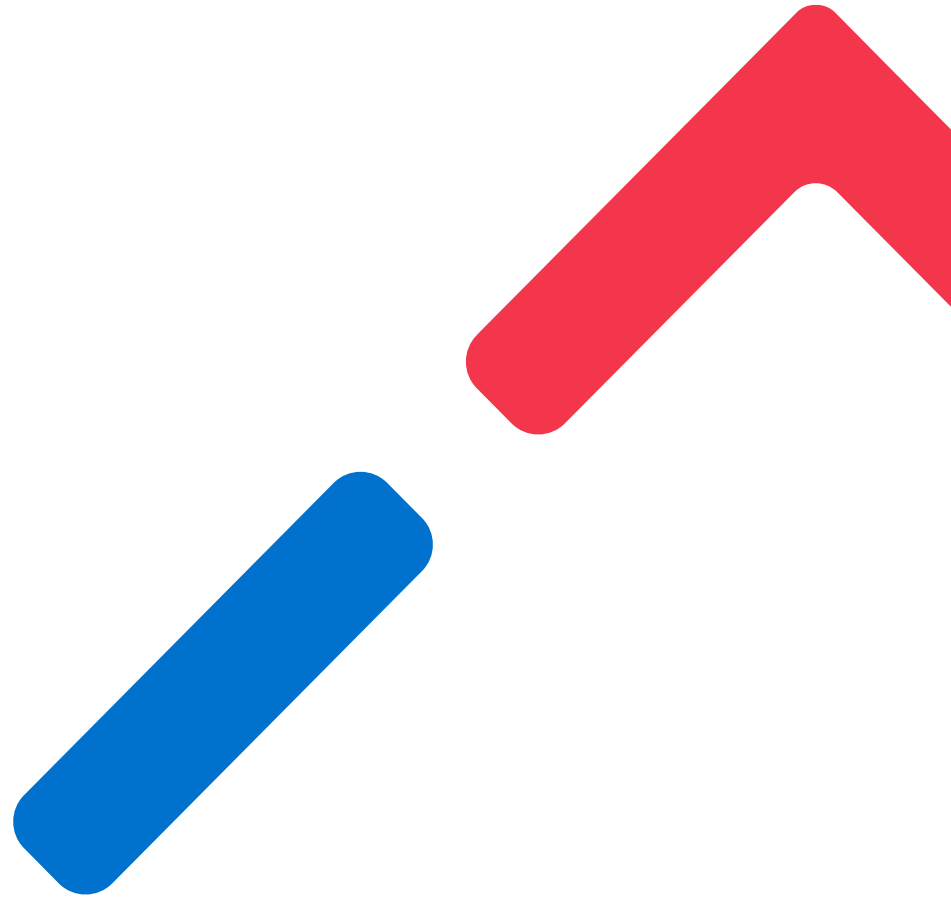


# Fourth-Quarter & Full-Year 2019 Earnings Webcast

February 27, 2020



# Cautionary Statements

## Safe Harbor Statement

This presentation contains forward-looking statements and cautionary statements, including 2020 revenue, organic revenue growth, adjusted EBITDA, termite damage claims expense and incremental margin outlook and projections, 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, 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 like or comparable to similarly titled measures of 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, net cash provided by operating activities from continuing operations or any other performance or liquidity measures derived in accordance with GAAP. Management uses these non-GAAP financial measures to facilitate operating performance and liquidity comparisons, as applicable, from period to period. We believe these non-GAAP financial measures are useful for investors, analysts and other interested parties as they facilitate company-to-company operating performance and liquidity comparisons, as applicable, by excluding potential differences caused by variations in capital structures, acquisition activity, taxation, the age and book depreciation of facilities and equipment, restructuring initiatives and equity-based, long-term incentive plans.

# Agenda



**Naren Gursahaney**  
Chairman and Interim CEO



**Tony DiLucente**  
Chief Financial Officer

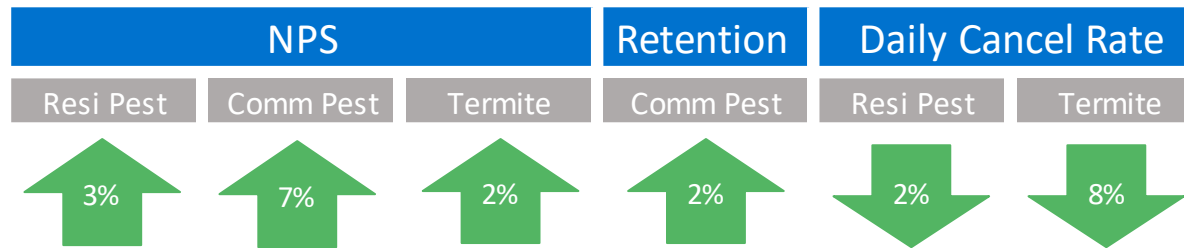


**Jesse Jenkins**  
VP Investor Relations &  
Treasurer

- **2019 Performance & 2020 Strategic Priorities**  
Naren Gursahaney
- **Termite Damage Claims Mitigation Plan**  
Naren Gursahaney
- **Termite Damage Claims Financial Impact**  
Tony DiLucente
- **Q4 Financial Summary**  
Tony DiLucente
- **Full-Year 2020 Outlook**  
Tony DiLucente
- **Closing Remarks and Q&A**  
Naren Gursahaney

# 2019 Performance and Recent Highlights

- ✓ *Announced intention to explore strategic alternatives for ServiceMaster Brands*
- ✓ *Improved customer experience across the Terminix business*



- ✓ *Delivered solid progress against our strategic initiatives in 2019*
  - *9% total revenue growth to \$2,077 million*
  - *2.6% organic revenue growth at Terminix*
  - *\$417 million Adjusted EBITDA with continued strong free cash flow conversion*
- ✓ *Added talent to the organization with Kim Scott, President of Terminix Residential*
- ✓ *Invested in infrastructure through customer experience platform and termite clean sheet*
- ✓ *Accelerated development of a robust termite damage claims mitigation program*

# Strategic Priorities **2020**



## Reduce Employee Turnover

### Initiatives

- Onboarding Initiative
- Improved Training
- Safety Initiatives



## Improve Customer Retention

### Initiatives

- Employee Engagement
- Customer Experience Platform
- Termite Clean Sheet
- Cancellation Analytics



## Enhance Profit Margins

### Initiatives

- Cost Productivity
- Marketing Optimization
- Labor Utilization



## Revitalize Termite Business

### Initiatives

- Accelerate Termite Mitigation Plan
- Termite Clean Sheet
- Termite Tiered Product Roll-out

**Taking the next step on our Terminix Transformation Journey**

# Termite Damage Claims Mitigation Program

- ✓ **\$10 million investment to accelerate previously discussed mitigation plan**
- ✓ **Accelerating pace of supplemental treatment program**
  - Prioritizing Mobile Bay Area
  - Targeting completion by end of 2020
- ✓ **Enhancing reinspection and quality assurance program**
  - Utilizing advanced tools and scheduling procedures
  - Leveraging termite clean sheet standard operating procedures
  - Expanding dedicated and independent quality assurance teams and processes
- ✓ **Improving claims management and contracting processes**
  - Continuing to use third-party claims administrators
  - Align pricing, contract length and warranty terms with industry standards

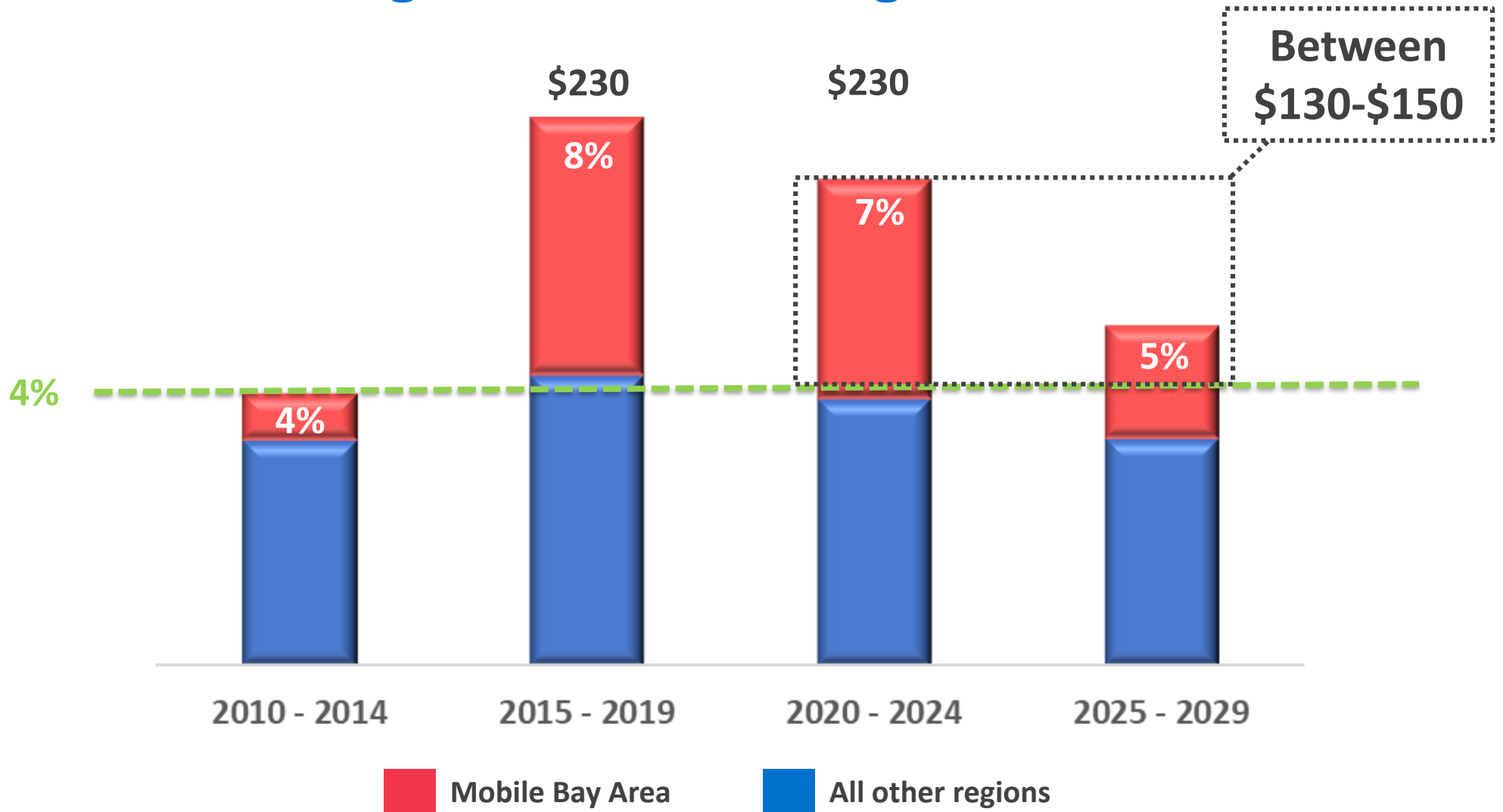
# 2019 Terminix Termite Damage Claim Impact

<i>(dollars in millions)</i>	<b>Total Terminix</b>	<b>Mobile Bay Area</b>	<b>All Other Regions</b>
Termite Revenue	\$607	\$9	\$598
<i>YE Termite Customer Contracts</i>	<i>~1,000,000</i>	<i>~15,000</i>	<i>~985,000</i>
2019 Filed Litigated Cases	41	40	1
<i>Non-Litigated Incident Rate</i>	<i>~0.3%</i>	<i>~5%</i>	<i>~0.3%</i>
2019 Balance Sheet Reserve:	\$80	\$55	\$25
<i>Non-Litigated</i>	<i>\$28</i>	<i>\$15</i>	<i>\$12</i>
<i>Litigated</i>	<i>\$52</i>	<i>\$40</i>	<i>\$12</i>
<i>YE 2019 Open Litigated Cases</i>	<i>67</i>	<i>56</i>	<i>11</i>

Incident rate represents number of claims filed over YE termite customer contracts

Litigated claim counts excludes non-complex litigated claims

# Termite Damage Claim Cost Ringfence

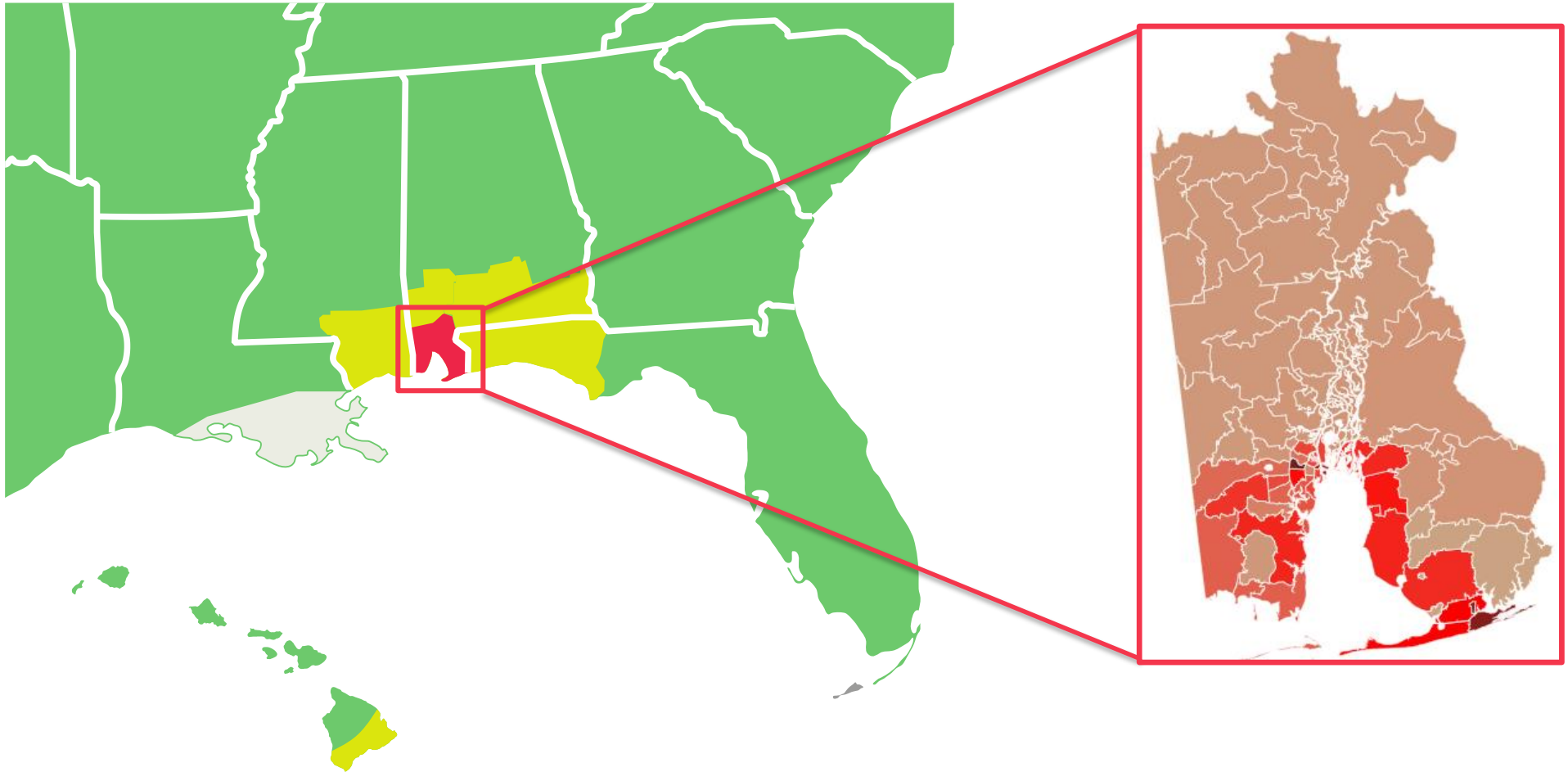


✓ **Between \$130 and \$150 million above 4% of termite and home services revenue**

- 75%, or approximately \$100 million, above historical expense rate through 2024
- Approximately \$45 million above historical expense rate expected in 2020



# Formosan Termite Damage Exposure Area



✓ **Primary exposure continues to be the Mobile Bay Area**

- Other moderate risk areas include neighboring gulf counties
- No areas outside of the Mobile Bay Area experiencing significant deviation from historical rates

# Q4 Consolidated Financial Summary

(\$ millions, except EPS)	Q4 2019	Q4 2018	Variance	
Revenue	\$ 507	\$ 457	\$ 50	11%
Adjusted EBITDA <sup>1</sup>	\$ 80	\$ 80	\$ (1)	(1)%
<i>Margin</i>	15.7%	17.6%		
Adjusted Net Income <sup>1</sup>	\$ 30	\$ 26	\$ 3	12%
<i>Margin</i>	5.9%	5.8%		
Adjusted EPS <sup>1</sup>	\$ 0.22	\$ 0.19	\$ 0.03	14%

## ✓ ServiceMaster Brands

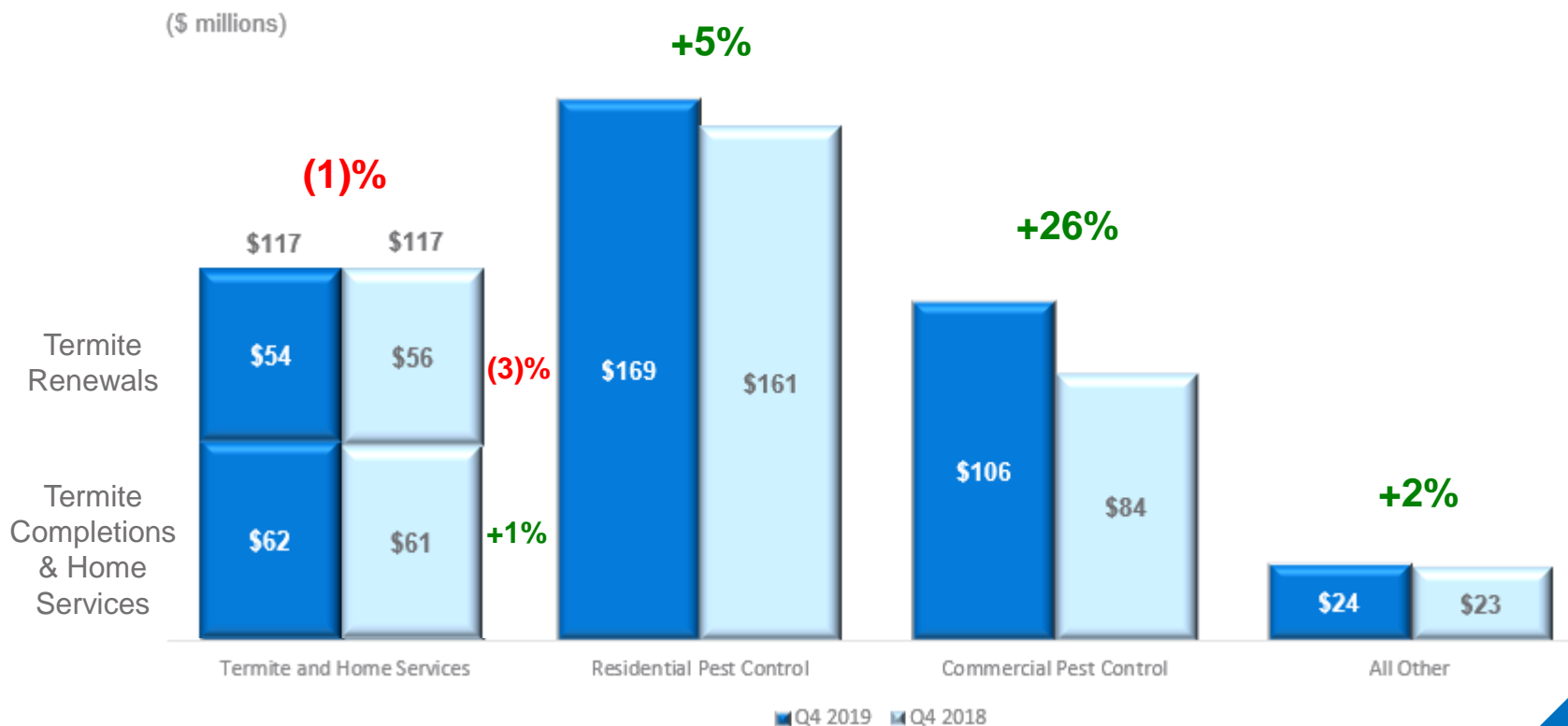
- 8% revenue growth; \$22 million Adjusted EBITDA contribution
- Continued progress in healthcare, commercial national accounts

## ✓ European Pest Operations

- \$18 million revenue, primarily Nomor and Terminix UK
- Adjusted EBITDA contributions from Nomor, offset by optimization efforts at Terminix UK
- Global accounts opportunities in the UK through new platform

<sup>1</sup>See Appendix for Non-GAAP Reconciliations and Non-GAAP Reconciliation Definitions.

# Terminix Q4 Revenue Growth by Channel **TERMINIX**



## Termite & Home Services

	Q4 2019 Growth
Organic	-2%
M&A	2%
<b>Total</b>	<b>-1%</b>

## Residential Pest Control

	Q4 2019 Growth
Organic	4%
M&A	2%
<b>Total</b>	<b>5%</b>

## Commercial Pest Control

	Q4 2019 Growth
Organic	2%
M&A	24%
<b>Total</b>	<b>26%</b>

**Total Terminix Growth 8%**

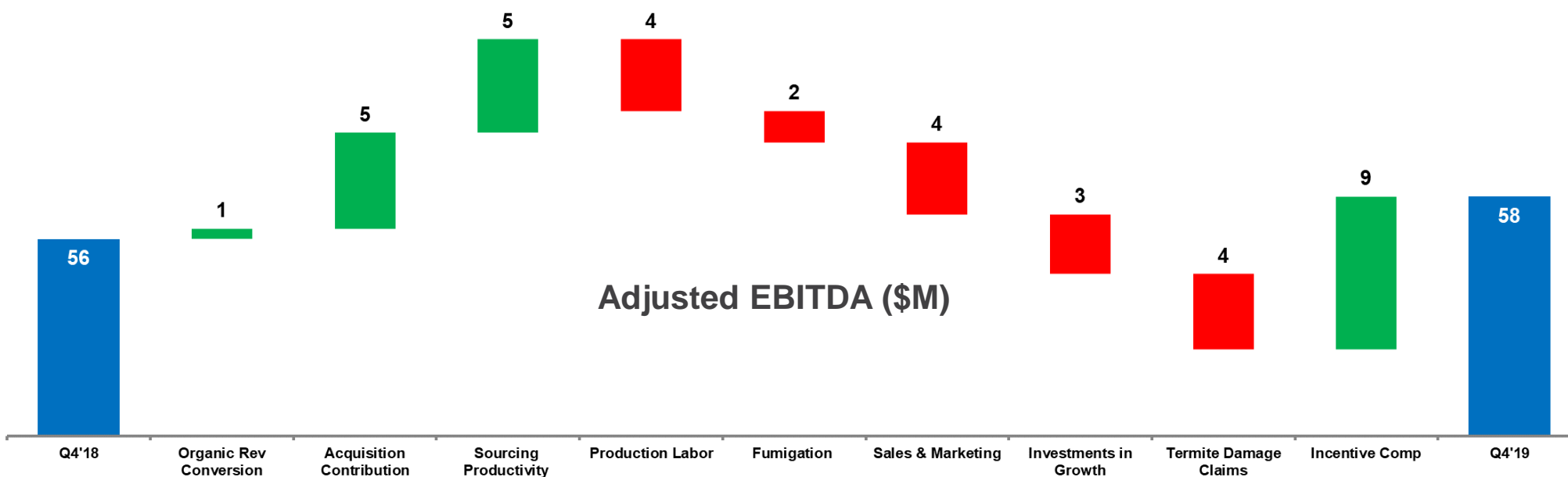
**Terminix Organic Growth 1%**

Note: Terminix revenue and growth excludes the impact of the divested termite fumigation service operations and assets

# Terminix Q4 Financial Results



(\$ millions)	Q4 2019	Q4 2018	Variance	
Residential Pest	\$ 169	\$ 161	\$ 8	5%
Commercial Pest	\$ 106	\$ 84	\$ 22	26%
Termite & Home Services	\$ 117	\$ 117	\$ (1)	(1)%
All Other	\$ 24	\$ 23	—	2%
	\$ 416	\$ 386	\$ 30	8%
Fumigation	\$ 8	\$ 11	\$ (3)	(28)%
Revenue	\$ 423	\$ 396	\$ 27	7%
Gross Profit	\$ 158	\$ 151	\$ 7	4%
Margin	37.3%	38.2%		
Adjusted EBITDA <sup>1</sup>	\$ 58	\$ 56	\$ 2	4%
Margin	13.7%	14.0%		



# Full-Year 2020 Outlook<sup>1</sup>

(\$ millions)	Range	
	Low	High
Revenue	\$1,980	\$2,000
<i>Growth Rate</i>	9%	10%
Adjusted EBITDA <sup>2</sup>	\$ 320	\$ 335
<i>Margin</i>	16%	17%

TMX Revenue
3% – 4% organic growth
~\$60m M&A carryover contribution
Growth across channels
Driving retention gains

TMX Adj EBITDA
~25% organic incremental margins
Ex - \$5m fumigation impact in Q1
Ex - \$10m TDC increase
Ex - \$10m TDC mitigation

TMX Acq. EBITDA
Primarily commercial acquisitions
Mid-to-high teens margins
Integration focus
Synergy realization with integration

# Additional Full-Year 2020 Outlook<sup>1</sup> Details

(\$ millions)	Range	
	Low	High
Revenue	\$1,980	\$2,000
<i>Growth Rate</i>	9%	10%
Adjusted EBITDA <sup>2</sup>	\$ 320	\$ 335
<i>Margin</i>	16%	17%

Termite Damage Claims
\$10M Incremental Expense
\$10M Mitigation Program Expense
Increases Primarily Mobile Bay Area
~\$70M total expense, \$45M above historical norms

European Pest Operations
~\$75M Revenue / Low-to-mid teens margin
Carve-out and optimization efforts ongoing for Terminix UK
Developing global accounts platforms
Improving margins in H2

# Closing Comments and Q&A



## Reduce Employee Turnover

### Initiatives

- Onboarding Initiative
- Improved Training
- Safety Initiatives



## Improve Customer Retention

### Initiatives

- Employee Engagement
- Customer Experience Platform
- Termite Clean Sheet
- Cancellation Analytics



## Enhance Profit Margins

### Initiatives

- Cost Productivity
- Marketing Optimization
- Labor Utilization



## Revitalize Termite Business

### Initiatives

- Accelerate Termite Mitigation Plan
- Termite Clean Sheet
- Termite Tiered Product Roll-out

**Taking the next step on our Terminix Transformation Journey**

# Appendix



# Non-GAAP Reconciliation Definitions

**Adjusted EBITDA** is defined as net income before: depreciation and amortization expense; acquisition-related costs; termite damage claims reserve adjustment; fumigation related matters; non-cash stock-based compensation expense; restructuring and other charges; (gain) loss on investment in frontdoor, inc.; loss (gain) from discontinued operations, net of income taxes; provision (benefit) provision for income taxes; loss on extinguishment of debt; and interest expense.

**Adjusted net income** is defined as net income before: amortization expense; acquisition-related costs; termite damage claims reserve adjustment; fumigation related matters; restructuring and other costs; (gain) loss on investment in frontdoor, inc.; loss (gain) from discontinued operations, net of income taxes; loss on extinguishment of debt; the tax impact of the aforementioned adjustments; and the impact of the tax law change on deferred taxes.

**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; less property additions, net of government grant fundings for property additions.

**Free Cash Flow Conversion** is defined as free cash flow divided by Adjusted EBITDA.

# Q4 YTD 2019 Simplified Cash Flow

	YTD		
	2019	2018	B/(W) PY
<b>Cash Beginning Balance</b>	\$ 224	\$ 475	\$ (251)
<b>Free Cash Flow</b>	\$ 216	\$ 187	\$ 29
Free Cash Flow / Adjusted EBITDA	52%	47%	490 bps
Acquisitions	(513)	(191)	(322)
Note receivables, net of originations	16	(20)	36
Borrowings, net of debt payments	375	(114)	489
Share repurchases	(47)	—	(47)
Net sales/purchases of AFS securities	9	—	9
Issuance of common stock	10	7	4
Contribution to frontdoor, inc.	—	(242)	242
Other	(9)	1	(10)
Discontinued operations	(2)	121	(124)
<b>Cash Flow</b>	55	(250)	306
<b>Cash Ending Balance</b>	<u>\$ 280</u>	<u>\$ 224</u>	<u>\$ 55</u>
<b>Adjusted EBITDA</b>	417	398	19

# Q4 2019 Consolidated Results

\$ millions, except per share data

	Fourth Quarter		
	2019	2018	B/(W)
Revenue	\$ 507	\$ 457	\$ 50
<i>YoY Growth</i>			11%
Gross Profit	198	192	6
<i>% of revenue</i>	39.0%	42.0%	3.0 pts
Selling and administrative expenses	(142)	(138)	(5)
<i>% of revenue</i>	28.0%	30.1%	2.1 pts
Amortization expense	(10)	(4)	(6)
Acquisition-related costs	(4)	(3)	(1)
Termite damage claims reserve adjustment	(53)	—	(53)
Fumigation related matters	—	(3)	2
(Gain) loss on investment in frontdoor, inc.	—	(249)	249
Restructuring and other charges	(2)	(4)	2
Interest expense	(23)	(25)	3
Interest and net investment income	1	2	(1)
Loss on extinguishment of debt	(1)	—	(1)
Income (Loss) from Continuing Operations before Income Taxes	38	(233)	271
(Provision) benefit for income taxes	12	(4)	16
Income (Loss) from Continuing Operations	25	(237)	263
(Loss) gain from discontinued operations, net of income taxes	—	(11)	11
Net Loss	\$ (26)	\$ (248)	\$ 222
Weighted-average diluted common shares outstanding	135.6	135.7	
Diluted Loss Per Share	\$ (0.19)	\$ (1.83)	\$ 1.64
Adjusted Net Income <sup>1</sup>	\$ 30	\$ 26	\$ 3
Adjusted EBITDA <sup>1</sup>	\$ 80	\$ 80	\$ (1)
Adjusted Earnings Per Share <sup>1</sup>	\$ 0.22	\$ 0.19	\$ 0.03
Free cash flow	\$ 25	\$ 17	\$ 8
Free cash flow conversion	31 %	22 %	10 %

<sup>1</sup>See Appendix for Non-GAAP Reconciliations and Non-GAAP Reconciliation Definitions.

# Full-Year 2019 Consolidated Results

\$ millions, except per share data

	Full Year		
	2019	2018	B/(W)
Revenue	\$ 2,077	\$ 1,900	\$ 177
<i>YoY Growth</i>			9%
Gross Profit	899	860	39
<i>% of revenue</i>	43.3%	45.2%	-2.0 pts
Selling and administrative expenses	(578)	(555)	(23)
<i>% of revenue</i>	27.9%	29.2%	1.4 pts
Amortization expense	(29)	(18)	(11)
Acquisition-related costs	(17)	(5)	(12)
Termite damage claims reserve adjustment	(53)	—	(53)
Fumigation related matters	—	(3)	3
Gain (loss) on investment in frontdoor, inc.	40	(249)	289
Restructuring and other charges	(17)	(17)	—
Interest expense	(87)	(133)	46
Interest and net investment income	6	5	1
Loss on extinguishment of debt	(8)	(10)	2
Income (Loss) from Continuing Operations before Income Taxes	156	(126)	282
(Provision) benefit for income taxes	(27)	(37)	10
Income (Loss) from Continuing Operations	129	(163)	292
Gain (loss) from discontinued operations, net of income taxes	(1)	122	(123)
Net Income (Loss)	\$ 128	\$ (41)	\$ 169
Weighted-average diluted common shares outstanding	136.2	135.5	
Diluted Earnings (Loss) Per Share	\$ 0.94	\$ (0.30)	\$ 1.25
Adjusted Net Income <sup>1</sup>	\$ 184	\$ 130	\$ 54
Adjusted EBITDA <sup>1</sup>	\$ 417	\$ 398	\$ 19
Adjusted Earnings Per Share <sup>1</sup>	\$ 1.35	\$ 0.95	\$ 0.40
Free cash flow	\$ 216	\$ 187	\$ 29
Free cash flow conversion	52 %	47 %	5 %

<sup>1</sup>See Appendix for Non-GAAP Reconciliations and Non-GAAP Reconciliation Definitions.

# 2019 Free Cash Flow

\$ millions

	Fourth Quarter		Full Year	
	2019	2018	2019	2018
<b>Net Income</b>	\$ (26)	\$ (248)	\$ 128	\$ (41)
Depreciation and amortization expense	30	24	104	91
Working capital, excluding impact of accrued interest and taxes	(18)	(9)	(23)	(4)
Fumigation related matters	—	3	—	3
Payments on fumigation related matters	—	(1)	(2)	(2)
Termite damage claims reserve adjustment	53	—	53	—
Loss on extinguishment of debt	1	—	8	10
Working capital impact of accrued interest and taxes	(15)	(3)	(5)	17
Deferred income tax provision	(2)	(14)	9	8
Stock-based compensation expense	3	5	15	14
Restructuring and other charges, net of payments	(3)	—	(2)	3
(Gain) loss on investment in frontdoor, inc.	—	249	(40)	249
Gain (loss) from discontinued operations, net of income taxes	—	11	1	(122)
Other	7	8	(2)	2
<b>Net Cash Provided from Operating Activities</b>	\$ 32	\$ 24	\$ 245	\$ 229
Property additions, net of government grant fundings for property additions	(7)	(7)	(28)	(41)
<b>Free Cash Flow<sup>1</sup></b>	\$ 25	\$ 17	\$ 216	\$ 187

<sup>1</sup>See Appendix for Non-GAAP Reconciliations and Non-GAAP Reconciliation Definitions.

# Q4 Net Income to Adjusted EBITDA and Adjusted Net Income Reconciliations

\$ millions, except per share data

	Fourth Quarter	
	2019	2018
<b>Net Income</b>	<b>\$ (26)</b>	<b>\$ (248)</b>
Depreciation and amortization expense	30	24
Acquisition-related costs	4	3
Termite damage claims reserve adjustment	53	—
Fumigation related matters	—	3
Non-cash stock-based compensation expense	3	5
Restructuring and other charges	2	4
Loss on investment in frontdoor, inc.	—	249
Loss from discontinued operations, net of income taxes	—	11
(Benefit) provision for income taxes	(12)	4
Loss on extinguishment of debt	1	—
Interest expense	23	25
<b>Adjusted EBITDA</b>	<b>\$ 80</b>	<b>\$ 80</b>
Terminix	\$ 58	\$ 56
ServiceMaster Brands	22	22
Corporate and Other Operations	—	3
<b>Adjusted EBITDA</b>	<b>\$ 80</b>	<b>\$ 80</b>
<b>Net Income</b>	<b>\$ (26)</b>	<b>\$ (248)</b>
Amortization expense	10	4
Acquisition-related costs	4	3
Termite damage claims reserve adjustment	53	—
Fumigation related matters	—	3
Restructuring and other charges	2	4
Loss on investment in frontdoor, inc.	—	249
Loss from discontinued operations, net of income taxes	—	11
Loss on extinguishment of debt	1	—
Tax impact of adjustments	(17)	(3)
Impact of tax law change on deferred taxes	—	3
<b>Adjusted Net Income</b>	<b>\$ 30</b>	<b>\$ 26</b>
Weighted-average diluted common shares outstanding	135.9	136.2
Adjusted Earnings Per Share	\$ 0.22	\$ 0.19

# Full-Year 2019 Net Income to Adjusted EBITDA and Adjusted Net Income Reconciliations

\$ millions

	Full Year	
	2019	2018
<b>Net Income</b>	<b>\$ 128</b>	<b>\$ (41)</b>
Depreciation and amortization expense	104	91
Acquisition-related costs	17	5
Fumigation related matters	—	3
Termite damage claims reserve adjustment	53	—
Non-cash stock-based compensation expense	15	14
Restructuring and other charges	17	17
(Gain) loss on investment in frontdoor, inc.	(40)	249
Loss (gain) from discontinued operations, net of income taxes	1	(122)
Provision for income taxes	27	37
Loss on extinguishment of debt	8	10
Interest expense	87	133
<b>Adjusted EBITDA</b>	<b>\$ 417</b>	<b>\$ 398</b>
Terminix	\$ 319	\$ 333
ServiceMaster Brands	92	89
Corporate and Other Operations	7	9
Costs historically allocated to American Home Shield	—	(33)
<b>Adjusted EBITDA</b>	<b>\$ 417</b>	<b>\$ 398</b>
<b>Net Income</b>	<b>\$ 128</b>	<b>\$ (41)</b>
Amortization expense	29	18
Acquisition-related costs	17	5
Termite damage claims reserve adjustment	53	—
Fumigation related matters	—	3
Restructuring and other charges	17	17
(Gain) loss on investment in frontdoor, inc.	(40)	249
Loss (gain) from discontinued operations, net of income taxes	1	(122)
Loss on extinguishment of debt	8	10
Tax impact of adjustments	(29)	(14)
Impact of tax law change on deferred taxes	—	3
<b>Adjusted Net Income</b>	<b>\$ 184</b>	<b>\$ 130</b>
Weighted-average diluted common shares outstanding	136.2	136.1
Adjusted Earnings Per Share	\$ 1.35	\$ 0.95