

FIRSTSERVICE CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of US dollars, except share and per share amounts)

1. Description of the business

FirstService Corporation (the “Company”) is a North American provider of residential property management and other essential property services to residential and commercial customers. The Company’s operations are conducted in two segments: FirstService Residential and FirstService Brands. The segments are grouped with reference to the nature of services provided and the types of clients that use those services.

FirstService Residential is a full-service property manager and in many markets provides a full range of ancillary services primarily in the following areas: (i) on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel; (ii) proprietary banking and insurance products; and (iii) energy conservation and management solutions.

FirstService Brands provides a range of essential property services to residential and commercial customers in North America through company-owned operations and franchise systems. The principal brands in this division include First Onsite Property Restoration, Paul Davis Restoration, Roofing Corp of America, Century Fire Protection, California Closets, CertaPro Painters, Floor Coverings International and Pillar to Post Home Inspectors.

2. Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the determination of fair values of assets acquired and liabilities assumed in business combinations, and recoverability of goodwill and intangible assets. Actual results could be materially different from these estimates.

Significant accounting policies are summarized as follows:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries where the Company is the primary beneficiary. Inter-company transactions and accounts are eliminated on consolidation.

Cash and cash equivalents

Cash equivalents consist of short-term interest-bearing securities, which are readily convertible into cash and have original maturities at the date of purchase of three months or less.

Restricted cash

Restricted cash consists of cash over which the Company has legal ownership but is restricted as to its availability or intended use, including funds held on behalf of clients and franchisees.

The Company’s restricted cash balance consists primarily of cash related to our marketing funds in the FirstService Brands segment, cash held for certain employees’ benefit plans, and cash held for insurance broker commissions owed in our FirstService Residential segment.

Accounts Receivable

In the ordinary course of business the Company extends non-interest bearing trade credit to its customers. Accounts receivable are carried at amortized cost and reported on the face of the consolidated balance sheets, net of an allowance for credit losses. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. The allowance for credit losses is

based on the Company's assessment of the collectability of customer accounts. In determining the allowance for credit losses, the Company analyzes the aging of accounts receivable, historical payment experience, customer creditworthiness and current economic trends that may impact a customer's ability to pay.

Inventories

Finished goods and supplies and other inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method. Work-in-progress inventory relates to construction contracts and real estate project management projects in process.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset group may not be recoverable. An impairment loss is recorded to the extent the carrying amount exceeds the estimated fair value of an asset group. Fixed assets are depreciated over their estimated useful lives as follows:

Buildings	20 to 40 years straight-line
Vehicles	3 to 5 years straight-line
Furniture and equipment	3 to 10 years straight-line
Computer equipment and software	3 to 5 years straight-line
Leasehold improvements	term of the lease to a maximum of 10 years straight-line

Fair value

The Company uses the fair value measurements framework for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The framework defines fair value, gives guidance for measurement and disclosure, and establishes a three-level hierarchy for observable and unobservable inputs used to measure fair value. The classification of an asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities

Level 3 – Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions

Financing fees

Financing fees related to our third amended and restated credit agreement (the "Credit Agreement") with a syndicate of lenders, and our \$185,000 of senior unsecured notes (the "Notes") are deferred and amortized to interest expense using the effective interest method.

Leases

The Company has lease agreements with lease and non-lease components, and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the balance sheet when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

At lease commencement, which is generally when the Company takes possession of the asset, the Company records a lease liability and a corresponding right-of-use asset. Lease liabilities represent the present value of minimum lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the Company's incremental collateralized borrowing rate at the lease commencement.

Minimum lease payments include base rent, fixed escalation of rental payments, and rental payments that are adjusted periodically depending on a rate or index.

Right-of-use assets represent the right to control the use of the leased asset during the lease and are initially recognized in an amount equal to the lease liability. In addition, prepaid rent, initial direct costs, and adjustments for lease incentives are components of the right-of-use asset. Over the lease term the lease expense is amortized on a straight-line basis beginning on the lease commencement date. Right-of-use assets are assessed for impairment as part of the impairment of long-lived assets, which is performed whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Goodwill and intangible assets

Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired. They are amortized over their estimated useful lives as follows:

Customer relationships	straight-line over 4 to 20 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year
Trademarks and trade names	straight-line over 1 to 35 years
Management contracts and other	straight-line over life of contract ranging from 2 to 20 years
Backlog	straight-line over 6 to 12 months

The Company reviews the carrying value of finite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset group, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset group over the fair value calculated using an income approach.

Goodwill is tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value.

Goodwill is tested for impairment at the reporting unit level. The Company has six reporting units determined with reference to business segment, customer type, service delivery model and geography. As of December 31, 2025, the Company's goodwill balance was \$1,501,450. Goodwill attributable to the FirstService Residential segment was \$350,036 and goodwill attributable to the FirstService Brands segment was \$1,151,414. Within the FirstService Brands segment, the Restoration reporting unit had \$560,040 of goodwill, the Roofing reporting unit had \$363,466 of goodwill, the Fire reporting unit had \$144,484 of goodwill, and the home improvement reporting unit had \$83,424 of goodwill.

Goodwill is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount then a goodwill impairment assessment is performed. The Company also has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment assessment. The Company may resume performing the qualitative assessment in any subsequent period. A quantitative goodwill impairment assessment is performed by comparing the fair value estimate of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") based on comparable entities with similar operations and economic characteristics.

Redeemable non-controlling interests

Redeemable non-controlling interests ("RNCI") are recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur.

Revenue recognition and unearned revenues

The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's revenues are measured based on consideration specified in the contract of each customer and revenue is recognized as the performance obligations are satisfied by transferring the control of the service or product to a customer.

(a) Revenues from property and amenity management services

Property and amenity management services represent a series of distinct daily services, that in nature are substantially the same, rendered over time. The Company is compensated for these services through monthly management fees and fees associated with ancillary services. Revenue is recognized for the fees associated with the services performed on a straight line basis over the period the services are performed.

The Company also provides additional services outside the scope of the property and amenity management services at the request of a customer which represents a distinct performance obligation. Revenue relating to these services is recognized at a point in time when the service is complete.

(b) Revenues from construction contracts and service operations other than franchisor operations

Revenues are recognized over time as control transfers to the customer as the services are being performed. Revenues are recognized based on percentage of completion, which is based on a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenues when received and services rendered in advance of billing are recorded as work-in-progress inventory.

(c) Franchisor operations

The Company operates several franchise systems within its FirstService Brands segment. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenues, including revenues from administrative and other support services, are recognized based on a contracted percentage of franchisee revenues, as reported by the franchisees on a monthly basis as this reflects performance of the services over time, when the related franchisee revenues occur.

The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees are reported as revenues consistent with royalty revenues, when the related franchisee revenues occur, and advertising fund expenditures are reported as expenses, when incurred in the statements of earnings. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as unearned revenue, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenues and expenses may be reported in different periods.

Stock-based compensation

For equity classified awards, compensation cost is measured at the grant date based on the estimated fair value of the award. The related stock option compensation expense is allocated using the graded attribution method.

Notional value appreciation plans

Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to fifteen years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in selling, general and administrative expenses, the current liability is recorded in accrued liabilities, and the non-current portion is recorded in other liabilities.

Foreign currency translation

Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain foreign operations, the functional currency is the local currency, in which case the

assets, liabilities and operations are translated at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of accumulated other comprehensive earnings. Realized and unrealized foreign currency gains or losses related to any foreign dollar denominated monetary assets and liabilities are included in net earnings.

Income tax

Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

The Company recognizes uncertainty in tax positions taken or expected to be taken in a tax return by recording a liability for unrecognized tax benefits on its balance sheet. Uncertainties are quantified by applying a prescribed recognition threshold and measurement attribute.

The Company classifies interest and penalties associated with income tax positions in income tax expense.

During the year, the Company adopted ASU 2023-9 – Improvements to Income Tax Disclosures. This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The Company adopted this standard retrospectively.

Business combinations

All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The determination of fair values of assets and liabilities assumed in business combinations requires the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the balance sheet at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in operating earnings.

3. Revenue from contracts with customers

Disaggregated revenues are as follows:

	Year ended December 31	
	2025	2024
Revenues		
FirstService Residential	\$ 2,286,597	\$ 2,134,469
FirstService Brands company-owned operations	2,973,944	2,857,489
FirstService Brands franchisor	226,883	216,558
FirstService Brands franchise fee	10,076	8,378

The Company disaggregates revenue by segment. Within the FirstService Brands segment, the Company further disaggregates its company-owned operations revenue; these businesses primarily recognize revenue over time as they perform because of continuous transfer of control to the customer. As such, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company uses the percentage of completion method.

We believe this disaggregation best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

The Company's backlog represents remaining performance obligations and is defined as contracted work yet to be performed. As at December 31, 2025, the aggregate amount of backlog was \$1,027,757 (2024 - \$924,803). The Company expects to recognize revenue on the majority of the remaining backlog over the next 12 months. The majority of current unearned revenues as at December 31, 2024 was recognized into income during 2025.

4. Acquisitions

2025 acquisitions:

The Company completed nine acquisitions during the year, two in the FirstService Residential segment and seven in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired an amenity management firm, headquartered in Ithaca, New York, as well as a property management company located in Edmonton, Alberta. Within the FirstService Brands segment, the Company acquired three roofing businesses located in Alberta, Canada, San Diego, California, and Lakeland, Florida, respectively. In addition, the Company acquired a Paul Davis franchisee operating in Pennsylvania, an independent restoration company located in British Columbia, as well as two fire protection businesses headquartered in Salt Lake City, Utah, and Wilmington, Delaware, respectively.

Details of these acquisitions are as follows:

	<u>Aggregate Acquisitions</u>
Accounts receivable	\$ 31,214
Other current assets	13,806
Non-current assets	16,561
Accounts payable	(16,286)
Accrued liabilities	(4,162)
Other current liabilities	(16,786)
Non-current liabilities	(2,002)
Deferred tax liabilities	(13,883)
Redeemable non-controlling interest	(41,310)
	<u>\$ (32,848)</u>
Cash consideration, net of cash acquired of \$7,629	\$ 107,162
Acquisition date fair value of contingent consideration	6,990
Total purchase consideration	<u>\$ 114,152</u>
Acquired intangible assets	<u>\$ 45,035</u>
Goodwill	<u>\$ 101,965</u>

Acquisition-related items included both transaction costs and contingent acquisition consideration fair value adjustments. Acquisition-related transaction costs for the year ended December 31, 2025 totaled \$16,316 (2024 - \$5,621). Also included in acquisition-related items was a reversal of \$4,195 related to contingent acquisition consideration fair value adjustments (2024 - reversal of \$20,023).

The purchase price allocations for certain transactions completed in the last twelve months are not yet finalized, pending final determination of the fair value of assets acquired, the corresponding deferred tax liabilities, and final working capital adjustments. The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to their respective closing dates. There have been no material changes to the estimated purchase price allocations that were finalized throughout the year ended December 31, 2025.

The amount of revenues and earnings contributed from the date of acquisition and included in the Company's consolidated results for the year ended December 31, 2025, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2024, are as follows:

	Revenues	Net earnings
Actual from acquired entities for 2025	\$ 153,759	\$ 11,639
Supplemental pro forma for 2025 (unaudited)	5,553,279	200,901
Supplemental pro forma for 2024 (unaudited)	5,367,848	204,129

Supplemental pro forma results were adjusted for non-recurring items.

2024 acquisitions:

The Company completed eight acquisitions in 2024, two in the FirstService Residential segment and six in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired two property management firms operating in Tampa, Florida and San Francisco, California, respectively. Within the FirstService Brands segment, the Company acquired an independent restoration company located in Atlanta, Georgia, as well as two fire protection companies operating in Birmingham, Alabama and Asheboro, North Carolina, respectively. Also, within the FirstService Brands segment, the Company acquired three commercial roofing companies headquartered in Fort Myers, Florida, Malabar, Florida, and Denver, Colorado, respectively.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Accounts receivable	\$ 61,987
Other current assets	25,965
Non-current assets	12,686
Accounts payable	(19,013)
Accrued liabilities	(25,282)
Other current liabilities	(19,524)
Non-current liabilities	(1,385)
Deferred tax liabilities	(34,749)
Redeemable non-controlling interest	(95,143)
	<u>\$ (94,458)</u>
 Cash consideration, net of cash acquired of \$27,412	 \$ 212,246
Acquisition date fair value of contingent consideration	52,802
Total purchase consideration	<u>\$ 265,048</u>
 Acquired intangible assets	 \$ 156,522
Goodwill	<u>\$ 202,984</u>

In all years presented, the fair values of non-controlling interests for all acquisitions were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations of all acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For certain acquisitions completed during the year ended December 31, 2025, goodwill in the amount of \$4,219 is deductible for income tax purposes (2024 - \$63,397).

The determination of fair values of assets acquired and liabilities assumed in business combinations required the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired. Intangible assets acquired at fair value on the date of acquisition are recorded using the income approach on an individual asset basis. The assumptions used in estimating the fair values of intangible assets include future EBITDA margins, revenue growth rates, revenue attributable to returning customers, expected attrition rates of acquired customer relationships and the discount rates.

The Company typically structures its business acquisitions to include contingent consideration. Vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to two-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

The fair value of the contingent consideration liability recorded on the consolidated balance sheet as at December 31, 2025 was \$46,952 (see note 16). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from \$40,841 to a maximum of \$48,048. These contingencies will expire during the period extending to November 2027. During the year ended December 31, 2025, \$22,910 was paid with reference to such contingent consideration (2024 - \$29,404).

5. Leases

The Company has operating leases for corporate offices, copiers, and certain equipment. Its leases have remaining lease terms of 1 year to 13 years, some of which may include options to extend the leases for up to 15 years, and some of which may include options to terminate the leases within 1 year. The Company evaluates renewal terms on a lease by lease basis to determine if the renewal is reasonably certain. The amount of operating lease expense recorded in the statement of earnings for the twelve months ended December 31, 2025 was \$74,058 (2024 - \$65,418).

Other information related to leases was as follows (in thousands, except lease term and discount rate):

Supplemental Cash Flows Information, twelve months ended December 31		<u>2025</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$	68,698
Right-of-use assets obtained in exchange for operating lease obligation	\$	88,602
Weighted Average Remaining Operating Lease Term		6 years
Weighted Average Discount Rate		6.6%

Future minimum operating lease payments under non-cancellable leases as of December 31, 2025 were as follows:

2026	\$	76,344
2027		66,862
2028		57,514
2029		46,652
2030		33,180
Thereafter		93,314
Total future minimum lease payments		<u>373,866</u>
Less imputed interest		<u>(72,160)</u>
Total		<u>301,706</u>

6. Components of working capital accounts

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Inventories		
Work-in-progress	\$ 199,739	\$ 213,752
Finished goods	30,257	20,533
Supplies and other	44,247	45,341
	<u>\$ 274,243</u>	<u>\$ 279,626</u>

Accrued liabilities		
Accrued payroll and benefits	\$ 191,157	\$ 192,732
Value appreciation plans ⁽¹⁾	6,533	3,189
Customer advances	10,362	6,747
Other	<u>180,502</u>	<u>164,775</u>
	<u>\$ 388,554</u>	<u>\$ 367,443</u>

(1) Non-current portion of value appreciation plans of \$92,046 (2024 - \$75,006) is included in Other Liabilities.

7. Fixed assets

December 31, 2025

	Cost	Accumulated depreciation	Net
Land	\$ 25	\$ -	\$ 25
Buildings	4,554	742	3,812
Vehicles	237,421	136,460	100,961
Furniture and equipment	193,247	140,433	52,814
Computer equipment and software	265,305	176,608	88,697
Leasehold improvements	90,363	46,954	43,409
	<u>\$ 790,915</u>	<u>\$ 501,197</u>	<u>\$ 289,718</u>

December 31, 2024

	Cost	Accumulated depreciation	Net
Land	\$ 24	\$ -	\$ 24
Buildings	4,567	669	3,898
Vehicles	196,559	114,070	82,489
Furniture and equipment	192,241	136,280	55,961
Computer equipment and software	220,335	146,180	74,155
Leasehold improvements	83,289	45,822	37,467
	<u>\$ 697,015</u>	<u>\$ 443,021</u>	<u>\$ 253,994</u>

Included in fixed assets are vehicles, office and computer equipment under finance lease at a cost of \$58,106 (2024 - \$50,474) and net book value of \$34,430 (2024 - \$30,681).

8. Intangible assets

December 31, 2025

	Gross carrying amount	Accumulated amortization	Net
Customer relationships	\$ 830,570	\$ 294,823	\$ 535,747
Franchise rights	58,224	51,127	7,097
Trademarks and trade names	64,572	23,289	41,283
Management contracts and other	215,828	115,216	100,612
	<u>\$ 1,169,194</u>	<u>\$ 484,455</u>	<u>\$ 684,739</u>

December 31, 2024

	Gross carrying amount	Accumulated amortization	Net
Customer relationships	\$ 804,433	\$ 245,507	\$ 558,926
Franchise rights	57,959	47,083	10,876
Trademarks and trade names	64,291	19,765	44,526
Management contracts and other	201,097	99,942	101,155
	<u>\$ 1,127,780</u>	<u>\$ 412,297</u>	<u>\$ 715,483</u>

During the year ended December 31, 2025, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer relationships	\$ 33,581	10.0
Trademarks and trade names	870	10.0
Management Contracts and other	10,584	4.0
	<u>\$ 45,035</u>	8.6

The following is the estimated annual amortization expense for recorded intangible assets for each of the next five years ending December 31:

2026	\$ 75,042
2027	68,057
2028	66,202
2029	64,828
2030	197,507

9. Goodwill

	FirstService Residential	FirstService Brands	Consolidated
Balance, December 31, 2023	\$ 320,318	859,507	1,179,825
Goodwill acquired during the year	20,839	182,145	202,984
Other items	(1,603)	16,528	14,925
Foreign exchange	(1,687)	(664)	(2,351)
Balance, December 31, 2024	337,867	1,057,516	1,395,383
Goodwill acquired during the year	11,100	90,865	101,965
Other items	-	2,657	2,657
Foreign exchange	1,069	376	1,445
Balance, December 31, 2025	\$ 350,036	\$ 1,151,414	\$ 1,501,450

Based on the quantitative annual impairment assessment performed as of August 1, 2025, the Company concluded that the reporting units were not impaired. Management applied significant judgement in estimating the fair values of the Company's reporting units, which included selecting significant assumptions relating to the market multiples of EBITDA, and EBITDA, where applicable.

Subsequent to the annual impairment assessment, the Company performed an interim goodwill impairment assessment during the fourth quarter of 2025 on one of the reporting units within the FirstService Brands segment primarily as a result of continued declining organic revenue (revenue exclusive of revenue from acquisitions for a period of twelve months following their acquisition). As of December 31, 2025, total goodwill attributable to this reporting unit was \$363,466. As a result of this assessment, the Company determined that no impairment existed for the reporting unit. Testing indicated that the fair value for the reporting unit exceeded its carrying value by less than 5%.

If all other assumptions remain constant, a 0.5 decrease in the multiple used would decrease the fair value by approximately 5%, and a 3% decrease in EBITDA would decrease the fair value by approximately 3%.

10. Long-term debt

	December 31, 2025	December 31, 2024
Credit Agreement	\$ 859,789	\$ 1,055,119
3.84% Senior Notes	-	30,000
4.53% Notes	60,000	60,000
5.48% Notes	50,000	50,000
5.60% Notes	25,000	25,000
5.64% Notes	50,000	50,000
Capital leases maturing at various dates through 2030	37,887	28,591
	1,082,676	1,298,710
Less: current portion	13,649	41,567
Long-term debt - non-current	\$ 1,069,027	\$ 1,257,143

In February 2025, the Company entered into a third amended and restated credit agreement providing for a \$1,750,000 revolving credit facility on an unsecured basis. The maturity date of the revolving credit facility is February 2030. The revolving credit facility bears interest at 0.20% to 2.50% over floating reference rates, depending on certain leverage ratios. The weighted average interest rate for 2025 was 6.3%. As of December 31, 2025, letters of credit in the amount of \$37,767 were outstanding (\$29,471 as at December 31, 2024). The Facility had \$817,753 of available un-drawn credit as at December 31, 2025.

In September 2022 (and as amended in April 2024 for the facility with NYL Investors LLC), the Company entered into two revolving, uncommitted financing facilities for potential future private placement issuances of senior unsecured notes (the “Notes”) aggregating \$550,000 with its existing lenders, NYL Investors LLC (“New York Life”) of up to \$250,000 and PGIM Private Capital (“Prudential”), of up to \$300,000, in each case, net of any existing notes held by them. The facility with New York Life has a term ending April 3, 2027. The Company has the ability to issue incremental Note tranches under the New York Life facility until April 3, 2027, subject to acceptance by New York Life, with varying maturities as determined by the Company, and with coupon pricing determined at the time of each Note issuance. The facility with Prudential expired on September 29, 2025, such that no further private placement issuances of Notes may be made thereunder to Prudential. As part of the closing of the New York Life facility, the Company issued, on a private placement basis to New York Life, \$60,000 of 4.53% Notes, which are due in full on September 29, 2032, with interest payable semi-annually.

In January 2024, the Company issued, on a private placement basis to New York Life, \$50,000 of 5.48% Notes, which are due in full on January 30, 2029, as well as \$25,000 of 5.60% Notes, which are due in full on January 30, 2031, both with interest payable semi-annually. Also in January 2024, the Company issued, on a private placement basis to Prudential, \$50,000 of 5.64% Notes, which are due in full on January 30, 2031, with interest payable semi-annually.

The indebtedness under the Credit Agreement and the Notes rank equally in terms of seniority. The Company is prohibited under the Credit Agreement from undertaking certain acquisitions and dispositions, and incurring certain indebtedness and encumbrances, without prior approval of the lenders under the Credit Agreement.

The effective interest rate on the Company’s long-term debt for the year ended December 31, 2025 was 6.1% (2024 - 6.7%). Interest payments made during the year were \$73,311 (2024 - \$77,390). The estimated aggregate amount of principal repayments on long-term debt required in each of the next five years ending December 31 and thereafter to meet the retirement provisions are as follows:

2026	\$ 13,649
2027	10,209
2028	6,805
2029	55,060
2030 and thereafter	996,953

11. Redeemable non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as redeemable non-controlling interests ("RNCI"). The RNCI are considered to be redeemable securities. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 449,337	\$ 332,963
RNCI share of earnings	15,874	15,624
RNCI redemption increment	29,826	37,775
Distributions paid to RNCI	(17,133)	(9,292)
Purchases of interests from RNCI, net	(33,841)	(24,354)
RNCI recognized on business acquisitions	41,310	95,143
Other	818	1,478
Balance, December 31	<u>\$ 486,191</u>	<u>\$ 449,337</u>

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the non-controlling interest at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before extraordinary items, income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the RNCI to "put" their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Common Shares. The redemption amount as of December 31, 2025 was \$416,797 (2024 - \$402,122). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain RNCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Common Shares as at December 31, 2025, approximately 2,700,000 such shares would be issued, and would have resulted in an increase of \$0.77 to earnings per share for the year ended December 31, 2025.

12. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Common Shares having one vote per share.

The following table provides a summary of total capital stock issued and outstanding:

	<u>Common Shares</u>	
	Number	Amount
Balance, December 31, 2025	45,722,486	\$ 1,006,554

13. Stock-based compensation

The Company has a stock option plan for certain directors, officers and key full-time employees of the Company and its subsidiaries, other than its Founder and Chairman. The stock option plan came into existence on June 1, 2015. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a three-to-five-year term, expires five to six years from the date granted and allows for the purchase of one Common Share. All Common Shares issued are new shares. As at December 31, 2025, there were 763,240 options available for future grants. A portion of the options outstanding will vest upon the Company achieving a certain threshold percentage of Adjusted Earnings per Share compounded annual growth over specified measurement periods.

Grants under the Company's stock option plan are equity-classified awards. The Company estimates the probability of achievement of performance conditions at each reporting period and reflects the estimates in the number of options expected to vest with any changes recognized through stock-based compensation expense. Stock option activity for the year ended December 31, 2025 is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options -				
Beginning of period	2,403,004	\$ 149.19		
Granted	587,000	171.43		
Exercised	<u>(453,814)</u>	136.70		
Shares issuable under options -				
December 31, 2025	<u>2,536,190</u>	<u>\$ 156.57</u>	<u>3.1</u>	<u>\$ 11,634</u>
Options exercisable - End of period	<u>982,754</u>	<u>\$ 150.43</u>	<u>1.4</u>	<u>\$ 6,133</u>

The Company incurred stock-based compensation expense related to these awards of \$27,387 during the year ended December 31, 2025 (2024 - \$25,311).

As at December 31, 2025, the range of option exercise prices was \$128.62 to \$171.43 per share.

The following table summarizes information about option exercises during year ended December 31, 2025:

	2025
Number of options exercised	453,814
Aggregate fair value	\$ 84,988
Intrinsic value	22,953
Amount of cash received	62,035

As at December 31, 2025, there was \$32,022 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the year ended December 31, 2025, the fair value of options vested was \$18,458 (2024 - \$17,767).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

	2025
Risk free rate	4.3%
Expected life in years	4.77
Expected volatility	28.2%
Dividend yield	0.6%
Weighted average fair value per option granted	\$53.41

The risk-free interest rate is based on the implied yield of a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected life in years represents the estimated period of time until exercise and is based on historical experience. The expected volatility is based on the historical prices of the Company's shares over the previous four years.

14. Income tax

Reported income tax differs from the product of earnings before income tax and the Canadian federal statutory income tax rate which is the rate applicable to the country of domicile of the Company. Differences result from the following items:

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Canadian federal statutory tax rate ⁽¹⁾	\$ 39,977	15.0%	\$ 38,685	15.0%
Provincial income taxes, net of federal income tax effect ⁽²⁾	3,474	1.3%	6,779	2.6%
Foreign tax effects				
United States				
Statutory tax rate difference between U.S. and Canada	24,669	9.3%	21,275	8.3%
Impact of contingent acquisition consideration				
fair value adjustments	858	0.3%	(2,863)	-1.1%
Other	1,454	0.5%	1,264	0.5%
Changes in valuation allowances	3,261	1.2%	-	0.0%
Nontaxable or nondeductible items				
Nondeductible stock-based compensation	759	0.3%	3,591	1.4%
Other adjustments	1,313	0.5%	1,393	0.5%
Effective tax rate	<u>\$ 75,765</u>	<u>28.4%</u>	<u>\$ 70,124</u>	<u>27.2%</u>

(1) The Canadian federal rate is comprised of the basic Part 1 federal tax rate of 38%, which is net 15% after federal abatement of 10% and the general tax reduction of 13%. Where subsidiaries are taxed in a different jurisdiction, the impact of the difference in statutory rates is included in "Provincial income taxes, net of federal income tax effect" and "Statutory tax rate difference between U.S. and Canada" within the table.

(2) The provinces of Ontario and Alberta made up the majority (greater than 50%) of the tax effect in this category.

Earnings before income tax by jurisdiction comprise the following:

	<u>2025</u>	<u>2024</u>
Canada	\$ 29,193	\$ 58,459
United States	237,319	199,439
Total	<u>\$ 266,512</u>	<u>\$ 257,898</u>

Income tax expense (recovery) comprises the following:

	<u>2025</u>	<u>2024</u>
Current		
Canada	\$ 16,477	\$ 16,161
United States	56,441	66,791
	<u>72,918</u>	<u>82,952</u>
Deferred		
Canada	(3,725)	(764)
United States	6,572	(12,064)
	<u>2,847</u>	<u>(12,828)</u>
Total	<u>\$ 75,765</u>	<u>\$ 70,124</u>

The significant components of deferred income tax are as follows:

	<u>2025</u>	<u>2024</u>
Deferred income tax assets		
Loss carry-forwards	\$ 10,232	\$ 6,382
Expenses not currently deductible	58,973	45,969
Stock-based compensation	15,651	-
Allowance for credit losses	9,687	10,865
Interest expense	2,327	9,144
	<u>96,870</u>	<u>72,360</u>
Deferred income tax liabilities		
Depreciation and amortization	169,481	146,941
Basis differences of partnerships and other entities	2,874	2,447
Prepaid and other expenses deducted for tax purposes	5,174	4,432
	<u>177,529</u>	<u>153,820</u>
Net deferred income tax asset (liability) before valuation allowance	(80,659)	(81,460)
Valuation allowance	17,353	1,321
Net deferred income tax asset (liability)	<u>\$ (98,012)</u>	<u>\$ (82,781)</u>

The recoverability of deferred income tax assets is dependent on generating sufficient taxable income before the 20 year loss carry-forward limitation. Although realization is not assured, the Company believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Income taxes paid, net of refunds received, comprises of the following:

	<u>2025</u>	<u>2024</u>
Canada (Federal)	\$ 7,669	\$ 8,315
Canada (Provincial)	5,879	6,375
United States (Federal)	42,510	40,821
United States (State)	20,926	26,797
Other	5,409	-
Total	<u>\$ 82,393</u>	<u>\$ 82,308</u>

The Company has gross operating loss carry-forwards as follows:

	<u>Loss carry forward</u>		<u>Gross losses not recognized</u>		<u>Net</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Canada	\$ 316	\$ 1,265	\$ -	\$ -	\$ 316	\$ 1,265
United	106,271	77,676	75,106	23,362	31,165	54,314

These amounts above are available to reduce future federal, state, and provincial income taxes in their respective jurisdictions. Net operating loss carry-forward balances attributable to the United States and Canada expire over the next 2 to 20 years.

The Company's significant tax jurisdictions include the United States and Canada. The number of years with open tax audits varies depending on the tax jurisdictions. Generally, income tax returns filed with the Canada Revenue Agency and related provinces are open for three to four years and income tax returns filed with the U.S. Internal Revenue Service and related states are open for three to five years.

The Company does not currently expect any other material impact on earnings to result from the resolution of matters related to open taxation years, other than noted above. Actual settlements may differ from the amounts accrued. The Company has, as part of its analysis, made its current estimates based on facts and circumstances known to date and cannot predict changes in facts and circumstances that may affect its current estimates.

15. Net earnings per common share

The following table reconciles the denominator used to calculate earnings per common share:

	<u>2025</u>	<u>2024</u>
Shares issued and outstanding at beginning of period	45,268,672	44,682,427
Weighted average number of shares:		
Issued during the period	<u>257,939</u>	<u>337,006</u>
Weighted average number of shares used in computing basic earnings per share	45,526,611	45,019,433
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	<u>227,562</u>	<u>260,499</u>
Number of shares used in computing diluted earnings per share	<u><u>45,754,173</u></u>	<u><u>45,279,932</u></u>

16. Financial instruments*Concentration of credit risk*

The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable and other receivables. Concentrations of credit risk with respect to cash and cash equivalents are limited by the use of multiple large and reputable banks. Concentrations of credit risk with respect to the receivables are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different service lines.

Interest rate risk

The Company maintains an interest rate risk management strategy that uses interest rate hedging contracts from time to time. The Company's specific goals are to: (i) manage interest rate sensitivity by modifying the characteristics of its debt and (ii) lower the long-term cost of its borrowed funds.

Foreign currency risk

Foreign currency risk is related to the portion of the Company's business transactions denominated in currencies other than U.S. dollars. A portion of revenue is generated by the Company's Canadian operations. The Company's head office expenses are incurred in Canadian dollars which is economically hedged by Canadian dollar denominated revenue.

Fair values of financial instruments

The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2025:

	Carrying value at December 31, 2025	Fair value measurements		
		Level 1	Level 2	Level 3
Contingent consideration liability	\$ 46,952	\$ -	\$ -	\$ 46,952
Interest rate swap liability	911	-	911	-

The Company has two interest rate swaps in place to exchange the floating interest rate on \$200,000 of debt under its Credit Agreement for a fixed rate. The fair value of the interest rate swap asset was calculated through discounting future expected cash flows using the appropriate prevailing interest rate swap curve adjusted for credit risk. The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs using a discounted cash flow model; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 8% to 10%). The range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is a data point concentration at 9%. A 2% increase in the weighted average discount rate would not have a significant impact on the fair value of the contingent consideration balance.

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 67,248	\$ 63,478
Amounts recognized on acquisitions	6,990	52,802
Fair value adjustments	(4,195)	(20,023)
Resolved and settled in cash	(22,910)	(29,404)
Other	(181)	395
Balance, December 31	<u>\$ 46,952</u>	<u>\$ 67,248</u>
Less: current portion	<u>\$ 40,377</u>	<u>\$ 15,307</u>
Non-current portion	<u>\$ 6,575</u>	<u>\$ 51,941</u>

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of long term debt are Level 2 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates (which range from 4.5% to 5.0%). The following are estimates of the fair values for other financial instruments:

	<u>2025</u>		<u>2024</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Other receivables	\$ 4,720	\$ 4,720	\$ 3,925	\$ 3,925
Long-term debt	1,082,676	1,090,702	1,298,710	1,302,878

Other receivables include notes receivable from non-controlling shareholders and other non-current receivables.

17. Contingencies

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

18. Related party transactions

The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2025 was \$10,070 (2024 - \$8,497). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2025, the Company had \$6,544 of loans receivable from minority shareholders (December 31, 2024 - \$8,397). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on market rates plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

19. Segmented information*Operating segments*

The Company has two reportable segments as determined by the chief operating decision maker, who is the Chief Executive Officer of the Company. The segments are grouped with reference to the nature of services provided and the types of clients that use those services. The Company assesses each segment's performance based on operating earnings and operating earnings before depreciation and amortization. FirstService Residential provides property management and related property services to residential communities in North America. FirstService Brands provides company-owned and franchised property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office and is not a segment.

2025	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	\$ 2,286,597	\$ 3,210,903	\$ -	\$ 5,497,500
Cost of revenues	1,709,454	1,941,860	-	3,651,314
Selling, general and administrative	352,142	915,475	43,161	1,310,778
Depreciation and amortization	46,780	138,339	90	185,209
Acquisition-related items	7,800	1,258	3,063	12,121
Operating earnings	170,421	213,971		338,078
Other income, net				2,136
Interest expense, net				(73,702)
Income taxes				(75,765)
Net earnings				\$ 190,747
Total assets	\$ 1,015,353	\$ 3,258,780	\$ 9,580	\$ 4,283,713
Total additions to long lived assets	49,538	311,992	-	361,530
2024	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	\$ 2,134,469	\$ 3,082,425	\$ -	\$ 5,216,894
Cost of revenues	1,610,531	1,888,443	-	3,498,974
Selling, general and administrative	324,650	854,493	50,398	1,229,541
Depreciation and amortization	37,506	127,672	91	165,269
Acquisition-related items	2,576	(18,263)	1,285	(14,402)
Operating earnings	159,206	230,080		337,512
Other income, net				3,239
Interest expense, net				(82,853)
Income taxes				(70,124)
Net earnings				\$ 187,774
Total assets	\$ 1,064,696	\$ 3,124,584	\$ 5,572	\$ 4,194,852
Total additions to long lived assets	74,880	462,130	-	537,010

Geographic information

Revenues in each geographic region are reported by customer locations.

	<u>2025</u>	<u>2024</u>
United States		
Revenues	\$ 4,928,072	\$ 4,566,136
Total long-lived assets	2,356,504	2,178,444
Canada		
Revenues	\$ 569,428	\$ 650,758
Total long-lived assets	388,976	426,934
Consolidated		
Revenues	\$ 5,497,500	\$ 5,216,894
Total long-lived assets	2,745,480	2,605,378

20. Impact of recently issued accounting standards

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU provides a practical expedient for all entities for the calculation of current expected credit losses (CECL) on current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. The guidance is effective January 1, 2026, and should be adopted prospectively. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03 – Disaggregation of Income Statement Expenses (DISE). This ASU requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The guidance is effective January 1, 2027 and should be adopted prospectively with the option for retrospective application. The Company is currently assessing the impact of this ASU on its financial disclosures.

In January 2025, the FASB issued ASU 2025-01 – Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, which amends ASU 2024-03. This update clarified the effective date of the guidance introduced in ASU 2024-03.

In September 2025, the FASB issued ASU 2025-06 – Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal – Use Software. This ASU modernizes the existing U.S. GAAP guidance on accounting for internal-use software costs under ASC 350-40 to better reflect current software development practices. The guidance is effective January 1, 2028, and may be adopted prospectively, modified prospectively, or retrospectively, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial disclosures.