

ServiceMASTER®

Credit Suisse 2014 Global Credit Products Conference
September 18, 2014



TERMINIX

American Home Shield 

ServiceMASTER Restore

ServiceMASTER Clean

merry maids

 AMERISPEC INSPECTION SERVICES

 FURNITURE MEDIC

Cautionary Statements



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Alan Haughie
Chief Financial Officer

- Investment Highlights
- IPO Overview
- Segment Review
- Q2 2014 Financial Results
- Q&A

Investment Highlights

- #1 positions¹ 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 Financials²

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

2010 – LTM Q2 2014²

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

Well Positioned for Continued Growth

¹As measured by revenue, including customer-level revenue for businesses with franchises

²Adjusted 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

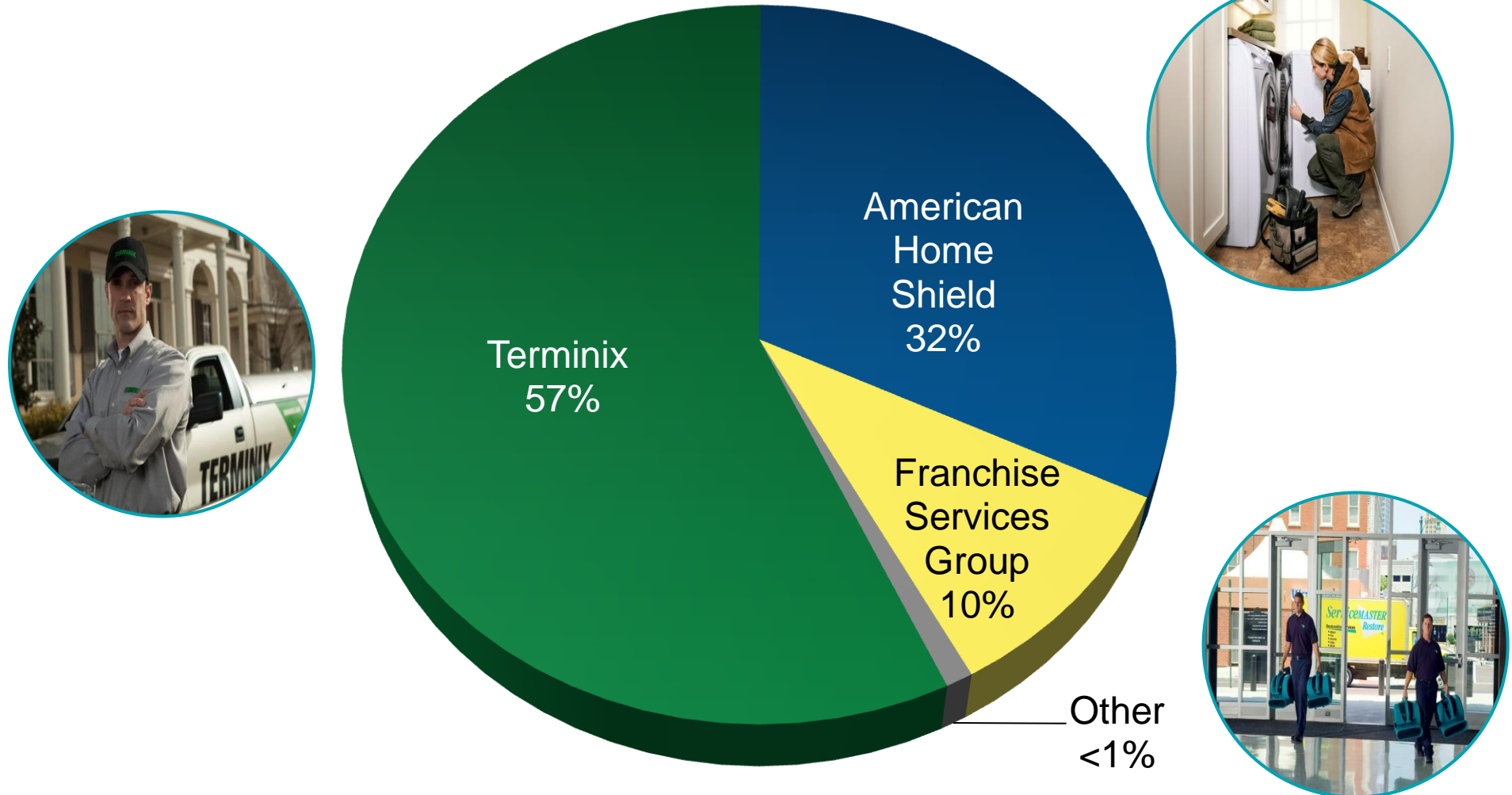
- Closed initial public offering on July 1, 2014
 - Sold 41.3 million shares
 - Began trading on NYSE (SERV) on June 26, 2014
 - Share price up 41% since IPO (through 9/15/14)
- Net IPO proceeds and cash used to reduce debt by \$835m
 - Replaced old term loan facilities (\$2,187m) with new facility (\$1,825m) 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

Portfolio of Essential Services

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2013 Reported Revenue by Segment



2013 Total Reported Revenue of \$2.3 billion

Portfolio provides risk diversification and expansion opportunities

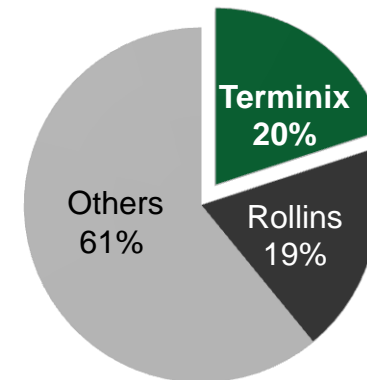
2013 Segment Snapshot



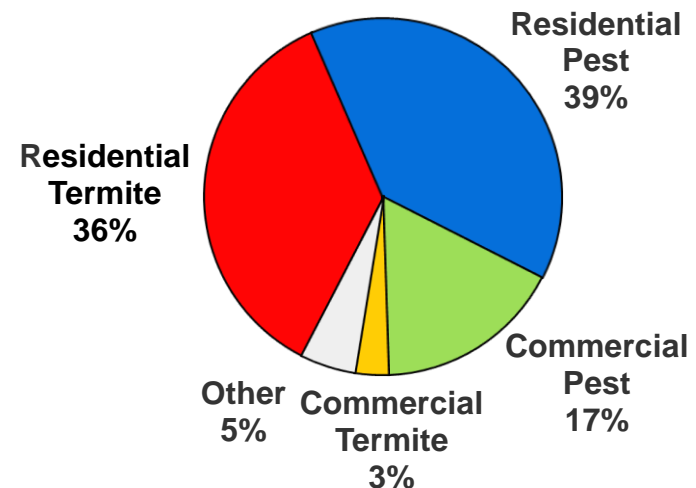
Revenue:	\$1.3b
Customer-Level Revenue ¹ :	\$1.5b
Adjusted EBITDA:	\$266m

- Operate in 47 U.S. states and 19 countries
- U.S. locations include 285 company-owned branches / 100 franchise branches
- Large and attractive U.S. market (~\$7.2b)
- Stable demand through recession
- Leading unaided brand awareness
- Scale enables investment in technology and processes
- Proven growth track record and levers to drive future growth

Market Share²



Revenue By Service Type



Leading provider of termite and pest control services in the U.S.

¹Represents (i) reported revenue and (ii) revenue earned by franchisees, less (iii) royalty fees

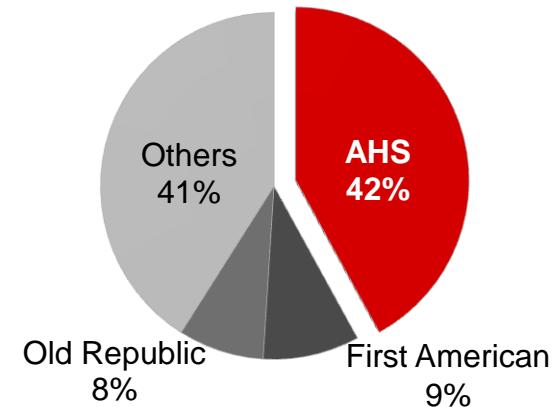
²As measured on a customer-level revenue basis. Rollins customer-level revenue derived from company filings and management estimates

2013 Segment Snapshot

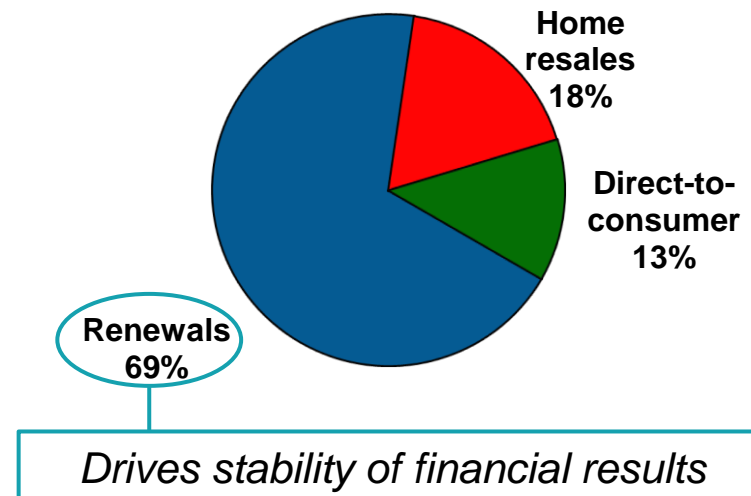
Revenue: \$740m
Adjusted EBITDA: \$145m

- 3 million service requests¹
- Significant market leadership: 4 – 5 times larger than next largest competitor
- Serves 1.4m customers in 50 states
- Stable customer retention rates
- National network of ~10,000 pre-qualified contractor firms
- Strong partnerships with leading real estate firms
- Significant direct-to-consumer marketing and lead generation capabilities

Market Share²



Revenue By Channel



Leading provider of home warranty plans in the U.S.

¹Represents full-year 2013 activity

²Sources include SEC filings and company estimates

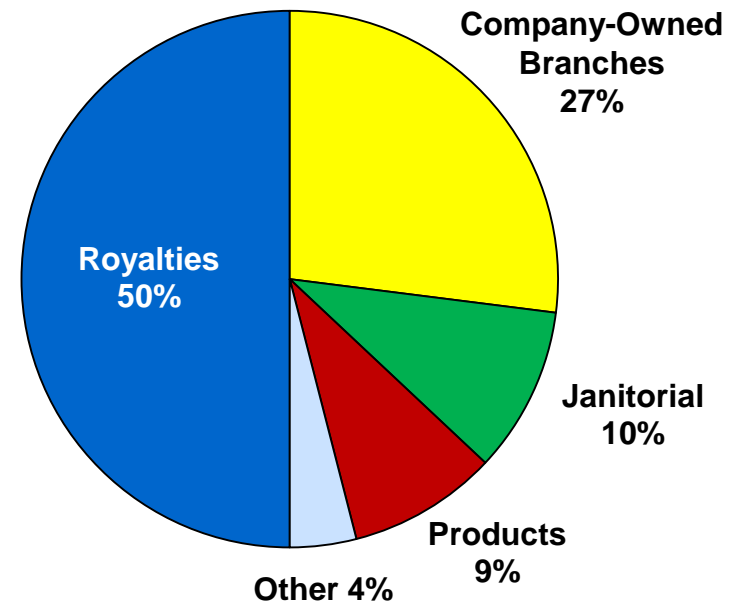
2013 Segment Snapshot



Revenue:	\$236m
Customer-Level Revenue:	\$2.4b
Adjusted EBITDA:	\$78m

- Operate in 50 U.S. states and 15 countries
- 4,000 U.S. locations¹
- Strong and trusted brands
- Leading market positions in all brands
- Attractive value proposition to franchisees
- Infrastructure and scale to service national accounts
- Long-standing relationships with majority of top 20 insurance carriers

Revenue By Channel



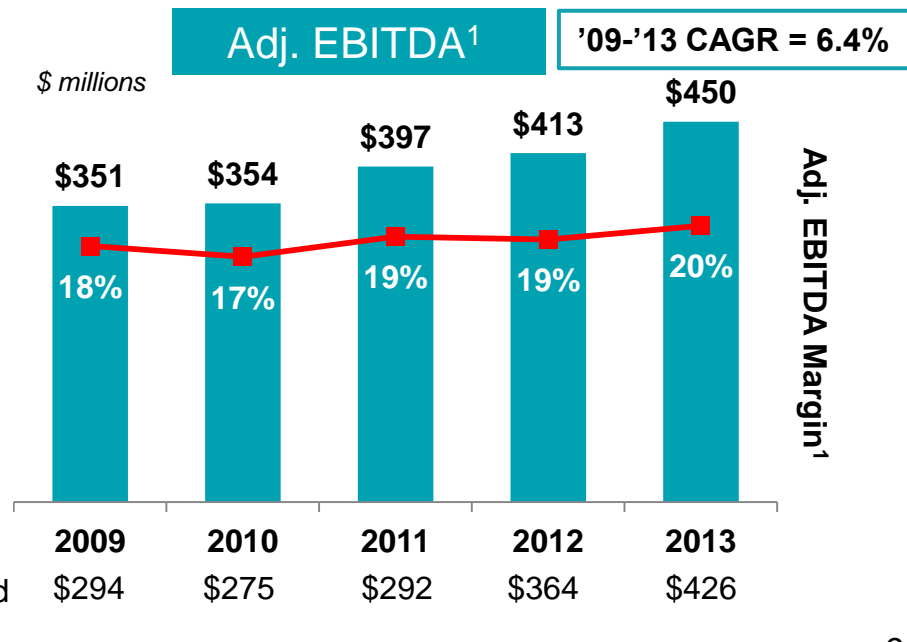
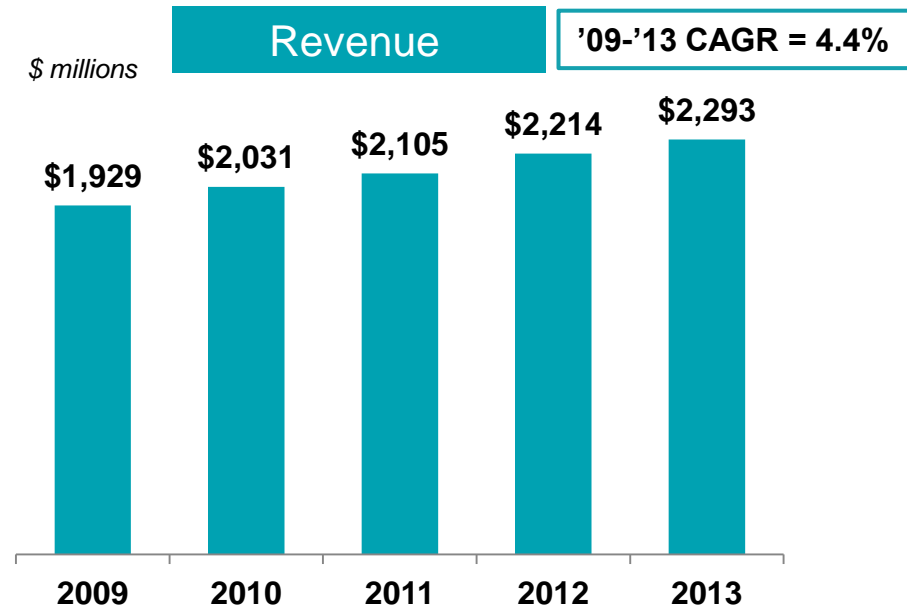
96% of royalty fees are generated by SM Restore, SM Clean and Merry Maids

Portfolio of diverse, market-leading residential and commercial services

¹U.S. locations includes franchises and company-owned branches, primarily Merry Maids

Consistent Financial Performance

- ✓ Consistent financial performance through business cycles
- ✓ Grew Adjusted EBITDA at 1.5 times the rate of revenue
- ✓ History of Adjusted EBITDA margin expansion
- ✓ High conversion of Adjusted EBITDA to Pre-Tax Unlevered Free Cash Flow



¹Adjusted EBITDA, Adjusted EBITDA margin and Pre-Tax Unlevered FCF do not reflect the annualized benefit of transferring \$25m of corporate costs to TruGreen
²Pre-Tax Unlevered Free Cash Flow means (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 Financial and Segment Summary



(\$ 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

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

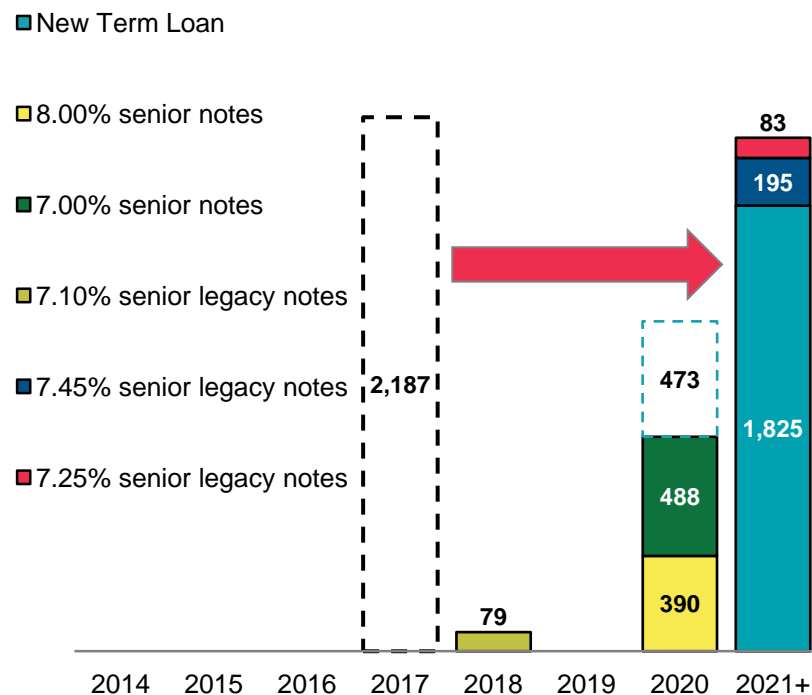
Earnings adjusted for non-cash charges \$103m

Change in working capital \$(4)m

Change in working capital \$21m

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

Appendix

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

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

Reconciliation of Net Cash Provided from Operating Activities from Continuing Operations to Pre-Tax Unlevered FCF



(\$ millions)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Cash Provided from Operating Activities from Continuing Operations	\$ 2	\$ 38	\$ 74	\$ 104	\$ 208
Reconciliation to Pre-Tax Unlevered Free Cash Flow:					
Cash paid for interest expense	294	261	244	233	232
Call premium paid on retirement of debt	-	-	-	43	-
Premium received on issuance of debt	-	-	-	(3)	-
Cash paid for income taxes, net of refunds	1	13	12	9	9
Cash paid for restructuring charges	16	3	6	15	9
Cash paid for management and consulting fees	8	8	8	7	7
Property additions	<u>(27)</u>	<u>(48)</u>	<u>(52)</u>	<u>(44)</u>	<u>(39)</u>
Total Adjustments	292	237	218	260	218
Pre-Tax Unlevered Free Cash Flow	\$ 294	\$ 275	\$ 292	\$ 364	\$ 426
Adjusted EBITDA	\$ 351	\$ 354	\$ 397	\$ 413	\$ 450
Pre-Tax Unlevered Free Cash Flow Conversion	84%	78%	74%	88%	95%

Note: Adjusted EBITDA does not reflect the annualized benefit of transferring \$25m of corporate costs to TruGreen

Reconciliation of Net (Loss) Income to Adjusted EBITDA

ServiceMASTER

<i>(\$ millions)</i>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Income (Loss)	\$ 22	\$ (10)	\$ 46	\$ (714)	\$ (507)
Reconciliation to Adjusted EBITDA:					
(Income) loss from discontinued operations, net of income taxes	(47)	(37)	(53)	696	549
Depreciation expense	32	34	38	42	48
Amortization expense	95	96	83	58	51
Non-cash goodwill and trade name impairment	5	-	-	-	-
Non-cash stock-based compensation expense	8	9	8	7	4
Management and consulting fees	8	8	8	7	7
Non-cash asset impairment of property and equipment	-	-	-	9	-
Restructuring charges	18	5	7	15	6
(Benefit) provision for income taxes	(30)	(32)	(6)	(8)	43
Interest expense	293	280	266	245	247
Loss (Gain) on extinguishment of debt	(52)	-	-	55	-
Other	(1)	1	-	1	2
Total Adjustments	329	364	351	1,127	957
Adjusted EBITDA	\$ 351	\$ 354	\$ 397	\$ 413	\$ 450

Note: Adjusted EBITDA does not reflect the annualized benefit of transferring \$25m of corporate costs to TruGreen

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