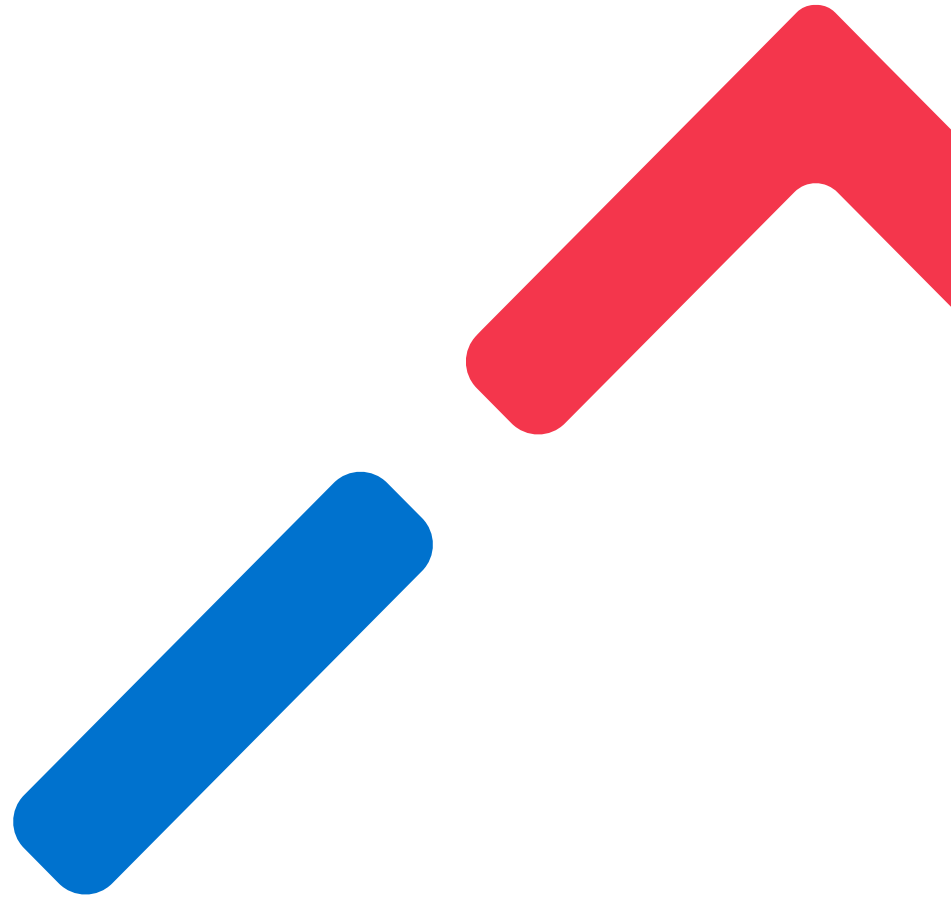


# First-Quarter 2020 Earnings Webcast

May 7, 2020



# Cautionary Statements

## Safe Harbor Statement

This presentation contains forward-looking statements and cautionary statements, including cash flow 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, free cash flow, ServiceMaster Brands Divestiture Group Adjusted EBITDA and free cash flow from discontinued operations 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, net earnings from discontinued operations, cash flow from operating activities from discontinued 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.



**Naren Gursahaney**  
Chairman and Interim CEO



**Tony DiLucente**  
Chief Financial Officer



**Jesse Jenkins**  
VP Investor Relations &  
Treasurer

# Agenda

- **COVID-19 Priorities and Business Impact**  
Naren Gursahaney
- **2020 Strategic Priorities**  
Naren Gursahaney
- **Q1 Financial Summary**  
Tony DiLucente
- **Liquidity and Leverage Considerations**  
Tony DiLucente
- **Closing Remarks and Q&A**  
Naren Gursahaney

# Addressing COVID-19 from a Position of Strength

## ✓ *ServiceMaster is well positioned to manage through the COVID-19 pandemic:*

- Providing essential services and protection to over 2.8M customers
- 80% contractual recurring revenue
- Improving customer satisfaction and retention rates
- Strong liquidity position of \$556M and resilient cash flow dynamics
- Negative working capital dynamics
- Covenant-lite debt structure with next maturity in 2024
- Experienced management team with history of performance during downturns

## ✓ *Strong industry dynamics provide underlying support:*

- Increasing pest populations and activity not impacted by health or economic events
- Heightened public focus on disinfection, cleanliness and sanitation
- Increasing regulation on commercial businesses
- High retention rates and strong customer demand

# Strong Response to Mitigate COVID-19 Impact

## Protect Our People

- Enhanced PPE requirements for employees
- Improved paid time off policies
- Moved to work from home for back office and call centers
- Minimizing face-to-face interactions
- Suspended summer sales program

## Ensure Continuity

- Emphasizing exterior work
- Improved customer communication
- Heightened customer retention focus
- Accommodated service delays for impacted customers
- Providing support for franchisees

## Drive Cost/Cash Actions

- Right-sized field organization
- Reduced back-office positions
- Delayed annual merit increases
- Delayed discretionary CapEx & leased vehicle purchases
- Maintained flexibility with franchisees

## Respond to Opportunities

- Launched disinfection services in Terminix
- Launched commercial re-opening offering
- Completed share-repurchase program
- Pursuing tuck-in acquisitions
- Leverage lessons learned for structural changes to business model

## Strong COVID-19 Strategy Supports Resilient Business Model

# Strategic Priorities **2020** ➤



## Reduce Employee Turnover

### Initiatives

- Onboarding Initiative
- Improved Training
- Safety Initiatives



## Improve Customer Retention

### Initiatives

- Employee Engagement
- Customer Experience Platform
- 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

**2020 Strategic Priorities Closely Align with COVID-19 Priorities**

# Q1 Continuing Ops Consolidated Financial Summary

(\$ millions)	Q1 2020	Q1 2019	Variance	
Revenue:				
Terminix	\$ 438	\$ 419		
European Pest Control and Other	\$ 18	\$ —		
Revenue from Continuing Operations	\$ 456	\$ 419	\$ 37	9%
Adjusted EBITDA <sup>1</sup> :				
Terminix	\$ 63	\$ 83		
European Pest Control and Other	\$ —	\$ 3		
Costs historically allocated to ServiceMaster Brands	\$ (3)	\$ (3)		
Adjusted EBITDA from Continuing Operations	\$ 60	\$ 83	\$ (23)	(28)%
Margin	13.1%	19.7%		
Adjusted Net Income <sup>1</sup>	\$ 11	\$ 26	\$ (15)	(57)%
Margin	2.5%	6.3%		
Adjusted EPS <sup>1</sup>	\$ 0.08	\$ 0.19	\$(0.11)	(56)%

## ✓ European Pest Operations and Other

- Negative revenue impact from customer closures and COVID-19 restrictions in the UK
- Adjusted EBITDA:
  - \$2M Nomor contributions offset by UK labor productivity;
  - (\$2M) adjustment in reserves for our self-insured automobile, general liability and workers' compensation program

## ✓ Continuing Operations EBITDA impacted by \$3M in costs historically allocated to SMB

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

# Terminix Q1 Organic Revenue Growth

## Key Drivers

### Residential Pest Control

Jan/Feb	March	Q1
4%	-3%	2%

### Commercial Pest Control

Jan/Feb	March	Q1
5%	-1%	3%

### Termite & Home Services

Jan/Feb	March	Q1
2%	-4%	0%

### Total Terminix

Jan/Feb	March	Q1
3%	-3%	1%

- + *Customer retention improvement*
- + *Net promotor score improvement*
- *New unit sales decline*

- + *Continued strong business momentum*
- + *Strong pricing actions*
- *Customer site closures*

- + *Improved retention rates*
- *Slowed new unit sales*
- *Decline in home services*

- *-7% organic product sales*
- *Supply chain allocation decisions*

**Strong First Quarter Impacted by COVID-19 in March**

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

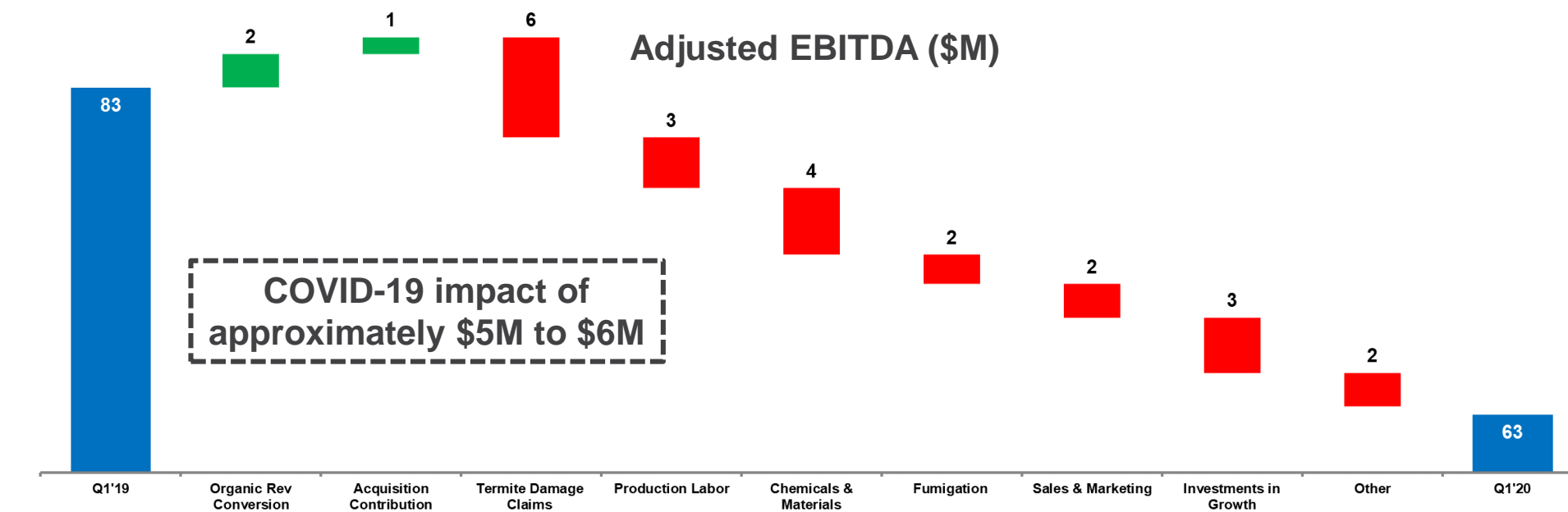
# Terminix Q1 Financial Results



(\$ millions)	Q1 2020	Q1 2019	Variance	
Residential Pest	\$ 159	\$ 154	\$ 5	3%
Commercial Pest	\$ 107	\$ 94	\$ 13	14%
Termite & Home Services	\$ 148	\$ 146	\$ 1	1%
All Other	\$ 18	\$ 16	\$ 2	14%
	\$ 431	\$ 409	\$ 22	5%
Fumigation	\$ 7	\$ 10	\$ (3)	(27)%
Revenue	\$ 438	\$ 419	\$ 19	5%
Gross Profit	\$ 173	\$ 180	\$ (7)	(4)%
Margin	39.5%	43.1%		
Adjusted EBITDA <sup>1</sup>	\$ 63	\$ 83	\$ (20)	(24)%
Margin	14.4%	19.8%		



Adjusted EBITDA (\$M)



# ServiceMaster Brands Divestiture Group

## Q1 Financial Results



(\$ millions)	Q1 2020	Q1 2019	Variance	
Customer Level Revenue	\$ 646	\$ 649	\$ (4)	(1)%
Revenue	\$ 65	\$ 63	\$ 2	3%
Gross Profit	\$ 35	\$ 38	\$ (3)	(7)%
Margin	54.6%	60.5%		
Adjusted EBITDA <sup>1</sup>	\$ 23	\$ 26	\$ (2)	(9)%
Margin	36.3%	41.2%		



### ➤ Disaster Restoration:

- Q1 - revenue negatively impacted by mild winter and significantly less area-wide weather events
- FY - Minimal COVID-19 impacts with possible upside from disinfection services

### ➤ Commercial Cleaning and National Accounts:

- ServiceMaster Clean impacted by closed offices leading to service postponements
- Growing one-time demand for disinfection services

### ➤ Residential Cleaning:

- Only non-essential service business; more significantly impacted

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

# Strong Cash Position and Free Cash Flow Dynamics

## Cash Flow Outlook

	Q1 2020		
	Cont' Ops	Disc Ops <sup>1</sup>	Total
Opening Cash			280
Adj. EBITDA	60	23	83
Working Capital	5	(8)	(3)
CapEx	(9)	(1)	(10)
Cash Interest	(16)	—	(16)
Cash Taxes	(2)	—	(2)
Other	7	(3)	4
<b>Free Cash Flow<sup>2</sup></b>	<b>45</b>	<b>11</b>	<b>56</b>
<i>FCF Conversion</i>	<i>76%</i>	<i>47%</i>	<i>68%</i>
M&A			(26)
Debt Payments			(25)
Share Repurchase			(103)
Other			4
<b>Cash Flow</b>			<b>(94)</b>
<b>Ending Cash Balance</b>			<b>185</b>

### ➤ Strong free cash flow conversion

- Adjusted EBITDA converts directly to free cash flow
- Working capital will benefit from payroll tax deferral offsetting possible A/R collection delays
- Limiting discretionary CapEx
- Full year cash interest expected to be ~\$85M
- Cash taxes timing benefit from government stimulus

### ➤ Uses of cash will balance short-term liquidity needs against long-term opportunities

- Strategically continuing tuck-in acquisitions program
- Full year scheduled debt payments expected to be approximately \$70M
- Completed share repurchase plan with no immediate plans for additional authorization

# Flexible balance sheet with no near-term maturities

(Millions)	Maturity	Q1 Balance	xEBITDA
Cash Balance		185	
Revolving Credit Facility -\$400M	11/5/2024	-	
Term Loan B (175 + L)	11/5/2026	599	
Capital Leases		94	
<b>Net First Lien Debt</b>		<b>507</b>	<b>1.3x</b>
2024 High Yield Bond (5.125%)	11/15/2024	750	
2027 Legacy Note (7.45%)	8/15/2027	186	
2038 Legacy Note (7.25%)	3/1/2038	49	
Acquisition Debt		86	
<b>Net Total Debt</b>		<b>1,578</b>	<b>4.0x</b>
LTM Adj EBITDA		392	

## ➤ Covenant-lite debt structure

- No maintenance covenants until revolver draw of more than \$120M in cash
- 4.0x net first lien debt if covenant is tested

## ➤ No near-term maturities provide ample flexibility

# Closing comments and Q&A

- **ServiceMaster is well positioned to manage through this crisis**
  - Provider of essential services and protection to a diverse customer base
  - Strong COVID-19 response with short and long-term actions
  - Strong liquidity position and cash flow dynamics
  - Improving customer satisfaction and retention
- **Thank you again to our team members on the front-lines who are delivering our essential services to customers during this crisis**



**We Serve**



**We Care**



**We Deliver**

# Appendix

# Non-GAAP Reconciliation Definitions

**Adjusted EBITDA** is defined as net income before: depreciation and amortization expense; acquisition-related costs; fumigation related matters; non-cash stock-based compensation expense; restructuring and other charges; realized (gain) on investment in frontdoor, inc.; net earnings from discontinued operations; (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; fumigation related matters; restructuring and other charges; realized (gain) on investment in frontdoor, inc.; net earnings from discontinued operations; loss on extinguishment of debt; 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; less property additions.

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

# Q1 2020 Simplified Cash Flow

	First Quarter		
	2020	2019	B/(W) PY
<b>Cash Beginning Balance</b>	\$ 368	\$ 313	\$ 55
<b>Free Cash Flow</b>	\$ 45	\$ 64	\$ (19)
Free Cash Flow / Adjusted EBITDA	76%	78%	-175 bps
Acquisitions	(26)	(100)	74
Borrowings, net of debt payments	(25)	28	(54)
Share repurchases	(103)	(2)	(102)
Issuance of common stock	3	5	(3)
Other	3	16	(13)
Discontinued operations	10	19	(9)
<b>Cash Flow</b>	(94)	31	(125)
<b>Cash Ending Balance</b>	<u>\$ 274</u>	<u>\$ 344</u>	<u>\$ (70)</u>
<b>Adjusted EBITDA</b>	60	83	(23)

# Q1 2020 Consolidated Results

\$ millions, except per share data

	First Quarter		
	2020	2019	B/(W)
Revenue	\$ 456	\$ 419	\$ 37
YoY Growth			9%
Gross Profit	177	183	(6)
% of revenue	38.8%	43.6%	(4.8) pts
Selling and administrative expenses	(140)	(123)	(18)
% of revenue	30.8%	29.2%	(1.6) pts
Amortization expense	(9)	(5)	(4)
Acquisition-related costs	(1)	(1)	—
Fumigation related matters	—	(1)	1
Restructuring and other charges	(4)	(6)	2
Realized (gain) on investment in frontdoor, inc.	—	40	(40)
Interest expense	(23)	(27)	4
Interest and net investment income	—	1	(1)
Loss on extinguishment of debt	—	(6)	6
(Loss) Income from Continuing Operations before Income Taxes	(1)	56	(57)
(Benefit) provision for income taxes	(2)	3	(5)
Income from Continuing Operations	1	53	(52)
Net earnings from discontinued operations	13	16	(4)
Net Income	14	70	(56)
Weighted-average diluted common shares outstanding	135.1	136.2	
Diluted Earnings Per Share	\$ 0.10	\$ 0.51	\$ (0.41)
Adjusted Net Income <sup>1</sup>	\$ 11	\$ 26	\$ (15)
Adjusted EBITDA <sup>1</sup>	\$ 60	\$ 83	\$ (23)
Adjusted Earnings Per Share <sup>1</sup>	\$ 0.08	\$ 0.19	\$ (0.11)

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

# 2020 Free Cash Flow

\$ millions

	First Quarter	
	2020	2019
<b>Net Income</b>	\$ 14	\$ 70
Depreciation and amortization expense	28	23
Working capital, excluding impact of accrued interest and taxes	5	(4)
Fumigation related matters	—	1
Payments on fumigation related matters	—	(1)
Loss on extinguishment of debt	—	6
Working capital impact of accrued interest and taxes	6	10
Deferred income tax provision	1	3
Stock-based compensation expense	4	4
Restructuring and other charges, net of payments	3	1
Realized (gain) on investment in frontdoor, inc.	—	(40)
Net earnings from discontinued operations	(13)	(16)
Other non-cash expenditure add-backs	6	18
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 55</b>	<b>\$ 73</b>
Property additions	(9)	(9)
<b>Free Cash Flow</b>	<b>\$ 45</b>	<b>\$ 64</b>
<b>Free Cash Flow Conversion</b>	<b>76%</b>	<b>78%</b>

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

# Q1 Net Income to Adjusted EBITDA and Adjusted Net Income Reconciliations

\$ millions, except per share data

	First quarter	
	2020	2019
<b>Net Income</b>	<b>\$ 14</b>	<b>\$ 70</b>
Depreciation and amortization expense	28	23
Acquisition related costs	1	1
Fumigation related matters	—	1
Non-cash stock-based compensation expense	4	4
Restructuring and other charges	4	6
Realized (gain) on investment in frontdoor, inc.	—	(40)
Net earnings from discontinued operations	(13)	(16)
Provision for income taxes	(2)	3
Loss on extinguishment of debt	—	6
Interest expense	23	27
<b>Adjusted EBITDA</b>	<b>\$ 60</b>	<b>\$ 83</b>
Terminix	\$ 63	\$ 83
European Pest Control and Other	—	3
Costs historically allocated to ServiceMaster Brands	(3)	(3)
<b>Adjusted EBITDA</b>	<b>\$ 60</b>	<b>\$ 83</b>
<b>Net Income</b>	<b>\$ 14</b>	<b>\$ 70</b>
Amortization expense	9	5
Acquisition related costs	1	1
Fumigation related matters	—	1
Restructuring and other charges	4	6
Realized (gain) on investment in frontdoor, inc.	—	(40)
Net earnings from discontinued operations	(13)	(16)
Loss on extinguishment of debt	—	6
Tax impact of adjustments	(4)	(5)
<b>Adjusted Net Income</b>	<b>\$ 11</b>	<b>\$ 26</b>
Weighted-average diluted common shares outstanding	135.1	136.2
Adjusted Earnings Per Share	\$ 0.08	\$ 0.19

# Q1 Discontinued Operations Reconciliations

\$ millions

	First quarter	
	2020	2019
<b>Net Earnings from Discontinued Operations</b>	<b>\$ 13</b>	<b>\$ 16</b>
Depreciation and amortization expense	1	2
Non-cash stock-based compensation expense	1	1
Restructuring and other charges	4	1
Provision for income taxes	5	6
<b>ServiceMaster Brands Divestiture Group Adjusted EBITDA</b>	<b>\$ 23</b>	<b>\$ 26</b>

	First quarter	
	2020	2019
<b>Net Earnings from Discontinued Operations</b>	<b>\$ 13</b>	<b>\$ 16</b>
Depreciation and amortization expense	1	2
Non-cash stock based compensation expense	1	1
Restructuring and other charges, net of payments	3	1
Working capital	(8)	(4)
Other	1	—
<b>Cash Provided from Operating Activities from Discontinued Operations</b>	<b>\$ 11</b>	<b>\$ 16</b>
Property additions	(1)	(1)
<b>Free Cash Flow from Discontinued Operations</b>	<b>\$ 11</b>	<b>\$ 16</b>

<sup>1</sup>Net earnings from discontinued operations per the statement of operations is the closest GAAP measure to ServiceMaster Brands Divestiture Group Adjusted EBITDA. ServiceMaster Brands Divestiture Group Adjusted EBITDA is defined as Net earnings from discontinued operations less the following expenses directly attributable to the ServiceMaster Brands Divestiture Group and recorded in discontinued operations: depreciation and amortization expense; non-cash stock based compensation expense; restructuring and other charges; and provision for income taxes.