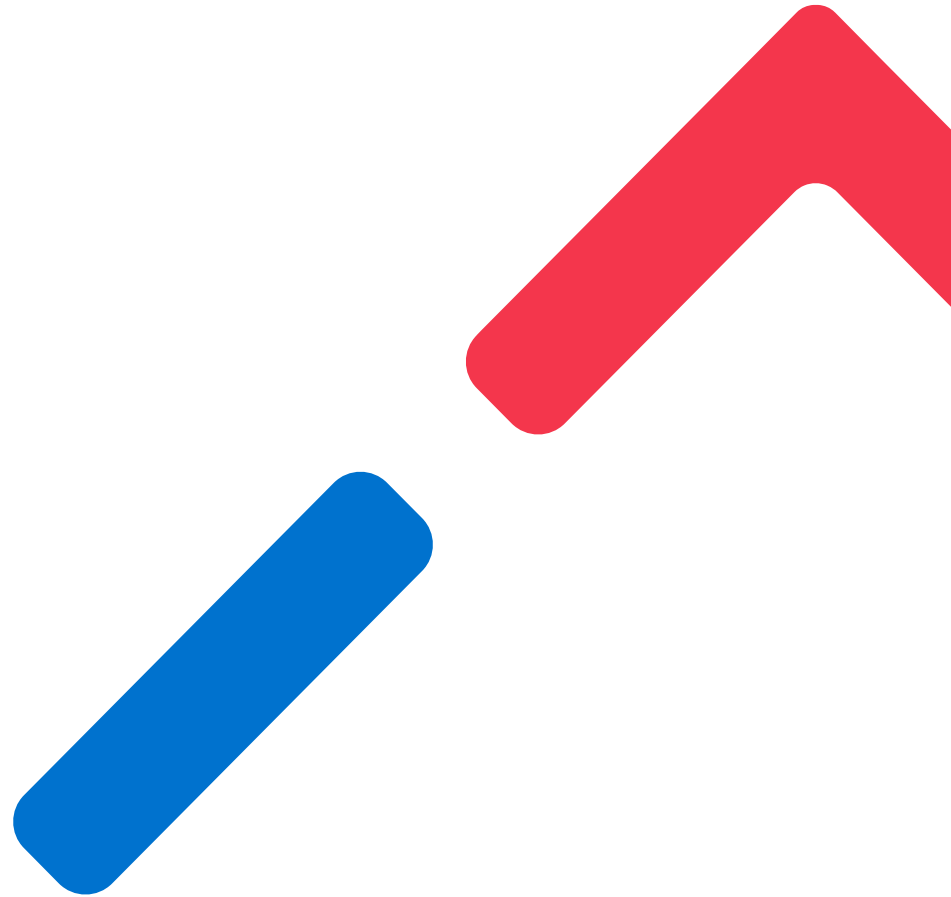


# Second-Quarter 2016 Earnings Webcast

—  
July 28, 2016



# Agenda



**Rob Gillette**  
Chief Executive Officer



**Alan Haughie**  
Chief Financial Officer

- ServSmart
- Financial Summary
- Segment Results
- Financial Results
- FY 2016 Outlook
- Summary
- Q&A

# Cautionary Statements

## Safe Harbor Statement

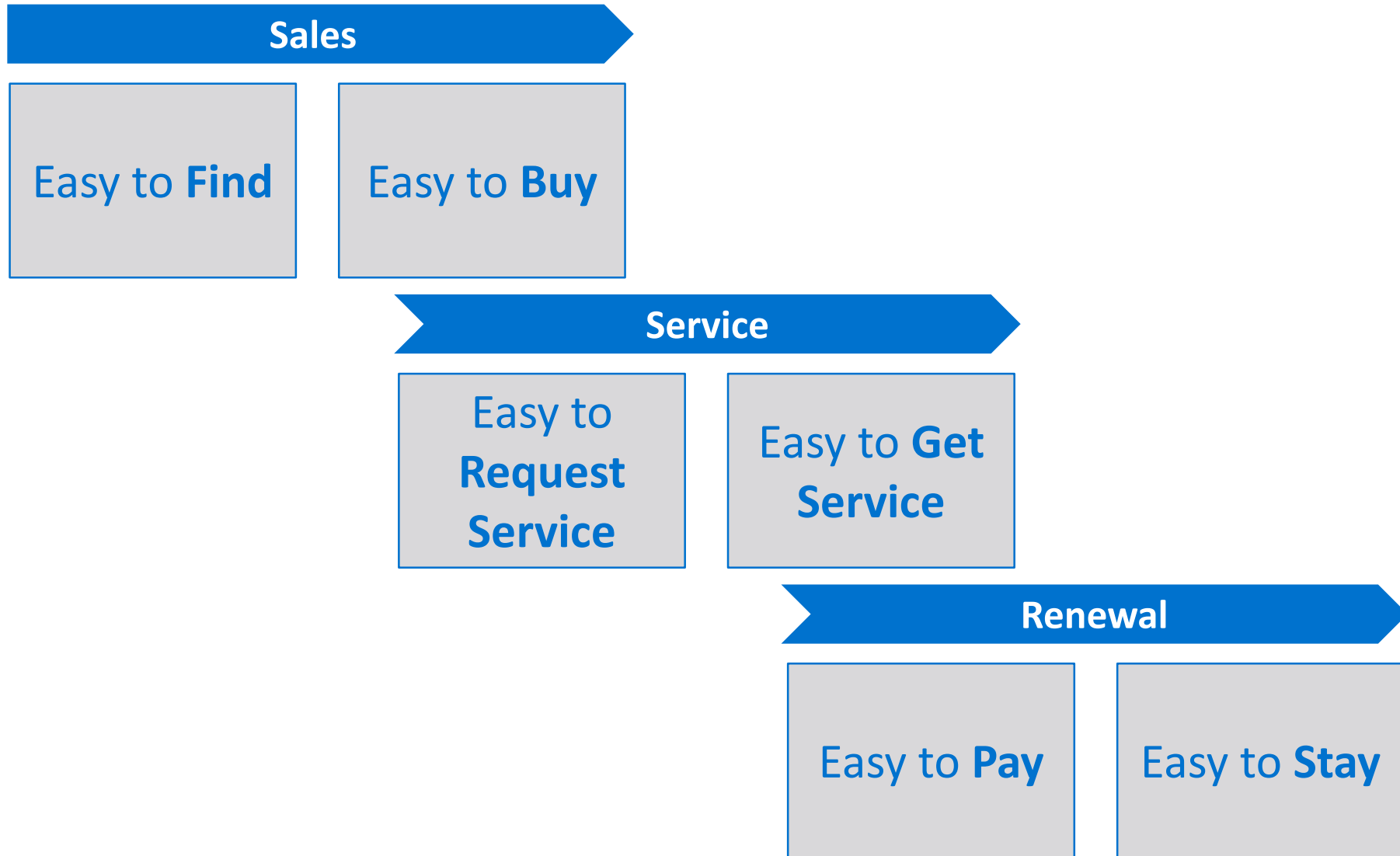
This presentation contains “forward-looking statements” that are based on management’s beliefs and assumptions and on information currently available to management. Most forward-looking statements contain words that identify them as forward-looking, such as “anticipates,” “believes,” “continues,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms that relate to future events. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause ServiceMaster’s actual results, performance or achievements to be materially different from any projected results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent the beliefs and assumptions of ServiceMaster only as of the date of this presentation and ServiceMaster undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events or otherwise. As such, ServiceMaster’s future results may vary from any expectations or goals expressed in, or implied by, the forward-looking statements included in this presentation, possibly to a material degree. ServiceMaster cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial or operational goals and targets will be realized. For a discussion of some of the important factors that could cause ServiceMaster’s results to differ materially from those expressed in, or implied by, the forward-looking statements included in this presentation, investors should refer to the disclosure contained under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015 and our other filings with the SEC.

## Note to Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures. Non-GAAP measures should not be considered as an alternative to GAAP financial measures. Non-GAAP measures may not be calculated or comparable to similarly titled measures used by other companies. See Non-GAAP reconciliations below in this presentation for a reconciliation of these measures to the most directly comparable GAAP financial measures. Adjusted EBITDA, Adjusted Net Income, Adjusted earnings per share and Free Cash Flow are not measurements of the company’s financial performance under GAAP and should not be considered as an alternative to net income, earnings per share or any other performance measures derived in accordance with GAAP or as an alternative to net cash provided by operating activities or any other measures of the company’s cash flow or liquidity. We believe these non-GAAP financial measures are useful for investors, analysts and other interested parties as they facilitate company-to-company operating and financial condition performance comparisons by excluding potential differences caused by variations in capital structures, taxation, the age and book depreciation of facilities and equipment, restructuring initiatives, consulting agreements and equity-based, long-term incentive plans.

**Adjusted EBITDA** is defined as net income before: depreciation and amortization expense; 401(k) Plan corrective contribution; fumigation related matters; insurance reserve adjustment; non-cash stock-based compensation expense; restructuring charges; gain on sale of Merry Maids branches; non-cash impairment of software and other related costs; loss from discontinued operations, net of income taxes; provision for income taxes; loss on extinguishment of debt; interest expense; and other non-operating expenses. **Adjusted net income** is defined as net income before: amortization expense; 401(k) Plan corrective contribution; fumigation related matters; insurance reserve adjustment; restructuring charges; gain on sale of Merry Maids branches; impairment of software and other related costs; loss from discontinued operations, net of taxes; loss on extinguishment of debt; other expense; and the tax impact of the aforementioned adjustments. **Adjusted earnings per share** is calculated as adjusted net income divided by the weighted-average diluted common shares outstanding. **Free Cash Flow** is defined as net cash provided from operating activities from continuing operations before: call premium paid on retirement of debt; less property additions.

# Customer Service Journey



*ServSmart: Improving Customer Service through Technology*

# Q2 Consolidated Financial Summary

\$ millions, except per share amounts

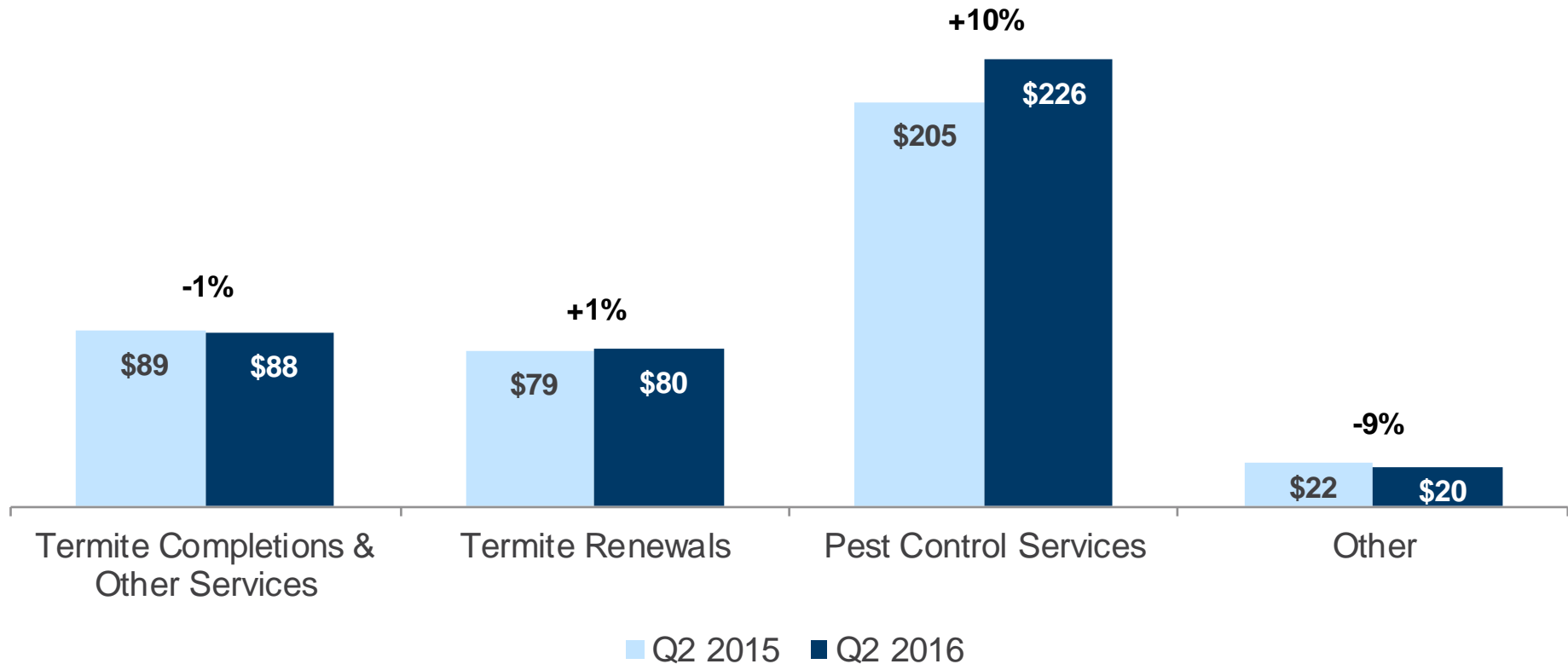
	Second Quarter			
	2016	2015	Var.	
			\$	%
Revenue	\$ 747	\$ 716	31	4%
Adj. EBITDA	203	191	12	6%
<i>% of revenue</i>	27.2%	26.7%		
Adj. Net Income	93	82	11	13%
<i>% of revenue</i>	12.4%	11.5%		
Adjusted EPS <sup>1</sup>	0.67	0.60	0.07	12%

- ✓ Growth in AHS direct-to-consumer and real estate channels
- ✓ Alterra acquisition
- ✓ Pricing across brands
- ✓ Claim costs at AHS
- ✓ AHS marketing
- ✓ ServSmart investment

## Top-Line Growth with Resilient Margins

<sup>1</sup>Adjusted earnings per share is calculated as adjusted net income divided by the diluted share counts of 137.7m shares and 136.5m shares for the second quarter of 2016 and 2015, respectively.

# Revenue Growth by Channel



*Acquisitions Driving Revenue Growth*

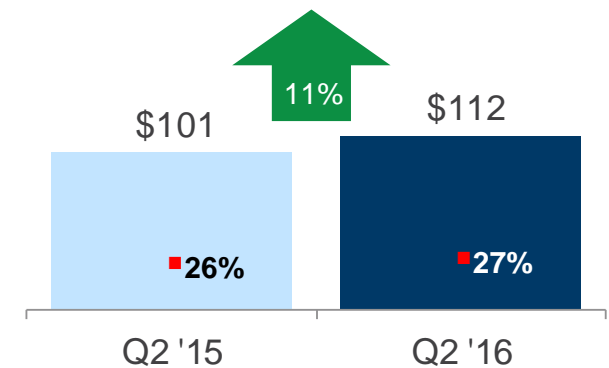
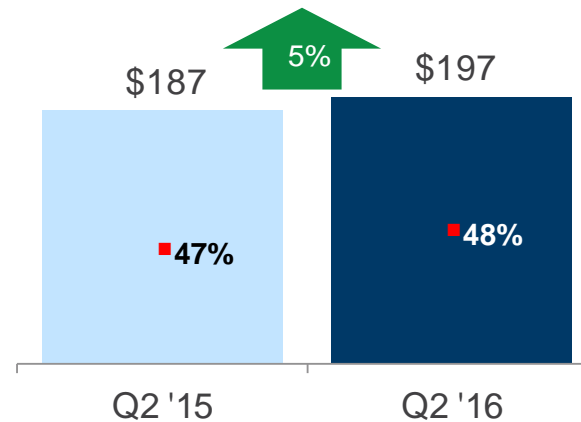
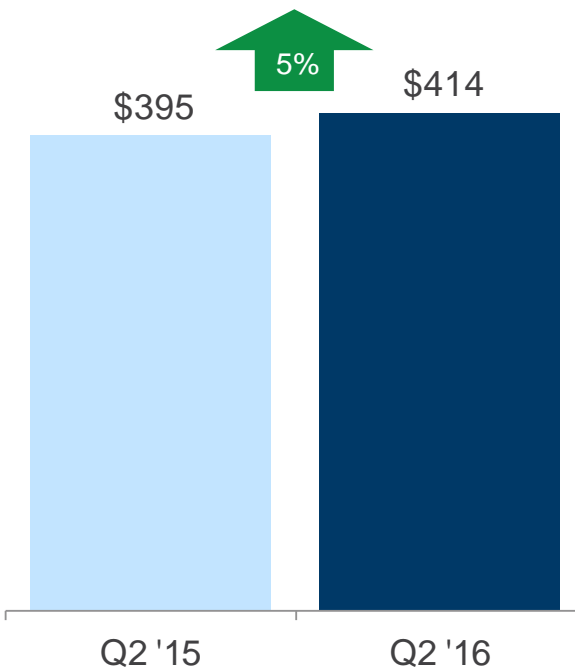
# Q2 Financial Results



## Revenue

## Gross Margin

## Adjusted EBITDA<sup>1</sup> /Margin



### Revenue:

- + Organic Growth \$ 2m
- + Acquisitions \$ 17m

### Gross Margin:

- + Revenue Conversion \$ 10m

### EBITDA:

- + Gross Margin \$10m
- + Marketing costs \$ 1m
- + Other \$ 4m
- Technology costs \$(4)m

## Alterra Acquisition and Operating Leverage

<sup>1</sup>See Non-GAAP reconciliations.

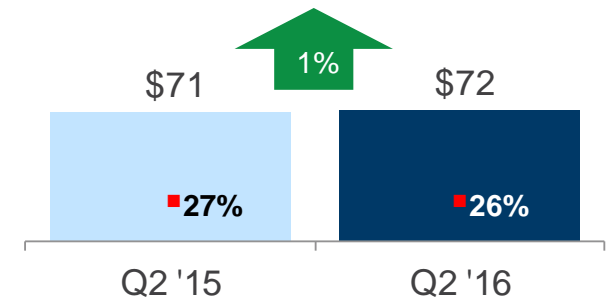
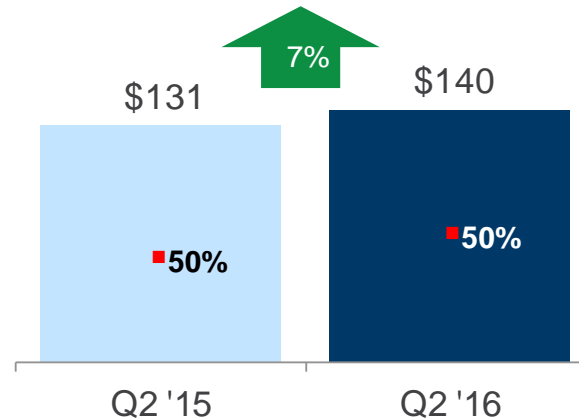
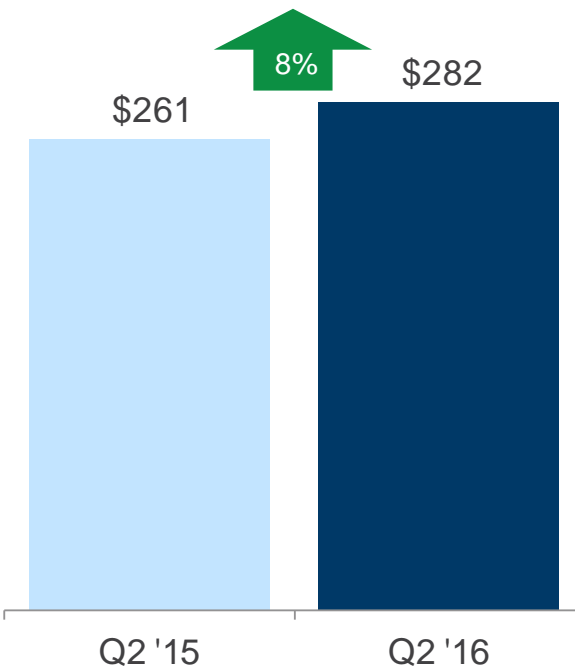
# Q2 Financial Results

\$ millions

## Revenue

## Gross Margin

## Adjusted EBITDA<sup>1</sup> /Margin



### Revenue:

+ Volume	\$15m
+ Price/mix	\$ 6m

### Gross Margin:

+ Volume	\$ 7m
+ Price/mix	\$ 6m
- Claims costs	\$(4)m

### EBITDA:

+ Gross Margin	\$ 9m
- Sales/marketing costs	\$(3)m
- Investment income	\$(3)m
- Technology costs	\$(2)m

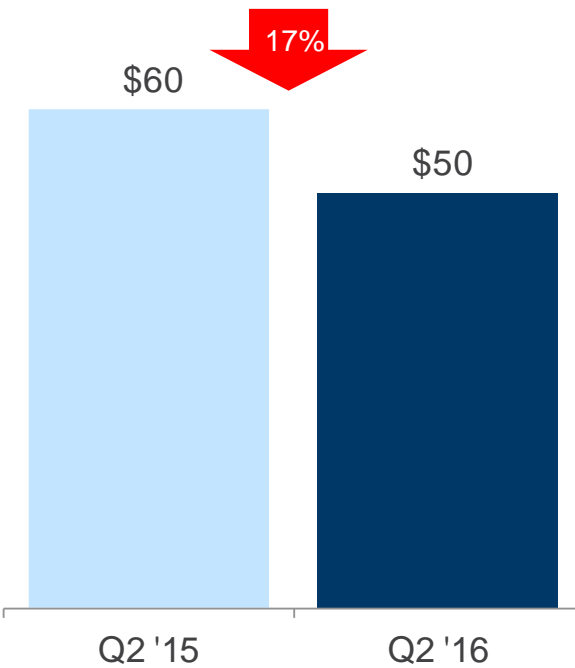
**Strong Revenue Growth Offset by Technology Investments and Marketing**

<sup>1</sup>See Non-GAAP reconciliations.

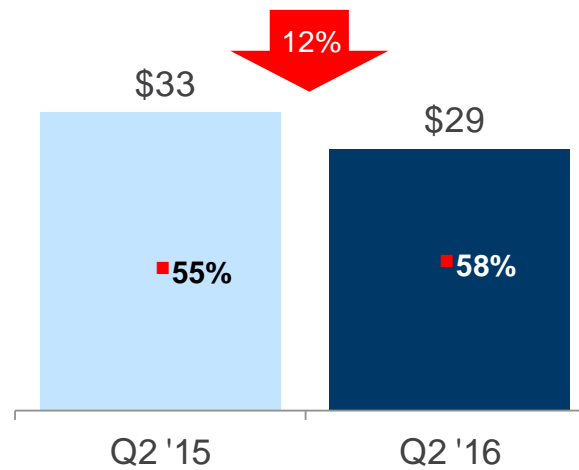


# Q2 Financial Results

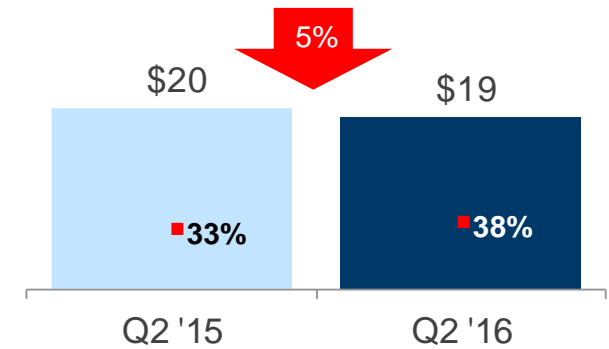
## Revenue



## Gross Margin



## Adjusted EBITDA<sup>1</sup> /Margin



### Revenue:

- MM branch conversions    \$(9)m
- Other                                \$(1)m

### Gross Margin:

- Lower revenue                        \$(2)m
- MM branch conversions            \$(2)m

### EBITDA:

- Gross Margin                            \$(4)m
- + Cost reductions                        \$ 2m
- + MM overhead                            \$ 1m

## Merry Maids Branch Conversions and Cost Reduction

<sup>1</sup>See Non-GAAP reconciliations.

# Q2 Consolidated Results

\$ millions, except per share data

	Second Quarter		
	2016	2015	B/(W)
Revenue	\$ 747	\$ 716	\$ 31
<i>YoY Growth</i>			4%
Gross Profit	368	351	17
<i>% of revenue</i>	49.3%	49.0%	0.3 pts
Selling and administrative expenses	(187)	(182)	(5)
<i>% of revenue</i>	25.0%	25.4%	0.4 pts
Amortization expense	(8)	(12)	4
Fumigation related matters	(88)	—	(88)
Insurance reserve adjustment	(23)	—	(23)
Restructuring charges	(4)	—	(4)
Gain on sale of Merry Maids branches	—	2	(2)
Interest expense	(38)	(42)	4
Interest and net investment income	4	7	(3)
Loss on extinguishment of debt	—	(14)	14
Other non-operating expenses	(2)	—	(2)
Income from Continuing Operations before Income Taxes	23	109	(86)
Provision for income taxes	(7)	(42)	35
Income from Continuing Operations	16	67	(51)
Loss from discontinued operations, net of income taxes	—	—	—
Net Income	<u>\$ 16</u>	<u>\$ 67</u>	<u>\$ (51)</u>
Weighted-average diluted common shares outstanding	137.7	136.5	
Diluted Earnings Per Share	\$ 0.11	\$ 0.49	\$ (0.37)
Adjusted Net Income <sup>1</sup>	\$ 93	\$ 82	\$ 11
Adjusted EBITDA <sup>1</sup>	\$ 203	\$ 191	\$ 12

<sup>1</sup>See Non-GAAP reconciliations.

# Q2 Adjusted EBITDA and Adjusted Net Income Reconciliations

\$ millions, except per share data

	Second Quarter	
	2016	2015
Terminix	\$ 112	\$ 101
American Home Shield	72	71
Franchise Services Group	19	20
Corporate	—	(1)
<b>Adjusted EBITDA</b>	<b>\$ 203</b>	<b>\$ 191</b>
Depreciation and amortization expense	(22)	(24)
Fumigation related matters	(88)	—
Insurance reserve adjustment	(23)	—
Non-cash stock-based compensation expense	(4)	(2)
Restructuring charges	(4)	—
Gain on sale of Merry Maids branches	—	2
Provision for income taxes	(7)	(42)
Loss on extinguishment of debt	—	(14)
Interest expense	(38)	(42)
Other non-operating expenses	(2)	(1)
<b>Net Income</b>	<b>\$ 16</b>	<b>\$ 67</b>
Amortization expense	8	12
Fumigation related matters	88	—
Insurance reserve adjustment	23	—
Restructuring charges	4	—
Gain on sale of Merry Maids branches	—	(2)
Loss on extinguishment of debt	—	14
Other non-operating expenses	2	—
Tax impact of adjustments	(47)	(9)
<b>Adjusted Net Income</b>	<b>\$ 93</b>	<b>\$ 82</b>
Weighted-average diluted common shares outstanding	137.7	136.5
Diluted Earnings Per Share	\$ 0.67	\$ 0.60

# Q2 and June YTD Simplified Cash Flow

\$ millions

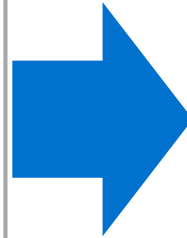
	Second Quarter		June YTD	
	2016	B/(W)	2016	B/(W)
<b>Cash at Beginning of Period</b>	\$ 371	\$ 123	\$ 296	\$ (93)
Adjusted EBITDA	203	12	330	6
Change in working capital	3	(9)	29	(5)
Property additions	(14)	(2)	(31)	(11)
Interest payments	(28)	(2)	(70)	23
Cash taxes	(34)	(29)	(37)	(31)
Other	(6)	2	(8)	6
<b>Free Cash Flow</b>	\$ 123	\$ (29)	\$ 212	\$ (12)
Acquisitions	(70)	(63)	(73)	(54)
Debt repayment, net of borrowing	(14)	36	(33)	226
Change in restricted cash	(95)	(95)	(95)	(95)
Sales and maturities of securities	47	29	48	21
Repurchase of common stock	(17)	(17)	(17)	(17)
Other	(3)	(2)	3	4
<b>Cash at End of Period</b>	\$ 342	\$ (19)	\$ 342	\$ (19)
Free Cash Flow / Adjusted EBITDA	61%	-19 pts	64%	-5 pts

# 2016 Outlook

\$ millions

## 2016 Full Year Outlook

Revenue	\$2,730 - \$2,760
<i>Growth</i>	5% - 6%
EBITDA	\$675 - \$690
<i>Growth</i>	9% - 11%
EBITDA margin	24% - 25%
	+ 50 - 100 bps



- ✓ Strong top line with AHS organic growth ~10%
- ✓ OneGuard acquisition
- ✓ Terminix growth middle single digits
- ✓ Continued operating leverage
- ✓ High customer retention; pricing 1% - 2%
- ✓ Strong pipeline of tuck-in acquisition targets
- ✓ Investing in growth (marketing/ServSmart)

## 2016 Revenue and EBITDA Outlook

# Summary

- Strong customer growth at AHS
- Acquisitions continue to contribute to growth
- Businesses margins are resilient
- Continue to invest in technology (ServSmart) and marketing
- Addressing challenge of Terminix organic growth
- Businesses remain strong

*Building on our Accomplishments and Delivering on our Commitments*

# Q&A

# Q2 and June YTD Cash Flow

\$ millions

	Second Quarter		YTD June	
	2016	2015	2016	2015
<b>Net Income</b>	<b>\$ 16</b>	<b>\$ 67</b>	<b>\$ 54</b>	<b>\$ 94</b>
Depreciation and amortization expense	22	24	43	48
Fumigation related matters	91	—	91	—
Payments on fumigation related matters	(2)	—	(2)	—
Insurance reserve adjustment	23	—	23	—
Loss on extinguishment of debt	—	14	—	27
Call premium paid on retirement of debt	—	(12)	—	(23)
Working capital	3	12	29	34
Other	(15)	47	5	40
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 138</b>	<b>\$ 152</b>	<b>\$ 244</b>	<b>\$ 220</b>
Call premium paid on retirement of debt	—	12	—	23
Property additions	(14)	(12)	(31)	(20)
<b>Free Cash Flow</b>	<b>\$ 123</b>	<b>\$ 152</b>	<b>\$ 212</b>	<b>\$ 224</b>



# June YTD Consolidated Results

\$ millions, except per share data

	June YTD		
	2016	2015	B/(W)
Revenue	\$ 1,355	\$ 1,288	\$ 67
<i>YoY Growth</i>			5%
Gross Profit	\$ 651	\$ 620	31
<i>% of revenue</i>	48.0%	48.1%	-0.1 pts
Selling and administrative expenses	(360)	(334)	(26)
<i>% of revenue</i>	26.6%	25.9%	-0.7 pts
Amortization expense	(16)	(25)	9
Fumigation related matters	(91)	—	(91)
Insurance reserve adjustment	(23)	—	(23)
Restructuring charges	(5)	(2)	(3)
Gain on sale of Merry Maids branches	2	3	(1)
Interest expense	(76)	(88)	12
Interest and net investment income	4	7	(3)
Loss on extinguishment of debt	—	(27)	27
Other non-operating expenses	(2)	—	(2)
Income from Continuing Operations before Income Taxes	85	154	(69)
Provision for income taxes	(30)	(59)	29
Income from Continuing Operations	54	95	(41)
Loss from discontinued operations, net of income taxes	—	(1)	1
Net Income	<u>\$ 54</u>	<u>\$ 94</u>	<u>\$ (40)</u>
Weighted-average diluted common shares outstanding	137.7	136.3	
Diluted Earnings Per Share	\$ 0.39	\$ 0.69	\$ (0.30)
Adjusted Net Income <sup>1</sup>	\$ 140	\$ 127	\$ 13
Adjusted EBITDA <sup>1</sup>	\$ 330	\$ 324	\$ 6

<sup>1</sup>See Non-GAAP reconciliations.

# June YTD Adjusted EBITDA and Adjusted Net Income Reconciliations

\$ millions, except per share data

	June YTD	
	2016	2015
Terminix	\$ 207	\$ 190
American Home Shield	90	100
Franchise Services Group	37	39
Corporate	(3)	(5)
<b>Adjusted EBITDA</b>	<b>\$ 330</b>	<b>\$ 324</b>
Depreciation and amortization expense	(43)	(48)
Fumigation related matters	(91)	—
Insurance reserve adjustment	(23)	—
Non-cash stock-based compensation expense	(7)	(5)
Restructuring charges	(5)	(2)
Gain on sale of Merry Maids branches	2	3
Provision for income taxes	(30)	(59)
Loss on extinguishment of debt	—	(27)
Interest expense	(76)	(88)
Other non-operating expenses	(2)	(4)
<b>Net Income</b>	<b>\$ 54</b>	<b>\$ 94</b>
Amortization expense	16	25
Fumigation related matters	91	—
Insurance reserve adjustment	23	—
Restructuring charges	5	2
Gain on sale of Merry Maids branches	(2)	(3)
Loss on extinguishment of debt	—	27
Other non-operating expenses	2	1
Tax impact of adjustments	(50)	(19)
<b>Adjusted Net Income</b>	<b>\$ 140</b>	<b>\$ 127</b>
Weighted-average diluted common shares outstanding	137.7	136.3
Diluted Earnings Per Share	\$ 1.01	\$ 0.93