API Group

Q3 2020 Earnings Call

November 11, 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 long-term targets, goals and strategies; (ii) the expected benefits of the Company's focus on service and inspection; (iii) the future impact of the preemptive actions the Company took in response to the COVID-19 pandemic coupled with its cash flow generation and balance sheet and liquidity profile; (iv) 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; (v) the Company's positioning for future growth and its ability to optimize performance of existing businesses, pursue its disciplined acquisition strategy and effectively manage its capital structure; (vi) the impact of the Company's strategy of selling inspection work on future client relationships, recurring revenue, margins and growth opportunities; (vii) the impact of the Company's investment in back-office infrastructure and shift to a shared services model; (viii) the fragmentation of the markets in which the Company operates, the acquisition opportunities in those markets, the Company's intent to continue to explore opportunistic acquisitions and the Company's capacity to absorb additional acquisitions; (ix) certain expected 2020 financial results, including the Company's updated guidance for 2020, the assumptions it made and the drivers contributing to its guidance; (x) the Company's flexibility to capitalize on the current environment and invest in potential strategic opportunities; and (xi) 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 Company's acquisitions, including its ability to successfully integrate and make necessary capital investments to support additional acquisitions, and the Company's ability 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 is 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 does not provide reconciliations of forward-looking non-U.S. GAAP adjusted net revenues, adjusted EBITDA and adjusted EPS guidance 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.

Third Quarter 2020 Performance Highlights

- ✓ Service represented approximately **40%** of consolidated net revenues
- ✓ Adjusted gross margin of **24.3%**, representing a **159 basis point** increase compared to prior year
- ✓ Adjusted EBITDA of **$115 million**, representing a **12.1%** adjusted EBITDA margin
- ✓ Operating cash flow of **$97 million**, representing a **$5 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 September 30, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(8.9%) or $93 million decline compared to prior year period **(8.9%)** or $93 million of organic decline compared to prior year period	**24.3%** Compared to 22.8% for the prior year period	**$115 million** 12.1% margin, relatively consistent with prior year of 12.2%	**$0.39 / share** $0.06 decline from prior year

Nine Months Ended September 30, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(8.9%) or $255 million decline compared to prior year period **(8.8%)** or $253 million of organic decline compared to prior year period	**23.8%** Compared to 20.9% for the prior year period	**$278 million** 10.6% margin, 70 basis point increase over prior year of 9.9%	**$0.88 / share** $0.03 decline from prior year

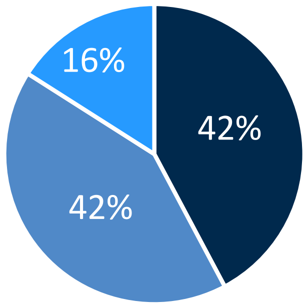
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

Segment Breakdown

Three Months Ended September 30, 2020

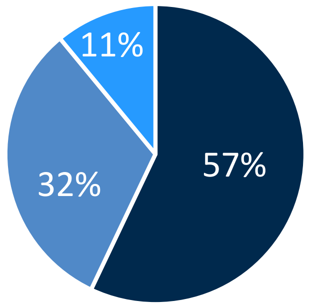
ADJUSTED NET REVENUES

Total: $953 million



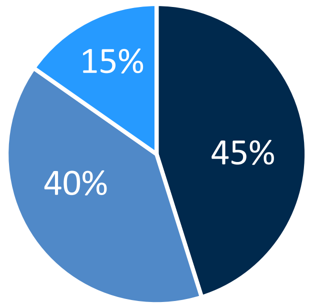
ADJUSTED GROSS PROFIT

Total: $232 million



ADJUSTED EBITDA

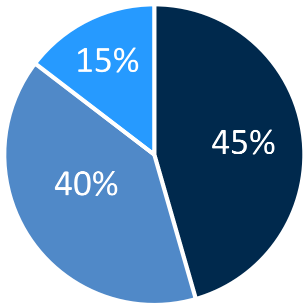
Total: $115 million



Nine Months Ended September 30, 2020

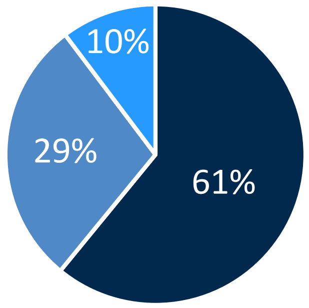
ADJUSTED NET REVENUES

Total: $2.6 billion



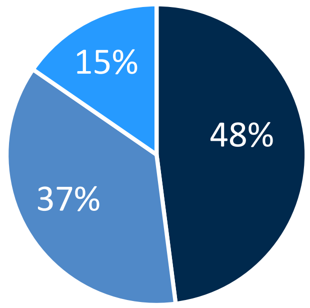
ADJUSTED GROSS PROFIT

Total: $623 million



ADJUSTED EBITDA

Total: $278 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
$3,475 – $3,525 million	$360 – $370 million	$1.11 – $1.15 per share

Key Financial and Operating Metrics

($ in millions, except per share figures)	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	Q3 2020	Q3 2019	YoY Change	3Q 2020	3Q 2019	YoY Change
Adjusted Net Revenues	**$953**	**$1,046**	***(8.9%)***	**$2,622**	**$2,877**	***(8.9%)***
Organic Net Revenues			*(8.9%)*			*(8.8%)*
Adjusted Gross Profit	**$232**	**$238**	***(2.5%)***	**$623**	**$602**	***+3.5%***
Adjusted Gross Margin	*24.3%*	*22.8%*	*+159 bp*	*23.8%*	*20.9%*	*+284 bp*
Adjusted EBITDA	**$115**	**$128**	***(10.2%)***	**$278**	**$285**	***(2.5%)***
Adjusted EBITDA Margin	*12.1%*	*12.2%*	*(17 bp)*	*10.6%*	*9.9%*	*+70 bp*
Adjusted Net Income	**$69**	**$78**	***(11.6%)***	**$154**	**$158**	***(2.5%)***
Adjusted Diluted EPS	**$0.39**	**$0.45**	***($0.06)***	**$0.88**	**$0.91**	***($0.03)***
Operating Cash Flow	**$97**	**$92**	***+5.4%***	**$329**	**$145**	***+126.9%***
Adjusted Free Cash Flow	**$104** *	**$85**	***+21.9%***	**$301**	**$107**	***+99.1%***
Adjusted Free Cash Flow Conversion	*90.1%* *	*66.4%*	*+2,372 bps*	*108.3%*	*37.5%*	*+7,073 bp*

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

* Excludes adjustment to reflect the elimination of operating cash for the impact of the Coronavirus Aid, Relief and Economic Security (CARES) Act. With this adjustment, adjusted free cash flow conversion would be 79.0%.

Net Debt

($ in millions)	September 30, 2020
Term Loan	$1,191
Revolving Credit Facility	--
Other Obligations	6
Total Debt Obligations	$1,197
Unamortized Deferred Financing Costs	(21)
Total Debt, Net of Deferred Financing Costs	**$1,176**
Cash and Cash Equivalents at the End of the Period	**$467**
Net Debt	**$709**
Net Debt to Adjusted EBITDA Ratio	**1.8x**

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 September 30,		For the nine months ended September 30,	
		2020	**2019**	**2020**	**2019**
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Net revenues (as reported)		$ 958	$ 1,118	$ 2,705	$ 3,107
Adjustments to reconcile net revenues to adjusted net revenues:					
Divested businesses	(a)	(5)	(72)	(83)	(230)
Adjusted net revenues		$ 953	$ 1,046	$ 2,622	$ 2,877

Organic Net Revenues Change (non-GAAP)

	For the three months ended September 30, 2020 *(Successor)*			
	AS REPORTED **Net revenues change**	**Acquisitions and completed divestitures, net (b)**	**Foreign currency translation (c)**	**Organic net revenues change (d)**
Safety Services	(14.4)%	-	-	(14.4)%
Specialty Services	(1.7)%	-	-	(1.7)%
Industrial Services	(35.5)%	(23.9)%	-	(11.6)%
Consolidated	**(14.3)%**	**(5.4)%**	-	**(8.9)%**

	For the nine months ended September 30, 2020 *(Successor)*			
	AS REPORTED **Net revenues change**	**Acquisitions and completed divestitures, net (b)**	**Foreign currency translation (c)**	**Organic net revenues change (d)**
Safety Services	(10.7)%	-	(0.1)%	(10.6)%
Specialty Services	(5.2)%	-	-	(5.2)%
Industrial Services	(30.1)%	(17.6)%	-	(12.5)%
Consolidated	**(12.9)%**	**(4.0)%**	**(0.1)%**	**(8.8)%**

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Acquisitions include pre-acquisition net revenues in their respective years of acquisition for non-bolt-on acquisitions. Completed divestitures exclude net revenues for all periods for the Company's businesses divested at September 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 revenues change provides a consistent basis for a year-over-year comparison in net revenues as it excludes the impacts of acquisitions, 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 September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Gross profit (as reported)		$ 222	$ 233	$ 558	$ 604
Adjustments to reconcile gross profit to adjusted gross profit:					
Divested businesses	(a)	-	4	(1)	(4)
Backlog amortization	(b)	6	-	51	-
Depreciation remeasurement	(c)	4	1	15	2
Adjusted gross profit		$ 232	$ 238	$ 623	$ 602
Adjusted net revenues	(d)	*$ 953*	*$ 1,046*	*$ 2,622*	*$ 2,877*
Adjusted gross margin		*24.3%*	*22.8%*	*23.8%*	*20.9%*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Adjustment to reflect the addback of amortization expense related to backlog intangibles assets. Amortization for the three months and nine months ended September 30, 2020 includes the reversal of $12 million of amortization expense for remeasurements related to finalization of purchase accounting recorded during the three months ended September 30, 2020, which related to prior periods.
c) Adjustment to reflect annualized depreciation expense of $60 million, which is approximately equivalent to medium to long-term cash capital expenditures, and excludes a portion of depreciation arising from purchase accounting step up to fair value of property and equipment.
d) Adjusted net revenues derived from non-GAAP reconciliations included elsewhere 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 September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
		(Successor)	(Predecessor)	(Successor)	(Predecessor)
Selling, general and administrative expenses ("SG&A") (as reported)		$ 171	$ 208	$ 506	$ 490
Adjustments to reconcile SG&A to adjusted SG&A:					
Divested businesses	(a)	-	(22)	(2)	(28)
Contingent consideration and compensation	(b)	(3)	10	-	1
Amortization of intangible assets	(c)	(25)	(8)	(83)	(26)
Depreciation remeasurement	(d)	(1)	(2)	(2)	(5)
Business process transformation costs	(e)	(3)	-	(7)	-
Public company registration, listing and compliance	(f)	-	-	(5)	-
Acquisition expenses	(g)	(2)	(5)	(2)	(5)
COVID-19 severance costs at non-U.S. subsidiaries	(h)	-	-	(1)	-
Share-based compensation costs	(i)	-	(37)	-	(37)
Expenses related to prior ownership	(j)	-	(11)	-	(18)
Adjusted SG&A expenses		$ 137	$ 133	$ 404	$ 372
Adjusted net revenues	(k)	*$ 953*	*$ 1,046*	*$ 2,622*	*$ 2,877*
Adjusted SG&A as a percentage of adjusted net revenues		*14.4%*	*12.7%*	*15.4%*	*12.9%*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Adjustment to reflect the elimination of expense attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
c) Adjustment to reflect the addback of amortization expense. Amortization for the three months and nine months ended September 30, 2020 includes the reversal of $3 million of amortization expense for remeasurements related to finalization of purchase accounting recorded during the three months ended September 30, 2020, which related to prior periods.
d) Adjustment to reflect annualized depreciation expense of $60 million, which is approximately equivalent to medium to long-term cash capital expenditures, and excludes a portion of depreciation arising from purchase accounting step up to fair value of property and equipment.
e) Adjustment to reflect the elimination of 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 acquisition-related expenses.
h) Adjustment to reflect the elimination of severance costs at non-U.S. subsidiaries related to COVID-19.
i) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including equity-based compensation related to prior ownership.
j) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.
k) Adjusted net revenues derived from non-GAAP reconciliations included elsewhere 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 September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Income (loss) before income tax provision (as reported)		$ 55	$ 14	$ (166)	$ 93
Adjustments to reconcile income (loss) before income tax provision to adjusted income (loss) before income tax provision:					
Divested businesses	(a)	-	26	6	24
Amortization of intangible assets	(b)	31	8	134	26
Depreciation remeasurement	(c)	5	2	17	7
Contingent consideration and compensation	(d)	3	(10)	-	(1)
Impairment of goodwill	(e)	(10)	12	193	12
Business process transformation costs	(f)	3	-	7	-
Public company registration, listing and compliance	(g)	-	-	5	-
Acquisition expenses	(h)	2	5	2	5
COVID-19 relief at non-U.S. subsidiaries, net	(i)	(3)	-	(6)	-
Interest expense	(j)	-	(8)	-	(24)
Share-based compensation costs	(k)	-	37	-	37
Expenses related to prior ownership	(l)	-	11	-	18
Adjusted income before income tax provision		$ 86	$ 97	$ 192	$ 197
Income tax provision (benefit) (as reported)		$ 28	$ 2	$ (35)	$ 7
Adjustments to reconcile income tax provision (benefit) to adjusted income tax provision:					
Income tax provision adjustment	(m)	(11)	17	73	32
Adjusted income tax provision		$ 17	$ 19	$ 38	$ 39
Adjusted income before income tax provision		$ 86	$ 97	$ 192	$ 197
Adjusted income tax provision		17	19	38	39
Adjusted net income		$ 69	$ 78	$ 154	$ 158
Diluted weighted average shares outstanding (as reported)		182	N/A	170	N/A
Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding:					
Dilutive impact of shares from GAAP net loss	(n)	-	-	2	-
Dilutive impact of Preferred Shares	(o)	(4)	-	4	-
Dilutive impact of shares issued in the APi Acquisition	(p)	-	174	-	174
Adjusted diluted weighted average shares outstanding		178	174	176	174
Adjusted diluted EPS		*$ 0.39*	*$ 0.45*	*$ 0.88*	*$ 0.91*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019, inclusive of impairment charges and gain/(loss) on sale.
b) Adjustment to reflect the addback of pre-tax amortization expense related to intangibles assets. Amortization for the three months and nine months ended September 30, 2020 includes the reversal of $15 million of amortization expense for remeasurements recorded during the three months ended September 30, 2020, which related to prior periods.
c) Adjustment to reflect annualized depreciation expense of $60 million, which is approximately equivalent to medium to long-term cash capital expenditures, and excludes a portion of depreciation arising from purchase accounting step up to fair value of property and equipment.
d) Adjustment to reflect the elimination of expense attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
e) Adjustment to reflect the elimination of non-cash impairment charges (or reversals) related to goodwill. For the three months ended September 30, 2020 the reversal is related to the finalization of purchase accounting.
f) Adjustment to reflect the elimination of 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 acquisition-related expenses.
i) Adjustment to reflect the elimination of miscellaneous income related to COVID-19 relief, net of severance costs, at our non-U.S. subsidiaries.
j) Adjustment to reflect an increase in pre-tax interest expense of $13 million and $39 million for the three-month and nine-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 $5 million for the three-month and nine-month periods related to pre-tax amortization of debt issuance costs and commitment fees, partially offset by elimination of $7 million and $19 million for the three-month and nine-month periods related to pre-tax interest expense related to the Predecessor's Term Loan and Revolving Credit Facility.
k) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including equity-based compensation related to prior ownership.
l) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.
m) 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 million tax asset acquired with the APi Acquisition) applied to resulting adjusted pre-tax income inclusive of the adjustments shown above.
n) Adjustment to add the dilutive impact of options, RSUs, and warrants which were anti-dilutive and excluded from the diluted weighted average shares outstanding (as reported).
o) Adjustment for the three and nine months ended September 30, 2020 reflects addition of the GAAP dilutive impact of 4 million shares associated with the deemed conversion of Preferred Shares. Adjustment for the three months ended September 30, 2020 is offset by the elimination of 8 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 September 30, 2020.
p) 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 at October 1, 2019, which are exercisable at a price of $11.50 per share for a total of 21.5 million ordinary shares.

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

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

($ in millions)

		For the nine months ended September 30,	
		2020	**2019**
		(Successor)	***(Predecessor)***
Net cash provided by operating activities (as reported)		$ 329	$ 145
Less: Purchases of property and equipment		(24)	(53)
Free cash flow		$ 305	$ 92
Add (deduct): Cash payments (sources) related to following items:			
Businesses divested	(a)	(4)	(9)
Contingent consideration and compensation	(b)	18	1
Business process transformation costs	(c)	7	-
Public company registration, listing and compliance	(d)	5	-
Potential and completed acquisitions expenses	(e)	2	5
COVID-19 relief at non-U.S. subsidiaries, net	(f)	(6)	-
Payroll tax deferral	(g)	(26)	-
Expenses related to prior ownership	(h)	-	18
Adjusted free cash flow		$ 301	$ 107
Adjusted EBITDA	(i)	*$ 278*	*$ 285*
Adjusted free cash flow conversion		*108.3%*	*37.5%*

a) Adjustment to reflect the elimination of operating cash and purchases of property and equipment related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Adjustment to reflect the elimination of expenses attributable to deferred consideration 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 acquisition-related costs.
f) Adjustment to reflect the elimination of cash received for COVID-19 relief, net of severance costs paid, at our non-US subsidiaries not expected to continue or recur.
g) Adjustment reflects the elimination of operating cash for the impact of the Coronavirus Aid, Relief and Economic Security (CARES) Act. During the first quarter of 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed, allowing the Company to defer the payment of the employer's share of Social Security taxes until December 2021 and December 2022.
h) Adjustment to reflect the elimination of operating cash used for prior ownership expense not expected to continue or recur following the APi Acquisition.
i) Adjusted EBITDA derived from non-GAAP reconciliation 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 September 30,				For the nine months ended September 30,			
		2020		2019		2020		2019	
		(Successor)		(Predecessor)		(Successor)		(Predecessor)	
Net income (loss) (as reported)		$	27	$	12	$	(131)	$	86
Adjustments to reconcile net income (loss) to EBITDA:									
Interest expense, net			13		7		41		20
Income tax provision			28		2		(35)		7
Depreciation and amortization			52		27		196		78
EBITDA		$	120	$	48	$	71	$	191
Adjustments to reconcile EBITDA to adjusted EBITDA:									
Divested businesses	(a)		-		25		6		23
Contingent consideration and compensation	(b)		3		(10)		-		(1)
Impairment of goodwill	(c)		(10)		12		193		12
Business process transformation costs	(d)		3		-		7		-
Public company registration, listing and compliance	(e)		-		-		5		-
Acquisition expenses	(f)		2		5		2		5
COVID-19 relief at non-U.S. subsidiaries, net	(g)		(3)		-		(6)		-
Share-based compensation costs	(h)		-		37		-		37
Expenses related to prior ownership	(i)		-		11		-		18
Adjusted EBITDA		$	115	$	128	$	278	$	285
Adjusted net revenues	(j)	*$*	*953*	*$*	*1,046*	*$*	*2,622*	*$*	*2,877*
Adjusted EBITDA as a percentage of adjusted net revenues			*12.1%*		*12.2%*		*10.6%*		*9.9%*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019, inclusive of impairment charges and gain/(loss) on sale.
b) Adjustment to reflect the elimination of expense attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
c) Adjustment to reflect the elimination of non-cash impairment charges (or reversals) related to goodwill. For the three months ended September 30, 2020 the reversal is related to the finalization of purchase accounting.
d) Adjustment to reflect the elimination of 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 acquisition-related expenses.
g) Adjustment to reflect the elimination of miscellaneous income related to COVID-19 relief, net of severance costs, at our non-U.S. subsidiaries.
h) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including equity-based compensation related to prior ownership.
i) Adjustment to reflect the elimination of expense under prior ownership not expected to continue or recur following the APi Acquisition.
j) Adjusted net revenues derived from non-GAAP reconciliations included elsewhere in this presentation.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the three months ended September 30, 2020				For the three months ended September 30, 2019			
	As Reported	*Adjustments*		*As Adjusted*	*As Reported*	*Adjustments*		*As Adjusted*
Safety Services	*(Successor)*				*(Predecessor)*			
Net revenues	$ 404	$ -		$ 404	$ 472	$ -		$ 472
Cost of revenues	292	(20)	(b)	272	330	-		330
Gross profit	$ 112	$ 20		$ 132	$ 142	$ -		$ 142
Gross margin	*27.7%*			*32.7%*	*30.1%*			*30.1%*
Specialty Services								
Net revenues	$ 400	$ -		$ 400	$ 407	$ -		$ 407
Cost of revenues	323	6	(b)	325	335	(2)	(c)	333
		(4)	(c)					
Gross profit	$ 77	$ (2)		$ 75	$ 72	$ 2		$ 74
Gross margin	*19.3%*			*18.8%*	*17.7%*			*18.2%*
Industrial Services								
Net revenues	$ 158	$ (5)	(a)	$ 153	$ 245	$ (72)	(a)	$ 173
Cost of revenues	125	(5)	(a)	128	226	(76)	(a)	151
		8	(b)			1	(c)	
Gross profit	$ 33	$ (8)		$ 25	$ 19	$ 3		$ 22
Gross margin	*20.9%*			*16.3%*	*7.8%*			*12.7%*
Corporate and Eliminations								
Net revenues	$ (4)	$ -		$ (4)	$ (6)	$ -		$ (6)
Cost of revenues	(4)	-		(4)	(6)	-		(6)
Total Consolidated								
Net revenues	$ 958	$ (5)	(a)	$ 953	$ 1,118	$ (72)	(a)	$ 1,046
Cost of revenues	736	(5)	(a)	721	885	(76)	(a)	808
		(6)	(b)			(1)	(c)	
		(4)	(c)					
Gross profit	$ 222	$ 10		$ 232	$ 233	$ 5		$ 238
Gross margin	*23.2%*			*24.3%*	*20.8%*			*22.8%*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
c) Adjustment to reflect annualized depreciation expense of $60 million, which is approximately equivalent to medium to long-term cash capital expenditures, and excludes a portion of depreciation arising from purchase accounting step up to fair value of plant and equipment.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	As Reported	*Adjustments*	*As Adjusted*	*As Reported*	*Adjustments*	*As Adjusted*
Safety Services	*(Successor)*			*(Predecessor)*		
Net revenues	$ 1,199	$ -	$ 1,199	$ 1,342	$ -	$ 1,342
Cost of revenues	861	(41) (b)	820	944	(1) (c)	943
Gross profit	$ 338	$ 41	$ 379	$ 398	$ 1	$ 399
Gross margin	*28.2%*		*31.6%*	*29.7%*		*29.7%*
Specialty Services						
Net revenues	$ 1,049	$ -	$ 1,049	$ 1,107	$ -	$ 1,107
Cost of revenues	894	(10) (b)	870	939	(6) (c)	933
		(14) (c)				
Gross profit	$ 155	$ 24	$ 179	$ 168	$ 6	$ 174
Gross margin	*14.8%*		*17.1%*	*15.2%*		*15.7%*
Industrial Services						
Net revenues	$ 468	$ (83) (a)	$ 385	$ 670	$ (230) (a)	$ 440
Cost of revenues	403	(82) (a)	320	632	(226) (a)	411
		- (b)			5 (c)	
		(1) (c)				
Gross profit	$ 65	$ -	$ 65	$ 38	$ (9)	$ 29
Gross margin	*13.9%*		*16.9%*	*5.7%*		*6.6%*
Corporate and Eliminations						
Net revenues	$ (11)	$ -	$ (11)	$ (12)	$ -	$ (12)
Cost of revenues	(11)	-	(11)	(12)	-	(12)
Total Consolidated						
Net revenues	$ 2,705	$ (83) (a)	$ 2,622	$ 3,107	$ (230) (a)	$ 2,877
Cost of revenues	2,147	(82) (a)	1,999	2,503	(226) (a)	2,275
		(51) (b)			(2) (c)	
		(15) (c)				
Gross profit	$ 558	$ 65	$ 623	$ 604	$ (2)	$ 602
Gross margin	*20.6%*		*23.8%*	*19.4%*		*20.9%*

a) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019.
b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
c) Adjustment to reflect annualized depreciation expense of $60 million, which is approximately equivalent to medium to long-term cash capital expenditures, and excludes a portion of depreciation arising from purchase accounting step up to fair value of plant and equipment.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020 (a)	2019 (a)	2020 (a)	2019 (a)
	(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Safety Services				
Adjusted net revenues	$ 404	$ 472	$ 1,199	$ 1,342
Adjusted gross profit	132	142	379	399
Adjusted EBITDA	65	61	165	174
Adjusted gross margin	*32.7%*	*30.1%*	*31.6%*	*29.7%*
Adjusted EBITDA as a percentage of adjusted net revenues	*16.1%*	*12.9%*	*13.8%*	*13.0%*
Specialty Services				
Adjusted net revenues	$ 400	$ 407	$ 1,049	$ 1,107
Adjusted gross profit	75	74	179	174
Adjusted EBITDA	57	61	126	124
Adjusted gross margin	*18.8%*	*18.2%*	*17.1%*	*15.7%*
Adjusted EBITDA as a percentage of adjusted net revenues	*14.3%*	*15.0%*	*12.0%*	*11.2%*
Industrial Services				
Adjusted net revenues	$ 153	$ 173	$ 385	$ 440
Adjusted gross profit	25	22	65	29
Adjusted EBITDA	22	17	53	24
Adjusted gross margin	*16.3%*	*12.7%*	*16.9%*	*6.6%*
Adjusted EBITDA as a percentage of adjusted net revenues	*14.4%*	*9.8%*	*13.8%*	*5.5%*
Total adjusted net revenues before corporate and eliminations	*$ 957*	*$ 1,052*	*$ 2,633*	*$ 2,889*
Total adjusted EBITDA before corporate and eliminations	*144*	*139*	*344*	*322*
Adjusted EBITDA as a percentage of adjusted net revenues before corporate and eliminations	*15.0%*	*13.2%*	*13.1%*	*11.1%*
Corporate and Eliminations				
Adjusted net revenues	$ (4)	$ (6)	$ (11)	$ (12)
Adjusted EBITDA	(29)	(11)	(66)	(37)
Total Consolidated				
Adjusted net revenues	$ 953	$ 1,046	$ 2,622	$ 2,877
Adjusted gross profit	232	238	623	602
Adjusted EBITDA	115	128	278	285
Adjusted gross margin	*24.3%*	*22.8%*	*23.8%*	*20.9%*
Adjusted EBITDA as a percentage of adjusted net revenues	*12.1%*	*12.2%*	*10.6%*	*9.9%*

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 September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
		(Successor)	*(Predecessor)*	*(Successor)*	*(Predecessor)*
Safety Services					
Safety Services EBITDA		$ 17	$ 58	$ 84	$ 170
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	2	(1)	4	-
Impairment of goodwill	(b)	49	-	83	-
Share-based compensation costs	(c)	-	2	-	2
COVID-19 relief at non-U.S. subsidiaries, net	(d)	(3)	-	(6)	-
Expenses related to prior ownership	(e)	-	2	-	2
Safety Services adjusted EBITDA		$ 65	$ 61	$ 165	$ 174
Specialty Services					
Specialty Services EBITDA		$ 126	$ 53	$ 80	$ 111
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	(1)	(5)	(6)	-
Impairment of goodwill	(b)	(68)	12	52	12
Expenses related to prior ownership	(e)	-	1	-	1
Specialty Services adjusted EBITDA		$ 57	$ 61	$ 126	$ 124
Industrial Services					
Industrial Services EBITDA		$ 13	$ 15	$ (11)	$ 21
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Divested businesses	(f)	(1)	6	5	4
Contingent consideration and compensation	(a)	1	(4)	1	(1)
Impairment of goodwill	(b)	9	-	58	-
Industrial Services adjusted EBITDA		$ 22	$ 17	$ 53	$ 24
Corporate and Eliminations					
Corporate and eliminations EBITDA		$ (36)	$ (78)	$ (82)	$ (111)
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Business process transformation	(g)	3	-	7	-
Public company registration, listing and compliance	(h)	-	-	5	-
Divested businesses	(f)	1	19	1	19
Contingent consideration and compensation	(a)	1	-	1	-
Share-based compensation costs	(c)	-	35	-	35
Acquisition expenses	(i)	2	5	2	5
Expenses related to prior ownership	(e)	-	8	-	15
Corporate and Eliminations adjusted EBITDA		$ (29)	$ (11)	$ (66)	$ (37)

a) Adjustment to reflect the elimination of expense attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
b) Adjustment to reflect the elimination of non-cash impairment charges (or reversals) related to goodwill. For the three months ended September 30, 2020 the reversal is related to the finalization of purchase accounting.
c) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including equity-based compensation related to prior ownership.
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 costs under prior ownership not expected to continue or recur following the APi Acquisition.
f) Adjustment to reflect the elimination of amounts related to businesses divested as of September 30, 2020 and classified as held-for-sale as of September 30, 2019, inclusive of impairment charges and gain/(loss) on sale.
g) Adjustment to reflect the elimination of costs related to business process transformation.
h) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
i) Adjustment to reflect the elimination of acquisition-related expenses.

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Q3 2020 Earnings Call

BUILDING **GREAT LEADERS**