

Quarterly Management Report *

Caution regarding forward-looking statements

This Quarterly 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 Quarterly 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 Quarterly 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 Quarterly 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 MD&A 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 first semester ended July 31, 2021, the Company's revenues increased by \$132,414,000 to \$408,832,000 compared to \$276,418,000 recorded in the corresponding 2020 period, a 48% increase. Net earnings for first semester ended July 31, 2021, amounted to \$39,162,000 compared to \$7,152,000 recorded in the corresponding 2020 period. Basic net earnings per share amounted to \$1.16 compared to \$0.21 recorded in the corresponding 2020 period.

For the first semester ended July 31, 2021, the share repurchase program contributed to an increase in basic earnings of 0.01\$ per share where during the corresponding 2020 period, it had no impact on basic net earnings or losses per share.

The Company met the eligibility criteria for the Canadian Emergency Wage Subsidy (CEWS) during the last quarter ended April 30, 2021. The Company received \$1,244,000 after-tax which contributed to an increase of \$0.04 on basic net earnings per share.

The Company has chosen to provide readers in this quarterly management report the results for the comparable periods ending July 31, 2019 and 2018 in addition to those of July 31, 2020. Management believes that the results for the corresponding period of 2020 are not representative of the normal course results of the company. The impact of COVID-19 on the corresponding period 2020 makes it difficult to compare and analyze the results.

The variation in adjusted net earnings would be \$30,766,000 or \$0.90 per basic share for the semester period ended July 31, 2021, as well as the comparable periods of 2019 and 2018 is explained as follows:

	(Unaudited and \$ in thousands)			
	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018
Net earnings	39 162	7 152	10 025	21 739
Gain on disposal of fixed assets (after-tax)	-	-	-	(4 522)
Variation in cost of options (after-tax)	-	-	(85)	(162)
CEWS (after-tax)	(1 244)	-	-	-
Adjusted net earnings	37 918	7 152	9 940	17 055
Minus: Adjusted net earnings for the previous period	7 152	9 940	17 055	13 971
Variation	30 766	(2 788)	(7 115)	3 084

The variations in net adjusted earnings is allocated as follows for the six month periods ended July 31, 2021, 2020, 2019 and 2018:

(Unaudited and \$ in thousands)

	Increase (decrease) in retail operations	Increase (decrease) in investment	Increase (decrease) in adjusted net earnings
As at April 30, 2021	5 733	15 929	21 662
As at July 31, 2021	7 524	1 580	9 104
Total	13 257	17 509	30 766
As at April 30, 2020	784	(9 695)	(8 911)
As at July 31, 2020	1 707	4 416	6 123
Total	2 491	(5 279)	(2 788)
As at April 30, 2019	(5 586)	1 924	(3 662)
As at July 31, 2019	(1 869)	(1 584)	(3 453)
Total	(7 455)	340	(7 115)
As at April 30, 2018	1 934	(1 815)	119
As at July 31, 2018	1 870	1 095	2 965
Total	3 804	(720)	3 084

During the first semester ended July 31, 2021, the Company managed to improve its retail operating results by \$18,304,000 or an after-tax increase of \$13,293,000.

Annual financial information

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

	January 31, 2021	January 31, 2020	January 31, 2019	January 31, 2018 (13 months)
	\$	\$	\$	\$
Revenue	649 056	720 169	742 474	812 689
Net earnings	54 842	36 034	45 165	49 335
Total assets	450 207	382 040	367 624	312 569
Net earnings per share basic and diluted	1,61	1,05	1,29	1,36
Dividends per share	0,29	0,28	0,28	0,24

Financial position and dividends

Cash, net of the bank overdraft, and investments increased by \$73,397,000 during the first semester ended July 31, 2021. Investments consist of treasuries bearing interest, government and corporate bonds and common shares, which at the close of the semester had a market value of \$248,489,000 (including cash net of bank overdraft).

As at July 31, 2021, the working capital showed a deficit of \$24,025,000, a decrease of \$10,581,000 compared to the year ended January 31, 2021. The Company's shareholders' equity increased from \$270,708,000 as at January 31, 2021, to \$301,610,000 as at July 31, 2021. As at July 31, 2021, the book value per share stood at \$8.96, compared to \$7.99 as at January 31, 2021.

Pursuant to the normal course issuer-bid put in place on April 15, 2020, and renewed on April 15, 2021, accordingly, 201,200 common shares were repurchased and cancelled by the Company. As a result of this change, the Company had as at July 31, 2021, 33,678,800 common shares issued and outstanding.

During the semester ended July 31, 2021, no options were granted. The Company may still grant pursuant to the Plan a total of 5,710,864 options, representing 16.96% of the issued and outstanding shares of the Company.

Company pension plans

The pension expense for all plans for the three month and six month periods ended July 31, 2021, amounted to \$1,838,000 and \$3,460,00 (compared to \$1,434,000 and \$2,851,000 for the three month and six periods ended July 31, 2020).

Contributions paid by the Company for all plans for the three month and six month periods ended July 31, 2021, amounted to \$1,433,000 and \$2,649,000 (compared to \$1,089,000 and \$2,161,000 for the three month and six periods ended July 31, 2020).

Related party transactions

The Company is bound by leases expiring in December 2024, for which a lease liability of \$1,897,000 is recorded as at July 31, 2021.

For the semester ended July 31, 2021, depreciation of \$264,000 relating to the right-of-use asset and a \$42,000 interest expense were recognized in earnings in connection with these leases.

Lease liability

Payments due by period

(Unaudited and \$ in thousands)

	Carrying amount	Contractual cash flows	Under 1 year	2 - 5 years	After 5 years
Lease liability	13 363	14 663	4 098	9 042	1 523

Accounting policies and accounting estimates

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

Financial instruments

The Company operates retail outlets in 31 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 unaudited interim consolidated financial statements as at July 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 unaudited interim consolidated financial statements as of July 31, 2021. The Company holds no hedging contracts or any other type of derivative products.

Quarterly results

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

	April 30 2021	April 30 2020	April 30 2019	April 30 2018
Revenue	177 208	100 445	150 310	162 754
Net (loss) earnings	10 479	(12 427)	(3 455)	4 806
Net (loss) earnings per share Basic and diluted	0,31	(0,36)	(0,10)	0,13
	July 31 2021	July 31 2020	July 31 2019	July 31 2018
Revenue	231 624	175 973	215 067	220 368
Net earnings	28 683	19 579	13 480	16 933
Net earnings per share Basic and diluted	0,85	0,57	0,39	0,48
	October 31 2020	October 31 2019	October 31 2018	
Revenue	194 352	183 312	184 718	
Net earnings	20 775	10 649	11 613	
Net earnings per share Basic and diluted	0,61	0,31	0,34	
	January 31 2021	January 31 2020	January 31 2019	
Revenue	178 286	171 480	174 634	
Net earnings	26 915	15 360	11 813	
Net earnings per share Basic and diluted	0,79	0,45	0,34	

For the three month period ended July 31, 2021, the Company's revenues increased by \$55,651,000 to \$231,624,000, compared to \$175,973,000 recorded for the corresponding 2020 period, a 31.6% increase. Net earnings for the three month period ended July 31, 2021, amounted to \$28,683,000 compared to \$19,579,000 recorded for the corresponding 2020 period. Basic net earnings per share increased to \$0.85 compared to \$0.57 for the corresponding 2020 period.

For the three month period ended July 31, 2021 and 2020, the share repurchase program had no impact on basic net earnings per share.

The variation in adjusted net earnings would be \$9,104,000 or \$0.28 per basic share for the three month period ended July 31, 2021 and is explained as follows:

(Unaudited and \$ in thousands)

	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018
Net earnings	28 683	19 579	13 480	16 933
Gain on disposal of fixed assets (after-tax)	-	-	-	-
Variation in cost of options (after-tax)	-	-	(24)	(24)
CEWS (after-tax)	-	-	-	-
Adjusted net earnings	28 683	19 579	13 456	16 909
Minus: Adjusted net earnings for the previous period	19 579	13 456	16 909	13 944
Variation	9 104	6 123	(3 453)	2 965

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

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 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 first quarter of 2020, the Company had all of 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 store closures during this period amounted to \$52,029,000. During the second quarter of 2020, the Company had 15 points of sale closed for a period of 25 consecutive days, leaving only online sales operational. The loss of revenues arising from the store closures during this period amounted to \$25,465,000.

The Company has proactively aligned its cost structure in order to mitigate the loss of revenues incurred during the last fiscal year due to the store closures. The Company intends to maintain these measures throughout the 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.

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 period quarter ended July 31, 2021 compared to results during the corresponding 2020 period as well as the corresponding 2019 and 2018 periods. In fact, the Company recorded one of the highest revenues in its history. This is 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.

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.

The Company is faced today with two major problems. On May 5, 2021, the Canadian federal government imposed tariffs of up to 295% on upholstered furniture imported from Vietnam and China while not allowing any grace period either for orders in production or for products already in transit to Canada, which can take up 3 to 4 months to reach our ports.

The majority of these products in production as well as those in transit to Canada have already been sold to our customers. It is not possible for the Company to add these new tariffs to the price tags of these products since it increases by more than four times the price initially paid by our customers. The Company will therefore incur significant losses on the sale of these products in order to honor existing contracts with our customers.

Secondly, the Company was able to cancel the production of products affected by these tariffs with some of our suppliers. However, some of these orders have already been sold to our customers, so if the Company is unable to replace it with a similar product at a reasonable price, those sales will need to be canceled. As a result, the Company could be subject to a slew of customers cancelling orders.

It is difficult to predict the future level of consumer confidence and the possible impact on sales of BMTC 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.

Complaints about unfairly priced Chinese and Vietnamese-made products have been a long simmering issue in the furniture business. Although, when the Canadian federal government announced it was seeking to level the playing fields with tariffs, everyone in the industry was expecting tariffs in the range of 10 to 20 per cent, similar to what the U.S. recently implemented. The tariffs imposed so far are preliminary, which means they can be raised, lowered or removed altogether when the government finishes its investigation into the matter later this summer.

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 to 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 May 1st, 2021 and ended July 31, 2021, which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Other information

This Quarterly Management Report ended July 31, 2021 provides an analysis of the unaudited consolidated results of operations, financial position, and cash flows of BMTC Group Inc. and its subsidiary.

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 Quarterly 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
September 9th, 2021