



Q4 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) our beliefs and expectations regarding our business strategies and competitive strengths; (ii) our beliefs regarding procurement challenges and the nature of our contractual arrangements and renewal rates and their impact on our future financial results; (iii) our beliefs regarding our acquisition platform and ability to execute and successfully integrate strategic acquisitions; (iv) our beliefs regarding the future demand for our services, the seasonal and cyclical volatility of our business, financial condition, results of operations, and cash flows; (v) our beliefs regarding the recurring and repeat nature of our business, customers, and revenues, and its impact on our cash flows and organic growth opportunities and our belief that it helps mitigate the impact of economic downturns; (vi) our intent to continue to grow our business, both organically and through acquisitions, and our beliefs regarding the impact of our business strategies on our growth; (vii) our beliefs regarding our customer relationships and plans to grow existing business and expand service offerings; (viii) our beliefs regarding our ability to pass along commodity price increases to our customers; (ix) our expectations regarding the cost of compliance with laws and regulations; our expectations regarding labor matters; (x) our beliefs regarding market risk, including our exposure to foreign currency fluctuations, and our ability to mitigate that risk; (xi) our expectations and beliefs regarding accounting and tax matters; (xii) our beliefs regarding the effectiveness of the steps taken to remediate previously reported material weaknesses in our internal control over financial reporting and the timing of remediation; (xiii) our expectations regarding future capital expenditures; (xiv) our expectations regarding future expenses in connection with our multi-year restructuring program, including those related to workforce reductions; (xv) our expectations regarding future pension contributions; (xvi) our expectations regarding the acquisition (the "Chubb Acquisition") of the Chubb fire and security business (the "Chubb business" or "Chubb"), including the operational challenges and the expected benefits of the acquisition and future growth, expansion, cross-selling, and other value creation opportunities; (xvii) our beliefs regarding the sufficiency of our current sources of liquidity to fund our future liquidity requirements, our expectations regarding the types of future liquidity requirements and our expectations regarding the availability of future sources of liquidity; and (xviii) other risks and uncertainties, including those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 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, 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, 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 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 \$125M value capture

Fourth Quarter 2023 Performance Highlights

- 
 Fourth quarter net revenues of **\$1.8** billion, an increase of **3.3%**
- 
 Organic net revenue growth of **1.5%** in the fourth quarter
- 
 Adjusted gross margin expansion of **230** basis points in the fourth quarter
- 
 Fourth quarter adjusted EBITDA of **\$208** million, representing adjusted EBITDA margin expansion of **110** basis points, and fourth quarter adjusted EBITDA margin of **11.8%**
- 
 Adjusted diluted earnings per share in the fourth quarter of **\$0.44**
- 
 Fourth quarter adjusted free cash flow of **\$300** million, representing **144%** conversion

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

Fiscal Year 2023 Performance Highlights

- 
 Record net revenues of **\$6.9** billion for the full year, an increase of **5.6%**
- 
 Organic net revenue growth of **5.4%** in the full year 2023
- 
 Adjusted gross margin expansion of **180** basis points in the full year
- 
 Adjusted EBITDA of **\$782** million, representing adjusted EBITDA margin expansion of **100** basis points, and full year adjusted EBITDA margin of **11.3%**
- 
 Adjusted diluted earnings per share in the full year of **\$1.58**
- 
 Full year adjusted free cash flow of **\$537** million, representing **69%** conversion

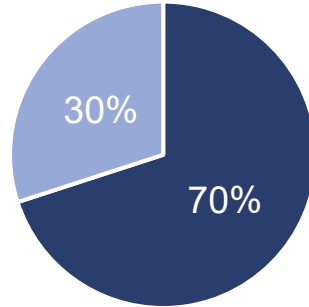
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

2023 Financial Results Overview

THREE MONTHS ENDED DECEMBER 31, 2023

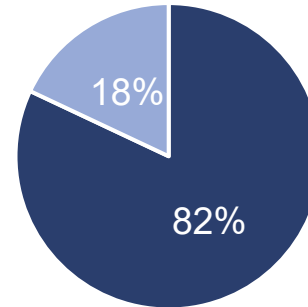
NET REVENUES

Total: \$1.8 billion⁽¹⁾



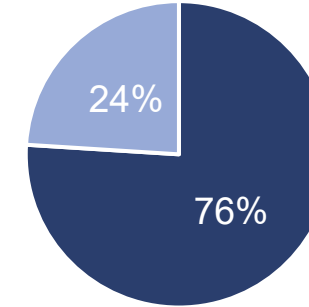
ADJUSTED GROSS PROFIT

Total: \$529 million



ADJUSTED EBITDA

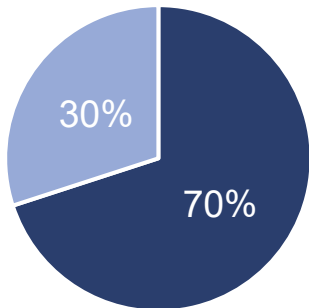
Total: \$248 million⁽¹⁾



FISCAL YEAR ENDED DECEMBER 31, 2023

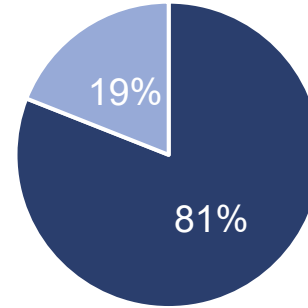
NET REVENUES

Total: \$7.0 billion⁽¹⁾



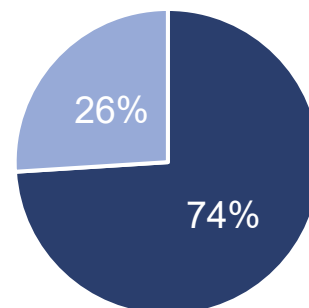
ADJUSTED GROSS PROFIT

Total: \$2.0 billion



ADJUSTED EBITDA

Total: \$903 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 DECEMBER 31,				FISCAL YEAR ENDED DECEMBER 31,			
(\$ in millions, except per share figures)	2023	2022	YoY Change	YoY (FFX) ^(a)	2023	2022	YoY Change	YoY (FFX) ^(a)
Net Revenues	\$ 1,759	\$ 1,703	+ 3.3%	+ 2.1%	\$ 6,928	\$ 6,558	+ 5.6%	+ 5.6%
<i>Organic Net Revenue Growth ^(b)</i>				+ 1.5%				+ 5.4%
Adjusted Gross Profit	\$ 529	\$ 474	+ 11.6%		\$ 1,981	\$ 1,760	+ 12.6%	
<i>Adjusted Gross Margin</i>	30.1%	27.8%	+ 230 bps		28.6%	26.8%	+ 180 bps	
Adjusted EBITDA	\$ 208	\$ 183	+ 13.7%	+ 13.0%	\$ 782	\$ 673	+ 16.2%	+ 16.5%
<i>Adjusted EBITDA Margin</i>	11.8%	10.7%	+ 110 bps		11.3%	10.3%	+ 100 bps	
Adjusted Net Income	\$ 120	\$ 98	+ 22.4%		\$ 430	\$ 358	+ 20.1%	
Adjusted Diluted EPS	\$ 0.44	\$ 0.36	+ 22.2%		\$ 1.58	\$ 1.33	+ 18.8%	
Operating Cash Flow	\$ 297	\$ 188	+ 56.0%		\$ 514	\$ 270	+ 90.4%	
Adjusted Free Cash Flow	\$ 300	\$ 230	+ 30.4%		\$ 537	\$ 412	+ 30.3%	
<i>Adjusted Free Cash Flow Conversion</i>	144.2%	125.7%	+ 1,850 bps		68.7%	61.2%	+ 750 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 DECEMBER 31,							
	Safety Services				Specialty Services			
(\$ in millions)	2023	2022	YoY Change	YoY (FFX) ^(a)	2023	2022	YoY Change	YoY (FFX) ^(a)
Net Revenues	\$ 1,238	\$ 1,201	+ 3.1%	+ 1.5%	\$ 525	\$ 510	+ 2.9%	+ 2.9%
<i>Organic Net Revenue Growth^(b)</i>				+ 1.0%				+ 1.8%
Adjusted Gross Profit	\$ 434	\$ 389	+ 11.6%		\$ 95	\$ 85	+ 11.8%	
<i>Adjusted Gross Margin</i>	35.1%	32.4%	+ 270 bps		18.1%	16.7%	+ 140 bps	
Adjusted EBITDA	\$ 189	\$ 158	+ 19.6%	+ 18.8%	\$ 59	\$ 53	+ 11.3%	+ 11.3%
<i>Adjusted EBITDA Margin</i>	15.3%	13.2%	+ 210 bps		11.2%	10.4%	+ 80 bps	

	FISCAL YEAR ENDED DECEMBER 31,							
	Safety Services				Specialty Services			
(\$ in millions)	2023	2022	YoY Change	YoY (FFX) ^(a)	2023	2022	YoY Change	YoY (FFX) ^(a)
Net Revenues	\$ 4,871	\$ 4,575	+ 6.5%	+ 6.3%	\$ 2,079	\$ 2,030	+ 2.4%	+ 2.4%
<i>Organic Net Revenue Growth^(b)</i>				+ 6.0%				+ 2.5%
Adjusted Gross Profit	\$ 1,611	\$ 1,432	+ 12.5%		\$ 370	\$ 328	+ 12.8%	
<i>Adjusted Gross Margin</i>	33.1%	31.3%	+ 180 bps		17.8%	16.2%	+ 160 bps	
Adjusted EBITDA	\$ 664	\$ 559	+ 18.8%	+ 19.2%	\$ 239	\$ 210	+ 13.8%	+ 13.8%
<i>Adjusted EBITDA Margin</i>	13.6%	12.2%	+ 140 bps		11.5%	10.3%	+ 120 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.

Series B Preferred Stock - Transaction Summary

- **Conversion:** All Series B Preferred Stock will be converted into common stock of APi, resulting in the issuance of a total of approximately 32.5 million new shares of common stock (“Conversion Shares”)
- **Repurchase:** Upon issuance of the Conversion Shares, APi will repurchase 16.3 million, or one-half, of the Conversion Shares (on a pro rata basis) from Blackstone and Viking at a value per share of \$36.90 for an aggregate purchase price of \$600 million
- **Financing:** Repurchase will be financed by an incremental term loan facility of \$300 million funded at par (and fungible with existing 2029 Term Loan), cash on hand and available credit
- **Marketed Secondary:** As a part of the agreement, Blackstone and Viking intend to effect a coordinated secondary public offering with the goal of selling approximately 8.1 million shares of APi’s common stock
- **Lockup:** Following the sale, it is expected that any remaining common shares owned by Blackstone and Viking would be subject to a 90-day lockup
- **Shareholder Repurchase:** New \$1 billion authorization, of which \$600 million utilized by the Series B transaction

Step #1: Series B Preferred Stock Convert into Common

Sources	\$ in mm
32.5M Conversion Shares (Common Stock) ⁽¹⁾	\$1,200
Uses	\$ in mm
Retire \$800M Series B Preferred Stock	\$1,200

Step #2: Repurchase 16.3M Shares for \$600M

Sources	\$ in mm
Cash On Hand and Available Credit	\$300
Term Loan Add-on (2029)	\$300
Total Sources	\$600
Uses	\$ in mm
Repurchase 16.3M Common Shares ⁽²⁾	\$600

Step #3: Marketed Secondary Offering of 8.1M Shares⁽³⁾

Note: Excludes transactions fees and expenses.

(1) Reflects \$800M of Series B Preferred Stock converted to 32.5M shares of common stock (\$24.60 conversion price) multiplied by \$36.90.

(2) Shares repurchased at \$36.90.

(3) Any remaining common stock owned by Blackstone or Viking common stock subject to 90-day lockup.

Series B Transaction Highlights

- ✓ Simplifies APi Group's capital structure
- ✓ Reduces adjusted diluted share count by 16.3 million shares
- ✓ Provides immediate accretion to adjusted earnings per share
- ✓ Eliminates preferred dividend payments of \$44 million annually
- ✓ Not expected to impact reacceleration of bolt-on M&A strategy
- ✓ Opportunity to attract new long-term investors to diversify the Company's investor base

2024 Guidance

NET REVENUES

\$7,050 - \$7,250 million

ADJUSTED EBITDA

\$855 - \$905 million

2024 Guidance (cont'd)

	Q1 2024	FY 2024
Net Revenues	\$1,560 to \$1,610 million	\$7,050 to \$7,250 million
<i>Reported Net Revenues versus Last Year</i>	(3)% - Flat	2% - 5%
<i>Net Revenue Organic Growth at Fixed Currencies</i>	(4)% - (1)%	2% - 5%
Adjusted EBITDA	\$165 to \$180 million	\$855 to \$905 million
<i>Adjusted EBITDA versus Last Year</i>	13% - 23%	9% - 16%
<i>Adjusted EBITDA Organic Growth at Fixed Currencies</i>	9% - 20%	9% - 15%
Adjusted Free Cash Flow Conversion	Approximately 70%	

Capitalization

- ✓ As of the end of the fourth quarter, our net leverage ratio was approximately **2.3x** calculated pursuant to terms of existing debt agreements
- ✓ On December 19th, **repaid \$175** million of Term Loan, resulting in total 2023 debt paydown of **\$475** million and leaving \$330 million remaining on our Term Loan due 2026.
- ✓ Weighted average debt maturity of approximately **5 years** as of February 28, 2024, reflecting a ~0.5 year increase following fourth quarter repricing, maturity extension and repayments.
- ✓ Executed **7 bolt-on acquisitions** along with **1 divestiture** during 2023

Appendix

What We Do

SAFETY SERVICES






Life Safety & Security

-  1 Backflow Preventers
-  2 Fire Pumps
-  3 Exit & Emergency Lights
-  4 Kitchen Hood Fire Suppression Systems
-  5 Fire Extinguishers
-  6 Automatic Wet & Dry Sprinkler Systems
-  7 Flame Detection Unit
-  8 Special Hazards / Clean Agent Systems
-  9 Security Cameras (CCTV)
-  10 Access Control & Intrusion Detection Systems
-  11 Fire Alarm Panel
-  12 Fire Alarm Annunciator Panel
-  13 Fire Protection Systems Inspections

Remote Services

-  1 Remote Monitoring & Servicing
-  2 Chubb visiON+

HVAC Systems & Servicing

-  1 Chiller / Condensing Units
 -  2 Air Handlers / Boilers / Duct Systems
 -  3 Piping / Plumbing*
 -  4 Temperature Control*
 -  5 Systems Repairs / Servicing*
- * = service not visualized



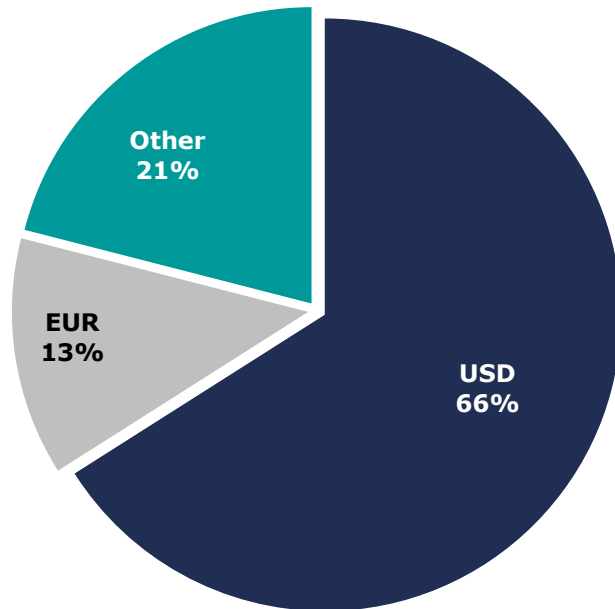
SPECIALTY SERVICES

-  1 Water & Wastewater Line Installation & Servicing
-  2 Electric Grid Improvement Work
-  3 Storm Drain & Sewer Pipe
-  4 Natural Gas Line Distribution Services
-  5 Fiber-Optic Cable Installation & Servicing
-  6 Plant Maintenance & Outage Services
-  7 Siding, Roofing & Insulation Systems
-  8 Structural Fabrication & Erection

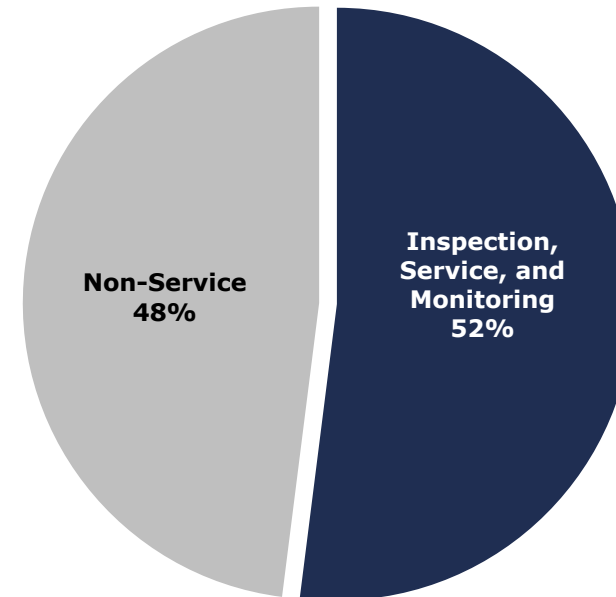
Supplemental Revenue Information

FISCAL YEAR ENDED DECEMBER 31, 2023

Revenue by Local Currency



Revenue by Offering Type



Note: Excludes Corporate and Eliminations.

Reconciliation of Non-GAAP Financial Measures

Organic Change in Net Revenues (non-GAAP)

Three Months Ended December 31, 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	3.1%	1.6%	1.5%	0.5 %	1.0%
Specialty Services	2.9%	—%	2.9%	1.1 %	1.8%
Consolidated	3.3%	1.2%	2.1%	0.6 %	1.5%

Year Ended December 31, 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	6.5%	0.2%	6.3%	0.3 %	6.0%
Specialty Services	2.4%	—%	2.4%	(0.1) %	2.5%
Consolidated	5.6%	—%	5.6%	0.2 %	5.4%

- 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 December 31, 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Gross profit (as reported)	\$ 508	\$ 463	\$ 1,940	\$ 1,714
Adjustments to reconcile gross profit to adjusted gross profit:				
Backlog amortization (a)	7	8	27	30
Inventory step-up (b)	—	—	—	9
Restructuring program related costs (c)	14	3	14	7
Adjusted gross profit	\$ 529	\$ 474	\$ 1,981	\$ 1,760
<i>Net revenues</i>	\$ 1,759	\$ 1,703	\$ 6,928	\$ 6,558
<i>Adjusted gross margin</i>	30.1 %	27.8 %	28.6 %	26.8 %

Adjusted SG&A (non-GAAP)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Selling, general, and administrative expenses ("SG&A") (as reported)	\$ 433	\$ 414	\$ 1,581	\$ 1,552
Adjustments to reconcile SG&A to adjusted SG&A:				
Amortization of intangible assets (d)	(50)	(54)	(197)	(197)
Contingent consideration and compensation (e)	(6)	(1)	(14)	(9)
Business process transformation expenses (f)	(13)	(8)	(30)	(31)
Acquisition related expenses (g)	—	(32)	(7)	(121)
Restructuring program related costs (c)	(8)	(9)	(32)	(23)
Other (h)	(11)	2	(10)	2
Adjusted SG&A expenses	\$ 345	\$ 312	\$ 1,291	\$ 1,173
<i>Net revenues</i>	\$ 1,759	\$ 1,703	\$ 6,928	\$ 6,558
<i>Adjusted SG&A as a % of net revenues</i>	19.6 %	18.3 %	18.6 %	17.9 %

- 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net income (as reported)	\$ 25	\$ 22	\$ 153	\$ 73
Adjustments to reconcile net income to EBITDA:				
Interest expense, net	33	37	145	125
Income tax provision	20	4	79	20
Depreciation and amortization	77	79	303	304
EBITDA	\$ 155	\$ 142	\$ 680	\$ 522
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation	(a) 6	1	14	9
Non-service pension benefit	(b) (3)	(10)	(12)	(42)
Inventory step-up	(c) —	—	—	9
Business process transformation expenses	(d) 13	8	30	31
Acquisition related expenses	(e) —	32	7	121
Loss (gain) on extinguishment of debt, net	(f) 4	—	7	(5)
Restructuring program related costs	(g) 22	12	46	30
Other	(h) 11	(2)	10	(2)
Adjusted EBITDA	\$ 208	\$ 183	\$ 782	\$ 673
<i>Net revenues</i>	\$ 1,759	\$ 1,703	\$ 6,928	\$ 6,558
<i>Adjusted EBITDA as a % of net revenues</i>	11.8 %	10.7 %	11.3 %	10.3 %

- 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Income before income tax provision (as reported)	\$ 45	\$ 26	\$ 232	\$ 93
Adjustments to reconcile income before income tax provision to adjusted income before income tax provision:				
Amortization of intangible assets (a)	57	62	224	227
Contingent consideration and compensation (b)	6	1	14	9
Non-service pension benefit (c)	(3)	(10)	(12)	(42)
Inventory step-up (d)	—	—	—	9
Business process transformation expenses (e)	13	8	30	31
Acquisition related expenses (f)	—	32	7	121
Loss (gain) on extinguishment of debt, net (g)	4	—	7	(5)
Restructuring program related costs (h)	22	12	46	30
Other (i)	11	(2)	10	(2)
Adjusted income before income tax provision	\$ 155	\$ 129	\$ 558	\$ 471
Income tax provision (as reported)				
	\$ 20	\$ 4	\$ 79	\$ 20
Adjustments to reconcile income tax provision to adjusted income tax provision:				
Income tax provision adjustment (j)	15	27	49	93
Adjusted income tax provision	\$ 35	\$ 31	\$ 128	\$ 113
Adjusted income before income tax provision	\$ 155	\$ 129	\$ 558	\$ 471
Adjusted income tax provision	35	31	128	113
Adjusted net income	\$ 120	\$ 98	\$ 430	\$ 358
Diluted weighted average shares outstanding (as reported)				
	235	267	235	266
Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding:				
Dilutive impact of shares from GAAP net loss (k)	33	—	33	—
Dilutive impact of Series A Preferred Stock (l)	4	4	4	4
Adjusted diluted weighted average shares outstanding	272	271	272	270
Adjusted diluted EPS	\$ 0.44	\$ 0.36	\$ 1.58	\$ 1.33

- 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 (gain) 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 three months and year ended December 31, 2023 and 24% for the three months and year ended December 31, 2022.
- k) Adjustment to add the dilutive impact of options, RSUs, warrants, and deemed conversion of Series B Preferred Stock which were anti-dilutive and excluded from the diluted weighted average shares outstanding (as reported).
- l) Adjustment for the three months and years ended December 31, 2023 and 2022 reflect the addition of the dilutive impact of 4 million shares associated with the deemed conversion of Series A Preferred Stock.

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

Adjusted Segment Financial Information (non-GAAP)

\$ IN MILLIONS

	Three Months Ended December 31,		Year Ended December 31,	
	2023 (a)	2022 (a)	2023 (a)	2022 (a)
Safety Services				
Net revenues	\$ 1,238	\$ 1,201	\$ 4,871	\$ 4,575
Adjusted gross profit	434	389	1,611	1,432
Adjusted EBITDA	189	158	664	559
<i>Adjusted gross margin</i>	<i>35.1 %</i>	<i>32.4 %</i>	<i>33.1 %</i>	<i>31.3 %</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>15.3 %</i>	<i>13.2 %</i>	<i>13.6 %</i>	<i>12.2 %</i>
Specialty Services				
Net revenues	\$ 525	\$ 510	\$ 2,079	\$ 2,030
Adjusted gross profit	95	85	370	328
Adjusted EBITDA	59	53	239	210
<i>Adjusted gross margin</i>	<i>18.1 %</i>	<i>16.7 %</i>	<i>17.8 %</i>	<i>16.2 %</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>11.2 %</i>	<i>10.4 %</i>	<i>11.5 %</i>	<i>10.3 %</i>
<i>Total net revenues before corporate and eliminations</i>	(b) \$ 1,763	\$ 1,711	\$ 6,950	\$ 6,605
<i>Total adjusted EBITDA before corporate and eliminations</i>	(b) 248	211	903	769
<i>Adjusted EBITDA as a % of net revenues before corporate and eliminations</i>	(b) 14.1 %	12.3 %	13.0 %	11.6 %
Corporate and Eliminations				
Net revenues	\$ (4)	\$ (8)	\$ (22)	\$ (47)
Adjusted EBITDA	(40)	(28)	(121)	(96)
Total Consolidated				
Net revenues	\$ 1,759	\$ 1,703	\$ 6,928	\$ 6,558
Adjusted gross profit	529	474	1,981	1,760
Adjusted EBITDA	208	183	782	673
<i>Adjusted gross margin</i>	<i>30.1 %</i>	<i>27.8 %</i>	<i>28.6 %</i>	<i>26.8 %</i>
<i>Adjusted EBITDA as a % of net revenues</i>	<i>11.8 %</i>	<i>10.7 %</i>	<i>11.3 %</i>	<i>10.3 %</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 December 31, 2023			Three Months Ended December 31, 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	\$ 1,238	\$ —	\$ 1,238	\$ 1,201	\$ —	\$ 1,201
Cost of revenues	825	(7) (a)	804	823	(8) (a)	812
		(14) (b)			(3) (b)	
Gross profit	\$ 413	\$ 21	\$ 434	\$ 378	\$ 11	\$ 389
Gross margin	33.4 %		35.1 %	31.5 %		32.4 %
Specialty Services						
Net revenues	\$ 525	\$ —	\$ 525	\$ 510	\$ —	\$ 510
Cost of revenues	430	—	430	425	—	425
Gross profit	\$ 95	\$ —	\$ 95	\$ 85	\$ —	\$ 85
Gross margin	18.1 %		18.1 %	16.7 %		16.7 %
Corporate and Eliminations						
Net revenues	\$ (4)	\$ —	\$ (4)	\$ (8)	\$ —	\$ (8)
Cost of revenues	(4)	—	(4)	(8)	—	(8)
Gross profit	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross margin	— %		— %	— %		— %
Total Consolidated						
Net revenues	\$ 1,759	\$ —	\$ 1,759	\$ 1,703	\$ —	\$ 1,703
Cost of revenues	1,251	(7) (a)	1,230	1,240	(8) (a)	1,229
		(14) (b)			(3) (b)	
Gross profit	\$ 508	\$ 21	\$ 529	\$ 463	\$ 11	\$ 474
Gross margin	28.9 %		30.1 %	27.2 %		27.8 %

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

	Year Ended December 31, 2023			Year Ended December 31, 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	\$ 4,871	\$ —	\$ 4,871	\$ 4,575	\$ —	\$ 4,575
Cost of revenues	3,301	(27) (a)	3,260	3,186	(27) (a)	3,143
		(14) (b)			(7) (b)	
		—			(9) (c)	
Gross profit	\$ 1,570	\$ 41	\$ 1,611	\$ 1,389	\$ 43	\$ 1,432
Gross margin	32.2 %		33.1 %	30.4 %		31.3 %
Specialty Services						
Net revenues	\$ 2,079	\$ —	\$ 2,079	\$ 2,030	\$ —	\$ 2,030
Cost of revenues	1,709	—	1,709	1,705	(3) (a)	1,702
Gross profit	\$ 370	\$ —	\$ 370	\$ 325	\$ 3	\$ 328
Gross margin	17.8 %		17.8 %	16.0 %		16.2 %
Corporate and Eliminations						
Net revenues	\$ (22)	\$ —	\$ (22)	\$ (47)	\$ —	\$ (47)
Cost of revenues	(22)	—	(22)	(47)	—	(47)
Gross profit	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross margin	— %		— %	— %		— %
Total Consolidated						
Net revenues	\$ 6,928	\$ —	\$ 6,928	\$ 6,558	\$ —	\$ 6,558
Cost of revenues	4,988	(27) (a)	4,947	4,844	(30) (a)	4,798
		(14) (b)			(7) (b)	
		—			(9) (c)	
Gross profit	\$ 1,940	\$ 41	\$ 1,981	\$ 1,714	\$ 46	\$ 1,760
Gross margin	28.0 %		28.6 %	26.1 %		26.8 %

- 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Safety Services				
Safety Services EBITDA	\$ 158	\$ 132	\$ 607	\$ 492
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation (a)	—	1	7	5
Non-service pension benefit (b)	(3)	(10)	(12)	(42)
Inventory step-up (c)	—	—	—	9
Acquisition related expenses (d)	—	24	5	57
Business process transformation expenses (e)	4	1	5	10
Restructuring program related costs (f)	22	12	46	30
Other (g)	8	(2)	6	(2)
Safety Services adjusted EBITDA	\$ 189	\$ 158	\$ 664	\$ 559
Specialty Services				
Specialty Services EBITDA	\$ 51	\$ 53	\$ 217	\$ 206
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Contingent consideration and compensation (a)	6	—	7	4
Other (g)	2	—	15	—
Specialty Services adjusted EBITDA	\$ 59	\$ 53	\$ 239	\$ 210
Corporate and Eliminations				
Corporate and Eliminations EBITDA	\$ (54)	\$ (43)	\$ (144)	\$ (176)
Adjustments to reconcile EBITDA to adjusted EBITDA:				
Business process transformation expenses (e)	9	7	25	21
Acquisition related expenses (d)	—	8	2	64
Loss (gain) on extinguishment of debt, net (h)	4	—	7	(5)
Other (g)	1	—	(11)	—
Corporate and Eliminations adjusted EBITDA	\$ (40)	\$ (28)	\$ (121)	\$ (96)

- 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 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.
- h) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments and repurchases of long-term debt.

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

Change in adjusted EBITDA (non-GAAP)

Three Months Ended December 31, 2023

	Change in Adjusted EBITDA (public rates) (a)	Foreign currency translation (b)	Change in Adjusted EBITDA (fixed currency) (c)
Safety Services	19.6%	0.8%	18.8%
Specialty Services	11.3%	—%	11.3%
Consolidated	13.7%	0.7 %	13.0%

Year Ended December 31, 2023

	Change in Adjusted EBITDA (public rates) (a)	Foreign currency translation (b)	Change in Adjusted EBITDA (fixed currency) (c)
Safety Services	18.8%	(0.4)%	19.2%
Specialty Services	13.8%	—%	13.8%
Consolidated	16.2%	(0.3)%	16.5%

- 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 December 31,		Year Ended December 31,	
		2023	2022	2023	2022
Net cash provided by operating activities	(a)	\$ 297	\$ 188	\$ 514	\$ 270
Less: Purchases of property and equipment	(a)	(22)	(19)	(86)	(79)
Free cash flow		\$ 275	\$ 169	\$ 428	\$ 191
Add: Cash payments related to following items:					
Contingent compensation	(b)	\$ —	\$ —	\$ 18	\$ 3
Pension contributions	(c)	—	—	—	27
Business process transformation expenses	(d)	10	10	32	36
Acquisition related expenses	(e)	—	32	5	130
Restructuring payments	(f)	12	2	30	8
Payroll tax deferral	(g)	—	11	9	11
Other	(h)	3	6	15	6
Adjusted free cash flow		\$ 300	\$ 230	\$ 537	\$ 412
<hr/>					
Adjusted EBITDA	(i)	\$ 208	\$ 183	\$ 782	\$ 673
Adjusted free cash flow conversion		144.2 %	125.7 %	68.7 %	61.2 %

- a) Operating cash flows and purchases of property and equipment for the twelve months ended December 31, 2023 and 2022 are as reported. Amounts for the three months ended December 31, 2023 and 2022 are calculated as the twelve months ended less the amounts reported for the nine months ended September 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



Q4 2023 Earnings Call