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APi Group Corp. (APG)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to APi Group's Fourth Quarter and Full-Year 2025 Financial Results Conference Call. All participants are now in a listen-only mode until the question-and-answer session. We ask that all participants limit themselves to one question during the question-and-answer session. Please note this call is being recorded. I will be standing by should you need any assistance.

I will now turn the call over to Adam Fee, Vice President of Investor Relations at APi Group. Please go ahead.

Adam Fee

Vice President-Investor Relations, APi Group Corp.

Thank you. Good morning, everyone, and thank you for joining our fourth quarter 2025 earnings conference call. Joining me on the call today is Russ Becker, our President and CEO; and David Jackola, our Executive Vice President and Chief Financial Officer.

Before we begin, I'd like to remind you that certain statements in the company's earnings press release and on this call are forward-looking statements, which are based on expectations, intentions, projections regarding the company's future performance, anticipated events or trends, and other matters that are not historical facts. These statements are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. In our press release and filings with the SEC, we detail the material risks that may cause our future results to differ from our expectations. Our statements are as of today, February 25th, and we undertake no obligation to update any forward-looking statements we may make except as required by law.

As a reminder, we have posted a presentation detailing our fourth quarter financial performance on the Investor Relations page of our website. Our comments today will also include non-GAAP financial measures and other key reporting metrics. The reconciliation of and other information regarding these items can be found in our press release and our presentation.

It is now my pleasure to turn the call over to Russ.

Russell A. Becker

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

Thank you, Adam. Good morning, everyone. Thank you for taking the time to join our call this morning.

I want to start by thanking Adam Fee for his leadership of our Investor Relations function over the last three years. Adam has done an excellent job building trust with the investment community, and we are excited to announce his transition into a finance leadership role within our elevator business. With this transition, Adam Walters, who previously served on our corporate development team, will take over leadership responsibilities of Investor Relations.

We remain grateful for the hard work of our 29,000 leaders and their dedication to APi. The safety, health, and well-being of each of our leaders is our number one value. We continue to prioritize investing in the men and the women in the field as human beings and aim to provide each of them with training, advancement opportunities, and leadership development. I'm proud to announce that APi has once again been recognized as a military-

friendly employer for 2026. We remain committed to providing opportunities for veterans and their spouses to build careers and develop as leaders.

Back in 2021, we introduced our long-term 13/60/80 shareholder value creation framework. Since then, 13/60/80 has been our north star, and I'm proud of our team's relentless focus and dedication to delivering on these commitments. Over the last several years, our journey has been marked by meaningful progress. We grew revenues from \$3.9 billion in 2021 to \$7.9 billion in 2025. We increased our percentage of revenue coming from inspection, service, and monitoring from 40% in 2021 to 54% in 2025. We established a new adjacent vertical in the highly attractive elevator and escalator service market with the acquisition of Elevated, and we accelerated our bolt-on M&A strategy by deploying approximately \$580 million across 33 bolt-on acquisitions from 2023 through 2025.

Notably, as it relates to our 13/60/80 targets, we ended the year with adjusted EBITDA margins at 13.2% above our 13% target and significantly above our 2021 adjusted EBITDA margin of 10.3%. Additionally, we ended 2025 with adjusted free cash flow conversion of 80%, right in line with our stated target of 80% and well above our 2021 adjusted free cash flow conversion of 55%. Thank you to all of our teammates for helping us win, and for their focus, discipline, and commitment that made these results possible.

In 2021, we set ambitious financial targets; and through our collective teamwork and belief, we achieved these targets. This allowed us to set our new ambitious, but achievable three-year long-term financial targets of 10/16/60-plus. I am grateful.

Now I will dive into our record 2025 full-year results. The business continues to build momentum, delivering robust top line growth while expanding margins. We continued to have strong growth in inspection, service and monitoring revenues. We capitalized on a robust project environment. And finally, we continued to execute accretive bolt-on M&A at attractive multiples. For the year, net revenues increased by 13%, approximately 8% organically, with strong growth across both segments.

In our Safety Services segment, revenues grew organically by approximately 7%, led by growth in inspection, service, and monitoring revenues. As expected, Specialty Services maintained the momentum and closed the year with strong growth, delivering 10% organic growth for the year.

In line with our strategic initiatives, we continue to drive improvements in adjusted gross margin, which expanded 50 basis points for the year. The strong performance in gross margin led to our record full-year 2025 adjusted EBITDA margin, representing margin expansion of 50 basis points. We expect to see continued margin expansion in 2026 and beyond, largely driven by the same initiatives that we have been executing for the past several years, which include the following: consistent organic growth, improved inspection service and monitoring revenue mix, disciplined customer and project selection, pricing, branch and field optimization, procurement, systems and scale, accretive M&A, and selective business pruning. And as I like to say, we can always just be better.

2025 was another year of strong free cash flow with record adjusted free cash flow of \$836 million, representing 80% conversion on adjusted EBITDA. Our consistent free cash flow growth and the strength of our balance sheet provides flexibility to pursue value-enhancing capital deployment alternatives, including accretive M&A and opportunistic share repurchases. In 2025, we continued to execute our M&A plan, completing 14 acquisitions and building on our long track record of integrating businesses and supplementing growth through M&A at attractive multiples.

In addition, on February 2nd, 2026, we closed on the previously announced acquisition of CertaSite, an inspection-first provider of comprehensive fire and life safety services in the Midwest. We're already pursuing the additional opportunities created by this acquisition and welcome our new CertaSite team members to the APi family.

Looking ahead, we are excited about the pipeline of M&A opportunities we see across fire life safety, electronic security, elevator and escalator, and niche specialty services. Our team remains hard at work prioritizing the most attractive opportunities. We will continue to focus on the quality of the business and, importantly, on the culture, value and fit. Our value proposition as a forever home continues to resonate with sellers.

I want to take a moment to recognize a significant milestone for our company. In 2026, APi Group will celebrate its 100-year anniversary, marking a century of commitment to our customers and an unwavering focus on the safety, health, and wellbeing of each of our leaders. As we reflect on our legacy and begin the next century of growth, we have much to be grateful for. A central part of our 100-year anniversary will be gratitude and giving back to the communities that have supported us along the way and contributed so meaningfully to our ability to win. I look forward to celebrating with our 29,000 leaders around the world.

Entering 2026, we remain laser focused on our new north star, the 10/16/60-plus financial targets we introduced in May at our Investor Day. As a reminder, these targets are \$10 billion in net revenues by 2028, supported by consistent mid-single-digit organic growth; 16%-plus adjusted EBITDA margin by 2028; 60%-plus of our revenues from inspection, service, and monitoring over the long term; and \$3 billion of cumulative adjusted free cash flow through 2028. I am proud of our team and the record financial results achieved in 2025. As we begin 2026, I have great confidence in our ability to continue to deliver strong organic growth, expand margins, and grow free cash flow by staying focused on investing in and caring about our people on a daily basis.

I would now like to hand the call over to David to discuss our fourth quarter financial results and 2026 guidance in more detail. David?

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

Thanks, Russ, and good morning, everyone. Reported net revenues for the three months ended December 31st were \$2.12 billion, a 13.8% increase compared to \$1.86 billion in the prior-year period. Organic growth of 11.1% was driven by continued growth in inspection, service and monitoring revenues, strong growth in project revenues and pricing improvements. Adjusted gross margin for the three months ended December 31st was 32.2%, representing a 110-basis point increase compared to the prior-year period, driven by disciplined customer and project selection and pricing improvements partially offset by project revenue mix.

Adjusted EBITDA increased by 21.9% for the three months ended December 31st, with adjusted EBITDA margin coming in at 13.9%, representing a 90-basis point increase compared to the prior-year period. Growth in adjusted EBITDA was driven by strong revenue growth and adjusted gross margin expansion. Adjusted diluted earnings per share for the three months ended December 31st was \$0.44, representing a \$0.10 or 29.4% increase compared to the prior-year period. The increase was driven by strong revenue growth, adjusted gross margin expansion, and a decrease in interest expense, partially offset by an increase in the share count.

I will now discuss our results in more detail for the Safety Services segment. Safety Services reported net revenues for the three months ended December 31st of \$1.42 billion, a 10.6% increase compared to \$1.29 billion in the prior-year period. Organic growth of 6.6% was driven by continued growth in inspection, service and monitoring revenues, strong growth in project revenues and pricing improvements. Adjusted gross margin for the

three months ended December 31st was 37.7%, representing a 110-basis point increase compared to the prior-year period, driven by disciplined customer and project selection, as well as pricing improvements leading to margin expansion in inspection, service, and monitoring revenues, as well as project revenues. Segment earnings increased by 18% for the three months ended December 31st, and segment earnings margin was 17.5%, representing a 110-basis point increase compared to the prior-year period, primarily due to adjusted gross margin expansion.

I will now discuss our results in more detail for the Specialty Services segment. Specialty Services reported net revenues for the three months ended December 31st were \$695 million, an increase of 20.7% compared to \$576 million in the prior-year period, driven by strong growth in project revenues. Adjusted gross margin for the three months ended December 31st was 20.7%, representing a 190-basis point increase compared to the prior-year period, driven by an increase in project opportunities that align with our disciplined customer and project selection criteria and improved leverage of fixed overhead costs. Segment earnings increased 40.7% for the three months ended December 31st, and segment earnings margin was 11.9%, representing a 170-basis point increase compared to the prior-year period, primarily due to adjusted gross margin expansion.

Turning to cash flow, we continue to focus on driving strong free cash flow conversion. For the three months ended December 31st, adjusted free cash flow came in at \$402 million, up \$95 million versus last year and representing an adjusted free cash flow conversion of 136%. The strong free cash flow in the fourth quarter drove adjusted free cash flow of \$836 million for the full-year 2025, up \$168 million versus last year and representing a conversion rate of 80%. I want to reiterate what Russ said earlier and express my gratitude to all our leaders and teammates for their role in helping us execute and achieve our 80% free cash flow conversion target in 2025. Our teams understand the importance of free cash flow generation, and our performance in progress reflect that focus.

At the end of the fourth quarter, our net debt-to-adjusted EBITDA ratio was approximately 1.6 times, significantly below our long term target of 2.5 to 3 times, allowing us the flexibility to pursue value-enhancing capital deployment opportunities in 2026. And as a reminder, our long-term capital deployment priorities are maintaining net leverage at stated long-term targets, strategic M&A at attractive multiples and opportunistic share repurchases.

Turning to 2026 guidance; based on current foreign exchange rates and acquisitions closed to date, we expect full-year reported net revenues of \$8.4 billion to \$8.6 billion, representing organic growth of 5% at the midpoint. We expect our organic revenue growth for the year to align with our long term growth algorithm, which, as a reminder, is mid to high-single-digit growth in inspection, service and monitoring revenues and low to mid-single-digit growth in project revenues.

We expect full-year adjusted EBITDA of \$1.14 billion to \$1.20 billion, which represents adjusted EBITDA growth of approximately 8% to 13% on a fixed currency basis and adjusted EBITDA margin of 13.8% at the midpoint, up 60 basis points versus 2025. In 2026, we expect to maintain momentum in terms of delivering free cash flow growth with 2026 adjusted free cash flow conversion expected to be at or above 115% of adjusted net income, which is equivalent to approximately 75% of adjusted EBITDA. As a reminder, the first quarter is traditionally our weakest quarter for free cash flow conversion due to seasonality.

Turning to the first quarter, we expect reported net revenues of \$1.875 billion to \$1.975 billion, representing organic revenue growth of 4% to 10%. We expect first quarter adjusted EBITDA of \$225 million to \$235 million, which represents adjusted EBITDA growth of approximately 12% to 17% on a fixed currency basis and adjusted EBITDA margin of 11.9% at the midpoint, which is up 70 basis points versus last year. For 2026, we anticipate

interest expense to be approximately \$130 million, depreciation to be approximately \$90 million, capital expenditures to be approximately \$105 million, and our adjusted effective tax rate to be approximately 23%. We expect corporate expenses to be approximately \$35 million per quarter with some timing variability throughout the year, and our adjusted diluted weighted average share count to be approximately 441 for the year. Lastly, we anticipate systems and business enablement expense for 2026, which we adjust out of our financial result to be consistent with 2025.

I will now turn the call back over to Russ.

Russell A. Becker

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

Thanks, David. Our record results in 2025 once again demonstrate the strength of our recurring revenue, services-focused business model, and the ongoing execution of our strategy by our teammates. We begin 2026 with positive momentum and strong demand for our services across our global platform. We remain relentlessly focused on growing inspection, service and monitoring revenues that combined with the accelerating growth in our backlog and robust M&A pipeline, provides a solid foundation for strong organic and inorganic growth in 2026, while continuing to expand our margins. We remain focused on creating sustainable shareholder value by delivering on our 10/16/60-plus targets.

With that, I would now like to turn the call back over to the operator and open the call up for Q&A.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. Please limit yourself to one question. [Operator Instructions] Your first question comes from the line of Tim Mulrooney with William Blair. Your line is open. Please go ahead.

Tim Mulrooney

Analyst, William Blair & Co. LLC

Russ, David, good morning.

Q

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

Hey, Tim. How are you?

A

Russell A. Becker

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

Good morning.

A

Tim Mulrooney

Analyst, William Blair & Co. LLC

Doing well. Thanks. Yeah. I just want to say congrats to Adam too on the -- moving on to the next chapter. That was great to hear. Well deserved. My question is just a really high level one. Your revenue guidance, it's calling for 6% growth at the low end of the range and 9% growth at the high end. Can you just talk about what kind of

Q

market condition assumptions that you're embedding in that low end versus that high end or various swing factors that you're embedding to achieving the different end of that range, please? Thank you.

Russell A. Becker

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

A

Yeah. So, I can start, and David can add any color if he would like to, Tim. So, you know, we continue to communicate, I guess, in message to the -- to our businesses that we want to see high-single-digit growth in the inspection service and monitoring component of their business and, you know, low-single-digit growth in the project piece of their business. We do happen to have a tailwind. Certain end markets are providing excellent project opportunities, which is evidenced by our backlog, which is north of \$4 billion and continues to be very strong, robust, and healthy. Probably, the most important aspect of it is that it's very, very healthy. And so, we are seeing a tailwind that's coming from it.

And not all end markets are the same. I talked about end markets a lot. I talked about end markets a lot with our business leaders. But obviously, the talk of the town is data centers. And we're reaping some of the benefit of the robust data center market, both on the inspection and service side, but also on the project side. Advanced manufacturing continues to be robust, semiconductors, providing some opportunities, healthcare, critical infrastructure. So, we are seeing some strong tailwinds in certain end markets on the project side of our business that we're taking advantage of.

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

A

The only thing I would add to that, Tim, and I'll reiterate a point that maybe I made during my comments was the 54% of our revenue that comes from recurring inspection, service, and monitoring, that we expect to grow in our long-term organic growth algorithm of mid to mid upper single digits. And then it's going to be the project environment. It could be from the low end to the high end of the range.

Tim Mulrooney

Analyst, William Blair & Co. LLC

Q

Okay. Thank you.

Operator: Your next question comes from the line of David Paige with RBC Capital Markets. Your line is open. Please go ahead.

David Paige

Analyst, RBC Capital Markets LLC

Q

Hi. Good morning. Thank you for taking my question and congrats, Adam. Well deserved. I was wondering maybe you could do the same for adjusted EBITDA margins. Is there anything that would push you? I know the range isn't that wide, but anything that would push you to the upper end or maybe even beat at the end, if you thought so. Maybe, I know it's early days, but lay in how you're thinking about the recent changes to tariffs, if any. Thank you.

Russell A. Becker

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

A

Well, I would start by saying we don't expect to see any change in tariffs materially impacting our business, good or bad. And so, we just continue to lead our business regardless of kind of what's happening external of all things

APi and focusing on the things that we can control. Obviously, we need to make sure that we're pricing our work appropriately on all aspects of our business, not just the project side of our business, but the inspection, service, and monitoring component of our business. We do expect to see enhanced gross margins on some of our project-related work just because of the demands and the technical difficulty associated with some of this, especially data center work, that's happening in remote locations, the size of the projects, and the fact that you have to move people around in an effort to be able to execute on this work.

We think that that's going to provide us with opportunities to expand our gross margins on that type of work. But we just need to continue to pull on the same levers that we've been pulling since we -- well, since for a long time. I mean, this goes back even before 13/60/80. We just need to continue to pull on the same levers and execute and pound on the same drum. And we will continue to expand our margins as we continue to grow.

David Paige

Analyst, RBC Capital Markets LLC

Q

Thank you.

Operator: Your next question comes from the line of Jon Tanwanteng with CJS Securities. Your line is open. Please go ahead.

Jonathan Tanwanteng

Analyst, CJS Securities, Inc.

Q

Hi. Thank you for taking my questions and congrats, Adam, also. I was wondering if you could expand on the data center opportunity. How much is that contributing to growth in 2026? And can you also talk about if the incremental margin there is higher than the corporate average? Russ, you mentioned more technical expertise there; just wondering if that that also corresponds to the margin uplift.

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

A

Yeah. I'll be happy to start that and let Russ comment, if he'd like, at the end. So, data centers are an area that's contributing to our growth in 2025 and 2026. It's an opportunity that we're taking advantage of, but we're not over committing to. I'd say in 2024, data centers represented approximately 5% of our overall revenue. When we ended 2025, it was approximately 8% of our overall revenue. And we expect data centers to comprise about 10% of our total revenue in 2026. So, it's contributing a couple of percentage points of growth in both 2025 and 2026. But we still got plenty of really good organic growth momentum in other parts of the business as well.

So, it's a contributor, but it is not the primary driver of our growth in 2025 and 2026. And I'd say the margin profile of the data center work is really, really strong. There's not many players in the market that can do the work that we're doing in data centers, and that's allowing us to leverage our relationships, propose a strong gross margin and execute against that.

I don't know if there's anything else you'd like to add, Russ.

Russell A. Becker

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

A

No, I think you hit it.

Jonathan Tanwanteng

Analyst, CJS Securities, Inc.

Q

Okay. Great. Thank you. And then I was wondering if you could just talk about the M&A pipeline going forward. I see that you closed four in Q1, so how does that pipeline look going forward just from a tuck-in perspective and then also the opportunity for larger deals?

Russell A. Becker

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

A

Well, you beat the -- you made the under. We were wondering who is going to be the first person to ask more than one question, Jon, so -- but anyways, the M&A pipeline remains robust, and we continue to see a lot of really good opportunities in the space especially in North America, in fire life safety, security space. We've really got some nice opportunities in the elevator and escalator space that we plan to execute on here in the second quarter. The good part is that we really have opened up the aperture to the international business and have some fantastic businesses that we're doing work on right now with the idea that we're going to be able to get these businesses closed in the second and third quarter and bring some of those folks into the APi family.

So, there's just a tremendous amount of opportunities. And I think in my remarks, I talked about the idea of APi being a forever home for the sellers of this business. It continues to resonate with people, and it allows us to buy these businesses at the right price and -- which is a really good thing. So -- but yeah, we're really excited about our pipeline for 2026 and beyond.

Jonathan Tanwanteng

Analyst, CJS Securities, Inc.

Q

Got it. Thanks, Russ.

Operator: Your next question comes from the line of Julian Mitchell with Barclays. Your line is open. Please go ahead.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Hi. Good morning. Just to circle back on the top line, if there was any color you could give us on how remaining performance obligations or backlog growth, how has that been developing? And I suppose allied to that, looking at the Q1 guide, there's a very, very wide range on the organic sales growth. Maybe help us understand kind of how you see the two segments growth in the first quarter, please.

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

A

Sure. So, I think you snuck in a two-part question as well maybe. On the backlog, I'd say the backlog as we exited 2025 and into 2026 is healthy. It's up across both two segments across a variety of end markets. And as Russ said in his comments, it's healthy, which means it's at a good margin and work that we feel really good about. In terms of Q1 and how that plays out across the segments, so I'd say the Safety segment is going to be a lot of the same. And so, I'll refer back to our organic growth algorithm. On the service side, we target mid to upper-single-digit growth in that segment in service. And our Q1 outlook reflects that. On the project side, we reflect low to mid. Our outlook reflects that as well, but it's probably closer to the mid. And in the Specialty Services segment, we're comparing against a down Q1 of 2025. So, I'd expect growth to be in the double-digit revenue growth in the first quarter of 2026. Does that help?

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

That's perfect. Thanks a lot, David.

Operator: Your next question comes from the line of Curtis Nagle with BofA Securities. Your line is open. Please go ahead.

Curtis Nagle

Analyst, BofA Securities, Inc.

Q

Great. Thanks so much for taking the question. Maybe if we just quickly go back to some of the trends in data center services revenue, how much of a pickup are you hopefully starting to see in -- from project work converting to service and hopefully that turning into a longstanding durable base of high margin growth?

Russell A. Becker

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

A

Well, for sure. Well, I mean the -- I mean, really -- the reality of it is the project-related work that we're doing in the data center space is because of the relationships that have been established on these -- on the existing campuses of a lot of these hyperscalers where we're already doing the inspection service and monitoring. You know, the data center, the project side of it, the size of these projects is significantly higher than -- than what you're -- what we've seen in the past. And you're not going to see -- we're going to win the inspection service and monitoring. There's no -- I don't have any question about that as we continue to move forward on some of the -- on some of this project work, but the size of the inspection service and monitoring account is significantly lower than the size of the -- of the project-related work. And so, you just need to continue to chip away and build your inspection service and monitoring business, which we continue to do.

We continue to see really, really good growth on the inspection side of our -- of our business. And if you recall we generate someplace between \$3 and \$4 worth of service work for every dollar of inspection revenue that we generate. And that continues to grow at that high-single-digit clip. So, you know, the playbook is working and we continue to execute on it, and we continue to see really good results. And it's no different than in the data center space as the rest of our business.

Curtis Nagle

Analyst, BofA Securities, Inc.

Q

Okay. Thank you.

Operator: Your next question comes from the line of Andrew Kaplowitz with Citi. Your line is open. Please go ahead.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Hey, Russ. Hey, guys. How are you doing? Adam, congratulations.

Adam Fee

Vice President-Investor Relations, APi Group Corp.

A

Thank you.

Russell A. Becker

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

This is a going away party for Adam Fee.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

There you go. There you go.

Q

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

Good morning, Andy.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

This might be -- good morning. This might be a bit nitpicky, but maybe you already said it. So, like on inspection, like I think you last quarter had over 20 quarters in a row double digits. Did it still grow double digits this quarter? And if not, is it just kind of the law of large numbers starting to get to that segment and still going to grow high single digits plus? How is it [ph] going (00:35:27)?

Q

Russell A. Becker

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

Yeah. So, we knew somebody was going to pick up on that, and -- but so it did grow double digit. But it is, we are moving to the point where it's going to be the large -- it will be the law of large numbers, and it'll be tougher and tougher to comp against that. But we continue to see really good growth in our inspection business. So, yes, it did grow double digits. You're just going to hear us, we're not going to talk about it as prevalently.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Sounds good. Thank you.

Q

Operator: Your next question comes from the line of Tomohiko Sano with JPMorgan. Your line is open. Please go ahead.

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Hi, everyone. First of all, congratulations on your 100th anniversary.

Q

Russell A. Becker

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

Thanks, Tomo. Good morning.

A

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Q

Thank you. And so, your 2026 guidance implies about 60 bps improvement in adjusted EBITDA margin at the midpoint. So, what other major drivers behind this margin expansion? As you walk toward to 16% plus margin target for 2028, which initiatives do you plan to further strength or newly implement, please?

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

A

Hey. Good question, Tomo. Thanks for being on this morning. So, yeah, you're right about 60 basis points at the midpoint. And really, the initiatives that are going to get us to 16% by the end of 2028 are the initiatives that got us to 13% by 2025. And I'd say as we get deeper into the 2028 period, we're going to start to see increased benefits from our investments that we're making as an organization in procurement, as well as some of the benefits from the system and technology investment that we're currently undergoing in our North America business. And accretive M&A will play a part in that as well.

Tomohiko Sano

Analyst, JPMorgan Securities Japan Co. Ltd.

Q

Thank you.

Operator: Your next question comes from the line of Jasper Bibb with Truist Securities. Your line is open. Please go ahead.

Jasper Bibb

Analyst, Truist Securities, Inc.

Q

Hi. Morning, guys. Just wanted to ask about the assumption for project demand in your guidance; I think you're projecting low to mid singles growth for the year, but quite a lot of strength in project pipeline, data center, et cetera. I guess just how would you frame the assumption of low to mid single digit versus a strong pipeline there? Is that conservatism, because it's earlier in the year? Is it harder comps? Just any detail there would be helpful. Thanks.

Glenn David Jackola

Chief Financial Officer & Executive Vice President, APi Group Corp.

A

I think you nailed all three of the reasons around that as a midpoint of our guide. I mean we got a guide and arranged for a reason, and those are three very good reasons to start where we did for the year.

Jasper Bibb

Analyst, Truist Securities, Inc.

Q

Fair enough. Thank you very much.

Russell A. Becker

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

A

Thanks, Jasper.

Operator: Your next question comes from the line of Andrew Wittmann with Baird. Your line is open. Please go ahead.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, thanks. A lot of my questions have been asked and answered, but I guess maybe, Russ, if you had to use the crystal ball a little bit with the balance sheet here, you're pretty significantly below your ranges. That's a pretty big change. So, like if you think about capital deployments in 2026, if you had to split up how it's going to go out and get invested, do you think that M&A is bigger than buyback or the other way around? I guess I'd want to just try to understand how much you think you can get done this year, given that you got a lot of capital here. And do you think that maybe as a sub-question to that one-part question, is there something chunkier in here? I mean, you guys have had the history of doing some larger deals. You haven't had a gigantic one for a year, but is this the year that comes back? Thank you.

Russell A. Becker

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

A

So, I mean -- we will, I guess -- good morning, and thanks, Andy. I appreciate the thoughtfulness of your questions. The -- we're always looking from an M&A perspective and doing work on what I guess you classified as chunkier transactions. We see some opportunity, for sure, in the life safety and security space, as well as the elevator and escalator space. And so, we're doing work all the time. So, I would say, yes, you could expect to see us do something chunkier. Will it be Chubb-esque? I don't know. We really haven't found anything that necessarily fits exactly what we're looking for that would be of that size and scale. But when you describe chunky, if you're thinking about things like the size of, say, Elevated or even CertaSite, yes, I think you're going to see us do -- be active in that space. And I would suggest that the priority would be M&A in front of share repurchases, especially with the performance of our stock over the last period of time. And so -- but we for sure see opportunity in the M&A space that we're going to continue to dig in on and do some work.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Thank you very much.

Operator: Your next question comes from the line of Josh Chan with UBS. Your line is open. Please go ahead.

Joshua K. Chan

Analyst, UBS Securities LLC

Q

Hi. Good morning, Russ, David, and congratulations, Adam. I just wanted to ask about how firm do you see the project environment currently? Because I think the low end of your guide may assume somewhat of a changing environment, I guess, as you go through the year. So, I just wanted to make sure that that's not what you're signaling or seeing and just kind of ask about the formats of the environment. Thank you.

Russell A. Becker

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

A

Yeah. Well, I saw your print that hit earlier this morning, Josh, and talking about organic growth and our safety business. It's really good, I mean, so both on the inspection and service side and on the project side. We expect it to remain positive and strong as we work our way through the year. There is -- we don't see anything that suggests that it's not going to continue to be strong and robust.

Joshua K. Chan

Analyst, UBS Securities LLC

Q

Okay. That's great to hear, and thanks for the color.

Operator: Your next question comes from the line of Stephanie Moore with Jefferies. Your line is open. Please go ahead.

Stephanie Moore

Analyst, Jefferies LLC

Q

Great. Great. Good morning. Thanks, everybody. I wanted to ask maybe a bigger picture question here, especially based on what I think were very strong 2025 results across the board, but especially on the top line. So, I wanted to ask maybe this question in a different way. I think given that the underlying industrial economy, based on most macro indicators that have suggested that 2025 was not a very great industrial year, but we are seeing some green shoots possibly to start 2026, notably just given the PMI print for January and the like.

So, I wanted you to maybe touch a little bit on kind of one, how much exposure you think you have to kind of the near-term macro is in the industrial economy? And then maybe asked another way, how insulated are you to that as well? So, kind of a big picture question and trying to get a sense of if the industrial economy does ultimately improve, how are you guys positioned? Thanks.

Russell A. Becker

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

A

Well, I think, you know what, I'm not an economist by any stretch of the mean, Stephanie. I think we -- hopefully, we've demonstrated to the investment community the resilience in our business. 54% of our revenue comes from inspection, service, and monitoring. That's going to be there regardless of what's going on in the macro. And I feel like we've done a nice job of leading the business through what you could argue is kind of a herky-jerky economic environment over the last period of time. So, I guess I'm maybe using too many words to get to the point where I feel like we're very well insulated from any noise that may come in the macros.

And I also think that this is a business that's if things do improve, this business should see the benefits of that and be able to take advantage of that. And I think about -- I was joking around with our -- with a handful of our board members about this, maybe three or four, maybe even six months ago, I don't remember. But the reality of it is that since the company has gone public, we really haven't been in an economic environment, where we've just had tailwinds behind us. It seems like, we go public and we get hammered with COVID. And then as soon as COVID goes, so to speak, goes away, we get hammered with inflationary times, and then it's tariffs. It seems like there's always been some headwind that's been in front of this business.

And yet we've continued to show really good resilience as we've grown the top line, both inorganically and organically, and expanded our margins through those headwinds. So, I feel like this is just a really strong resilient business that has that 54% of our revenue kind of backbone from inspection, service and monitoring that kind of creates that protective moat around the company. So, I feel really good about how we're positioned and how, if we do see tailwinds in the economy, we should be able to take advantage of that.

We didn't lose you; did we, Stephanie?

Operator: Your next question comes from the line of Kathryn Thompson with Thompson Research Group. Your line is open. Please go ahead.

Kathryn I. Thompson

Analyst, Thompson Research Group LLC



Hi. Thank you for taking my question today. And I promise I will ask just one. And once again, it is stepping back and look at the forest for the trees. So, the cat's out of the bag with AI broadly in the US market and the global market. But put more simply with the re-industrialization of the US market, which is a bigger trend that includes AI, but it's a bigger trend, when you look at your APi end market of, say, light non-res versus more of that heavy or industrial. So in other words, light I would put like the Boston field trip that we did a few years ago to a commercial building versus the heavier, which would be a data center build out or energy supporting data build out. Where do you see that end market breakout today versus that light versus kind of heavy? And where do you see it five years from now, based on what you're seeing in your crystal ball? And what does that mean for your margin goals? Thanks so much.

Russell A. Becker

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



Well, you did a great job of adding like three questions in one question, Kathryn.

Kathryn I. Thompson

Analyst, Thompson Research Group LLC



Well, you know, it was just heavy versus light. How about you just ponder on that a little bit?

Russell A. Becker

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



Yeah. Well, no, I mean, it's thought provoking -- it's obviously a thought-provoking question. If you look at Specialty Services, a significant component of their revenue mix -- a very significant component of the revenue mix comes in what you would consider that heavy industrial, based on your description of what's considered heavy industrial, including data centers and things like that. And you can see where that's going to continue to have good, strong organic growth. And that's evidenced right now in our backlog.

I don't know that any one of us can sit here and tell you that we're going to have 60-40 heavy versus light in five years. What I can tell you is that our company is better situated for the more complex types of end markets. So, whether that's advanced manufacturing, data centers, semiconductors, utility, like that's more complicated. Those are complicated facilities that require a different level of expertise, not only on the inspection service and monitoring side, but also on the project side.

And so, we have always done well in there. If you go back and look at some of our end market data that's included in either Adam or the other Adam, the spreadsheets that they have on our investor site, when you look at how much of our business comes from commercial, I would tell you that most of that is on the inspection and service side and not necessarily on the project side. And so, we will continue to build our inspection and service business more so on the light side. Now, I don't mean that's what you put office space in the light side. We'll continue to do that.

So, as it relates to artificial intelligence, we're embracing it. We actually think that artificial intelligence is going to be an enabler for our business and not a job displacement tool, if you will. We actually have stood up an AI team that's being led by a very smart individual in our company. The mandate that they've been given is to really focus our early efforts on enabling our field leaders and making the work of our field leaders making it more enjoyable, more efficient, hopefully freeing up more time so that they can spend more time on our customer sites. That's

what they like to do. And that's the mandate that team has been given. And we think that as we continue to adopt artificial intelligence in our business, that it's going to free up people from doing, I'll just say, more mundane tasks.

And we can redeploy them into activities that are going to ultimately help us grow our inspection service and monitoring business. And you've heard us talk about that piece of our business. It takes more infrastructure to run that part of our business and say the project side of our business. And we see artificial intelligence really enabling that aspect of our business, which is going to free up more people to help it grow. So, it's a really good thing, so -- but a very thought-provoking question, Kathryn.

Kathryn I. Thompson

Analyst, Thompson Research Group LLC



Great. Thanks so much and best of luck.

Operator: Thank you. There are no further questions at this time. I will now turn the call back to Russ Becker, President and CEO, for closing remarks.

Russell A. Becker

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

Thank you. In closing, I would like to thank all of our teammates for their continued support and dedication to our business. We believe our people are the foundation on which everything else is built. Without them, we do not exist. I would also like to thank our long-term shareholders as well as those that have recently joined us for their support. We appreciate your ownership of APi and look forward to updating you on our progress throughout the remainder of the year. Thank you again. And Adam, thank you for everything that you've done for us. We're very grateful.

Adam Fee

Vice President-Investor Relations, APi Group Corp.

Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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