



**FirstService**

2018 Annual Report

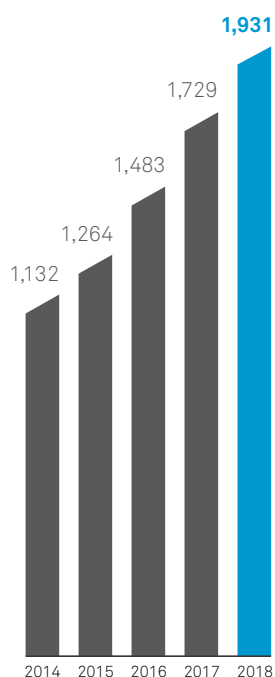
**Creating Value  
One Step at a Time**



## Financial Highlights

# 71%

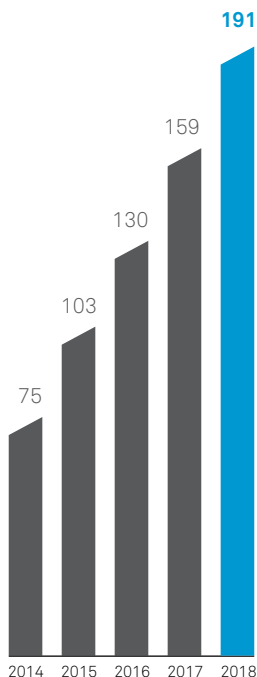
CUMULATIVE GROWTH  
2014 - 2018



**Revenues**  
(US\$ millions)

# 154%

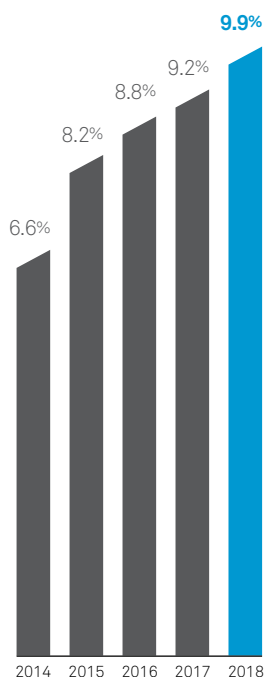
CUMULATIVE GROWTH  
2014 - 2018



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

# 50%

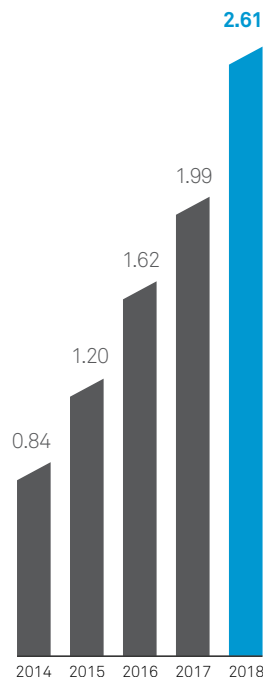
CUMULATIVE MARGIN  
EXPANSION 2014 - 2018



**Adjusted EBITDA  
Margin**

# 211%

CUMULATIVE GROWTH  
2014 - 2018



**Adjusted EPS**  
(US\$)

## 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;
- 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:

- Proven business models and core competencies in managing and growing market-leading outsourced property services businesses;
- Focus on service excellence and leveraging our significant scale advantages and differentiators to benefit our clients;
- Leadership positions with well-recognized brands and modest market shares in very large, fragmented markets providing significant growth opportunities;
- Disciplined tuck-under acquisition program ensuring strong returns on invested capital; and

- Partnership philosophy aligning business leaders with shareholders to add long-term value.

FirstService Corporation's compelling track record of financial performance includes:

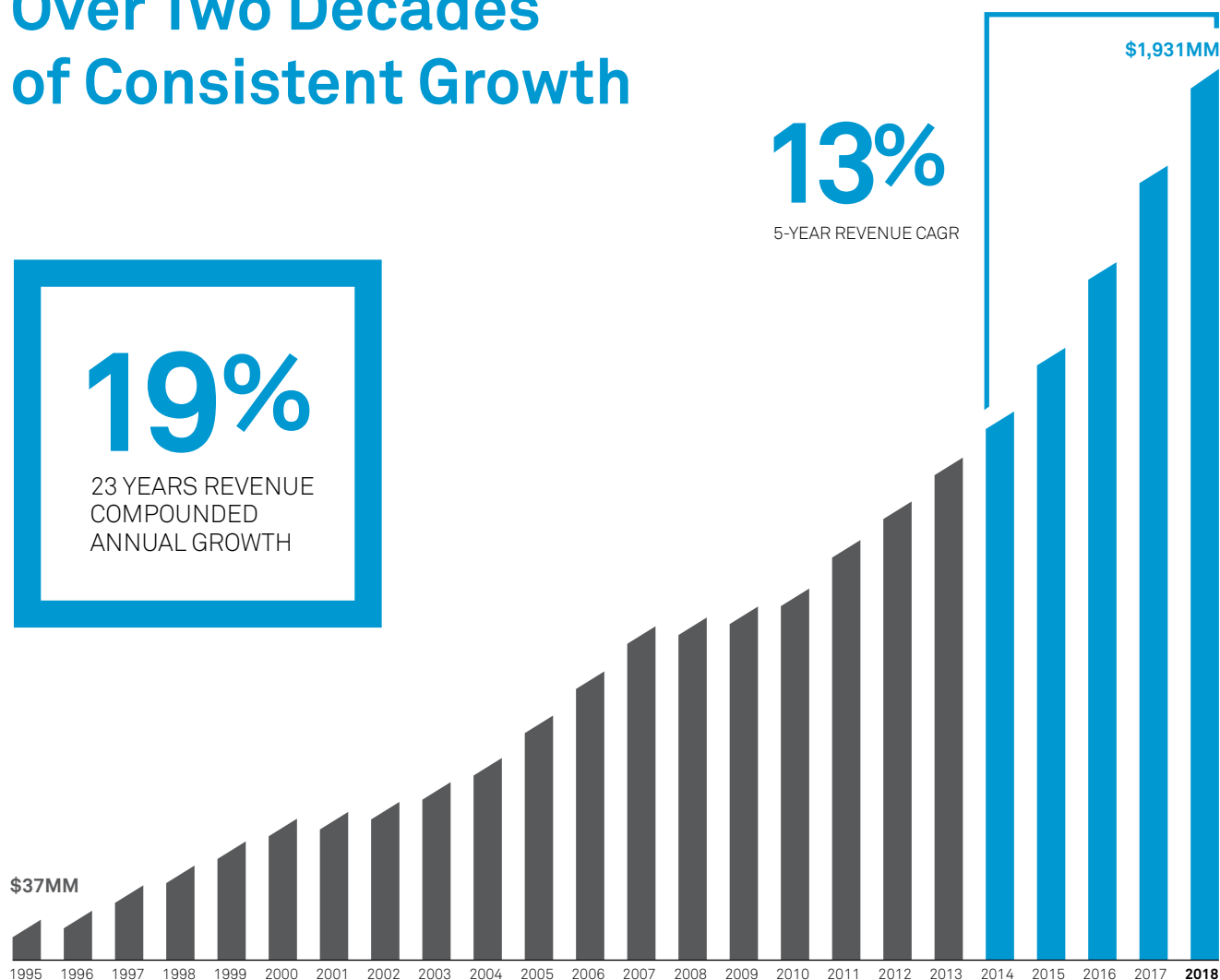
- Highly predictable and recurring contractual revenue;
- Strong free cash flow with modest capital expenditures;
- Conservative balance sheet;
- Consistent dividend increases (four 10%+ increases in four years since spin-off; cumulative 50% increase); and
- Future growth target of 10%+ compounded annual revenue growth.

# Over Two Decades of Consistent Growth

**19%**  
23 YEARS REVENUE  
COMPOUNDED  
ANNUAL GROWTH

**13%**

5-YEAR REVENUE CAGR



(US\$ thousands, except per share amounts)	Year ended December 31				
	2018	2017	2016	2015	2014
<b>Results From Operations</b>					
Revenues	\$ 1,931,473	\$ 1,729,031	\$ 1,482,889	\$ 1,264,077	\$ 1,132,002
Adjusted EBITDA <sup>1</sup>	190,611	159,312	130,324	103,038	74,997
Operating earnings	127,568	104,962	90,550	70,747	45,621
Net earnings	90,280	75,047	54,243	38,198	26,192
<b>Financial Position</b>					
Total assets	\$ 1,007,474	\$ 848,266	\$ 770,964	\$ 600,483	\$ 615,544
Long-term debt	334,523	269,625	250,909	201,199	239,357
Shareholders' equity	236,226	192,286	181,028	167,026	158,749
<b>Earnings Per Share Data</b>					
Adjusted EPS <sup>2</sup>	\$ 2.61	\$ 1.99	\$ 1.62	\$ 1.20	\$ 0.84
Diluted net earnings per common share	1.80	1.41	0.92	0.59	0.36
Diluted weighted average common shares outstanding (thousands)	36,571	36,559	36,366	36,425	36,363
Cash dividends per common share	\$ 0.54	\$ 0.49	\$ 0.44	\$ 0.40	\$ -

## Notes

- Adjusted EBITDA is defined as net earnings before income tax, interest, depreciation, amortization, 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, acquisition-related items, stock-based compensation expense, and a stock-based compensation tax adjustment related to a US GAAP change.

# 2018 was another excellent year for FirstService Corporation.

We have a proven business model and strategy that has delivered consistent revenue growth and shareholder returns for over two decades. We operate in huge, highly fragmented property service markets with significant running room for growth. Our relentless focus on customer experience drives retention, repeat business and word-of-mouth referral resulting in market share gains and consistent year-over-year organic growth. We augment this with selective tuck-under acquisitions to take total top-line growth to 10%+. Our 2018 results reflect the continued execution of our strategy and represent our 25th consecutive year of revenue growth.

We have many highlights to be proud of in 2018 including:

## Double-Digit Revenue Growth

Our top line grew by 12% in 2018 with a healthy 50/50 balance between organic growth and acquisitions. We consider organic growth to be the most important measure of brand health across our various service lines and we are very pleased with the 6% generated year-over-year. We continue to differentiate our service delivery and win market share.

## Strategic Acquisitions

During 2018, we completed 15 strategic acquisitions balanced between our two divisions: ten in FirstService Brands and five in FirstService Residential. Through these transactions we increased market share, broadened our service offering and expanded our geographic footprint. Importantly, the deals also brought new top level talent into the FirstService family. The leadership and talent at prospective targets is the principal asset we focus on and ultimately pay for. Last year, we added a number of young leaders to our team and we expect them to help drive growth for many years.

## Improved Margins

Our consolidated margins increased again this year, by 70 basis points, supported by increases at both divisions. We have a strong culture of “continuous improvement” that drives our daily focus on customer experience and also results in the consistent realization of cost efficiencies across our operations. This has been particularly apparent in recent years at FirstService Residential as we consolidate systems and leverage our scale, and this discipline for incremental improvement extends to every operation.

## Free Cash Flow Supported a Strong Balance Sheet and Increasing Dividends

We generated another year of strong operating cash flow, which enabled us to invest in our businesses while also driving internal and acquisition growth initiatives. Our balance sheet remained strong at year-end with a leverage ratio of 1.4x net debt to EBITDA. Early in 2018, we also expanded our debt capacity with an increased and extended credit facility allowing for \$350 million of total borrowing (including a \$100 million accordion feature). Our financial flexibility also allowed us to recently increase our annual dividend to US\$0.60 per share, the fourth successive 10%+ hike and a cumulative 50% increase since our spin-off into a new public company in June 2015.



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

### Social Purpose

We launched our Social Purpose program in 2018 as a way to highlight our ongoing commitment to serving our local communities and to encourage our teams to do even more. The energy and enthusiasm around Social Purpose was incredible and in our first year, we participated in more than 200 community-related initiatives. In addition, our teams quickly embraced the opportunity to help each other by financially supporting the FirstService Relief Fund, which assists our people facing financial hardship during times of crisis. We approved 29 grants in 2018 with awareness and momentum increasing throughout the year. See the back cover of this report for more information on #FirstServeOthers and our plans for 2019.

### People

We are an essential services company comprised of 34,000 employees who share a deep commitment to serve others. Our people are our greatest asset and the strength of their engagement is our competitive advantage. During 2018, we increased our investment in people development and culture-building initiatives for the fifth year running. We operate in very tight labour markets across North America and our ability to recruit, hire, onboard, train and retain employees who share our values is critical to our continued success. We aspire to be THE employer of choice in all our markets and, in 2018, we again saw returns from our investments with improvement in recruiting metrics, employee retention and employee engagement measures.

### Summary and Look Forward

We are very pleased with our strong 2018 results which continue an impressive run for us since our spin-off in June 2015. Revenues are up more than 70%, EBITDA is up 154% and our stock price is up 145% over the four years since. We have consistently stated that our long-term goal is to grow our revenues at an average annual rate of at least 10% with incremental growth at the EBITDA line. We have achieved and exceeded this goal for many years and are confident that 2019 will deliver more of the same. Our markets continue to show strength and operationally we are in an excellent position to capitalize.

Longer term, we remain excited about the huge growth opportunities we have in our service markets and the potential for continued efficiencies and margin improvement across the board.

We want to thank our operating partners and teams for their continued commitment to making a difference every day. Together, we are successfully building iconic, winning brands with service excellence as the foundation. It is an exciting journey with much work still to do.

### D. Scott Patterson

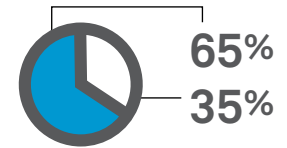
Chief Executive Officer



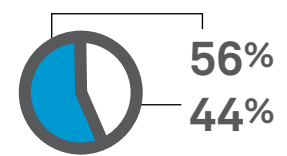


## FirstService at a Glance

 FirstService Residential  FirstService Brands



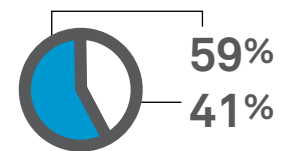
### Revenue by division



### EBITDA by division<sup>1</sup>

1. Excludes unallocated corporate costs.

 Employees  Franchisee Associates



### 34,000 Total Employed



### Cumulative Dividend Growth\*: 50%

\*as of February 2019



## FirstService RESIDENTIAL

Revenues

**\$1,255M**

EBITDA

**\$113M**

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



FirstService Residential is the largest residential property manager in North America, with 8,500 communities and more than 1.7 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.

### 2018 Highlights

- Achieved highest level of gross revenue from new client contract wins
- Recorded 15th consecutive quarter of operating margin improvement since our June 2015 spin-off
- Achieved 9% annual EBITDA margin
- Closed five tuck-under acquisitions:
  - Added scale in large Atlanta, GA metropolitan area and established presence in growing Nashville, TN market
  - Strengthened property management presence in South Carolina, particularly in Charleston metropolitan area
  - Broadened amenity management service offering



## FirstService Brands

Revenues

**\$677M**

EBITDA

**\$88M**



**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 approximately 1,800 franchises and almost 30 company-owned locations in all 50 U.S. states and ten Canadian provinces.

In 2018, FirstService Brands' 17,000 employees within franchised and company-owned operations generated aggregate system-wide revenues of approximately US\$2.2 billion. Services are delivered through seven well-known, market-leading brands, each of which aspire to define service excellence in their respective markets through a strong focus on customer experience.

### 2018 Highlights

- Robust 9% annual organic growth exceeding overall market growth
- Significant progress within Paul Davis Restoration company-owned platform in adding management team strength and building out shared services infrastructure
- Very active tuck-under acquisition activity across all company-owned platforms with 10 closed transactions:
  - Four Restoration company-owned – three with Paul Davis Restoration (Seattle, WA; Lexington, KY; Western Canada) and one independent operation
  - Two California Closets company-owned – Las Vegas, NV; Houston, TX
  - Four Century Fire tuck-under increasing scale around Atlanta, GA metropolitan area and expanding geographic footprint in Tampa, FL and Raleigh, NC





FirstService Residential California partnered with the United Way



Volunteers from Paul Davis worked with Habijax



CertaPro Painters team members participated in a Habitat for Humanity project



Super Restoration helped prepare 124,416 meals for Feed My Starving Children

## Our Social Purpose

#FirstServeOthers has always been core to who we are at FirstService. After all, it's this service-minded approach that has allowed us to grow and prosper over the past two decades. Launching our Social Purpose program in 2018 provided a platform to leverage the good work we were already doing as an organization, and to motivate and inspire our teams to do more. We are galvanizing our collective efforts using the hashtag #FirstServeOthers, which sends a proud signal that we are people who want to foster healthy communities for everyone to live, work and play.

Not only has our engagement in Social Purpose activities been rewarding to our people on a personal level, we are also seeing benefits as an organization. In addition to helping attract and retain like-minded individuals to our companies, our team members are supporting each other through donations to the FirstService Relief Fund and engaging with colleagues at sister companies by attending, supporting or volunteering at each other's events. This collaboration strengthens the fabric of our organization by fostering camaraderie and enhancing our reputation as a great place to work.

At FirstService, Social Purpose takes on many forms:

- Volunteering for a local charity
- Participating in fundraising events
- Contributing to the FirstService Relief Fund to help our own
- Collecting items for donation drives
- Rolling up our sleeves and getting things done
- Helping those who need it most
- Inspiring others through our actions and stories

This year we have further defined our Social Purpose to represent our collective commitment to initiatives that support Our People, to activities that support Our Community and to causes that improve Our Environment.

With 34,000 people throughout our organization, the impact we can create is immense.

## How will you #FirstServeOthers?

### Corporate Information

#### Registrar and Transfer Agent

Canada – TSX Trust Company  
Phone: 1.866.600.5869  
E-mail: tmxeinvestorservices@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 Wednesday April 10, 2019 at 4:00 p.m. (ET) at The Design Exchange, 234 Bay Street, Toronto-Dominion Centre, Toronto, Ontario

**FirstService.com**