



# FirstService

## COMPANY CONTACTS:

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## FOR IMMEDIATE RELEASE

### FirstService reports first quarter results

#### Quarterly operating highlights:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Revenues	\$ 361.0 million	\$ 369.1 million
EBITDA	\$ 12.4 million	\$ 0.4 million
Adjusted EPS	\$ 0.08	\$ (0.19)

**TORONTO**, Canada, April 29, 2009 – FirstService Corporation (TSX: FSV; NASDAQ: FSRV; preferred shares - TSX: FSV.PR.U) today reported results for the three months ended March 31, 2009, the first quarter of its new fiscal year ending December 31, 2009. All amounts are in US dollars.

For the quarter ended March 31, 2009, revenues were \$361.0 million, a decrease of 2% relative to the same period in the prior year, EBITDA (1) was \$12.4 million up significantly from \$0.4 million and Adjusted EPS (2) was \$0.08, an

improvement over \$(0.19) reported in the prior year period. GAAP EPS from continuing operations was \$(1.56) in the quarter compared to \$(0.32) for the same quarter a year ago.

“FirstService reported very respectable financial results for the first quarter with strong performances from our Residential Property Management operations and exceptional year over year results from our Property Services operation, particularly Paul Davis Restoration, the largest insurance claims restoration company in America and Field Asset Services, one of America’s largest providers of property preservation and foreclosure services,” said Jay S. Hennick, Founder and Chief Executive Officer of FirstService Corporation. “While we continue to face difficult market conditions in Commercial Real Estate, we are confident that steps taken to streamline our operations will position us very well once market conditions return to normal,” he concluded.

### **About FirstService Corporation**

FirstService is a global diversified leader in the rapidly growing real estate services sector, providing services in the following three areas: commercial real estate; residential property management; and property services. Industry-leading service platforms include: FirstService Commercial Real Estate Services, the fourth largest global player in commercial real estate; FirstService Residential Management, the largest manager of residential communities in North America; and TFC, North America’s largest provider of property services through franchise and contractor networks.

FirstService is a diversified property services company with more than US\$1.7 billion in annualized revenues and over 18,000 employees worldwide. More information about FirstService is available at [www.firstservice.com](http://www.firstservice.com).

### **Segmented Quarterly Results**

Revenues in Commercial Real Estate Services totalled \$118.5 million for the quarter, down 30% relative to the prior year quarter. Excluding the impact of acquisitions, revenues declined 37% (29% on a local currency basis) primarily as a result of a reduction in property sales activity and the impact of the global economic slowdown. The quarterly EBITDA loss, before a non-recurring \$3.2 million cost containment charge, was \$11.5 million, versus a loss of \$11.6 million in the year-ago period.

Residential Property Management revenues increased to \$146.6 million for the quarter, up 4% versus the prior year period, attributable to an 8% increase in property management contract revenue, offset by a decline in ancillary service revenues. EBITDA for the quarter was \$11.5 million, up 15% from \$10.0 million in the prior year period.

Revenues in Property Services totalled \$95.9 million, an increase of 59% over the prior year period. The revenue increase was attributable primarily to Field Asset Services. Revenues declined 32% in the segment’s consumer-

oriented franchise operations, as most of these operations continued to be negatively impacted by the weak US economy. EBITDA in the first quarter was \$13.5 million, versus \$3.1 million in the prior year period primarily because of the strong revenues generated at Field Asset Services.

Quarterly corporate costs were \$2.8 million, relative to \$2.5 million in the prior year period.

### **Goodwill Impairment Charge and Deferred Income Tax Charge**

During the quarter, the Company concluded that it was necessary to take a non-cash goodwill impairment charge in its Commercial Real Estate segment as a result of the operating performance of its North American and European reporting units. The amount is currently estimated at \$30.0 million and is expected to be finalized upon the filing of the Company's quarterly financial statements on SEDAR within the next two weeks. The estimated amount represents 20% of the Commercial Real Estate segment's goodwill prior to the charge and 8.5% of consolidated goodwill prior to the charge. This non-cash impairment charge does not affect the Company's liquidity, cash flow or compliance with debt covenants.

Also during the quarter, the Company recorded a non-cash valuation allowance with respect to deferred income tax assets, which increased income tax expense by \$12.5 million and reduced earnings per share by \$0.39. The valuation allowance relates to tax loss carry-forwards in the Company's North American Commercial Real Estate operations. The loss carry-forwards remain available to offset taxes over the next 20 years.

### **Adoption of New Accounting Standards**

On January 1, 2009, the Company adopted two new accounting standards – SFAS No. 141R, *Business Combinations* (“SFAS 141R”) and SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (“SFAS 160”).

SFAS 141R impacts the accounting for business acquisitions made in 2009 and going forward, with new requirements to expense transaction costs as incurred and record the fair value of contingent consideration at the acquisition date, with subsequent changes in fair value recorded on the statement of earnings. The impact of SFAS 141R on the quarter's results was insignificant.

SFAS 160 and corresponding changes to related guidance materially change the manner in which the Company accounts for non-controlling interests (“NCI”), formerly referred to as minority interests. NCI is now required to be recorded on the balance sheet at its redemption amount, rather than disclosed in the notes to the financial statements, and the adjustment was required to be applied retrospectively to prior periods. The impact of the adoption of these standards as at January 1, 2009 was a \$146.7 million increase in NCI, with a corresponding decrease to shareholders'

equity. Changes in the redemption amount affected earnings per share prospectively commencing January 1, 2009; earnings per share of prior periods were not required to be revised.

### **Conference Call**

FirstService will be holding a conference call on Wednesday, April 29, 2009 at 11:00 am Eastern Daylight Time to discuss results for the first quarter. The call will be simultaneously web cast and can be accessed live or after the call at [www.firstservice.com](http://www.firstservice.com) in the “Investors / Newsroom” section.

### **Footnotes**

#### *1. Reconciliation of net loss from continuing operations to EBITDA:*

(in thousands of US dollars) (unaudited)	Three months ended March 31	
	2009	2008
Net loss from continuing operations	\$ (44,744)	\$ (6,190)
Income taxes	7,491	(8,632)
Other expense (income)	(91)	(826)
Interest expense, net	2,654	3,845
Operating loss	(34,690)	(11,803)
Depreciation	5,739	5,563
Amortization of intangible assets	6,521	5,249
Goodwill impairment charge	30,000	-
	7,570	(991)
Stock-based compensation expense	1,637	1,375
Cost containment	3,212	-
EBITDA	\$ 12,419	\$ 384

EBITDA is defined as net earnings from continuing operations before income taxes, interest, depreciation and amortization, stock-based compensation expense and other non-cash or non-recurring expenses. The Company uses EBITDA to evaluate operating performance. EBITDA is an integral part of the Company’s planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under United States generally accepted accounting principles (GAAP), and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company’s method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to measures used by other issuers.

2. Reconciliation of net loss and net loss per common share from continuing operations to adjusted net earnings and adjusted net earnings per share:

(in thousands of US dollars) (unaudited)	Three months ended March 31	
	2009	2008
Net loss attributable to common shareholders	\$ (48,956)	\$ (33,402)
Non-controlling interest redemption increment	2,008	21,425
Company share of net loss from discontinued operations, net of tax	3,318	2,481
Amortization of intangible assets	6,521	5,249
Goodwill impairment charge	30,000	-
Stock-based compensation expense	1,637	1,375
Cost containment	3,212	-
Income tax on adjustments	(3,747)	(2,253)
Deferred income tax valuation allowance	12,482	-
Non-controlling interest on adjustments	(3,971)	(534)
Adjusted net earnings (loss) from continuing operations	\$ 2,504	\$ (5,659)

(in US dollars) (unaudited)	Three months ended March 31	
	2009	2008
Diluted net loss per common share from continuing operations	\$ (1.56)	\$ (0.32)
Non-controlling interest redemption increment	0.07	-
Amortization of intangible assets, net of income tax	0.13	0.10
Goodwill impairment charge	0.95	-
Stock-based compensation expense, net of income tax	0.03	0.03
Cost containment	0.07	-
Deferred income tax valuation allowance	0.39	-
Adjusted diluted net earnings (loss) per common share from continuing operations	\$ 0.08	\$ (0.19)

The Company is presenting adjusted earnings measures to eliminate the impact of: (i) the NCI redemption increment in connection with SFAS 160 and related guidance; (ii) amortization expense related to intangible assets recognized in connection with acquisitions; (iii) a non-recurring goodwill impairment charge; (iv) stock-based compensation expense and (v) non-recurring cost containment expenses in the Commercial Real Estate segment. All of the adjustments are considered "non-GAAP financial measures" under OSC and SEC guidelines.

### **Forward-looking Statements**

This press release includes forward-looking statements. Forward-looking statements include the Company's financial performance outlook and statements regarding goals, beliefs, strategies, objectives, plans or current expectations. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from any future results, performance or achievements contemplated in the forward-looking statements. Such factors include: (i) general economic and business conditions, which will, among other things, impact demand for the Company's services and the cost of providing services; (ii) the ability of the Company to implement its business strategy, including the Company's ability to acquire suitable acquisition candidates on acceptable terms and successfully integrate newly acquired businesses with its existing businesses; (iii) changes in or the failure to comply with government regulations; and (iv) other factors which are described in the Company's filings with the Ontario Securities Commission.

Summary financial information is provided in this press release. This press release should be read in conjunction with the Company's full quarterly financial statements and MD&A to be made available on SEDAR at [www.sedar.com](http://www.sedar.com).

**FIRSTSERVICE CORPORATION**  
**Condensed Consolidated Statements of Earnings**  
(in thousands of US dollars, except per share amounts)

		Three months ended March 31	
		2009	2008
(unaudited)			
<b>Revenues</b>		<b>\$ 361,009</b>	\$ 369,131
Cost of revenues		227,612	233,354
Selling, general and administrative expenses		125,827	136,768
Depreciation		5,739	5,563
Amortization of intangible assets		6,521	5,249
Goodwill impairment charge (1)		<u>30,000</u>	-
<b>Operating loss</b>		<b>(34,690)</b>	(11,803)
Other expense (income)		(91)	(826)
Interest expense, net		<u>2,654</u>	3,845
		<b>(37,253)</b>	(14,822)
Income taxes (2)		7,491	(8,632)
Net loss from continuing operations		<u>(44,744)</u>	(6,190)
Discontinued operations, net of tax (3)		<u>(3,921)</u>	(3,543)
<b>Net loss</b>		<b>(48,665)</b>	(9,733)
Non-controlling interest share of earnings (loss)		(4,242)	(372)
Non-controlling interest redemption increment		<u>2,008</u>	21,425
<b>Net loss attributable to Company</b>		<b>\$ (46,431)</b>	\$ (30,786)
Preferred share dividends		<u>2,525</u>	2,616
Net loss attributable to common shareholders		<u><b>\$ (48,956)</b></u>	<u>\$ (33,402)</u>
Net loss per common share (4)			
Basic			
Continuing operations		\$ (1.56)	\$ (0.32)
Discontinued operations		<u>(0.11)</u>	<u>(0.08)</u>
		<u><b>\$ (1.67)</b></u>	<u>\$ (0.40)</u>
Diluted (5)			
Continuing operations		\$ (1.56)	\$ (0.32)
Discontinued operations		<u>(0.11)</u>	<u>(0.08)</u>
		<u><b>\$ (1.67)</b></u>	<u>\$ (0.40)</u>
<b>Adjusted diluted net earnings (loss) per common share from continuing operations (6)</b>		<u><b>\$ 0.08</b></u>	<u>\$ (0.19)</u>
Weighted average common shares outstanding:			
	Basic	<b>29,356</b>	29,983
	Diluted	<b>29,371</b>	30,389

**Notes to Condensed Consolidated Statements of Earnings**

(1) Estimated goodwill impairment charge in connection with the Commercial Real Estate segment. The amount is expected to be finalized upon the filing of the Company's quarterly financial statements on SEDAR within the next two weeks.

(2) Income tax expense for the three months ended March 31, 2009 includes a \$12,482 non-cash valuation allowance charge related to deferred income tax assets (2008 - nil).

(3) Reflects: (i) the Integrated Security segment; (ii) the Canadian commercial mortgage securitization operation; and (iii) the Chicago-based US mortgage brokerage and servicing operation.

(4) Based on the implementation rules within SFAS 160 and related guidance, comparative earnings per share for the quarter ended March 31, 2008 were not restated for the changes in accounting for NCI.

(5) Numerators for diluted earnings per share calculations have been adjusted to reflect dilution from stock options at a subsidiary. The adjustment for the quarter ended March 31, 2009 was nil (2008 - nil).

(6) See definition and reconciliation above.

**Condensed Consolidated Balance Sheets**

(in thousands of US dollars)

(unaudited)	<b>March 31 2009</b>	December 31 2008
<b>Assets</b>		
Cash and cash equivalents	\$ 56,756	\$ 79,642
Restricted cash	9,243	10,240
Accounts receivable	167,895	175,520
Inventories	10,749	10,572
Prepays and other current assets	53,252	50,674
Assets held for sale	11,795	14,210
<b>Current assets</b>	<b>309,690</b>	340,858
Fixed assets	75,399	76,789
Other non-current assets	32,103	39,363
Goodwill and intangibles	491,832	527,124
Assets held for sale	4,191	6,503
<b>Total assets</b>	<b>\$ 913,215</b>	<b>\$ 990,637</b>
<b>Liabilities and shareholders' equity</b>		
Accounts payable and accrued liabilities	\$ 172,838	\$ 215,992
Other current liabilities	40,510	35,242
Long term debt – current	25,082	20,899
Liabilities related to assets held for sale	2,087	12,946
<b>Current liabilities</b>	<b>240,517</b>	285,079
Long term debt – non-current	280,733	245,470
Other liabilities	22,128	21,832
Deferred income taxes	42,708	42,072
Liabilities related to assets held for sale	619	278
Non-controlling interest	178,080	196,765
Shareholders' equity	148,430	199,141
<b>Total liabilities and equity</b>	<b>\$ 913,215</b>	<b>\$ 990,637</b>
Total debt	<b>\$ 305,815</b>	\$ 266,369
Total debt, net of cash	<b>249,059</b>	186,727

**Condensed Consolidated Statements of Cash Flows**

(in thousands of US dollars)

(unaudited)	Three months ended March 31	
	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
Net loss from continuing operations	<b>\$ (44,744)</b>	\$ (6,190)
Items not affecting cash:		
Depreciation and amortization	12,260	10,812
Goodwill impairment charge	30,000	-
Deferred income taxes	2,218	(18,476)
Other	851	3,056
	<u>585</u>	<u>(10,798)</u>
Changes in operating assets and liabilities	<b>(31,548)</b>	(11,024)
Discontinued operations	<b>(8,012)</b>	6,411
Net cash used in operating activities	<u><b>(38,975)</b></u>	<u>(15,411)</u>
<b>Investing activities</b>		
Acquisitions of businesses, net of cash acquired	<b>(11,829)</b>	(19,361)
Purchases of fixed assets, net	<b>(4,208)</b>	(7,102)
Other investing activities	3,311	6,189
Discontinued operations	17	3
Net cash used in investing activities	<u><b>(12,709)</b></u>	<u>(20,271)</u>
<b>Financing activities</b>		
Increase in long-term debt, net	<b>37,528</b>	24,392
Preferred share dividends	<b>(2,525)</b>	(2,616)
Other financing activities	<b>(2,906)</b>	(3,425)
Discontinued operations	-	140
Net cash provided by financing activities	<u><b>32,097</b></u>	<u>18,491</u>
Effect of exchange rate changes on cash	<b>(2,581)</b>	(4,179)
Decrease in cash and cash equivalents	<b>(22,168)</b>	(21,370)
Cash and cash equivalents, beginning of period including cash held by discontinued operations	<u><b>\$ 80,049</b></u>	<u>\$ 102,036</u>
Cash and cash equivalents, end of period including cash held by discontinued operations	<u><b>\$ 57,881</b></u>	<u>\$ 80,666</u>

**Segmented Revenues, EBITDA and Operating Earnings**

(in thousands of US dollars)

(unaudited)	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
<b>Three months ended March 31</b>					
<b>2009</b>					
Revenues	\$ 118,489	\$ 146,617	\$ 95,882	\$ 21	\$ 361,009
EBITDA	(14,692)	11,534	13,507	(2,779)	7,570
Stock-based compensation					1,637
Cost containment	3,212				3,212
	<u>(11,480)</u>				<u>12,419</u>
Operating earnings (loss)	(52,133)	8,728	11,563	(2,848)	(34,690)
<b>2008</b>					
Revenues	\$ 168,282	\$ 140,474	\$ 60,308	\$ 67	\$ 369,131
EBITDA	(11,638)	10,023	3,104	(2,480)	(991)
Stock-based compensation					1,375
					<u>384</u>
Operating earnings (loss)	(17,516)	6,952	1,378	(2,617)	(11,803)