

# Q3 2019 FINANCIALS

## 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., ("Bridgemarq" and, together with its subsidiaries the "Company") for the three and nine months ended September 30, 2019, has been prepared as at November 5, 2019. The three-month period ended September 30, 2019, shall be referred to in this MD&A as the "Quarter". The nine-month period ended September 30, 2019, shall be referred to in this MD&A as the "YTD". The comparative period of the three months ended September 30, 2018, shall be referred to in this MD&A as the "Prior Year Quarter". The comparative period of the nine months ended September 30, 2018, shall be referred to in this MD&A as the "Prior Year Period". 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 34.

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 MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and the Company's audited financial statements for the year ended December 31, 2018, prepared in accordance with IFRS. Additional information relating to the Company, including its 2018 Annual Information Form, is available on SEDAR at [www.sedar.com](http://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 interim condensed 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 \$2.4 million, or \$0.26 per Restricted Voting Share, compared to \$12.5 million or \$1.32 per Restricted Voting Share for the Prior Year Quarter.
- Distributable Cash Flow for the Quarter was \$4.8 million, compared to Distributable Cash Flow of \$6.7 million in the Prior Year Quarter driven by higher management fees paid under the terms of the Amended MSA partly offset by lower income tax payments and higher revenues. For the YTD, Distributable Cash Flow amounted to \$13.2 million, compared to \$11.3 million generated in the Prior Year Period. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting in lower Distributable Cash Flow in the early part of the year. In the Prior Year Period, the Company borrowed \$7.2 million on its debt facilities to finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to shareholders and holders of Exchangeable Units.
- Distributable Cash Flow for the rolling twelve-month period ended September 30, 2019 was \$1.27 per Share as compared to \$1.35 per Share for the rolling twelve-month period ended September 30, 2018. The decrease in Distributable Cash Flow was mainly driven by higher management fees partly offset by lower income taxes and a reduction in cash used in investing activities. Under the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly. (see "Changes to the Management Services Agreement" on page 4).
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of \$0.1125 per Restricted Voting Share payable on December 31, 2019, to shareholders of record on November 30, 2019. This represents a targeted annual dividend of \$1.35 per Restricted Voting Share.

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	\$ 11,571	\$ 11,141	\$ 33,264	\$ 33,082
Administration expenses	(53)	(82)	(767)	(716)
Management fees	(4,041)	(2,078)	(11,748)	(6,069)
Interest expense	(748)	(669)	(2,270)	(2,020)
Current income tax expense	(882)	(1,367)	(2,314)	(4,137)
Cash used in investing activities	(1,026)	(260)	(2,990)	(8,796)
Distributable Cash Flow	\$ 4,821	\$ 6,685	\$ 13,175	\$ 11,344
Dividends paid	\$ 3,201	\$ 3,201	\$ 9,602	\$ 9,602
Interest on Exchangeable Units paid	\$ 1,452	\$ 1,452	\$ 4,355	\$ 4,355
Net and comprehensive earnings	\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Number of REALTORS®	19,184	18,799	19,184	18,799
Net and comprehensive earnings (loss) per Share	\$ 0.26	\$ 1.32	\$ 0.19	\$ 0.90
Dividends paid per Restricted Voting Share	\$ 0.34	\$ 0.34	\$ 1.01	\$ 1.01
Interest paid on Exchangeable Units per Exchangeable Unit	\$ 0.44	\$ 0.44	\$ 1.31	\$ 1.31
Distributable Cash Flow, rolling twelve months period ended September 30,			\$ 16,267	\$ 17,301
Distributable Cash Flow per Share, rolling twelve-month period ended September 30,			\$ 1.27	\$ 1.35

## 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.

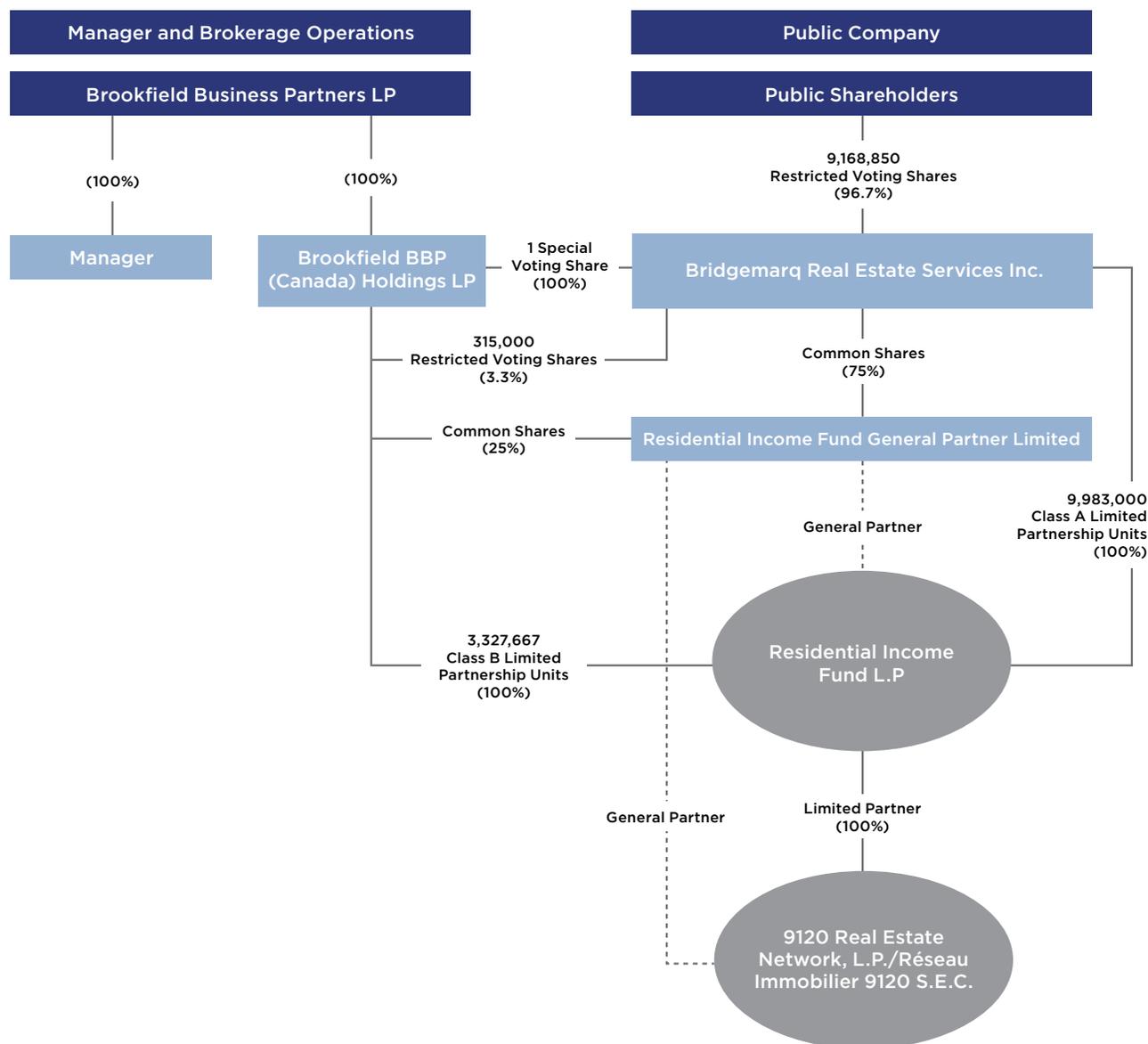
# Management’s Discussion and Analysis of Results and Financial Condition

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”) and the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner. 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 the Manager. The Company derives its revenue primarily from franchise fees it receives under Franchise Agreements with Franchisees.

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



# Management's Discussion and Analysis of Results and Financial Condition

## 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 substantial amount 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 are 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 activity that can occur in the Canadian residential real estate market ("Canadian Market"). The Company is party to an Amended Management Services Agreement, which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager.

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 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 2018 Annual Information Form, which is available at [www.sedar.com](http://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 additional 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®.

## Changes to the Management Services Agreement

On November 6, 2018, the Company signed an amended Management Services Agreement (the "Amended MSA") to replace the Management Services Agreement which was set to expire at December 31, 2018 (the "Previous MSA"). The Amended MSA has a term of ten years expiring on December 31, 2028. On expiry, the Amended 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.

Some of the more significant changes in the Amended MSA include:

- The Company is no longer be obligated to acquire Franchise Agreements from the Manager on January 1 of each year. Commencing January 1, 2019, the Company enters into Franchise Agreements directly with Franchisees and is responsible for the direct costs of entering into those Franchise Agreements. Those costs generally include allowances paid to Franchisees to defray the cost of converting brokerages and REALTORS® to one of the Company's brands.
- In lieu of paying to acquire Franchise Agreements from the Manager, the Company pays a fixed management fee of \$10.1 million per year. This is consistent with the average annual amount paid to the Manager to acquire Franchise Agreements over the period 2016-2018;
- Monthly variable management fees under the Amended MSA are equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the Amended 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 Amended MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter. The increase from 20% of Distributable Cash under the Previous MSA reflects the significant growth in the Network over the past several years.

In addition, and in accordance with terms of the Amended 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 estimated annual revenue from those Franchise Agreements is \$0.9 million. The fair value ascribed to the other agreements under IFRS was \$4.6 million. In 2018, the Manager generated approximately \$3.8 million in net revenues under those agreements.

# Management's Discussion and Analysis of Results and Financial Condition

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the Amended 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 income.

The changes in the Amended MSA will have a significant impact on certain measures disclosed by the Company in prior years. For example, the Company is expecting to show lower earnings (as a result of the introduction of a fixed management fee), but the cash impact of this new fixed management fee is expected to be substantially offset by the benefit of not having to pay the Manager for acquiring Franchise Agreements. As a result of entering into Franchise Agreements directly, the Company earns franchise fees from the time they enter into the Franchise Agreements versus earning franchise fees only after they acquired the Franchise Agreements under Previous MSA.

## Company Revenues

As at September 30, 2019, the Company earned revenues based on 19,184 REALTORS® contracted with 350 Broker-Owners operating under 297 Franchise Agreements from 674 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names operating collectively as the Company Network, with an approximate one fifth share of the Canadian Market based on 2018 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 66% of the Company's revenues during the Quarter (Prior Year Quarter - 65%) 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 25% of the Company's revenues during the Quarter (Prior Year Quarter - 28%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of Franchise Agreements and include fees received from Franchisees and third parties for referral services paid by third parties. During the Quarter, other revenues represented 9% of total revenues (Prior Year Quarter - nil). Premium franchise fees were variable amounts paid by specific brokerage locations based on the transaction dollar volume generated by the REALTORS® who work out of those locations. The obligation for those brokerages to pay premium franchise fees expired in 2018. Approximately 7% of the Company's revenues during the Prior Year Quarter were derived from premium franchise fees.

Approximately 79% of the Company's revenues in 2018 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 fact that variable franchise fees are subject to a cap. The Company believes that the combination of a revenue stream based on the number of REALTORS® in the Network, increasing REALTOR® productivity and steady growth in the Canadian Market provides the base for strong and stable cash flows. A description of each type of revenue follows:

**Fixed Franchise Fees** are paid based on the number of REALTORS® in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a fixed monthly fee of \$128 per REALTOR®, while fixed fees from Via Capitale Franchisees consist 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.

During the Quarter, the Company announced an increase in the monthly fixed franchise fees paid by Royal LePage Franchisees to \$133 per REALTOR® 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.

On January 1, 2018, the Company increased the Royal LePage fixed fee from \$125 to \$128 per REALTOR®.

**Variable Franchise Fees** are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTOR®'s Gross Revenues, subject to a cap of \$1,350 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 \$1,350 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

During the Quarter, the Company announced an increase in the annual cap for variable franchise fees paid by Royal LePage Franchisees to \$1,400 per REALTOR® 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.

# Management's Discussion and Analysis of Results and Financial Condition

On January 1, 2018, the Company implemented an increase in the cap for the variable franchise fee from \$1,325 to \$1,350 per year.

The amount of variable franchise fee 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 of \$1,350. 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 2018, approximately 2,600 REALTORS® and 1,000 Teams (representing more than 2,900 REALTORS®) exceeded the \$1,350 cap and accounted for approximately 12% of the Company's revenues.

**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.

**Premium Franchise Fees** were paid by 21 of the Company's larger Royal LePage locations in the Greater Toronto Area (the "GTA"). Each of these Franchisees was obligated to pay premium franchise fees until August 2018 ranging from 1% to 5% of the location's Gross Revenue. Of these locations, 14 were operated by the Manager.

## Overview of Third Quarter 2019 Operating Results

(Unaudited)

(in 000's) except per Share amounts;  
Restricted Voting Shares outstanding;  
Exchangeable Units outstanding;  
Number of REALTORS®

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	\$ 11,571	\$ 11,141	\$ 33,264	\$ 33,082
Less:				
Administration expenses	53	82	767	716
Management fees	4,041	2,078	11,748	6,069
Interest expense	748	669	2,270	2,020
	\$ 6,729	\$ 8,312	\$ 18,479	\$ 24,277
Impairment and write-off of intangible assets	-	(322)	(650)	(450)
Amortization of intangible assets	(2,634)	(1,900)	(7,929)	(5,834)
Interest on Exchangeable Units	(1,452)	(1,452)	(4,355)	(4,355)
Gain (loss) on fair value of Exchangeable Units	633	9,151	(499)	(765)
Gain (loss) on interest rate swap	155	108	(1,274)	171
Gain (loss) on fair value of purchase obligation	-	2	-	(541)
Current income tax expense	(882)	(1,367)	(2,314)	(4,137)
Deferred income tax recovery (expense)	(127)	12	325	152
Net and comprehensive earnings	\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Basic earnings per Restricted Voting Share	\$ 0.26	\$ 1.32	\$ 0.19	\$ 0.90
Diluted earnings per Share	\$ 0.26	\$ 0.38	\$ 0.19	\$ 0.90
Dividends paid per Restricted Voting Share	\$ 0.34	\$ 0.34	\$ 1.01	\$ 1.01
Interest paid per Exchangeable Unit	\$ 0.44	\$ 0.44	\$ 1.31	\$ 1.31
Restricted Voting Shares outstanding	9,483,850	9,483,850	9,483,850	9,483,850
Exchangeable Units outstanding	3,327,667	3,327,667	3,327,667	3,327,667
Number of REALTORS®	19,184	18,799	19,184	18,799

(in 000's)  
As at

	September 30, 2019	December 31, 2018
Total assets	\$ 98,328	\$ 95,659
Total liabilities	\$ 132,823	\$ 122,335

# 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 primarily as a result of the increase in the number of REALTORS® in the Company Network and the revenues generated from the other agreements transferred from the Manager on January 3, 2019. These increases were partly offset by the expiry of premium fees in August 2018. The total value of real estate bought and sold in Canada increased by 15% to \$66.8 billion in the Quarter as compared to the Prior Year Quarter. Nationally, the number of homes sold was up 10% while the average selling price of a home increased by 1%. The Greater Vancouver ("GV") market experienced a significant improvement in the Quarter with transaction dollar volume increasing by 20% to \$7.0 billion. The GTA market also experienced significant growth compared to the Prior Year Quarter growing by 24%. The Company's Network of REALTORS® increased by 138 REALTORS® in the Quarter.

### NET EARNINGS:

For the Quarter, the Company generated net earnings of \$2.4 million or \$0.26 per Restricted Voting Share, compared to net earnings of \$12.5 million or \$1.32 per Restricted Voting Share for the Prior Year Quarter.

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

- A gain on the determination of the fair value on the Exchangeable Units of \$0.6 million in the Quarter, compared to a gain of \$9.2 million during the Prior Year Quarter;
- A \$1.9 million increase in management fees as a result of the changes in the management fees structure under the Amended MSA; and
- A \$0.7 million increase in amortization and impairment of intangible assets as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts have shorter amortization periods than the Franchise Agreements; partly offset by
- A \$0.4 million increase in revenues as outlined above;
- A \$0.3 million reduction in impairment charges recorded in the Quarter compared to the Prior Year Quarter; and
- A \$0.4 million decrease in income taxes driven by a decrease in taxable income:

### TOTAL ASSETS:

Total assets increased by \$2.7 million since December 31, 2018. The main drivers for the increase are as follows:

- An increase in the carrying value of intangible assets of \$1.0 million, driven by the transfer of Franchise Agreements and other contracts totaling \$9.3 million on January 3, 2019, partly offset by amortization and impairment charges of \$7.9 million;
- An increase in accounts receivable of \$0.4 million driven by an increase in revenues compared to the fourth quarter of 2018;
- A \$1.4 million increase in cash; and
- An increase in income tax receivable and deferred tax asset totaling \$0.2 million; partly offset by
- A \$0.3 million decrease in sales tax receivable. and
- A \$0.1 million reduction in the interest rate swap asset.

# Management’s Discussion and Analysis of Results and Financial Condition

## TOTAL LIABILITIES:

Total liabilities increased by \$10.5 million since December 31, 2018. The main drivers of the increase are as follows:

- An \$6.6 million increase in contract transfer obligation owing to the Manager for the transfer of the Franchise Agreements and other contracts on January 3, 2019;
- An increase of \$0.5 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under Third Quarter and Year To Date Operating Results and Cash Flows – Loss on fair value of Exchangeable Units);
- A net increase in debt facilities of \$2.0 million, which the Company drew on the Term Facility during the YTD; and
- A \$1.2 million increase in the interest rate swap liability.

## Key Performance Drivers

Key performance drivers of the Company’s business include:

1. The stability of the Company’s revenue stream;
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 Stream

The stability of the Company’s revenue stream 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.

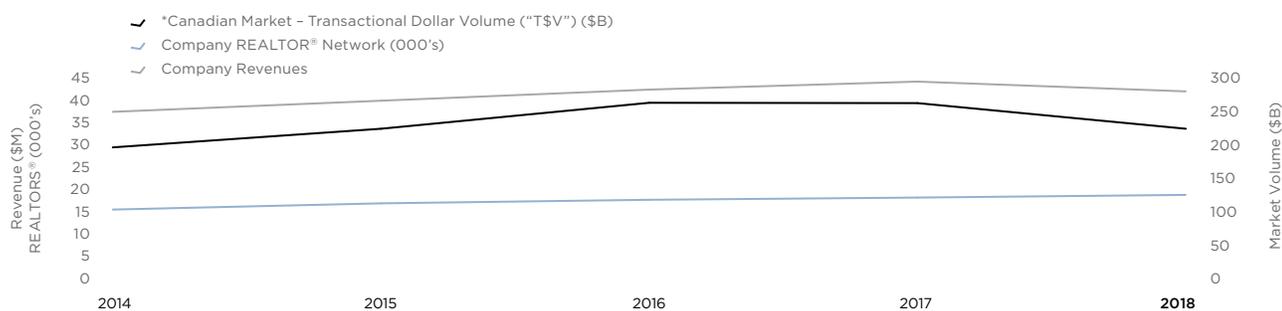
### FIXED - FEE STRUCTURE

The Company estimates that approximately 79% of its franchise fees are fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company’s variable franchise fees are effectively fixed in nature.

The amount of variable franchise fee 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 a cap of \$1,350 per REALTOR® or Team of REALTORS®. 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 changes in the Company’s revenues and the Canadian Market is shown under “Transactional Dollar Volumes”.

### ROYALTIES, MARKET AND REALTOR® TRENDS



\*Source: Canadian Real Estate Association ("CREA")

# Management's Discussion and Analysis of Results and Financial Condition

## INCREASE 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 announced an increase in the monthly fixed franchise fees paid by Royal LePage Franchisees from \$128 to \$133 per REALTOR® and an increase in the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue from \$1,350 to \$1,400. The increases are 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.

On January 1, 2018, the Royal LePage Network fixed monthly franchise fee increased from \$125 per REALTOR® to \$128 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue increased from \$1,325 annually to \$1,350.

## GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at September 30, 2019, the Company Network of 19,184 REALTORS® operated through 297 Franchisee Agreements, contracted with 350 Broker-Owners, providing services across the country through 674 locations. Of the Brokerages in the Company Network, approximately 64% 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 approximately 1,900 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 to recruiting successes in recent years and operating under two separate brands).

As at September 30, 2019	Canadian <sup>1</sup> REALTOR® Population	Company REALTOR® Population
Ontario	58%	59%
British Columbia	17%	13%
Quebec	10%	15%
Alberta	9%	6%
Maritimes	3%	4%
Prairies	3%	3%
Total	100%	100%

<sup>1</sup> Source: CREA

## FRANCHISE AGREEMENTS

Franchise Agreements are contracts between the Company and Franchisees which govern matters such as the 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.

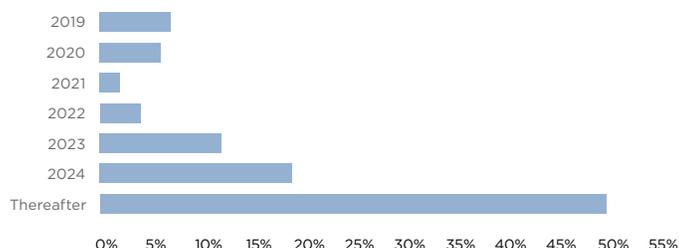
The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly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

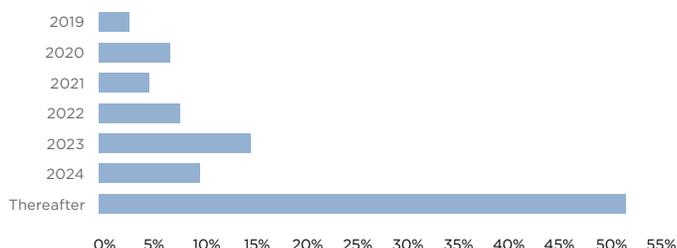
# Management's Discussion and Analysis of Results and Financial Condition

A summary of the Company's agreement renewal profiles as at September 30, 2019 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 99% 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, 1 Franchise Agreement in the Company Network extended their term.

During the Quarter, 1 Franchise Agreement was terminated, as a result of Franchisees merging which did not result in any loss of REALTORS®.

For the YTD, 28 Franchise Agreements, representing 3,665 REALTORS® in the Company Network extended their term or renewed.

For the YTD, six Franchise Agreements were terminated, of which four were as a result of Franchisees merging operations and two resulted in the loss of 17 REALTORS®.

## Number of REALTORS® in the Company Network

For the Quarter, the Company Network of 19,184 REALTORS® increased by 138 REALTORS®, compared to a net increase of 19 REALTORS® in the Prior Year Quarter. The largest declines were experienced in BC (where markets have just recently showed signs of improvement) and Alberta (which has suffered from prolonged market weakness).

For the YTD, the number of REALTORS® in the Company Network increased by 459, including the 495 REALTORS® added through the transfer of Franchise Agreements on January 3, 2019 (January 1, 2018 - 563 REALTORS® through the acquisition of Franchise Agreements).

	2003 <sup>1</sup> - 2014	2015	2016	2017	2018	2019 <sup>3</sup>
<b>Company Network</b>						
Opening REALTOR® Count	9,238	15,377	16,794	17,580	18,135	<b>18,725</b>
Acquisition/transfer of franchise agreements	4,772	1,577	459	568	563	<b>495</b>
Net REALTOR® growth (attrition)	1,367	(160)	327	(13)	27	<b>(36)</b>
Closing REALTOR® Count	15,377	16,794	17,580	18,135	18,725	<b>19,184</b>
% Change in the period	66%	9%	5%	3%	3%	<b>2%</b>
<b>Canadian REALTOR® Population<sup>2</sup></b>						
CREA REALTOR® Membership	110,821	114,664	121,212	125,316	129,752	<b>-</b>
% Change in the period	56%	3%	6%	3%	4%	<b>-</b>

<sup>1</sup> Opening Count as at August 2003, CREA opening count of 71,267

<sup>2</sup> Source: CREA, CREA Membership data as of March 31, 2019 not available as of MDA date

<sup>3</sup> As at September 30, 2019

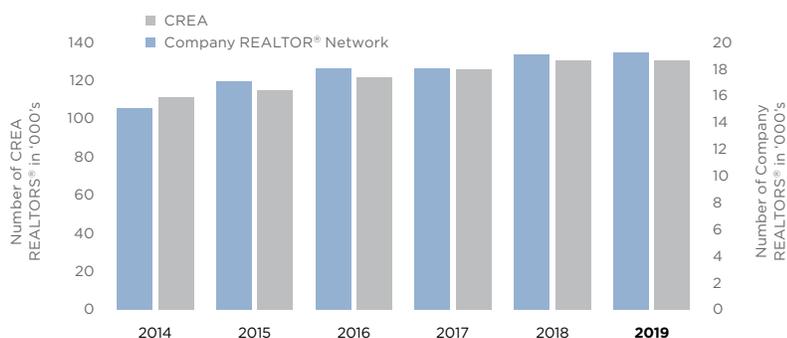
# Management’s Discussion and Analysis of Results and Financial Condition

The increase in the number of Canadian REALTORS® since 2003 has in part been driven by the strong Canadian Markets, 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 is able to sign new Franchise Agreements with new Franchisees that may have converted to the Company’s Brands from a competitor. Under the terms of the Previous MSA, the Company Network would increase when the Company purchased Franchise Agreements from the Manager, generally on January 1 of each year.

## CANADIAN REAL ESTATE REALTORS®

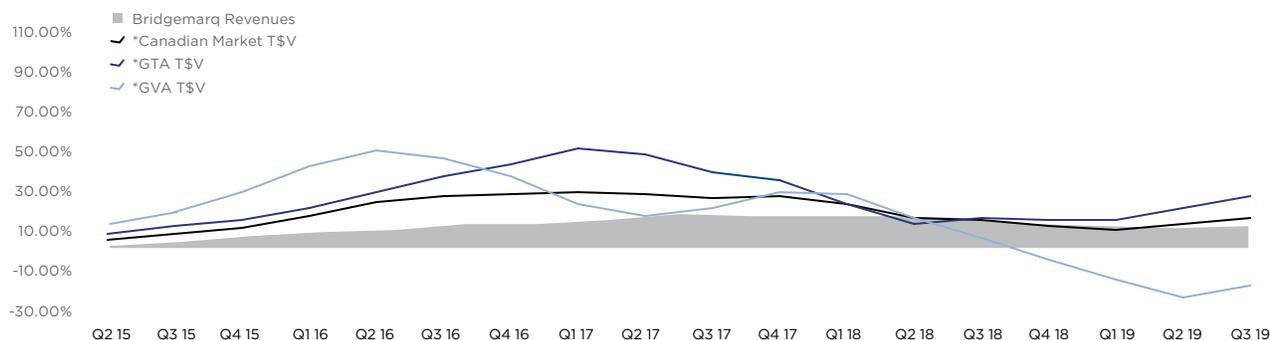
(Years ended December 31)



## Transactional Dollar Volumes

The chart below shows the change in the Canadian Market and select urban markets as compared to the growth in the Company’s revenues since the second quarter of 2015.

### QUARTERLY ROLLING TWELVE-MONTH % CHANGE



\*Source: CREA

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 past two years driven by weakness in the GTA (which experienced peak growth in the first quarter of 2017) and the GV 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 Quarter when the GVA market came off of 30 year lows.

# Management's Discussion and Analysis of Results and Financial Condition

During the Quarter, the Canadian market closed up 15%, at \$66.8 billion, as compared to the Prior Year Quarter, driven by a 10% increase in units sold and a 1% increase in price.

For the rolling twelve-month period ended September 30, 2019, the Canadian market was up 1%, at \$233.9 billion, as compared to the rolling twelve-month period ended September 30, 2018, driven by a 1% increase in units sold with pricing substantially unchanged.

During the Quarter, the GTA market improved by 24% to \$19.5 billion compared to the Prior Year Quarter with a 3% increase in price and an 19% increase in units sold.

For the rolling twelve-month period ended September 30, 2019, the GTA market was up 11%, at \$68.9 billion, as compared to the rolling twelve-month period ended September 30, 2018, driven by a 3% increase in price and an 8% increase in units sold.

During the Quarter, the GV market closed up 20%, at \$7.0 billion compared to the Prior Year Quarter, driven by a 26% increase in units sold, partly offset by a 7% reduction in average sales price.

For the rolling twelve-month period, the GV market was down 23%, at \$22.8 billion, as compared to the Prior Year Quarter, driven by a 5% decrease in price and a 19% decrease in units sold.

## 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®**

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 and, prior to January 1, 2019, acquiring Franchise Agreements from the Manager.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 108% (9,946 REALTORS®). This represents a CAGR of 5% in the Company Network.

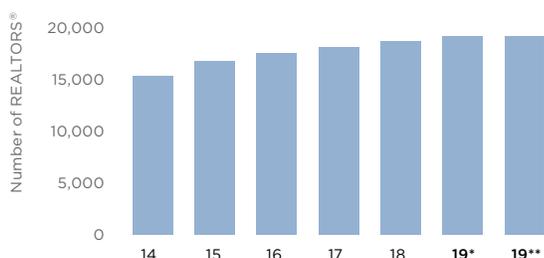
In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale brands, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4.7 million with estimated annual franchise fee revenues of \$0.9 million.

In accordance with the terms of the Previous MSA, on January 1, 2018, the Company acquired 38 Franchise Agreements comprised of 563 REALTORS® operating under the Royal LePage and Via Capitale Brands. The purchase price of these agreements was \$9.3 million, with estimated annual franchise fee revenues of \$1.3 million.

# Management’s Discussion and Analysis of Results and Financial Condition

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

## COMPANY GROWTH



Year ended December 31, except 2019

\*As at January 1, 2019

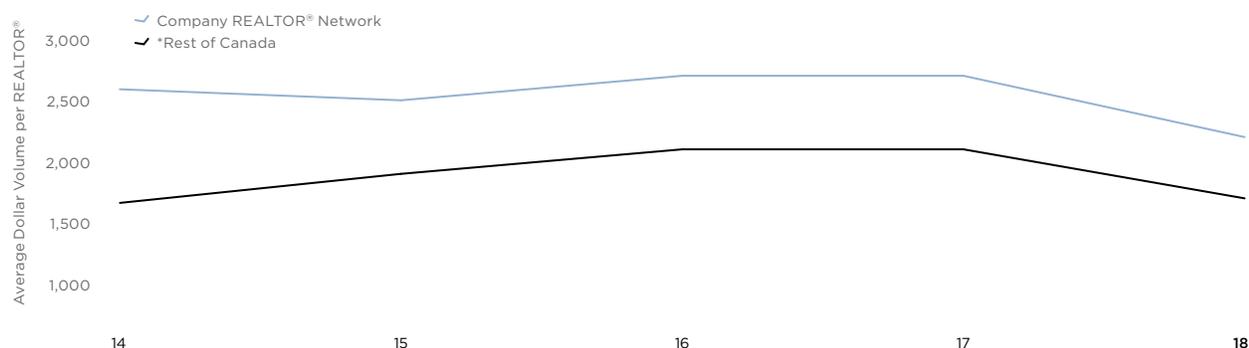
\*\*As at September 30, 2019

## REALTOR® Productivity

The average Company REALTOR® in the Company Network generated approximately \$2.2 million in transactional dollar volume for the twelve months ended December 31, 2018, compared to an estimated \$1.7 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. 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® since 2014 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

The Manager, on behalf of the Company, has continued to invest in new products and services to assist Franchisees in managing their businesses as well as provide innovative tools to attract and retain the best talent in the real estate industry. In the Quarter, Royal LePage announced the launch of 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 be available to the network in 2020.

# Management’s Discussion and Analysis of Results and Financial Condition

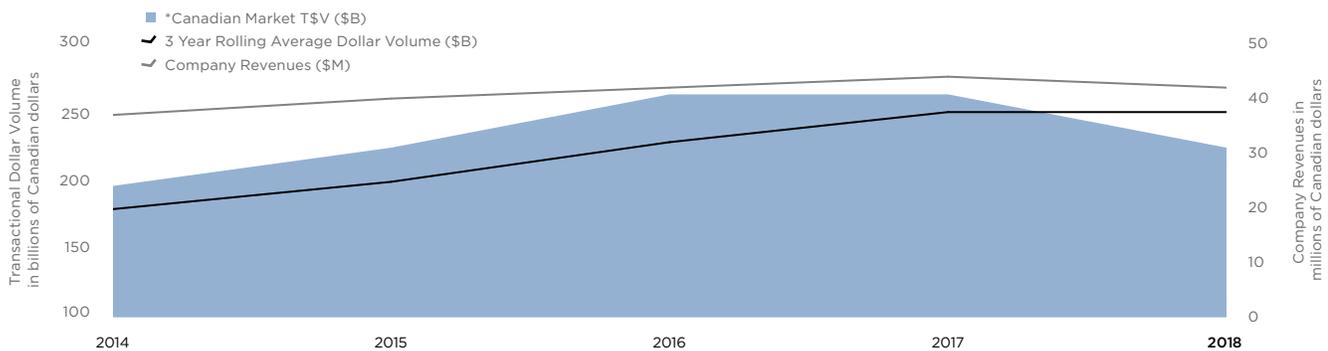
## The Canadian Residential Real Estate Market

Since 2014, the Canadian Market has grown at a CAGR of 3% compared to our revenues, which have grown at a rate of 2%. Our fee structure is biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market.

The Canadian Market experienced steady growth from 2014 to 2016 and began slowing down after the first Quarter of 2017. In 2016 the Canadian Market experienced growth of 16% driven by 10% increase in units sold and 6% increase in selling price. This momentum continued throughout first six months of 2017, with record sales recorded in Q1 2017, before the Canadian Market saw a decline in last nine months of the 2017. The slowdown continued through 2018 and into 2019, partly the result of higher interest rates, various government-mandated regulations including tightened mortgage rules, and new taxes, which targeted certain foreign buys of residential real estate in Ontario and BC.

### MARKET DOLLAR VOLUME - CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2014-2018)

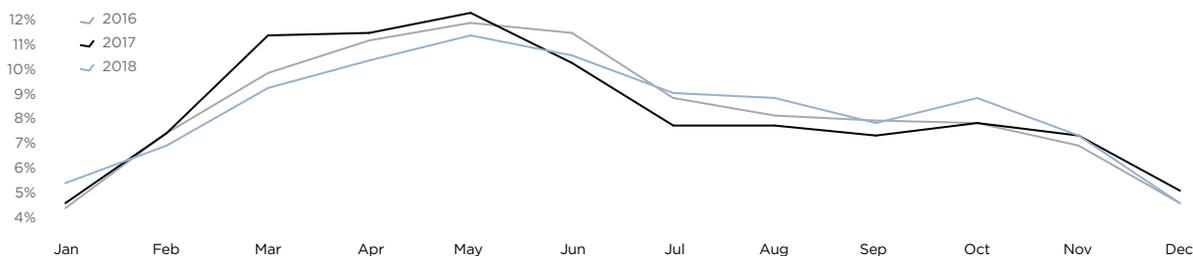


\*Source: CREA

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. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company’s franchise fees. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

### CANADIAN RESIDENTIAL REAL ESTATE MARKET

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



\*Source: CREA

# Management's Discussion and Analysis of Results and Financial Condition

## Canadian Market Outlook

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

**From CREA<sup>1</sup>:** The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate boards and associations – for the rest of 2019 and looking ahead to 2020.

Economic fundamentals underpinning housing activity remain strong outside of the Prairies and Newfoundland and Labrador. Population and employment growth have both remained supportive and the unemployment rate remains low. At the same time, expectations have become widespread that the Bank of Canada is unlikely to raise interest rates over the rest of the year and into next.

More importantly for home buyers and housing markets, longer-term mortgage rates have been declining. Among those that have declined is the Bank of Canada's benchmark five-year rate used by banks to qualify mortgage applicants.

Additionally, the Federal Government has recently launched its First-Time Home Buyer Incentive, a shared equity program in which the federal government finances a portion of a home purchase in exchange for an equity share of the home's value. Of these factors supporting Canadian housing activity, the decline in mortgage rates is arguably the most important development since the release in June of CREA's most recent forecast. The decline in the benchmark five-year mortgage rate has marginally relaxed the B-20 mortgage stress-test, which has dampened housing activity more than other policy changes made in recent years.

Home sales have improved by more than expected in recent months and there are early signs that home price declines in the Lower Mainland of British Columbia and across the Prairies may be abating. Meanwhile, home prices are re-accelerating across Ontario's Greater Golden Horseshoe region.

Strong economic fundamentals, previously unexpected declines in mortgage interest rates and stronger than previously expected housing market trends in British Columbia and Ontario have resulted in CREA upwardly revising forecast home sales in 2019 and 2020. Nonetheless, the overall level of national sales activity this year and next is anticipated to remain below levels recorded prior to the implementation of the B-20 stress test.

National home sales are now projected to recover to 482,000 units in 2019, representing a 5% increase from the five-year low recorded in 2018. While this is an upward revision of 19,000 transactions compared to CREA's previous forecast (85% of which is due to upgraded British Columbia and Ontario forecasts), it represents a return of activity to its 10-year annual average. It also remains well below the annual record set in 2016, when almost 540,000 homes traded hands. Notwithstanding the upward revision, the forecast for 2019 on a per capita basis remains the second weakest since 2001.

British Columbia is expected to continue to weigh on national figures in 2019, with a decline of 5.4% compared to 2018. This is expected to be more than offset by gains in Ontario (+8.3%) and Quebec (+9.7%).

British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador are all forecast to come in at or near multi-year lows in 2019. By contrast, Manitoba, Quebec and New Brunswick are expected to set new annual sales records. Activity in Ontario is forecast to be in line with the 10-year average for the province.

The national average price is still projected to stabilize in 2019, though with a small 0.5% increase compared to the previously forecast 0.6% decline. The national average home price is projected to come in at \$491,000 amid diverging trends in eastern and western provinces. In line with the balance between supply and demand across the country, average prices in 2019 are expected to fall in British Columbia, Alberta, Saskatchewan while rising in Ontario, Quebec and the Maritimes. In keeping with an elevated inventory of listings relative to sales, the average price in Newfoundland and Labrador is anticipated to fall for the fifth consecutive year.

Sales are forecast to continue to improve through 2020, albeit slowly. National home sales are forecast to rise by 7.5% to 518,100 units next year, with most of this increase reflecting a weak start to 2019 rather than a significant change in sales trends out to the end of next year. Indeed, an anticipated increase of 14.3% in British Columbia's sales returns activity in line with the province's 10-year average.

<sup>1</sup> Source: CREA Updates Resale Housing Market Forecast, published September 16, 2019

# Management's Discussion and Analysis of Results and Financial Condition

Ontario and Quebec are predicted to see sales rise by about 7% in 2020, while activity in Alberta will recover by about 5% compared to 2019. The number of homes trading hands in other provinces is predicted to edge up or down only marginally. The national average price is forecast to advance by 2.1% in 2020 to \$501,400, remaining below its 2017 level. Average price trends across Canada in 2020 are generally expected to be more moderate versions of those in 2019, with small declines in Alberta, Saskatchewan and Newfoundland and Labrador, and modest gains in Ontario, Quebec and the Maritimes. In British Columbia, the average home price is expected to stabilize next year following this year's decline.

**From TREB<sup>2</sup>:** Toronto Real Estate Board President Michael Collins announced that Greater Toronto Area REALTORS<sup>®</sup> reported 7,825 sales through TREB's MLS<sup>®</sup> System in September 2019. This result represented strong year-over-year sales growth of 22 per cent compared to 6,414 sales reported in September 2018. It is important to note, however, that sales remain well-below the record September 2016 peak of more than 9,800 sales.

On a preliminary seasonally adjusted basis, the September 2019 sales level remained in virtually the same as the August 2019 result. The supply of listings continued to be a concern in September 2019, with new listings down by 1.9 per cent year-over-year to 15,611. We have experienced multiple months this year wherein the annual rate of sales growth outpaced the annual rate of new listings growth, resulting in the overall number of active listings at month-end being well-below last year's levels. This speaks to tightening market conditions and an accelerating annual rate of price growth.

The annual rate of price growth in September reached the highest point so far in 2019. The MLS<sup>®</sup> Home Price Index (HPI) Composite Benchmark was up by 5.2 per cent on a year-over-year basis in September. The average selling price for all home types combined was up by a similar annual rate of 5.8 per cent to \$843,115.

On a preliminary seasonally adjusted basis, the September 2019 average selling price was up by 1.2 per cent compared to August 2019.

**From the BoC<sup>3</sup>:** As the US-China trade conflict has escalated, world trade has contracted and business investment has weakened. This is weighing more heavily on global economic momentum than the Bank had projected in its July Monetary Policy Report (MPR). Meanwhile, growth in the United States has moderated but remains solid, supported by consumer and government spending. Commodity prices have drifted down as concerns about global growth prospects have increased. These concerns, combined with policy responses by some central banks, have pushed bond yields to historic lows and inverted yield curves in a number of economies, including Canada.

In Canada, growth in the second quarter was strong and exceeded the Bank's July expectation, although some of this strength is expected to be temporary. The rebound was driven by stronger energy production and robust export growth, both recovering from very weak performance in the first quarter. Housing activity has regained strength more quickly than expected as resales and housing starts catch up to underlying demand, supported by lower mortgage rates. This could add to already-high household debt levels, although mortgage underwriting rules should help to contain the buildup of vulnerabilities. Wages have picked up further, boosting labour income, yet consumption spending was unexpectedly soft in the quarter. Business investment contracted sharply after a strong first quarter, amid heightened trade uncertainty. Given this composition of growth, the Bank expects economic activity to slow in the second half of the year.

Inflation is at the 2 percent target. CPI inflation in July was stronger than expected, largely because of temporary factors. These include higher prices for air travel, mobile phones, and some food items, which are offsetting the effects of lower gasoline prices. Measures of core inflation all remain around 2 percent.

In sum, Canada's economy is operating close to potential and inflation is on target. However, escalating trade conflicts and related uncertainty are taking a toll on the global and Canadian economies. In this context, the current degree of monetary policy stimulus remains appropriate. As the Bank works to update its projection in light of incoming data, Governing Council will pay particular attention to global developments and their impact on the outlook for Canadian growth and inflation.

## COMPANY MARKET OUTLOOK

Low interest rates and healthy employment levels continue to buoy consumer confidence and support the Canadian real estate market's recovery. Unit sales have improved significantly in both Greater Vancouver and the Greater Toronto Area compared to the Prior Year Quarter. In the Greater Toronto Area, where inventory has remained low, a further reduction in supply could lead to accelerated price appreciation. Buyers in Greater Vancouver have returned to the real estate market to take advantage of improved affordability from softened home prices while interest rates remain historically low. The surge in demand for properties in Greater Vancouver may signal that homebuyers see value at current prices, which could help stabilize prices in the region.

<sup>2</sup> Source: TREB Market Watch, October 3, 2019

<sup>3</sup> Source: BoC press release published September 4, 2019

# Management's Discussion and Analysis of Results and Financial Condition

The real estate market outlook for both the Greater Montreal Area and Ottawa is that prices will continue to appreciate at healthy rates and unit sales will remain brisk. Driven by affordability and good employment, both regions have experienced sustained increases in demand.

On October 21, the Liberal party was re-elected with a minority government. Addressing housing affordability was prominent across party platforms and the Company expects the federal government to stay its course on its promised housing policies. Key policies include expanding the First Time Homebuyer Incentive through increasing the upper qualifying limit to \$800,000 for Toronto, Vancouver and Victoria regions as well as applying a national vacant home tax on properties owned by non-Canadians not residing in Canada.

## Third Quarter and Year To Date Operating Results and Cash Flows

(Unaudited)  
(in 000's) except per Share amounts and  
number of REALTORS®;

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues				
Fixed franchise fees	\$ 7,389	\$ 7,211	\$ 21,982	\$ 21,180
Variable franchise fees	3,077	3,121	8,455	8,934
Premium franchise fees	-	809	-	2,968
Other revenue, net	1,105	-	2,827	-
	11,571	11,141	33,264	33,082
Less:				
Administration expenses	53	82	767	716
Management fees	4,041	2,078	11,748	6,069
Interest expense	748	669	2,270	2,020
	6,729	8,312	18,479	24,277
Impairment and write-off of intangible assets	-	(322)	(650)	(450)
Amortization of intangible assets	(2,634)	(1,900)	(7,929)	(5,834)
Interest on Exchangeable units	(1,452)	(1,452)	(4,355)	(4,355)
Gain (loss) on fair value of Exchangeable Units	633	9,151	(499)	(765)
Gain (loss) on interest rate swap	155	108	(1,274)	171
Gain (loss) on fair value of purchase obligation	-	2	-	(541)
Earnings before income taxes	3,431	13,899	3,772	12,503
Current income tax expense	882	1,367	2,314	4,137
Deferred income tax expense (recovery)	127	(12)	(325)	(152)
Net and comprehensive earnings	\$ 2,422	\$ 12,544	\$ 1,783	\$ 8,518
Basic earnings per Restricted Voting Share	\$ 0.26	\$ 1.32	\$ 0.19	\$ 0.90
Diluted earnings per Share	\$ 0.26	\$ 0.38	\$ 0.19	\$ 0.90
Cash Flow from Operations per share on a diluted basis	\$ 0.53	\$ 0.65	\$ 1.44	\$ 1.89
Number of REALTORS®	19,184	18,799	19,184	18,799

Cash Flow Information  
(in 000's)

Cash provided by (used for):				
Operating activities	\$ 5,846	\$ 6,840	\$ 11,962	\$ 16,007
Investing activities	(1,026)	(260)	(2,990)	(8,796)
Financing activities	(3,201)	(7,201)	(7,602)	(6,402)

During the Quarter, the Company generated net earnings of \$2.5 million compared to net earnings of \$12.5 million for the Prior Year Quarter.

# Management's Discussion and Analysis of Results and Financial Condition

**Revenues** for the Quarter totaled \$11.6 million, compared to \$11.1 million for the Prior Year Quarter. Fixed franchise fees represented 64% of revenues for the Quarter (Prior Year Quarter - 65%). Revenues increased due to an increase in fixed franchise fees as a result of the increase in the number of REALTORS® in the Company Network and the addition of other revenues during the Quarter (which were earned by the Manager in the Prior Year Quarter). These increases were partly offset by the expiry of the obligation of Franchisees to pay premium franchise fees in 2018.

**Fixed franchise fees** for the Quarter increased by 2% as compared to the Prior Year Quarter, primarily due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 3, 2019 representing 495 REALTORS®. In addition, fixed franchise fees includes fees for commercial services, which were earned by the Manager in the Prior Year Quarter.

**Variable franchise fees** for the Quarter were substantially unchanged compared to the Prior Year Quarter.

**Other Revenues** consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year Quarter.

**Premium franchise fees** were derived from a number of locations servicing the GTA Market, which paid premium franchise fees based on the location's Gross Revenue. The obligations to pay premium franchise fees expired in 2018.

**Administration expenses** of \$0.1 million for the Quarter were slightly lower than the Prior Year Quarter primarily due to higher recovery of previously recorded bad debt expense.

**Management fee expense** of \$4.0 million for the Quarter increased due to implementation of the new management fee structure under the Amended MSA.

**Interest expense** was slightly higher compared to the Prior Year Quarter as a result of the interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

**Amortization of Intangible Assets** for the Quarter totaled \$2.6 million, an increase of 39% compared to the Prior Year Quarter as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization periods than Franchise Agreements.

**Interest on Exchangeable Units** represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to \$0.44 per Exchangeable Unit (Prior Year Quarter - \$0.44). Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

**Gain 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 Bridgemarq's Restricted Voting Shares. At September 30, 2019, Bridgemarq's Restricted Voting Shares were valued at \$14.72 per Restricted Voting Share compared to \$14.91 at June 30, 2019, resulting in a gain of \$6.7 million. 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 Bridgemarq's Restricted Voting Shares increased from \$19.50 at June 30, 2018 to \$16.75 at September 30, 2018, resulting in a gain of \$9.2 million.

**Gain on interest rate swap** of \$0.2 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company has a five-year interest rate swap agreement to swap the variable interest obligation on \$53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional 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 28% (Prior Year Quarter - greater than 10%). The Company's effective income tax rate in the interim condensed 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.

# Management's Discussion and Analysis of Results and Financial Condition

**Cash provided by operating activities** decreased to \$5.8 million compared to \$6.6 million in the Prior Year Quarter due primarily to higher management fees under the terms of the Amended MSA partly offset by lower income tax payments, reduced working capital and higher revenues.

**Cash used in investing activities** is significantly higher than the Prior Year Quarter as a result of the changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager on January 1 of each year resulting in a significant cash payment in the first quarter of each year. During the Prior Year Quarter, there were no payments associated with the acquisition of Franchise Agreements. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the Quarter represents the portion of management fees allocated towards reducing the contract transfer obligation, interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

**Cash used in financing activities** was lower compared to Prior Year when the Company repaid \$4.0 million outstanding on its debt facilities.

During the YTD, the Company generated net earnings of \$1.8 million as compared to net earnings of \$8.5 million for the Prior Year Period.

**Revenues** for the YTD totaled \$33.3 million, compared to \$33.1 million for the Prior Year Period. Fixed franchise fees represented 66% of revenues for the YTD (Prior Year Period – 64%). Revenues increased primarily as a result of an increase in fixed franchise fees as a result of the increase in the number of REALTORS® in the Company Network and the addition of other revenues during the Quarter (which were earned by the Manager in the Prior Year Quarter). These increases were partly offset by the expiry of the obligation of Franchisees to pay premium franchise fees in 2018 and lower variable franchise fees.

**Fixed franchise fees** for the YTD increased by 4% as compared to the Prior Year Period, primarily due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 3, 2019 representing 495 REALTORS®. In addition, fixed franchise fees includes fees for commercial services, which were earned by the Manager in the Prior Year Period.

**Variable franchise fees** for the YTD decreased by 5% compared to the Prior Year Period as a result of a decrease in the transactional dollar value of certain sectors of the Canadian Market, particularly in the first quarter. This decline was partly offset by the larger REALTOR® base in the YTD.

**Other Revenues** consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year Period.

**Premium franchise fees** were derived from a number of locations servicing the GTA Market, which paid premium franchise fees based on the location's Gross Revenue. The obligations to pay premium franchise fees expired in 2018.

**Administration expenses** of \$0.8 million for the YTD were marginally higher than for the Prior Year Period.

**Management fee expense** of \$11.7 million for the YTD increased due to implementation of the new management fee structure under the Amended MSA.

**Interest expense** was higher compared to the Prior Year Period as a result of the interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

**Amortization of Intangible Assets** for the YTD totaled \$7.9 million, an increase of 36% compared to the Prior Year Period as a result of the transfer of franchise agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization periods than Franchise Agreements.

**Interest on Exchangeable Units** represents the distributions to Exchangeable Unitholders. For the YTD, total distributions amounted to \$1.32 per Exchangeable Unit (Prior Year Period – \$1.32). Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

# Management's Discussion and Analysis of Results and Financial Condition

**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 Bridgemarq's Restricted Voting Shares. At September 30, 2019, the Bridgemarq's Restricted Voting Shares were valued at \$14.72 per Restricted Voting Share compared to \$14.57 at December 31, 2018, resulting in a loss of \$0.5 million. This loss represents an increase in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Period, the price of the Bridgemarq's Restricted Voting Shares increased from \$16.52 at December 31, 2017 to \$16.75 at September 30, 2018, resulting in a loss of \$0.8 million.

**Loss on interest rate swap** of \$1.3 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company has a five-year interest rate swap agreement to swap the variable interest obligation on \$53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional 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 YTD was 51% (Prior Year Period - 32%). The Company's effective income tax rate in the interim condensed 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** decreased to \$12.0 million compared to \$16.0 million in the Prior Year Period due primarily to higher management fees under the terms of the Amended MSA partly offset by lower income tax payments and reduced working capital requirements.

**Cash used in investing activities** is significantly lower than the Prior Year Period as a result of the changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager in January 1 of each year resulting in a cash payment of \$8.6 million in the Prior Year Period. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the YTD represents the portion of management fees allocated towards reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

**Cash used in financing activities** increased to \$7.6 million during the YTD as the Company did not borrow funds to acquire Franchise Agreements from the Manager. Borrowings in the YTD of \$2.0 million represent the increased availability under the term facility portion of the Company's debt facilities as a result of amendments completed in 2018. In the Prior Year Period, the Company borrowed \$7.2 million under its debt facilities to pay for contracts acquired on January 1, 2018.

Dividends paid to holders of Restricted Voting Share were unchanged compared to the Prior Year Quarter.

# Management's Discussion and Analysis of Results and Financial Condition

## Summary of Quarterly Results

(Unaudited)

For three months ended,

		2019			2018			2017
(in 000's) except per Share amounts and number of REALTORS®; number of REALTORS®;	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
<b>Revenues</b>								
Fixed franchise fees	\$ 7,389	\$ 7,267	\$ 7,326	\$ 7,146	\$ 7,211	\$ 7,058	\$ 6,911	\$ 6,704
Variable franchise fees	3,077	3,233	2,145	1,799	3,121	3,243	2,570	1,420
Premium franchise fees	-	-	-	-	809	1,171	989	1,342
Other revenue, net	1,105	1,185	537	-	-	-	-	-
	<b>11,571</b>	11,685	10,008	8,945	11,141	11,472	10,470	9,466
<b>Less:</b>								
Administration expenses	53	316	398	543	82	280	354	110
Management fees	4,041	4,013	3,694	1,547	2,078	2,103	1,889	1,750
Interest expense	748	757	765	666	669	679	672	609
	<b>6,729</b>	6,599	5,151	6,189	8,312	8,410	7,555	6,997
Impairment and write-off of intangible assets, net	-	(168)	(482)	(245)	(322)	(129)	-	(61)
Amortization of intangible assets	(2,634)	(2,639)	(2,656)	(1,871)	(1,900)	(1,926)	(2,009)	(1,959)
Interest on Exchangeable units	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,451)
Gain (loss) on fair value of Exchangeable Units	633	6,655	(7,787)	7,254	9,151	(6,988)	(2,928)	266
Gain (loss) on interest rate swap	155	(460)	(969)	(97)	108	4	59	142
Gain (loss) on fair value of purchase obligation	-	-	-	77	2	(26)	(518)	113
Earnings (loss) before income tax	<b>3,431</b>	8,535	(8,195)	9,855	13,899	(2,107)	707	4,047
Current income tax expense	882	703	729	1,045	1,367	1,568	1,202	1,100
Deferred income tax expense (recovery)	127	80	(532)	(65)	(12)	(10)	(130)	69
Net and comprehensive earnings (loss)	<b>\$ 2,422</b>	\$ 7,752	\$ (8,392)	\$ 8,875	\$ 12,544	\$ (3,665)	\$ (365)	\$ 2,878
Basic earnings (loss) per Restricted Voting Share	<b>\$ 0.26</b>	\$ 0.82	\$ (0.88)	\$ 0.94	\$ 1.32	\$ (0.39)	\$ (0.04)	\$ 0.30
Diluted earnings (loss) per Share	<b>\$ 0.26</b>	\$ 0.20	\$ (0.88)	\$ 0.24	\$ 0.38	\$ (0.39)	\$ (0.04)	\$ 0.30
Number of REALTORS®	<b>19,184</b>	19,046	19,231	18,725	18,799	18,780	18,708	18,135

# 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 three and nine months ended September 30, 2019 is presented in the table below with comparative amounts for 2018.

(\$ 000's)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	\$ 11,571	\$ 11,141	\$ 33,264	\$ 33,082
Less:				
Administration expenses	53	82	767	716
Management fees	4,041	2,078	11,748	6,069
Interest expense	748	669	2,270	2,020
Current income tax expense	882	1,367	2,314	4,137
Cash used for investing activities	1,026	260	2,990	8,796
Distributable Cash Flow	\$ 4,821	\$ 6,685	\$ 13,175	\$ 11,344

Periods where Distributable Cash Flow is negative indicate that the Company has utilized its existing cash resources or its debt facilities to finance certain of its investing activities or its distributions to holders of Restricted Voting Shares or holders of Exchangeable Units.

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 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.

## ROLLING TWELVE-MONTH DISTRIBUTABLE CASH FLOW

A summary of the Company's Distributable Cash Flow generated in the Quarter and the Prior Year Quarter on a rolling twelve months' basis is presented in the table below.

For twelve months ended,	2019	2018
(in 000's) except per Share amounts	September 30	September 30
Revenues	\$ 42,209	\$ 42,549
Less:		
Administration expenses	1,310	826
Management fees	13,295	7,820
Interest expense	2,936	2,629
Current income tax expense	3,359	5,237
Cash used for investing activities	5,042	8,736
	\$ 16,267	\$ 17,301
Distributable Cash Flow per Share	\$ 1.27	\$ 1.35

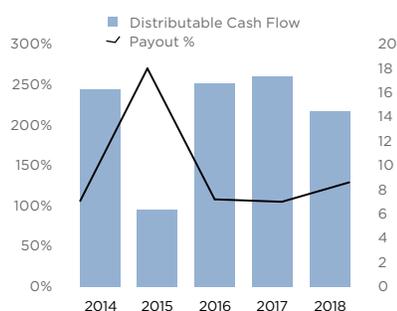
# Management's Discussion and Analysis of Results and Financial Condition

For the twelve months ended September 30, 2019, the Company generated Distributable Cash Flow of \$16.3 million or \$1.27 per Share, as compared to \$17.3 million or \$1.35 per Share generated during the twelve months ended September 30, 2018. Distributable Cash Flow on a twelve month rolling basis decreased compared to the Prior Year Quarter primarily due to higher management fees partly offset by lower cash flows used in investing activities and lower income tax expense. Under the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly.

The chart below presents a summary of the Distributable Cash Flow generated by the Company since 2014 and the percentage payout of these amounts to holders of Restricted Voting Share (in the form of dividends) and to the Exchangeable Unitholders (in the form of interest).

## DISTRIBUTABLE CASH FLOW

(Years ended December 31, in \$ millions)



## 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)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flow from operating activities	\$ 5,846	\$ 6,840	\$ 11,962	\$ 16,007
Add (deduct):				
Interest on Exchangeable Units	1,452	1,452	4,355	4,355
Income tax expense	(882)	(1,367)	(2,314)	(4,137)
Income taxes paid	630	1,355	3,057	4,585
Changes in non-cash working capital items	(1,199)	(1,339)	(881)	(652)
Interest expense	(2,111)	(2,094)	(6,325)	(6,292)
Interest paid	2,111	2,098	6,311	6,274
Cash used in investing activities	(1,026)	(260)	(2,990)	(8,796)
Distributable Cash Flow	\$ 4,821	\$ 6,685	\$ 13,175	\$ 11,344

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

# Management's Discussion and Analysis of Results and Financial Condition

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. It is management's expectation, at the discretion of the Board, that for the foreseeable future, the Company will continue to pay out a significant portion of its Distributable Cash Flow to holders of Restricted Voting Share and Exchangeable Unitholders, subject to working capital requirements.

## Debt Facilities

As at September 30, 2019 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 (5:1 prior to 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 (2.5:1 prior to 2019) 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.

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on \$53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on the entire \$55.0 million 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 that fair value recorded as a gain or loss in the Company's interim condensed consolidated statements of net and comprehensive earnings. At September 30, 2019 the Company determined that the fair value of the interest rate swap represents a liability of \$1.2 million (December 31, 2018 - asset of \$0.1 million). For the Quarter, the Company recognized a fair value gain of \$0.6 million (Prior Year Quarter - \$9.2 million).

## Liquidity

Distributable Cash Flow is the largest 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.

During the Quarter, the Company generated Distributable Cash Flow of \$4.8 million compared to \$6.7 million in the Prior Year Quarter. The reduction is due primarily to higher management fees under the terms of the Amended MSA partly offset by lower income tax payments and higher revenues. During the YTD, the Company generated Distributable Cash Flow of \$13.2 million compared to Distributable Cash Flow of \$11.3 million in the Prior Year Period. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting

## Management's Discussion and Analysis of Results and Financial Condition

in lower Distributable Cash Flow in the early part of the year. In the Prior Year Period, the Company borrowed \$7.2 million on its debt facilities to finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to holders of Restricted Voting Share and holders of Exchangeable Units. The Company paid dividends to shareholders and interest to holders of Exchangeable Units totaling \$4.7 million in the Quarter and \$14.0 million for the YTD, unchanged from the Prior Year Quarter and Prior Year Period.

Distributable Cash Flow for the rolling twelve-month period ended September 30, 2019 was \$1.27 per Share as compared to \$1.35 per Share for the rolling twelve-month period ended September 30, 2018. The decrease in Distributable Cash Flow was mainly due to higher management fees partly offset by lower cash flows used in investing activities and lower income tax expense. Under the Amended MSA, the Company will no longer acquire Franchise Agreements from the Manager, but rather, will enter into Franchise Agreements with the Franchisees directly.

### 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 \$1.5 million from \$6.7 million as at December 31, 2018, to \$5.2 million as at September 30, 2019. The decrease in working capital resulted primarily from:

- A \$2.7 million increase in contract transfer obligation owing to the Manager related to the transfer of the Franchise Agreements and other contracts on January 3, 2019;
- A \$0.1 million increase in accounts payable and accrued liabilities;
- A \$0.1 million reduction in current income tax receivable; and
- A \$0.3 million decrease in goods and services taxes receivable; partly offset by
- A \$0.4 million increase in accounts receivable as a result of higher revenues earned in the month of September relative to December 2018; and
- A \$1.4 million increase in cash;

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

(\$ 000's) As at	September 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Change in Quarter	Change in Year
<b>Current assets</b>										
Cash	\$ 5,709	\$ 4,090	\$ 3,635	\$ 4,339	\$ 4,267	\$ 4,888	\$ 2,648	\$ 3,458	\$ 1,619	\$ 1,442
Accounts receivable and current portion of notes receivable	4,602	5,561	5,343	4,125	4,083	5,234	4,862	4,492	(959)	519
Prepaid expenses	187	192	190	207	187	179	164	153	(5)	-
Current income tax receivable	218	901	984	358	48	60	34	-	(683)	170
Goods and Services tax receivable	-	62	87	264	-	257	579	-	(62)	-
	<b>\$ 10,716</b>	<b>\$10,806</b>	<b>\$10,239</b>	<b>\$ 9,293</b>	<b>\$ 8,585</b>	<b>\$ 10,618</b>	<b>\$ 8,287</b>	<b>\$ 8,103</b>	<b>\$ (90)</b>	<b>\$ 2,131</b>
<b>Current liabilities</b>										
Accounts payable and accrued liabilities	\$ 1,152	\$ 1,347	\$ 995	\$ 1,003	\$ 1,119	\$ 1,109	\$ 1,014	\$ 803	\$ (195)	\$ 33
Deferred revenue	60	91	137	-	-	-	-	-	(31)	60
Contract transfer obligation	2,705	3,122	3,106	-	-	-	-	-	(417)	2,705
Purchase obligation	-	-	-	-	2,307	2,310	2,284	1,497	-	(2,307)
Current income tax liability	-	-	-	-	-	-	-	400	-	-
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	-	-
	<b>5,468</b>	<b>6,111</b>	<b>5,789</b>	<b>2,554</b>	<b>4,977</b>	<b>4,970</b>	<b>4,849</b>	<b>4,251</b>	<b>(643)</b>	<b>491</b>
Net working capital	<b>\$ 5,248</b>	<b>\$ 4,695</b>	<b>\$ 4,450</b>	<b>\$ 6,739</b>	<b>\$ 3,608</b>	<b>\$ 5,648</b>	<b>\$ 3,438</b>	<b>\$ 3,852</b>	<b>\$ 553</b>	<b>\$ 1,640</b>

# Management's Discussion and Analysis of Results and Financial Condition

## Cash and Capital Resources

A summary of cash and capital resources available to the Company as at September 30, 2019 and December 31, 2018 is presented below:

(Unaudited) (in 000's) As at	September 30, 2019	December 31, 2018
Cash	\$ 5,709	\$ 4,339
Term Facility	-	-
Acquisition Facility	1,500	1,500
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 6,500	\$ 6,500
Available resources	\$ 12,209	\$ 10,839

As at September 30, 2019, the Company has drawn \$18.5 million on the Acquisition Facility.

In addition to the capital resources included in the table above, the Company generates substantial Distributable Cash Flow which can be used to fund dividend payments and interest on Exchangeable Units or to repay amounts owing under the debt facilities.

## Commitments

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

As at September 30,	2019	2020	2021	2022	Beyond 2022	Total
Accounts payable and accrued liabilities	\$ 1,152	\$ -	\$ -	\$ -	\$ -	\$ 1,152
Deferred revenue	60	-	-	-	-	60
Current contract transfer obligation	922	1,783	-	-	-	2,705
Interest payable to Exchangeable Unitholders	484	-	-	-	-	484
Dividends payable to shareholders	1,067	-	-	-	-	1,067
Interest on long-term debt	2,668	2,896	2,896	2,896	2,896	14,252
Interest on contract transfer obligation	77	223	171	142	371	984
Long term contract transfer obligation	-	194	548	572	2,576	3,890
Interest rate swap liability	-	-	-	-	1,155	1,155
Debt facilities	-	-	-	-	73,500	73,500
Exchangeable Units	-	-	-	-	48,983	48,983
Total	\$ 6,430	\$ 5,096	\$ 3,615	\$ 3,610	\$ 129,481	\$ 148,232

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

# Management's Discussion and Analysis of Results and Financial Condition

## 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 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,795 REALTORS® with 1,278 REALTORS® operating out of 15 locations in the GTA market and 497 REALTORS® operating from nine locations in the GV market and 20 REALTORS® operating from two locations in Quebec.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. The GTA based locations are up for renewal in 2023, while the GV operations are up for renewal between 2023-2024. The Quebec locations are up for renewal in 2028. Included in the GTA based Franchise Agreement was an obligation to pay premium franchise fees ranging from 1% to 5% of Gross Revenue for 11 of the GTA locations until August 2018. Including amounts received from the corporately owned Brokerage, premium franchise fees represented 9% of revenues in the Prior Year Period.

The management of the Company is provided by the Manager under the terms of the Amended MSA. The Manager is a company controlled by the Exchangeable Unitholders. Under the Amended 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 Amended MSA, the greater of:
  - (i) 23.5% of the Distributable Cash (as such term is defined in the Amended MSA) of the Company; and
  - (ii) 0.342% of the Current Market Value (as such term is defined in the Amended MSA), and
- b) after the first five years of the initial term of the Amended 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.

The Previous MSA also prescribed the conditions under which the Company purchased Franchise Agreements from the Manager and the formula for calculating the purchase price. The final purchase price for Franchise Agreements was based on, among other things, the average annual franchise fees earned over a specified one-year period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

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 13 of the interim condensed consolidated financial statements.

On January 3, 2019, in accordance with terms of the Amended 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 and estimated annual revenue from those Franchise Agreements is \$0.9 million. The fair value ascribed to the other agreements was \$4.6 million and in 2018, the Manager generated approximately \$3.6 million in net revenues under those agreements.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the Amended 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.

On January 1, 2018, the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale Brands, representing a total of 563 REALTORS®, from the Manager for an estimated purchase price of \$8.8 million. A payment of \$7.1 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 3, 2018. The remainder was paid on December 23, 2018.

# Management's Discussion and Analysis of Results and Financial Condition

## 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 interim condensed 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, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these interim condensed consolidated financial statements. The estimates are 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.

## 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. 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. 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.

# Management's Discussion and Analysis of Results and Financial Condition

## ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition of Franchise Agreements was determining whether the acquisition was considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company evaluated whether the acquisition included both inputs and processes and whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements was an acquisition of assets as no processes were acquired in respect of the Franchise Agreements. In addition, the Company applied judgment with respect to the accounting for the purchase obligation in connection with the purchase of Franchise Agreements. The Company determined that the purchase obligation was an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated revenue expected to be earned under the Franchise Agreement and the actual revenue earned during the determination period. The Company recorded any change in the fair value of this financial liability in the interim condensed consolidated statement of net and comprehensive earnings.

## 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.

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" which introduces changes to lease accounting whereby many of the leases previously accounted for as operating leases will now need to be accounted for as capital leases. IFRS 16 superseded IAS 17-Leases and related interpretations. Upon adoption of IFRS 16, the Company completed an assessment of the impact of adopting IFRS 16 and determined that no adjustments to the interim condensed consolidated financial statements are required as a result of adopting IFRS 16.

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 impairment should be recorded.

The Company has entered into two interest rate swap agreements. One agreement swaps the variable interest obligation on \$53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. The second agreement 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 \$2.0 million of its Term Facility (until October 31, 2019), 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 September 30, 2019, the Company has drawn \$18.5 million on the Acquisition Facility, and nil on the Operating Facility.

## Disclosure Controls and Internal Controls over Financial Reporting

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 September 30, 2019. 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.

# Management's Discussion and Analysis of Results and Financial Condition

## 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 interim condensed 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 September 30, 2019. 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 August 8, 2019 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 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](http://www.sedar.com) and on the Company's website at [www.brookfieldresinc.com](http://www.brookfieldresinc.com) under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

## 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 "accelerated", "anticipates", "applying", "attempts", "attract", "are", "began", "believes", "boosting", "buoy", "caters", "can", "continue", "could", "dampened", "derives", "diverging", "driven", "entitles", "escalating", "estimated", "estimates", "expect", "expects", "experienced", "forecast", "foreseeable", "further", "future", "generally", "governs", "grow", "growth", "have", "improve", "include", "increase", "investing", "objective", "ongoing", "outlook", "owns", "may", "momentum", "pays", "potential", "project", "projected", "projection", "provide", "raise", "receives", "recovering", "reflects", "remain", "relies", "retain", "returned", "seeks", "serves", "signal", "softened", "stabilize", "stay", "strives", "supplies", "support", "surge", "sustained", "take", "typically", "underpinning", "uncertainty", "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, but are not limited to: a change in general economic conditions (including interest rates, consumer confidence, commodity prices, real estate legislation and regulations and other general economic factors or indicators), the level of residential real estate transactions, the availability of attractive investment opportunities, the average rate of commissions charged, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or franchise fee revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to acquire, renew and/or extend Franchise Agreements, the ability to increase fees, the 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, the availability of equity and debt financing, conversion of Exchangeable Units into Restricted Voting Shares, a change in tax law 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](http://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, regulatory developments and the ability to obtain financing on acceptable terms. 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 forward-looking statements in this MD&A are made as of the date of this MD&A and 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.

# Management's Discussion and Analysis of Results and Financial Condition

## SUPPLEMENTAL INFORMATION – DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share\*)  
Month Declared

	2019	2018	2017	2016	2015	2014
January	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000	\$ 0.1000
February	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000	\$ 0.1000
March	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000	\$ 0.1000
April	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000	\$ 0.1000
May	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000	\$ 0.1000
June	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1042	\$ 0.1000
July	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1042	\$ 0.1000
August	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042	\$ 0.1000
September	\$ 0.1125	\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042	\$ 0.1000
October		\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042	\$ 0.1000
November		\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1042	\$ 0.1000
December		\$ 0.1125	\$ 0.1125	\$ 0.1083	\$ 0.1083	\$ 0.1000
	\$ 1.0125	\$ 1.3500	\$ 1.3206	\$ 1.2996	\$ 1.2335	\$ 1.2000

## Supplemental Information – Share Performance

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

	Sept. 30, 2019	June 30, 2019	Mar.31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar.31, 2018	Dec. 31, 2017	Sept. 30, 2017
Trading price range of units (TSX: “BRE”)									
Close	\$ 14.72	\$ 14.91	\$ 16.91	\$ 14.57	\$ 16.75	\$ 19.50	\$ 17.40	\$ 16.52	\$ 16.60
High	\$ 14.92	\$ 17.30	\$ 17.13	\$ 17.24	\$ 19.95	\$ 20.15	\$ 18.25	\$ 16.95	\$ 17.60
Low	\$ 12.87	\$ 14.91	\$ 12.87	\$ 12.36	\$ 15.40	\$ 16.67	\$ 16.27	\$ 15.79	\$ 15.65
Average daily volume	15,546	11,880	17,245	14,161	17,095	10,548	13,445	14,044	11,144
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)	\$188,586	\$191,020	\$216,643	\$186,664	\$214,593	\$249,825	\$222,920	\$211,646	\$212,671

# Management's Discussion and Analysis of Results and Financial Condition

## Supplemental Information – Canadian Residential Real Estate Market

For Three months ended	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018	Dec. 31 2017	Sept. 30 2017
<b>Canada</b>									
Transaction dollar volume <sup>1</sup>	\$ 66,821	\$ 76,313	\$ 44,414	\$ 46,390	\$ 58,183	\$ 71,195	\$ 48,272	\$ 53,860	\$ 59,298
Average selling price	\$ 494,268	\$ 490,529	\$ 470,307	\$ 488,699	\$ 488,875	\$ 492,372	\$ 489,959	\$ 500,451	\$ 478,947
Number of units sold	133,331	151,680	94,436	95,056	120,750	144,113	98,523	107,623	123,809
Number of REALTORS® at period end <sup>2</sup>	131,388	131,388	130,107	129,752	128,646	127,950	126,224	125,269	125,316
Housing starts	55,078	56,122	35,575	52,492	49,187	52,928	42,105	55,318	55,486
<b>Greater Toronto Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 19,525	\$ 23,074	\$ 12,555	\$ 13,716	\$ 15,708	\$ 18,958	\$ 12,576	\$ 14,622	\$ 13,701
Average selling price	\$ 811,602	\$ 810,661	\$ 777,054	\$ 787,300	\$ 786,957	\$ 789,893	\$ 767,271	\$ 759,900	\$ 747,096
Number of units sold	24,007	27,772	16,178	17,395	20,109	23,531	16,391	19,242	18,339
Housing starts	8,651	7,907	7,391	11,029	9,427	8,949	11,702	8,578	11,384
<b>Greater Vancouver Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 6,986	\$ 6,640	\$ 4,254	\$ 4,900	\$ 5,825	\$ 8,634	\$ 6,906	\$ 8,381	\$ 9,064
Average selling price	\$ 982,541	\$ 990,857	\$ 971,803	\$ 1,048,435	\$ 1,050,945	\$ 1,062,498	\$ 1,040,374	\$ 1,051,173	\$ 1,008,187
Number of units sold	7,203	6,617	4,377	4,722	5,703	7,988	6,638	7,973	8,990
Housing starts	6,506	9,951	5,772	5,348	5,494	5,698	6,864	8,179	5,825
<b>Greater Montreal Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 4,385	\$ 6,130	\$ 4,806	\$ 4,000	\$ 3,747	\$ 5,501	\$ 4,406	\$ 3,946	\$ 3,320
Average selling price	\$ 402,934	\$ 398,029	\$ 387,165	\$ 384,754	\$ 380,962	\$ 376,155	\$ 369,475	\$ 366,014	\$ 376,941
Number of units sold	10,777	15,763	13,028	10,134	9,565	14,743	12,311	10,781	8,808
Housing starts	5,779	8,247	5,089	8,143	4,816	7,566	4,475	8,970	5,981

<sup>1</sup> (in millions Canadian dollars)

<sup>2</sup> CREA Membership data as of Sept 30, 2019 not available as of MDA date

Source: CREA, CMHC, TREB

For Twelve months ended	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018	Dec. 31 2017	Sept. 30 2017
<b>Canada</b>									
Transaction dollar volume <sup>1</sup>	\$ 233,939	\$ 225,300	\$ 220,182	\$ 224,040	\$ 231,510	\$ 232,625	\$ 249,779	\$ 262,455	\$ 258,486
Average selling price	\$ 493,018	\$ 487,746	\$ 484,604	\$ 488,700	\$ 491,519	\$ 490,700	\$ 503,263	\$ 510,179	\$ 506,278
Number of units sold	474,503	461,922	454,355	458,442	471,009	474,068	496,319	514,437	510,561
Housing starts	199,267	193,376	190,182	196,712	199,538	205,837	203,578	202,284	193,216
<b>Greater Toronto Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 68,870	\$ 65,052	\$ 60,936	\$ 60,958	\$ 61,864	\$ 59,857	\$ 66,499	\$ 76,011	\$ 79,379
Average selling price	\$ 806,888	\$ 798,635	\$ 789,196	\$ 787,300	\$ 780,392	\$ 772,318	\$ 796,341	\$ 822,681	\$ 816,514
Number of units sold	85,352	81,454	77,213	77,426	79,273	77,503	83,506	92,394	97,217
Housing starts	34,978	35,754	36,796	41,107	38,656	40,613	40,045	38,738	40,092
<b>Greater Vancouver Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 22,779	\$ 21,618	\$ 23,612	\$ 26,264	\$ 29,746	\$ 32,985	\$ 37,249	\$ 37,759	\$ 35,086
Average selling price	\$ 993,887	\$ 1,009,281	\$ 1,036,064	\$ 1,048,433	\$ 1,051,011	\$ 1,044,180	\$ 1,046,443	\$ 1,031,546	\$ 1,004,955
Number of units sold	22,919	21,419	22,790	25,051	28,302	31,589	35,596	36,604	34,913
Housing starts	27,577	26,565	22,312	23,404	26,235	26,566	27,799	26,204	23,741
<b>Greater Montreal Area</b>									
Transaction dollar volume <sup>1</sup>	\$ 19,321	\$ 18,683	\$ 18,054	\$ 17,653	\$ 17,600	\$ 17,173	\$ 16,685	\$ 16,166	\$ 14,444
Average selling price	\$ 388,739	\$ 385,286	\$ 380,322	\$ 377,584	\$ 371,297	\$ 368,182	\$ 366,156	\$ 364,510	\$ 363,298
Number of units sold	49,702	48,490	47,470	46,753	47,400	46,643	45,568	44,448	39,758
Housing starts	27,258	26,295	25,614	25,000	25,827	26,992	24,528	24,756	20,362

<sup>1</sup> (in millions Canadian dollars)

Source: CREA, CMHC, TREB

# Management's Discussion and Analysis of Results and Financial Condition

## Supplemental Information - Distributable Cash Flow

### DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

(Unaudited) (\$ 000's)	Three months ended September 30, 2019	Nine months ended September 30, 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
Revenues	\$ 11,571	\$ 33,264	\$ 42,027	\$ 44,238	\$ 42,436	\$ 39,859	\$ 37,392
Less:							
Administration expenses	53	767	1,259	816	1,058	1,286	1,626
Management fees	4,041	11,748	7,616	8,178	7,754	7,229	6,469
Interest Expense	748	2,270	2,686	2,532	2,606	2,428	3,419
Current income tax expense	882	2,314	5,183	5,280	4,893	4,469	3,657
Cash used for investing activities	1,026	2,990	10,849	10,119	9,366	18,121	5,985
Distributable Cash Flow	\$ 4,821	\$ 13,175	\$ 14,434	\$ 17,313	\$ 16,759	\$ 6,326	\$ 16,236
Less:							
Dividends to shareholders	3,201	9,602	12,803	12,485	12,325	11,619	11,305
Interest to Exchangeable Unitholders	1,452	4,355	5,806	5,750	5,710	5,434	5,856
Total distributions	\$ 4,653	\$ 13,957	\$ 18,609	\$ 18,235	\$ 18,035	\$ 17,053	\$ 17,161
Distributions payment rate <sup>1</sup>	97%	106%	129%	105%	108%	270%	106%

<sup>1</sup> 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

(Unaudited) (\$ 000's)	Three months ended September 30, 2019	Nine months ended September 30, 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	\$ 5,846	\$ 11,962	\$ 18,971	\$ 21,060	\$ 20,148	\$ 20,433	\$ 16,957
Add (deduct):							
Changes in non-cash working capital items	(1,199)	(881)	(229)	608	111	(1,045)	127
Interest on Exchangeable Units	1,452	4,355	5,806	5,750	5,710	5,434	5,856
Change in accrued income taxes	(252)	743	758	35	205	(332)	(456)
Change in accrued interest expense	0	(14)	(23)	(21)	(49)	(43)	(263)
Cash used in investing activities	(1,026)	(2,990)	(10,849)	(10,119)	(9,366)	(18,121)	(5,985)
Distributable Cash Flow	\$ 4,821	\$ 13,175	\$ 14,434	\$ 17,313	\$ 16,759	\$ 6,326	\$ 16,236

### Supplemental Information - Selected Operating Information

As at	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®	19,184	19,046	19,231	18,725	18,135	17,580	16,794	15,377
Number of Agents					17,865	17,328	252	0
Number of locations	674	671	682	673	658	667	662	637
Number of franchise agreements	297	295	298	291	293	297	305	302

# Management's Discussion and Analysis of Results and Financial Condition

## Glossary of Terms

**"Amended Management Services Agreement"** or **"Amended 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.

**"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. 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.

**"Franchise Network"** means the Royal LePage Network and the Via Capitale Network.

**"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.

# Management's Discussion and Analysis of Results and Financial Condition

**"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.

**"Interest Rate Swaps"** means the financial arrangements entered into with a Canadian Chartered Bank to fix the interest rate on \$53.0 million of the Company's Term Facility at 3.64% to October 28, 2019 and 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 Swaps 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.

**"Manager"** means Bridgemarq Real Estate Services Manager Limited ("formerly known as Brookfield Real Estate Services Manager"), 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 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.

**"Previous Management Services Agreement"** or **"Previous MSA"** means the third amended and restated management services agreement, made effective January 1, 2014 and expired effective December 31, 2018 between the Company and the Manager, together with any amendments thereto, pursuant to which, among other things, the Manager provided management and administrative services to the Company, including management of the assets of the Company.

**"REALTOR<sup>®</sup>"** and **"REALTORS<sup>®</sup>"** 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<sup>®</sup> who work together and market themselves as part of a team rather than as individual REALTORS<sup>®</sup>.

**"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.