Dominion Lending Centres Inc.

Q1 2025
Management's Discussion & Analysis

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This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations of Dominion Lending Centres Inc. ("we", "our", or the "Corporation") for the three months ended March 31, 2025, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of May 7, 2025, in conjunction with the interim condensed consolidated financial statements and related notes for the three months ended March 31, 2025 ("interim financial statements"), and our 2024 audited annual consolidated financial statements. Our interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard 34 – Interim Financial Reporting. Unless otherwise indicated, all amounts are presented in Canadian dollars.

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

The Corporation's class A common shares ("Common Shares") trade on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DLCG". Continuous disclosure materials are available on our website at www.dlcg.ca, and on SEDAR+ at www.sedarplus.com.

OVERVIEW OF OUR BUSINESS

The Corporation is a Canadian mortgage brokerage franchisor and mortgage broker data connectivity provider with operations across Canada.

The DLC Group consists of the Corporation and its three main subsidiaries, being:

- MA Mortgage Architects Inc. ("MA");
- MCC Mortgage Centre Canada Inc. ("MCC"); and
- Newton Connectivity Systems Inc. ("Newton").

The Corporation's ownership interests remain consistent with the ownership interest held as at December 31, 2024.

Mortgage Brokerage Franchising (DLC, MA, and MCC)

The DLC Group is Canada's leading networks of mortgage professionals. The mortgage brokerage franchisor business of DLC is carried on under the DLC, MA, and MCC brands and has operations across Canada. The mortgage brokerage business's extensive network includes over 8,500 agents and $16.4 billion in mortgage origination during the three months ended March 31, 2025 ($67.4 billion for the year ended December 31, 2024). The business' franchise model provides secure long-term relationships with mortgage professionals, and the Corporation provides training, technology, marketing, recruitment, and operational support to its franchises and brokers.

Mortgage professionals provide services related to property purchases, mortgage refinances and renewals, credit lines, and other borrowing needs. Mortgage professionals originate mortgages but do not themselves lend money. The Corporation's agent growth is achieved both organically through ongoing recruiting efforts and by acquisitions, with a strong pipeline for future growth opportunities.

Newton Connectivity Systems Inc.

Newton is a financial technology company which provides a secure all-in-one operating platform in Canada called Velocity. Velocity connects mortgage brokers to lenders and various third parties. It provides end-to-end services to automate the entire mortgage application, approval, underwriting, and funding process, along with additional services to assist brokers with the management of their daily operations and access to data resources.

The operating platform provides services through various lender- and broker-facing products. Lender-facing products provide encrypted exchange networks to connect brokers with lenders and third parties. These include web-based services connecting brokers on Velocity to lenders and third-party suppliers, which allow for direct and secure submission of mortgage applications and supporting documents to lenders, and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker-facing products provide deal-management tools and services, including the ability to automatically manage the brokers' revenue and distributions through Velocity, with additional services to match lender-verified products to a client's criteria, and automation of the payroll process. Further, Newton provides services to third-party users through the Velocity platform, ranging from consumer credit reports to borrower banking information.

USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to the calculation of similar measures used by other companies, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS measures are defined and reconciled to the most directly-comparable IFRS measure within the Non-IFRS Financial Performance Measures section of this MD&A. Non-IFRS financial performance measures used in our MD&A include adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA margin, adjusted net income, adjusted net earnings per share, and free cash flow attributable to common shareholders.

FIRST QUARTER 2025 FINANCIAL RESULTS

(in thousands, except per share and KPIs)	Three months ended March 31, 2025	2024	Change
Revenues	**$ 18,732**	$ 13,636	37%
Income from operations	**6,885**	3,468	99%
Adjusted EBITDA (1)	**8,031**	4,996	61%
Adjusted EBITDA margin (1)	**43%**	37%	6%
Net income (loss)	**6,267**	2,631	138%
Diluted earnings per Common Share	**0.08**	0.05	60%
Adjusted net income (1)	**4,925**	1,439	242%
Adjusted diluted earnings per Common Share (1)	**0.06**	0.03	100%
Dividends declared per share	**0.03**	0.03	-
Cash inflows from operating activities	**7,743**	5,067	53%
Free cash flow attributable to common shareholders (1)	**$ 6,797**	$ 650	946%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Key Performance Indicators ("KPIs")

(in thousands, except per share and KPIs)	Three months ended March 31, 2025	2024	Change
Funded mortgage volumes (1)	**16.4**	11.2	46%
Number of franchises (2)	**504**	512	(2%)
Number of brokers (2)	**8,544**	8,170	5%
% of funded mortgage volumes submitted through Velocity (3)	**79%**	68%	11%

(1) Funded mortgage volumes are presented in billions and are a key performance indicator that allows us to measure performance against our operating strategy.
(2) The number of franchises and brokers are as at the respective period end date (not in thousands).
(3) Representing the percentage of the DLC Group's funded mortgage volumes that were submitted through Velocity.

The following are included in the above income from operations:

(in thousands)	Three months ended March 31, 2025	2024	Change
Direct costs	**$ 2,129**	$ 1,965	8%
General and administrative expenses	**8,583**	7,264	18%
Share-based payments recovery	**87**	-	100%
Depreciation and amortization	**1,048**	939	12%
Operating expenses	**$ 11,847**	$ 10,168	17%

Other income (expense), included in net income includes:

(in thousands)	Three months ended March 31, 2025	2024	Change
Finance expense	**$ (322)**	$ (764)	58%
Finance recovery on the Preferred Share liability	**-**	154	100%
(Loss) income from equity-accounted investments	**(276)**	426	NMF(1)
Gain on sale of equity-accounted investment	**1,362**	-	100%
Non-cash impairment of equity-accounted investment	**-**	(236)	(100%)
Other	**265**	166	60%
Other income (expense), net	**$ 1,029**	$ (254)	505%

(1) Percentage change is not a meaningful figure.

First Quarter 2025 Financial Review

Despite a challenging macroeconomic environment, the Corporation generated strong results during the first quarter of 2025 as we continued to execute on our proven growth strategy and benefited from an active mortgage renewal market. During the quarter we continued to increase our market presence across Canada and expanded the reach of Velocity. In addition to revenue growth, a continued focus on profitability and financial discipline resulted in strong earnings growth, free cash flow generation and a solid balance sheet.

- Revenue increased 37% from Q1 2024 to $18.7 million and was driven by a 46% increase in Funded Mortgage Volume from Q1 2024, as well as an increase in the adoption of Velocity across our broker network to 79% from 68% in Q1 2024. As a result, revenue from Franchise and Brokering of Mortgages increased 32% while Newton revenue rose 55%. The strong Funded Mortgage Volume growth was the result of several different factors, including an increase in the number of brokers in our network and internal initiatives to leverage Velocity to increase broker productivity and therefore market share and growth in the Canadian mortgage renewal market.
- General and administrative expenses increased 18% or $1.3 million over Q1 2024 levels, with the increase stemming from two acquisitions completed in Q2 2024, higher personnel costs, and higher IT-related costs. The additional general and administrative expenses from the two acquired brokerages was $0.7 million for the quarter. Direct costs increased 8% over Q1 2024 levels stemming from higher advertising fund expenditures due to timing of advertising initiatives.
- Adjusted EBITDA grew 61% to $8.0 million compared to Q1 2024 while Adjusted EBITDA margins increased to 43% from 37% last year. Adjusted EBITDA margins benefited from the strength of Newton revenue as well as the decline in operating expenses as a percent of revenue.
- Net income of $6.3 million increased from $2.6 million in Q1 2024 due to the higher revenue and a gain on sale of an equity-accounted investee, partly offset by higher operating expenses.
- Adjusted diluted earnings per common share increased to $0.06 in Q1 2025 up from $0.03 last year. Adjusted net income increased to $4.9 million from $1.4 million in Q1 2024 or up 242%, mainly due to higher revenue, strong margin performance, and no longer having any income being attributable to Preferred Shareholders.
- Cash flow from operating activities increased 53% to $7.7 million from Q1 2024 levels, driven by higher income from operations.
- The strong cash flow from operations, coupled with a decline in maintenance capital expenditures, resulted in $6.8 million in free cash flow compared to $0.7 million in Q1 2024.
- The Corporation ended the quarter with adjusted total debt-to-EBITDA (on a trailing twelve-month basis) of 0.58x, reflecting the Corporation's strong free cash flow generation.
- The Corporation paid a dividend of $0.03 per share on March 14, 2025 to shareholders of record on February 28, 2025.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows:

(in thousands except per share amounts)	Mar. 31, 2025	Dec. 31, 2024	Sept. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023	Jun. 30, 2023
Funded mortgage volumes (1)	**16.4**	19.6	19.7	16.9	11.2	14.2	17.7	14.8
Revenues	**$18,732**	$22,256	$22,073	$18,788	$13,636	$15,758	$19,578	$15,543
Income from operations	**6,885**	8,453	10,215	7,380	3,468	3,914	8,879	4,188
Adjusted EBITDA (2)	**8,031**	10,248	12,218	8,532	4,996	6,507	10,116	5,158
Net income (loss) (3)	**6,267**	(138,755)	5,271	4,085	2,631	(2,003)	5,271	(3,157)
Adjusted net income(2)	**4,925**	3,021	3,754	2,599	1,439	1,775	3,115	1,660
Net income (loss) attributable to:								
Common shareholders (3)	**6,234**	(138,980)	5,190	4,033	2,627	(2,008)	5,269	(3,161)
Non-controlling interests	**33**	225	81	52	4	5	2	4
Adjusted net income attributable to: (2)								
Common shareholders	**4,892**	2,796	3,673	2,547	1,435	1,770	3,113	1,656
Non-controlling interests	**33**	225	81	52	4	5	2	4
Net earnings (loss) per Common Share:								
Basic	**0.08**	(2.63)	0.11	0.08	0.05	(0.04)	0.11	(0.07)
Diluted	**0.08**	(2.63)	0.11	0.08	0.05	(0.04)	0.11	(0.07)
Adjusted net earnings per Common Share: (2)								
Diluted	**$0.06**	**$0.05**	$0.08	$0.05	$0.03	$0.04	$0.06	$0.03

(1) Funded mortgage volumes are presented in billions.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Net income for the three months ended December 31, 2024 includes $144.5 million of non-cash finance expense on the Preferred Share liability (three months ended September 30, 2024 includes $2.0 million expense, three months ended June 30, 2024 includes $2.7 million expense, and three months ended March 31, 2024 includes $0.2 million recovery).

Quarterly trends and seasonality

Funded mortgage volumes are subject to seasonal variances that move in line with the normal home buying season, which is typically highest from June through September.

- Revenue decreased in the quarter compared to Q4-2024 primarily due to seasonality and lower funded mortgage volumes during the period.
- Income from operations and adjusted EBITDA decreased over Q4-2024, primarily due to a decrease in revenues, partly offset by lower operating expenses. Lower operating expenses was primarily due to timing of advertising initiatives.
- Net income increased compared to Q4-2024 primarily due to finance expense on the Preferred Share liability of $144.5 million during Q4-2024 on the acquisition and extinguishment of the Preferred Shares in 2024.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the Cautionary Note Regarding Forward-Looking Information section.

The overall macroeconomic outlook has weakened throughout the first quarter of 2025 due to tariffs and global trade uncertainties. This uncertainty has resulted in a more cautious consumer and a weaker than expected housing market, with residential sales activity levels decreasing 5.7% in Q1 2025 compared to Q1 2024[1]. As a result of this weakness, The Canadian Real Estate Association ("CREA") recently updated its 2025 home sales activity forecast and is now calling for a 0.02% decline in the number of residential properties trading hands in 2025, compared to its previous forecast of 8.6% growth published in January 2025.

While we are mindful of the economic uncertainty and the impact it is having on Canadian home sales activity, there are several offsetting market factors that we believe will enable the Corporation to achieve positive revenue and earnings growth in 2025. The most influential driver of our performance this year is expected to come from strong growth in the mortgage renewal market following the surge in mortgage transactions during the Pandemic. Many of the mortgages secured in 2020 and 2021 at low rates are now reaching their term and as a result the Bank of Canada estimates that approximately 60% of all mortgages outstanding as of September 2024 will renew before the end of 2026[2].

Given our established national broker platform, long-term recruitment and retention focus, as well as the success of our recent Gold Rush initiative, which enables our franchises to stay top-of mind with their customers as renewals approach, we believe that we are well positioned to continue to capitalize on the expected increase in renewal activity levels.

In addition to the increase in mortgage renewals, we expect that our business will be positively impacted by continued growth of Velocity as the adoption rate across our broker network expands, as well as growth in the number of third-party users. Lastly, we continue our steadfast focus on recruitment and retention of franchises and brokers, as well as forming new partnerships to expand our market reach, including our recent equity investment in Heartwood Financial Group Inc. ("Heartwood").

In Q4 2024 the Corporation partnered with a third-party to create a non-B20 lender called Heartwood. The Corporation has committed an investment of $5 million into Heartwood in exchange for a 50% initial equity interest. The Corporation will not be responsible for Heartwood's debts and Heartwood will operate independently from the DLC Group. Heartwood is expected to commence its lending business in Q2 2025. As of March 31, 2025, the Corporation has contributed $1.5 million to Heartwood.

In addition to the positive revenue growth, management anticipates that adjusted EBITDA margins will increase in 2025 due to the relatively fixed cost nature of many of our expenses as well as the growth of Velocity, which generates higher margins compared to our Franchise and Mortgage Brokering revenue.

While we continue to monitor today's uncertain economic landscape, we remain confident in our outlook for 2025 and our ability to navigate the current volatility given our proven focus on profitable growth, our strong network of mortgage professionals, and our solid balance sheet.

[1] Source: CREA, April 17, 2025; Based on seasonally adjusted data at annualized rate.
[2] Source: Bank of Canada, January 2025

LIQUIDITY AND CAPITAL RESOURCES

BALANCE SHEET SUMMARY

See the Liquidity section below for information on the changes in cash and working capital deficiency.

(in thousands, except shares outstanding)	As at March 31, 2025	December 31, 2024
Cash	**$ 4,164**	$ 4,732
Working capital deficiency	**(13,008)**	(16,603)
Total assets	**212,448**	218,890
Total loans and borrowings (1)	**30,345**	35,894
Total non-current liabilities	**42,914**	44,406
Shareholders' equity	**135,606**	132,140
Common Shares outstanding	**78,724,438**	78,724,438

(1) Net of debt issuance and transaction costs.

LIQUIDITY

(in thousands, except shares outstanding)	As at March 31, 2025	December 31, 2024
Cash	**$ 4,164**	$ 4,732
Trade and other receivables	**11,491**	17,177
Prepaid expenses and deposits	**3,667**	2,267
Revolving loans and borrowings	**(1,275)**	(5,176)
Accounts payable and accrued liabilities	**(25,017)**	(29,522)
Term loans and borrowing	**(5,152)**	(5,152)
Deferred contract liability	**(535)**	(551)
Lease obligation	**(351)**	(378)
Working capital deficiency	**$ (13,008)**	$ (16,603)

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations, service our debt obligations, fund future recruiting opportunities, and drive organic revenue growth to increase free cash flow.

Our principal sources of liquidity are cash generated from our business operations and borrowings under credit facilities. Our primary uses of cash are for operating expenses, recruiting and support costs, debt repayment, and debt servicing costs. At this time, management expects to have sufficient liquidity to meet its short- and long-term objectives of meeting the Corporation's obligations as they come due.

The decrease in working capital deficit from the comparative period is primarily due:

- Decrease in revolving loans and borrowings primarily from cash inflow from operating activities combined with cash inflow from investing activities from the sale of an equity-accounted investee; and
- Accounts payable and trade receivables decreased due to timing of payments.

Working capital may fluctuate from time to time based on seasonality or timing of the use of cash and cash resources to fund operations. The Corporation has credit facilities to support its operations and working capital needs and fluctuations. See the Capital Resources section.

As at March 31, 2025, we have several financial commitments (see Commitments under the Commitments and Contingencies section of this MD&A for further information), which will require that we have various sources of capital to meet the obligations associated with these commitments. The Corporation expects to have sufficient liquidity, and we expect that we will be able to fund these commitments through existing financing and cash flows from operations.

SOURCES AND USES OF CASH

The following table is a summary of our consolidated statement of cash flow:

(in thousands)	Three months ended March 31, 2025	2024
Cash provided by operating activities	**$ 7,743**	$ 5,067
Cash provided by (used in) investing activities	**85**	(3,963)
Cash used in financing activities	**(8,396)**	(4,602)
Decrease in cash	**(568)**	(3,498)
Cash, beginning of period	**4,732**	5,614
Cash, end of period	**$ 4,164**	$ 2,116

Operating activities

(in thousands)	Three months ended March 31, 2025	2024
Cash flow provided by operating activities	**$ 7,743**	$ 5,087
Changes in non-cash working capital and other non-cash items	**(27)**	(569)
Cash provided by operations excluding changes in non-cash working capital and other non-cash items	**$ 7,716**	$ 4,518

Cash from operating activities, excluding non-working capital and other non-cash items, increased primarily from higher revenues and income from operations driven by the increase in funded mortgage volumes.

Investing activities

The cash provided by investing activities for the quarter consisted primarily of $2.8 million proceeds from sale of an equity-accounted investee which was partly offset by $1.2 million investment in intangible assets and $1.5 million contribution to equity-accounted investees.

The cash used in investing activities for the prior year quarter consisted primarily of investments in intangible assets of $4.2 million, which included payments of $0.5 million accrued at December 31 2023, and was partly offset by distributions from equity-accounted investments of $0.2 million.

Financing activities

Cash used in financing activities for the quarter consisted primarily of repayments on term debt and revolving loans and borrowings of $5.2 million, $0.3 million of transaction costs associated with the debt extension to 2030 and additional capacity on the Revolving Facility, $2.3 million dividends paid to common shareholders, $0.5 million shares purchased by the trust for the RSU plan, and lease payments of $0.1 million.

Cash used in financing activities for the prior year quarter consisted primarily of dividends paid to the Preferred Shareholders of $2.0 million, dividends paid to common shareholders of $1.4 million, repayments on debt of $1.0 million, and lease payments of $0.1 million.

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity and loans and borrowings, less cash. The following table summarizes our capital structure as at March 31, 2025 and December 31, 2024.

(in thousands)		As at March 31, 2024		December 31, 2024
Term loans and borrowings, net of debt issuance costs	**$**	**29,070**	$	30,718
Revolving loans and borrowings		**1,275**		5,176
Less: cash		**4,164**		4,732
Net loans and borrowings	**$**	**26,181**	$	31,162
Shareholders' equity	**$**	**135,606**	$	132,140

Loans and borrowings

(in thousands)		As at March 31, 2025		December 31, 2024
Revolving loans and borrowings				
Revolving Facility	**$**	**1,275**	$	5,176
Term loans and borrowings				
Term Facility	**$**	**29,622**	$	30,910
Debt issuance costs		**(552)**		(192)
Total term loans and borrowings	**$**	**29,070**	$	30,718

The Corporation's loans and borrowings are composed of two senior credit facilities (collectively, the "Senior Credit Facilities"). The Senior Credit Facilities consist of a revolving working capital credit line (the "Revolving Facility") and a $36.1 million term loan ("Term Facility").

On February 18, 2025, the Senior Credit Facilities term was extended from December 19, 2026, to February 18, 2030, and the Revolving Facility increased from $15.0 million to $25.0 million.

Borrowings under the Senior Credit Facilities are composed of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 1.75% to 2.25%.

Quarterly financial covenants for the Senior Credit Facilities include the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and a fixed charged coverage ratio greater than 1.10:1.00. At March 31, 2025, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charge coverage ratio were 0.58:1.00 and 3.56:1.00, respectively, and as such, the Corporation was in compliance with all such covenants.

As at March 31, 2025, $5.2 million of the Term Facility is classified as current (December 31, 2024 - $5.2 million) and $1.3 million was drawn on the Revolving Facility (December 31, 2024 - $5.2 million).

SHARE CAPITAL

As of May 7, 2025 and March 31, 2025, the Corporation had 78,724,438 Common Shares outstanding (December 31, 2024—78,724,438). As of May 7, 2025 and March 31, 2025, the Corporation had 384,000 and 327,100 Common Shares held in trust under the RSU Plan, respectively (December 31, 2024—265,258).

RSU plan

On April 15, 2024, the Corporation issued 421,444 RSUs to corporate board members and certain executives. Pursuant to the RSU Plan, holders are entitled to receive additional RSUs in lieu of dividends on each dividend payment date. As such, on March 31, 2025, there were 431,407 RSUs issued and outstanding (December 31, 2024—429,796).

On April 15, 2025, the Corporation issued 335,234 RSUs to corporate board members and certain executives. The RSUs vest one-third on April 15, 2026, April 15, 2027, and April 15, 2028 for management and April 15, 2028 for independent board members.

An independent trustee purchases Common Shares in the open market and holds such shares until completion of the vesting period. The Common Shares purchased in the open market are initially recorded as a reduction to Share Capital. The grant date fair value of RSUs is recognized over the vesting period as share-based compensation expense, with a corresponding increase to Contributed Surplus. Upon vesting of awards, the related Contributed Surplus is reclassified to Share Capital.

COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See notes 6, 7, and 14 of the financial statements for more information.

(in thousands)	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 25,017	$ -	$ -	$ -	$ **25,017**
Term loans and borrowings [(1)]	5,152	10,303	14,167	-	**29,622**
Long-term accrued liabilities	-	415	-	132	**547**
Leases [(2)]	194	173	69	-	**436**
	$ 30,363	$ 10,891	$ 14,236	$ 132	$ **55,622**

(1) Gross of debt issuance costs.
(2) Undiscounted lease payments.

Contingencies

In the normal course of operations, the Corporation may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions. The outcome of outstanding, pending, or future proceedings cannot be predicted with certainty. For claims where outcomes are not determinable, no provision for settlement has been made in the condensed consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as at May 7, 2025 or March 31, 2025.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Our financial risk management policies have been established to identify and analyze risks that we face, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. We employ risk management strategies to ensure that our risks and related exposures are consistent with our business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for our risk management framework, our management has the responsibility to administer and monitor these risks.

We are exposed in varying degrees to a variety of risks from the use of financial instruments, which mainly include cash, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. Because of the use of these financial instruments, we are exposed to risks including market risk, credit risk, and liquidity risk. This section describes our objectives, policies, and processes for managing these risks and the methods used to measure them.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed primarily of interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our variable-rate loans and borrowings. A 1% change in the interest rates on the loans and borrowings would have had a $0.1 million decrease of income before tax for the three months ended March 31, 2025 (March 31, 2024—$0.1 million decrease of income before tax).

CREDIT RISK

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is mainly attributable to its cash, and trade and other receivables.

The Corporation has determined that its exposure to credit risk on its cash is minimal as the Corporation's cash is held with financial institutions in Canada.

The Corporation's primary source of credit risk, therefore, relates to the possibility of franchisees, agents, or other customers not paying receivables. The Corporation manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. As at March 31, 2025, $0.3 million of our trade receivables were greater than 90 days outstanding (December 31, 2024—$0.3 million), and the provision for total expected credit losses as at March 31, 2025 was $0.4 million (December 31, 2024—$0.4 million). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

The Corporation's maximum exposure to credit risk, as related to certain financial instruments identified in the table below, approximates the carrying value of the assets of the Corporation's condensed consolidated statements of financial position.

(in thousands)	As at **March 31, 2025**	December 31, 2024
Cash	**$ 4,164**	$ 4,732
Trade receivables, other receivables, and other assets	**12,182**	17,853
	$ 16,346	$ 22,585

LIQUIDITY RISK

Liquidity risk is the risk that we will not meet our financial obligations as they fall due. We manage this risk by continually monitoring our actual and projected cash flows to ensure there is sufficient liquidity to meet our financial liabilities when they become due. See the Liquidity and Capital Resources section of this MD&A for further discussion on our liquidity risk.

The Corporation's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it generates returns for shareholders, expands business relationships with stakeholders, and identifies risk and allocates its capital accordingly. There can be no guarantee that the Corporation will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, the Corporation is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favorable as the terms of its existing indebtedness.

The credit facilities contain several financial covenants that require the Corporation to meet certain financial ratios and conditions tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, may permit acceleration of the repayment of the relevant indebtedness. If the repayments under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay that indebtedness in full.

BUSINESS RISKS AND UNCERTAINTIES

The Corporation is subject to a number of business risks. There were no changes to our principal risks and uncertainties from those reported in our 2024 Annual MD&A and our 2024 Annual Information Form dated March 27, 2025.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

Property leases
The Corporation leases office spaces from related companies controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three months ended March 31, 2025, the total costs incurred under these leases were $0.1 million (March 31, 2024—$0.1 million). The lease terms mature in 2025.

The Corporation leases a condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three months ended March 31, 2025, the total costs incurred under this lease was $23 thousand (March 31, 2024—$21 thousand). The lease term matures in 2025.

The expenses related to these leases are recorded in finance expense, depreciation and amortization expenses, and general and administrative expenses, and are paid monthly; as such, no amount remains payable within the Corporation's financial statements.

Administrative services
The Corporation has entered into an agreement with a software development company to develop and support a customized mortgage app that is partly owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the three months ended March 31, 2025 were $0.2 million (March 31, 2024—$0.2 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim financial statements requires management to make certain estimates, judgments, and assumptions that affect the amounts reported and disclosed in the interim financial statements and related notes. These include estimates that, by their nature, are uncertain, and actual results could differ materially from these estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2024, as filed on SEDAR+ at www.sedarplus.com. In preparing these interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2024.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2024.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate," "believe," "estimate," "will," "expect," "plan," or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- The 2025 outlook and strategic objectives;
- Our business plan and growth strategy;
- Our expectation that interest rates will continue to trend downward and mortgage qualification rules easing will result in an increase in demand;
- Our expectation that 2025 and 2026 will have a significant amount of mortgage renewals;
- Adding additional DLC Group franchises through recruiting activities;
- Newton growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users;
- New partnerships will contribute to an increase in revenues from additional referrals and deal flow;
- Our expectation that our adjusted EBITDA margins will continue to improve throughout fiscal 2025, if revenues increase;
- Our expectation that Heartwood will commence its lending business in Q2 2025;
- Our expectation that the Corporation will continue to pay a quarterly dividend to common shareholders; and
- Management's ability to adjust cost structures to improve liquidity and cash flow to meet their expectations to have sufficient liquidity to meet our obligations as they come due.

Such forward-looking information is based on many estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date of this MD&A considering management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic, and competitive uncertainties, and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- Changes in tax rates and legislation;
- Changes in operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic, and market conditions;
- Impact and duration of tariffs or other trade actions;
- Our ability to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- The DLC Group's ability to maintain its existing number of franchisees and brokers, and add additional franchisees and brokers;
- Newton's ability to grow its connectivity platform submission volumes and number of third-party users;
- Changes in Canadian mortgage lending and mortgage brokerage laws and regulations;
- Material changes in the aggregate Canadian mortgage lending marketplace;
- Changes in the fees paid for mortgage brokerage services in Canada;
- Changes in the regulatory framework for the Canadian housing and lending sectors;
- Changes in demand for the Corporation's products;

- The uncertainty of estimates and projections relating to future revenue, taxes, costs, and expenses;
- Changes in, or in the interpretation of, laws, regulations, or policies;
- The outcome of existing and potential lawsuits, regulatory actions, audits, and assessments; and
- Other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

Many of these uncertainties and contingencies may affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this MD&A are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities laws, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether because of new information, future events, or otherwise.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Corporation takes all necessary steps to ensure that material information regarding the Corporation’s reports filed or submitted under securities legislation fairly presents the financial information of the Corporation. Management, including the Executive Chairman & Chief Executive Officer (“EC & CEO”) and the Chief Financial Officer (“CFO”) are responsible for establishing, maintaining, and evaluating disclosure controls and procedures (“DC&P”) and internal controls over financing reporting (“ICFR”). Management has used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Controls – Integrated Framework (2013).

There are inherent limitations in all control systems, such that they can provide only reasonable – not absolute – assurance that all control issues, misstatement, or instances of fraud, if any, within the Corporation have been detected.

During the three months ended March 31, 2025, there have not been any changes in the Corporation’s ICFR that has materially affected or is reasonably likely to materially affect, the Corporation’s ICFR.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before finance expense, taxes, depreciation, amortization, and any unusual, non-operating, certain non-cash, or one-time items. The Corporation considers its main operating activities to be the business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada, and management of its operating subsidiaries.

The non-cash adjustments are expenses incurred during the period which are not the result of the main operating activities of the Corporation or are related to the financing of these activities. Other expenses are unusual, non-cash, or one-time insignificant items included within “other income” on the consolidated statements of income that are not related to the main operating activities.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the Corporation. Adjusted EBITDA is an assessment of its normalized results and cash generated by its main operating activities, prior to the consideration of how these activities are financed or taxed, as a facilitator for valuation and a proxy for cashflow. Management applies adjusted EBITDA in its operational decision making as an indication of the financial performance of its main operating activities.

Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine adjusted EBITDA may differ from those utilized by other issuers or companies and, accordingly, adjusted EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.

The following table reconciles adjusted EBITDA from income before income tax, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2025**	2024
Income before tax	**$ 7,914**	$ 3,214
Add back:		
Depreciation and amortization	**1,048**	939
Finance expense	**322**	764
Finance recovery on the Preferred Share liability	**-**	(154)
	9,284	4,763
Adjustments:		
Share-based payments expense	**87**	-
Gain on disposal of equity-accounted investment	**(1,362)**	-
Non-cash impairment of equity-accounted investment	**-**	236
Other expense (income) (1)	**22**	(3)
Adjusted EBITDA (2)	**$ 8,031**	$ 4,996

(1) Other expense (income) for the three months ended March 31, 2025 relates to foreign exchange loss and loss on contract settlement. Other (income) expense for the three months ended March 31, 2024, relates to a loss on the disposal of an intangible asset, foreign exchange loss and loss on contract settlement.

(2) Amortization of franchise rights and relationships of $1.3 million for the three months ended March 31, 2025 (March 31, 2024 – $1.3 million) is classified as a charge against revenue and has not been added back for adjusted EBITDA.

FREE CASH FLOW

Free cash flow represents how much cash a business generates after spending what is required to maintain or expand its current asset base. Free cash flow attributable to common shareholders represents the cash available to the Corporation for general corporate purposes, including: repayments on our credit facilities, investment in growth capital expenditures, return of capital to common shareholders through the repurchases of Common Shares and discretionary payment of dividends to common shareholders, and cash to be retained by the company. This is a useful measure that allows management and users to understand the cash available to enhance shareholder value.

The other adjustments are expenses incurred during the period which are not the result of the main operating activities of the Corporation, or are related to the financing of these activities. Other one-time items included within other expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income that are not related to the main operating activities.

While free cash flow is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the funds generated by the main operating activities that are available to the Corporation for use in non-operating activities. Free cash flow is determined by adjusting certain investing and financing activities. Investors should be cautioned, however, that free cash flow should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine free cash flow may differ from those utilized by other issuers or companies and, accordingly, free cash flow as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that free cash flow should not be construed as an alternative to net income determined in accordance with IFRS as indicators of an issuer's performance, or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows.

The following table reconciles free cash flow from cash flow from operating activities, which is the most directly-comparable measure calculated in accordance with IFRS:

(in thousands)	Three months ended March 31, 2025	2024
Cash flow from operating activities	**$ 7,743**	$ 5,087
Changes in non-cash working capital and other non-cash items	**(27)**	(569)
Cash provided from operations excluding changes in non-cash working capital and other non-cash items	**7,716**	4,518
Adjustments:		
Distributions from equity-accounted investees	**-**	185
Maintenance CAPEX	**(746)**	(3,133)
Lease payments	**(100)**	(112)
Loss on contract settlement	**13**	10
NCI portion of cash provided from operations excluding changes in non-cash working capital	**(95)**	-
Other non-cash items (1)	**9**	(13)
	6,797	1,455
Free cash flow attributable to Preferred Shareholders	**-**	(805)
Free cash flow attributable to common shareholders	**$ 6,797**	$ 650

(1) Other non-cash items for the three months ended March 31, 2025 represent foreign exchange loss and promissory note income. The three months ended March 31, 2024 includes gain on disposal of an intangible asset, foreign exchange loss and promissory note income.

ADJUSTED NET INCOME AND ADJUSTED EPS

Adjusted net income and Adjusted EPS are defined as net income before any unusual or non-operating items such as foreign exchange, fair value adjustments, finance expense on the Preferred Share liability, adjusted net income from the Core Business Operations attributable to the Preferred Shareholders, and one-time non-recurring items. Other one-time items included within other expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income that are not related to the main operating activities.

While adjusted net income is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the operational performance of the Corporation by eliminating certain non-recurring items, adjusting for the net income attributable to the Preferred Shareholders, and excluding the finance expense on the Preferred Share liability. Management applies adjusted net income in its operational decision making as an indication of the results and cash generated by the main operating activities, after consideration of how these activities are financed and taxed. Adjusted net income is used to determine adjusted EPS (defined as adjusted net income attributable to common shareholders on a per-share basis).

Investors should be cautioned, however, that adjusted net income should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. The methodologies we use to determine adjusted net income may differ from those utilized by other issuers or companies and, accordingly, adjusted net income as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

The following table reconciles adjusted net income from net income, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2025**	2024
Net income	**$ 6,267**	$ 2,631
Adjustments:		
Gain on disposal of equity-accounted investment	**(1,362)**	-
Finance recovery on the Preferred Share liability	**-**	(154)
Non-cash impairment of equity-accounted investment	**-**	236
Other expense (income) [1]	**22**	(3)
Income tax effects of adjusting items	**(2)**	(3)
	4,925	2,707
Income attributable to Preferred Shareholders	**-**	(1,268)
Adjusted net income	**4,925**	1,439
Adjusted net income attributable to common shareholders	**4,892**	1,435
Adjusted net income attributable to non-controlling interest	**33**	4
Diluted adjusted earnings per Common Share	**$ 0.06**	$ 0.03

(1) Other expense (income) for the three months ended March 31, 2025 relates to foreign exchange loss and loss on contract settlement. Other expense for the three months March 31, 2024 relates to a loss on the disposal of intangible assets, loss on contract settlement and foreign exchange loss.