



FirstService  
2017  
Annual  
Report

Creating  
Value  
One Step  
at a Time



# Over Two Decades of Consistent Growth

23 YEARS REVENUE  
COMPOUNDED  
ANNUAL GROWTH

# 19%

5-YEAR REVENUE  
CAGR **13%**

\$1,705MM

\$37MM

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

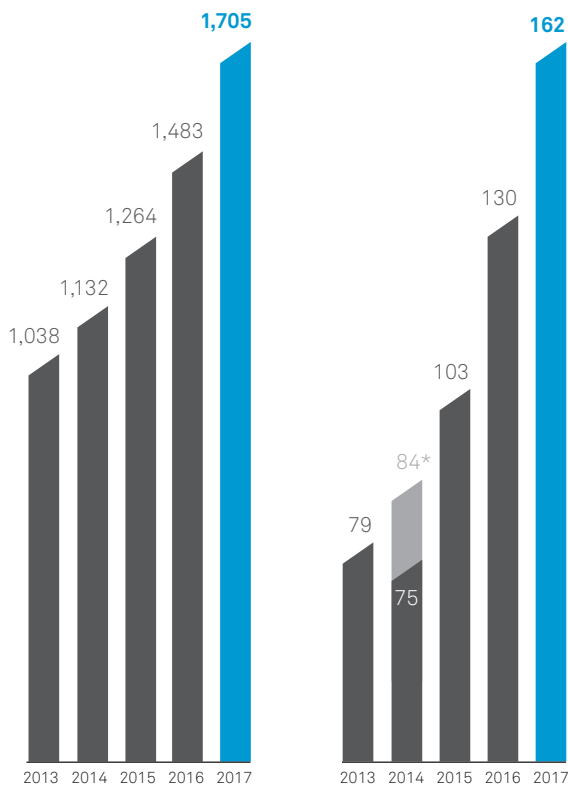
(US\$ thousands, except per share amounts)

	2017	2016	2015	2014	2013
Year ended December 31					
<b>Results From Operations</b>					
Revenues	\$ 1,705,456	\$ 1,482,889	\$ 1,264,077	\$ 1,132,002	\$ 1,038,087
Adjusted EBITDA <sup>1</sup>	161,977	130,324	103,038	74,997	78,913
Operating earnings	107,627	90,550	70,747	45,621	37,083
Net earnings	76,673	54,243	38,198	26,192	18,452
<b>Financial Position</b>					
Total assets	\$ 837,733	\$ 770,964	\$ 600,483	\$ 615,544	\$ 610,297
Long-term debt	269,625	250,909	201,199	239,357	225,425
Shareholders' equity	203,233	181,028	167,026	158,749	168,660
<b>Earnings Per Share Data</b>					
Adjusted EPS <sup>2</sup>	\$ 2.03	\$ 1.62	\$ 1.20	\$ 0.84	\$ 0.96
Diluted net earnings per common share	1.45	0.92	0.59	0.36	0.09
Diluted weighted average common shares outstanding (thousands)	36,559	36,366	36,425	36,363	36,306
Cash dividends per common share	\$ 0.49	\$ 0.44	\$ 0.40	\$ -	\$ -

#### Notes

- Adjusted EBITDA is defined as net earnings before income tax, interest, depreciation, amortization, goodwill impairment charges, other (income) expense, acquisition-related items, and stock-based compensation expense.
- Adjusted earnings per share is defined as diluted net earnings per common share, adjusted for the effect, after income tax, of the non-controlling interest redemption increment, amortization, goodwill impairment charges, acquisition-related items, stock-based compensation expense, a stock-based compensation tax adjustment related to a US GAAP change, and an income tax recovery on the enactment of US Tax Reform.

## Financial Highlights



**Revenues**  
(US\$ millions)

**Adjusted EBITDA**  
(US\$ millions)

\*Normalized for \$9 million of non-recurring expenses.

Operational excellence and strong client focus translated into another record year of financial performance at FirstService in 2017

## Investment Highlights

### Leadership Positions In Very Large, Fragmented Markets

- Leading market positions with well-recognized brands in all service lines
- Modest market shares in large, fragmented markets provide significant organic and tuck-under acquisition growth opportunities
- Scale advantage, proprietary products/services and national coverage are competitive differentiators which are difficult to replicate

### Proven Business Model

- Essential outsourced property services with highly predictable and recurring revenue streams
- Focus on customer service excellence through high employee engagement
- Leverage our differentiators to extend our leadership positions and win new business
- Partnership philosophy aligns business leaders with shareholders

### Strong Financial Profile

- Strong free cash flow generation with low capital expenditures
- Conservative balance sheet
- Ample capital and liquidity to fund future growth
- Consistent, growing common share dividends

### Compelling Growth Prospects

- Long and consistent track record of delivering growth
- 10%+ average annual revenue growth target
- Strong organic growth through competitive advantages in attractive markets
- Margin enhancement potential through operating efficiencies
- Disciplined tuck-under acquisition strategy

## About FirstService Corporation

FirstService Corporation is a North American leader in the essential property services sector serving its customers through two industry-leading platforms:

### FirstService Residential

– North America's largest manager of residential communities; and

**FirstService Brands** – one of North America's largest providers of essential property services to residential and commercial customers delivered through individually

branded franchise systems and company-owned operations.

FirstService Residential and FirstService Brands both rely on the same operational foundations for success – a core competency in managing and growing market-leading, value-added outsourced property services businesses; significant scale advantages that are leveraged to create more value for clients; a culture focused around customer service excellence; and strong brand recognition.

# Another rewarding year for our shareholders

2017 was a very exciting year for FirstService in many ways. We made significant progress in advancing our most important operating strategies; we laid the groundwork for the launch of our Social Purpose initiative in January of this year and we enjoyed another excellent year of top and bottom line growth. Our proven business model enables us to leverage the enormous property service markets in which we operate to drive consistent growth. 2017 represents our 23rd consecutive year of revenue growth.



From left: **D. Scott Patterson** Chief Executive Officer, **Jeremy Rakusin** Chief Financial Officer

Our highlights this year include:

## **Strong Organic Revenue Growth**

We pride ourselves on being an organic growth company first and our goal across every service line is to grow on an organic basis at a higher rate than the market. We largely achieved this in 2017 and generated a consolidated organic growth rate of 6%, buoyed by a strong economy but also a reflection of our ability to consistently take market share.

## **Robust Acquisition Activity**

We followed up our record 2016 acquisition year with another very strong year of acquisition activity. We closed nine transactions in total; five in our FirstService Residential division and four within FirstService Brands; investing \$40 million for over \$80 million in annualized revenue. Our disciplined acquisition program enabled us to more than double our organic revenue growth for a total 15% increase for the year.

## **Continued Margin Improvement**

Our consolidated EBITDA margin expanded again this year, improving by 70 basis points driven by operating efficiencies at FirstService Residential and several of our other brands. While our consolidated margin will be influenced year to year as we add acquired operations to our results, our operational focus is to enhance margins annually at existing operations within each service line.

## **Conservative Capital Structure**

Our business model drives very strong free cash flow which we use first, to invest aggressively in organic growth initiatives and acquisitions, and secondly, to reward our shareholders through dividends and a judicious share repurchase program; all while maintaining a very conservative capital structure. Our net debt to EBITDA ratio at 2017 year-end was 1.3X, modestly down from a level of 1.5X at the two prior year-ends. Subsequent to year-end, we enhanced our financial flexibility by amending our credit facility with an increased capacity to \$250 million and extension for another five years. And lastly, in early February of this year, we increased our dividend by 10% for the third time in less than three years since our June 1, 2015 spin-off into a new public company.



### Stock Price Appreciation

During 2017, the FirstService stock price increased by an impressive 47%. This built further upon significant appreciation over the previous two years, resulting in a cumulative 150% increase since becoming an independent public company. The public markets have been robust over the last couple of years but the FirstService story and business model have very clearly been recognized and appreciated since the spin-off.

### Social Purpose

The highlight I am most proud of during 2017 is the work we did to lay the foundation for our Social Purpose launch at the outset of this year. We undertook a nine-month exercise to find out what was important to our people, businesses and customers in terms of social responsibility and made a commitment to incorporate this feedback into our business model and messaging for 2018. What we found was inspirational and gave us clear direction. You can find out more in the sidebar of this report and also on our website. This is just the start for us – we are committed to consistently build on our efforts to positively impact society.

FirstService has entered 2018 in a great position. Our markets remain buoyant and our operating management teams and platforms have never been stronger. Our long term goal is to grow our revenues at an average rate of at least 10% per year with incremental growth at the EBITDA line. We have accomplished this for many years and we believe we will continue for the foreseeable future driven by the following factors:

- We have leadership positions but modest shares in huge, fragmented markets. There is significant running room for growth both organically and through acquisition. In terms of organic growth, we need to continue to differentiate our service offering and win on a day-to-day basis. This is the principal focus of our operators. We add to organic growth through selected tuck-under acquisitions that expand our geographic reach, broaden our service offering or increase our market share. There is a multitude of small tuck-under prospects in our markets.
- We maintain a conservative, flexible balance sheet to ensure that we have ample capital to invest in aggressively driving towards our business plan targets and to opportunistically pursue acquisitions as they arise.
- Our people are aligned with our vision and aspirations and driven to make a difference for our customers every day. We have a unique culture at FirstService that I am very proud of.

Our strong results in 2017 are a direct result of the efforts of the 33,000 employees that work for FirstService companies and franchises. We want to thank our operating partners and employees for all they do to drive our success. We also thank our shareholders for their continued support.

**D. Scott Patterson**  
Chief Executive Officer

## Social Purpose

At FirstService, we define service excellence daily. Outside of work, this service ethic is manifested through our contributions to social good. Across FirstService, our teams create and participate in hundreds of causes and events that benefit the communities where we live and work.

In 2017, we worked to establish the FirstService Social Purpose platform. Launched in January 2018, it recognizes these local efforts to highlight the dedication and humanity of our people, while inspiring us all to further enrich the fabric of our communities.

As part of our Social Purpose, we established the FirstService Relief Fund to financially assist our people in times of economic hardship. The Relief Fund will be available for natural disasters such as Hurricanes Harvey and Irma, which displaced many of our employees from their homes. It is also available for unfortunate situations such as the death of a family member or unforeseen and uninsured medical expenses.

Together with our franchisees, we are 33,000 strong. Collectively, we exert a powerful and positive impact on the communities where we work and live. As a company, we are committed to supporting and nurturing our extraordinary culture which drives an authentic desire to #FirstServeOthers.

See our website for more about the FirstService Social Purpose and Relief Fund.

## FirstService at a Glance



Annual  
revenues:  
**\$1.7 billion**



Annual  
EBITDA:  
**\$162 million**



Geographical  
revenue:  
**94% US / 6% Canada**



Annual  
dividend:  
**US\$0.54**



**FirstService**  
RESIDENTIAL



**Chuck M. Fallon**  
Chief Executive Officer  
FirstService Residential

Revenues  
**\$1,174M**

EBITDA  
**\$100M**

FirstService Residential is the largest residential property manager in North America, with 8,000 communities and 1.6+ million residential units under management. Its mission is to deliver exceptional client service and solutions that enhance the value of every property and the lifestyle of every resident in the communities it manages.

In achieving these objectives, FirstService Residential leverages its scale, expertise and local knowledge to add value to its clients and differentiate itself from its competitors. The business invests extensively in a team of people who are committed to customer service excellence and living its values on a daily basis: Being genuinely helpful, aiming high, owning it, doing what's right, improving it and building great relationships.

### 2017 Highlights

- Recorded 11th consecutive quarter of operating margin improvement since our mid-2015 spin-off
- Exceeded 8% annual EBITDA margin one year earlier than initial target
- Immediate response and seamless service delivery by our teams and resources to hundreds of our communities in hurricane-affected areas
- Closed five tuck-under acquisitions:
  - Key acquisition in important Washington, D.C. high rise market (Zalco Realty)
  - Strengthened property management presence in Minneapolis, Minnesota (Paradise & Associates)
  - Broadened ancillary services by expanding pool maintenance and lifestyle/amenities capabilities





## FirstService Brands

Revenues

**\$531M**

EBITDA

**\$74M**



**Charlie E. Chase**  
Chief Executive Officer  
FirstService Brands

FirstService Brands is a leading North American operator and provider of essential property services to residential and commercial customers, with extensive franchise networks comprising over 1,900 franchises and over 20 company-owned locations in all 50 U.S. states and ten Canadian provinces.

In 2017, FirstService Brands' 16,000 employees within franchised and company-owned operations generated aggregate system-wide revenues of more than US\$2 billion. Services are delivered through eight well-known, market-leading brands, each of which aspire to define service excellence in their respective markets through a strong focus on customer experience.

### 2017 Highlights

- 10%+ organic growth in every quarter in 2017; strong contribution from company-owned and franchised operations
- Opened California Closets Eastern Manufacturing Center in Grand Rapids, Michigan
- Significant progress within Paul Davis Restoration company-owned platform in adding management team strength and building out shared services infrastructure
- Closed four tuck-under acquisitions in key markets:
  - Two Paul Davis company-owned – Washington, D.C.; Omaha, NE
  - Two California Closets company-owned – Orange County, CA; Atlanta, GA





## Notice of Shareholders' Meeting

The annual meeting of the shareholders will be held on Wednesday April 11, 2018 at 4:00 p.m. (ET) at The Design Exchange, 234 Bay Street, Toronto-Dominion Centre, Toronto, Ontario

### Corporate Information

#### Registrar and Transfer Agent

Canada – TSX Trust Company

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U.S. co-transfer agent – Computershare

Phone: 1.800.368.5948

E-mail: [webqueries@computershare.com](mailto:webqueries@computershare.com)

#### Stock Exchange Listings

NASDAQ Global Select Market – FSV

Toronto Stock Exchange – FSV

FirstService common shares are included in the S&P/TSX Composite Index.

[www.FirstService.com](http://www.FirstService.com)