

Bridgemark Real Estate Services, Inc.

2025 Second Quarter Results Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Jeff Fenwick

Cormark Securities — Analyst

PRESENTATION

Operator

Good morning. My name is Sylvie, and I would like to welcome everyone to the Bridgemark Real Estate Services, Inc. 2025 Second Quarter Results Conference Call.

This call is being recorded. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. For those of you who dialled in to the conference call, if you would like to ask a question, simply press star, then number one on your telephone keypad, and if you would like to withdraw your question, press star, then two. For those of you joining us via webcast, if you would like to ask a question, simply type it into the Q&A box on your screen. We will answer these questions following the dial-in questions after the presentation, time permitting.

I would now like to introduce Mr. Spencer Enright, Chief Executive Officer of Bridgemark Real Estate Services, Inc. Please go ahead.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Thank you, Operator. Good morning, everyone, and thanks for joining us on the call today. With me today is our new Chief Financial Officer Wallace Wang.

I will begin with a brief overview of our company's second quarter results. Wallace will then discuss our financial results in more detail, and I'll conclude by providing some remarks on our

operational highlights, company updates, and market developments. Following our remarks, Wallace 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 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 our regulatory filings. These can be found on our website and on SEDAR+.

We're encouraged by the strong momentum we've built in the first half of 2025, particularly in light of ongoing challenges in our most expensive housing markets and the broader uncertainty stemming from our country's trade relations with the United States, as well as other macro economic factors and ongoing global geopolitical tensions. Despite today's market headwinds, we've seen our business not only prove resilient, but continue to prosper as we've added hundreds of new agents to our brands in the second quarter.

Revenue for the first six months of the year was \$186 million compared to \$122 million in 2024. As a reminder, last year's results reflect the addition of the brokerage businesses which were acquired on March 31, 2024.

At its meeting yesterday, our Board of Directors approved a dividend of \$0.1125 per share payable on September 30 to shareholders of record on August 29. This indicates an annualized dividend of \$1.35 per share, which is consistent with 2024.

With that, I'll turn the call over to Wallace for a closer look at our second quarter financial performance.

Wallace Wang – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Thank you, Spencer, and good morning, everyone. Revenue in the second quarter was \$180 million, marginally lower than the \$111 million recorded in the second quarter of 2024.

Franchise fees increased for the quarter and for the first half of the year driven by the fee increases implemented at the beginning of 2025, as well as an increase in the number of realtors in the network. There are currently 21,409 realtors in our network, an increase of 2 percent since the end of last year. This figure includes both the agents in our franchise network and 2,577 agents operating within our brokerage operations.

In the second quarter, the Company generated a net loss of \$5.4 million compared to net earnings of \$10.5 million in 2024. The lower earnings are largely driven by a loss of \$4.9 million on the non-cash fair valuation of the exchangeable units in Q2. In Q2 last year, the Company recorded a gain of \$10.6 million.

Our adjusted net earnings, which considers our operating earnings before certain non-cash, non-operating adjustments and payments to holders of the exchangeable units, amounted to \$2.2 million in the second quarter, in line with last year.

Cash provided by operating activities amounted to \$5.9 million, rather, in the second quarter of 2025 compared to \$10.5 million in the same quarter last year.

The Company generated \$3.6 million in free cash flow in Q2, down from the \$5.6 million generated in the same quarter of 2024. This was primarily driven by softer brokerage earnings and higher corporate costs after result of certain one-time expenses incurred in the quarter.

The Canadian residential real estate market contracted in the second quarter of 2025, closing at approximately \$98 billion, a decrease of 4 percent compared to the same period in 2024, driven by a 2 percent decline in both unit sales and the average selling price. The greater Toronto area and the greater Vancouver area markets both contracted in the second quarter of 2025, with double-digit volume declines and single-digit average selling price declines. By contrast, in the province of Québec, the residential real estate market recorded an increase of 20 percent in the second quarter of 2025 compared to the previous year, closing at nearly \$16 billion. This reflects an 11 percent increase in unit sales and an 8 percent increase in the average selling price.

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

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Thanks, Wallace. In the second quarter, home buying activity continued to decline in Canada's two most expensive real estate markets. The greater regions of Toronto and Vancouver saw softer than usual activity in the spring. However, signs of a turnaround toward the end of the quarter began to emerge in Toronto, which seems to be continuing with some additional improvement in the GTA sales activity numbers in July. Weakened consumer confidence amid ongoing trade tensions with the U.S. and their potential impact on the economy has been key factors affecting the year-to-date slowdown in these two housing markets. With inventory continuing to build in these regions, however, the eventual return

of buyers is not expected to drive prices up sharply. On the other hand, Québec's real estate market continues to show strength and resilience, along with major markets in the Prairies and Atlantic Canada, with further gains in sales volume and price in the second quarter.

The Bank of Canada left the key lending rate unchanged at its last meeting, which follows two consecutive rate holds in April and June. The overnight lending rate currently sits at 2.75 percent. In June, Canada's consumer price index increased 1.9 percent year-over-year, up from the 1.7 percent recorded in May, and remaining within the bank's target range. Strong economic fundamentals, including stability in the Canadian labour market, as well as improved housing affordability in parts of the country, will be important in supporting the recovery of the broader housing market.

Now, I'll give you a few updates on the Company's operations. During the last quarter, we welcomed more than 600 real estate professionals to our flagship Royal LePage brand, evidence that brokers and agents from coast-to-coast continue to recognize and value Bridgemark's comprehensive suite of services and support. Our ability to attract and retain top-performing professionals and provide the infrastructure they need to thrive is a core driver of long-term value for our shareholders.

One of our key advantages is our ability to offer a variety of traditional and unique solutions for both realtors and consumers. Our diverse service solutions operate within our strong portfolio of agents and consumer-focused brands, including Royal LePage, Via Capitale, and Proprio Direct. This positions Bridgemark not only as a market leader today, but as an organization built to continue leading our industry as consumer habits and needs rapidly evolve.

We're focused on strengthening our industry-leading technology platforms, especially those that drive lead generation and client engagement, while continually delivering best-in-class training and coaching programs.

During the second quarter, we rolled out the next phase of our Proudly Canadian national advertising campaign designed to raise awareness of the Royal LePage brand and its uniquely Canadian products and services to consumers. The fully bilingual campaign generated more than 41 million social media views and reached over seven million Canadians in Q2 alone.

Proprio Direct launched a targeted digital marketing campaign designed to enhance broker recruitment efforts and allow for a more precise lead nurturing and conversion tracking. The brand also launched the initial phase of a new online learning platform to facilitate a more scalable and user-friendly internal training environment.

Also in the second quarter, Via Capitale increased its presence in the Montréal market with the opening of a new agency in the east end of the city.

We are eagerly embracing new AI technologies in innovative ways and are equipping our network with advanced tools that enhance productivity, marketing, and client service, enabling our agents to make significant improvements in how they serve Canadians across the whole homeownership process. As an example, in the quarter, real estate agents operating under our luxury banner, Johnston & Daniel, benefited from enhanced AI-driven training opportunities designed to improve their productivity and lead generation. By continuing to invest in enhancing our realtors' productivity through education and

the use of AI, we're driving the growth of our top-performing brands, opening new avenues for success, and increasing our value to shareholders.

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

Q & A

Operator

Thank you, sir. As stated earlier, for those of you who dialled in on the teleconference, please press star, one on your telephone keypad should you have any questions, and for those who joined us via webcast, simply type your question in the Q&A box on your screen.

Your first phone question will be from Jeff Fenwick at Cormark Securities. Please go ahead, Jeff.

Jeff Fenwick — Analyst, Cormark Securities

Hi. Good morning, everyone.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Good morning, Jeff.

Jeff Fenwick — Analyst, Cormark Securities

Good morning. I wanted to start off on the growth of the agents in the franchise network. I mean, that's a nice accomplishment in a market that otherwise is pretty challenging. How much of that growth

is coming from—like have you stepped up your recruiting efforts or your flagging efforts, other aspects? You spoke to some of the things you are doing to help boost productivity that are maybe attracting these new realtors to your network, but maybe just a little colour there on what you've been doing to help build that, and can that continue over the course of this year?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes, sure. We generally add agents to our networks in one of three ways. We can sign up new franchisees, which could be new agencies that are otherwise unaffiliated previously with other brands, or, in this case, having new franchisees that used to be affiliated with competitor brands that have what we call reflagged to ours, and that is the majority of what occurred in the second quarter. In addition to that, though, we can see organic agent recruitment. Our franchisees, all 300-plus of them, are busy every day trying to attract new realtors, successful realtors to their individual brokerages, and that happens organically.

We offer a lot of services to help them be great at that and know how to do that successfully, how to onboard people once they're on. Then within our corporately owned brokerages, which operate within those networks, as well as outside of it, we're also organically recruiting as well, but in the second quarter, the majority of what we saw in terms of actual growth was through the new franchises that were signed to the networks.

Jeff Fenwick — Analyst, Cormark Securities

Okay. Thanks for that. Then when I was looking at your own brokerage operations, it looks like maybe you had one step down in terms of the location count that was in that segment of the business, and I think about 115 or so realtors declined there. What happened there? Was that one going the other way where they went over to another operator?

Spencer Enright — Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes, we'll have an ebb and flow of agents throughout the course of a year regardless. There's always turnover. Even in the industry generally, there's at least 10 percent to 15 percent of agents that look to switch brands or switch brokerages; that's pretty normal course for us. In terms of facilities with our brokerages that operate with traditional offices predominantly in the GTA and the GVA, we do have from time to time the opportunity to consolidate facilities, and so we did that and might continue to do that as we look forward. As leases terminate over time, we look to be a little bit more efficient that way. There wasn't any one single cause of any changes in our agent counts within the brokerages, and there isn't necessarily anything that we could point to as a single effect, but we are stepping up our recruiting efforts across the board and looking to hire some more staff and focus specifically on that. I'm very optimistic about what we'll see moving forward.

Jeff Fenwick — Analyst, Cormark Securities

Okay, great. Then tough market environment, and the Q2 result, we're always looking for that to be seasonally quite strong. In this case, it looks like the results, when it netted out to free cash flows, that your payout ratio is still pretty meaningfully above 100 percent, and maybe—it looks like you probably drew on your debt facility to help support paying the dividend. Could you just speak to the

comfort level here with continuing the dividend in the context of a market that's soft? Do you feel like there's growth initiatives to help you sort of right size that back towards above 100 percent payout ratio, or how are you thinking about that now?

Wallace Wang – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Yes, Jeff. It's Wallace. Thanks for the question, and I'll say two things. One is when you just look at this quarter, there were some one-time expenses. I'm sure you noticed that the corporate cost was a bit higher. We do expect that to normalize going forward; that should help with our free cash flow generation. On your question around distribution, I would say, as you obviously know, we do have a history of paying a significant amount of distribution to our shareholders, and I'm sure you know that the dividends are approved on a monthly basis and determined on a monthly basis by the Board of Directors. At this point, we do think we have sufficient capacity to support that over the short term, which is also why—part of the reason why the Board approved the September distribution, but we're obviously not going to speculate as to what's going to happen in the future.

We do expect free cash flow generation to improve, to your point. In July, just for example, we did see that there were signs of recovery in the Toronto market, for example, where I believe, if I'm not mistaken, the volumes were up double digits. As the market recovers, we do expect our free cash flow generation to improve.

Jeff Fenwick — Analyst, Cormark Securities

Okay, great. Thank you. Appreciate that colour, and maybe just one last one here. As you brought together the business into its current format over the last sort of 18 months or so, there was some commentary there about looking for new growth opportunities. Any comment there on are there opportunities to add product or solutions out there that can perhaps grow the business a bit beyond where it is today?

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes, absolutely. We've got some exciting plans in the works to do exactly that. Whether all that hits the ground right now or in the next, I'd say, six months to 12 months is still work in progress for us, but no, no, we're excited to continue to grow this business. When we take a look at the model we have, we're excited about what we offer in the marketplace that's differentiated and unique versus our other major competitors. We have multiple go-to-market solutions that appeal to realtors for different reasons.

Many realtors like that office space and they like to have the ability to work out of that space, and then there's many realtors, for example, our Proprio Direct business is 100 percent virtual, and that appeals to a different realtor that wants to do it a little bit differently. We are still keen on offering multiple solutions across the country. Today, that Proprio model exists only in the province of Québec, but that's not our long-term strategy there.

Jeff Fenwick — Analyst, Cormark Securities

Okay, appreciate that colour. Thanks for those answers. That's all I had.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Thanks, Jeff.

Operator

At this time, we have no other questions on the conference call. Please proceed.

Wallace Wang – Chief Financial Officer, Bridgemark Real Estate Services, Inc.

Yes, at this time, we don't see any questions on the webcast either.

Spencer Enright – Chief Executive Officer, Bridgemark Real Estate Services, Inc.

Yes, okay, thanks, Operator. For everyone who's participated on the call, I'd like to thank everyone again for joining us. Look forward to speaking to you again after we release our Q3 results in November.

Operator

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