APi GROUP

# Q1 2022 Earnings Call

MAY 4, 2022

# Forward Looking Statements and Disclaimers

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Please note that in this presentation, we may discuss events or results that have not yet occurred or been realized, commonly referred to as forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of APi Group Corporation ("APi" or the "Company"). Such discussion and statements may contain words such as "expect," "anticipate," "will," "should," "believe," "intend," "plan," "estimate," "predict," "seek," "continue," "pro forma" "outlook," "may," "might," "should," "can have," "have," "likely," "potential," "target," "indicative," "illustrative," and variations of such words and similar expressions, and relate in this presentation, without limitation, to statements, beliefs, projections and expectations about future events. Such statements 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, including its capital allocation strategies; (ii) the Company's outlook and expected Q2 2022 and full year financial performance, including net revenue, adjusted EBITDA, interest expense, depreciation, capital expenditures, adjusted effective tax rate and adjusted diluted weighted average share count; (iii) the potential benefits of the acquisition of Chubb Limited's fire and security businesses ("Chubb") by APi, including the enhancement of the Company's competitive position and ability to provide more customized and proprietary offerings, the global expansion of the Company's business, the long-term opportunities for and anticipated synergies of the combined platform, the ability to redeploy cost savings to value-enhancing activities, and benefits to shareholders and employees; (iv) the Company's ability to successfully manage supply chain disruptions and inflationary cost pressures through its cost focused culture and business strategies; (v) the impact of the Company's backlog on future results; (vi) the impact of the Company's focus on inspection and service work, including statutorily required services, on future revenues; (vii) the impact of diversity in the Company's client base across geographies and end markets and low customer concentration; (viii) the Company's ability to manage results in volatile circumstances, including the expected impact of flexibility in the Company's cost structure and relatively short project duration; (ix) the ability of the Company to achieve key financial targets, including organic net revenue growth, adjusted EBITDA margin targets, margin goals, targeted average adjusted free cash flow conversion rates, or long-term leverage ratio targets; (x) the ability of the Company to successfully navigate macroeconomic challenges in 2022; (xi) the Company's belief that its leadership development culture will drive business performance and increase future cross-selling opportunities; and (xii) the Company's stock repurchase program, and the Company's intent to repurchase shares of the Company's common stock. 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, inflationary pressures and other macroeconomic factors 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) supply chain constraints and interruptions, and the resulting increases in the cost, or reductions in the supply, of the materials and commodities the Company uses in its business and for which the Company bears the risk of such increases; (iii) failure to realize the anticipated benefits of the acquisition of the Chubb fire and security business; (iv) changes in applicable laws or regulations; (v) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; (vi) the impact of the conflict between Russia and Ukraine; (vii) 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 the Company's common stock, the Company's financial performance or determinations following the date of this presentation to use the Company's funds for other purposes; and (viii) other risks and uncertainties, including those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 under the heading "Risk Factors." Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. Additional information concerning these risks, uncertainties and other factors that could cause actual results to vary is, or will be, included in the periodic and other reports filed by the Company with the Securities and Exchange Commission. Forward-looking statements included in this presentation speak only as of the date hereof 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 circumstances after the date of this presentation.

# 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. 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 gross profit, adjusted selling, general and administrative ("SG&A") expenses, adjusted net income, and adjusted earnings per share, which are non-GAAP financial measures that 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, net COVID-19 relief, non-service pension benefit, severance related costs related to corporate leadership changes 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 organic changes in net revenues on a consolidated basis or segment specific basis to provide a more complete understanding of underlying revenue trends by providing net revenues on a consistent basis as it excludes the impacts of material acquisitions, 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 current period and reported net revenues for the current period converted at the prior year average monthly exchange rates (excluding acquisitions and divestitures). The remainder is divided by the prior year net revenues, excluding the impacts of material acquisitions and completed divestitures.

# Non-GAAP Financial Measures (Cont’d)

- 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”). Adjusted EBITDA margin is calculated as adjusted EBITDA divided by net revenues. 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. 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.

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 in this presentation.

The Company does not provide reconciliations of forward-looking non-U.S. GAAP adjusted EBITDA and growth in organic 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.

Beginning with the first quarter of 2022, the Company has combined its Industrial Services and Specialty Services segments into one operating segment. Certain prior year amounts have been recast to conform to this presentation and the information in the tables below has been retroactively adjusted to reflect these changes in reporting segments.

# First Quarter 2022 Performance Highlights

- ✓ Reported net revenues increased by **83%** and net revenues increased on an organic basis by approximately **16%** in the first quarter
- ✓ Reported and adjusted gross margin expansion of **302** and **371** basis points, respectively, for the first quarter
- ✓ Adjusted EBITDA margin expansion of **111** basis points in the first quarter
- ✓ Adjusted diluted earnings per share in the first quarter of **$0.23**, representing a **$0.10** increase from prior year period
- ✓ Consolidated backlog at a record high level of **$3.6** billion as of the end of March

# 2022 Financial Results Overview

**THREE MONTHS ENDED MARCH 31, 2022**

| NET REVENUES | ADJUSTED GROSS MARGIN | ADJUSTED EBITDA | ADJUSTED DILUTED EPS |
|---|---|---|---|
| **15.9%** Increase in net revenues on an organic basis compared to prior year period driven by continued growth in inspection and service revenue in Safety Services as well as general market recovery in Safety and Specialty Services compared to the prior year period which was negatively impacted by the COVID-19 pandemic<br><br>**83.2%** Increase in reported net revenues compared to prior year period, driven by revenue from acquisitions in Safety Services and strong organic growth in Safety and Specialty Services | **26.4%** Representing a 371 basis point increase compared to prior year period adjusted gross margin of 22.7% driven by an improved mix of inspection and service revenue supplemented by acquisitions in Safety Services and organic growth as well as improved productivity in Specialty Services, partially offset by supply chain disruptions and inflation causing downward pressure on margins | **$128 million** 8.7% margin, representing a 111 basis point increase compared to prior year period adjusted EBITDA margin of 7.6% | **$0.23 / share** $0.13 increase from prior year period driven by accretion from acquisitions in Safety Services and strong organic growth in Safety and Specialty Services |

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



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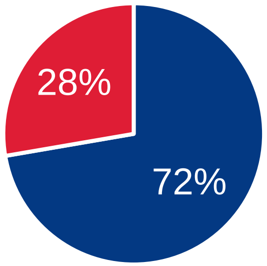
# 2022 Financial Results Overview

## THREE MONTHS ENDED MARCH 31, 2022

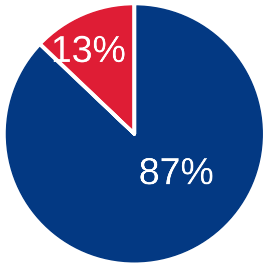
### NET REVENUES

**Total: $1.5 billion[1]**



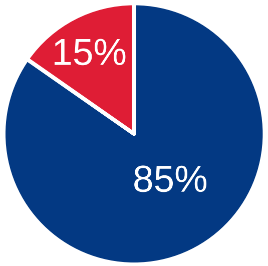

### ADJUSTED GROSS PROFIT

**Total: $388 million**




### ADJUSTED EBITDA

**Total: $150 million[1]**




● Safety Services ● Specialty Services

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

# Key Financial and Operating Metrics

$ IN MILLIONS

| ($ in millions, except per share figures) | THREE MONTHS ENDED MARCH 31, | | |
|---|---|---|---|
| | 2022 | 2021 | YoY Change |
| **Net Revenues** | **$1,471** | **$803** | ***+83.2%*** |
| *Net Revenues on an Organic Basis* | | | *15.9%* |
| **Adjusted Gross Profit** | **$388** | **$182** | ***+113.2%*** |
| *Adjusted Gross Margin* | *26.4%* | *22.7%* | *+371 bp* |
| **Adjusted EBITDA** | **$128** | **$61** | ***+109.8%*** |
| *Adjusted EBITDA Margin* | *8.7%* | *7.6%* | *+111 bp* |
| **Adjusted Net Income** | **$62** | **$22** | ***+181.8%*** |
| **Adjusted Diluted EPS** | **$0.23** | **$0.10** | ***+$0.13*** |
| **Operating Cash Flow** | **($118)** | **$32** | ***NM*** |
| **Adjusted Free Cash Flow** | **($47)** | **$23** | ***NM*** |
| *Adjusted Free Cash Flow Conversion* | *(36.7%)* | *37.7%* | *NM* |

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



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# 2022 Guidance

**NET REVENUES**

**$6,450 – $6,600 million**

**ADJUSTED EBITDA**

**$650 – $700 million**

# 2022 Guidance (cont'd)

- Despite certain macroeconomic uncertainty and ongoing supply chain disruptions and inflation, the resiliency of our business and top-line momentum give us the confidence to increase guidance expectations for net revenues and confirm prior guidance for adjusted EBITDA
- 2022 net revenues between **\$6,450 to \$6,600 million**, up from \$6,300 to \$6,500 million noted in February 23rd press release
- Growth in net revenues on an organic basis at constant currencies of **8 – 9%,** up from 6 – 7% noted in February 23rd press release
- 2022 adjusted EBITDA between **\$650 to \$700 million**, which will be largely dependent on the speed in which we finalize and implement certain integration activities across our platform

# 2022 Guidance (cont'd)

$ IN MILLIONS

| | Q2 | Second Half | FY |
|---|---|---|---|
| **Net Revenues** | $1,650 to $1,700 | $3,329 to $3,429 | $6,450 to $6,600 |
| **Adjusted EBITDA** | $170 to $180 | $352 to $392 | $650 to $700 |

# Focus on Long-Term Value Creation

Deliver long-term organic revenue growth above industry average

Leverage SG&A / COGS

Expand adjusted EBITDA margin to **13%+** BY YE 2025

Average 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**

# Appendix

# Reconciliation of Non-GAAP Financial Measures

## Organic Change in Net Revenues (non-GAAP)

$ IN MILLIONS

| | For the Three Months Ended March 31, 2022 | | | |
|---|---|---|---|---|
| | Net revenues change (as reported) | Acquisitions and divestitures, net (a) | Foreign currency translation (b) | Organic change in net revenues (c) |
| Safety Services | 130.5 % | 116.5 % | (0.6) % | 14.6 % |
| Specialty Services | 19.8 % | - | - | 19.8 % |
| **Consolidated** | **83.2 %** | **67.7 %** | **(0.4) %** | **15.9 %** |

(a) Adjustment to exclude net revenues from material acquisitions from their respective dates of acquisition until the first year anniversary from date of acquisition and net revenues from divestitures for all periods for businesses divested as of March 31, 2022.

(b) Represents the effect of foreign currency on reported net revenues (excluding acquisitions referenced in (a)), calculated as the difference between the reported net revenues for the current period and reported net revenues for the current period converted at the prior year average monthly exchange rates.

(c) Organic change in net revenues provides a consistent basis for a year-over-year comparison in net revenues as it excludes the impacts of material acquisitions, divestitures, and the impact of changes due to foreign currency translation.

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

$ IN MILLIONS

## Adjusted Gross Profit (non-GAAP)

| | | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2021 | |
| Gross profit (as reported) | | $ | 376 | $ | 181 |
| Adjustments to reconcile gross profit to adjusted gross profit: | | | | | |
| Backlog amortization | (a) | | 3 | | 1 |
| Inventory step-up | (b) | | 9 | | - |
| Adjusted gross profit | | $ | 388 | $ | 182 |
| *Net revenues* | | *$* | *1,471* | *$* | *803* |
| *Adjusted gross margin* | | | *26.4%* | | *22.7%* |

## Adjusted SG&A (non-GAAP)

| | | For the Three Months Ended March 31, | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2021 | |
| Selling, general, and administrative expenses ("SG&A") (as reported) | | $ | 383 | $ | 183 |
| Adjustments to reconcile SG&A to adjusted SG&A: | | | | | |
| Contingent consideration and compensation | (c) | | (4) | | (2) |
| Amortization of intangible assets | (d) | | (54) | | (30) |
| Business process transformation expenses | (e) | | (5) | | (6) |
| Integration and reorganization expenses | (f) | | (3) | | - |
| Recent acquisition transition expenses | (g) | | (14) | | |
| Acquisition expenses | (h) | | (24) | | (3) |
| Adjusted SG&A expenses | | $ | 279 | $ | 142 |
| *Net revenues* | | *$* | *1,471* | *$* | *803* |
| *Adjusted SG&A as a percentage of net revenues* | | | *19.0%* | | *17.7%* |

(a) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
(b) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(c) Adjustment to reflect the elimination of the expense, or reversal of previously recorded expense, attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
(d) Adjustment to reflect the addback of amortization expense.
(e) Adjustment to reflect the elimination of non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(f) Adjustment to reflect the elimination of expenses related to the integration and reorganization of newly acquired businesses.
(g) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(h) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.



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

**Adjusted income before income tax, net income (loss) and EPS (non-GAAP)**

$ IN MILLIONS

| | | For the Three Months Ended March 31, 2022 | 2021 |
|---|---|---|---|
| Income (loss) before taxes (as reported) | | $ (23) | $ (14) |
| Adjustments to reconcile income (loss) before taxes to adjusted income (loss) before taxes: | | | |
| Amortization of intangible assets | (a) | 57 | 31 |
| Contingent consideration and compensation | (b) | 4 | 2 |
| Business process transformation expenses | (c) | 5 | 6 |
| Inventory step-up | (d) | 9 | - |
| Acquisition expenses | (e) | 24 | 4 |
| Non-service pension benefit | (f) | (11) | - |
| Integration and reorganization expenses | (g) | 3 | - |
| Recent acquisition transition expenses | (h) | 14 | |
| COVID-19 relief at Canadian subsidiaries | (i) | - | (2) |
| Adjusted income before taxes | | $ 82 | $ 27 |
| Income tax provision (benefit) (as reported) | | $ (16) | $ (6) |
| Adjustments to reconcile income tax provision to adjusted income tax provision: | | | |
| Income tax provision adjustment | (j) | 36 | 11 |
| Adjusted income tax provision | | $ 20 | $ 5 |
| Adjusted income before income tax provision | | $ 82 | $ 27 |
| Adjusted income tax provision | | 20 | 5 |
| Adjusted net income | | $ 62 | $ 22 |
| Diluted weighted average shares outstanding (as reported) | | 232 | 192 |
| Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding: | | | |
| Dilutive impact of shares from GAAP net loss | (k) | - | 4 |
| Dilutive impact of Series A Preferred Stock | (l) | 4 | 4 |
| Dilutive impact of Series B Preferred Stock | (m) | 33 | - |
| Adjusted diluted weighted average shares outstanding | | 269 | 200 |
| *Adjusted diluted EPS* | | *$ 0.23* | *$ 0.10* |

(a) Adjustment to reflect the addback of pre-tax amortization expense related to intangible assets.
(b) Adjustment to reflect the elimination of the expense, or reversal of previously recorded 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-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(d) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(e) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.
(f) Adjustment to reflect the elimination of non-service pension benefit, which consists of interest cost, expected return on plan assets and amortization of actuarial gains/losses of the pension programs assumed as part of the Chubb acquisition.
(g) Adjustment to reflect the elimination of integration and reorganization expenses associated with acquisitions.
(h) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(i) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief.
(j) Adjustment to reflect an adjusted effective cash tax rate of 24% for the three months ended March 31, 2022 and 21% for the three months ended March 31, 2021 applied to resulting adjusted pre-tax income inclusive of the adjustments shown above.
(k) Adjustment to add the dilutive impact of options, RSUs, and PSUs which were anti-dilutive and excluded from the diluted weighted average shares outstanding (as reported).
(l) Adjustment for the three months ended March 31, 2022 and 2021 reflects addition of the GAAP dilutive impact of 4 million shares associated with the deemed conversion of Series A Preferred Stock.
(m) Adjustment for the three months ended March 31, 2022 reflects addition of the GAAP dilutive impact of 33 million shares associated with the deemed conversion of Series B Preferred Stock.

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

## Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

| | | For the Three Months Ended March 31, | |
|---|---|---|---|
| | | 2022 (a) | 2021 (a) |
| **Safety Services** | | | |
| Net revenues | | $ 1,074 | $ 466 |
| Adjusted gross profit | | 338 | 147 |
| Adjusted EBITDA | | 127 | 63 |
| | | | |
| *Adjusted gross margin* | | *31.5%* | *31.5%* |
| *Adjusted EBITDA as a percentage of net revenues* | | *11.8%* | *13.5%* |
| **Specialty Services** | | | |
| Net revenues | | $ 412 | $ 344 |
| Adjusted gross profit | | 50 | 35 |
| Adjusted EBITDA | | 23 | 16 |
| | | | |
| *Adjusted gross margin* | | *12.1%* | *10.2%* |
| *Adjusted EBITDA as a percentage of net revenues* | | *5.6%* | *4.7%* |
| *Total net revenues before corporate and eliminations* | (b) | *$ 1,486* | *$ 810* |
| *Total adjusted EBITDA before corporate and eliminations* | (b) | *150* | *79* |
| *Adjusted EBITDA as a percentage of net revenues before corporate and eliminations* | (b) | *10.1%* | *9.8%* |
| **Corporate and Eliminations** | | | |
| Net revenues | | $ (15) | $ (7) |
| Adjusted EBITDA | | (22) | (18) |
| **Total Consolidated** | | | |
| Net revenues | | $ 1,471 | $ 803 |
| Adjusted gross profit | | 388 | 182 |
| Adjusted EBITDA | | 128 | 61 |
| | | | |
| *Adjusted gross margin* | | *26.4%* | *22.7%* |
| *Adjusted EBITDA as a percentage of net revenues* | | *8.7%* | *7.6%* |

a) Information derived from non-GAAP reconciliations included elsewhere in this press release.
b) Calculated from results of the Company's operating segments shown above, excluding Corporate and Eliminations.



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

## Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

| | For the Three Months Ended March 31, 2022 | | | For the Three Months Ended March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | *As Reported* | *Adjustments* | *As Adjusted* | *As Reported* | *Adjustments* | *As Adjusted* |
| **Safety Services** | | | | | | |
| Net revenues | $ 1,074 | $ - | $ 1,074 | $ 466 | $ - | $ 466 |
| Cost of revenues | 747 | (9) (a) | 736 | 319 | - | 319 |
| | | (2) (b) | | | | |
| Gross profit | $ 327 | $ 11 | $ 338 | $ 147 | $ - | $ 147 |
| *Gross margin* | *30.4%* | | *31.5%* | *31.5%* | | *31.5%* |
| **Specialty Services** | | | | | | |
| Net revenues | $ 412 | $ - | $ 412 | $ 344 | $ - | $ 344 |
| Cost of revenues | 363 | (1) (b) | 362 | 310 | (1) (b) | 309 |
| Gross profit | $ 49 | $ 1 | $ 50 | $ 34 | $ 1 | $ 35 |
| *Gross margin* | *11.9%* | | *12.1%* | *9.9%* | | *10.2%* |
| **Corporate and Eliminations** | | | | | | |
| Net revenues | $ (15) | $ - | $ (15) | $ (7) | $ - | $ (7) |
| Cost of revenues | (15) | - | (15) | (7) | - | (7) |
| **Total Consolidated** | | | | | | |
| Net revenues | $ 1,471 | $ - | $ 1,471 | $ 803 | $ - | $ 803 |
| Cost of revenues | 1,095 | (9) (a) | 1,083 | 622 | (1) (b) | 621 |
| | | (3) (b) | | | | |
| Gross profit | $ 376 | $ 12 | $ 388 | $ 181 | $ 1 | $ 182 |
| *Gross margin* | *25.6%* | | *26.4%* | *22.5%* | | *22.7%* |

a) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
b) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.

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

## Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

| | | For the Three Months Ended March 31, 2022 | For the Three Months Ended March 31, 2021 |
|---|---|---|---|
| **Safety Services** | | | |
| Safety Services EBITDA | | $ 123 | $ 65 |
| Adjustments to reconcile EBITDA to adjusted EBITDA: | | | |
| Contingent consideration and compensation | (a) | 1 | - |
| Non-service pension benefit | (b) | (11) | - |
| Inventory step-up | (c) | 9 | - |
| Recent acquisition transition expenses | (d) | 5 | |
| COVID-19 relief at Canadian subsidiaries | (e) | - | (2) |
| Safety Services adjusted EBITDA | | $ 127 | $ 63 |
| **Specialty Services** | | | |
| Specialty Services EBITDA | | $ 20 | $ 14 |
| Adjustments to reconcile EBITDA to adjusted EBITDA: | | | |
| Contingent consideration and compensation | (a) | 3 | 2 |
| Specialty Services adjusted EBITDA | | $ 23 | $ 16 |
| **Corporate and Eliminations** | | | |
| Corporate and Eliminations EBITDA | | $ (63) | $ (28) |
| Adjustments to reconcile EBITDA to adjusted EBITDA: | | | |
| Business process transformation expenses | (f) | 5 | 6 |
| Contingent consideration and compensation | (a) | - | - |
| Acquisition expenses | (g) | 24 | 4 |
| Integration and reorganization expenses | (h) | 3 | - |
| Recent acquisition transition expenses | (d) | 9 | - |
| Corporate and Eliminations adjusted EBITDA | | $ (22) | $ (18) |

(a) Adjustment to reflect the elimination of the expense, or reversal of previously recorded 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-service pension benefit, which consists of interest cost, expected return on plan assets and amortization of actuarial gains/losses of the pension programs assumed as part of the Chubb acquisition.
(c) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(d) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(e) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief.
(f) Adjustment to reflect the elimination of non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(g) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.
(h) Adjustment to reflect the elimination of integration and reorganization expenses associated with acquisitions.

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

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

$ IN MILLIONS

| | | For the Three Months Ended March 31, | |
|---|---|---|---|
| | | 2022 | 2021 |
| Net cash provided by (used in) operating activities (as reported) | | $ (118) | $ 32 |
| Less: Purchases of property and equipment | | (12) | (18) |
| Free cash flow | | $ (130) | $ 14 |
| Add (deduct): Cash payments (sources) related to following items: | | | |
| Contingent compensation | (a) | 1 | 1 |
| Business process transformation expenses | (b) | 5 | 6 |
| Acquisition costs | (c) | 33 | 4 |
| Integration and reorganization expenses | (d) | 3 | - |
| Recent acquisition transition expenses | (e) | 14 | |
| Pension contributions | (f) | 27 | - |
| COVID-19 relief at Canadian subsidiaries | (g) | - | (2) |
| Adjusted free cash flow | | $ (47) | $ 23 |
| | | | |
| *Adjusted EBITDA* | (h) | *$ 128* | *$ 61* |
| *Adjusted free cash flow conversion* | | *(36.7) %* | *37.7%* |

(a) Adjustment to reflect the elimination of deferred payments to prior owners of acquired businesses not expected to continue or recur.
(b) Adjustment to reflect the elimination of operating cash used for non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(c) Adjustment to reflect the elimination of potential and completed acquisition-related costs.
(d) Adjustment to reflect the elimination of integration and reorganization expenses associated with acquisitions.
(e) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(f) Adjustment to reflect the elimination of initial pension contribution payment not expected to continue or recur.
(g) Adjustment to reflect the elimination of cash received in Canada for COVID-19 relief, not expected to continue or recur.
(h) Adjusted EBITDA derived from non-GAAP reconciliations included elsewhere in this presentation.

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# Q1 2022
# Earnings Call