Q2 2020 Earnings Call

August 12, 2020

BUILDING **GREAT LEADERS**

Disclaimer

Forward-Looking Statements and Disclaimers

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Certain statements in this announcement are forward-looking statements which are based on the Company's expectations, intentions and projections regarding the Company's future performance, anticipated events or trends and other matters that are not historical facts, including expectations regarding: (i) the Company's positioning regarding its future business plans and long-term goals; (ii) the expected benefits of the Company's focus on service and inspection; (iii) the Company's strategies for each of its segments, including its focus on recurring revenue, its strong balance sheet and variable cost structure, and the opportunities in the industries the Company serves; (iv) the impact of the Company's completed divestitures; (v) certain expected 2020 financial results; (vi) the Company's flexibility to capitalize on the current environment and invest in potential strategic opportunities; and (vii) the impacts of the COVID-19 pandemic on the future operating and financial performance of the Company and its customers, the Company's plans and strategies to adapt and respond to the pandemic and the expected impact of those plans and strategies. These statements are not guarantees 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, including: (i) economic conditions, competition and other risks that may affect the Company's future performance, including the impacts of the COVID-19 pandemic on the Company's business, markets, supply chain, customers and workforce, on the credit and financial markets, on the alignment of expenses and revenues and on the global economy generally; (ii) the ability to recognize the anticipated benefits of the acquisition and of the Company to take advantage of strategic opportunities; (iii) changes in applicable laws or regulations; (iv) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and (v) other risks and uncertainties. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Company does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Disclaimer

Non-GAAP Financial Measures

This presentation contains non-U.S. GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission and includes a reconciliation of these non-U.S. GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP. The Company uses certain non-U.S. GAAP financial measures that are included in this presentation and the additional financial information both in explaining its results to shareholders and the investment community and in its internal evaluation and management of its businesses. The Company's management believes that these non-U.S. GAAP financial measures and the information they provide are useful to investors since these measures (a) permit investors to view the company's performance using the same tools that management uses to evaluate the Company's past performance, reportable business segments and prospects for future performance, (b) permit investors to compare the Company with its peers and (c) determine certain elements of management's incentive compensation. Specifically:

- The Company's management believes that "adjusted" net revenues, "adjusted" gross margin, "adjusted" selling, general and administrative ("SG&A") expense, "adjusted" operating income (loss), "adjusted" net income, and "adjusted" earnings per share, which exclude business transformation and other expenses for the integration of acquired businesses, the impact and results of businesses classified as assets held-for-sale and businesses divested, and one-time and other events such as impairment charges, share-based compensation, transaction and other costs related to acquisitions, amortization of intangible assets and depreciation remeasurements associated with acquisitions, net COVID-19 relief, and certain tax benefits from the acquisition of APi Group, Inc. (the "APi Acquisition"), are useful because they provide investors with a meaningful perspective on the current underlying performance of the Company's core ongoing operations.
- The Company also presents changes in organic net revenues to provide a more complete understanding of underlying revenue trends by providing net revenues on a consistent basis as it excludes the impacts of significant acquisitions, planned or completed divestitures, and changes in foreign currency from year-over-year comparisons on reported net revenues, calculated as the difference between the reported net revenues for the year and the prior year local currency net revenues converted at the prior year average monthly exchange rates (excluding acquisitions and divestitures).
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is the measure of profitability used by management to manage its segments and, accordingly, in its segment reporting. The Company supplements the reporting of its consolidated financial information with certain non-U.S. GAAP financial measures, including EBITDA and adjusted EBITDA, which defined as EBITDA excluding the impact of certain non-cash and other specifically identified items ("adjusted EBITDA"). The Company believes these non-U.S. GAAP measures provide meaningful information and help investors understand the Company's financial results and assess its prospects for future performance. The Company uses EBITDA and adjusted EBITDA to evaluate its performance, both internally and as compared with its peers, because it excludes certain items that may not be indicative of the Company's core operating results. Consolidated EBITDA is calculated in a manner consistent with segment EBITDA, which is a measure of segment profitability.
- The Company presents free cash flow, adjusted free cash flow and adjusted free cash flow conversion, which are liquidity measures used by management as factors in determining the amount of cash that is available for working capital needs or other uses of cash, however, it does not represent residual cash flows available for discretionary expenditures.

The Company only provides adjusted net revenues, adjusted EBITDA and adjusted EPS guidance on a non-GAAP basis and does not provide reconciliations of such forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations, including adjustments that could be made for acquisitions and divestitures, business transformation and other expenses for the integration of acquired businesses, one-time and other events such as impairment charges, transaction and other costs related to acquisitions, amortization of intangible assets, net COVID-19 relief, and certain tax benefits from the acquisition of APi Group, Inc. (the "APi Acquisition"), and other charges reflected in our reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

While the Company believes these non-U.S. GAAP measures are useful in evaluating the Company's performance, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with U.S. GAAP. Additionally, these non-U.S. GAAP financial measures may differ from similar measures presented by other companies. A reconciliation of these Non-U.S. GAAP financial measures is included later in this presentation.

Second Quarter 2020 Performance Highlights

- ✓ Adjusted gross margin of **24.0%**, representing a **383 basis point** increase compared to prior year
- ✓ Adjusted EBITDA of **$101 million**, representing a **11.9%** adjusted EBITDA margin and a **190 basis point** increase compared to prior year
- ✓ Adjusted diluted EPS of **$0.32**, a **$0.03** increase over prior year
- ✓ Operating cash flow of **$177 million**, representing a **$149 million** increase from prior year operating cash flow

Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

2020 Financial Results Overview

Three Months Ended June 30, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(14.2%) or $141 million decline compared to prior year period **(14.3%)** or $142 million of organic decline compared to prior year period	**24.0%** Compared to 20.2% for the prior year period	**$101 million** 11.9% margin, 190 basis point increase over prior year	**$0.32 / share** $0.03 increase from prior year

Six Months Ended June 30, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(8.8%) or $162 million decline compared to prior year period **(9.0%)** or $164 million of organic decline compared to prior year period	**23.0%** Compared to 19.5% for the prior year period	**$163 million** 9.8% margin, 114 basis point increase over prior year	**$0.44 / share** $0.03 increase from prior year

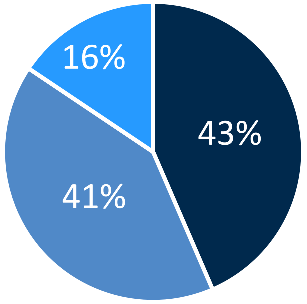
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

Segment Breakdown

Three Months Ended June 30, 2020

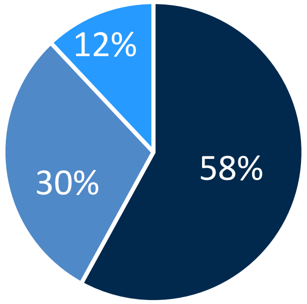
ADJUSTED NET REVENUES

Total: $849 million



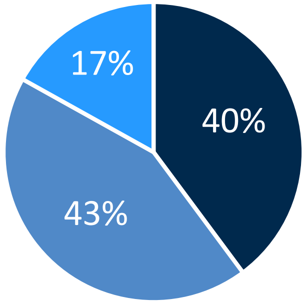
ADJUSTED GROSS PROFIT

Total: $204 million



ADJUSTED EBITDA

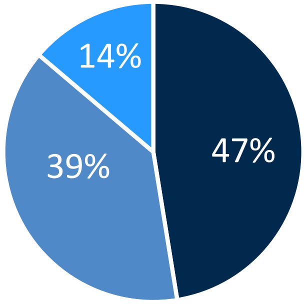
Total: $101 million



Six Months Ended June 30, 2020

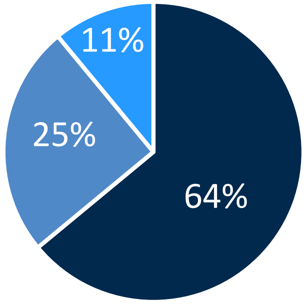
ADJUSTED NET REVENUES

Total: $1.7 billion



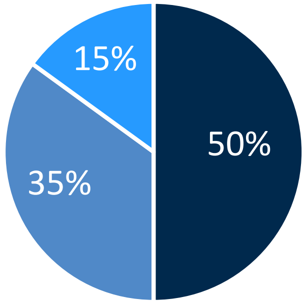
ADJUSTED GROSS PROFIT

Total: $384 million



ADJUSTED EBITDA

Total: $163 million



Safety Services | Specialty Services | Industrial Services

Note: Excludes Corporate and Eliminations. Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

2020 Guidance

2020 Guidance

ADJUSTED NET REVENUES	ADJUSTED EBITDA	ADJUSTED EPS
$3.4 – $3.5 billion	$345 – $355 million	$0.94 – $1.00 per share

Key Financial and Operating Metrics

($ in millions, except per share figures)	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	Q2 2020	Q2 2019	YoY Change	1H 2020	1H 2019	YoY Change
Adjusted Net Revenues	**$849**	**$990**	***(14.2%)***	**$1,669**	**$1,831**	***(8.8%)***
Organic Net Revenues			*(14.3%)*			*(9.0%)*
Adjusted Gross Profit	**$204**	**$200**	***+2.0%***	**$384**	**$357**	***+7.6%***
Adjusted Gross Margin	*24.0%*	*20.2%*	*+383 bp*	*23.0%*	*19.5%*	*+351 bp*
Adjusted EBITDA	**$101**	**$99**	***+2.0%***	**$163**	**$158**	***+3.2%***
Adjusted EBITDA Margin	*11.9%*	*10.0%*	*+190 bp*	*9.8%*	*8.6%*	*+114 bp*
Adjusted Net Income	**$55**	**$51**	***+7.8%***	**$77**	**$72**	***+6.9%***
Adjusted Diluted EPS	**$0.32**	**$0.29**	***+$0.03***	**$0.44**	**$0.41**	***+$0.03***
Operating Cash Flow	**$177**	**$28**	***+532.1%***	**$232**	**$53**	***+337.7%***
Adjusted Free Cash Flow	**$170**	**$20**	***+750.0%***	**$223**	**$22**	***+913.6%***
Adjusted Free Cash Flow Conversion	*168.3%*	*20.2%*	*+14,811 bp*	*136.8%*	*13.9%*	*+12,289 bp*

Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

Driving Long-Term Growth

ORGANIC EXPANSION

GROW

Recurring service revenue
+
Geographic expansion
+
Expansion into adjacencies
+
Channel expansion

CAPITALIZE

Improved project and customer selection
+
Increase market share
+
Pricing opportunities
+
Investment in back office infrastructure
+
Increase margins

SCALE

Expand core business and service offerings
+
Sister company cross-selling
+
Grow national accounts
+
Win more share of entire facility life cycle
+
Leverage scale and drive margins

\+

M&A

SEEK

Disciplined, opportunistic and accretive acquisitions
+
Incremental customer base
+
Add capabilities in adjacencies

Focus on Long-Term Value Creation

- Deliver Long-Term Organic Revenue Growth Above Industry Average
- Leverage SG&A
- Expand Adjusted EBITDA Margins to 12%+ by FY 2023
- Adjusted Free Cash Flow Conversion of 80%+
- Generate High Single Digit Average Earnings Growth
- Target Long-Term Net Leverage Ratio of 2.0x to 2.5x

Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

Appendix

Reconciliation of Non-GAAP Financial Measures

Net Revenues and Adjusted Net Revenues (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Net revenues (as reported)		$ 889	$ 1,067	$ 1,747	$ 1,989
Adjustments to reconcile net revenues to adjusted net revenues:					
Businesses classified as held-for-sale	(a)	(40)	(77)	(78)	(158)
Adjusted net revenues		$ 849	$ 990	$ 1,669	$ 1,831

Organic Revenue Growth (non-GAAP)

	For the three months ended June 30, 2020 *(Successor)*			
	AS REPORTED Net revenue change	Acquisitions and planned divestitures, net (b)	Foreign currency translation (c)	Organic net revenue change (d)
Safety Services	(16.4)%	-	0.2 %	(16.6)%
Specialty Services	(15.7)%	-	-	(15.7)%
Industrial Services	(18.4)%	(16.9)%	-	(1.5)%
Consolidated	**(16.7)%**	**(2.5)%**	**0.1 %**	**(14.3)%**

	For the six months ended June 30, 2020 *(Successor)*			
	AS REPORTED Net revenue change	Acquisitions and planned divestitures, net (b)	Foreign currency translation (c)	Organic net revenue change (d)
Safety Services	(8.6)%	-	0.2 %	(8.8)%
Specialty Services	(7.3)%	-	-	(7.3)%
Industrial Services	(27.1)%	(14.0)%	-	(13.1)%
Consolidated	**(12.2)%**	**(3.3)%**	**0.1 %**	**(9.0)%**

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Acquisitions include pre-acquisition net revenues in their respective years of acquisition. Planned divestitures exclude net revenues for all periods for the Company's businesses divested or classified as held-for-sale at June 30, 2020.
c) Represents the effect of foreign currency on reported net revenues, calculated as the difference between the reported net revenues for the year and the prior year local currency net revenues converted at the prior year average monthly exchange rates (excluding acquisitions and divestitures).
d) Organic net revenue change provides a consistent basis for a year-over-year comparison in net revenues as it excludes the impacts of acquisitions, planned and completed divestitures, and the impact of changes due to foreign currency translation.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Gross Profit and Adjusted Gross Profit (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	**2019**	**2020**	**2019**
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Gross profit (as reported)		$ 174	$ 208	$ 336	$ 371
Adjustments to reconcile gross profit to adjusted gross profit:					
Businesses classified as held-for-sale	(a)	(1)	(5)	(1)	(8)
Backlog amortization	(b)	23	-	45	-
Depreciation remeasurement	(c)	8	(3)	4	(6)
Adjusted gross profit		$ 204	$ 200	$ 384	$ 357
Adjusted net revenues	(d)	*$ 849*	*$ 990*	*$ 1,669*	*$ 1,831*
Adjusted gross margin		*24.0 %*	*20.2 %*	*23.0 %*	*19.5 %*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
c) Adjustment to reflect the remeasurement of depreciation expense as a result of the finalization of step-up in fixed assets acquired in the APi Acquisition. For the three and six months ended June 30, 2020, reflects the reversal of depreciation expense remeasurement recorded during the three months ended June 30, 2020, which related to prior periods, and the reclassification between cost of revenues and selling, general and administrative expenses. For the three and six months ended June 30, 2019 is as adjusted to reflect an increase in depreciation expense as if the APi Acquisition had occurred on January 1, 2019, and the reclassification between cost of revenues and selling, general and administrative expenses.
d) Adjusted net revenues based on non-GAAP reconciliations included in this presentation.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

SG&A and Adjusted SG&A (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Selling, general and administrative expenses ("SG&A") (as reported)		$ 147	$ 145	$ 335	$ 282
Adjustments to reconcile SG&A to adjusted SG&A:					
Businesses classified as held-for-sale	(a)	(1)	(2)	(2)	(6)
Contingent consideration and compensation	(b)	10	(5)	3	(9)
Amortization of intangible assets	(c)	(28)	(9)	(58)	(18)
Depreciation remeasurement	(d)	4	-	2	-
Business process transformation costs	(e)	(2)	-	(4)	-
Public company registration, listing and compliance	(f)	(1)	-	(5)	-
COVID-19 severance costs at foreign subsidiaries	(g)	(1)	-	(1)	-
Expenses related to prior ownership	(h)	-	(6)	-	(7)
Adjusted selling, general and administrative expenses		$ 128	$ 123	$ 270	$ 242
Adjusted net revenues	(i)	*$ 849*	*$ 990*	*$ 1,669*	*$ 1,831*
Adjusted SG&A as a percentage of adjusted net revenues		*15.1 %*	*12.4 %*	*16.2 %*	*13.2 %*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the elimination of expense attributable to deferred payments to prior owners of acquired businesses not expected to continue or recur.
c) Adjustment to reflect the elimination of amortization of intangible assets.
d) Adjustment to reflect the remeasurement of depreciation expense as a result of the finalization of step-up in fixed assets acquired in the APi Acquisition. For the three and six months ended June 30, 2020, reflects the reversal of depreciation expense remeasurement recorded during the three months ended June 30, 2020, which related to prior periods, and the reclassification between cost of revenues and selling, general and administrative expenses. For the three and six months ended June 30, 2019 is as adjusted to reflect an increase in depreciation expense as if the APi Acquisition had occurred on January 1, 2019, and the reclassification between cost of revenues and selling, general and administrative expenses.
e) Adjustment to reflect the elimination of non-recurring costs related to business process transformation.
f) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
g) Adjustment to reflect the elimination of severance costs at non-U.S. subsidiaries related to COVID-19.
h) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.
i) Adjusted net revenues based on non-GAAP reconciliations included in this presentation.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Income (Loss) before Income Tax, Net Income (Loss) and EPS and Adjusted Income before Income Tax, Net Income and EPS (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
		(Successor)	(Predecessor)	(Successor)	(Predecessor)
Income (loss) before income tax provision (as reported)		$ 24	$ 57	$ (221)	$ 79
Adjustments to reconcile income (loss) before income tax provision to adjusted income (loss) before income tax provision:					
Businesses classified as held-for-sale	(a)	-	(2)	6	(1)
Amortization of intangible assets	(b)	51	9	103	18
Depreciation remeasurement	(c)	4	(3)	2	(6)
Contingent consideration and compensation	(d)	(10)	5	(3)	9
Impairment of goodwill and intangible assets	(e)	-	-	203	-
Business process transformation costs	(f)	2	-	4	-
Public company registration, listing and compliance	(g)	1	-	5	-
COVID-19 relief at foreign subsidiaries, net	(h)	(3)	-	(3)	-
Interest expense	(i)	-	(8)	-	(16)
Expenses related to prior ownership	(j)	-	6	-	7
Adjusted income before income tax provision		$ 69	$ 64	$ 96	$ 90
Income tax provision (benefit) (as reported)		$ (12)	$ 4	$ (63)	$ 5
Adjustments to reconcile income tax provision (benefit) to adjusted income tax provision:					
Income tax provision adjustment	(k)	26	9	82	13
Adjusted income tax provision		$ 14	$ 13	$ 19	$ 18
Adjusted income before income tax provision		$ 69	$ 64	$ 96	$ 90
Adjusted income tax provision		14	13	19	18
Adjusted net income		$ 55	$ 51	$ 77	$ 72
Diluted weighted average shares outstanding (as reported)		176	N/A	170	N/A
Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding:					
Dilutive impact of Preferred Shares and RSU's	(l)	(2)	-	4	-
Dilutive impact of shares issued in the APi Acquisition	(m)	-	174	-	174
Adjusted diluted weighted average shares outstanding		174	174	174	174
Adjusted diluted EPS		*$ 0.32*	*$ 0.29*	*$ 0.44*	*$ 0.41*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the addback of amortization expense related to intangibles assets.
c) Adjustment to reflect the remeasurement of depreciation expense as a result of the finalization of step-up in fixed assets acquired in the APi Acquisition. For the three and six months ended June 30, 2020, reflects the reversal of depreciation expense remeasurement recorded during the three months ended June 30, 2020, which related to prior periods, and the reclassification between cost of revenues and selling, general and administrative expenses. For the three and six months ended June 30, 2019 is as adjusted to reflect an increase in depreciation expense as if the APi Acquisition had occurred on January 1, 2019, and the reclassification between cost of revenues and selling, general and administrative expenses.
d) Adjustment to reflect the elimination of contingent and deferred consideration related to acquired businesses not expected to continue or recur.
e) Adjustment to reflect the elimination of pre-tax non-cash impairment charges related to goodwill and intangibles.
f) Adjustment to reflect the elimination of non-recurring costs related to business process transformation.
g) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
h) Adjustment to reflect the elimination of miscellaneous income related to COVID-19 relief, net of severance costs, at our non-U.S. subsidiaries.
i) Adjustment to reflect an increase in pre-tax interest expense of $13 million and $26 million for the three-month and six-month periods related to the $1.2 billion Term Loan at a rate of 4.29% issued in connection with the APi Acquisition and $2 million and $3 million for the three-month and six-month periods related to pre-tax amortization of debt issuance costs and commitment fees, partially offset by elimination of $7 million and $13 million for the three-month and six-month periods related to pre-tax interest expense related to the Predecessor's Term Loan and Revolving Credit Facility.
j) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.
k) Adjustment to reflect an adjusted effective tax rate of 20% (taking into consideration the tax benefits associated with the realization of accelerated depreciation attributable to the approximately $350 tax asset acquired with the APi Acquisition) applied to resulting adjusted pre-tax income of $29 inclusive of the adjustments shown above.
l) Adjustment for the three and six months ended June 30, 2020 reflects addition of the GAAP dilutive impact of 4 million shares associated with the deemed conversion of Preferred Shares and restricted stock units. Adjustment for the three months ended June 30, 2020 is offset by the elimination of 6 million shares reflecting the dilutive effect of the Preferred Share dividend as the dividend is contingent upon the share price the last ten days of the calendar year and was not earned as of June 30, 2020.
m) Adjustment to reflect the diluted weighted average shares outstanding as if the APi Acquisition had occurred on January 1, 2019. Excludes 64.5 million warrants outstanding, which are exercisable at a price of $11.50 per share for a total of 21.5 million ordinary shares.

APi Group ®

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Free Cash Flow and Adjusted Free Cash Flow and Conversion (non-GAAP)

($ in millions)

		For the six months ended June 30,			
		2020		**2019**	
		(Successor)		***(Predecessor)***	
Net cash provided by operating activities (as reported)		$	232	$	53
Less: Purchases of property and equipment			(17)		(40)
Free cash flow		$	215	$	13
Add (deduct): Cash payments (sources) related to following items:					
Businesses classified as held-for-sale	(a)		(4)		1
Contingent consideration and compensation	(b)		6		1
Business process transformation costs	(c)		4		-
Public company registration, listing and compliance	(d)		5		-
COVID-19 relief at foreign subsidiaries, net	(e)		(3)		-
Expenses related to prior ownership	(f)		-		7
Adjusted free cash flow		$	223	$	22
Adjusted EBITDA	(g)	*$*	*163*	*$*	*158*
Adjusted free cash flow conversion			*136.8 %*		*13.9 %*

a) Adjustment to reflect the elimination of operating cash related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the elimination of expense attributable to deferred payments to prior owners of acquired businesses not expected to continue or recur.
c) Adjustment to reflect the elimination of operating cash used for business process transformation costs.
d) Adjustment to reflect the elimination of operating cash used for public company registration, listing and compliance costs.
e) Adjustment to reflect the elimination of operating cash used for prior ownership costs not expected to continue or recur following the APi Acquisition.
f) Adjustment to reflect the elimination of cash received for COVID-19 relief, net of severance costs paid, at our non-U.S. subsidiaries.
g) Reconciliations of Adjusted EBITDA are included elsewhere in this presentation.

Reconciliation of Non-GAAP Financial Measures (Cont’d)

EBITDA and Adjusted EBITDA (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	**2019**	**2020**	**2019**
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Net income (loss) (as reported)		$ 36	$ 53	$ (158)	$ 74
Adjustments to reconcile net income (loss) to EBITDA:					
Interest expense, net		14	7	28	13
Income tax provision		(12)	4	(63)	5
Depreciation and amortization		74	26	144	51
EBITDA		$ 112	$ 90	$ (49)	$ 143
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Businesses classified as held-for-sale	(a)	(1)	(2)	6	(1)
Contingent consideration and compensation	(b)	(10)	5	(3)	9
Impairment of goodwill and intangible assets	(c)	-	-	203	-
Business process transformation costs	(d)	2	-	4	-
Public company registration, listing and compliance	(e)	1	-	5	-
COVID-19 relief at foreign subsidiaries, net	(f)	(3)	-	(3)	-
Expenses related to prior ownership	(g)	-	6	-	7
Adjusted EBITDA		$ 101	$ 99	$ 163	$ 158
Adjusted net revenues	(h)	*$ 849*	*$ 990*	*$ 1,669*	*$ 1,831*
Adjusted EBITDA as a percentage of adjusted net revenues		*11.9 %*	*10.0 %*	*9.8 %*	*8.6 %*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the elimination of expense attributable to deferred payments to prior owners of acquired businesses not expected to continue or recur.
c) Adjustment to reflect the elimination of non-cash impairment charges related to goodwill and intangibles.
d) Adjustment to reflect the elimination of non-recurring costs related to business process transformation.
e) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
f) Adjustment to reflect the elimination of miscellaneous income related to COVID-19 relief, net of severance costs, at our non-U.S. subsidiaries.
g) Adjustment to reflect the elimination of costs under prior ownership not expected to continue or recur following the APi Acquisition.
h) Adjusted net revenues based on non-GAAP reconciliations included in this presentation.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the three months ended June 30, 2020			For the three months ended June 30, 2019		
	As Reported	*Adjustments*	*As Adjusted*	*As Reported*	*Adjustments*	*As Adjusted*
Safety Services	*(Successor)*			*(Predecessor)*		
Net revenues	$ 371	$ -	$ 371	$ 444	$ -	$ 444
Cost of revenues	263	(11) (b)	253	314	-	314
		1 (c)				
Gross profit	$ 108	$ 10	$ 118	$ 130	$ -	$ 130
Gross margin	*29.1 %*		*31.8 %*	*29.3 %*		*29.3 %*
Specialty Services						
Net revenues	$ 349	$ -	$ 349	$ 414	$ -	$ 414
Cost of revenues	301	(8) (b)	287	349	2 (c)	351
		(6) (c)				
Gross profit	$ 48	$ 14	$ 62	$ 65	$ (2)	$ 63
Gross margin	*13.8 %*		*17.8 %*	*15.7 %*		*15.2 %*
Industrial Services						
Net revenues	$ 173	$ (40) (a)	$ 133	$ 212	$ (77) (a)	$ 135
Cost of revenues	155	(39) (a)	109	199	(72) (a)	128
		(4) (b)			1 (c)	
		(3) (c)				
Gross profit	$ 18	$ 6	$ 24	$ 13	$ (6)	$ 7
Gross margin	*10.4 %*		*18.0 %*	*6.1 %*		*5.2 %*
Corporate and Eliminations						
Net revenues	$ (4)	$ -	$ (4)	$ (3)	$ -	$ (3)
Cost of revenues	(4)	-	(4)	(3)	-	(3)
Total Consolidated						
Net revenues	$ 889	$ (40) (a)	$ 849	$ 1,067	$ (77) (a)	$ 990
Cost of revenues	715	(39) (a)	645	859	(72) (a)	790
		(23) (b)			3 (c)	
		(8) (c)				
Gross profit	$ 174	$ 30	$ 204	$ 208	$ (8)	$ 200
Gross margin	*19.6 %*		*24.0 %*	*19.5 %*		*20.2 %*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
c) Adjustment to reflect the remeasurement of depreciation expense as a result of the finalization of step-up in fixed assets acquired in the APi Acquisition. For the three and six months ended June 30, 2020, reflects the reversal of depreciation expense remeasurement recorded during the three months ended June 30, 2020, which related to prior periods, and the reclassification between cost of revenues and selling, general and administrative expenses. For the three and six months ended June 30, 2019 is as adjusted to reflect an increase in depreciation expense as if the APi Acquisition had occurred on January 1, 2019, and the reclassification between cost of revenues and selling, general and administrative expenses.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the six months ended June 30, 2020				For the six months ended June 30, 2019			
	As Reported	*Adjustments*		*As Adjusted*	*As Reported*	*Adjustments*		*As Adjusted*
Safety Services	*(Successor)*				*(Predecessor)*			
Net revenues	$ 795	$ -		$ 795	$ 870	$ -		$ 870
Cost of revenues	569	(21)	(b)	549	614	-		614
		1	(c)					
Gross profit	$ 226	$ 20		$ 246	$ 256	$ -		$ 256
Gross margin	*28.4 %*			*30.9 %*	*29.4 %*			*29.4 %*
Specialty Services								
Net revenues	$ 649	$ -		$ 649	$ 700	$ -		$ 700
Cost of revenues	571	(16)	(b)	552	604	3	(c)	607
		(3)	(c)					
Gross profit	$ 78	$ 19		$ 97	$ 96	$ (3)		$ 93
Gross margin	*12.0 %*			*14.9 %*	*13.7 %*			*13.3 %*
Industrial Services								
Net revenues	$ 310	$ (78)	(a)	$ 232	$ 425	$ (158)	(a)	$ 267
Cost of revenues	278	(77)	(a)	191	406	(150)	(a)	259
		(8)	(b)			3	(c)	
		(2)	(b)					
Gross profit	$ 32	$ 9		$ 41	$ 19	$ (11)		$ 8
Gross margin	*10.3 %*			*17.7 %*	*4.5 %*			*3.0 %*
Corporate and Eliminations								
Net revenues	$ (7)	$ -		$ (7)	$ (6)	$ -		$ (6)
Cost of revenues	(7)	-		(7)	(6)	-		(6)
Total Consolidated								
Net revenues	$ 1,747	$ (78)	(a)	$ 1,669	$ 1,989	$ (158)	(a)	$ 1,831
Cost of revenues	1,411	(77)	(a)	1,285	1,618	(150)	(a)	1,474
		(45)	(b)			6	(c)	
		(4)	(b)					
Gross profit	$ 336	$ 48		$ 384	$ 371	$ (14)		$ 357
Gross margin	*19.2 %*			*23.0 %*	*18.7 %*			*19.5 %*

a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.

b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.

c) Adjustment to reflect the remeasurement of depreciation expense as a result of the finalization of step-up in fixed assets acquired in the APi Acquisition. For the three and six months ended June 30, 2020, reflects the reversal of depreciation expense remeasurement recorded during the three months ended June 30, 2020, which related to prior periods, and the reclassification between cost of revenues and selling, general and administrative expenses. For the three and six months ended June 30, 2019 is as adjusted to reflect an increase in depreciation expense as if the APi Acquisition had occurred on January 1, 2019, and the reclassification between cost of revenues and selling, general and administrative expenses.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the three months ended June 30,		For the six months ended June 30,	
	2020 (a)	2019 (a)	2020 (a)	2019 (a)
	(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Safety Services				
Adjusted net revenues	$ 371	$ 444	$ 795	$ 870
Adjusted gross profit	118	130	246	256
Adjusted EBITDA	47	57	100	113
Adjusted gross margin	*31.8 %*	*29.3 %*	*30.9 %*	*29.4 %*
Adjusted EBITDA as a percentage of adjusted net revenues	*12.7 %*	*12.8 %*	*12.6 %*	*13.0 %*
Specialty Services				
Adjusted net revenues	$ 349	$ 414	$ 649	$ 700
Adjusted gross profit	62	63	97	93
Adjusted EBITDA	51	47	69	63
Adjusted gross margin	*17.8 %*	*15.2 %*	*14.9 %*	*13.3 %*
Adjusted EBITDA as a percentage of adjusted net revenues	*14.6 %*	*11.4 %*	*10.6 %*	*9.0 %*
Industrial Services				
Adjusted net revenues	$ 133	$ 135	$ 232	$ 267
Adjusted gross profit	24	7	41	8
Adjusted EBITDA	20	9	31	8
Adjusted gross margin	*18.0 %*	*5.2 %*	*17.7 %*	*3.0 %*
Adjusted EBITDA as a percentage of adjusted net revenues	*15.0 %*	*6.7 %*	*13.4 %*	*3.0 %*
Corporate and Eliminations				
Adjusted net revenues	$ (4)	$ (3)	$ (7)	$ (6)
Adjusted EBITDA	(17)	(14)	(37)	(26)
Total Consolidated				
Adjusted net revenues	$ 849	$ 990	$ 1,669	$ 1,831
Adjusted gross profit	204	200	384	357
Adjusted EBITDA	101	99	163	158
Adjusted gross margin	*24.0 %*	*20.2 %*	*23.0 %*	*19.5 %*
Adjusted EBITDA as a percentage of adjusted net revenues	*11.9 %*	*10.0 %*	*9.8 %*	*8.6 %*

a) Information based on non-GAAP reconciliations included in this presentation.

Reconciliation of Non-GAAP Financial Measures (Cont'd)

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Safety Services					
Safety Services EBITDA		$ 49	$ 57	$ 67	$ 112
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	1	-	2	1
Impairment of goodwill, intangibles, and long-lived assets	(b)	-	-	34	-
COVID-19 relief at foreign subsidiaries, net	(d)	(3)	-	(3)	-
Safety Services adjusted EBITDA		$ 47	$ 57	$ 100	$ 113
Specialty Services					
Specialty Services EBITDA		$ 62	$ 44	$ (46)	$ 58
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	(11)	3	(5)	5
Impairment of goodwill, intangibles, and long-lived assets	(b)	-	-	120	-
Specialty Services adjusted EBITDA		$ 51	$ 47	$ 69	$ 63
Industrial Services					
Industrial Services EBITDA		$ 21	$ 9	$ (24)	$ 6
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Businesses classified as held-for-sale	(c)	(1)	(2)	6	(1)
Contingent consideration and compensation	(a)	-	2	-	3
Impairment of goodwill, intangibles, and long-lived assets	(b)	-	-	49	-
Industrial Services adjusted EBITDA		$ 20	$ 9	$ 31	$ 8
Corporate and eliminations					
Corporate and eliminations EBITDA		$ (20)	$ (20)	$ (46)	$ (33)
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Business process transformation	(e)	2	-	4	-
Public company registration, listing and compliance	(f)	1	-	5	-
Expenses related to prior ownership	(g)	-	6	-	7
Corporate and eliminations adjusted EBITDA		$ (17)	$ (14)	$ (37)	$ (26)

a) Adjustment to reflect the elimination of expense attributable to deferred payments to prior owners of acquired businesses not expected to continue or recur.
b) Adjustment to reflect the elimination of non-cash impairment charges related to goodwill and intangibles.
c) Adjustment to reflect the elimination of pre-tax amounts related to businesses classified as held-for-sale and businesses divested as of June 30, 2020.
d) Adjustment to reflect the elimination of miscellaneous income related to COVID-19 relief, net of severance costs, at our non-U.S. subsidiaries.
e) Adjustment to reflect the elimination of non-recurring costs related to business process transformation.
f) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
g) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.

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APi Group

Q2 2020 Earnings Call

BUILDING **GREAT LEADERS**