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 2023 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, unless otherwise indicated, is in Canadian dollars and has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Results

For the year ended January 31, 2023, the Company's revenues decreased by $101,473,000 to $717,972,000 compared to $819,445,000 recorded for the year ended January 31, 2022, a 12.4% decrease. Net earnings for the year ended January 31, 2023, amounted to $40,838,000 compared to $81,931,000 recorded for the year ended January 31, 2022. Basic net earnings per share amounted to $1.23 compared to $2.43 recorded for the year ended January 31, 2022.

For the year ended January 31, 2023, the share repurchase program contributed to an increase of $0.01 on basic net earnings per share, whereas during the year ended January 31, 2022, it contributed to an increase of $0.02 on basic net earnings per share.

The Company met the eligibility criteria for the Canadian Emergency Wage Subsidy (CEWS) during the year ended January 31, 2022. The Company received $1,441,000 after-tax which contributed to an increase of $0.04 on basic net earnings per share.

The variation in adjusted net earnings would be ($39,652,000) or ($1.19) per basic share for year ended January 31, 2023, as well as the comparable period ended January 31, 2022, are explained as follows:

	($ in thousands)	
	January 31, 2023	January 31, 2022
Net earnings	**40 838**	81 931
CEWS (after-tax)	**-**	(1 441)
Adjusted net earnings	**40 838**	80 490
Minus: Adjusted net earnings for 2022	**80 490**	
Variation	**(39 652)**	

The variations in net adjusted earnings is allocated as follows :

	($ in thousands)		
	Increase (decrease) in retail operations	Increase (decrease) in investment	Increase (decrease) in adjusted net earnings
As at April 30, 2022	1 670	(10 098)	(8 428)
As at July 31, 2022	(6 428)	(8 009)	(14 437)
As at October 31, 2022	(6 089)	(56)	(6 145)
As at January 31, 2023	**(15 693)**	**5 051**	**(10 642)**
Total	**(26 540)**	**(13 112)**	**(39 652)**

Annual financial information

($ in thousands, except for per share amounts)

	January 31, 2023	January 31, 2022
	$	$
Revenue	**717 972**	819 445
Net earnings	**40 838**	81 931
Total assets	**581 964**	549 926
Net earnings per share basic and diluted	**1,23**	2,43
Dividends per share	**0,36**	0,34

Financial position and dividends

Cash and investments, net of bank overdraft, decreased by $17,696,000 during the year ended January 31, 2023. Investments consist of treasuries bearing interest, government and corporate bonds and common shares, which at the close of the quarter had a market value of $219,630,000 (including cash).

As at January 31, 2023, the working capital showed a surplus of $21,566,000, an increase of $21,935,000 compared to the year ended January 31, 2022. The Company's shareholders' equity increased from $387,866,000 as at January 31, 2022, to $440,899,000 as at January 31, 2023. As at January 31, 2023, the book value per share stood at $13.34, compared to $11.60 as at January 31, 2022.

Pursuant to the normal course issuer-bid put in place on April 15, 2022, and renewed on April 15, 2023, accordingly, 382,600 common shares were repurchased and cancelled by the Company. As a result of this change, the Company had as at January 31, 2022, 33,040,400 common shares issued and outstanding.

During the year ended January 31, 2023, no options were granted. The Company may still grant pursuant to the Plan a total of 5,710,864 options, representing 17.28% of the issued and outstanding shares of the Company.

During the fiscal year ended January 31, 2023, the Company paid eligible dividends totalling $0.36 per common share to holders.

Company pension plans and treatment of future actuarial gains and losses

As at January 31, 2023, 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 4.70% for the supplementary pension plan (SPP) and 4.70% for the additional supplemental pension plan (APP) was used as at January 31, 2023, whereas a discount rate of 3.50% and 3.45% was used respectively as at January 31, 2022. 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 surplus of $76,617,000 as at January 31, 2023. As at January 31, 2022, the surplus was of $41,761,000. The financial position of the pension plans has improved 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, 2022 and January 31, 2023, the pension expense (including the defined contribution component) amounted to $8,984,000 while contributions made by the Company for all plans combined amounted to $3,622,000, of which the totality was for current service (compared to a pension expense of $8,482,000 for the period ended January 31, 2022).

The current IFRS result in a relatively predictable pension expense. For the year ending January 31, 2024, the pension expense is estimated to be between $2,100,000 and $3,100,000.

An actuarial valuation for funding purposes of the SPP as at December 31, 2021, revealed a surplus on a going-concern basis of $91,500,000 and a surplus on a solvency basis of $54,300,000 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, 2024.

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, 2023, the Company paid management fees of $1,785,000 (compared to $1,705,000 for the year ended January 31, 2022), to Gestion Maurice Tanguay, a corporation controlled by Mr. Jacques Tanguay. The management contract ensures the management of the activities of Brault & Martineau, Economax and Ameublements Tanguay divisons. The contract is renewed annually for a 12 month period unless notice to the contrary is given by either party to the agreement.

The Company is bound by leases expiring in December 2024, for which a lease liability of $1,098,000 is recorded as at January 31, 2023.

For the year ended January 31, 2023, depreciation of $528,000 relating to the right-of-use asset and a $58,000 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	**8 726**	**9 350**	**3 560**	**5 181**	**609**

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 30 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 include bank overdraft, suppliers of goods and services, customer deposits, employee benefits liabilities and lease liability. 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, 2023. 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, 2023. The Company holds no hedging contracts or any other type of derivative products.

Quarterly results

($ in thousands, except for per share amounts)

	April 30, 2022	April 30, 2021	**July 31, 2022**	July 31, 2021
	$	$	**$**	$
Revenue	**175 659**	177 208	**218 939**	231 624
Net earnings	**807**	10 479	**14 246**	28 683
Net basic earnings per share	**0,02**	0,31	**0,43**	0,85

	October 31, 2022	October 31, 2021	**January 31, 2023**	January 31, 2022
	$	$	**$**	$
Revenue	**175 559**	213 955	**147 815**	196 658
Net earnings	**13 847**	20 189	**11 938**	22 580
Net basic earnings per share	**0,42**	0,60	**0,36**	0.67

For the three month period ended January 31, 2023, the Company's revenues decreased by $48,843,000 to $147,815,000, compared to $196,658,000 recorded for the corresponding 2022 period, a 24.8% decrease. Net earnings for the three month period ended January 31, 2023, amounted to $11,938,000 compared to $22,580,000 recorded for the corresponding 2022 period. Basic net earnings per share decreased to $0.36 compared to $0.67 for the corresponding 2022 period.

For the three month period ended January 31, 2023, the share repurchase program contributed to a decrease of $0.01 on basic net earnings per share, whereas during the corresponding 2022 period, contributed to an increase of $0.01 on basic net earnings per share.

The variation in adjusted net earnings would be ($10,642,000) or ($0.32) per basic share for the three month period ended January 31, 2023, as well as the comparable 2022 period, are explained as follows:

	($ in thousands)	
	January 31, 2023	January 31, 2022
Adjusted net earnings	**11 938**	22 580
Minus: Adjusted net earnings for 2022	**22 580**	
Variation	**(10 642)**	

Operations

BMTC Inc.

On September 12th, 2022, the Company started the migration to a single IT system for all of its banners. We are pleased to announce that the IT system implementation and integration process, including its e-commerce platform, was successfully completed on December 5th, 2022, and is fully operational. We are very proud of our IT employees who delivered ahead of schedule, as was reported in our last management report, roll out was initially planned for the end of the year. All of our employees have received complete training on our new system and in this very short period of time of being fully operational, we can already notice important value added as well as time and cost

This IT standardisation has allowed the Company to create significant operational synergies. We have now completed the merger of our administrative and operational services of Brault & Martineau, EconoMax and Tanguay banners and therefore created broad and diversified teams that are better able to cope with the realities of business today. During the next few months of operating with only one IT system and e-commerce platform, we will continue to review our administrative and operational services and we believe we will be able to improve our efficiency and be even more cost effective.

These important changes come at an opportune time for the Company. The difficulty of obtaining skilled labour, the retail trade that is constantly changing and evolving, the competition that is now spread across Canada and the United States of America and the shift of consumer spending towards e-commerce means that this change will allow the Company to be much more agile in its business decisions. We believe that the IT standardisation as well as the organisational and structural changes will enable the Company to maintain its leadership in its market, as well as significantly improve its profitability and financial structure and continue its objectives of increasing its market share in Quebec.

On December 1st, 2022, BMTC Group Inc. proceeded with a simplified vertical merger with its subsidiary Ameublements Tanguay Inc. The structure of BMTC Group Inc. is now formed of three divisions, Brault & Martineau, EconoMax and Ameublements Tanguay divisions and its subsidiary Le Corbusier-Concorde S.E.C..

The Company entered into a partnership agreement for the development of its property at 500 boulevard Le Corbusier in Laval into several residential rental towers. The Company created a new subsidiary, Le Corbusier-Concorde S.E.C. for this real estate project on January 31st, 2022. The Company is still negotiating and waiting for permits with the city of Laval for this project. Once the green light from the city of Laval is obtained, The Company will therefore be able to disclose the full extent of this real estate development.

The Company concluded on February 1, 2023, the sale of its distribution centre in Montreal for an amount of $66,500,000, resulting in an after-tax gain of $50,962,000, or $1.54 per basic share. The Company will remain a tenant under a 2 year lease with renewal options.

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

The Company continues to focus on online sales, which experienced a record increase since the start of the pandemic in 2020, 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 Companies 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.

It is difficult to predict the future level of consumer spending, although we are now seeing that the Company's results in the last quarter are not reflecting the performance of the last two years. This downward trend continued in subsequent months. We can therefore expect a significant drop, if the trend continues. This is partly explained by the high rate of inflation in terms of the cost of food, the cost of gas and the rise in interest rates, which has a direct impact on consumer spending. Also, management is aware that the increase in the last two years was partly due to the fact that the Company 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 other forms of entertainment in the cultural and sporting world. Since these restrictions are no longer in place, consumer spending has in part transfer back to these types of spending.

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

The Company's management evaluated, as at January 31, 2023, 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, 2023.

No changes were made in the Company's ICFR during the period beginning on November 1, 2022 and ended January 31, 2023, 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, 2023 provides an analysis of the consolidated results of operations, financial position, and cash flows of the Company 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 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 27, 2023