

ServiceMASTER®

Second Quarter 2014 Earnings Webcast August 5, 2014





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Financial and Segment Summary

ServiceMASTER

(\$ millions except per share amounts)	Q2 2014	Q2 2013	Var.
Revenue	\$683	\$631	\$52
% Change			8%
Adj. EBITDA ¹	\$171	\$130	\$41
% Change			32%
% of Revenue	25.1%	20.6%	4.5 pts
Adj. Net Income ²	\$52	\$24	\$28
% Change			119%
% of Revenue	7.6%	3.7%	3.8 pts
Adjusted Net Income per Share ³	\$0.56	\$0.26	\$0.30
Pre-Tax Unlevered Free Cash Flow ⁴	\$151	\$128	\$23
% Change			18%

Q2 2014 Segment Results vs. PY		
	Revenue	Adjusted EBITDA ¹
Terminix	+3% +\$11m	+12% +\$10m
AHS	+17% +\$35m	+52% +\$21m
FSG	+10% +\$6m	+7% +\$2m
Other	-	+\$9m

Strong Quarterly Performance

¹Adjusted EBITDA and Adjusted EBITDA as a percent of revenue for Q2 2013 do not reflect the roughly one quarter of the \$25m of annual corporate costs transferred to TruGreen commencing in January 2014.

²Adjusted net income (loss) is defined by the company as income (loss) from continuing operations before: amortization expense; non-cash impairment of property and equipment; management and consulting fees; restructuring charges; and the tax impact of all of the aforementioned adjustments

³Adjusted net income per share is calculated as adjusted net income of \$52 million for Q2 2014 and \$24 million for Q2 2013 divided by the diluted share counts of 92 million and 92 million shares, respectively

⁴Pre-Tax Unlevered Free Cash Flow is defined (i) Net Cash Provided from Operating Activities from Continuing Operations before: cash paid for interest expense; call premium paid for retirement of debt; premium received on issuance of debt; cash paid for income taxes, net of refunds; cash paid for restructuring charges; and cash paid for management and consulting fees, (ii) less property additions

Q2'14 Performance

- Operational execution
- Terminix innovation sales
- Favorable claims at AHS
- HSA acquisition
- TruGreen costs transfer

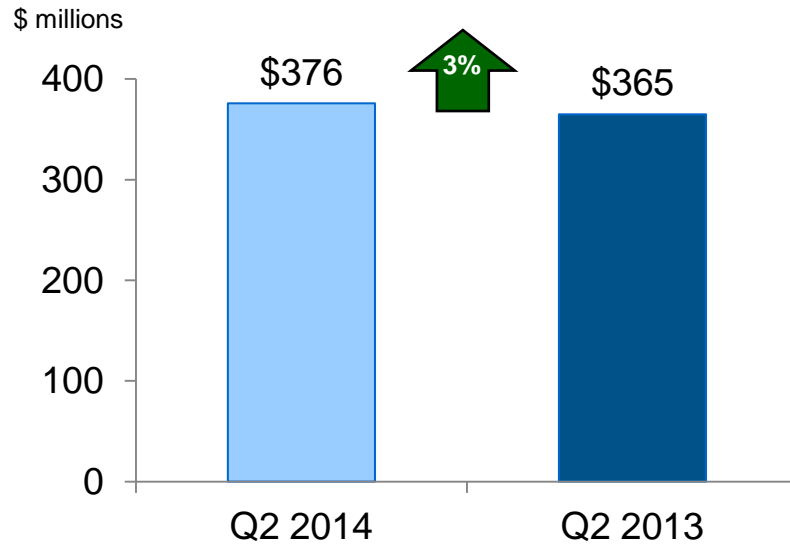


Investing
in organic
growth

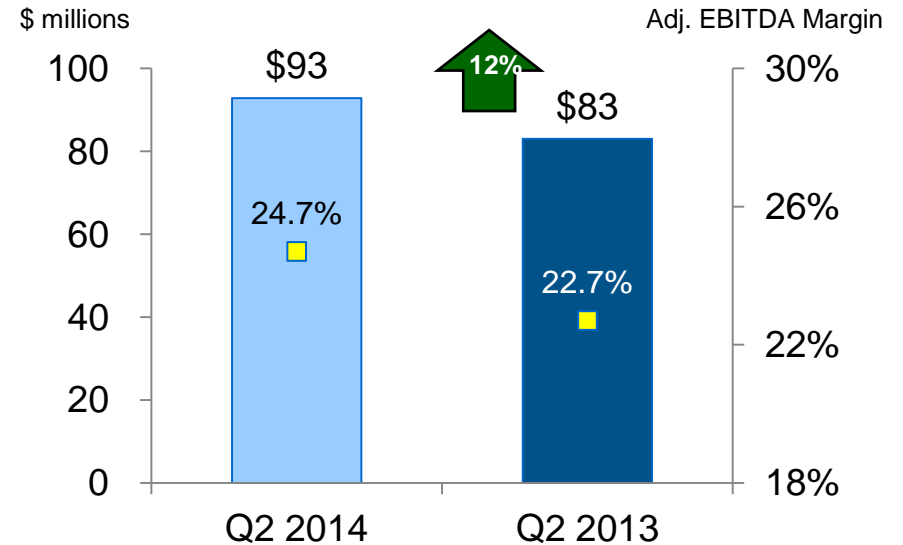
2H'14 Incremental Actions

- Terminix investing in digital and direct mail marketing to drive customer acquisition and revenue growth in 2015
- AHS investing in digital, direct mail and media marketing to drive direct-to-consumer customer acquisition and revenue growth in 2015

Revenue



Adjusted EBITDA¹



Pest Control: +4%

- + Pricing
- + Product mix
- + Mosquito sales

Termite: +3%

- + Pricing
- + Renewals
- + New unit sales

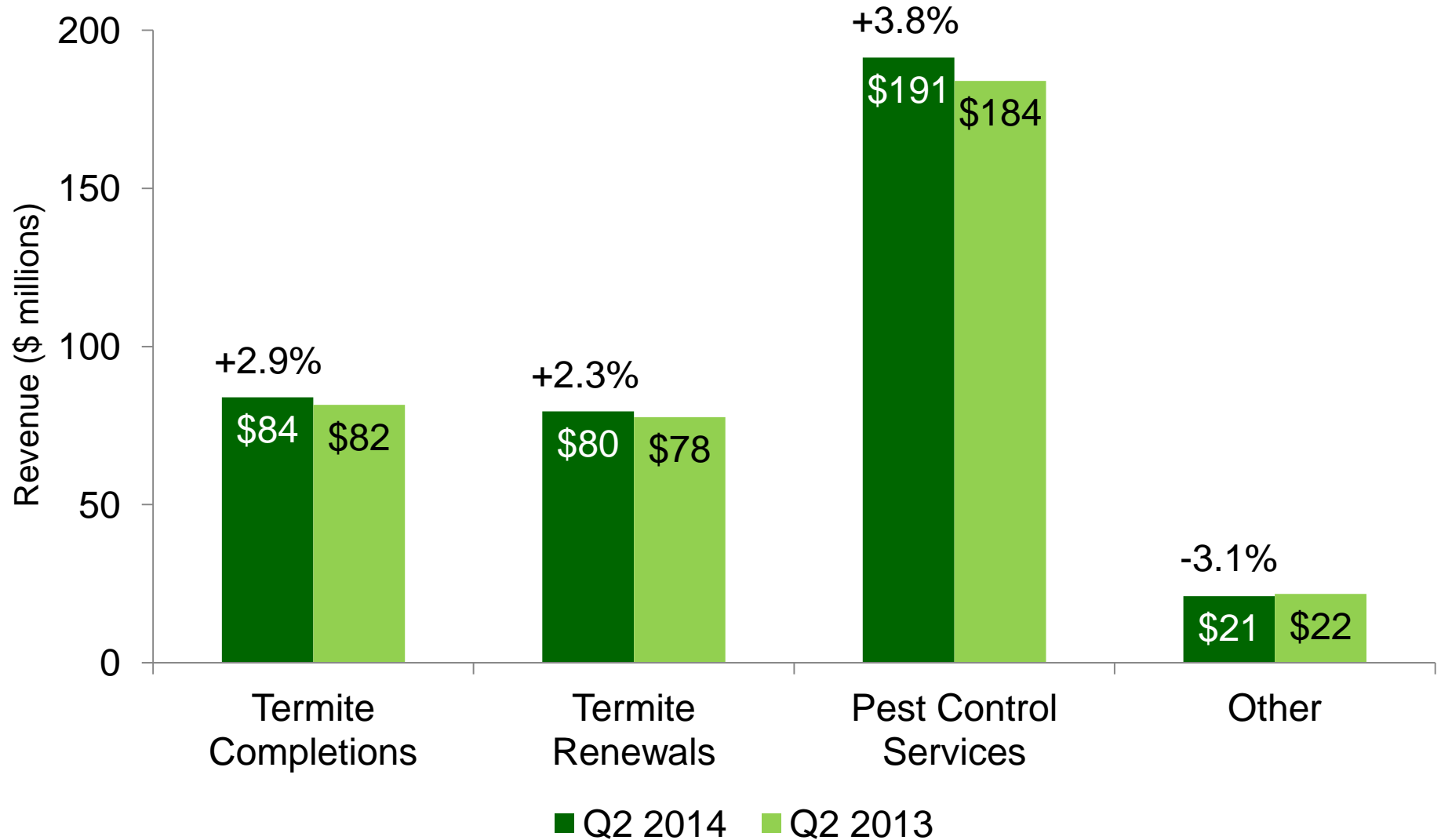
Adjusted EBITDA: +\$10m

- + Revenue conversion
- + Overhead cost reduction

Innovation Sales Growth and Strong Margin Expansion

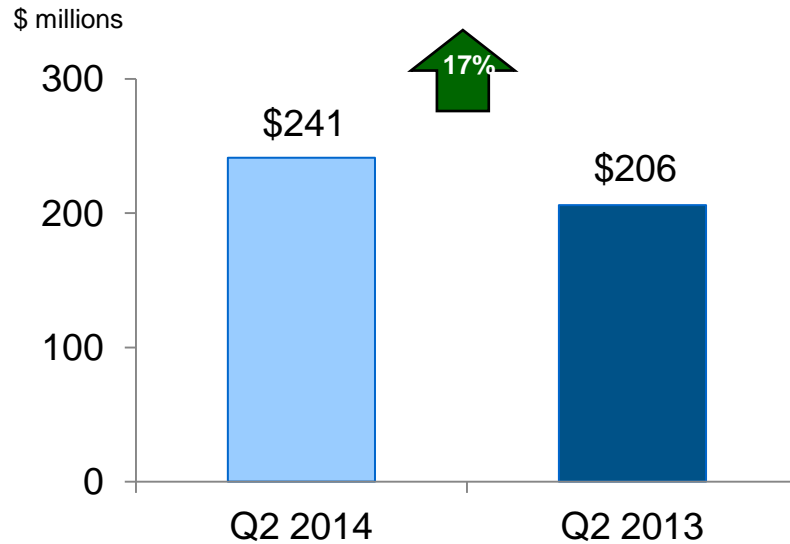
¹See Non-GAAP Reconciliations.

Revenue Growth by Channel



Consistent Revenue Growth Across Key Channels

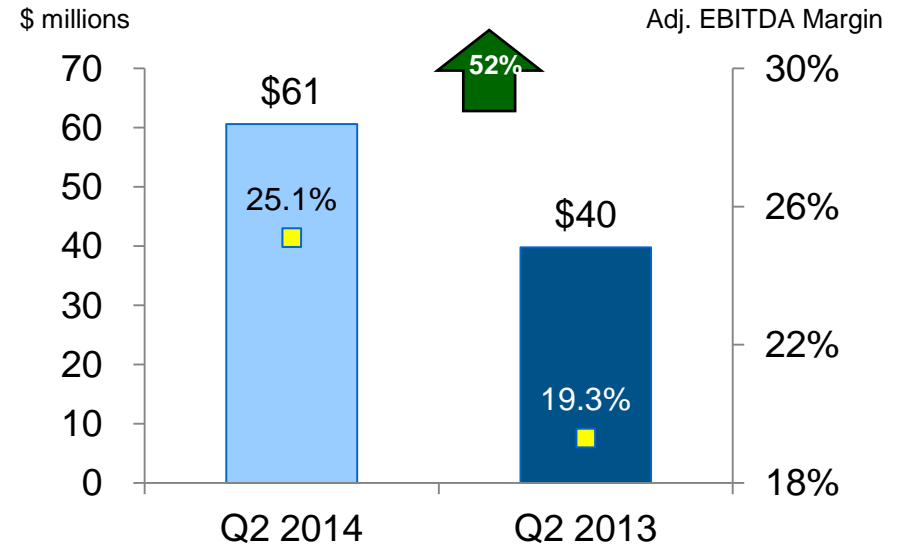
Revenue



Revenue: +17%

- + HSA acquisition: \$19m
- + In-year timing of revenue: \$9m
- + Volume / mix: \$7m

Adjusted EBITDA¹



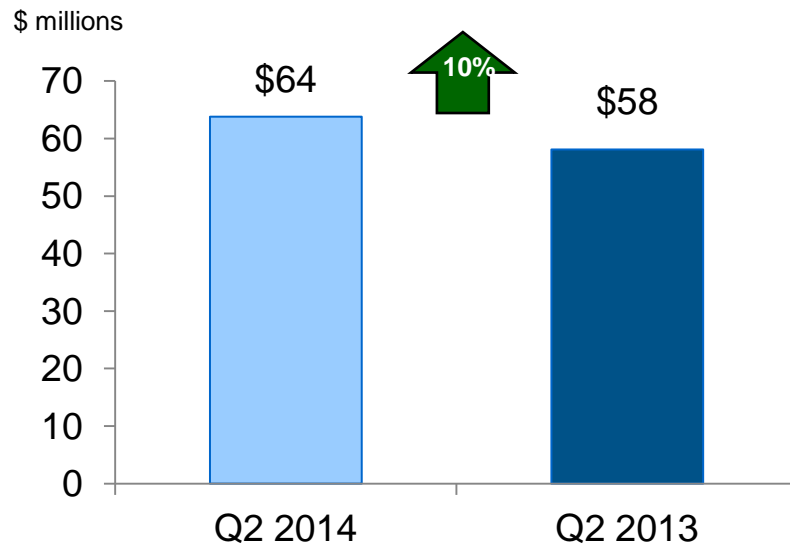
Adjusted EBITDA: +\$21m

- + HSA acquisition: \$2m
- + In-year timing of revenue: \$5m
- + Volume / mix: \$5m
- + Claims favorability: \$8m
- + Operating efficiencies: \$1m

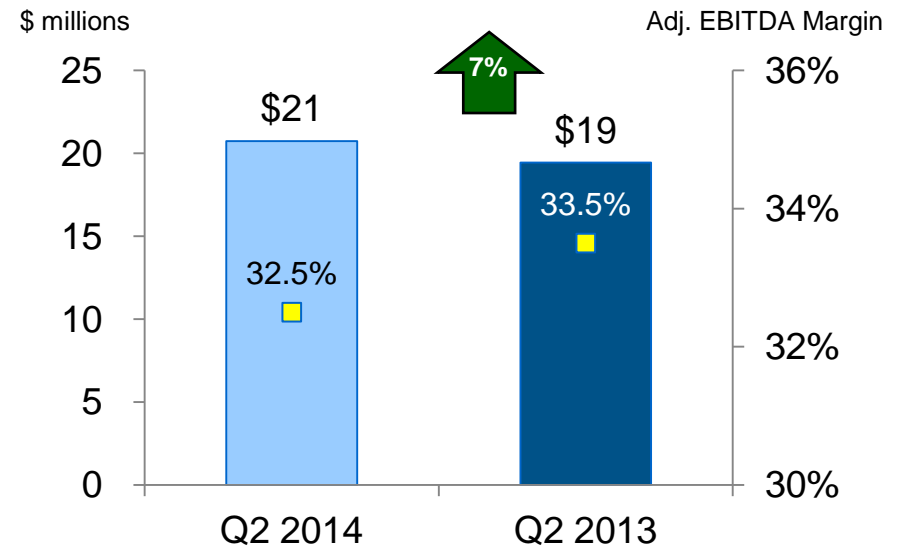
Increasing Customer Counts and Lower Claim Costs

¹See Non-GAAP Reconciliations.

Revenue



Adjusted EBITDA¹



Revenue: +10%

- + Increased fee revenue
- + Strong janitorial national accounts sales

Adjusted EBITDA: +\$2m

- + Higher royalty fee revenue
- Mix shift



Solid Revenue Growth

¹See Non-GAAP Reconciliations.

Q2 Consolidated Results



\$ millions	Three Months Ended June 30,		
	2014	2013	B/(W)
Revenue	\$ 683	\$ 631	\$ 52
<i>YoY growth</i>			8%
Gross Profit	331	302	30
<i>% of revenue</i>	48.6%	47.8%	0.7 pts
SG&A	(178)	(188)	10
<i>% of revenue</i>	26.0%	29.7%	3.7 pts
Amortization expense	(14)	(13)	(1)
Impairment of software and related costs	1	-	1
Restructuring charges	(1)	(0)	(1)
Interest, net	(60)	(61)	2
Income from Continuing Operations before Income Taxes	80	40	41
Provision for Income Taxes	38	25	13
Income from Continuing Operations	42	15	28
Loss from discontinued operations, net of income taxes	(2)	(525)	523
Net Income	\$ 40	\$ (510)	\$ 550
Adjusted Net Income	\$ 52	\$ 24	\$ 28
Adjusted EBITDA	\$ 171	\$ 130	\$ 41

Reconciliation from Adjusted EBITDA to Income from Continuing Operations to Adjusted Net Income

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(In millions)	Three months ended	
	June 30,	
	2014	2013
Terminix	\$ 93	\$ 83
American Home Shield	61	40
ServiceMaster Clean	21	19
Other Operations and Headquarters	(4)	(12)
Adjusted EBITDA	\$ 171	\$ 130
Depreciation and amortization expense	(26)	(25)
Non-cash asset impairment	1	-
Non-cash stock-based compensation expense	(1)	(0)
Restructuring charges	(1)	(0)
Management and consulting fees	(2)	(2)
Interest expense	(61)	(63)
Provision for income taxes	(38)	(25)
Income from Continuing Operations	\$ 42	\$ 15
Amortization expense	14	13
Impairment of software and other related costs	(1)	-
Management and consulting fees	2	2
Restructuring charges	1	0
Tax impact of adjustments	(6)	(6)
Adjusted Net Income	\$ 52	\$ 24

Q2 Cash Flows



	Three Months Ended June 30,	
	2014	2013
\$ millions		
Net Income (Loss)	\$ 40	\$ (510)
Loss from discontinued operations, net of income taxes	2	525
Depreciation and Amortization	26	25
Impairments	(1)	-
Other non-working capital, net	32	22
Receivables	(42)	(37)
Inventories and other current assets	(14)	(3)
Accounts payable	8	7
Deferred revenue	10	14
Other working capital, net	67	60
Net Cash Provided from Operating Activities	\$ 127	\$ 103
Cash paid for interest expense	25	27
Cash paid for income taxes, net of refunds	7	9
Cash paid for restructuring charges	2	1
Cash paid for management and consulting fees	2	2
Property additions	(12)	(14)
Pre-Tax Unlevered Free Cash Flow	\$ 151	\$ 128

Earnings adjusted for non-cash charges \$99m

Earnings adjusted for non-cash charges \$61m

Change in working capital \$29m

Change in working capital \$41m

June YTD Consolidated Results



\$ millions	Six Months Ended June 30,		
	2014	2013	B/(W)
Revenue	\$ 1,216	\$ 1,145	\$ 71
<i>YoY growth</i>			6%
Gross Profit	577	546	31
<i>% of revenue</i>	47.4%	47.7%	(0.2) pts
SG&A	(329)	(346)	17
<i>% of revenue</i>	27.1%	30.2%	3.2 pts
Amortization expense	(27)	(26)	(1)
Impairment of software and related costs	(47)	-	(47)
Restructuring charges	(6)	(3)	(2)
Interest, net	(115)	(119)	3
Income from Continuing Operations before Income Taxes	53	52	1
Provision for Income Taxes	29	31	(2)
Income from Continuing Operations	24	21	3
Loss from discontinued operations, net of income taxes	(97)	(554)	458
Net Loss	\$ (73)	\$ (533)	\$ 462
Adjusted Net Income	\$ 75	\$ 41	\$ 34
Adjusted EBITDA	\$ 286	\$ 233	\$ 53

June YTD Cash Flows



	Six Months Ended June 30,	
	2014	2013
\$ millions		
Net Income (Loss)	\$ (73)	\$ (533)
Loss from discontinued operations, net of income taxes	97	554
Depreciation and Amortization	51	49
Impairments	47	-
Other non-working capital, net	31	32
Receivables	(29)	(25)
Inventories and other current assets	(14)	(19)
Accounts payable	14	21
Deferred revenue	27	24
Other working capital, net	(2)	19
Net Cash Provided from Operating Activities	\$ 149	\$ 123
Cash paid for interest expense	117	116
Cash paid for income taxes, net of refunds	9	11
Cash paid for restructuring charges	5	5
Cash paid for management and consulting fees	4	4
Property additions	(26)	(23)
Pre-Tax Unlevered Free Cash Flow	\$ 258	\$ 236

Earnings adjusted for non-cash charges \$153m

Earnings adjusted for non-cash charges \$103m

Change in working capital \$(4)m

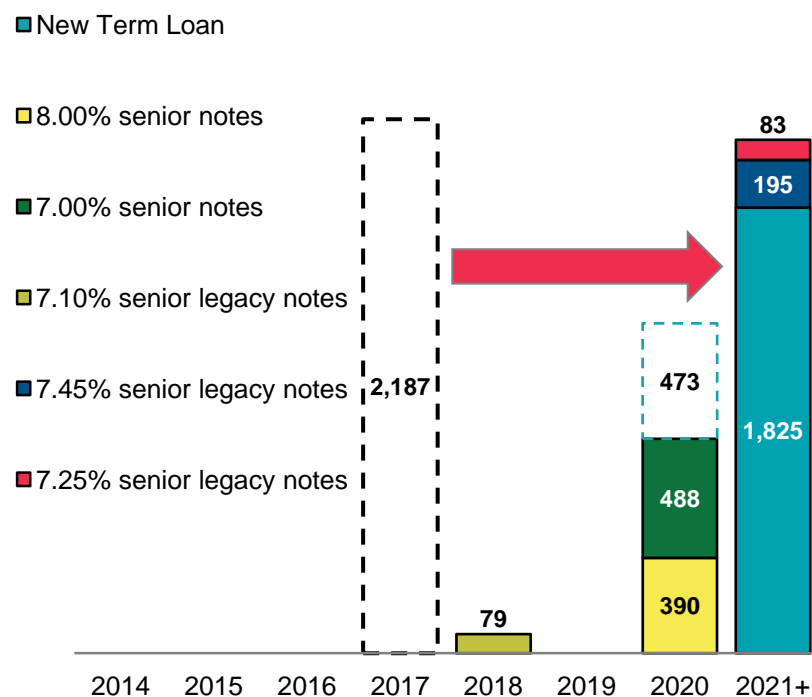
Change in working capital \$21m

- Closed initial public offering on July 1, 2014
 - Sold 41.3 million shares
 - Began trading on NYSE (SERV) on June 26, 2014
- Net IPO proceeds and cash used to reduce debt by \$835m
 - Replaced old term loan facilities (\$2,187m) with new facility (\$1,825m) and extended maturities from 2017 to 2021
 - Redeemed \$473m of 7% and 8% Senior Notes
- Intend to use cash flows to continue to reduce debt level

Cash Flow To Be Used to Reduce Leverage

Capital Structure Profile

Debt maturity profile (\$ millions)



Pro Forma Capital Structure¹

\$ millions	Debt	Rate	Annualized Interest
Term loans	\$ 1,825	4.25%	\$ 78
7% Senior notes	488	7.00%	34
8% Senior notes	390	8.00%	31
Senior legacy notes 2018 - 2021	357	7.33%	26
Capital leases & other	74		4
\$300m Interest rate swaps			2
Total	\$ 3,134	5.61%	\$ 176
Non-cash interest expense	-		13
Pro forma unrestricted cash	(175)		-
Net debt / Pro forma interest expense	\$ 2,959		\$ 189

Pro Forma Net Leverage of 5.7x²

¹Gives effect to IPO and debt payments on July 1, 2014 and July 16, 2014 and interest expense is calculated based on 12 months

²Pro forma net leverage of 5.7 times calculated as net debt of \$2,959m divided by LTM as of June 30, 2014 Adjusted EBITDA of \$516m which reflects the benefit of transferring a total of \$13m of corporate costs to TruGreen in Q3 2013 and Q4 2103

2H and FY 2014 Outlook



\$ millions	2H 2014 Projection		2H 2014 Projection B(W) vs. PY			
	Low	High	Low		High	
Revenue	\$ 1,230	\$ 1,250	\$ 82	7%	\$ 102	9%
Adjusted EBITDA	\$ 249	\$ 254	\$ 32	15%	\$ 37	17%

	FY 2014 Projection		FY 2014 Projection B(W) vs. PY			
	Low	High	Low		High	
Revenue	\$ 2,446	\$ 2,466	\$ 153	7%	\$ 173	8%
Adjusted EBITDA	\$ 535	\$ 540	\$ 85	19%	\$ 90	20%

Investing in Growth in 2014

Investment Highlights

- #1 positions² in large, growing markets
- High-value service offerings resulting in high customer retention and recurring revenues
- Growth driven by operational excellence and superior customer service
- Resilient financial model with track record of consistent performance
- Experienced management team

LTM Q2 2014 Financials

Revenue:	\$2,364m
Adj. EBITDA:	\$516m
% margin:	22%

2010 – LTM Q2 2014

Revenue:	+5.2% CAGR
Adj. EBITDA:	+10.9% CAGR
% margin:	+315 bps

Well Positioned for Continued Growth

¹Adjusted EBITDA and Adjusted EBITDA margin reflect the benefit of transferring \$25m of corporate costs to TruGreen in all annual periods and \$13m in LTM Q2 2014

²As measured by revenue, including customer-level revenue for businesses with franchises

Q&A

Reconciliation from Adjusted EBITDA to Income from Continuing Operations to Adjusted Net Income

ServiceMASTER.

(In millions)	Six months ended June 30,	
	2014	2013
Terminix	\$ 171	\$ 158
American Home Shield	83	61
ServiceMaster Clean	38	37
Other Operations and Headquarters	(6)	(23)
Adjusted EBITDA	\$ 286	\$ 233
Depreciation and amortization expense	(51)	(50)
Non-cash asset impairment	(47)	-
Non-cash stock-based compensation expense	(3)	(1)
Restructuring charges	(6)	(3)
Management and consulting fees	(4)	(4)
Interest expense	(122)	(123)
Provision for income taxes	(29)	(31)
Income from Continuing Operations	\$ 24	\$ 21
Amortization expense	27	26
Impairment of software and other related costs	47	-
Management and consulting fees	4	4
Restructuring charges	6	3
Tax impact of adjustments	(32)	(13)
Adjusted Net Income	\$ 75	\$ 41

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