



FirstService

Creating  
value  
one step  
at a time



2022 Annual Report

# A Message From Our CEO

**2022 proved to be another excellent year for FirstService across a number of qualitative and quantitative measures. I am extremely pleased and proud of our accomplishments this past year which were driven by the efforts of our operating teams and are a reflection of the strength and resilience of our brands and business model.**

The 2022 highlights are many and include the following:

## **Organic Growth**

We grew our revenue by 15% with organic growth accounting for two-thirds of the total. It is the second consecutive year with organic growth at approximately 10%. Our teams are relentless in their pursuit of service excellence knowing that it improves customer retention, repeat business and referrals – the fuel driving organic growth. We differentiate our brands in the marketplace through service delivery and a focus on customer experience. Winning day to day and taking share is our highest priority and organic growth is our measuring stick.

## **People**

We are 27,000 strong at FirstService and our people are very clearly our greatest asset. The pandemic was a difficult time for our teams and we were not immune to the labor challenges experienced across North America. We doubled down on our efforts around culture and people development and saw material improvement through 2022 in our ability to attract and retain talent. Of particular note was the significant number of “rehires” – former associates returning, a trend which continues into this year. It is more than double the rate we have seen before and a wonderful endorsement of the culture at our brands and our continuous efforts to be the “employer of choice”.

## **Profitability**

Our EBITDA margins were down 70 basis points in 2022 – not something you would ordinarily see highlighted in an Annual Report. Our teams were battling cost inflation and margin headwinds all year and the resulting profitability margin is impressive and a reflection on our long-term perspective. We moved early to adjust our wages with

inflation knowing that we would not immediately be in a position to recoup the cost increases through price. In addition, we continued to invest in our brands understanding that the returns would not be realized for months or years. We do not manage quarter to quarter. We aspire to build iconic brands that will withstand the test of time and we know that on average our earnings will grow with revenues. We have proven that for over 30 years.

## **Acquisitions**

During 2022, we completed a number of strategic acquisitions that improved our market position, broadened our service offering and/or expanded our geographic footprint. Of particular note were the additions we made to our restoration brands and to FirstService Residential. At Paul Davis, we partnered with the teams in Lincoln, Nebraska and Salt Lake City, Utah; two of the largest franchises in the Paul Davis system. First Onsite added four tuck-under acquisitions during the year as we continue to build out our footprint across North America. Our FirstService Residential brand acquired two businesses in New York City which together added 350 marquee properties to our market leading portfolio in New York. We are excited about our 2022 additions and welcome our new partners and associates.

## **Balance Sheet**

Maintaining balance sheet strength and flexibility has always been a cornerstone of FirstService’s operating and financial success. We further demonstrated these key elements in 2022 by entering into new financing arrangements with our long-standing lenders. First, we upsized and extended our five-year revolving credit facility



for up to \$1 billion with our bank syndicate. Subsequently, we entered into three-year master shelf facilities with our senior noteholders providing a potential \$450 million of additional debt financing. We currently have a very ample \$520 million of immediate liquidity to fund our growth and significant additional debt capacity with our leverage at a conservative level of 1.6 times net debt to adjusted EBITDA.

### Board Changes

After 18 years on the Board, Bernie Ghert is retiring and will not stand for re-election at our upcoming shareholders' meeting. Bernie has acted as Chair of the Audit Committee for most of his tenure and has provided a steady hand and strong guidance throughout. We thank him for his commitment and years of dedicated service.

Early in 2022, we were honored to announce the appointment of Elizabeth Carducci to our Board. Elizabeth is recently retired from a 21-year career at Medallia, a leading provider of customer experience software solutions. Her experience with technology-driven organizations is relevant and timely as we increasingly look to drive tech-enabled growth across our brands. In addition, Elizabeth will certainly add to our continuous improvement efforts in the areas of customer and employee experience. We look forward to her advice and guidance in the coming years.

### Social Purpose

2022 marked the fifth year of our Social Purpose initiative which we launched to create greater awareness and visibility of the many ways our teams give back. Throughout the year, our team members continued our important mission to #FirstServeOthers within their communities and for our customers and colleagues.

During the year, we awarded over 350 grants through the FirstService Relief Fund to team members experiencing personal financial hardship. Since the Fund's inception, we have now granted \$1.2 million to our own people in their time of need.

Every year, our resolve to #FirstServeOthers grows, and we are committed to continue our efforts to positively impact our communities, our people and our environment.

### Summary and Look Forward

We wrapped up 2022 with a very strong fourth quarter and enter 2023 with momentum across our brands.

We have publicly stated that our long-term goal is to grow our revenues at an average rate of at least 10% per year with incremental growth at the earnings lines. We have achieved and exceeded this goal for many years and feel confident that 2023 will deliver more of the same.

I want to thank our operating partners and teams for their ongoing commitment to drive growth through service excellence. Together, we are successfully building iconic, winning brands. I also express thanks to our loyal customers and long-time shareholders for their continued support.

### D. Scott Patterson

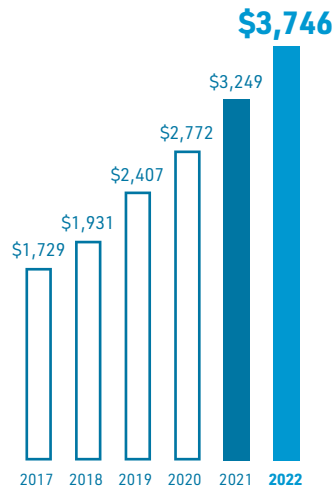
Chief Executive Officer



# Financial Highlights

## Revenues

(US\$ millions)



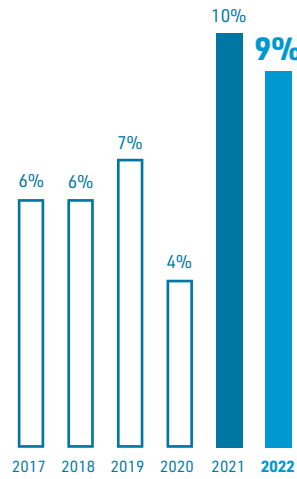
Growth  
2021 - 2022

**15%**

CAGR  
2017 - 2022

**17%**

## Annual Organic Revenue Growth

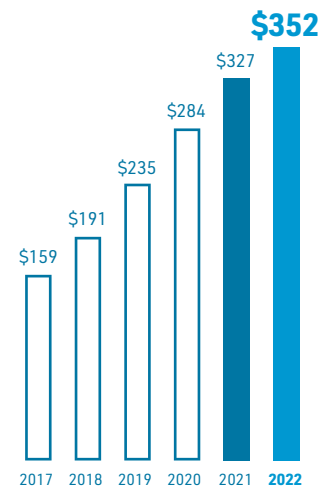


Annual Average  
Organic Growth  
2017 - 2022

**7%**

## Adjusted EBITDA

(US\$ millions)



Growth  
2021 - 2022

**7%**

CAGR  
2017 - 2022

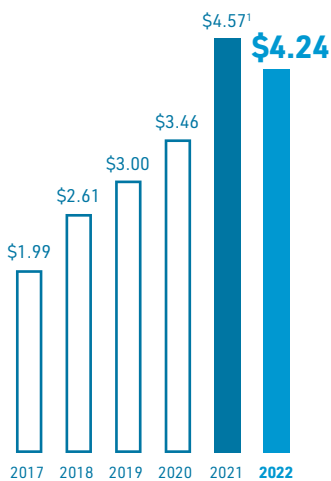
**17%**





## Adjusted EPS

(US\$)



**CAGR**  
2017 - 2022

**16%**

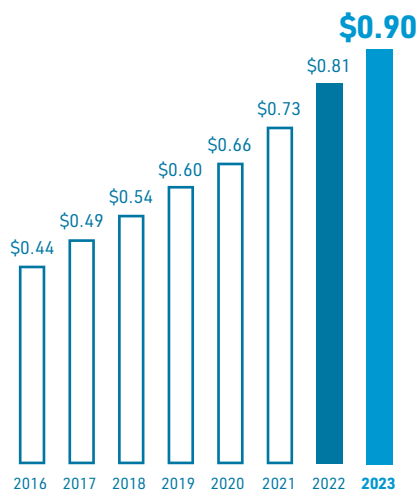
**Growth**  
2021 - 2022

**-7%**

<sup>1</sup>Excluding two one-time gains on sale, normalized EPS would be \$4.24.

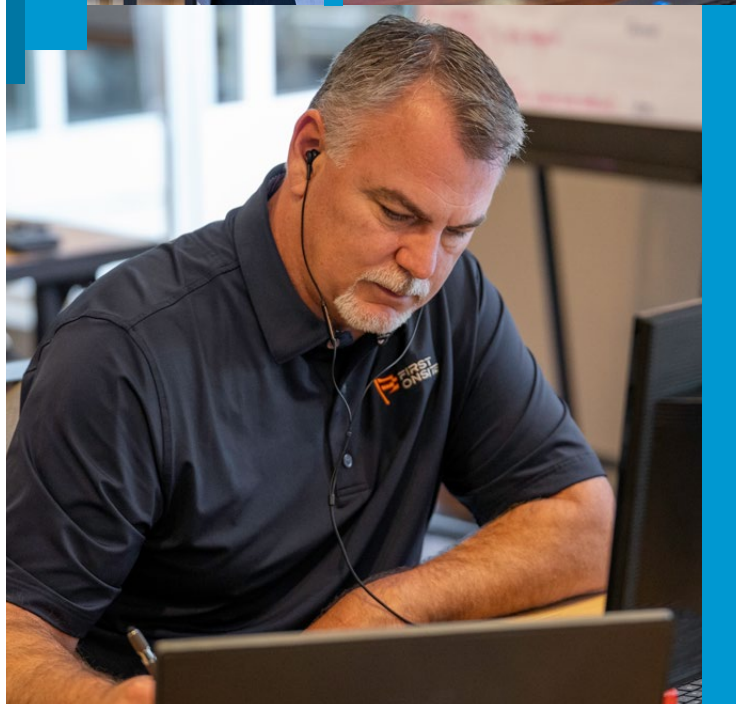
## Annual Dividends

(US\$)



**Cumulative Dividend Growth**  
2016 - 2022

**105%**





**We aspire to  
build iconic  
brands that will  
withstand the  
test of time.**



## Notice of Shareholders' Meeting

The annual meeting of the shareholders will be held virtually on Thursday, April 6, 2023 at 11:00 a.m. (ET)

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A complete digital version of the Annual Report is available in the investors area of our website, [www.firstservice.com](http://www.firstservice.com).

## Corporate Information

Registrar and Transfer Agent  
Canada – TSX Trust Company  
Phone: 1.866.600.5869  
E-mail: [tmxeinvestorservices@tmx.com](mailto:tmxeinvestorservices@tmx.com)

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 60 and Composite Indices.

## Head Office

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**FirstService**

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