1,000 agents in the past 12 months, a very, very strong year so far.

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

The board also approved a resolution to increase the size of the board from five directors to six and appointed Ms. Jitanjli Datt as an independent director of the Company. Ms. Datt will remain a director until the next annual meeting of shareholders, at which time she is expected to be considered for election as an independent director at the meeting.

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

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

Thank you, Phil, and good morning, everyone.

As Phil mentioned, revenue in the third quarter was \$12.4 million compared to \$10.7 million in Q3 of 2020. For the nine months ending September 30, 2021 revenues were \$39.5 million compared to the \$33.3 million generated in the first nine months of last year. This represents a year-over-year improvement of 19%.

While the Canadian market had a strong performance during the quarter, housing markets were actually down 4% compared to a very strong Q3 of last year. Now for context, Q3 of 2021 was still the second strongest third quarter on record for the Canadian real estate market.

The year-over-year improvement in revenue is the result of the discontinuation of the Pandemic Fee Relief Plan on January 1st of this year. This alternate fee plan was temporarily put in place in April of 2020 to provide support to the Company's network of brokerages at a time of significant uncertainty. This initiative was well received by our franchise network and allowed the Company to maintain its network strength and provide franchisees the support they needed to continue to operate and expand their businesses. As a result, the Company's financial results also benefitted from a 5.3% increase in the number of realtors within the Company's network over the past 12 months.

Net earnings for the quarter were \$3.9 million or \$0.28 per fully diluted share compared to a loss of \$2.2 million or \$0.23 per share during the third quarter of last year. The results reflect an improvement in revenues and a gain on the fair valuation of the Company's exchangeable units of \$1.7 million compared to a revaluation loss of \$3.5 million in the third quarter of 2020.

Distributable cash flow amounted to \$5.2 million or \$0.41 per share in the third quarter, improving from \$4.4 million or \$0.35 per share compared to last year. The increase in distributable cash flow was driven by higher revenues, partly offset by higher administration expenses, higher management fees, and higher income tax expenses.

During the quarter the Canadian residential real estate market represented \$104.3 billion in transaction dollar volume, down 4% compared to Q3 last year. The year-over-year decrease is the result of a 16% decrease in units sold, partly offset by a 13% increase in selling prices. The Greater Toronto Area real estate market was down 6%, decreasing to \$29.3 billion. The primary driver was an 18% decrease in unit sales partly offset by a 17% increase in average selling prices. And just as a point of

reference, the GTA represents just under 30% of the national housing market. The Greater Vancouver market closed up 5% at \$11.4 billion in the third quarter driven by a 7% increase in prices partly offset by a 3% decrease in units sold. And the Greater Montreal Area was down 19% at \$5.9 billion. This reflects a 30% decrease in unit sales partly offset by an 11% increase in average selling prices.

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

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

Thank you, Glen.

As Glen stated, the national market and the markets of our three largest urban areas (inaudible) average price decreases compared to the frenetic pace of this quarter last year were experienced. The decrease in units sold reflects a comparison to a record high activity as well as continued inventory shortages this year in many of our cities.

Demand for housing across the country remains strong. The healthy pipeline of potential consumer buyers includes those who were unsuccessful last year in transacting as well as new buyers, including (inaudible) for really the first time from Generation Z, the generation to follow our Millennials, who have been our first-time buyers (inaudible) for the last five years. Immigration is recovering and, as result, the investor segment is showing (inaudible) activity again.

Supply, on the other hand, continues to challenge buyers. According to the Canadian Real Estate Association, inventory is extremely low at the national level and in most local markets. At the end of September, there are only 2.1 months of inventory on a national basis. This is down from 2.2 months in

August and 2.3 months in June and July. The long-term average for this measure is more than 5 months. So when we get down to 8 weeks of inventory, there really is much more demand in the market than we have supply to (inaudible). The inventory shortage is partly contributing to the significant price increases over the last 12 months. This is clearly a sellers' market and we need to see how waning affordability and the potential for a future increase in borrowing rates will impact demand over the coming months.

(Inaudible) real estate markets, in late October the Bank of Canada stated that many of the sectors that were hardest hit by the lockdowns earlier in the pandemic have rebounded strongly as Canadians have resumed more normal activities. As I have said on previous calls, the confidence level of Canadians in their ability to gain and keep employment is an important driver of real estate market growth and that indicator is strong.

During the federal election held in September, Canada's housing market and specifically our housing shortage was front and centre for all three major political parties. The re-elected liberal government promised to address the shortage of housing for rental and purchase in a number of ways, including giving cities new tools to build and repair homes and convert empty office space into housing. These efforts were promised to result in 1.4 million homes built, preserved, or repaired. Other election promises included a rent-to-own initiative, first-time buyer and tax-free savings accounts, doubling the first-time homebuyer's tax credit, and a reduction of the cost of mortgage insurance. While the Company is pleased that the government has made these commitments to the housing industry, the new province programs will need to be monitored carefully as they may stimulate demand in a time of housing shortages, putting further upward pressure on home prices.

Bridgemarq's network growth shows that its brands are competitive in attracting real estate professionals. Our success is rooted in putting best-in-class technology in the hands of our network and supporting innovation with comprehensive training and support. The Company's brands also invest in marketing awareness initiatives and we have been very successful with award-winning, multi-channel, public-relation campaigns and at other initiatives.

During the third quarter the Royal LePage brand received three awards from the Canadian Public Relations Society for excellence in media relations, including two for the Royal LePage House Price Survey and Market Survey Forecast and one for the Royal LePage Recreational Property Report, all very important pieces of research for Canadian consumers that drive consumers to royallepage.ca, Canada's most visited real estate company portal. The Royal LePage brand also undertook new recruiting efforts in Quebec and the market during the quarter.

We are pleased with the Company's third quarter financial results and the very strong network growth we experienced. In addition to being a leader in technology, the Company's brands continue to successfully invest in all areas of its offering, including the award-winning consumer brand (inaudible) initiatives, the groundbreaking digital technology that we have deployed, and our formal recruiting programs. With that, I will turn the call back to our operator and open up the call for questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press the star followed by the one on your telephone keypad, and if

you would like to withdraw your question, please press the star followed by the two. One moment for your first question.

Once again, ladies and gentlemen, if you would like to ask a question, please press star one at this time.

Mr. Soper, there are no questions from the phone lines. I will turn the call back to you, sir.

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

Thank you, operator, and thank you, everyone, for your continued support of the Company and for tuning in for our regular updates. We look forward to updating you on full-year financial performance at our next quarterly call.

Operator

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