

# FirstService Corporation

## Investor Presentation

November 2017



**FirstService**

Creating value one step at a time

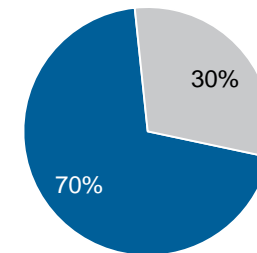
# Forward Looking Statements

Certain statements included herein constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, impact demand for the Company’s services, service industry conditions and capacity; the ability of the Company to implement its business strategy, including the Company’s ability to acquire suitable acquisition candidates on acceptable terms and successfully integrate newly acquired businesses with its existing businesses; changes in or the failure to comply with government regulations (especially safety and environmental laws and regulations); and other factors which are described in the Company’s filings with the Canadian securities regulators and the U.S. Securities and Exchange Commission.

# FirstService Corporation Overview

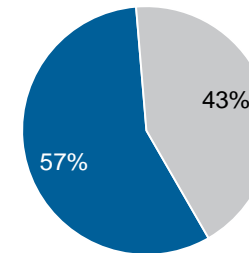
- Leader in essential outsourced property services in U.S. and Canada
  - FirstService Residential: Largest manager of residential communities
  - FirstService Brands: One of the largest providers of essential property services
- TTM Revenue: \$1.65BN<sup>(1)</sup>
- TTM Adjusted EBITDA: \$152MM<sup>(1)</sup>
- Geographic Revenue Split: 95% U.S. / 5% Canada
- 17,000 Employees
- Dual-listing on TSX and NASDAQ (Ticker: FSV)
- US\$0.49 per share annual dividend

## Revenue by Division (TTM)<sup>(1)</sup>



■ FirstService Residential ■ FirstService Brands

## EBITDA by Division (TTM)<sup>(1)(2)</sup>



■ FirstService Residential ■ FirstService Brands

(1) Trailing 12 months as of quarter ending September 30, 2017.

(2) Excludes unallocated corporate costs.

# Proven Business Model

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**Strategic Focus**

**Organic growth; enhanced through tuck-under acquisitions**

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**Service Excellence Culture**

**Strong client retention; repeat business; referrals**

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**High Proportion of Contractual Revenue**

**Highly predictable and recurring cash flow**

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**Modest Capex**

**Strong free cash flow and returns on capital**

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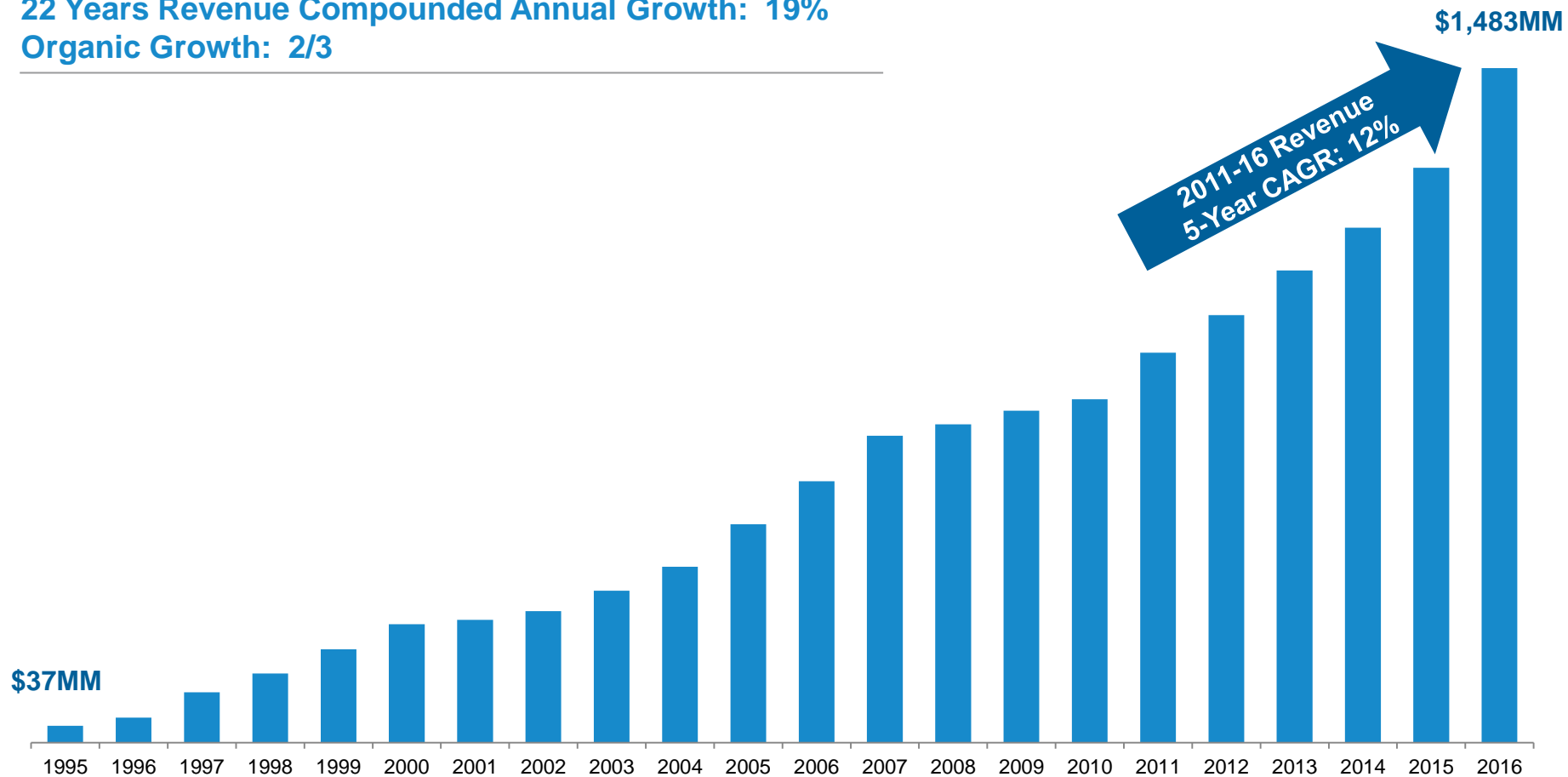
**Conservative Balance Sheet**

**Low financial leverage; well-capitalized to fund growth**

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# Two Decades of Consistent Growth

22 Years Revenue Compounded Annual Growth: 19%  
Organic Growth: 2/3



# Leading Position in Very Large Markets

## Market Structure and Position

- We Serve Multi-Billion Dollar Markets
- Modest Market Shares (1-5%)
- Fragmented Markets
- #1 Position in Virtually Every Service Line
- National Coverage

## Growth Opportunities

- Positive Growth Trends
- Significant Room for Organic Growth
- Consolidation via Tuck-Under Acquisitions
- Competitive Advantages



# FirstService Residential – What We Do

## Management Contracts – Property Types

- Condominiums / Co-operatives
- Homeowner Associations
- Master-planned
- Active adult / Life-style
- High-rise, mid-rise, townhouse, single family home



## Broad Range of Services

### Traditional

- Property Management
- Development Consulting
- Client Budget (collection & disbursements)
- Governance Oversight

### On-Site Staff

- Facility Maintenance & Engineering
- Front Desk / Concierge
- Pool & Amenity Management

### Transaction

- Transfers & Disclosures; Collections
- Financial Products (banking, insurance)
- Energy Management / Procurement



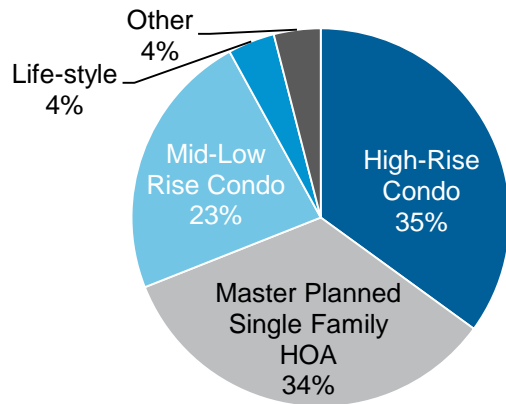
# FirstService Residential – Profile

2016 Revenues:	<b>\$1.1BN (&gt; 2x nearest competitor)</b>	<b>Scale enhances competitive position</b>
No. of Communities:	<b>7,900 total (2,750 high-rise condos)</b>	<b>Diversified clients &amp; properties with specialized operating expertise</b>
Market Position:	<b>1.6MM+ total units (5% market share)</b>	<b>Significant market leadership and future opportunity</b>
Contract Retention Rate:	<b>Mid-90%+</b>	<b>Sticky customer base; Consistent cash flow profile</b>
Annual HOA Client Budgets:	<b>\$7.5BN under administration</b>	<b>Opportunities to further penetrate existing portfolio with additional ancillary services</b>
No. of Employees:	<b>15,000</b>	<b>National coverage</b>

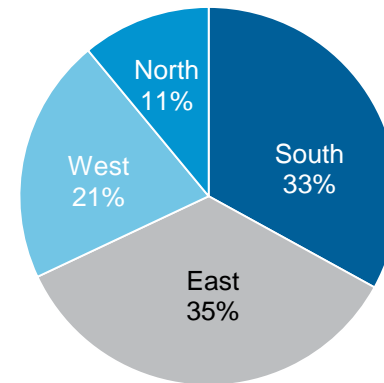


# FirstService Residential – Diversified Operations

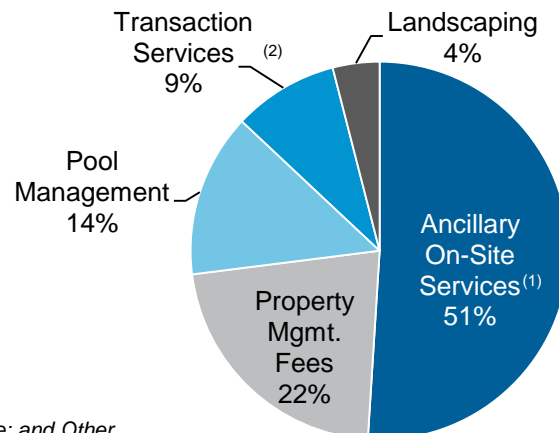
Breakdown by Property Type (7,900 Total)



2016 Revenue By Region (\$1.1BN Total)



2016 Revenue By Service (\$1.1BN Total)



(1) Includes Engineering; Front Desk; Maintenance; and Other.

(2) Includes Transfers & Disclosures; Collections; and Financial Products.

# FirstService Residential – Condo/HOA Market Opportunity

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Total # of community associations:	<b>360,000</b>	
Total # of housing units:	<b>28MM</b>	<b>We Have ~5% Share<sup>(1)</sup> in a Sizeable Market<sup>(2)</sup></b>
Assessments collected from homeowners:	<b>\$90 billion<sup>(3)</sup></b>	
Community association management companies:	<b>7,000 – 8,000</b>	<b>Fragmented Industry</b>
Percent of self-managed community associations:	<b>35%</b>	<b>Conversion Opportunity</b>
Percent of U.S. homes in community associations:	<b>21%</b>	<b>Growing Trend Towards HOA Development</b>
1 out of 2 new homes built in HOAs:	<b>50%</b>	

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Source: Community Associations Institute (2015).

(1) Market share based on number of units.

(2) Based on CAI data for U.S. market, plus an estimate for Canadian market.

(3) Assessments fund many essential association obligations, including professional management services, utilities, security, insurance, common area maintenance, landscaping, capital improvement projects, and amenities like pools and club houses.

# FirstService Brands – What We Do

- Leading provider of eight branded essential property services to residential and commercial customers through franchised systems and self-perform operations

## Franchised Systems

### PAUL DAVIS

- Residential / commercial insurance restoration
- Primarily franchised; 5 company-owned



- Home inspections

### CertaPro Painters

- Residential / commercial painting



### FLOOR COVERINGS *international*

- Design / installation of floor coverings

### CALIFORNIA CLOSETS®

- Closets and home storage solutions
- 65 franchised; 15 company-owned

### college pro

- Exterior residential painting / window-cleaning

## Company-Owned Operations



- Fire protection and safety



- HVAC and home warranty

# FirstService Brands – Profile

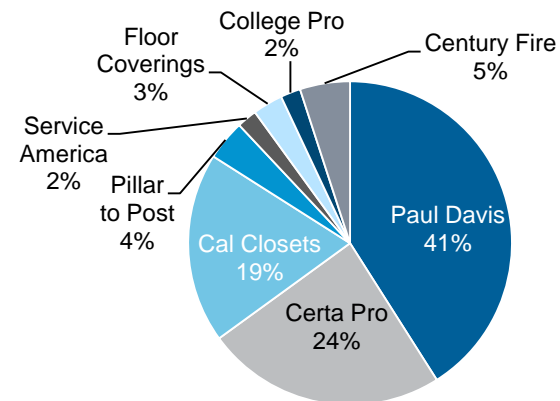
Economies of Scale as Leading Franchisor: **1,925 Franchisees**  
**\$1.8BN System-Wide Sales (SWS)**

2016 Revenue: **\$370MM**

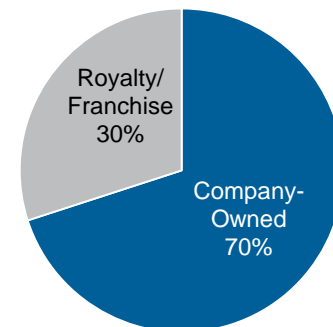
National Coverage: **2,000 employees**  
**15,000+ in franchised operations**



## 2016 SWS By Brand (\$1.8BN)



## 2016 Revenue Breakdown (\$370MM)



# FirstService Brands – Leaders in Huge Markets

Brand	U.S. Market	Our Position	Market Share
<b>PAULDAVIS</b>	\$60 Bn	Top 3	1% share
<b>CertaPro Painters</b> ★★★★★	\$40 Bn	#1	1% share
CALIFORNIA CLOSETS	\$6 Bn	#1	5% share
 <b>PILLAR TO POST</b> HOME INSPECTORS	\$1.6 Bn	#1	3-4% share
 FLOOR COVERINGS <i>international</i>	\$65 Bn	#1 (Franchised)	<1% share
<b>college pro</b>	--	#1 (Student-Led)	--
 <b>Century</b> Fire Protection	\$8 Bn	#1 (Southeast U.S.)	1% share
 <b>SERVICE AMERICA</b>	--	#1 (Florida)	--



# Growth Strategy

## Organic Growth

1

### Leverage Differentiators to Drive New Business

- Scale
- Capital

2

### Focus on Customer Retention & Referral

- Service Excellence
- Net Promoter System (“NPS”)
- 60% of new business from referrals

3

### Continue to Expand our Ancillary Services

- Add-on services / increase penetration
- \$7.5Bn in property management client budgets
- Fill out fire protection service capabilities

4

### Improve our Operational Efficiency

- FirstService Residential operating platform investments
- California Closets centralized manufacturing
- Franchisee same-store productivity

## Acquisition Growth

1

### Highly Fragmented Markets

- Geographic expansion and same market tuck-under acquisitions

2

### Ancillary Service Companies

- Expand service offerings in many markets

3

### Expand Company-Owned Portfolio

- California Closets
- Paul Davis Restoration
- Century Fire Protection

4

### Complementary Essential Property Service Lines

- Leading franchise systems or company-owned in large, fragmented property service markets

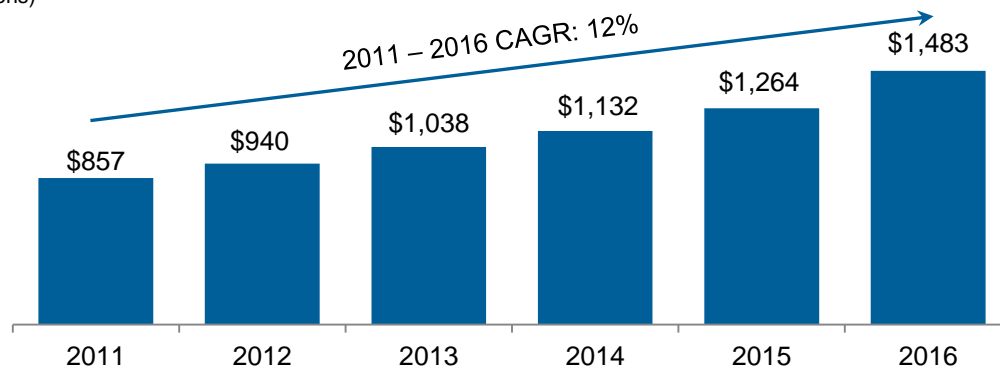
*FirstService Residential*

*FirstService Brands*

# Strong Historical Performance

## Revenues

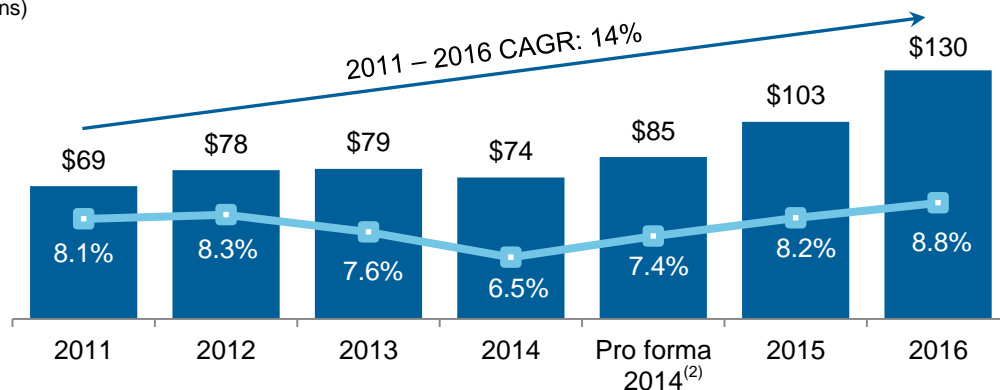
(\$ in millions)



*Recurring revenue model provides consistency and predictability*

## Adjusted EBITDA<sup>(1)</sup>

(\$ in millions)



*Continue operational improvements to further expand operating margins*

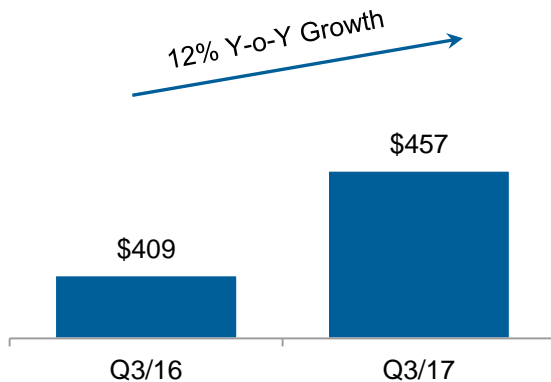
(1) Adjusted EBITDA as presented above is a non-GAAP measure. Investors should consider non-GAAP measures in addition to, not as a substitute for, the comparable GAAP measures.

(2) 2014 Pro forma Adjusted EBITDA reflects annualized contribution from completed acquisitions and add-back of \$9MM of non-recurring elevated employee medical benefits costs.

# YTD Performance – Q3/17 and 9 Mos. Vs. Prior Year

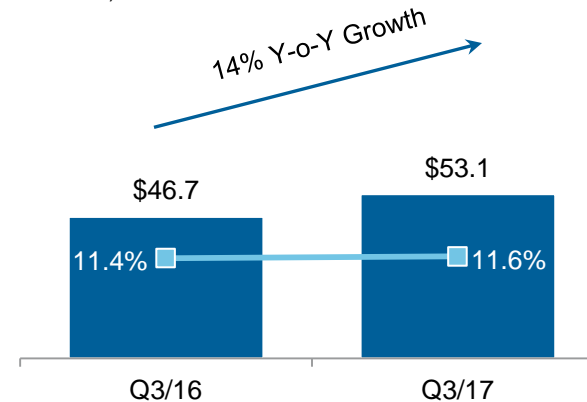
## Revenue – Q3 vs. Prior Year

(\$ in millions)



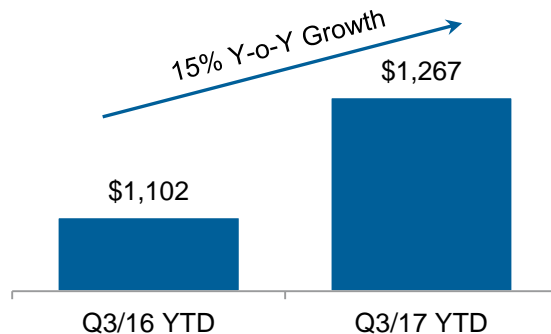
## Adjusted EBITDA<sup>(1)</sup> – Q3 vs. Prior Year

(\$ in millions)



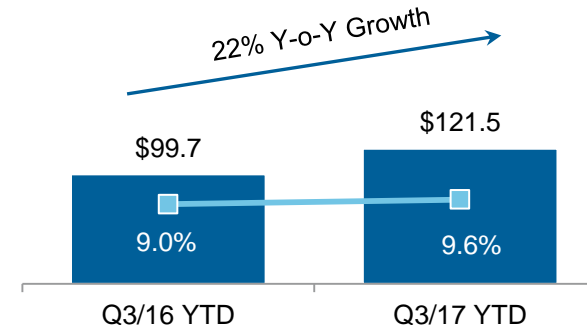
## Revenue – 9 Months YTD vs. Prior Year

(\$ in millions)



## Adjusted EBITDA<sup>(1)</sup> – 9 Months YTD vs. Prior Year

(\$ in millions)



(1) Adjusted EBITDA as presented above is a non-GAAP measure. Investors should consider non-GAAP measures in addition to, not as a substitute for, the comparable GAAP measures.



# 2017 Full-Year Expectations

Metric	2017 Full-Year Consolidated Expectations
Year-Over-Year Revenue Growth	Low Double-Digit Percentage Increase
Adjusted EBITDA Margin	>9%
Effective Tax Rate	Low 30%+
Capital Expenditures	Maintenance = Mid-\$30MM+; Total = ~\$40MM
Working Capital	Minimal
Dividend Policy	Increased annual to US\$0.49 per share (paid quarterly) (~\$18MM in total)

# Capital Structure Summary

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## Attractive Lending Arrangements

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- \$200MM Bank Credit Facility
- \$150MM Senior Notes – 3.84% coupon long-term maturity (2025)

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## Leverage and Liquidity

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	31-Dec-16	30-Sep-17
<b>Net Debt / EBITDA <sup>(1)</sup></b>	<b>1.5x</b>	<b>1.5x</b>
<b>Total Liquidity (\$ MM) <sup>(2)</sup></b>	<b>\$140</b>	<b>\$118</b>

(1) Expressed as net debt / Trailing 12 Months Adjusted EBITDA, including annualized contribution from acquisitions.

(2) Reflects cash on hand plus availability under revolving bank credit facility.

# FirstService – A Compelling Investment Opportunity

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## Market Leadership

- Leadership positions in essential, outsourced property services markets that very large and highly fragmented
- Scale advantage, proprietary products / services and national coverage are competitive differentiators which are difficult to replicate

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## Attractive Financial Profile

- Long and consistent track record of growth
- Highly predictable and recurring revenue streams
- Low CapEx and working capital requirements drive high free cash flow generation
- Operating leverage from efficiencies and franchise model
- Financial strength for future growth

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## Compelling Growth Prospects

- Significant organic growth opportunities
  - Leveraging differentiators to drive contract wins
  - Add-on services; increased client penetration
- Margin enhancement potential
- Proven, disciplined acquisition strategy

# Appendix

## Reconciliation of GAAP Earnings to Adjusted EBITDA

<i>(in thousands of US dollars)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
Net earnings	\$ 21,141	\$ 22,938	\$ 52,026	\$ 42,527
Income tax	12,221	11,427	22,018	22,539
Other (income) expense	(1,317)	(71)	(1,522)	(172)
Interest expense, net	2,499	2,284	7,378	6,739
Operating earnings	34,544	36,578	79,900	71,633
Depreciation and amortization	10,382	10,048	30,233	25,956
Goodwill impairment charge	6,150	-	6,150	-
Acquisition-related items	1,180	(541)	1,951	(148)
Stock-based compensation expense	893	618	3,237	2,223
Adjusted EBITDA	\$ 53,149	\$ 46,703	\$ 121,471	\$ 99,664

# Appendix

## Reconciliation of GAAP Earnings to Adjusted Net Earnings and Adjusted Earnings Per Share

<i>(in thousands of US dollars)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
Net earnings	\$ 21,141	\$ 22,938	\$ 52,026	\$ 42,527
Non-controlling interest share of earnings	(2,582)	(2,863)	(6,741)	(5,179)
Acquisition-related items	1,180	(541)	1,951	(148)
Amortization of intangible assets	3,589	4,475	10,340	9,700
Goodwill impairment charge	6,150	-	6,150	-
Stock-based compensation expense	893	618	3,237	2,223
Stock-based compensation tax adjustment for US GAAP change	(1,307)	-	(5,930)	-
Income tax on adjustments	(1,748)	(2,006)	(5,269)	(4,658)
Non-controlling interest on adjustments	(112)	(78)	(274)	(173)
Adjusted net earnings	\$ 27,204	\$ 22,543	\$ 55,490	\$ 44,292

<i>(in US dollars)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2017	2016	2017	2016
Diluted net earnings per share	\$ 0.42	\$ 0.43	\$ 1.05	\$ 0.74
Non-controlling interest redemption increment	0.08	0.12	0.19	0.29
Acquisition-related items	0.03	(0.01)	0.05	-
Amortization of intangible assets, net of tax	0.06	0.07	0.16	0.15
Goodwill impairment charge	0.17	-	0.17	-
Stock-based compensation expense, net of tax	0.02	0.01	0.06	0.04
Stock-based compensation tax adjustment for US GAAP change	(0.04)	-	(0.16)	-
Adjusted EPS	\$ 0.74	\$ 0.62	\$ 1.52	\$ 1.22