



Q3 2023 Earnings Call

Forward Looking Statements and Disclaimers

Please note that in this presentation the Company 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 press release, 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.

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, political risks, and other risks that may affect the Company's future performance, including the impacts of 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) risks associated with the Company's expanded international operations; (iv) failure to realize the anticipated benefits of the acquisition of the Chubb fire and security business and our ability to successfully execute the Company's bolt-on acquisition strategy to acquire other businesses and successfully integrate them into its operations; (v) failure to fully execute the Company's inspection first strategy or to realize the expected service revenue from such inspections; (vi) risks associated with the Company's decentralized business model and participation in joint ventures; (vii) improperly managed projects or project delays; (viii) adverse developments in the credit markets which could impact the Company's ability to secure financing in the future; (ix) the Company's substantial level of indebtedness; (x) risks associated with the Company's contract portfolio; (xi) changes in applicable laws or regulations; (xii) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; (xiii) the impact of the conflict between Russia and Ukraine; (xiv) the trading price of the Company's common stock, which may be positively or negatively impacted by market and economic conditions, the availability of the Company's common stock, the Company's financial performance or determinations following the date of this press release to use the Company's funds for other purposes; and (xv) other risks and uncertainties, including those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 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 press release 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-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The Company uses certain non-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-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 (d) provide consistent period-to-period comparisons of the results. 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, restructuring costs, 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 discloses fixed currency net revenues and adjusted EBITDA ("FFX") on a consolidated basis or segment specific basis to provide a more complete understanding of underlying revenue and adjusted EBITDA trends by providing net revenues and adjusted EBITDA on a consistent basis. Under U.S. GAAP, income statement results are translated in U.S. Dollars at the average exchange rates for the period presented. Management believes that the fixed currency non-GAAP measures are useful in providing period-to-period comparisons of the results of the Company's operational performance, as it excludes the translation impact of exchange rate fluctuations on our international results. Fixed currency amounts included in this presentation are based on translation into U.S. dollars at the fixed foreign currency exchange rates established by management at the beginning of 2023.
- 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 fixed foreign currency exchange rates (excluding material acquisitions and divestitures). The remainder is divided by prior year fixed currency net revenues, excluding the impacts of completed 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-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-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.

Non-GAAP Financial Measures (cont'd)

- 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, payments on acquired liabilities, payments made for restructuring programs, impacts of businesses classified as assets held-for-sale and businesses divested, and one-time and other events such as post-measurement period purchase accounting adjustments for acquisitions, COVID-19 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 presents net capital expenditures ("Net CapEx"), which is defined as capital expenditures less proceeds from the sale of property, equipment, and businesses. The Company's management believes that the presentation of net capital expenditures provides useful information regarding the net capital invested into the Company's physical infrastructure and fixed assets.
- The Company calculates its leverage ratio in accordance with its debt agreements which include different adjustments to EBITDA from those included in the adjusted EBITDA numbers reported externally.

While the Company believes these non-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-GAAP financial measures may differ from similar measures presented by other companies. A reconciliation of these non-GAAP financial measures is included in this presentation.

Beginning with the first quarter of 2023, the Company simplified the presentation of non-GAAP reconciliations, by combining certain adjustment line items. Certain prior year amounts have been reclassified to conform to this presentation and the information in the tables below has been retroactively adjusted to reflect these changes in adjustment categories. Specifically, amounts previously classified as "integration and reorganization" have been reclassified as "business process transformation," and prior period amounts classified as "acquisition expenses" and "recent acquisition transition expenses" have been combined and categorized as "acquisition related expenses."

The Company does not provide reconciliations of forward-looking non-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, restructuring costs, 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.

API's "13/60/80" Shareholder Value Creation Framework

Building Great Leaders

- Teammate safety and engagement
- Everyone, everywhere is a leader
- Best-in-class field leaders and leadership development
- Paying for performance
- ESG & diversity, equity and inclusion

Generating Free Cash Flow

- Long-term target of 80% adjusted free cash flow conversion and net leverage ratio of 2.5x
- Asset light, low capex operating model
- Continuously pursuing accretive M&A and portfolio optimization



Aspiring to be the #1 People-First Public Company and #1 in Business Performance







Growing Revenue

- Delivering long-term organic revenue growth above industry average
- Go-to-market strategy of selling inspections first
- Expanding share with new and existing customers
- Expanding capabilities and geographies

Expanding Margins

- 13%+ Adjusted EBITDA Margin by 2025
- Improving mix with long-term target of 60%+ of revenue from inspection, service and monitoring
- Pricing initiatives and disciplined project and customer selection
- Systems, scale, leverage and operational excellence
- Procurement savings and \$100M value capture

Third Quarter 2023 Performance Highlights

- 
 Third quarter net revenues of **\$1.8** billion, an increase of **2.8%**
- 
 Organic net revenue growth of **1.3%** in the third quarter
- 
 Adjusted gross margin expansion of **270** basis points in the third quarter
- 
 Third quarter adjusted EBITDA of **\$224** million, representing adjusted EBITDA margin expansion of **190** basis points, and record third quarter adjusted EBITDA margin of **12.6%**
- 
 Adjusted diluted earnings per share in the third quarter of **\$0.48**
- 
 Third quarter adjusted free cash flow of **\$146** million

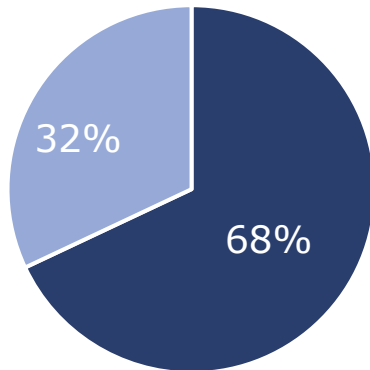
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

2023 Financial Results Overview

THREE MONTHS ENDED SEPTEMBER 30, 2023

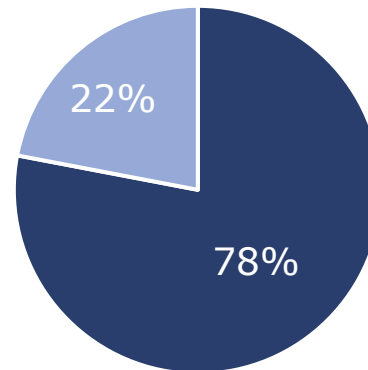
NET REVENUES

Total: \$1.8 billion⁽¹⁾



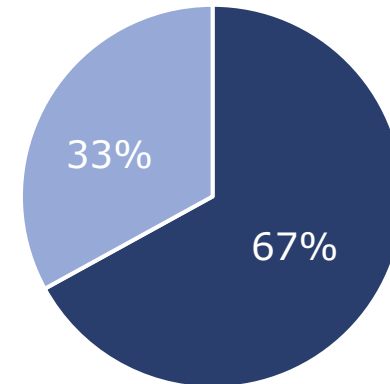
ADJUSTED GROSS PROFIT

Total: \$518 million



ADJUSTED EBITDA

Total: \$252 million⁽¹⁾



● Safety Services ● Specialty Services

Notes: 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

THREE MONTHS ENDED SEPTEMBER 30,

(\$ in millions, except per share figures)

	2023	2022	YoY Change	YoY (FFX) ^(a)
Net Revenues	\$ 1,784	\$ 1,735	+ 2.8%	+ 1.6%
<i>Organic Net Revenue Growth ^(b)</i>				+ 1.3%
Adjusted Gross Profit	\$ 518	\$ 457	+ 13.3%	
<i>Adjusted Gross Margin</i>	29.0%	26.3%	+ 270 bps	
Adjusted EBITDA	\$ 224	\$ 186	+ 20.4%	+ 19.1%
<i>Adjusted EBITDA Margin</i>	12.6%	10.7%	+ 190 bps	
Adjusted Net Income	\$ 130	\$ 99	+ 31.3%	
Adjusted Diluted EPS	\$ 0.48	\$ 0.37	+ 29.7%	
Operating Cash Flow	\$ 144	\$ 146	(1.4)%	
Adjusted Free Cash Flow	\$ 146	\$ 166	(12.0)%	
<i>Adjusted Free Cash Flow Conversion</i>	65.2%	89.2%	(2,400) bps	

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

a) Amount represents the year-over-year change when comparing both years after eliminating the impact of fluctuations in foreign currency rates by translating foreign currency denominated results at fixed foreign currency ("FFX") rates for both periods.

b) 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.

Key Segment Financial and Operating Metrics

THREE MONTHS ENDED SEPTEMBER 30,

(\$ in millions)	Safety Services				Specialty Services			
	2023	2022	YoY Change	YoY (FFX) ^(a)	2023	2022	YoY Change	YoY (FFX) ^(a)
Net Revenues	\$ 1,217	\$ 1,154	+ 5.5%	+ 3.5%	\$ 569	\$ 590	(3.6)%	(3.6)%
<i>Organic Net Revenue Growth ^(b)</i>				+ 3.0%				(3.6)%
Adjusted Gross Profit	\$ 405	\$ 354	+ 14.4%		\$ 112	\$ 103	+ 8.7%	
<i>Adjusted Gross Margin</i>	33.3%	30.7%	+ 260 bps		19.7%	17.5%	+ 220 bps	
Adjusted EBITDA	\$ 169	\$ 139	+ 21.6%	+ 19.9%	\$ 83	\$ 74	+ 12.2%	+ 12.2%
<i>Adjusted EBITDA Margin</i>	13.9%	12.0%	+ 190 bps		14.6%	12.5%	+ 210 bps	

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

(a) Amount represents the year-over-year change when comparing both years after eliminating the impact of fluctuations in foreign currency rates by translating foreign currency denominated results at fixed foreign currency ("FFX") rates for both periods.

(b) 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.

Updated 2023 Guidance as of November 2, 2023

NET REVENUES

\$6,900 - \$6,950 million

Down from

\$7,015 - \$7,075 million

ADJUSTED EBITDA

\$775 - \$785 million

Up⁽¹⁾ from

\$765 - \$785 million

(1) Represents an increase at the bottom end.

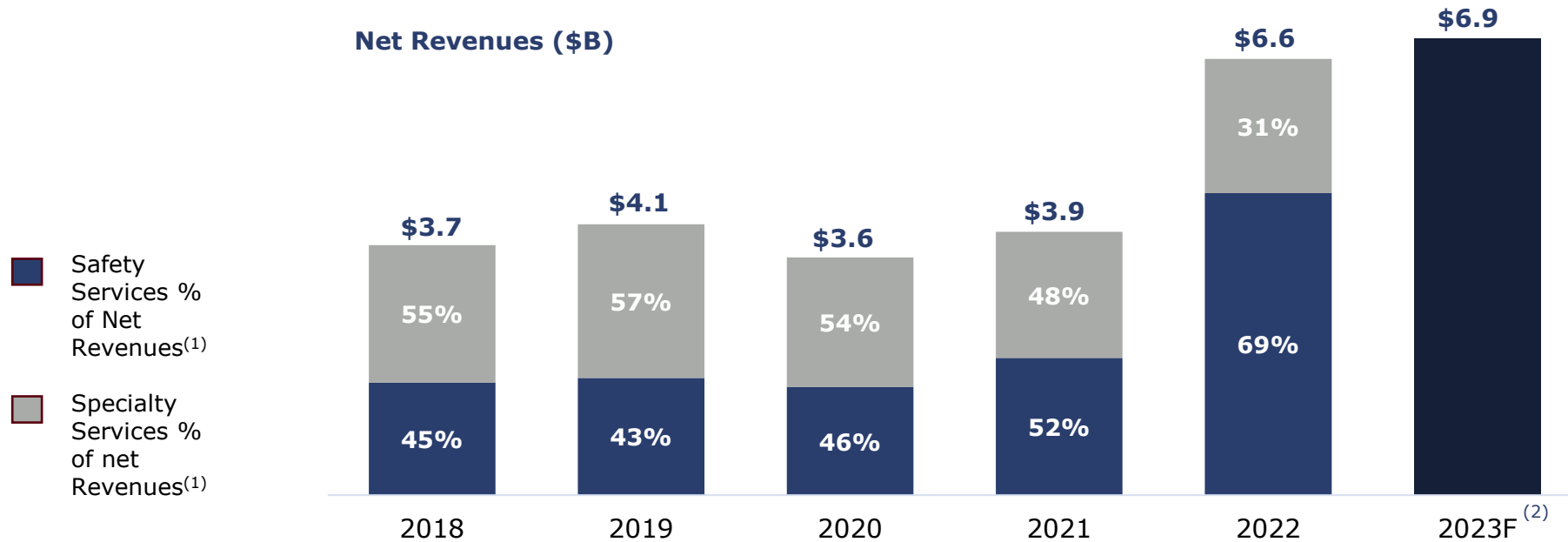
Updated 2023 & Q4 Guidance as of November 2, 2023

	Q4 2023	FY 2023
Net Revenues	\$1,730 to \$1,780 million	\$6,900 to \$6,950 million
<i>Reported Net Revenues versus Last Year</i>	2% - 5%	5% - 6%
<i>Net Revenue Organic Growth at Fixed Currencies</i>	1% - 4%	5% - 6%
Adjusted EBITDA	\$200 to \$210 million	\$775 to \$785 million
<i>Adjusted EBITDA versus Last Year</i>	9% - 15%	15% - 17%
<i>Adjusted EBITDA Organic Growth at Fixed Currencies</i>	8% - 13%	15% - 16%
Adjusted Free Cash Flow Conversion		At or Above 65%

Capitalization

- ✓ As of the end of the third quarter, our net debt to adjusted EBITDA ratio was approximately **2.7x** calculated pursuant to terms of existing debt agreements
- ✓ Remain laser focused on cash generation and deleveraging to below our target net leverage ratio of **2.5x** by year-end 2023
- ✓ Executed **5 bolt-on acquisitions** during the first three quarters of 2023
- ✓ On October 11, 2023 we closed the successful repricing and maturity extension of our Term Loans. The repricing reduces the applicable margin on all outstanding amounts by 25 basis points representing **cash savings of approximately \$4** million annually.
- ✓ Weighted average debt maturity of approximately **5 years** as of November 2, 2023.

API's Continuous Evolution into an Asset Light, Services-Focused Business Model



Capital Expenditures as a % of Net Revenues						
Gross Capex⁽³⁾	2.0%	1.6%	1.1%	1.4%	1.2%	1.3%⁽⁴⁾
(-) Proceeds from Sale of PP&E ⁽⁵⁾	(0.1)%	(0.3)%	(0.5)%	(0.5)%	(0.3)%	(0.2)% ⁽⁷⁾
Net Capex⁽⁶⁾	1.9%	1.3%	0.6%	0.9%	0.9%	1.1%

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

(1) Segment % of net revenues is based on total net revenues before corporate and eliminations. Specialty Services net revenues include former Industrial Services for periods prior to 2021.

(2) Based on midpoint of full year revenue guidance provided on November 2, 2023 and \$90 million of annual capital expenditures.

(3) Includes impact of corporate capital expenditures.

(4) Reflects catch up capital expenditures in the Chubb business from 2022 during which time capital expenditures were limited as the business was separated from Carrier.

(5) Expressed as a % of net revenues.

(6) Represents capital expenditures less proceeds from sale of PP&E as a % of net revenues.

(7) Represents \$13 million of proceeds from the sale of PP&E for the nine months ended September 30, 2023.

Key Takeaways:

Portfolio Evolution

- 35+ acquisitions from 2018-2023 with 85%+ of transactions in Safety Services, including Chubb
- 2 divestitures in Specialty Services from 2020 and 2021
- Safety Services expands from ~45% to ~70% of net revenues from 2018 to 2023

Financial Evolution

- Adjusted EBITDA Margin Expansion
 - ✓ 2018A: <10%
 - ✓ 2023F: 11%+
 - ✓ 2025E: 13%+
- Increased inspection, service and monitoring revenue to 50%+
- Increasingly Asset Light
 - ✓ 2018: 1.9% net capex as % of net revenues
 - ✓ 2023: 1.1% net capex as % of net revenues

Appendix

Reconciliation of Non-GAAP Financial Measures

Net Capital Expenditures ("Net CapEx") (Non-GAAP)

\$ IN MILLIONS

	For the year ended December 31,					
	2018	2019	2020	2021	2022	2023F
Net revenues	\$ 3,728	\$ 4,092	\$ 3,587	\$ 3,940	\$ 6,558	\$6,900 - \$6,950
Purchases of property and equipment ("Gross CapEx")	\$ 74	\$ 64	\$ 38	\$ 55	\$ 79	\$ 90
<i>Gross CapEx % of net revenues</i>	2.0 %	1.6 %	1.1 %	1.4 %	1.2 %	1.3 % ⁽¹⁾
Proceeds from sales of property, equipment, and businesses	\$ (5)	\$ (12)	\$ (17)	\$ (20)	\$ (17)	\$ (13) ⁽²⁾
<i>Proceeds from sales of property, equipment, and businesses as a % of net revenues</i>	(0.1) %	(0.3) %	(0.5) %	(0.5) %	(0.3) %	(0.2) % ⁽¹⁾
Net CapEx ⁽³⁾	\$ 69	\$ 52	\$ 21	\$ 35	\$ 62	\$ 77 ⁽¹⁾
<i>Net CapEx as a % of net revenues</i>	1.9 %	1.3 %	0.6 %	0.9 %	0.9 %	1.1 % ⁽¹⁾

(1) Based on midpoint of full year revenue guidance provided on November 2, 2023 and \$90 million of annual capital expenditures.

(2) Represents \$13 million of proceeds from the sale of PP&E for the nine months ended September 30, 2023.

(3) Represents capital expenditures less proceeds from sales of property, equipment, and businesses.

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

Organic Change in Net Revenues (non-GAAP)

Three Months Ended September 30, 2023

	Net revenues change (as reported)	Foreign currency translation (a)	Net revenues change (fixed currency) (b)	Acquisitions and divestitures, net (c)	Organic change in net revenues (d)
Safety Services	5.5%	2.0%	3.5%	0.5%	3.0%
Specialty Services	(3.6)%	—%	(3.6)%	—%	(3.6)%
Consolidated	2.8%	1.2%	1.6%	0.3%	1.3%

Nine Months Ended September 30, 2023

	Net revenues change (as reported)	Foreign currency translation (a)	Net revenues change (fixed currency) (b)	Acquisitions and divestitures, net (c)	Organic change in net revenues (d)
Safety Services	7.7%	(0.4)%	8.1%	0.2%	7.9%
Specialty Services	2.2%	—%	2.2%	—%	2.2%
Consolidated	6.5%	(0.3)%	6.8%	0.2%	6.6%

- a) Represents the effect of foreign currency on reported net revenues, calculated as the difference between reported net revenues and net revenues at fixed currencies for both periods. Fixed currency amounts are based on translation into U.S. Dollars at fixed foreign currency exchange rates established by management at the beginning of 2023.
- b) Amount represents the year-over-year change when comparing both years after eliminating the impact of fluctuations in foreign currency rates by translating foreign currency denominated results at fixed foreign currency ("FFX") rates for both periods.
- c) 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 September 30, 2023.
- d) 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)

Adjusted Gross Profit (non-GAAP)

\$ IN MILLIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross profit (as reported)	\$ 511	\$ 440	\$ 1,432	\$ 1,251
Adjustments to reconcile gross profit to adjusted gross profit:				
Backlog amortization (a)	7	15	20	22
Inventory step-up (b)	—	—	—	9
Restructuring program related costs (c)	—	2	—	4
Adjusted gross profit	\$ 518	\$ 457	\$ 1,452	\$ 1,286
<i>Net revenues</i>	\$ 1,784	\$ 1,735	\$ 5,169	\$ 4,855
<i>Adjusted gross margin</i>	29.0 %	26.3 %	28.1 %	26.5 %

Adjusted SG&A (non-GAAP)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Selling, general, and administrative expenses ("SG&A") (as reported)	\$ 407	\$ 379	\$ 1,148	\$ 1,138
Adjustments to reconcile SG&A to adjusted SG&A:				
Amortization of intangible assets (d)	(49)	(36)	(147)	(143)
Contingent consideration and compensation (e)	(4)	(3)	(8)	(8)
Business process transformation expenses (f)	(6)	(6)	(17)	(23)
Acquisition related expenses (g)	(1)	(33)	(7)	(89)
Restructuring program related costs (c)	(17)	(5)	(24)	(14)
Other (h)	(11)	—	1	—
Adjusted SG&A expenses	\$ 319	\$ 296	\$ 946	\$ 861
<i>Net revenues</i>	\$ 1,784	\$ 1,735	\$ 5,169	\$ 4,855
<i>Adjusted SG&A as a % of net revenues</i>	17.9 %	17.1 %	18.3 %	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 expenses associated with restructuring programs and related costs.
- d) Adjustment to reflect the addback of amortization expense.
- e) Adjustment to reflect the elimination of the expense attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
- f) Adjustment to reflect the elimination of expenses associated with the integration and reorganization of newly acquired businesses and nonoperational 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 transaction costs related to potential and completed acquisitions and expenses associated with the transition of newly acquired businesses from prior ownership into API Group.
- h) Adjustment includes various miscellaneous non-recurring items, such as eliminations of changes in fair value estimates to acquired liabilities and impairment recorded on assets held-for-sale.

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

Adjusted EBITDA (non-GAAP)

\$ IN MILLIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (as reported)	\$ 54	\$ 28	\$ 128	\$ 51
Adjustments to reconcile net income to EBITDA:				
Interest expense, net	37	33	112	88
Income tax provision	20	18	59	16
Depreciation and amortization	77	73	226	225
EBITDA	\$ 188	\$ 152	\$ 525	\$ 380
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation (a)	4	3	8	8
Non-service pension benefit (b)	(3)	(10)	(9)	(32)
Inventory step-up (c)	—	—	—	9
Business process transformation expenses (d)	6	6	17	23
Acquisition related expenses (e)	1	33	7	89
(Gain) loss on extinguishment of debt, net (f)	—	(5)	3	(5)
Restructuring program related costs (g)	17	7	24	18
Other (h)	11	—	(1)	—
Adjusted EBITDA	\$ 224	\$ 186	\$ 574	\$ 490
Net revenues	\$ 1,784	\$ 1,735	\$ 5,169	\$ 4,855
Adjusted EBITDA as a % of net revenues	12.6 %	10.7 %	11.1 %	10.1 %

- a) Adjustment to reflect the elimination of the 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 integration and reorganization of newly acquired businesses and nonoperational 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.
- e) Adjustment to reflect the elimination of transaction costs related to potential and completed acquisitions and expenses associated with the transition of newly acquired businesses from prior ownership into Api Group.
- f) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments and repurchases of long-term debt.
- g) Adjustment to reflect the elimination of expenses associated with restructuring programs and related costs.
- h) Adjustment includes various miscellaneous non-recurring items, such as eliminations of changes in fair value estimates to acquired liabilities and impairment recorded on assets held-for-sale.

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

Adjusted income before income tax, net income (loss) and EPS (non-GAAP) \$ IN MILLIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Income before income tax provision (as reported)	\$ 74	\$ 46	\$ 187	\$ 67
Adjustments to reconcile income before income tax provision to adjusted income before income tax provision:				
Amortization of intangible assets (a)	56	51	167	165
Contingent consideration and compensation (b)	4	3	8	8
Non-service pension benefit (c)	(3)	(10)	(9)	(32)
Inventory step-up (d)	—	—	—	9
Business process transformation expenses (e)	6	6	17	23
Acquisition related expenses (f)	1	33	7	89
(Gain) loss on extinguishment of debt, net (g)	—	(5)	3	(5)
Restructuring program related costs (h)	17	7	24	18
Other (i)	11	—	(1)	—
Adjusted income before income tax provision	\$ 166	\$ 131	\$ 403	\$ 342
Income tax provision (as reported)				
	\$ 20	\$ 18	\$ 59	\$ 16
Adjustments to reconcile income tax provision to adjusted income tax provision:				
Income tax provision adjustment (j)	16	14	34	66
Adjusted income tax provision	\$ 36	\$ 32	\$ 93	\$ 82
Adjusted income before income tax provision	\$ 166	\$ 131	\$ 403	\$ 342
Adjusted income tax provision	36	32	93	82
Adjusted net income	\$ 130	\$ 99	\$ 310	\$ 260
Diluted weighted average shares outstanding (as reported)				
	270	266	269	266
Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding:				
Dilutive impact of Series A Preferred Stock (k)	2	4	3	4
Adjusted diluted weighted average shares outstanding	272	270	272	270
Adjusted diluted EPS	\$ 0.48	\$ 0.37	\$ 1.14	\$ 0.96

- a) Adjustment to reflect the addback of pre-tax amortization expense related to intangible assets.
- b) Adjustment to reflect the elimination of the 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-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.
- 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 expenses associated with the integration and reorganization of newly acquired businesses and 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 transaction costs related to potential and completed acquisitions and expenses associated with the transition of newly acquired businesses from prior ownership into API Group.
- g) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments and repurchases of long-term debt.
- h) Adjustment to reflect the elimination of expenses associated with restructuring programs and related costs.
- i) Adjustment includes various miscellaneous non-recurring items, such as eliminations of changes in fair value estimates to acquired liabilities and impairment recorded on assets held-for-sale.
- j) Adjustment to reflect an adjusted effective cash tax rate of 23% for the nine months ended September 30, 2023 and 24% for the three and nine months ended 2022. The adjustment for the three months ended September 30, 2023 is the amount required to adjust the nine month period to 23%.
- k) Adjustment for the three and nine months ended September 30, 2022 reflects addition of the dilutive impact of 4 million shares associated with the deemed conversion of Series A Preferred Stock. The adjustment for the three and nine months ended September 30, 2023 is partially offset by the elimination of 2 million and 1 million shares, respectively, 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, 2023.

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

Adjusted Segment Financial Information (non-GAAP)

\$ IN MILLIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 (a)	2022 (a)	2023 (a)	2022 (a)
Safety Services				
Net revenues	\$ 1,217	\$ 1,154	\$ 3,633	\$ 3,374
Adjusted gross profit	405	354	1,177	1,043
Adjusted EBITDA	169	139	475	401
<i>Adjusted gross margin</i>	<i>33.3%</i>	<i>30.7%</i>	<i>32.4%</i>	<i>30.9%</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>13.9%</i>	<i>12.0%</i>	<i>13.1%</i>	<i>11.9%</i>
Specialty Services				
Net revenues	\$ 569	\$ 590	\$ 1,554	\$ 1,520
Adjusted gross profit	112	103	275	243
Adjusted EBITDA	83	74	180	157
<i>Adjusted gross margin</i>	<i>19.7%</i>	<i>17.5%</i>	<i>17.7%</i>	<i>16.0%</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>14.6%</i>	<i>12.5%</i>	<i>11.6%</i>	<i>10.3%</i>
<i>Total net revenues before corporate and eliminations</i>	(b) \$ 1,786	\$ 1,744	\$ 5,187	\$ 4,894
<i>Total adjusted EBITDA before corporate and eliminations</i>	(b) 252	213	655	558
<i>Adjusted EBITDA as a % of net revenues before corporate and eliminations</i>	(b) 14.1%	12.2%	12.6%	11.4%
Corporate and Eliminations				
Net revenues	\$ (2)	\$ (9)	\$ (18)	\$ (39)
Adjusted EBITDA	(28)	(27)	(81)	(68)
Total Consolidated				
Net revenues	\$ 1,784	\$ 1,735	\$ 5,169	\$ 4,855
Adjusted gross profit	518	457	1,452	1,286
Adjusted EBITDA	224	186	574	490
<i>Adjusted gross margin</i>	<i>29.0%</i>	<i>26.3%</i>	<i>28.1%</i>	<i>26.5%</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>12.6%</i>	<i>10.7%</i>	<i>11.1%</i>	<i>10.1%</i>

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

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

Adjusted Segment Financial Information (non-GAAP)

\$ IN MILLIONS

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Safety Services						
Net revenues	\$ 1,217	\$ —	\$ 1,217	\$ 1,154	\$ —	\$ 1,154
Cost of revenues	819	(7) (a)	812	816	(14) (a)	800
		—			(2) (b)	
Gross profit	\$ 398	\$ 7	\$ 405	\$ 338	\$ 16	\$ 354
Gross margin	32.7%		33.3%	29.3%		30.7%
Specialty Services						
Net revenues	\$ 569	\$ —	\$ 569	\$ 590	\$ —	\$ 590
Cost of revenues	457	—	457	488	(1) (a)	487
Gross profit	\$ 112	\$ —	\$ 112	\$ 102	\$ 1	\$ 103
Gross margin	19.7%		19.7%	17.3%		17.5%
Corporate and Eliminations						
Net revenues	\$ (2)	\$ —	\$ (2)	\$ (9)	\$ —	\$ (9)
Cost of revenues	(3)	—	(3)	(9)	—	(9)
Gross profit	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —
Gross margin	(50.0%)		(50.0%)	—%		—%
Total Consolidated						
Net revenues	\$ 1,784	\$ —	\$ 1,784	\$ 1,735	\$ —	\$ 1,735
Cost of revenues	1,273	(7) (a)	1,266	1,295	(15) (a)	1,278
		—			(2) (b)	
Gross profit	\$ 511	\$ 7	\$ 518	\$ 440	\$ 17	\$ 457
Gross margin	28.6%		29.0%	25.4%		26.3%

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

b) Adjustment to reflect the elimination of expenses associated with restructuring programs and related costs.

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

Adjusted Segment Financial Information (non-GAAP)

\$ IN MILLIONS

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	<i>As Reported</i>	<i>Adjustments</i>	<i>As Adjusted</i>	<i>As Reported</i>	<i>Adjustments</i>	<i>As Adjusted</i>
Safety Services						
Net revenues	\$ 3,633	\$ —	\$ 3,633	\$ 3,374	\$ —	\$ 3,374
Cost of revenues	2,476	(20) (a)	2,456	2,363	(19) (a)	2,331
		—			(9) (b)	
		—			(4) (c)	
Gross profit	\$ 1,157	\$ 20	\$ 1,177	\$ 1,011	\$ 32	\$ 1,043
Gross margin	31.8%		32.4%	30.0%		30.9%
Specialty Services						
Net revenues	\$ 1,554	\$ —	\$ 1,554	\$ 1,520	\$ —	\$ 1,520
Cost of revenues	1,279	—	1,279	1,280	(3) (a)	1,277
Gross profit	\$ 275	\$ —	\$ 275	\$ 240	\$ 3	\$ 243
Gross margin	17.7%		17.7%	15.8%		16.0%
Corporate and Eliminations						
Net revenues	\$ (18)	\$ —	\$ (18)	\$ (39)	\$ —	\$ (39)
Cost of revenues	(18)	—	(18)	(39)	—	(39)
Gross profit	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross margin	—%		—%	—%		—%
Total Consolidated						
Net revenues	\$ 5,169	\$ —	\$ 5,169	\$ 4,855	\$ —	\$ 4,855
Cost of revenues	3,737	(20) (a)	3,717	3,604	(22) (a)	3,569
		—			(9) (b)	
		—			(4) (c)	
Gross profit	\$ 1,432	\$ 20	\$ 1,452	\$ 1,251	\$ 35	\$ 1,286
Gross margin	27.7%		28.1%	25.8%		26.5%

- 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 expenses associated with restructuring programs and related costs.

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

Adjusted Segment Financial Information (non-GAAP)

\$ IN MILLIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Safety Services				
Safety Services EBITDA	\$ 153	\$ 116	\$ 449	\$ 360
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation	(a) 4	2	7	4
Non-service pension benefit	(b) (3)	(10)	(9)	(32)
Inventory step-up	(c) —	—	—	9
Acquisition related expenses	(d) —	23	5	33
Business process transformation expenses	(e) —	1	1	9
Restructuring program related costs	(f) 17	7	24	18
Other	(h) (2)	—	(2)	—
Safety Services adjusted EBITDA	\$ 169	\$ 139	\$ 475	\$ 401
Specialty Services				
Specialty Services EBITDA	\$ 70	\$ 73	\$ 166	\$ 153
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation	(a) —	1	1	4
Other	(h) 13	—	13	—
Specialty Services adjusted EBITDA	\$ 83	\$ 74	\$ 180	\$ 157
Corporate and Eliminations				
Corporate and Eliminations EBITDA	\$ (35)	\$ (37)	\$ (90)	\$ (133)
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Business process transformation expenses	(e) 6	5	16	14
Acquisition related expenses	(d) 1	10	2	56
(Gain) loss on extinguishment of debt, net	(g) —	(5)	3	(5)
Other	(h) —	—	(12)	—
Corporate and Eliminations adjusted EBITDA	\$ (28)	\$ (27)	\$ (81)	\$ (68)

- a) Adjustment to reflect the elimination of the 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 transaction costs related to potential and completed acquisitions and expenses associated with the transition of newly acquired businesses from prior ownership into API Group.
- e) Adjustment to reflect the elimination of expenses associated with the integration and reorganization of newly acquired businesses and nonoperational 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 associated with restructuring programs and related costs.
- g) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments and repurchases of long-term debt.
- h) Adjustment includes various miscellaneous non-recurring items, such as eliminations of changes in fair value estimates to acquired liabilities and impairment recorded on assets held-for-sale.

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

Change in adjusted EBITDA (non-GAAP)

Three Months Ended September 30, 2023			
	Change in Adjusted EBITDA (public rates) (a)	Foreign currency translation (b)	Change in Adjusted EBITDA (fixed currency) (c)
Safety Services	21.6%	1.7%	19.9%
Specialty Services	12.2%	—%	12.2%
Consolidated	20.4%	1.3%	19.1%

Nine Months Ended September 30, 2023			
	Change in Adjusted EBITDA (public rates) (a)	Foreign currency translation (b)	Change in Adjusted EBITDA (fixed currency) (c)
Safety Services	18.5%	(0.8)%	19.3%
Specialty Services	14.6%	—%	14.6%
Consolidated	17.1%	(0.8)%	17.9%

a) Adjusted EBITDA derived from non-GAAP reconciliations included elsewhere in this presentation.

b) Adjusted to eliminate the impact of foreign currency on adjusted EBITDA amounts, calculated as the difference between adjusted EBITDA at public currency rates and adjusted EBITDA at fixed currency rates for both periods. Fixed currency amounts are based on translation into U.S. Dollars at fixed foreign currency exchange rates established by management at the beginning of 2023.

c) Amount represents the year-over-year change when comparing both years after eliminating the impact of fluctuations in foreign currency rates by translating foreign currency denominated results at fixed foreign currency ("FFX") rates for both periods.

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

Adjusted Free Cash Flow and Conversion (non-GAAP)

\$ IN MILLIONS

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net cash provided by operating activities	(a)	\$ 144	\$ 146	\$ 217	\$ 82
Less: Purchases of property and equipment	(a)	(18)	(26)	(64)	(60)
Free cash flow		\$ 126	\$ 120	\$ 153	\$ 22
Add: Cash payments related to following items:					
Contingent compensation	(b)	\$ —	\$ 1	\$ 18	\$ 3
Pension contributions	(c)	—	—	—	27
Business process transformation expenses	(d)	9	13	22	26
Acquisition related expenses	(e)	—	29	5	98
Restructuring payments	(f)	7	3	18	6
Payroll tax deferral	(g)	—	—	9	—
Other	(h)	4	—	12	—
Adjusted free cash flow		\$ 146	\$ 166	\$ 237	\$ 182
<i>Adjusted EBITDA</i>					
	(i)	\$ 224	\$ 186	\$ 574	\$ 490
<i>Adjusted free cash flow conversion</i>					
		65.2 %	89.2 %	41.3 %	37.1 %

- a) Operating cash flows and purchases of property and equipment for the nine months ended September 30, 2023 and 2022 are as reported. Amounts for the three months ended September 30, 2023 and 2022 are calculated as the nine months ended less the amounts reported for the six months ended June 30, 2023 and 2022, respectively.
- 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 initial pension contribution payment related to the Chubb acquisition not expected to continue or recur.
- d) Adjustment to reflect the elimination of expenses associated with the integration and reorganization of newly acquired businesses and nonoperational 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.
- e) Adjustment to reflect the elimination of transaction costs related to potential and completed acquisitions and expenses associated with the transition of newly acquired businesses from prior ownership into Api Group.
- f) Adjustment to reflect payments made for restructuring programs.
- 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 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. The final payments were made on the amount deferred in 2020 during the first half of 2023.
- h) Adjustment includes various miscellaneous non-recurring items, such as eliminations of payments made on acquired liabilities.
- i) Adjusted EBITDA derived from non-GAAP reconciliations included elsewhere in this presentation.

Investor Relations and Media Inquiries:

Adam Fee

Vice President of Investor Relations

+1 651-240-7252

email: investorrelations@apigroupinc.us



Q3 2023 Earnings Call