

Annual Management Report*

Caution regarding forward-looking statements

This Annual Management Report contains certain forward-looking statements with respect to the Company. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", as well as the opposites of these terms and similar terminology, including references to assumptions.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, which the Company has identified in the 2021 Annual Information Form under "Narrative Description of the Business - Risk Factors", and other risks detailed from time to time in the Company's continuous disclosure documents.

The reader is cautioned that the factors we refer to above are not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

The Company made a number of assumptions in making forward-looking statements in this Annual Management Report. The Company considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance and speak only as of the date of release of this Annual Management Report, and represent the Company's expectations as of that date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

Non-International Financial Reporting Standards (IFRS) financial measures

The Company discloses adjusted net earnings, which includes or excludes certain amounts that are not considered representative of the performance measures and financial recurrence of the Company. Management believes that this measure is useful in understanding and analyzing the operational performance of the Company and that it can provide additional information.

Adjusted net earnings as well as same-store revenues are not an earnings measure recognized by IFRS and do not have a standardized meanings prescribed by IFRS. Therefore, adjusted net earnings and same-store revenues as discussed in this Annual Management Report may not be compared to similar measures presented by other issuers. These measures of performance should not be considered as alternatives to indicators of performance calculated according to IFRS, but rather as a source of additional information.

The Company discloses in this Annual Management Report under the section "Results" a reconciliation between net earnings and adjusted net earnings.

* The financial information is in Canadian dollars and has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Results

For the year ended January 31, 2021, the Company's revenues decreased by \$71,113,000 to \$649,056,000 compared to \$720,169,000 recorded for the year ended January 31, 2020, a 9.87% decrease. Net earnings for the year ended January 31, 2021 amounted to \$54,842,000 compared to \$36,034,000 recorded for the year ended January 31, 2020. Basic net earnings per share amounted to \$1.61 compared to \$1.05 recorded for the year ended January 31, 2020.

For the year ended January 31, 2021, the share repurchase program contributed to an increase of \$0.01 on basic net earnings per share., whereas during the year ended January 31, 2020, it contributed to an increase of \$0.02 on basic net earnings per share.

During the year ended January 31, 2020, the Company proceeded with the sale of the Kirkland store for an amount of \$4,915,000 resulting in an after-tax gain of \$1,048,000 or \$0.03 per basic share.

The Company determined that it met the eligibility criteria and applied for the Canadian Emergency Wage Subsidy (CEWS) during the year ended January 31, 2021. The Company received \$5,759,000 after-tax which contributed to an increase of \$0.17 on basic net earnings per share.

The variation in adjusted net earnings would be \$14,184,000 or \$0.42 per basic share for the year ended January 31, 2021 and is explained as follows:

	(\$ in thousands)	
	January 31, 2021	January 31, 2020
Net earnings	54 842	36 034
Gain on disposal of fixed assets (after-tax)	-	(1 048)
CEWS (after-tax)	(5 759)	-
Variation in cost of options (after-tax)	-	(87)
Adjusted net earnings	49 083	34 899
Minus: Adjusted net earnings for 2020	34 899	
Variation	14 184	

This variation in net adjusted earnings is allocated throughout the quarters as follows:

	(\$ in thousands)		
	Increase (decrease) in retail operating	Increase (decrease) in investment	Increase (decrease) in adjusted net earnings
As at April 30, 2020	784	(9 695)	(8 911)
As at July 31, 2020	1 707	4 416	6 123
As at Oct. 31, 2020	7 897	(1 616)	6 281
As at Jan. 31, 2021	4 905	5 786	10 691
Total	15 293	(1 109)	14 184

Despite the significant drop in sales during the year ended January 31, 2021, following the temporary store closures on two different occasions due to COVID-19, the Company managed to improve its retail operating results during the year by \$19,621,000 or an after tax increase of \$15,293,000.

Annual financial information

(\$ in thousands, except for per share amounts)

	<u>January 31, 2021</u>	<u>January 31, 2020</u>
	\$	\$
Revenue	649 056	720 169
Net earnings	54 842	36 034
Total assets	450 207	382 040
Net earnings per share basic and diluted	1,61	1,05
Dividends per share	0,29	0,28

Financial position and dividends

Cash, net of the bank overdraft, and investments increased by \$51,107,000 during the year ended January 31, 2021. Investments consist of liquidities bearing interest, government and corporate bonds and common shares, which at the close of the year had a market value of \$175,092,000 (including cash net of bank overdraft).

As at January 31, 2021, the working capital showed a deficit of \$34,606,000, an increase of \$15,139,000 compared to the year ended January 31, 2020. The Company's shareholders' equity increased from \$216,624,000 as at January 31, 2020, to \$270,708,000 as at January 31, 2021. As at January 31, 2021, the book value per share stood at \$7.99, compared to \$6.35 as at January 31, 2020.

Pursuant to the normal course issuer-bid put in place on April 15, 2019, and renewed on April 15, 2020, accordingly, 208,000 common shares were repurchased and cancelled by the Company. As a result of this change, the Company had as at January 31, 2021, 33,880,000 common shares issued and outstanding.

During the year ended January 31, 2021, no options were granted. As at April 1st, 2020, options regarding 197,100 Common Shares expired and were cancelled as they were out of money. As at April 1st, 2020, the closing price of the Common Shares on the Toronto Stock Exchange was \$5.97. The Company may still grant pursuant to the Plan a total of 5,710,864 options, representing 16.86% of the issued and outstanding shares of the Company.

During the fiscal year ended January 31, 2021, the Company paid eligible dividends totalling \$0.29 per common share to holders.

Company pension plans and treatment of future actuarial gains and losses

As at January 31, 2021, the Company established the accounting cost of pension benefits according to IFRS.

The accounting cost of pension benefits earned by employees is determined by actuarial calculations based on management's best estimate assumptions.

In accordance with IFRS, a discount rate of 2.80% for the supplementary pension plan (SPP) and 2.65% for the additional supplemental pension plan (APP) was used as at January 31, 2021, whereas a discount rate of 2.65% and 2.60% was used respectively as at January 31, 2020. The discount rates must reflect the rate of return of high-quality corporate bonds, which cash flows match those of the pension plans.

According to IFRS, the plans presented a deficit of \$27,719,000 as at January 31, 2021. As at January 31, 2020, the deficit was \$41,124,000. The financial position of the pension plans has improve over the last year. This change is mainly due to the decrease of the present value of obligations arising from the increase in the discount rates.

For the period between February 1, 2020 and January 31, 2021, the pension expense (including the defined contribution component) amounted to \$8,394,000 while contributions made by the Company for all plans combined amounted to \$6,532,000, of which the totality was for current service (compared to a pension expense of \$7,600,000 for the period ended January 31, 2020).

The current IFRS result in a relatively predictable pension expense. For the year ending January 31, 2022, the pension expense is estimated to be between \$9,500,000 and \$10,500,000.

An actuarial valuation for funding purposes of the SPP as at December 31, 2018, revealed a surplus on a going-concern basis of \$54,200,000 and a deficit on a solvency basis of \$5,600,000. The Company has no special payments to make, since there is a surplus on a going-concern basis and the stabilization provision is fully funded. The next actuarial valuation for funding purposes, will be completed as at December 31, 2021.

As at January 1, 2016, the SPP was modified in a way that any eligible employee hired after December 31, 2015 is solely entitled to defined contribution benefits.

Related party transactions

For the year ended January 31, 2021, the Company paid management fees of \$1,665,000 (compared to \$1,624,000 for the year ended January 31, 2020), to Gestion Maurice Tanguay, a company controlled by certain officers of the Company. This management contract started in 1990 and is renewed annually.

The Company is bound by leases expiring in December 2024, for which a lease liability of \$2,153,000 is recorded as at January 31, 2021.

For the year ended January 31, 2021, depreciation of \$528,000 relating to the right-of-use asset and a \$100,000 interest expense were recognized in earnings in connection with these leases.

Lease liability

Payments due by period

(\$ in thousands)

	Carrying amount	Contractual cash flows	Under 1 year	2 - 5 years	After 5 years
Lease liability	15 295	16 896	4 282	10 718	1 896

Accounting policies and accounting estimates

The accounting policies used in preparing the consolidated financial statements are described in Note 3 to the consolidated financial statements.

The main estimates discuss allowances on inventories and supplier rebates receivable. Inventory allowances are taken for obsolete and/or damaged products as well as for slow inventory turnover items. The allowances are based on many years of historic experience. As for supplier rebates, a reasonable estimate of accrued amounts receivable is determined based on existing agreements with the Company's suppliers. Rebates for unsold merchandise are deducted from the value of the inventories at the date of the consolidated financial statements.

Financial instruments

The Company operates retail outlets in 32 locations across Quebec. A significant portion of the Company's sales are realized through the offering of financing solutions, by third-party credit providers, to the Company's customers. The cost of financing these sales is assumed by the Company, and is expensed, as the associated sales are realized. The Company assumes no credit risk in these transactions. The Company's working capital is composed primarily of accounts receivable, customer deposits, inventory and cash, while its short-term liabilities are towards suppliers of goods and services, as well as the debt relating to the stock option plan. The change in working capital reflects the associated fluctuations in all of the constituent accounts incurred during the normal course of the Company's activities. The Company has a positive cash position, which is invested in various financial instruments.

The Company records its investments at market value as indicated in Note 3 and Note 7 to the consolidated financial statements as at January 31, 2021. The Company has no hedges against its investments in US funds and assumes 100% of any fluctuations in the markets for these investments. Furthermore, the Company assumes the risks interest rate fluctuations have on its fixed-income investments, as well as the risks stock market fluctuations have on the value of investments in publicly traded companies.

The Company owns most of its stores and distribution centers, such that commitments regarding leasing contracts and lease liabilities are relatively insignificant with regard to its overall activities as detailed in Note 9 of the consolidated financial statements as of January 31, 2021. The Company holds no hedging contracts or any other type of derivative products.

Quarterly results

(\$ in thousands, except for per share amounts)

	April 30, 2020	April 30, 2019	July 31, 2020	July 31, 2019
	\$	\$	\$	\$
Revenue	100 445	150 310	175 973	215 067
Net earnings	(12 427)	(3 455)	19 579	13 480
Net earnings per share				
Basic and diluted	(0,36)	(0,10)	0,57	0,39

	October 31, 2020	October 31, 2019	January 31, 2021	January 31, 2020
	\$	\$	\$	\$
Revenue	194 352	183 312	178 286	171 480
Net earnings	20 775	10 649	26 915	15 360
Net earnings per share				
Basic and diluted	0,61	0,31	0,79	0,45

For the three-month period ended January 31, 2021, the Company's revenues increased by \$6,806,000 to \$178,286,000, compared to \$171,480,000 recorded for the corresponding 2020 period, a 3.97% increase, despite the fact that all 32 points of sale of the Company were closed for 37 consecutive days during the quarter leaving only online sales possible during this period. Net earnings for the three-month period ended January 31, 2021, amounted to \$26,915,000 compared to \$15,360,000 recorded for the corresponding 2020 period. Basic net earnings per share increased to \$0.79 compared to \$0.45 for the corresponding 2020 period.

For the three-month period ended January 31, 2021, the share repurchase program had no impact on basic net earnings per share.

During the year ended January 31, 2020, the Company proceeded with the sale of the Kirkland store for an amount of \$4,915,000 resulting in an after-tax gain of \$1,048,000 or \$0.03 per basic share.

The Company determined that it met the eligibility criteria and applied for the Canadian Emergency Wage Subsidy (CEWS) during the quarter ended January 31, 2021. The Company received \$1,912,000 after-tax which contributed to an increase of \$0.06 on basic net earnings per share.

The variation in adjusted net earnings would be \$10,691,000 or \$0.31 per basic share for the year ended January 31, 2021 and is explained as follows:

(\$ in thousands)

	January 31, 2021	January 31, 2020
Net earnings	26 915	15 360
Gain on disposal of land (after-tax)	-	(1 048)
CEWS (after-tax)	(1 912)	-
Adjusted net earnings	25 003	14 312
Minus: Adjusted net earnings for 2020	14 312	
Variation	10 691	

Operations

BMTC Inc.

The Company continues to restructure all of its websites and the first phase of the implementation of a distinct e-commerce platform for its banners Brault & Martineau and EconoMax is now completed and operational. The process of implementation will continue throughout 2021 for the following phases as well as the restructuring for all the other banners of the Company. The Company also reviewed its IT systems in to order standardize them throughout the banners, as well as to allow them to be more aligned with its e-commerce strategies. Following this review, the Company decided to invest and to modify its existing IT systems, the integration and implementation which will continue for a 3 to 5 year period.

Brault & Martineau Division

On November 6, 2019, the Company proceeded with the sale of the Kirkland store. During this same transaction, the Company purchased land along the Autoroute 40 in the city of Kirkland in order to build a new Brault & Martineau store of approximately 80,000 square feet which replaced the actual Kirkland store. On this same land, the Company built an EconoMax store of approximately 50,000 square feet which replaced the EconoMax store on Côte-Vertu. The new stores opened on October 27th, 2020.

The Company continues the evaluation process for different sites as well as its existing stores to modify them or in certain cases proceed with the reconstruction of a new store based on its new prototype. The new Kirkland store will be the second of the banner to be modified. The Company anticipates that in the next few years it will incur costs related to the modification and improvement of its actual network is to be considered.

Risk factors and market tendencies

The Company operates a furniture, electronic and household appliance retail business, and is therefore subject to many risk factors such as:

- Sensitivity to general economic conditions
- Reliance on key personnel
- Investment portfolio risks
- Third-party credit providers for financing solutions to clients
- Labour relations with employees, some of whom are unionized
- Maintaining profitability and managing growth
- Highly competitive nature of the retail industry
- Effectiveness of its marketing programs
- Capacity to anticipate changes in fashion trends and consumer tastes
- Retention of senior management

The Company is also dependent on its management information systems, its distribution operations, and its suppliers.

For a number of years, we have seen an increasing presence of strong competitors operating on a national and international level. Furthermore, the Company has witnessed a deflationary trend in many products that it sells, forcing it to innovate by bringing new products to market.

The majority of sales are realized using financing solutions offered by third-party credit providers. A significant increase in interest rates or a tightening of credit conditions could have a significant impact on the Company's sales. There are no guarantees the Company will be able to continue procuring such advantageous financing solutions for its customers, which in the past has permitted the Company to maintain its growth.

It is impossible to isolate and measure the importance of each individual risk to which the Company is exposed. In the past, the Company has managed to adapt to these changes and maintain its market share notably by aggressive marketing campaigns and efficient management.

Management discussion and outlook for the future of the Company

On March 11th, 2020, the World Health Organization declared COVID-19 a global pandemic. The financial impact of COVID-19 began to manifest itself by a decrease in store traffic and consequently store revenues in the early weeks of March 2020. Following the rapid rise of COVID-19 cases in the province of Quebec, our priority during this difficult period remains at all times the health and safety of our employees and clients. In order to protect the Quebec population and to prevent the spread of COVID-19 by encouraging social distancing initiatives recommended by both levels of government, the Company decided on March 18th, 2020, to temporarily close its retail sales network, namely our Ameublements Tanguay subsidiary in the Quebec City area and the Brault & Martineau and EconoMax banners in the Montreal area. On March 23rd, 2020, the Quebec government announced, for the same reason, the closure of all non-essential retail stores across the province.

In order to address the devastating effects of COVID-19 and to assure its short and long-term financial health, the Company decided to maintain its operations at a strict minimum level while preserving its presence in our market and controlling its working capital position. The following actions were undertaken by the Company during these last weeks in order to support its operating and working capital objectives:

- Following the closure of our retail sales network on March 18th, 2020, the Company temporarily laid off approximately 75% of its personnel, the vast majority stemming from our retail stores.
- The online and delivery services remained operational across Quebec to ensure the population in confinement the ability to rely on essential goods while respecting government-mandated security protocols. We modified our services to offer contactless home delivery.
- During this period, the Company introduced several measures and protocols in preparation for the reopening of our stores across our sales network to ensure and protect the health and security of our employees and our clients. These new measures and protocols will be in effect until the end of the COVID-19 pandemic.
- The Company has also made technological and operational improvements to its sales network. These modifications will allow us to reduce our fixed costs and will contribute to our initiatives of effective cost controls.
- The Company applied and was granted the Canadian Emergency Wage Subsidy from the Government of Canada (CEWS).

During the year ended January 31st, 2021, the Company delivered strong operational results, despite the negative financial impact of COVID-19.

The decrease in revenues during the year was recorded during the first semester ended July 31, 2020 and was entirely due to the temporary physical store closures during this period. During the first quarter, the Company had all its 32 points of sale closed for a period of 43 consecutive days, leaving only online sales operational. The loss of revenues arising from the first quarter store closures amounted to \$52,029,000. During the second quarter, the Company had a total of 15 points of sale closed for a period of 25 consecutive days while the other 17 points of sale were closed for the first 5 days of the quarter, again leaving only online sales operational. The loss of revenues arising from the second quarter store closures amounted to \$25,465,000. Finally, during the last quarter ended January 31, 2021, the Company had all its 32 points of sale closed for a period of 37 consecutive days, leaving only online sales operational, despite this, the Company managed to increase its revenues by \$6,806,000 or 3.97%. On February 1st, 2021, the Company still had all its 32 points of sale closed for a period of 7 consecutive days, leaving again only online sales operational.

During the closure of our retail stores on two occasions during the financial year of 2021, from March 19th to May 3rd, 2020 and from December 26th, 2020 to January 31st, 2021, online sales increased significantly. Despite this significant increase, the online sales only partially compensated for in-store sales for the 2019 and 2020 corresponding periods.

In order to mitigate the loss of revenues during these closures, the Company proactively aligned its cost structure accordingly. The Company intends to maintain these measures throughout the first semester of fiscal year 2022, in order to protect the Company's viability and preserve its working capital during these highly uncertain times. Thanks to these new measures the Company believes it will be able to produce positive operating results.

In-store sales increased significantly, between 45% and 80%, in the days following their re-opening, compared to the same periods in 2019 and 2020. This increase, however, has slowed down in the weeks following the reopenings to stabilize with an increase of approximately 4.5% compared to the corresponding period of 2019 and 2020. In addition, online sales continued to increase significantly during this period compared to the corresponding period of 2019 and 2020.

The Company continues to focus on online sales, which experienced a record increase since the start of the pandemic, by actively pursuing the improvement of its digital platforms, its live chat initiative with online customers as well as the improvement of our telephone sales department for all of the BMTC Group Inc. banners.

It is also Management's opinion that the digital platforms of our banners are essential in order to allow the Company to increase its market shares as well as to allow customers to start their shopping experience online to then complete their purchases in one of our stores with the help of our sales representatives.

The Company was able to increase significantly its revenues during the periods where stores remained opened compared to results during the corresponding 2019 periods. This was partly due to improvements in marketing and strategic measures implemented, our extensive store network and the strength of digital platforms, which have enabled the Company to increase its market share in Quebec. On the other hand, Management is aware that this increase is also partly due to the fact that it has benefited from a transfer of consumer spending related to the restrictions imposed by the various levels of government due to COVID-19 pandemic, more precisely the restrictions related to travel, the closure of restaurants and all forms of entertainment in the cultural and sporting world.

The new measure related to COVID-19 which the Company had to implement in its stores and distribution centers and the effects of the closures and re-openings of our stores had a significant impact on the Company's operational costs during the year ended January 31st, 2021. Despite these additional costs, the Company still managed to improve its operating results.

During the year ended January 31st, 2021, the Company also managed to significantly improve its net earnings, by recording an increase of \$18,808,000 or 52% compared to the corresponding period of 2020. This increase was in part possible due to technological improvements and the constant attention put on operational efficiency. The Company also benefited from the Canadian Emergency Wage Subsidy from the Government of Canada for the year ended January 31st, 2021, which contributed to an increase of \$0.17 on basic net earnings per share.

As at January 31st, 2021, cash net of the bank overdraft and investments had a market value of \$175,092,000, an increase of \$ 51,107,000 during the fiscal year. The Company's financial position will allow it to weather through this period of uncertainty with more ease. Also, the Company owns nearly all its stores and distribution centers, which reduces pressure on cash flow requirements.

As a result of the increase in sales since the gradual reopening of our stores, the Company was able to call-back about 75% of its sales staff. The Company must continue to respect social distancing as well as the maximum number of people allowed in a commercial establishment due to the regulations set by the provincial government with COVID-19, thus limiting the number of possible sales staff per store.

The rehiring of temporarily laid-off employees is in progress and proceeding as the situation evolves. The Company has actively worked to promote a call-back of its employees as soon as possible and according to operational needs.

Finally, since mid-June, the Company has had issues with its supply logistics. Many of the Company's suppliers, who have also been affected by the consequences of COVID-19, are unable to honour and deliver placed orders. This problem seems widespread in our industry and is not unique to the Company. Therefore, it is possible that this could have a negative impact on future results because orders on hand may not be able to be delivered due to this shortcoming.

It is difficult to predict the future level of consumer confidence and the possible impact on sales of BMTG Group Inc. Management is confident that the Company's operational efficiency during this crisis, its market leadership and solid financial position will allow us to emerge a stronger organization despite these difficult market conditions and maintain its objectives increasing its market share and profitability in Quebec.

We would like to take this opportunity to thank all our fellow citizens who are relentlessly working day and night with extreme dedication to reduce spread of COVID-19 and who are caring for those who have been infected. Our thoughts are also with all those who have in any way been affected by the virus.

Disclosure controls and procedures (DCPs) and internal controls over financial reporting (ICRF)

The Company's management evaluated, as at January 31, 2021, the effectiveness of the design and operation of its DCPs and ICFR, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation was performed under the supervision of the Company's President and Chief Executive Officer (CEO) as well as the Chief Financial Officer (CFO). Based on such evaluation of ICFR, the President and CEO and CFO have concluded that the Company's DCPs and ICFR were effective as at January 31, 2021.

No changes were made in the Company's ICFR during the period beginning on November 1st, 2020 and ended January 31, 2021, which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Other information

This Annual Management Report for the year ended January 31, 2021 provides an analysis of the consolidated results of operations, financial position, and cash flows of the Company and its

Additional information relating to the Company is available on the Company's website at www.bmtc.ca as well as on SEDAR at www.sedar.com.

This Annual Management Report is intended to assist in the understanding and assessment of significant changes and trends, as well as risks and uncertainties, related to the results of operations and financial position of the Company.

(s) Marie-Berthe Des Groseillers

Marie-Berthe Des Groseillers
President and Chief Executive Officer
April 22nd, 2021