FIRSTSERVICE CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter

September 30, 2022

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of US dollars, except per share amounts) - in accordance with accounting principles generally accepted in the United States of America

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Revenues (note 3)	**$ 960,455**	$ 849,431	**$ 2,725,734**	$ 2,392,127
Cost of revenues	**661,097**	579,309	**1,875,406**	1,624,797
Selling, general and administrative expenses	**207,974**	179,466	**615,116**	534,716
Depreciation	**14,699**	13,410	**44,657**	39,889
Amortization of intangible assets	**12,202**	10,567	**35,066**	30,987
Acquisition-related items	**1,774**	5,152	**3,921**	4,946
Operating earnings	**62,709**	61,527	**151,568**	156,792
Interest expense, net	**6,759**	3,873	**16,166**	12,031
Other expense (income), net	**779**	(12,539)	**566**	(15,295)
Earnings before income tax	**55,171**	70,193	**134,836**	160,056
Income tax (note 8)	**13,830**	17,321	**34,168**	39,321
Net earnings	**41,341**	52,872	**100,668**	120,735
Non-controlling interest share of earnings (note 11)	**2,904**	1,564	**5,919**	6,927
Non-controlling interest redemption increment (note 11)	**4,260**	5,693	**11,921**	9,603
Net earnings attributable to Company	**$ 34,177**	$ 45,615	**$ 82,828**	$ 104,205
Net earnings per common share (note 12)				
Basic	**$ 0.77**	$ 1.04	**$ 1.87**	**$** 2.38
Diluted	**$ 0.77**	$ 1.03	**$ 1.86**	**$** 2.35

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)
(in thousands of US dollars) - in accordance with accounting principles generally accepted in the United States of America

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net earnings	**$ 41,341**	$ 52,872	**$ 100,668**	$ 120,735
Foreign currency translation loss	**(7,269)**	(2,888)	**(9,295)**	(597)
Comprehensive earnings	**34,072**	49,984	**91,373**	120,138
Less: Comprehensive earnings attributable to non-controlling interests	**7,164**	7,257	**17,840**	16,530
Comprehensive earnings attributable to Company	**$ 26,908**	$ 42,727	**$ 73,533**	$ 103,608

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FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of US dollars) - in accordance with accounting principles generally accepted in the United States of America

	September 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	$ 160,475	$ 165,665
Restricted cash	24,707	28,606
Accounts receivable, net of allowance of $9,607 (note 2) (December 31, 2021 - $13,984)	556,332	551,564
Income tax recoverable	20,309	6,842
Inventories (note 7)	223,832	161,387
Prepaid expenses and other current assets	58,340	50,596
	1,043,995	964,660
Other receivables	5,253	4,719
Other assets	17,797	16,379
Fixed assets	154,891	138,066
Operating lease right-of-use assets (note 5)	168,515	159,730
Intangible assets	358,530	382,107
Goodwill	849,132	843,362
	1,554,118	1,544,363
	$ 2,598,113	$ 2,509,023
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable	$ 100,802	$ 100,125
Accrued liabilities	265,758	286,404
Income taxes payable	788	2,554
Unearned revenues	117,519	116,415
Operating lease liabilities - current (note 5)	47,417	48,047
Long-term debt - current (note 9)	35,660	57,436
Contingent acquisition consideration - current (note 10)	20,956	7,491
	588,900	618,472
Long-term debt - non-current (note 9)	681,281	595,368
Operating lease liabilities - non-current (note 5)	131,790	122,337
Contingent acquisition consideration (note 10)	10,866	24,855
Unearned revenues	16,710	15,083
Other liabilities	45,746	71,981
Deferred income tax	40,208	42,070
	926,601	871,694
Redeemable non-controlling interests (note 11)	210,823	219,135
Shareholders' equity	871,789	799,722
	$ 2,598,113	$ 2,509,023

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of US dollars, except share information)

	Common shares					
	Issued and outstanding shares	Amount	Contributed surplus	Deficit	Accumulated other comprehensive earnings	Total
Balance, December 31, 2021	44,013,031	$ 797,428	$ 68,249	$ (67,920)	$ 1,965	$ 799,722
Net earnings	-	-	-	14,085	-	14,085
Other comprehensive earnings	-	-	-	-	1,562	1,562
Common Shares:						
Stock option expense	-	-	5,821	-	-	5,821
Stock options exercised	179,500	12,705	(2,672)	-	-	10,033
Dividends	-	-	-	(8,952)	-	(8,952)
Balance, March 31, 2022	44,192,531	$ 810,133	$ 71,398	$ (62,787)	$ 3,527	$ 822,271
Net earnings	-	-	-	34,566	-	34,566
Other comprehensive loss	-	-	-	-	(3,588)	(3,588)
Subsidiaries’ equity transactions	-	-	23	-	-	23
Common Shares:						
Stock option expense	-	-	4,035	-	-	4,035
Stock options exercised	400	34	(7)	-	-	27
Dividends	-	-	-	(8,946)	-	(8,946)
Balance, June 30, 2022	44,192,931	$ 810,167	$ 75,449	$ (37,167)	$ (61)	$ 848,388
Net earnings	-	-	-	34,177	-	34,177
Other comprehensive loss	-	-	-	-	(7,269)	(7,269)
Subsidiaries’ equity transactions	-	-	3	-	-	3
Common Shares:						
Stock option expense	-	-	4,117	-	-	4,117
Stock options exercised	20,000	1,655	(329)	-	-	1,326
Dividends	-	-	-	(8,953)	-	(8,953)
Balance, September 30, 2022	**44,212,931**	**$ 811,822**	**$ 79,240**	**$ (11,943)**	**$ (7,330)**	**$ 871,789**

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(Unaudited)
(in thousands of US dollars, except share information)

	Common shares					
	Issued and outstanding shares	Amount	Contributed surplus	Deficit	Accumulated other comprehensive earnings (loss)	Total
Balance, December 31, 2020	43,587,554	$ 770,032	$ 59,303	$ (171,085)	$ 2,148	$ 660,398
Net earnings	-	-	-	21,891	-	21,891
Other comprehensive earnings	-	-	-	-	1,060	1,060
Subsidiaries' equity transactions	-	-	23	-	-	23
Common Shares:						
Stock option expense	-	-	2,787	-	-	2,787
Stock options exercised	241,152	13,018	(2,771)	-	-	10,247
Dividends	-	-	-	(7,999)	-	(7,999)
Balance, March 31, 2021	43,828,706	$ 783,050	$ 59,342	$ (157,193)	$ 3,208	$ 688,407
Net earnings	-	-	-	36,699	-	36,699
Other comprehensive earnings	-	-	-	-	1,231	1,231
Subsidiaries' equity transactions	-	-	(10)	-	-	(10)
Common Shares:						
Stock option expense	-	-	4,903	-	-	4,903
Stock options exercised	3,425	385	(121)	-	-	264
Dividends	-	-	-	(7,999)	-	(7,999)
Balance, June 30, 2021	43,832,131	$ 783,435	$ 64,114	$ (128,493)	$ 4,439	$ 723,495
Net earnings	-	-	-	45,615	-	45,615
Other comprehensive loss	-	-	-	-	(2,888)	(2,888)
Subsidiaries' equity transactions	-	-	2	-	-	2
Common Shares:						
Stock option expense	-	-	3,540	-	-	3,540
Stock options exercised	96,400	8,050	(1,695)	-	-	6,355
Dividends	-	-	-	(8,018)	-	(8,018)
Balance, September 30, 2021	43,928,531	$ 791,485	$ 65,961	$ (90,896)	$ 1,551	$ 768,101

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of US dollars) - in accordance with accounting principles generally accepted in the United States of America

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Cash provided by (used in)				
Operating activities				
Net earnings	**$ 41,341**	52,872	**$ 100,668**	$ 120,735
Items not affecting cash:				
Depreciation and amortization	**26,901**	23,977	**79,723**	70,876
Deferred income tax	**(609)**	(995)	**(1,813)**	(2,725)
Other	**4,819**	(3,998)	**16,295**	4,000
Changes in non-cash working capital:				
Accounts receivable	**(22,960)**	(41,135)	**(1,226)**	(79,821)
Inventories	**(39,733)**	(10,766)	**(64,902)**	(28,472)
Prepaid expenses and other current assets	**(2,097)**	(4,103)	**(7,822)**	(3,700)
Payables and accruals	**(4,397)**	22,073	**(39,847)**	13,705
Unearned revenues	**(14,361)**	(14,266)	**868**	25,376
Other liabilities	**(329)**	4,882	**(30,069)**	15,290
Net cash provided by (used in) operating activities	**(11,425)**	28,541	**51,875**	135,264
Investing activities				
Acquisitions of businesses, net of cash acquired (note 4)	**(7,530)**	(46,408)	**(7,530)**	(86,011)
Disposal of business, net of cash disposed (note 6)	**-**	15,780	**-**	15,780
Purchases of fixed assets	**(19,076)**	(13,245)	**(55,454)**	(42,348)
Other investing activities	**(2,032)**	(1,836)	**(16,001)**	(6,112)
Net cash used in investing activities	**(28,638)**	(45,709)	**(78,985)**	(118,691)
Financing activities				
Increase in long-term debt	**60,089**	-	**135,818**	38,095
Repayment of long-term debt	**-**	(6,922)	**(70,000)**	(62,922)
Purchases of non-controlling interests, net	**(2,158)**	(276)	**(21,337)**	(5,676)
Contingent acquisition consideration	**(3,628)**	(7,700)	**(4,746)**	(8,350)
Proceeds received on exercise of options	**1,326**	6,355	**11,386**	16,866
Financing fees paid	**(135)**	-	**(2,468)**	-
Dividends paid to common shareholders	**(8,949)**	(7,999)	**(25,930)**	(23,190)
Distributions paid to non-controlling interests	**(3,649)**	(1,057)	**(6,251)**	(8,213)
Net cash provided by (used in) financing activities	**42,896**	(17,599)	**16,472**	(53,390)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**1,180**	(531)	**1,549**	2
Increase (decrease) in cash, cash equivalents and restricted cash	**4,013**	(35,298)	**(9,089)**	(36,815)
Cash, cash equivalents and restricted cash, beginning of period	**181,169**	207,421	**194,271**	208,938
Cash, cash equivalents and restricted cash, end of period	**$ 185,182**	172,123	**$ 185,182**	$ 172,123

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(Unaudited)
(in thousands of US dollars, except 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: on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel; proprietary banking and insurance products; and energy conservation and management solutions.

FirstService Brands provides a range of essential property services to residential and commercial customers in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, FIRST ONSITE, California Closets, Century Fire Protection, Certa Pro Painters, Pillar to Post Home Inspectors, and Floor Coverings International.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – These condensed consolidated financial statements have been prepared by the Company in accordance with the disclosure requirements for the presentation of interim financial information pursuant to applicable Canadian securities law. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America have been condensed or omitted in accordance with such disclosure requirements, although the Company believes that the disclosures are adequate to make the information not misleading. These interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021.

These interim financial statements follow the same accounting policies as the most recent audited consolidated financial statements. In the opinion of management, the condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of the Company as at September 30, 2022 and the results of operations and its cash flows for the three and nine month periods ended September 30, 2022 and 2021. All such adjustments are of a normal recurring nature. The results of operations for the three and nine month periods ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022.

Accounting policy for Credit Losses
The allowance for credit losses is based on the Company's assessment of the collectability of customer accounts. The measurement of expected credit losses is based on relevant information about past events, including historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may impact a customer's ability to pay.

A reconciliation of our allowance for credit losses is found below:

(In thousands)	**2022**
Allowance for credit losses, December 31, 2021	$ 13,984
Bad debt expense	2,414
Write-offs to accounts receivable	(7,863)
Recoveries to accounts receivable	230
Other	842
Allowance for credit losses, September 30, 2022	**$ 9,607**

3. REVENUE RECOGNITION – Within the FirstService Brands segment, franchise fee revenue recognized during the nine months ended September 30, 2022 that was included in deferred revenue at the beginning of the period was $3,591 (2021 - $3,220). These fees are recognized over the life of the underlying franchise agreement, usually between 5 - 10 years.

External broker costs and employee sales commissions in obtaining new franchisees are capitalized and are amortized over the life of the underlying franchise agreement. Costs amortized during the nine months ended September 30, 2022 were $1,540 (2021 - $1,426). The closing amount of the capitalized costs to obtain contracts on the balance sheet as at September 30, 2022 was $8,133 (2021 - $7,462). There were no impairment losses recognized related to those assets in the quarter.

The Company's backlog represents remaining performance obligations and is defined as contracted work yet to be performed. As at September 30, 2022, the aggregate amount of backlog was $593,032 (December 31, 2021 – $464,134). The Company expects to recognize revenue on the remaining backlog over the next 12 months.

Disaggregated revenues are as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2022	**2021**	**2022**	**2021**
Revenues				
FirstService Residential	$ 478,562	$ 423,069	$ 1,330,134	$ 1,179,770
FirstService Brands company-owned	430,873	379,065	1,252,535	1,081,963
FirstService Brands franchisor	49,532	46,234	139,164	126,926
FirstService Brands franchise fee	1,488	1,063	3,901	3,468

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 generally uses the percentage of completion method. The extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

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.

4. ACQUISITIONS – During the nine months ended September 30, 2022, the Company acquired controlling interests in two businesses, one in each segment. In the FirstService Residential segment, the Company acquired a regional firm operating in New York City. Within the FirstService Brands segment, the Company acquired an independent restoration company operating in Ontario. The acquisition date fair value of consideration transferred was as follows: cash of $7,530 and contingent consideration of $2,344.

During the nine months ended September 30, 2021, the Company completed eight acquisitions for cash consideration of $86,011 (net of cash acquired of $9,618) and contingent consideration of $12,962.

The purchase price allocations for certain transactions completed in the last twelve months are not yet complete, pending final determination of the fair value of assets acquired. These acquisitions were accounted for by the purchase price method of accounting for business combinations and accordingly, the 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 determined at the time of acquisition during the nine months ended September 30, 2022.

Certain 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 three-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 revenue or earnings level; and (iii) the actual revenue or earnings for the contingency period. If the acquired business does not achieve the specified revenue or earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

Contingent consideration is recorded at fair value each reporting period. The fair value recorded on the consolidated balance sheet as at September 30, 2022 was $31,822 (see note 10). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is $29,028 to a maximum of $34,150. The contingencies will expire during the period extending to August 2025. During the nine months ended September 30, 2022, $4,746 was paid with reference to such contingent consideration (2021 - $8,350).

5. LEASES – The Company has operating leases for corporate offices, copiers, and certain equipment. Its leases have remaining lease terms of 1 year to 15 years, some of which may include options to extend the leases for up to 10 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 nine months ended September 30, 2022 was $35,797 (2021 - $32,600).

Other information related to leases was as follows (in thousands):

Supplemental Cash Flows Information, nine months ended September 30		2022
Cash paid for amounts included in the measurement of operating lease liabilities	$	35,277
Right-of-use assets obtained in exchange for operating lease obligation	$	44,046

6. OTHER INCOME - Other income is comprised of the following:

	Three months ended September 30				Nine months ended September 30			
		2022		2021		**2022**		2021
Gain on disposal of business	**$**	**-**	$	(12,518)	**$**	**-**	$	(12,518)
Other expense (income), net		**779**		(21)		**566**		(2,777)
	$	**779**	$	(12,539)	**$**	**566**	$	(15,295)

During the third quarter of the prior year, the Company completed the divestiture of its Florida-based pest control business for cash consideration of $15,780. The pre-tax gain on disposal was $12,518.

7. INVENTORY - Inventory is comprised of the following:

		September 30, 2022		December 31, 2021
Work-in-progress	**$**	**156,863**	$	109,419
Finished Goods		**33,581**		24,657
Supplies and other		**33,388**		27,311
	$	**223,832**	$	161,387

8. INCOME TAX – The provision for income tax for the nine months ended September 30, 2022 reflected an effective tax rate of 25% (2021 - 25%) relative to the statutory rate of approximately 27% (2021 - 27%). The difference between the effective rate and the statutory rate relates to the differential between tax rates in certain jurisdictions, as well as taxable permanent differences.

9. LONG-TERM DEBT – The Company has $90,000 of senior secured notes (the “Senior Notes”) bearing interest at a rate of 3.84%. The Senior Notes are due on January 16, 2025, with three annual equal repayments, the next payment coming due on January 16, 2023.

In February 2022, the Company entered into a second amended and restated credit agreement providing for a $1,000,000 revolving credit facility on an unsecured basis. The maturity date of the revolving credit facility is February 2027. The new revolving credit facility bears interest at 0.20% to 2.50% over floating reference rates, depending on certain leverage ratios. The current revolving credit facility replaced the Company's previous $450,000 revolving credit facility and $440,000 term loan (drawn in a single advance) that were set to mature in January 2023 and June 2024, respectively. The new revolving credit facility was used to repay the remaining term loan balance of $407,000 under the prior credit agreement, and will continue to be utilized for working capital and general corporate purposes and to fund future tuck-under acquisitions.

In September 2022, the Company entered into two new revolving, uncommitted financing facilities for potential future private placement issuances of senior unsecured notes (the "Notes") aggregating $450,000 with its existing lenders, NYL Investors LLC ("New York Life") of up to $150,000 and PGIM Private Capital ("Prudential"), of up to $300,000, in each case, net of any existing notes held by them. The facilities each have a three-year term ending September 29, 2025. The Company has the ability to issue incremental Note tranches under the Facilities, subject to acceptance by New York Life or Prudential, with varying maturities as determined by the Company, and with coupon pricing determined at the time of each Note issuance. 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.

10. FAIR VALUE MEASUREMENTS – The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2022:

		Fair value measurements at September 30, 2022		
	Carrying value at September 30,	Level 1	Level 2	Level 3
Contingent consideration liability	$ 31,822	$ -	$ -	$ 31,822
Interest rate swap asset	4,841	-	4,841	-

The Company has one interest rate swap in place to exchange the floating interest rate on $100,000 of debt under its Credit Agreement for a fixed rate. The fair value of the interest rate swap asset was determined using widely accepted valuation techniques. 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 the 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.

Changes in the fair value of the contingent consideration liability are comprised of the following:

	2022
Balance, January 1	**$ 32,346**
Amounts recognized on acquisitions	**2,344**
Fair value adjustments	**1,625**
Resolved and settled in cash	**(4,746)**
Other	**253**
Balance, September 30	$ **31,822**
Less: Current portion	**20,956**
Non-current portion	$ **10,866**

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 3 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 4.0% to 4.5%).

	September 30, 2022		December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 5,253**	**$ 5,253**	$ 4,719	$ 4,719
Long-term debt	**716,941**	**718,392**	652,804	661,492

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. Accordingly, the RNCI is 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. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	2022
Balance, January 1	**$ 219,135**
RNCI share of earnings	**5,919**
RNCI redemption increment	**11,921**
Distributions paid to RNCI	**(6,251)**
Purchases of interests from RNCI, net	**(21,337)**
Other	**1,436**
Balance, September 30	**$ 210,823**

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 trailing two-year average earnings before income taxes, interest, depreciation, and amortization, less debt. 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 the Company's Common Shares. The redemption amount as of September 30, 2022 was $189,239. The redemption amount is lower than that recorded on the balance sheet as the formula prices 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 September 30, 2022, approximately 1,500,000 such shares would be issued; this would be accretive to net earnings per Common Share.

Increases or decreases to the formula price of the underlying shares are recognized in the statement of earnings as the NCI redemption increment or decrement.

12. NET EARNINGS PER COMMON SHARE – Earnings per share calculations cannot be anti-dilutive, therefore diluted shares are not used in the denominator when the numerator is in a loss position. The following table reconciles the basic and diluted common shares outstanding:

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Basic shares	**44,201**	43,865	**44,179**	43,798
Assumed exercise of Company stock options	**295**	606	**332**	553
Diluted shares	**44,496**	44,471	**44,511**	44,351

13. STOCK-BASED COMPENSATION

Company stock option plan

The Company has a stock option plan for certain directors, officers and 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 four-year term, expires five years from the date granted and allows for the purchase of one Common Share. All Common Shares issued are new shares. Grants under the Company's stock option plan are equity-classified awards. As at September 30, 2022, there were 557,850 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. There were 10,000 stock options granted during the three months ended September 30, 2022 (2021 – nil). Stock option activity for the nine months ended September 30, 2022 was 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	1,951,035	$ 104.41		
Granted	600,000	148.72		
Exercised	(199,900)	56.94		
Shares issuable under options - End of period	2,351,135	$ 119.76	2.69	$ 34,992
Options exercisable - End of period	997,638	$ 97.02	1.70	$ 28,386

The amount of compensation expense recorded in the statement of earnings for the nine months ended September 30, 2022 was $13,973 (2021 - $11,230). As of September 30, 2022, there was $21,487 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 5 years. During the nine month period ended September 30, 2022, the fair value of options vested was $12,211 (2021 - $9,479).

14. 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.

15. SEGMENTED INFORMATION – The Company has two reportable operating segments and Corporate. 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 or operating earnings before depreciation and amortization. FirstService Residential provides property management and related property services to residential communities in North America. FirstService Brands provides franchised and company-owned essential property services to residential and commercial customers in North America. Corporate includes the costs of operating the Company's corporate head office.

OPERATING SEGMENTS

	FirstService Residential	FirstService Brands	Corporate	Consolidated
Three months ended September 30				
2022				
Revenues	**$ 478,562**	**$ 481,893**	**$ -**	**$ 960,455**
Depreciation and amortization	**6,813**	**20,066**	**22**	**26,901**
Operating earnings	**41,658**	**28,178**	**(7,127)**	**62,709**
2021				
Revenues	$ 423,069	$ 426,362	$ -	$ 849,431
Depreciation and amortization	6,779	17,177	21	23,977
Operating earnings	37,998	31,074	(7,545)	61,527

	FirstService Residential	FirstService Brands	Corporate	Consolidated
Nine months ended September 30				
2022				
Revenues	**$ 1,330,134**	**$ 1,395,600**	**$ -**	**$ 2,725,734**
Depreciation and amortization	**21,020**	**58,635**	**68**	**79,723**
Operating earnings	**108,311**	**67,598**	**(24,341)**	**151,568**
2021				
Revenues	$ 1,179,770	$ 1,212,357	$ -	$ 2,392,127
Depreciation and amortization	19,298	51,511	67	70,876
Operating earnings	101,646	78,329	(23,183)	156,792

GEOGRAPHIC INFORMATION

	United States	Canada	Consolidated
Three months ended September 30			
2022			
Revenues	**$ 854,123**	**$ 106,332**	**$ 960,455**
Total long-lived assets	**1,214,807**	**316,261**	**1,531,068**
2021			
Revenues	$ 758,151	$ 91,280	$ 849,431
Total long-lived assets	1,136,886	310,234	1,447,120

	United States	Canada	Consolidated
Nine months ended September 30			
2022			
Revenues	**$ 2,391,731**	**$ 334,003**	**$ 2,725,734**
2021			
Revenues	$ 2,110,335	$ 281,792	$ 2,392,127