THE RESILIENCE OF DLC IN THE FACE OF THE NEW MORTGAGE RULES

FOUNDERS ADVANTAGE CAPITAL

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CANADIAN REAL ESTATE MARKET CONSIDERATIONS

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Perceived Headwinds

Recent Legislative Announcements:

Canadian Finance Minister, Bill Morneau announced new policies aimed at protecting the financial security of Canadians and supporting the long term stability of the housing market in Canada including[(1)]:

- All insured mortgages must undergo a "stress test"
  - Does not affect actual interest paid by consumer
  - Fixed rates were 5.99% in 2008 vs. current stress test rate of 4.64%
- New restrictions on government providing insurance for low-ratio mortgages
- New reporting rules for the primary residence capital gains exemption
- Government is launching consultations on lender risk sharing
- Implementation of a 15% tax on foreign buyers in Metro Vancouver by the B.C. provincial government

Government continues to update / amend these policies thanks to input from industry leaders like DLC; feedback has been requested from the mortgage industry by Feb 28th, 2017

Mitigants

Resilience of the DLC Model

- Significant operational diversification
- Strong geographic diversification – active in all provinces & territories
- ~40% market share (and growing)
- Notwithstanding economic state of Alberta, DLC has experienced a positive trend in the province
- Industry leading ability to acquire additional franchises and mortgage brokers (onboarding/reflagging)
  - DLC recently increased their Credit Facility to fund it's onboarding without negatively impacting it's cash flow
- Foreign buyers subject to new tax do not typically use mortgage broker

[1] The Globe and Mail – October 2016

RECORD YEAR THUS FAR FOR DLC…

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1 Strong Geographic & Operational Diversification

- Significant geographical diversification with over 650 locations across Canada and 5,000+ brokers
  - Active in all provinces and territories
  - Award winning website / technology allows Canadians to access mortgage information at their convenience
- Strong revenue diversification including royalties, franchise fees, lender bonuses, advertising fees and other
- Brokerage business is not solely tied to housing activity:
  - Mortgage renewal business has doubled since 2010 from 13% to 26% and refinancing has grown from 23% to 38%(1)

2 Growth Drivers & Counter Cyclicality

- During the last recession, DLC went from #4 in market share in 2008 to #1 in 2011
- Acquiring additional franchises and mortgage brokers; typically accelerates during challenging economic / real estate cycles:
  - During times of economic volatility, brokers tend to partner with full-service brokers such as DLC given their industry leading technology, earning power and leading brand

3 Insulated From Foreign Tax Rules In Metro Vancouver

- Foreign buyers subject to the new tax on homes >$2mm do not typically use a mortgage broker:
  - Often pay cash or have a relationship with a lender
- First time home buyers typically are not purchasing multi-million dollar homes

4 Resilience & Diversification Across Canada(2)

- Only ~14.5% of total industry broker volume comes from Alberta and ~22% from B.C.
- ~50% of industry brokerage originations come from Ontario, where Mortgage Centre Canada & Mortgage Architects are heavily weighted
- Dollar volume of all broker mortgage submissions (industry wide) in the Prairies decreased 13.2% from July 2015 to July 2016 while DLC increased its market share 3% and on-boarded 45 new brokers
- Notwithstanding the economic state of Alberta since 2013, DLC has experienced a positive trend in the province
  - DLC revenue flat in Alberta since 2014 while total dollar value of homes in the province reduced by ~24%

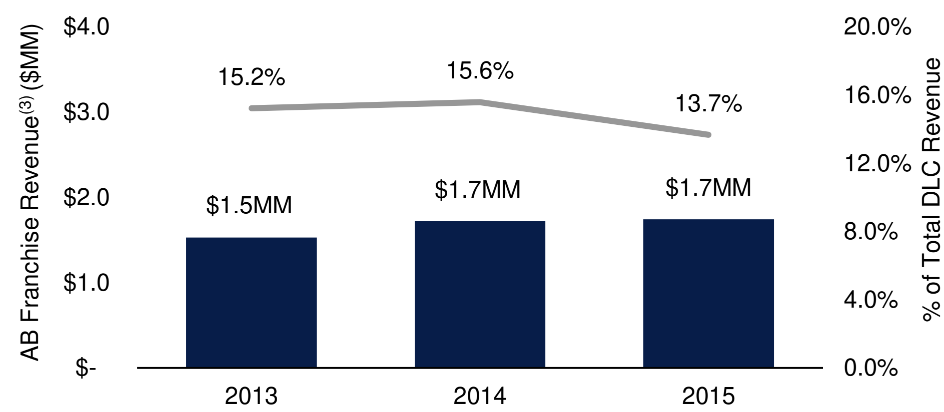
(1) Source: CMHC Study
(2) Source: MLS, CMHC & D+H

ALBERTA CONSIDERATIONS

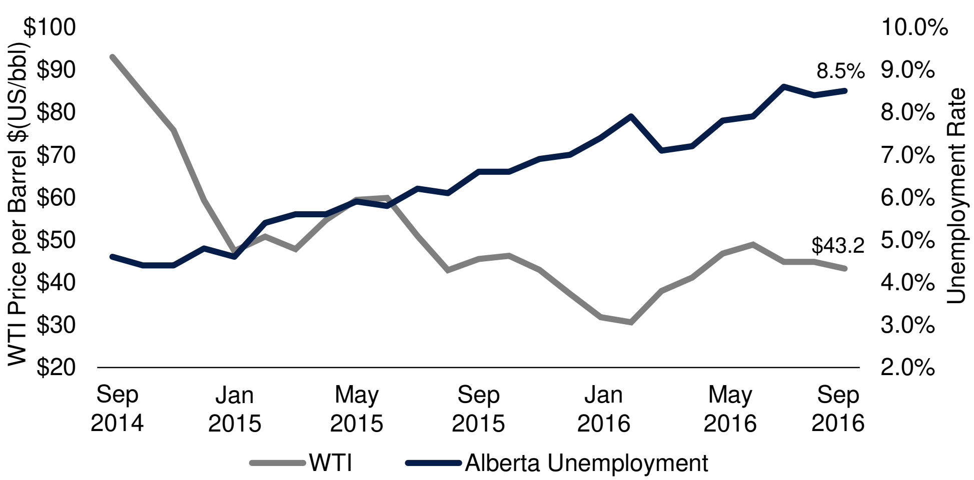
Background

- Notwithstanding the overall economic state in Alberta since 2013, DLC has experienced a positive trend in Alberta
- All active franchises in Alberta since 2013 were included in analysis
  - These franchises experienced a 0.1% increase in revenue from 2014 to 2015 while total dollar value of all homes sold reduced by ~24.0% over the same period[1]
  - Alberta revenue contribution overall has reduced from 15.2% to 13.7%
- Furthermore, DLC's market share in the Prairies increased from 17.8% in July 2015 to 20.8% as at July 2016
  - Alberta makes up for ~75.0% of Prairies

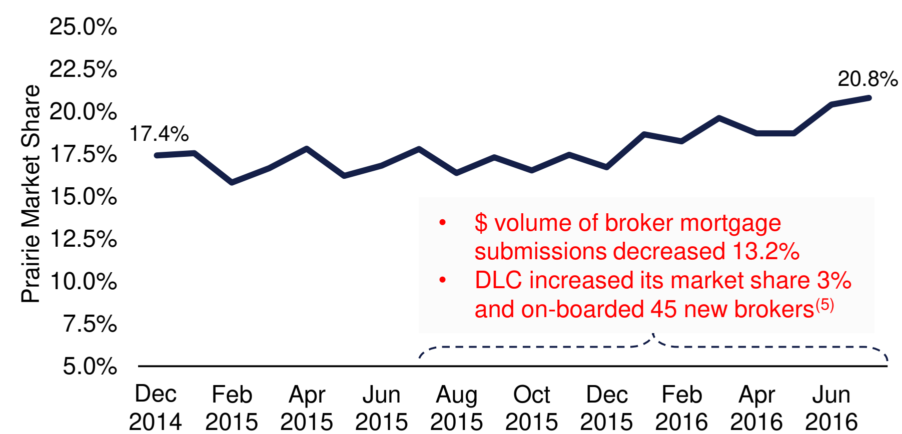
Alberta Revenue as % of Total DLC Revenue



Alberta Economic Climate[2]



Prairies Market Share[4]



Note: DLC excludes Mortgage Architects and Mortgage Centre Canada
(1) Alberta Government multiple listing service (MLS)
(2) Alberta Economic Dashboard
(3) Reflects DLC revenue generated from all franchises active since 2013
(4) Prairie region comprises of Alberta, Saskatchewan and Winnipeg; Alberta accounts for ~75% of Prairie region in terms of total business
(5) Source: D&H

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