

Bridgemarq Real Estate Services, Inc.

2024 Second Quarter Results Conference Call

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CORPORATE PARTICIPANTS

Spencer Enright

Bridgemarq Real Estate Services, Inc. — Chief Executive Officer

Glen McMillan

Bridgemarq Real Estate Services, Inc. — Chief Financial Officer

PRESENTATION

Operator

Good morning. My name is Sylvie, and I would like to welcome everyone to the Bridgemarq Real Estate Services, Inc. 2024 Second Quarter Results Conference Call.

Note that 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 dialed into the conference call, if you would like to ask a question, simply press star, then number one on your telephone keypad. If you would like to withdraw your question, simply press star, two. For those of you joining us via webcast, if you would like to ask a question, simply type it in the webcast Q&A box on your screen. We will answer these questions following the dial in questions after the presentation, time permitting.

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

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

Thank you, Operator.

Good morning, everyone, and thanks for joining us on the call today. With me today is our Chief Financial Officer, Glen McMillan.

I will begin with a brief overview of our Company's second quarter results and provide an update on our newly expanded business operation. 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. 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 our website and on SEDAR+.

Okay, starting with the market, in the second quarter, Canada's residential resell housing market recorded modest decline compared to the same period last year. On a quarter-over-quarter basis, however, the average selling price rose slightly, and unit sales showed a healthy seasonal increase of approximately 40 percent. We are very pleased with our performance in the second quarter, the first full quarter since the closing of the transaction.

Revenue for the second quarter was \$110.1 million compared to \$12.8 million last year. Now, this reflects the inclusion of gross commission income and other revenues in the acquired businesses, as well as franchise fee rate increases which were implemented at the start of 2024.

At its meeting yesterday, our Board of Directors approved a dividend payable on September 30 of \$0.1125 per share to shareholders of record on August 30. This indicates an annualized dividend of \$1.35 per share, which is consistent with 2023.

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

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

Thank you, Spencer, and good morning, everyone.

Revenue during the first six months of the year was \$122 million, a significant increase over the \$24.8 million recorded in 2023. The year-over-year improvements in the quarterly and year-to-date numbers include \$92 million in gross commission income from the brokerage operations we acquired at the beginning of the quarter.

The number of realtors in our franchise network currently sits at 20,570, a net increase of 41 agents since the start of the year. This includes 2,055 agents operating at the Royal LePage and Via Capitale brokerages we recently acquired. Including the Proprio Direct brokerage, which operates throughout Québec, our corporately owned brokerages are comprised of 2,751 realtors operating in the GTA, the Greater Vancouver Area, and the Province of Québec.

In the second quarter, the Company generated net earnings of \$10.6 million compared to \$1.1 million in 2023. The higher earnings are largely driven by a gain of \$10.6 million on the valuation of the exchangeable units in the second quarter compared to a loss of \$500,000 in the same quarter last year.

During the quarter, cash provided by operating activities amounted to \$10.5 million compared to \$3.7 million in 2023. The increase of \$6.8 million is partly due to an increase of approximately \$4.8 million in cash received that will ultimately be paid to sales representatives. The remaining increase in cash flow is due to positive cash flow generated by the acquired businesses, lower overall working capital balances, partly offset by higher interest costs.

The Canadian residential real estate market contracted modestly in the second quarter of 2024, closing at \$102 billion, a decline of 4 percent compared to 2023, driven by a 3 percent decrease in average selling price and a 2 percent decline in unit sales. Compared to the previous quarter, however, the average selling price posted an increase of 2 percent, and, as Spencer mentioned, total unit sales were up 40 percent.

The Greater Toronto Area real estate market saw a year-over-year increase of 17 percent, closing at \$23.5 billion in the second quarter of 2024, driven by a 15 percent drop in unit sales and a modest 1 percent decline in average selling prices. However, again, on a quarter-over-quarter basis, total transactional dollar volume was up 32 percent, driven by a 24 percent increase in unit sales and a 6 percent increase in average selling price.

The Greater Vancouver real estate market was down 11 percent year-over-year, closing at \$10.6 billion in the second quarter, driven by a 13 percent decrease in unit sales, partly offset by a 3 percent increase in average selling price. Again, on a quarter-over-quarter basis, total transactional dollar volume was up by 39 percent, driven by a 35 percent increase in unit sales.

The Greater Montréal Area market recorded an increase of 15 percent to \$7.9 billion in the second quarter compared to the previous year. This reflects a 10 percent increase in unit sales and a 4 percent increase in average selling price.

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

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

Great. Thanks, Glen.

We're not surprised that buyer activity and home prices in Canada's real estate market were modestly below last year's second quarter levels. As you may recall, last year, we experienced a very strong spring market rise in resale activity, partially driven by the signals received by the Bank of Canada's pausing of policy rate increases in the early part of 2023. More recently, in June and July of this year, we have seen the policy rate drop by a total of 50 basis points. However, given the timing of the changes, they didn't materially boost market activity in the second quarter.

Regardless, we're optimistic that these changes have begun to signal to homebuyers that conditions will be more attractive for them as we progress through the back half of this year, which aligns with the Canadian Real Estate Association's latest annual forecast for home sale activity in 2024, which calls for a full year increase of approximately 6 percent versus the prior year.

For us at Bridgemarq, this quarter has been an exciting time. As I've said now on numerous occasions, we recently completed a landmark transaction, which included the acquisition of certain real estate brokerages and the internalization of the management company. Our operations are now quite

significantly broader than before, with a more diverse and dynamic revenue base. The addition of brokerage operations complements our well-established and successful franchise business and strengthens our ability to capture more growth across a broader spectrum of the real estate industry, both through organic growth and potential acquisition opportunities.

This exciting development also provides Bridgemarq with the opportunity to capture a larger percentage of market share of the Canadian real estate market. We now offer several diverse, innovative, and technology-forward solutions for real estate professionals and Canadians, setting ourselves apart as a progressive industry innovator focused on meeting Canadians' home-related needs in this ever-evolving market. We can immediately see the benefit in our quarterly results, with a much larger revenue base and several more operational growth paths through an expanded portfolio of brands and business models.

Our brand portfolio, led by our 110-year strong flagship national brand, Royal LePage, continues to attract and retain top real estate agents across the country, and we remain committed to investing in leading tech—industry-leading technology platforms, including lead-generating and nurturing tools and best-in-class training and coaching programs.

For example, during the second quarter, we made progress in driving adoption amongst our Royal LePage network of realtors of our AI-driven digital platform, rlpSPHERE, and offered a comprehensive AI training series, which included advice and best practices on the use of tools such as ChatGPT, as well as other AI tools.

Under our Proprio Direct brand, we continue to drive improved lead-generating traffic to our website, propriodirect.com, and unveiled a new insurance referral partnership, which offers a suite of comprehensive financial protection products, giving our team of real estate professionals within Proprio a competitive edge in offering better value to their clients.

These and other exciting developments will allow us to deliver value for shareholders and enable growth opportunities for our industry-leading brands, which ultimately translates into more value for shareholders. This quarter may be the first one in which—includes the results of our newly-expanded business, but it's only the beginning in our journey to build meaningfully on our past successes. Together with Glen and the entire Bridgemarq team, I look forward to continuing to share news of our growth with you moving forward.

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

Q & A

Operator

Thank you, sir. As stated, for those who dialed into the conference call, you will need to press star, one on your telephone keypad, and for those joining via the webcast, please type your question in the Q&A box on your screen. At this time, sir, we have no questions from the phone lines.

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

All right. Thanks, Operator.

I'd like to thank everyone once again for joining us on today's call—oh, sorry, we did just get a question via the online. Okay, Glen, do you want to read the question?

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

Yes, I'll read the question out loud. Will this be the last we hear of changes in the value of the exchangeable units affecting earnings?

Thank you for your question. The answer to the question is no, this will not be the last time you hear of that. As part of the acquisition, we issued additional exchangeable units as compensation or as proceeds to the company that we bought those businesses from. The number of exchangeable units that's outstanding has actually increased. As people may recall, those exchangeable units are exchangeable into restricted voting shares of the Company, and they, under IFRS, are required to be revalued on a quarterly basis and the value will be driven off of the underlying value of the restricted voting shares. There will be gains and losses recorded on those securities going forward.

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

All right. Thanks, Glen. I don't see any other questions through the website. I'd like to thank everyone again for joining us on today's call. Look forward to speaking with you again after we release our third quarter results in November. Thank you. Thank you, Operator.

Operator

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