API Group

Q4 2020 Earnings Call

March 24, 2021

BUILDING **GREAT LEADERS**

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Forward-Looking Statements and Disclaimers

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Certain statements in this presentation 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 2021 outlook and guidance (full year, quarterly and semi-annually), including adjusted net revenues, adjusted EBITDA, adjusted EBITDA margins and capital expenditures; (ii) the future impact of the COVID-19 pandemic, including its impact on future demand for our services and our ability to deliver on our strategic and financial objectives; (iii) future revenue growth through organic growth and/or acquisitions; (iv) the Company's ability to grow inspection and services revenue in its Safety Services segment; (v) the Company's ability to partner with well capitalized customers who have projects that continue to progress despite macro volatility; (vi) future margin expansion through reduced costs, performance improvements, disciplined project and customer selection, mix of work or other means; (vii) future earnings growth; (viii) future debt levels and leverage; (ix) future cash flows and the creation and continuation of significant capacity for opportunistic M&A, stock buybacks and debt repayment; and (x) the Company's ability to achieve its long-term value creation targets. 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; (v) the trading price of the Company's common stock, which may be positively or negatively impacted by market and economic conditions, including as a result of the COVID-19 pandemic, the availability of Company common stock, the Company's financial performance or determinations following the date of this announcement to use the Company's funds for other purposes; and (vi) 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 press release contains non-U.S. GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The Company uses certain non-U.S. GAAP financial measures that are included in this press release 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:

- 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's management believes that adjusted EBITDA, which excludes 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 other events such as impairment charges, share-based compensation associated with prior ownership and the sale of APi Group, Inc. (the "APi Acquisition"), 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 APi Acquisition, is useful because it provides investors with a meaningful perspective on the current underlying performance of the Company's core ongoing operations.
- The Company's management believes that organic net revenues growth provides a consistent basis for year-over-year comparisons in net revenues as it excludes the impacts of material acquisitions, completed divestitures, and changes in foreign currency impacts. Foreign currency impacts represents the effect of foreign currency on current period reported net revenues and is calculated as the difference between current period net revenues by applying the prior year average monthly exchange rates to the current year local currency net revenues amounts (excluding acquisitions and divestitures).
- Adjusted net revenues is defined as net revenues excluding the impact and results of businesses classified as assets held-for-sale and businesses divested. The Company's management believes that this measure is useful as a supplement to enable investors to compare period-over-period results on a more consistent basis without the effects of businesses classified as assets held-for-sale and businesses divested, which more meaningfully reflects the Company's core ongoing operations and performance. The Company uses adjusted net revenues 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.
- 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. Free cash flow is defined as cash provided by (used in) operating activities less capital expenditures. Adjusted free cash flow is defined as cash provided by (used in) operating activities plus or minus events including, but not limited to, transaction and other costs related to acquisitions, business transformation and other expenses for the integration of acquired businesses, impacts of businesses classified as assets held-for-sale and businesses divested, and one-time and other events such COVID related payroll tax deferral and relief items. Adjusted free cash flow conversion is defined as adjusted free cash flow as a percentage of adjusted EBITDA.
- The Company's management believes that adjusted gross profit, adjusted selling, general and administrative ("SG&A") expenses, adjusted net income and adjusted EPS, which all 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 other events such as impairment charges, share-based compensation associated with prior ownership and the APi Acquisition, 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 APi Acquisition, is useful because it provides investors with a meaningful perspective on the current underlying performance of the Company's core ongoing operations in each of those respective measures.

The Company does not provide reconciliations of forward-looking non-U.S. GAAP adjusted EBITDA, organic net revenues growth and adjusted net revenues 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 APi Acquisition, and other charges reflected in the Company's 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.

Fourth Quarter 2020 Performance Highlights

- ✓ Service represented approximately **44%** of consolidated net revenues
- ✓ Adjusted gross margin of **25.4%**, representing a **183 basis point** increase compared to prior year
- ✓ Adjusted EBITDA of **$103 million**, representing a **11.8%** adjusted EBITDA margin
- ✓ Operating cash flow of **$167 million** and adjusted free cash flow of **$142 million**

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

2020 Financial Results Overview

Three Months Ended December 31, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(5.5%) or $51 million decline compared to prior year period primarily driven by COVID-19 related impacts and disciplined project selection **(9.8%)** or $91 million of organic decline compared to prior year period	**25.4%** Compared to 23.6% for the prior year period	**$103 million** 11.8% margin, consistent with prior year of 11.8%	**$0.34 / share** $0.02 decline from prior year

Full Year Ended December 31, 2020

ADJUSTED NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
(8.0%) or $306 million decline compared to prior year period primarily driven by COVID-19 related impacts and disciplined project selection **(9.0%)** or $344 million of organic decline compared to prior year period	**24.2%** Compared to 21.6% for the prior year period	**$381 million** 10.9% margin, 56 basis point increase over prior year of 10.3%	**$1.22 / share** $0.04 decline from prior year

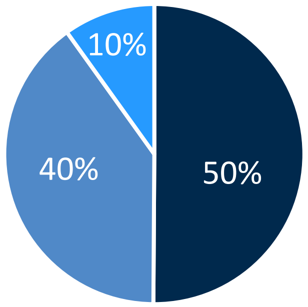
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

Segment Breakdown

Three Months Ended December 31, 2020

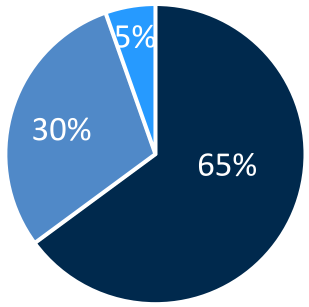
ADJUSTED NET REVENUES

Total: $879 million



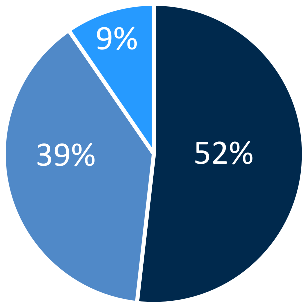
ADJUSTED GROSS PROFIT

Total: $222 million



ADJUSTED EBITDA

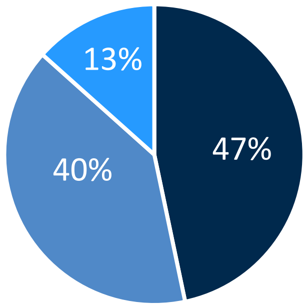
Total: $114 million



Full Year Ended December 31, 2020

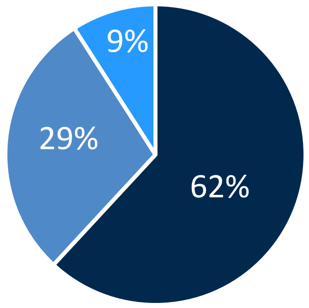
ADJUSTED NET REVENUES

Total: $3.5 billion



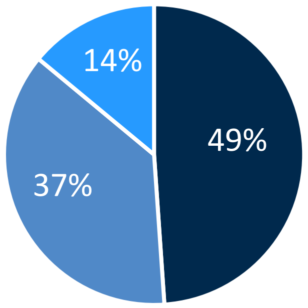
ADJUSTED GROSS PROFIT

Total: $845 million



ADJUSTED EBITDA

Total: $458 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.

2021 Guidance

2021 Guidance

ADJUSTED NET REVENUES	ADJUSTED EBITDA
$3,650 – $3,750 million	**$405 – $419 million**

Key Financial and Operating Metrics

($ in millions, except per share figures)	Three Months Ended December 31, 2020			Full Year Ended December 31, 2020		
	Q4 2020	Q4 2019	YoY Change	FY 2020	FY 2019	YoY Change
Adjusted Net Revenues	**$874**	**$925**	***(5.5%)***	**$3,496**	**$3,802**	***(8.0%)***
Organic Net Revenues			*(9.8%)*			*(9.0%)*
Adjusted Gross Profit	**$222**	**$218**	***+1.8%***	**$845**	**$820**	***+3.0%***
Adjusted Gross Margin	*25.4%*	*23.6%*	*+183 bp*	*24.2%*	*21.6%*	*+260 bp*
Adjusted EBITDA	**$103**	**$109**	***(5.5%)***	**$381**	**$393**	***(3.1%)***
Adjusted EBITDA Margin	*11.8%*	*11.8%*	--	*10.9%*	*10.3%*	*+56 bp*
Adjusted Net Income	**$61**	**$62**	***(1.0%)***	**$215**	**$220**	***(2.1%)***
Adjusted Diluted EPS	**$0.34**	**$0.36**	***($0.02)***	**$1.22**	**$1.26**	***($0.04)***
Operating Cash Flow	**$167**	**N/A**	**N/A**	**$496**	**$295**	***68.1%***
Adjusted Free Cash Flow	**$142**	**N/A**	**N/A**	**$443**	**$336**	***31.8%***
Adjusted Free Cash Flow Conversion	*137.9%*	N/A	N/A	*116.3%*	*85.5%*	*+30,800 bp*

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

Net Debt

($ in millions)	December 31, 2020
Term Loan	$1,438
Revolving Credit Facility	--
Other Obligations	5
Total Debt Obligations	$1,443
Unamortized Deferred Financing Costs	(28)
Total Debt, Net of Deferred Financing Costs	**$1,415**
Cash and Cash Equivalents at the End of the Period	**$515**
Net Debt	**$900**
Net Debt to Adjusted EBITDA Ratio	**2.4x**

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
- Maintain 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 December 31,		For the Years Ended December 31,		Period from January 1, 2019 through September 30,	Adjusted Net Revenues for the Year Ended December 31,
		2020	2019	2020	2019	2019	2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (e)*
Net revenues (as reported)		$ 882	$ 985	$ 3,587	$ 985	$ 3,107	
Adjustments to reconcile net revenues to adjusted net revenues:							
Divested businesses	(a)	(8)	(60)	(91)	(60)	(230)	
Adjusted net revenues		$ 874	$ 925	$ 3,496	$ 925	$ 2,877	$ 3,802

Organic Net Revenues Change (non-GAAP)

	For the Three Months Ended December 31, 2020 *(Successor)*			
	AS REPORTED Net revenues change	Acquisitions and divestitures, net (b)	Foreign currency translation (c)	Organic net revenues change (d)
Safety Services	1.1%	8.9%	0.2%	(8.0)%
Specialty Services	(8.8)%	-	-	(8.8)%
Industrial Services	(43.7)%	(24.1)%	-	(19.6)%
Consolidated	**(10.5)%**	**(0.8)%**	**0.1%**	**(9.8)%**

	For the Year Ended December 31, 2020 *(Successor)*			
	AS REPORTED Net revenues change	Acquisitions and divestitures, net (b)	Foreign currency translation (c)	Organic net revenues change (d)
Safety Services	(7.8)%	2.1%	(0.1)%	(9.8)%
Specialty Services	(6.2)%	-	-	(6.2)%
Industrial Services	(32.7)%	(18.8)%	-	(13.9)%
Consolidated	**(12.3)%**	**(3.3)%**	-	**(9.0)%**

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale.
b) Acquisitions exclude net revenues of material acquisitions from their respective dates of acquisition until the first year anniversary from date of acquisition. Divestitures exclude net revenues for all periods for businesses divested as of December 31, 2020.
c) Represents the effect of foreign currency on reported net revenues, calculated as the difference between the reported net revenues for the year converted at the prior year average monthly exchange rates and the prior year local currency net revenues (excluding acquisitions and divestitures).
d) Organic net revenues change provides a consistent basis for year-over-year comparisons in net revenues as it excludes the impacts of acquisitions, divestitures, and the impact of changes due to foreign currency translation.
e) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

Gross Profit and Adjusted Gross Profit (non-GAAP)

($ in millions)

		For the Three Months Ended December 31,		For the Year Ended December 31,		Period from January 1, 2019 through September 30,	Adjusted Gross Profit for the Year Ended December 31,
		2020	2019	2020	2019	2019	2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (f)*
Gross profit (as reported)		$ 198	$ 198	$ 756	$ 198	$ 604	
Adjustments to reconcile gross profit to adjusted gross profit:							
Divested businesses	(a)	(1)	(3)	(2)	(3)	(4)	
Backlog amortization	(b)	18	22	69	22	-	
Depreciation remeasurement	(c)	3	1	18	1	2	
Inventory step-up	(d)	4	-	4	-	-	
Adjusted gross profit		$ 222	$ 218	$ 845	$ 218	$ 602	$ 820
Adjusted net revenues	(e)	*$ 874*	*$ 925*	*$ 3,496*			*$ 3,802*
Adjusted gross margin		*25.4%*	*23.6%*	*24.2%*			*21.6%*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale.
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 property and equipment.
d) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
e) Adjusted net revenues derived from non-GAAP reconciliations included elsewhere in this presentation.
f) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

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

($ in millions)

		For the Three Months Ended December 31, 2020	For the Three Months Ended December 31, 2019	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019	Period from January 1, 2019 through September 30, 2019	Adjusted SG&A Expenses for the Year Ended December 31, 2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (l)*
Selling, general and administrative expenses ("SG&A") (as reported)		$ 219	$ 336	$ 725	$ 359	$ 490	
Adjustments to reconcile SG&A to adjusted SG&A:							
Divested businesses	(a)	-	(5)	(2)	(5)	(28)	
Contingent consideration and compensation	(b)	(29)	(2)	(29)	(2)	1	
Amortization of intangible assets	(c)	(30)	(28)	(113)	(28)	(26)	
Depreciation remeasurement	(d)	(1)	(2)	(3)	(2)	(5)	
Business process transformation costs	(e)	(6)	-	(13)	-	-	
Public company registration, listing and compliance	(f)	-	(5)	(5)	(17)	-	
Acquisition expenses	(g)	(8)	(8)	(10)	(19)	(5)	
COVID-19 severance costs at Canadian subsidiaries	(h)	-	-	(1)	-	-	
Share-based compensation	(i)	-	(156)	-	(156)	(37)	
Expenses related to prior ownership	(j)	-	-	-	-	(18)	
Adjusted SG&A expenses		$ 145	$ 130	$ 549	$ 130	$ 372	$ 502
Adjusted net revenues	(k)	*$ 874*	*$ 925*	*$ 3,496*			*$ 3,802*
Adjusted SG&A as a percentage of adjusted net revenues		*16.6%*	*14.1%*	*15.7%*			*13.2%*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-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 addback of amortization expense.
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 potential and completed acquisition-related expenses.
h) Adjustment to reflect the elimination of severance costs in Canada related to COVID-19.
i) Adjustment to reflect the elimination of non-cash charges of $155 million associated with the Annual Preferred Share Dividend and 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.
l) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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 December 31,		For the Years Ended December 31,		Period from January 1, 2019 through September 30,	Adjusted Net Income and Adjusted EPS for the Year Ended December 31,
		2020	2019	2020	2019	2019	2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (s)*
Income (loss) before income tax provision (as reported)		$ (18)	$ (148)	$ (184)	$ (151)	$ 93	
Adjustments to reconcile income (loss) before income tax provision to adjusted income (loss) before income tax provision:							
Divested businesses	(a)	(2)	2	4	2	25	
Amortization of intangible assets	(b)	48	50	182	50	26	
Depreciation remeasurement	(c)	4	3	21	3	6	
Contingent consideration and compensation	(d)	29	2	29	2	(1)	
Impairment of goodwill	(e)	-	-	193	-	12	
Business process transformation costs	(f)	6	-	13	-	-	
Public company registration, listing and compliance	(g)	-	5	5	17	-	
Acquisition expenses	(h)	8	8	10	19	5	
Inventory step-up	(i)	4	-	4	-	-	
COVID-19 relief at Canadian subsidiaries, net	(j)	(2)	-	(8)	-	-	
Interest expense	(k)	-	-	-	-	(24)	
Share-based compensation costs	(l)	-	156	-	156	37	
Expenses related to prior ownership	(m)	-	-	-	-	18	
Investment income	(n)	-	-	-	(20)	-	
Adjusted income before income tax provision		$ 77	$ 78	$ 269	$ 78	$ 197	$ 275
Income tax provision (benefit) (as reported)		$ 4	$ 2	$ (31)	$ 2	$ 7	
Adjustments to reconcile income tax provision (benefit) to adjusted income tax provision:							
Income tax provision adjustment	(o)	12	14	85	14	32	
Adjusted income tax provision		$ 16	$ 16	$ 54	$ 16	$ 39	$ 55
Adjusted income before income tax provision		$ 77	$ 78	$ 269	$ 78	$ 197	
Adjusted income tax provision		16	16	54	16	39	
Adjusted net income		$ 61	$ 62	$ 215	$ 62	$ 158	$ 220
Diluted weighted average shares outstanding (as reported)		169	N/A	169			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	(p)	7	-	3			-
Dilutive impact of Preferred Shares	(q)	4	-	4			-
Dilutive impact of shares issued in the APi Acquisition	(r)	-	174	-			174
Adjusted diluted weighted average shares outstanding		180	174	176			174
Adjusted diluted EPS		*$ 0.34*	*$ 0.36*	*$ 1.22*			*$ 1.26*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, inclusive of impairment charges and gain/(loss) on sale.
b) Adjustment to reflect the addback of pre-tax amortization expense related to intangibles 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 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 related to goodwill.
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 costs related to the fair value step-up of acquired inventory.
i) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
j) Adjustment to reflect an increase in pre-tax interest expense of $38 million related to the $1.2 billion Term Loan at a rate of 4.29% issued in connection with the APi Acquisition and $5 million related to pre-tax amortization of debt issuance costs and commitment fees, partially offset by elimination of $20 million 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 charges of $155 million associated with the Annual Preferred Share Dividend and 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 the elimination of APG investment income prior to the APi Acquisition that is not expected to recur. Cash from these investments was used to fund a portion of the cash consideration for the APi Acquisition.
n) 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.
o) 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).
p) Adjustment for the three months and year ended December 31, 2020 reflects addition of the GAAP dilutive impact of 4 million shares associated with the deemed conversion of Preferred Shares. Adjustment excludes 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 issued or outstanding as of December 31, 2020.
q) 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.
r) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

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

($ in millions)

		For the Years Ended December 31, 2020 (Successor)	For the Years Ended December 31, 2019 (Successor)	Period from January 1, 2019 through September 30, 2019 (Predecessor)	Adjusted Free Cash Flow for the Year Ended December 31, 2019 (Combined) (k)
Net cash provided by operating activities (as reported)		$ 496	$ 150	$ 145	
Less: Purchases of property and equipment		(38)	(11)	(53)	
Free cash flow		$ 458	$ 139	$ 92	
Add (deduct): Cash payments (sources) related to following items:					
Businesses divested	(a)	(15)	(8)	(9)	
Contingent consideration and compensation	(b)	19	-	1	
Business process transformation costs	(c)	13	-	-	
Public company registration, listing and compliance	(d)	5	17	-	
Acquisition expenses	(e)	10	19	5	
COVID-19 relief at Canadian subsidiaries, net	(f)	(8)	-	-	
Payroll tax deferral	(g)	(39)	-	-	
Expenses related to prior ownership	(h)	-	-	18	
Settlement of Predecessor stock options	(i)	-	62	-	
Adjusted free cash flow		$ 443	$ 229	$ 107	$ 336
Adjusted EBITDA	(j)	*$ 381*			*$ 393*
Adjusted free cash flow conversion		*116.3%*			*85.5%*

a) Adjustment to reflect the elimination of operating cash and purchases of property and equipment related to businesses divested and classified as held-for-sale.
b) Adjustment to reflect the elimination of 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 potential and completed acquisition-related costs.
f) Adjustment to reflect the elimination of cash received in Canada for COVID-19 relief, net of severance costs paid, 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 costs not expected to continue or recur following the APi Acquisition.
i) Adjustment to eliminate the cash settlement of equity compensation paid by prior ownership at the closing of the APi Acquisition.
j) Adjusted EBITDA derived from non-GAAP reconciliations included elsewhere in this presentation.
k) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

EBITDA and Adjusted EBITDA (non-GAAP)

($ in millions)

		For the Three Months Ended December 31, 2020	For the Three Months Ended December 31, 2019	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019	Period from January 1, 2019 through September 30, 2019	Adjusted EBITDA for the Year Ended December 31, 2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (m)*
Net income (loss) (as reported)		$ (22)	$ (150)	$ (153)	$ (153)	$ 86	
Adjustments to reconcile net income (loss) to EBITDA:							
Interest expense, net		11	16	52	15	20	
Income tax provision (benefit)		4	2	(31)	2	7	
Depreciation and amortization		67	69	263	69	78	
EBITDA		$ 60	$ (63)	$ 131	$ (67)	$ 191	
Adjustments to reconcile EBITDA to adjusted EBITDA:							
Divested businesses	(a)	(2)	1	4	1	23	
Contingent consideration and compensation	(b)	29	2	29	2	(1)	
Impairment of goodwill	(c)	-	-	193	-	12	
Business process transformation costs	(d)	6	-	13	-	-	
Public company registration, listing and compliance	(e)	-	5	5	17	-	
Acquisition expenses	(f)	8	8	10	19	5	
Inventory step-up	(g)	4	-	4	-	-	
COVID-19 relief at Canadian subsidiaries, net	(h)	(2)	-	(8)	-	-	
Share-based compensation costs	(i)	-	156	-	156	37	
Expenses related to prior ownership	(j)	-	-	-	-	18	
Investment income	(k)	-	-	-	(20)	-	
Adjusted EBITDA		$ 103	$ 109	$ 381	$ 108	$ 285	$ 393
Adjusted net revenues	(l)	*$ 874*	*$ 925*	*$ 3,496*			*$ 3,802*
Adjusted EBITDA as a percentage of adjusted net revenues		*11.8%*	*11.8%*	*10.9%*			*10.3*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, 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 related to goodwill.
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 potential and completed acquisition-related expenses.
g) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
h) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
i) Adjustment to reflect the elimination of non-cash charges of $155 million associated with the Annual Preferred Share Dividend and 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) Adjustment to reflect the elimination of APG investment income prior to the APi Acquisition that is not expected to recur. Cash from these investments was used to fund a portion of the cash consideration for the APi Acquisition.
l) Adjusted net revenues derived from non-GAAP reconciliations included elsewhere in this press release.
m) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the Three Months Ended December 31, 2020			For the Three Months Ended December 31, 2019		
	As Reported	*Adjustments*	*As Adjusted*	*As Reported*	*Adjustments*	*As Adjusted*
Safety Services	*(Successor)*			*(Predecessor)*		
Net revenues	$ 440	$ -	$ 440	$ 435	$ -	$ 435
Cost of revenues	313	(13) (b)	296	310	(10) (b)	300
		(4) (d)				
Gross profit	$ 127	$ 17	$ 144	$ 125	$ 10	$ 135
Gross margin	*28.9%*		*32.7%*	*28.7%*		*31.0%*
Specialty Services						
Net revenues	$ 352	$ -	$ 352	$ 386	$ -	$ 386
Cost of revenues	295	(5) (b)	286	324	(8) (b)	314
		(4) (c)			(2) (c)	
Gross profit	$ 57	$ 9	$ 66	$ 62	$ 10	$ 72
Gross margin	*16.2%*		*18.8%*	*16.1%*		*18.7%*
Industrial Services						
Net revenues	$ 95	$ (8) (a)	$ 87	$ 167	$ (60) (a)	$ 107
Cost of revenues	81	(7) (a)	75	156	(57) (a)	96
		1 (c)			(4) (b)	
					1 (c)	
Gross profit	$ 14	$ (2)	$ 12	$ 11	$ -	$ 11
Gross margin	*14.7%*		*13.8%*	*6.6%*		*10.3%*
Corporate and Eliminations						
Net revenues	$ (5)	$ -	$ (5)	$ (3)	$ -	$ (3)
Cost of revenues	(5)	-	(5)	(3)	-	(3)
Total Consolidated						
Net revenues	$ 882	$ (8) (a)	$ 874	$ 985	$ (60) (a)	$ 925
Cost of revenues	684	(7) (a)	652	787	(57) (a)	707
		(18) (b)			(22) (b)	
		(3) (c)			(1) (c)	
		(4) (d)				
Gross profit	$ 198	$ 24	$ 222	$ 198	$ 20	$ 218
Gross margin	*22.4%*		*25.4%*	*20.1%*		*23.6%*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale.
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 property and equipment.
d) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	As Reported (Successor)	*Adjustments*	*As Adjusted*	*As Reported (Successor)*	*Adjustments*	*As Adjusted*
Safety Services						
Net revenues	$ 1,639		$ 1,639	$ 435	$ -	$ 435
Cost of revenues	1,174	(54) (b)	1,116	310	(10) (b)	300
		(4) (d)				
Gross profit	$ 465	$ 58	$ 523	$ 125	$ 10	$ 135
Gross margin	*28.4%*		*31.9%*	*28.7%*		*31.0%*
Specialty Services						
Net revenues	$ 1,401		$ 1,401	$ 386	$ -	$ 386
Cost of revenues	1,189	(15) (b)	1,156	324	(8) (b)	314
		(18) (c)			(2) (c)	
Gross profit	$ 212	$ 33	$ 245	$ 62	$ 10	$ 72
Gross margin	*15.1%*		*17.5%*	*16.1%*		*18.7%*
Industrial Services						
Net revenues	$ 563	$ (91) (a)	$ 472	$ 167	$ (60) (a)	$ 107
Cost of revenues	484	(89) (a)	395	156	(57) (a)	96
					(4) (b)	
					1 (c)	
Gross profit	$ 79	$ (2)	$ 77	$ 11	$ -	$ 11
Gross margin	*14.0%*		*16.3%*	*6.6%*		*10.3%*
Corporate and Eliminations						
Net revenues	$ (16)		$ (16)	$ (3)	$ -	$ (3)
Cost of revenues	(16)		(16)	(3)	-	(3)
Total Consolidated						
Net revenues	$ 3,587	$ (91) (a)	$ 3,496	$ 985	$ (60) (a)	$ 925
Cost of revenues	2,831	(89) (a)	2,651	787	(57) (a)	707
		(69) (b)			(22) (b)	
		(18) (c)			(1) (c)	
		(4) (d)				
Gross profit	$ 756	$ 89	$ 845	$ 198	$ 20	$ 218
Gross margin	*21.1%*		*24.2%*	*20.1%*		*23.6%*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale.
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 property and equipment.
d) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the Year Ended December 31, 2019	Period from January 1, 2019 through September 30,			Adjusted Results for the Year Ended December 31, 2019
	As Adjusted	*As Reported*	*Adjustments*		*As Adjusted*
Safety Services	*(Successor)*	*(Predecessor)*			*(Combined) (c)*
Net revenues	$ 435	$ 1,342	$ -		$ 1,777
Cost of revenues	300	944	(1)	(b)	1,243
Gross profit	$ 135	$ 398	$ 1		$ 534
Gross margin	*31.0%*	*29.7%*			*30.1%*
Specialty Services					
Net revenues	$ 386	$ 1,107	$ -		$ 1,493
Cost of revenues	314	939	(6)	(b)	1,247
Gross profit	$ 72	$ 168	$ 6		$ 246
Gross margin	*18.7%*	*15.2%*			*16.5%*
Industrial Services					
Net revenues	$ 107	$ 670	$ (230)	(a)	$ 547
Cost of revenues	96	632	(226)	(a)	507
			5	(b)	
Gross profit	$ 11	$ 38	$ (9)		$ 40
Gross margin	*10.3%*	*5.7%*			*7.3%*
Corporate and Eliminations					
Net revenues	$ (3)	$ (12)	$ -		$ (15)
Cost of revenues	(3)	(12)	-		(15)
Total Consolidated					
Net revenues	$ 925	$ 3,107	$ (230)	(a)	$ 3,802
Cost of revenues	707	2,503	(226)	(a)	2,982
			(2)	(b)	
Gross profit	$ 218	$ 604	$ (2)		$ 820
Gross margin	*23.6%*	*19.4%*			*21.6%*

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale.
b) 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.
c) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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

Adjusted Segment Financial Information (non-GAAP)

($ in millions)

	For the Three Months Ended December 31,		For the Years Ended December 31,		Period from January 1, 2019 through September 30,	Adjusted Results for the Year Ended December 31,
	2020 (a)	2019 (a)	2020 (a)	2019 (a)	2019 (a)	2019
	(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (c)*
Safety Services						
Adjusted net revenues	$ 440	$ 435	$ 1,639	$ 435	$ 1,342	$ 1,777
Adjusted gross profit	144	135	523	135	399	534
Adjusted EBITDA	59	59	224	59	174	233
Adjusted gross margin	*32.7%*	*31.0%*	*31.9%*	*31.0%*	*29.7%*	*30.1%*
Adjusted EBITDA as a percentage of adjusted net revenues	*13.4%*	*13.6%*	*13.7%*	*13.6%*	*13.0%*	*13.1%*
Specialty Services						
Adjusted net revenues	$ 352	$ 386	$ 1,401	$ 386	$ 1,107	$ 1,493
Adjusted gross profit	66	72	245	72	174	246
Adjusted EBITDA	44	50	170	50	124	174
Adjusted gross margin	*18.8%*	*18.7%*	*17.5%*	*18.7%*	*15.7%*	*16.5%*
Adjusted EBITDA as a percentage of adjusted net revenues	*12.5%*	*13.0%*	*12.1%*	*13.0%*	*11.2%*	*11.7%*
Industrial Services						
Adjusted net revenues	$ 87	$ 107	$ 472	$ 107	$ 440	$ 547
Adjusted gross profit	12	11	77	11	29	40
Adjusted EBITDA	11	12	64	12	24	36
Adjusted gross margin	*13.8%*	*10.3%*	*16.3%*	*10.3%*	*6.6%*	*7.3%*
Adjusted EBITDA as a percentage of adjusted net revenues	*12.6%*	*11.2%*	*13.6%*	*11.2%*	*5.5%*	*6.6%*
Total adjusted net revenues before corporate and eliminations (b)	*$ 879*	*$ 928*	*$ 3,512*	*$ 928*	*$ 2,889*	*$ 3,817*
Total adjusted EBITDA before corporate and eliminations (b)	*114*	*121*	*458*	*121*	*322*	*443*
Adjusted EBITDA as a percentage of adjusted net revenues before corporate and eliminations (b)	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*11.1%*	*11.6%*
Corporate and Eliminations						
Adjusted net revenues	$ (5)	$ (3)	$ (16)	$ (3)	$ (12)	$ (15)
Adjusted EBITDA	(11)	(12)	(77)	(13)	(37)	(50)
Total Consolidated						
Adjusted net revenues	$ 874	$ 925	$ 3,496	$ 925	$ 2,877	$ 3,802
Adjusted gross profit	222	218	845	218	602	820
Adjusted EBITDA	103	109	381	108	285	393
Adjusted gross margin	*25.4%*	*23.6%*	*24.2%*	*23.6%*	*20.9%*	*21.6%*
Adjusted EBITDA as a percentage of adjusted net revenues	*11.8%*	*11.8%*	*10.9%*	*11.7%*	*9.9%*	*10.3%*

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 December 31,		For the Years Ended December 31,		Period from January 1, 2019 through September 30,	Adjusted EBITDA for the Year Ended December 31,
		2020	2019	2020	2019	2019	2019
		(Successor)	*(Successor)*	*(Successor)*	*(Successor)*	*(Predecessor)*	*(Combined) (l)*
Safety Services							
Safety Services EBITDA		$ 56	$ 59	$ 140	$ 59	$ 170	
Adjustments to reconcile EBITDA to adjusted EBITDA:							
Contingent consideration and compensation	(b)	1	-	5	-	-	
Impairment of goodwill	(c)	-	-	83	-	-	
Inventory step-up	(g)	4	-	4	-	-	
COVID-19 relief at Canadian subsidiaries, net	(h)	(2)	-	(8)	-	-	
Share-based compensation costs	(i)	-	-	-	-	2	
Expenses related to prior ownership	(j)	-	-	-	-	2	
Safety Services adjusted EBITDA		$ 59	$ 59	$ 224	$ 59	$ 174	$ 233
Specialty Services							
Specialty Services EBITDA		$ 15	$ 50	$ 95	$ 50	$ 111	
Adjustments to reconcile EBITDA to adjusted EBITDA:							
Contingent consideration and compensation	(b)	28	-	22	-	-	
Impairment of goodwill	(c)	-	-	52	-	12	
Acquisition expenses	(f)	1	-	1	-	-	
Expenses related to prior ownership	(j)	-	-	-	-	1	
Specialty Services adjusted EBITDA		$ 44	$ 50	$ 170	$ 50	$ 124	$ 174
Industrial Services							
Industrial Services EBITDA		$ 13	$ 9	$ 2	$ 9	$ 21	
Adjustments to reconcile EBITDA to adjusted EBITDA:							
Divested businesses	(a)	(1)	1	4	1	4	
Contingent consideration and compensation	(b)	(1)	2	-	2	(1)	
Impairment of goodwill	(c)	-	-	58	-	-	
Industrial Services adjusted EBITDA		$ 11	$ 12	$ 64	$ 12	$ 24	$ 36
Corporate and Eliminations							
Corporate and eliminations EBITDA		$ (24)	$ (181)	$ (106)	$ (185)	$ (111)	
Adjustments to reconcile EBITDA to adjusted EBITDA:							
Divested businesses	(a)	(1)	-	-	-	19	
Contingent consideration and compensation	(b)	1	-	2	(2)	-	
Business process transformation	(d)	6	-	13	-	-	
Public company registration, listing and compliance	(e)	-	5	5	17	-	
Acquisition expenses	(f)	7	8	9	21	5	
Share-based compensation costs	(i)	-	156	-	156	35	
Expenses related to prior ownership	(j)	-	-	-	-	15	
Investment income	(k)	-	-	-	(20)	-	
Corporate and Eliminations adjusted EBITDA		$ (11)	$ (12)	$ (77)	$ (13)	$ (37)	$ (50)

a) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, 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 related to goodwill.
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 potential and completed acquisition-related expenses.
g) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
h) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
i) Adjustment to reflect the elimination of non-cash charges of $155 million associated with the Annual Preferred Share Dividend and equity-based compensation related to prior ownership.
j) Adjustment to reflect the elimination of expenses under prior ownership not expected to continue or recur following the APi Acquisition.
k) Adjustment to reflect the elimination of APG investment income prior to the APi Acquisition that is not expected to recur. Cash from these investments was used to fund a portion of the cash consideration for the APi Acquisition.
l) The combined financial information for the year ended December 31, 2019 includes the results of operations of APi Group Corporation (Successor) for the period from January 1, 2019 through December 31, 2019 and the results of operations of APi Group, Inc. (Predecessor) for the period from January 1, 2019 through September 30, 2019.

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APi Group

Q4 2020 Earnings Call

BUILDING **GREAT LEADERS**