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APi Group Corp. (APG)

Acquisition of Carriers Chubb Fire & Security business by APi Group Corporation Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning ladies and gentlemen and welcome to the APi Group acquisition of Chubb and Fire Security Business Call. All participants are now in a listen-only mode until the question-and-answer session. Please note this call is being recorded and I will be standing by should you need any assistance. I will now turn the call over to Olivia Walton, Vice President of Investor Relations at APi Group. Please go ahead.

Olivia Walton

Vice President-Investor Relations, APi Group Corp.

Thank you. Good morning everyone and thank you for taking the time to join our call this morning to discuss our acquisition of Chubb Fire & Security business. We are excited to tell you about the opportunity. Joining me on the call today are Sir Martin Franklin and Jim Lillie, our Board Co-Chairs and Russ Becker our President and CEO.

As a reminder we've posted a presentation detailing the acquisition opportunity on the investor relations page of our website. I will now turn it over to Russ.

Russell A. Becker

Chief Executive Officer, President & Director, APi Group Corp.

Thank you Olivia and good morning everybody. We appreciate you taking the time to join the call. I'd like to apologize upfront to everyone, we know that today especially is a busy time with a number of other earnings calls happening simultaneously. This was a competitive process and the timing wasn't necessarily 100% in our control. However, we are super excited to share the details of this transaction with all of you. As Olivia mentioned joining me on the call today, are APi's Co-Chairman Sir Martin Franklin and Jim Lillie. And to kick us off, I'll pass it over to Martin, who will walk through the executive summary and the transaction overview. Martin?

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Martin E. Franklin

Co-Chair, APi Group Corp.

Thank you Russ and good morning everyone. We're delighted to announce that we have entered into a definitive agreement to acquire Chubb Fire & Security Group from Carrier Global Corporation for approximately $3.1 billion, $2.9 billion in cash and approximately $200 million of assumed liabilities and other adjustments. This transformative acquisition takes APi from a US-centric leader in its niche to the global leader in life safety services. In addition of Chubb to our portfolio effectively doubles the size of our existing life safety business and further builds on the competitive moat we've recognized in APi when we acquired the business in 2019.

This transaction enhances our recurring revenue profile in statutorily mandated services and further increases the group's overall service mix. Chubb is the market leader in its markets including France, UK, Australia, Canada, Hong Kong and Benelux. We believe that these new regions perfectly complement our portfolio and extend the reach of APi's platform.

Now slide 7. We expect this transaction to be funded with a mix of cash on hand, new equity and debt financing as well as a perpetual convertible preferred investment of $800 million by our partners at Blackstone Group and Viking Global. We have received fully committed financing and our targeting net leverage at closing is approximately 4.25 times, which we expect to delever rather quickly given the cash flow nature of the business.

The transaction is expected to be immediately accretive to earnings before synergies which we anticipate to be greater than $20 million excluding any revenue synergies. Carrier is completing its – an internal restructuring to carve out the Chubb business from its existing operation. And this along with customary regulatory filings will determine the closing date for the transaction which we expect to be around year-end. We've already started planning our integration plan to take advantage of the best that both APi and Chubb have to offer. And we look forward to providing more details on this once the transaction has closed.

On slide 8, as I alluded to my – in my opening remarks, the strategic rationale here is fairly straightforward. We are acquiring an internationally recognized brand that has achieved enormous success over a long period of time. The transaction transforms APi into the world's leading life safety business. The combined entity will be asset light, maintain low CapEx and exhibit high free cash flow conversion.

We are enhancing our service business mix while capitalizing on cross-selling opportunities and synergies. In our work, we recognized an attractive opportunity to amplify our organic growth and achieve meaningful margin expansion over the long-term. This transaction is highly accretive and a unique opportunity to combine our independent successful businesses into a truly global leader – market leader. When we acquired APi we were clear in our strategic rationale, it fit the acquisition mode that we embraced with Jarden and manifested in our acquisition of Chubb. The business is a leader in their top geographies, generate significant free cash flow, has experienced – and has an experienced management team, strong recurring revenue profile and is value accretive to APi.

I'll now hand the call back to Russ.

Russell A. Becker

Chief Executive Officer, President & Director, APi Group Corp.

Great. Thank you, Martin. On slide 11, please. I'm going to walk you through the Chubb business which we have been following for quite some time and believe that it adds material strategic value to our operating platform. This transaction transforms our business into the world's leading global safety services provider. This is the beginning

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of what is going to be an exciting next chapter for APi and the combined Chubb team. We are excited for this challenge.

Now, let me walk you through the Chubb business, and what got us so excited about their company. Chubb has a 200-plus-year history of working with a premier and diverse set of customers. They are a full service provider of life safety and security services. The company operates in 17 countries, serves over 1.5 million customer sites and has over 13,000 employees. Chubb is the market leader in the primary geographies that they serve. Their top six markets comprise of 90% of their revenue. We know that our most important assets go home every night and we are excited to welcome all leaders in the Chubb family into the APi organization.

Moving to slide 12, Chubb offers similar operations to us. Their primary business is in their security services and life safety operations. Chubb offers a best in breed end-to-end service with installation, monitoring and service components. They are a product agnostic platform that leverages best-in-class technology in order to meet their customer's needs. Their integrated security solutions along with their fire protection and detection and alarm systems make up an impressive portfolio of solutions that we are excited to build upon. That's a nice segue to our next slide discussing the predictable revenue stream that derives from Chubb's end-to-end business model.

So on slide 13, Chubb's business centers around design and installation, service and maintenance, and monitoring. This suite of solution comprises their best-in-class end-to-end business model. They leverage experienced technicians to lock in multi-year service contracts ultimately providing a best-in-breed solution to their customers. This provides a high degree of revenue visibility to the business.

Now, I will turn it over to Jim, to walk through the business combination. Jim?

James E. Lillie

Co-Chair, APi Group Corp.

Thanks, Russ. Good morning, everyone. We are excited to be speaking with you all today to share the strategic opportunity. This transformative deal creates a leading global safety services platform. When we initially invested in APi, this is exactly what we had hoped to find. I want to emphasize the global aspect of this opportunity. APi has consistently demonstrated their ability to execute domestically and Chubb's complementary international commercial operations provide meaningful cross-selling opportunities in the combined business. We're so fortunate to find an organization like Chubb to help accelerate our expansion into key international geographies.

Slide 16. I'd like to call out the mix shift in APi's pro forma business. Through this transaction, we are diversifying the end markets that we serve, the geographies in which we operate, expanding our exciting safety services business, as well as amplifying our focus in the services business. We will have over 25,000 combined employees, with an incredibly exciting pipeline to execute on. We're ready for this challenge, and we're excited for the opportunity.

Slide 17. Here I'll focus on the organic growth potential that this business combination offers. Through our diligence, we identified numerous ways in which we believe we can add value to Chubb and learn from Chubb's historic success. Most importantly, we identified functions that we believe we can collectively benefit from, expanding their margins, cross-selling existing products, volume and pricing increases and more represents just a subset of the identified opportunities that we believe we can capitalize on through this transaction. These will ultimately lead to meaningful increases in both our top and bottom line performances.

Slide 18 please. In summary, this transaction presents exciting opportunities that support our compelling investment thesis. This transaction marks APi's transformation into a truly global enterprise with leading services

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capabilities. As we do with Jarden, we are acquiring market leading businesses in niche markets and believe there is significant opportunity for improvements. The organic growth and margin opportunity is very clear. We are enhancing our services business mix and expanding on our recurring revenue base business model. This highly accretive transaction creates a pro forma business with very attractive cash flow generation and very low CapEx.

On slide 19, beyond our key investment criteria, we've identified several additional value levers we believe will create significant value in the long-term. First, we are excited to embrace Chubb's corporate values and believe APi's focus on its most important assets, its employees, will create an exciting best-in-breed values driven company. We're enthusiastic to invest behind the Chubb team and support their operations and supplement them with our existing operations.

In addition, we're excited to add Blackstone as a partner. As many of you know, Blackstone has a significant global property portfolio, which we expect to provide the buying company the opportunity to open new customer opportunities in multiple markets. Blackstone's real estate total commercial portfolio is comprised of over 1.2 billion square feet of real estate globally. And we're excited to compete for their business.

Lastly, our near-term focus will be on de-leveraging, as Martin mentioned both businesses generate significant free cash flow. We believe that the low CapEx high cash flow generative business will be helpful in that initiative.

In sum, the opportunity provides meaningful commercial opportunity and we're grateful to be partnering with such an impressive company. Chubb is a historic internationally recognized brand that is trusted by its customers, and we're excited to learn and share in the combination of our two businesses.

Thank you all for again attending this meeting on short notice. We do have some time. So we will open it up for questions if anybody would like to line up in the queue.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question comes from Kathryn Thompson from Thompson Research. Your line is open.

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Good morning, Kathryn.

Kathryn Ingram Thompson
Founding Partner & Chief Executive Officer, Thompson Research Group LLC
Q

Hi. Thank you for taking – Good morning. Thanks for taking my questions today. Just in terms of leverage, maybe give an update where we are. And then also importantly if you could focus on your free cash flow metrics conversion and how does that [ph] steer step (00:13:05) into your deleveraging trajectory?

[indiscernible] (00:13:14)

Martin E. Franklin
Co-Chair, APi Group Corp.
A

Go ahead.

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

No. I can do it. So Kathryn we're – right now we're sitting like 1.8 from a leverage perspective. And as Martin said in his remarks upon closing of the transaction we expect to be right around 4.25 times. Their cash flow conversion is roughly 90% if you look at adjusted EBITDA less CapEx divided by adjusted EBITDA. So their cash flow conversion is very, very similar to ours, and we see – on our models we see the business very, very quickly de-levering over the course of the next couple of years to 3 and below. So we feel really good about the cash generation capabilities of this business. It's very, very similar to APi and to what we would expect to see in the everyday course of our company.

Kathryn Ingram Thompson
Founding Partner & Chief Executive Officer, Thompson Research Group LLC
Q

Okay. And then following up just on the core business, maybe give some thoughts in terms of what the – their EBITDA growth have been, but understanding though it appears that this has been a bit of a orphaned asset at least from my perspective, and within Carrier, where are their core margins today, and I know that there is – you said that there's upside, but what are the categories, I mean, what does the upside look like both from a number standpoint, but practically how do you get there. What are the leverage you can [indiscernible] (00:14:40)?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Yeah. Again I go back to this is very, very similar to us. So their core margins right now are sitting just below 10% on an adjusted basis and when we look at their business, number one, we saw a tremendous amount of upside from a margin expansion perspective, and there's a lot of the levers are very similar like taking advantage of scale

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and standing up a true procurement department, that's something that we're going to be able to leverage, the combined entity with now continuing to improve their mix.

They have roughly 52% of their revenue, maybe 53% of their revenue is considered service, they've got 9% that's monitoring and roughly 38% is installation, but continuing to improve their mix is another area of opportunity for us. There's opportunity to improve the overall performance in a number of different regions in the – in their business as it relates to potentially consolidating real estate and other opportunities that we've identified within the context of the business.

So there's many of the levers, Kathryn, that we'll be pulling so to speak in APi's core business are going to be the same levers that we're going to continue to be looking to pull in their business. And we really truly do believe that their margin expansion opportunities line up very well with the margin expansion opportunities that we've identified to the investment community. So do we think a 13% by 2025 is realistic? We do.

Kathryn Ingram Thompson Q
Founding Partner & Chief Executive Officer, Thompson Research Group LLC

Okay great. I'll hop back in the queue. Thank you.

James E. Lillie A
Co-Chair, APi Group Corp.

Kathryn It's Jim. I would...

Kathryn Ingram Thompson Q
Founding Partner & Chief Executive Officer, Thompson Research Group LLC

Yeah.

James E. Lillie A
Co-Chair, APi Group Corp.

...I would also add because there's probably Chubb employees listening to this call. I just want to point out that we bought the business to grow it. We intend to...

Kathryn Ingram Thompson Q
Founding Partner & Chief Executive Officer, Thompson Research Group LLC

Yeah.

James E. Lillie A
Co-Chair, APi Group Corp.

...invest it as permanent owners. People who view this business as core to our business we know that this isn't meant to be a negative. But when part of UTC, then part of Carrier, Carrier sold the business because it wasn't strategic to their core, it's strategic to our core. And so we see a lot of opportunities for cross-selling adding their products into our mix of products, just like we did when we acquired SK about a year ago. If you recall SK had a defibrillator servicing business, which we didn't have in North America. And so we saw opportunities there. So we're really excited. We think the margin expansion opportunity comes to cross-selling, pricing, expansion into new geographies and in other areas. So we couldn't be happier with the opportunity in welcoming the Chubb's family to the APi family.

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Kathryn Ingram Thompson
Founding Partner & Chief Executive Officer, Thompson Research Group LLC

Q

Okay. Great. Thank you so much.

James E. Lillie
Co-Chair, APi Group Corp.

A

Thanks. Operator, next question.

Operator: And our next question comes from Andy Wittmann from Baird. Your line is open.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Great. Thanks. I have a few questions here. I guess maybe I want to start out with just a little bit more context, I mean, we've got historical filings from Carrier to give us a little bit of detail here, but this is a little bit of a carve out. I guess I'd be curious to understand what the EBITDA and revenues were for the part of the business that you're buying in 2019 pre-COVID. I guess it's just the question comes in the context is that if you're paying a 13.3 trailing multiple after synergies, obviously well above the target range for the smaller deals that you guys talk about. So I want to understand how much of the elevated multiple versus the some of the multiple ranges that you've targeted in the past is just from a COVID LTM versus what you think the underlying real earnings power might be in a more normalized world?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

Well, Andy the revenue and EBITDA for this business has been relatively flat over the course of the last three years. Actually, it probably peaked in 2018. And so as we look at this we're looking at it more from a strategic purpose and really this acquisition establishes us as a global player. This is not a transaction you are going to get accomplished at say the traditional tuck-in level that APi has continued to execute at. So when we look at this and we look at it over the course of the next couple of years as we continue to drive growth in the business and improvements in the business we see the average multiple for the fleet continuing to be much more reasonable from that perspective.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. Okay. And then just in terms of you touched on it there Russ a little bit the growth rate, I guess first question is you've had all these targets about your growth rate kind of organically 12% margin by 2023, 13% by 2025. You already kind of said that you still believe you can achieve those. Do you think that the growth rate in this business with the opportunities that you look like can keep you with your – does your targeted growth rate change as a result of this business that you're acquiring. I guess that's the question? Or any of those other long-term targets just want to hear your kind of comments on that, so we're on the same page?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

Well in our modeling right now we've been really conservative in how we're looking at the top – say the top line growth inside Chubb if you will and they've got their own models and they've got their own margin expansion goals that they've been working on that are 100% in line with what our margin expansion goals are. So when we talk about 13% by 2025, their internal goals and hurdles have already been established and are 100% in

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alignment with us and that's one of the reasons that we have really great confidence that this is going to really be accretive.

If you look through some of the information you'll see that from an EPS perspective this is like $0.35 accretion and additive to where APi is at today if you looked at it on our 2020 numbers, so we look at this as a great opportunity to complement our business and like when I first started digging into this transaction, I really truly feel like this is a one plus one equals three scenario, and as we continue to go to work it would only be my hope that we can continue to improve on the expectations that we've laid out.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Great. And then just final...

James E. Lillie
Co-Chair, APi Group Corp.

A

Hey Andy.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

I'm sorry – yeah.

James E. Lillie
Co-Chair, APi Group Corp.

A

Andy, it's Jim. If I could just supplement this. The other parallel between the Chubb business and the APi business and you've heard us talk about this at APi in our life safety businesses we have businesses that are doing certain things that are driving 20% plus EBITDA margins, which means we also have businesses that are doing below the fleet average. The same is true at Chubb, Russ talked about the immediate accretion, and there's lots of regions of the world that are contributing significantly. This is probably 26%, 27% accretive out of the box.

And the business has lacked investment opportunities as UTC has reshuffled its assets and Carrier is focusing on its core manufacturing business. And so we want to make sure that we're putting investment dollars in the regions that have the higher margins and that we go in and look at what we can do to improve the businesses from our margin expansion where they're below fleet average. And it's no different than how we're looking at APi today, I like to say not all your kids are healthy on a given day. Someone has to take out the garbage even when it's not their turn. But ultimately everybody is taking out the garbage. And so we're going to focus on the opportunities to make those that [ph] aren't as (00:23:38) healthy – healthier, and we're going to rely on those that are doing well to do even better.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. That's helpful. And just kind of a technical question to show up here for me at least. The $800 million perpetual preferred equity, could you give us some detail on the dividend rate that's associated with that? It's – I guess, you say it's perpetual, so it's not [ph] callable or portable (00:24:03) I would imagine. But any detail around that piece of the capital structure would be helpful.

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James E. Lillie
Co-Chair, APi Group Corp.

A

Yeah.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

As well as, maybe a little comment on the assumed liabilities. Is that mostly pension, I guess, sort of the question is that an unfunded pension liability or what is that $200 million?

[indiscernible] (00:24:20)

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

...answer that, since he spent a lot of time.

Martin E. Franklin
Co-Chair, APi Group Corp.

A

Yeah, okay. Yeah, I'll take that. This is Martin. How are you? Good morning. So first on the – on the perpetual preferred, it's an equity instrument, the dividend on it is 5.5% annually. It's a pick, but we – the company has the right to pay it in cash if it chooses to, its convertible as a 20% premium to the 15 day [indiscernible] (00:24:50) up until the day from when we announced this transaction. And we have a forced conversion right at a – basically at 50% premium to the conversion price from that.

So we think it's a very attractive piece of paper from our perspective, and it's obviously a good investment we think for Blackstone and for Viking. As you know, Viking are already our largest shareholders, and we're very happy to be – to participate along with it. But then the history of this is Blackstone, it's no great secret that Blackstone had looked at Chubb themselves. They saw the value and the opportunity and that ended up with us, if you like, teaming up a bit to look at this transaction together, because between their opportunities to bring their real estate portfolio to become a customer in a number of additional properties. We saw that as a growth synergy opportunity which obviously is not in any of our numbers at this point.

It was a win-win. And I think that Blackstone have a team of professionals as you know who could be very helpful. They've looked at this company for many, many months, saw the same opportunities to increase margins as we did. So that's their involvement.

Your second question remind me, was which?

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

And so the detail on the $200 million of assumed liabilities. Also wondering if that's a pension liability or something else?

Martin E. Franklin
Co-Chair, APi Group Corp.

A

It's mostly – it's the largest piece is pension. The pension is fully funded. But there are assumptions of – on if you like transition costs related to that over time. But it's really a bucket of a number of things. The largest single one

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was pension. But from our perspective, it's a headline price of $3.1 billion, but our real cash outlays for this transaction is actually $2.9 billion.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Okay. Thank you very much.

Martin E. Franklin
Co-Chair, APi Group Corp.

A

Got you.

James E. Lillie
Co-Chair, APi Group Corp.

A

Thanks, Andy.

Operator: And our next question comes from Markus Mittermaier from UBS. Your line is open.

Markus Mittermaier
Analyst, UBS

Q

Hi, good morning, everyone. I joined a bit late, so forgive me if you already commented on that. Just thinking [indiscernible] (00:27:21) different geographies you previously [indiscernible] (00:27:26) primarily a US-based company and we know sort of the great margin accretion track record that we have there. Now if you think about European business and the Asian business that you're taking on. Is there anything different structurally in these markets that sort of make it harder or easier to get to that 13% that you've mentioned earlier? And then maybe a brief follow-up as a second question to what Jim earlier said around the investment requirements, how should we think about that over the next couple of years, are there specific numbers that you have in mind already or any context there would be helpful?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

Well good morning Marcus and thanks for jumping on. I would start by saying that again reiterating the fact that the recipe is essentially the same. And when we look at the margins that they're achieving say on their installation work versus their service work versus their monitoring work there's great alignment with APi's current business model. So I think there's just a lot of the same blocking and tackling is needed to – in order to for us to be successful in this business.

Anthony Brennan the current leader of the business, I think he really – he sees the world through a very similar lens that we do, as they try to continue to push the ownership down to the branch level. And having bringing that entrepreneurial spirit back to the branch level. And that's very much the way we've built our life safety business at APi. And so there's the when you – if you sat in the meetings and you listened to the dialog about how we're going to improve the business, it's a very, very similar recipe. And the biggest differences obviously is France is different than the US and making sure that we have the right leadership in each of those key markets is going to be the biggest key to our long-term success. Does that make sense?

Markus Mittermaier
Analyst, UBS

Q

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Yeah. That's helpful. Thank you. And then on the investments any early thoughts there, I [indiscernible] (00:29:55) early days, so?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

I don't know that I necessarily understand where you're coming from Markus.

Markus Mittermaier
Analyst, UBS
Q

No. Jim mentioned in his remarks earlier sort of around investments in certain geographies I guess doubling down where margins are maybe a bit better, any sort of more color there that you can share?

James E. Lillie
Co-Chair, APi Group Corp.
A

Well what I was referring to is there is certain aspects of the business that could use some incremental IT spending. If you look at Hong Kong, a very successful region can we accelerate growth by investing in incremental sales, talent and taking advantage of the momentum that business has, and so typically when you have an asset that is held for sale, things kind of get paused a little bit. It's not a function of CapEx. They've spent the CapEx they needed to spend. But I think there's opportunities to invest in people, in geographies, in incremental product line and training associate with that, and so that was what I was referring to with regard to investments.

Markus Mittermaier
Analyst, UBS
Q

Got it. Thank you very much.

Operator: And our next question comes from Julian Mitchell from Barclays. Your line is open.

Trish Gorman
Analyst, Barclays Capital, Inc.
Q

Hey. Good morning. This is Trish on...

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Hi, Julian.

Trish Gorman
Analyst, Barclays Capital, Inc.
Q

...for Julian.

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Okay, Trish.

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Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Hey. So just maybe following up on the certain liabilities, I was just wondering I think that, that business that Carrier had historically had some AFFF kind of PFAS type liabilities. Is that in any of those liabilities that you guys are assuming?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

Martin, do you want to respond to that, where the buckets that we've put things in?

Martin E. Franklin
Co-Chair, APi Group Corp.

A

I'm sorry could you repeat the question?

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Yeah, just think historically that business under Carrier and UTX had some AFFF kind of environmental liabilities with PFAS. I was just wondering if that's in any of the $200 million that you guys are assuming?

Martin E. Franklin
Co-Chair, APi Group Corp.

A

Yes that is correct. And we've obviously analyzed all of that [indiscernible] (00:32:10) cost that's related to it.

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Okay, great. And then I know you guys mentioned kind of improving the mix. But right now are there any areas or regions or product lines. I don't know if you can talk through, but that might be [ph] non-quarters (00:32:26) business that you might think about [ph] perhaps any type best (00:32:29) to reach your targets?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

No I – no not at this stage of the game, Trish. I mean we like the business, we like the geographies sit in the markets they're in. And obviously we still have a tremendous amount of work to do to really get to know the broader Chubb team. We've had exposure to obviously their leadership group and a number of the managing directors from a country level. But the work really starts now as we try to integrate the two families of employees and really start to get to know each other.

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Okay.

James E. Lillie
Co-Chair, APi Group Corp.

A

And Trish, just to reiterate we bought it to grow it. And so there's no thought process as we were moving through the acquisition and talking to the Carrier team and the Chubb teams about oh this asset that hasn't happened.

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We're embracing the entire organization. We see a lot of opportunity with focused leadership, focused investment and cross-selling opportunities and so that's our outlook. Obviously at APi we divested a couple of businesses a year or so ago, but I think if you look at this business and you look at the world of COVID you see how the business has performed on a trailing 12 basis with about $215 million or so of EBITDA.

I would say for most global businesses COVID was the bottom, and so I think it's a baseline from which we can build on and we know how the business like how APi performed during COVID, and so my perception is with APi and with Chubb you've seen kind of what the maximum headwinds can be and you go from there.

So we're really excited about Anthony, the team, the various leaders across the business and all 13,000 employees of Chubb and bringing them in and welcoming and fostering their growth.

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Great. And then just one last one for me, do you guys have any target ROIC on this deal, it's kind of high single digit in the year five a reasonable assumption?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

Target of what. I'm sorry.

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

The ROIC, return on invested capital on this deal?

James E. Lillie
Co-Chair, APi Group Corp.

A

I don't think we've discussed target or ROIC...

Trish Gorman
Analyst, Barclays Capital, Inc.

Q

Great. Thanks, guys.

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

...at this point. Thanks.

Operator: [Operator Instructions] Our next question comes from Jon Tanwanteng from CJS Securities. Your line is open.

Jonathan E. Tanwanteng
Analyst, CJS Securities, Inc.

Q

Hey. Good morning, guys. Congratulations on the agreement. My first one, could you just talk a little bit more about the Blackstone partnership, do you get on preferential treatment across their portfolio? Or is it simply an introduction and a pure competitive process? Is there a lot of low hanging fruit there to get business for both of [indiscernible] (00:35:39) companies?

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Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Well, I mean, I'll let Martin supplement my response Jon to the question. But the way I look at it is that we have to earn their, their business. And I think that the way that I will go – move into this as I communicate to our teams is that Blackstone will open the door and create opportunity for us. But we need to earn every opportunity that we get and we need to work our tail end off to make sure that we deliver a superior result to them just like we need to work our tail off to deliver a superior result to our customer. So, Martin?

Martin E. Franklin
Co-Chair, APi Group Corp.
A

Yeah. Now I completely agree with that. And but at the end of the day on a jump ball, I'm sure, that the things will – the relationship obviously will make a difference.

One of the things I wanted to go back to on was a question that was asked earlier on PFAS, because I think that's kind of important to explain that when UTC did their carve out from with a spin-off with Chubb, a lot of that liability stayed behind because we're not taking on any of the manufacturing operations and so the assets that we're buying are largely to do with the service business. So any exposure to PFAS from our perspective is de minimus. So I just want to make sure that nobody thinks that we're [ph] baking on (00:37:02) some open-ended liability as a part of the transaction.

Jonathan E. Tanwanteng
Analyst, CJS Securities, Inc.
Q

Got it. Thank you. And then my second one, can you just talk about your ability to drive further consolidation in the near-term especially leverage growing about 4 times. How aggressively you've been pursuing tuck ins with levers at a level in the near year or so?

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.
A

Well, I think Jon just to respond to that, obviously we are going to make sure that we as if we put our credit facility and we looked at our capital structure we've made sure that we have adequate gunpowder for the right levels of tuck-in acquisitions as we continue to move forward. So we've made those considerations. We need to continue to be smart as we always are, as we continue to look at the companies that we're going to continue to look and acquire. Chubb has had very, very little M&A activity over the course of the last number of years. And obviously, we need to get to the point where – kind of where we've stabilized and we're moving forward and things are functioning properly. But we just like when we acquired SK they had a very strong bolt-on M&A strategy. And we think that we can continue to complement that strategy with Chubb. But we want to make sure that we have brought the right level of stability to the business and everybody's settled on – settled in and we're moving forward together.

Jonathan E. Tanwanteng
Analyst, CJS Securities, Inc.
Q

Got it. Russ, can you finally just talk a little bit more about the cultural fit and how you merge your distinct inspection first only business – excuse me, business and leadership training into the Chubb. I think you've talked about pushing ownership down to the bench level. Is there a lot more work to do beyond that? Or maybe is there anything that Chubb [indiscernible] (00:38:57) from the best practice perspective?

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Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

A

So that pushing the ownership to the branch level, I mean, now that's the way we've built our business at APi. And but that's also one of the first things that Anthony said and shared with us was one of the key tenants of his operational approach when he took over at Chubb. He's only been in the seat for a year-and-a-half. And they've had a lot of churn from a leadership perspective. And I think Anthony is bringing some stability to that current leadership. And if you look – if I go back to some of our initial conversations with Anthony and his team, they really had four kind of pillars that they were driving their strategy around. And one of those pillars is people and culture. And so that lines up really well with our focus in our growth around leadership development. And we think that there's a number of things that we're going to be able to bring to them that are – that's going to allow them to start to invest in their people and help their people grow as individuals and leaders in their business.

And so I think that when you look at it and we're such a people-center business. They're a people-center business. And I don't care if you're from France, Canada, the US, you have – people have a desire to be invested in. And I think that's something that we can bring to them because we've got a well-established leadership development program, we've been on our journey since 2003 and we've shared with you how that's helped us improve our results. And we believe that we're going to be able to relatively quickly start to stand that up in their business and help them.

Jonathan E. Tanwanteng
Analyst, CJS Securities, Inc.

Q

Thank you.

James E. Lillie
Co-Chair, APi Group Corp.

A

Russ, I think that was the last question. If you want to wrap up.

Russell A. Becker
Chief Executive Officer, President & Director, APi Group Corp.

Great. Yeah. I'd be happy to. And I just want to start by welcoming the Chubb family into the APi family and we truly are very excited to have each and every one of you join our team. And I really believe that this is just the first step in a very, very exciting journey. I'm very excited for what we can accomplish together in the value that we're going to be able to deliver to our shareholders. Thank you to each and every one of you for not only joining the call this morning, but having – the interest that you have in the company. And we really do appreciate that, and we're excited to show you what the future will hold. So I hope everybody has a great day today. Thank you.

James E. Lillie
Co-Chair, APi Group Corp.

Thanks, everybody.

Martin E. Franklin
Co-Chair, APi Group Corp.

Thanks, everyone.

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Operator: This does conclude today's program. Thank you for your participation. You may disconnect at any time.

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