



**FirstService**

Creating  
Value  
One Step  
at a Time

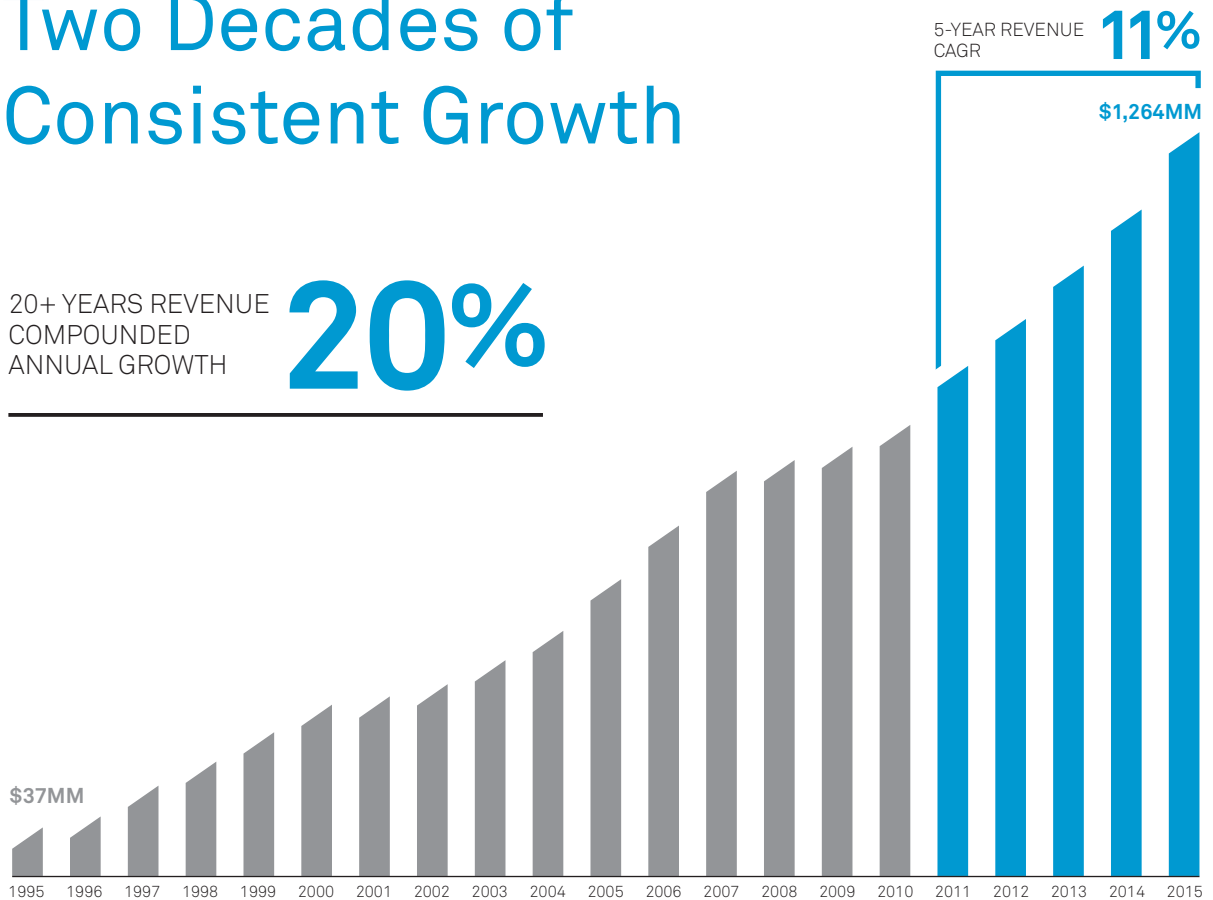
2015 Annual Report



# Two Decades of Consistent Growth

20+ YEARS REVENUE COMPOUNDED ANNUAL GROWTH

# 20%



## 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

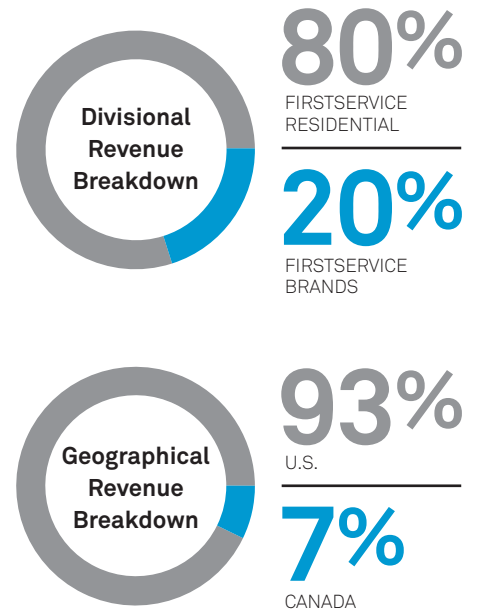
**FirstService Brands** – one of North America’s largest providers of essential property services to residential and commercial customers delivered through individually branded franchise systems and company-owned operations.

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 out-sourced 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.

FirstService generates more than US\$1.2 billion in annual revenues and has approximately 16,000 employees across North America. With significant insider ownership and an experienced management team, FirstService has a long-term track record of creating value and superior returns for shareholders. The common shares of FirstService trade on the NASDAQ and on the Toronto Stock Exchange under the symbol “FSV”. More information is available at [www.firstservice.com](http://www.firstservice.com).

## Revenue Segmentation



## FINANCIAL HIGHLIGHTS



**Revenues**  
(US\$ millions)



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

## Why Invest In FirstService?

### Leadership Positions In Virtually Every Market

- #1 or #2 player in each market supported by well-recognized brands
- Very large and highly fragmented industries
- Scale advantage, proprietary products/services and national coverage are competitive differentiators which are difficult to replicate

### Proven Business Model

- Essential services with highly predictable and recurring revenue streams
- Focus on customer service excellence throughout our businesses
- 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
- Dividends paid on common shares

### Compelling Growth Prospects

- Long and consistent track record of delivering growth
- Strong organic growth through competitive advantages in attractive markets
- Margin enhancement potential through operating efficiencies
- Disciplined tuck-under acquisition strategy

(US\$ thousands, except per share amounts)

	Year ended December 31				
	2015	2014	2013	2012	2011
<b>Results From Operations</b>					
Revenues	\$ 1,264,077	\$ 1,132,002	\$ 1,038,087	\$ 939,821	\$ 857,201
Adjusted EBITDA <sup>1</sup>	103,038	74,997	78,913	78,932	70,565
Operating earnings	70,747	45,621	37,083	53,478	38,674
Net earnings	38,198	26,192	18,452	30,765	24,157
<b>Financial Position</b>					
Total assets	\$ 600,483	\$ 615,544	\$ 610,297	\$ 591,438	\$ 566,972
Long-term debt	201,199	239,357	225,425	216,370	174,150
Shareholders' equity	167,026	158,749	168,660	174,834	203,165

	Year ended December 31		
	2015	2014	2013
<b>Earnings Per Share Data</b>			
Adjusted EPS <sup>2</sup>	\$ 1.20	\$ 0.84	\$ 0.96
Diluted net earnings per common share	0.59	0.36	0.09
Diluted weighted average common shares outstanding (thousands)	36,425	36,363	36,306

#### Notes

1. Adjusted EBITDA is defined as net earnings before income tax, interest, depreciation, amortization, other (income) expense, acquisition-related items, and stock-based compensation expense.

2. Adjusted earnings per share is defined as diluted net earnings (loss) per common share, adjusted for the effect, after income tax, of non-controlling interest redemption increment, amortization, acquisition-related items, stock-based compensation expense, and spin-off charges.

# THE STORY OF 2015

North American leader in essential  
outsourced property services

To Our Fellow Shareholders:

**2015 was a milestone year for FirstService Corporation marked by the separation on June 1 of “old” FirstService into two independent public companies: Colliers International and “new” FirstService. I am proud and honoured to have been named President and Chief Executive Officer of new FirstService which comprises our FirstService Residential and FirstService Brands operating divisions. I have been integrally involved in the growth and strategy of these businesses for over 20 years and am a passionate believer in our proven business model, operating partners and future opportunities.**

This annual report reflects the financial performance of newly independent FirstService for the full 2015 year and establishes a foundation to measure our progress as we embark on our exciting new path forward.

Our 2015 highlights include:

**Strong Organic Growth**

Revenue grew across all our business lines – 12% in total, driven largely by robust organic growth of 8%.

**Expanded EBITDA Margins**

EBITDA grew by 37% and margins expanded by 160 basis points to 8.2%, primarily through cost reduction and operating efficiencies at FirstService Residential.

**Significant Cash Flow Generation**

Cash flow from operations almost doubled in 2015 allowing us to aggressively invest in our future while also paying down total debt. Our leverage ratio declined from 2.3x net debt to EBITDA to 1.5x at year-end.



**D. Scott Patterson**  
Chief Executive Officer

**Jeremy Rakusin**  
Chief Financial Officer

### **Continued Investments to Drive Operational Improvements**

During the year, we continued to deploy capital across our businesses to propel further operational efficiencies. At California Closets, we established a new state-of-the-art production facility in Phoenix, Arizona which opened in June. This location will serve as a centralized hub for several of our company-owned operations, resulting in margin expansion through scale related production improvements and cost reductions. At FirstService Residential, we continued our multi-year investment in the operating platform to improve our service offering, support our national brand and drive further efficiencies, while continuing to differentiate ourselves from our competitors.

### **Strategically Important Tuck-Under Acquisitions**

2015 was an important year in terms of the strategic significance of several of our acquisitions, including:

- Southwest Management Services – the residential property management leader in Austin, Texas, one of the fastest growing metropolitan areas in the U.S.
- American Leisure – the NYC-based leader in the management of luxury high-rise amenity facilities, expanding our capability in this important market; and
- Paul Davis Pennsylvania – one of our largest and most successful Paul Davis Restoration franchisees marking the first acquisition towards achieving a national company-owned platform.

### **Leadership**

Several important changes were made in the leadership and governance of our new stand-alone public company. Jay Hennick, our founder and largest shareholder became our Chairman. I thank him on behalf of all our shareholders for his vision and tireless efforts in building our company. On a personal level – I want to thank him for the opportunity of working closely with him over the years and the privilege of continuing to build upon the legacy. Jeremy Rakusin assumed the role of Chief Financial Officer. He previously served for three years as VP, Acquisitions

and Strategy following 15 years of blue chip investment banking experience. And Erin Wallace joined the Board of Directors in October adding extensive experience from her 30-year tenure as a senior operating executive at The Walt Disney Company.

As we reflect on 2015 and look forward to the future, it is worthwhile reviewing the unique characteristics of our proven business model.

Across our businesses, we enjoy leadership positions in very large, fragmented, essential property service markets. Yet our market shares remain modest – generally in the low single digits. This dynamic is conducive to consistent long-term organic growth and significant acquisition opportunity. We enhance organic growth by leveraging our leadership position and capital to create value for our clients and offer tangible differentiators that cannot be easily replicated by our smaller, generally undercapitalized competitors.

Our greatest differentiator – and our greatest asset – is our people. We recognized many years ago that our long-term success would depend on our quality of service which in turn is dependent on the professionalism and engagement of our people. We continually invest in improving our ability to recruit and develop the best talent in our markets. Today our employee base of 16,000 is more committed than ever to delivering exceptional customer service. We know this because we measure it continuously. Together we understand that our growth is driven by customer loyalty and “word of mouth” referral, which is our focus each and every day.

Our business is first and foremost an organic growth story. Two-thirds of our 11% average annual growth rate over the last five years is organic with tuck-under acquisitions accounting for the remaining one-third. We believe we can continue to grow at a similar rate for the foreseeable future. Our consistent growth and recurring revenue combined with the low capital intensity of our business model results in very strong free cash flow – cash flow that will enable us to aggressively invest in growth while

de-levering our balance sheet over time. Our debt leverage ratios will likely fluctuate with the pace of acquisition activity over the next several years but, on average, we expect them to decline over time.

We often get asked what we are going to do with our cash. We consider this a high class “problem” to have. Our conservative balance sheet provides financial strength and stability. We have ample capital available to accelerate investment at FirstService Residential along with newer initiatives such as the expansion of our company-owned operations at California Closets and Paul Davis Restoration. We are also well-positioned to be opportunistic when it comes to a larger-sized acquisition that meets our strategic objectives and valuation criteria. As stewards of our shareholders’ investment dollars, we are always mindful of deploying capital efficiently towards maximizing investor returns.

We enter 2016 with great excitement about the opportunities in front of us and a determined focus to continue to “create value one step at a time” which has been the FirstService motto for 20 years. The motto guides our daily decision-making and reflects our operating philosophy and long-term vision – and it has served our shareholders well. A \$100,000 investment in 1995 was worth about \$4.5 million at the end of 2015 – a 20% compound annual return over the 20-year period. We are proud of this track record and determined to build on it for many years to come.

We thank our partners and employees for their efforts in helping us achieve such strong results in 2015, our customers for their trust and confidence in our service offerings and our shareholders for their continued belief in the future of our Company. With this continued support, we look forward to another successful year.

### **D. Scott Patterson**

President & Chief Executive Officer



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

FirstService Residential is the largest residential property manager in North America. 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.*

**\$1,017 Million**  
Revenues

**\$69 Million**  
EBITDA

#### **Largest Player In North America**

- High, medium and low-rise condominiums and co-operatives
- Large-scale master-planned and active adult/life-style homeowner associations
- 7,400 managed communities
- 1.6+ million managed residential units
- 120 offices across North America
- 95%+ contract retention rate
- \$7+ billion in client budgets
- Ancillary on-site staffing services include: pool, recreational facility and amenity management; building engineering and maintenance; security; front-desk/concierge; and landscaping
- Proprietary banking and insurance products as well as energy conservation and management solutions which are difficult to replicate

#### **Growth Strategy**

- Leverage scale advantages and our access to capital to drive new business through differentiated value-added services and reduced client costs
- Further increase customer retention and target referral opportunities
- Integrated marketing, lead generation and business development effort
- Continue to expand our ancillary service offerings
- Improve operational efficiency
- Augment organic growth with selective tuck-under acquisitions which expand our geographic footprint, enhance our market leadership positions, or broaden our ancillary service offering





**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 13 company-owned locations in all 50 U.S.

states and ten Canadian provinces. In 2015, FirstService Brands serviced more than 500,000 customers and generated aggregate system-wide revenues of more than US\$1.6 billion from franchised and corporate-owned operations. Services are delivered through seven well-known brands, each of which is the #1 or #2 player in its respective market.

**\$247 Million**  
Revenues

**\$43 Million**  
EBITDA

**Growth Strategy**

- Very large, highly fragmented markets provide significant opportunity for organic growth
- Expand same store capacity in the areas of sales, design and field service
- Continue to drive repeat business and referral leads from its customers through service excellence and market-leading brands
- Strategically add company-owned operations at California Closets and Paul Davis Restoration
- Leverage best-in-class franchising capabilities to acquire other property services franchise models



## CORPORATE INFORMATION

### Board of Directors

**Jay S. Hennick**<sup>3</sup>  
Founder & Chairman, FirstService Corporation  
Chairman & CEO,  
Colliers International Group Inc.

**Brendan Calder**<sup>2,3</sup>  
Corporate Director, Professor, "GettingItDone"  
Rotman School of Management  
University of Toronto

**Bernard I. Ghert**<sup>1,2</sup>  
President, The B.I. Ghert Family Foundation

**D. Scott Patterson**  
President & CEO, FirstService Corporation

**Frederick F. Reichheld**<sup>3</sup>  
Partner, Bain & Company, Inc.

**Michael Stein**<sup>1,2</sup>  
Founder, Chairman & CEO,  
MPI Group, Inc.

**Erin J. Wallace**<sup>1</sup>  
COO, The Learning Care Group

<sup>1</sup> Audit Committee

<sup>2</sup> Executive Compensation Committee

<sup>3</sup> Nominating and Corporate  
Governance Committee

### Corporate Offices

**Head Office, Canada**  
1140 Bay Street, Suite 4000  
Toronto, Ontario  
M5S 2B4  
Phone: 416.960.9500

**Head Office, United States**  
1855 Griffin Road  
Dania Beach, Florida 33004

### Senior Officers

**D. Scott Patterson**  
President & CEO

**Jeremy Rakusin**  
CFO

**Douglas G. Cooke**  
Vice-President, Corporate Controller  
& Corporate Secretary

**Alex Nguyen**  
Vice-President, Strategy & Corporate  
Development

### FirstService Residential

**Chuck M. Fallon**  
CEO

### FirstService Brands

**Charles E. Chase**  
CEO

### Legal Counsel

Canada – Fogler, Rubinoff LLP  
United States – Ferrante & Associates

### Independent Auditors

PricewaterhouseCoopers LLP

### Registrar and Transfer Agent

Canada – TMX Equity Transfer Services  
Phone: 1.866.393.4891  
E-mail: TMXInvestorServices@tmx.com

U.S. co-transfer agent – Computershare  
Phone: 1.800.368.5948  
E-mail: 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.

### Notice of Shareholders' Meeting

The annual meeting of the shareholders  
will be held on Thursday April 14, 2016  
at 4:00 p.m. (ET) at The Design Exchange,  
234 Bay Street, Toronto-Dominion Centre,  
Toronto, Ontario

