

**Bridgemarq Real Estate Services, Inc.**

**2023 Third Quarter Results Conference Call**

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## **CORPORATE PARTICIPANTS**

### **Philip Soper**

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

### **Glen McMillan**

*Bridgemarq Real Estate Services, Inc. — Chief Financial Officer*

## PRESENTATION

### Operator

Good morning. I would like to welcome everyone to the Bridgemarq Real Estate Services, Inc. 2023 Third Quarter Results Conference Call.

This call is being recorded.

(Operator Instructions)

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

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

Thank you, Jerry, and good morning, everyone.

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

I will begin with a brief overview of the Company's third quarter results and business updates. Glen will then discuss our financial results in more detail, and I'll conclude today's session by providing some remarks on operational highlights, Company updates, and market developments. Following our remarks, Glen and I would be happy to take your questions.

I want to remind you that some of the remarks expressed during this call may contain forward-looking statements. You should not place reliance on these forward-looking statements because they involve known and unknown risks and uncertainties that may cause the actual results and performance of the Company to differ materially from the anticipated future results expressed or implied by such forward-looking statements. I encourage everyone to review the cautionary language found in our news release and on all our regulatory filings. These can be found on the Bridgemarq website and on SEDAR.

During the third quarter, Canada's housing market cooled compared to the stronger than anticipated results recorded in the spring in the second quarter. Total transactional dollar volume has declined since the second quarter driven primarily by a reduction in sales volume: the number of homes trading hands. I will reflect more on home price changes later in the call. It's worth noting that on a year-over-year basis, home sales and average prices increased during the third quarter of 2022. Canadian real estate was in the middle of a very significant market correction in the wake of a series of rapid interest rate increases by the Bank of Canada, following the two years of record setting real estate activity that we saw in Canada during the pandemic.

Most importantly, we are pleased with our performance over the last quarter and the Company's ability to weather the ups and downs of the market cycles. While activity continued to cool over the summer months, our revenues were up year-over-year, and in line with the second quarter. Revenue for the third quarter of 2023 was 12.8 million compared to 12.2 million in 2022, a 5 percent increase. While real estate markets have been volatile over the last past two years, our revenues have been relatively stable. A significant portion of our revenues are fixed in nature, which provides investors with exposure to the Canadian real estate market, while also mitigating the impact of market volatility on cash flows.

I'm pleased to report that we continue to see positive growth in our network despite softening in the market. At the end of the third quarter, the network Realtor count sat at 20,796: that's a modest increase over last year.

At its meeting yesterday, the Board of Directors approved a dividend payable on December 29 of \$0.1125 per share to shareholders of record on November 30. This indicates an annualized dividend of a \$1.35 per share, which is consistent with 2022.

With that, I will turn the call over to Glen for a look at our second quarter financial performance in more detail.

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

Thank you, Phil, and good morning, everyone.

As Phil mentioned, revenue during the first nine months of the year was \$37.6 million, down from \$39.4 million recorded in the same period last year. However, during the third quarter, revenue was \$12.8 million, up 5 percent from the \$12.2 million we recorded in the third quarter of 2022. The Company's network of Realtors was just under 20,800, which reflects net growth of 110 agents since the start of the year. Since the beginning of 2021, we've grown our network by 9 percent.

In the third quarter, the Company generated net earnings of \$8.6 million or \$0.91 per share compared to a net loss of \$1.1 million or \$0.12 per share last year. The results reflect a gain in the fair value of the exchangeable units of \$6.8 million in the third quarter compared to a loss of \$3 million last year. Distributable cash flow amounted to \$5.1 million in the quarter, up from \$4.8 million in the third quarter of 2022, reflecting an increase in revenues, lower cost of sales, and lower current income taxes, partly offset by higher administration costs and management fees. For the rolling 12 month period ended September 30, 2023, distributable cashflow amounted to \$18.2 million or \$1.42 per share compared to \$20.5 million or \$1.60 per share for the same period ending September 30, 2022.

During the third quarter, the Canadian residential real estate market closed almost 10 percent above Q3 2022 levels at almost \$77 billion, driven by a 6 percent increase in unit sales and a 3 percent increase in average selling price. The Greater Toronto area real estate market remained virtually flat year-over-year at \$16.6 billion with unit sales down marginally and average selling price up 3 percent. However, on a quarter-over-quarter basis, total transaction dollar volume was down 41 percent, driven by a 37 percent drop in unit sales.

The Greater Vancouver market was up year-over-year at \$8.4 billion, up 27 percent driven by a 20 percent increase in unit sales, but again, quarter-over-quarter it was lower by about 29 percent, driven primarily by lower unit sales.

The Greater Montreal market grew by 10 percent year-over-year, and like other major urban centers was lower quarter-over-quarter due to lower unit sales.

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

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

Thank you, Glen.

Taming inflation is taking longer than the Bank of Canada and central banks around the world had originally anticipated, but we believe that interest rates have reached their peak or are very close to it. While we do not expect to see a rate cut in the near term, we do believe that the Company can continue to successfully navigate sluggish markets. Following two consecutive increases in the summer, the Bank of Canada decided to pause its interest rate hike campaign in September and October, holding the key lending rate steady at 5 percent, as inflation eased and the unemployment rate ticked modestly upward: it's still very low by historic standards.

Canada's consumer price index was up by 3.8 percent in September compared to the 4 percent increase recorded in August. Progress continues to be made. The Bank of Canada acknowledged that while higher interest rates are moderating inflation on many everyday goods, including food, elevated mortgage interest costs, rent, and other housing costs remain a concern. The central bank maintains its top priority is to bring target inflation down to approximately 2 percent, which it does not expect to reach before the middle of 2025.

In October, Canada's unemployment rate rose by two tenths of a percent to 5.7 percent; the fourth monthly increase since April, and reaching a nearly two year high. While the unemployment rate remains historically low, the increase points to a slowing down in the economy, which is what the policymakers are looking for before they stop raising rates or consider bringing them down.

Slower market activity has resulted in a modest rise in the number of homes listed for sale. Despite this increase, the quantity of homes available for sale in Canada remains well below the rate of household formation. Medium and longer term, we anticipate the need for housing to far outpace the rate of new home construction. While efforts are underway by all levels of government to address the housing supply shortage, we do not believe they can successfully encourage enough homes to be built quickly enough to keep the value of properties from appreciating at a rate faster than broad inflation.

Looking ahead, we believe that it is likely that we will see a modest increase in market activity in the spring as pent up demand continues to build. Once interest rates begin to ease, even by only a small amount, we expect buyers will return to the market in large numbers and upward pressure on home prices will build once again.

In previous instances when the overall market slows, we have seen a flight to quality, where agents leave narrow service, low fee brands to gain whatever advantage they can by associating with a full service firm with a premium brand. There is evidence of this with our Royal LePage business, in particular during this market correction.

All of our companies, reputable brands, have continued to attract and retain high producing agents from coast to coast thanks to our ongoing commitment to investing in industry leading technology platforms, including lead generating and nurturing tools and best in class training programs. The Company has excelled in these areas and continues to make significant investments for future growth.

During the third quarter, the Company rolled out enhancements and new marketing features on the rlpSPHERE digital operating platform, including a new integrated user interface, optimizations and a suite of new branded templates. rlpSPHERE is a fully customized and Canadianized cloud-based AI-driven client relationship management ecosystem. I know that's quite mouthful. It is unique in Canadian real estate and it is exclusive to our Company.

To support the release of these new future features, a series of in-person and virtual training sessions was, and continues to be, held for our agents across the country. In addition, the Company unveiled a Phase 3 of its *"It's that Simple®"* marketing campaign, including new social media assets and video collateral for use by our members across the country on their personal social networks.

The Company also continued to improve its corporate offering, with first-class training, coaching, and customized marketing support available to members of the Johnston & Daniel luxury brand. And, Via Capitale continued to enhance its online video platform providing its brokers with access to exclusive training, brokerage and industry news and information.

To recap, the Company's revenue for the third quarter and year-to-date are in line with historic results. We have seen network growth over the last 12 months, despite a slowdown in the market last year, and an uneven return to normal conditions in 2023. We expect the housing market will remain stable through the remainder of the year, and that activity will pick up again as early as the spring of 2024 if the Bank of Canada continues its pause on interest rates.

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

**Operator**

Thank you. (Operator Instructions)

There are no questions at this time, so I'll return the call to Phil Soper, please proceed.

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

Thank you, Jerry. I wish to thank everyone once again for participating in today's call and look forward to speaking again when we release our fourth quarter and full year 2023 results in the spring.

**Operator**

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