

30-Oct-2025

# APi Group Corp. (APG)

Q3 2025 Earnings Call

## CORPORATE PARTICIPANTS

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**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

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## OTHER PARTICIPANTS

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

**Kathryn I. Thompson**

*Analyst, Thompson Research Group LLC*

**Andrew John Wittmann**

*Analyst, Robert W. Baird & Co., Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to APi Group's Third Quarter 2025 Financial Results Conference Call. All lines have been placed on mute and are in listen-only mode, until a question answers session begins. Please note, this call is being recorded.

I'll be standing by should you need any assistance. I'll now turn the call over to Adam Fee, Vice President of Investor Relations at APi Group. Please go ahead.

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**Adam Fee**

*Vice President-Investor Relations, APi Group Corp.*

Thank you. Good morning, everyone, and thank you for joining our third quarter 2025 earnings conference call. Joining me on the call today are Russ Becker, our President and CEO; David Jackola, our Executive Vice President and Chief Financial Officer; and Sir Martin Franklin and Jim Lillie, our Board Co-Chairs.

Before we begin, I would like to remind you that certain statements in the company's earnings press release announcement and on this call are forward-looking statements, which are based on 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 a guarantee 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. In our press release and filings with the SEC, we detail material risks that may cause our future results to differ from our expectations.

Our statements are as of today, October 30, and we undertake no obligation to update any forward-looking statements we may make except as required by law. As a reminder, we have posted a presentation detailing our third quarter financial performance on the Investor Relations page of our website. Our comments today will also include non-GAAP financial measures and other key operating metrics. The reconciliation of and information – and other information regarding these items can be found in our press release and our presentation.

It is now my pleasure to turn the call over to Russ.

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## Russell A. Becker

*President, Chief Executive Officer & Director, APi Group Corp.*

Thank you, Adam. Good morning, everyone. Thank you for taking the time to join our call this morning. Before we get into our record third quarter results, I would like to thank our approximately 29,000 leaders for their dedication to APi. The safety, health, and wellbeing of each of our teammates is our number one value. Last month during September, we recognize suicide prevention month and construction suicide prevention week. We use this as an opportunity to encourage all of our team members to engage in meaningful conversations about mental health.

These conversations are a simple way to embrace The Care Factor and show our teammates we care about their wellbeing, including physical and mental health. In addition to The Care Factor, another one of our foundational beliefs is our Central Premise, which means that at APi, we recognize that our success only happens when our branches and field leaders are successful. One way, we are supporting our branches and field leaders as part of our Central Premise is through investments in market leading systems and technologies, including artificial intelligence.

We see market leading technology not as tools that will replace our field leaders, but rather as a way to empower our branches and field leaders to accelerate their speed of doing business, work more safely, and better serve our customers as we grow into a \$10 billion company. A few examples of these investments include the following, APi Echo, which allows our field leaders to record conversations and summarize keynotes without having to leave the field or remove their safety gloves. One code, which provides quick access to situation relevant fire protection code – fire protection code detail to save time for our estimators, designers and field leaders.

Connected glasses, which allow our remote experts to guide field leaders in real time, resulting in quicker service to our customers with a higher first time fixed rate. And an AI enabled predictive tool, which flags customers who have a high attrition risk. This tool allows our local teams to take proactive steps to engage customers and focus on strengthening specific customer relationships. Finally, last year, we launched our global steps safety platform, which allows our team members to document and manage safety activities in the field from a mobile device, establishes safety standards and strategies and gives our leaders better data and visibility into safety metrics to better protect our teammates and help us continuously improve.

We are still in the early innings piloting these technologies, but we believe our business led approach to investing in technology will empower our 29,000 leaders increased teammate satisfaction and drive growth and margin expansion as we work towards our 10/16/60+ financial targets. As a reminder, these targets are \$10 billion in net revenues by 2028, supported by consistent mid-single-digit organic growth, 16% plus adjusted EBITDA margin by 2028, 60% plus of our revenues from inspection, service and monitoring over the long-term, and \$3 billion plus of cumulative adjusted free cash flow through 2028.

Our leaders have clear plans for how we intend to deliver on our 10/16/60+ targets with a continued focus on the main initiatives that are enabling us to achieve our 13/60/80 targets. Those initiatives are consistent organic growth, improved inspection service and monitoring revenue mix, disciplined customer and project selection,

pricing, branch and field optimization, procurement systems and scale, accretive M&A, and selective business pruning. And as I like to say, we can always just be better.

Now turning to our record third quarter results, the business continue to have strong momentum, delivering robust top line growth while expanding margins. Some highlights include the following, strong growth in inspection, service and monitoring revenues led by double-digit inspection growth in North America for the 21st straight quarter, record backlog in both segments, and finally, accretive bolt-on M&A activity at attractive multiples.

For the quarter, net revenues increased by 14%, approximately 10% organically with strong growth across both segments. In our Safety Services segment, revenues grew organically by approximately 9% led by North American safety while delivering 40 basis points of segment earning margin expansion. As expected Specialty Services continued its strong growth in the third quarter, delivering approximately 12% organic growth with sequential margin expansion.

Our continued focus on our margin improvement initiatives allowed APi to deliver year-over-year improvements in adjusted EBITDA margin in the third quarter with a 10 basis point increase versus last year. We continue to see great momentum in our business, particularly on the project side in North America, where we are being opportunistic, but not overcommitting in the high tech space.

These project opportunities are in line with our disciplined customer and project selection are primarily sourced from our existing inspection and service relationships. Our margin accretive to our overall project book of business due to their complexity and size, and provide a long-term recurring inspection and service revenue opportunity for our local branches.

The third quarter was another strong quarter for free cash flow generation. Our consistent free cash flow generation and strong balance sheet provides us with the flexibility to pursue a range of value enhancing capital deployment alternatives as we head into 2026. We continue to execute our M&A plan, completing four bolt-on acquisitions in the quarter, bringing our total for the year to 11 completed bolt-on acquisitions. We remain on track to deploy approximately \$250 million in bolt-on M&A at attractive multiples this year.

Our pipeline remains robust and continues to grow, now including fire protection, electronic security, and elevator services opportunities globally. Most importantly, our value proposition as a forever home for their team continues to resonate with sellers.

In summary, we move through the fourth quarter and into 2026 with great momentum. Our inspection, service and monitoring business continues to expand. Our backlog is at a record high. Our balance sheet remains strong and we are confident in our leader's ability to execute our strategy and deliver against our 2025 targets and our 10/16/60+ shareholder value creation framework.

I would now like to hand the call over to David to discuss our financial results and guidance in more detail. David?

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## Glenn David Jackola

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

Thanks, Russ, and good morning, everybody. Reported revenues for the three months ended September 30 were \$2.1 billion, a 14.2% increase compared to \$1.83 billion in the prior year period. Organic growth of approximately 10% was driven by continued growth in inspection, service and monitoring revenues, strong growth in project revenues and pricing improvements.

Adjusted gross margin for the three months ended September 30 was 31.5%, representing a 50 basis point increase compared to the prior year period, driven by disciplined customer and project selection and pricing improvements, partially offset by mix. Adjusted EBITDA increase by 14.7% for the three months ended September 30 with adjusted EBITDA margin coming in at 13.5%, representing a 10 basis point increase compared to the prior year period.

Growth in adjusted EBITDA was driven by strong revenue growth and adjusted gross margin expansion, partially offset by investments to support growth. Adjusted diluted earnings per share for the third quarter was \$0.41, representing \$0.07 or 20.6% increase compared to the prior year period. The increase was driven primarily by growth in adjusted EBITDA and a decrease in interest expense.

I will now discuss our results in more detail for Safety Services. Safety Services reported revenues for the three months ended September 30 was \$1.4 billion, a 15.4% increase compared to \$1.2 billion in the prior year. Organic growth of 8.7% was driven by continued growth in inspection, service and monitoring revenues, strong growth in project revenues and pricing improvements.

Our North America Safety business continued its momentum with double-digit inspection revenue growth. Adjusted gross margin for the three months ended September 30 was 37.3%, representing an 80 basis point increase compared to the prior year period, driven by discipline customer and project selection, and pricing improvements leading to margin expansion in inspection, service and monitoring revenues, and project revenues.

Segment earnings increased by 18.6% for the three months ended September 30 and segment earnings margin was 16.8%, representing a 40 basis point increase compared to the prior year period, primarily due to the increase in adjusted gross margin, partially offset by investments to support growth.

I will now discuss our results in more detail for our Specialty Services segment. Specialty Services reported organic revenues for the three months ended September 30 were \$683 million, an increase of 11.6% compared to \$612 million in the prior year period, driven by strong growth in project revenues. Adjusted gross margin for the three months ended September 30 was 19.3%, representing a 60 basis point decrease compared to the prior year period, driven primarily by increased project starts, mix, and increased material costs.

Segment earnings increased 3.8% for the three months ended September 30 and segment earnings margin was 11.9%, representing an 80 basis point decrease compared to the prior year period, primarily due to the decrease in adjusted gross margin.

Turning to cash flow, we continue to focus on driving strong free cash flow conversion improvements year-over-year. For the three months ended September 30, adjusted free cash flow came in at \$248 million, up \$21 million versus last year representing an adjusted free cash flow conversion of 88%. The strong free cash flow in the third quarter drove adjusted free cash flow of \$434 million year-to-date, up \$73 million versus last year, and representing a conversion rate of 58%.

Free cash flow generation has been and continues to be a priority across API and we are pleased with our performance year-to-date, as the business accelerates revenue growth. We expect to finish the year at approximately 75% adjusted free cash flow conversion in line with our prior guidance. As a reminder, the fourth quarter is traditionally our strongest for free cash flow conversion due to seasonality.

At the end of the third quarter, our net debt to adjusted EBITDA ratio was approximately 2.0 times below our long-term target, allowing us the flexibility to pursue value enhancing capital deployment opportunities in the remainder

of the year and into 2026. As a reminder, our long-term capital deployment priorities remain: one, maintaining net leverage at stated long-term targets; two, strategic M&A at attractive multiples; and three, opportunistic share repurchase.

I will now discuss our guidance for the fourth quarter and full year 2025, which as a reminder is based on current foreign currency exchange rates. We expect increased full year net revenues of \$7.825 billion to \$7.925 billion, up from \$7.65 to \$7.85 billion, representing reported revenue growth of 12% to 13%, and organic growth in net revenues of 7% to 8% for the year.

Moving down the P&L, we expect full year adjusted EBITDA of \$1.015 billion to \$1.045 billion compared to our previous guidance of \$1.05 billion to \$1.045 billion representing adjusted EBITDA growth of approximately 15% at the midpoint and adjusted EBITDA margin above our previously stated 2025 goal of 13%. Our increased full year revenue and adjusted EBITDA guidance is driven by updates to our business outlook, including our third quarter over delivery, our latest outlook for the remainder of the year, and the impact of closed M&A during the quarter. Based on most recent rates, the impact of foreign currency is immaterial to our change in guide.

For 2025, we anticipate interest expense to be approximately \$145 million, depreciation to be approximately \$85 million, capital expenditures to be approximately \$100 million, and our adjusted effective tax rate to be approximately 23%. We expect our adjusted diluted weighted average share count for the year to be approximately 424 million. We continue to expect adjusted corporate expenses to be approximately \$35 million per quarter with some timing variability throughout the year.

As expected, our EBITDA adjustments for restructuring were zero in the third quarter as we brought those programs to the conclusion at the end of the second quarter. Overall, we are pleased with the team's execution of our strategy in an evolving macroeconomic environment during the year. I look forward to sharing more updates on our progress next quarter.

I will now turn the call over to Russ.

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## Russell A. Becker

*President, Chief Executive Officer & Director, APi Group Corp.*

Thanks David. We approached 2026 with strong momentum across our global platform. We continue to accelerate organic growth while expanding adjusted EBITDA margins, growing our recurring inspection, service and monitoring business, building on our record backlog, and improving our free cash flow generation. We believe our proven operating model built on our inspection and service first strategy, purpose-driven leadership, and a discipline approach to capital allocation positions APi for sustained organic growth, margin expansion and value accretive M&A.

We are confident in our abilities or we are confident in our leader's ability to execute our strategy and deliver against our new 10/16/60+ financial targets, creating value for all of our stakeholders.

With that, I would now like to turn the call over to the operator and open the call for Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question comes from the line of Andy Kaplowitz from Citigroup. Your line is live.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Good morning, everyone.

Q

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

Good morning.

A

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

Good morning.

A

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Russ, as you – organic growth, as you know, has been accelerating in Safety Services, could you give us some more color in how that broke down? For instance, are you seeing a boost in your project business given a bigger data center tailwind? Or would you say, it's more broad-based growth given your comment in the prepared remarks on not overcommitting to high tech?

Q

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

So I would say that we're seeing very robust activity in the data center space across really both of our segments, Andy. I mean, I don't think – I think, going into the year, data center is probably accounted for someplace around 7% to 8% of our total revenue. And maybe that's going to push to 9% or 10% based on the tailwinds that we're seeing in the space. So it's not a significant component of our revenue.

A

We continue to see really good activity in the semiconductor space advancement, manufacturing. We're seeing some activity in aviation that's creating opportunities for us. Healthcare continues to be strong as does critical infrastructure. So we feel – we've always felt strongly about the end markets we've chosen to play in. And I feel like, we're just seeing good robust activity. So I would say that one thing that might be different today than what was different a year or two years ago is the size and complexity of some of these projects, which limits the – it limits the players that are able to really participate and deliver on some of the schedules, which creates opportunity for folks like us.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Very helpful. And then you mentioned sort of 11 bolt-ons now, still reiterating the \$250 million plus this year, but it almost seems like you're ahead of plan on M&A. So maybe you can give us a little more color around the progress you're making. Obviously, you've been adding to your elevator platform. You mentioned multiple other

Q

platforms. So just update us on sort of where you are, is that the right observation and maybe your little ahead, how do you think about it?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

I think about it more like we're right on track, to be honest with you. I mean, we have anticipated activity here in the fourth quarter that we still need to execute on. But I feel like we're right on track, whether it ends up being \$275 million, I don't know. That all depend on our ability to execute on the deals that we have in the pipeline right now.

But this idea of us being a forever home for sellers, as we mentioned in our remarks, continues to resonate, and we are seeing a lot of activity. And that has really been positive for us. So most – the focus has remained primarily in North America in the fire and security space. We are continuing to do work on elevator. We got one deal done this year. We have a number of deals that are in the pipeline that we're continuing to push forward on. And we are seeing more activity in the international business. But that still remains on a country by country basis based on the ability of that country, so to speak, to digest a potential bolt-on. But we are seeing more activity in our international business as well.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Appreciate all the color.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Thanks, Andy.

**Operator:** Your next question comes from the line of Kathryn Thompson from Thompson Research Group. Your line is live.

**Kathryn I. Thompson**

*Analyst, Thompson Research Group LLC*

Q

Hi. Thank you for taking my questions today and tagging along just on – and balancing priorities for growth with M&A. So about 45% of your end markets today by our calculation benefits from re-industrialization, and granted, as you noted, there's ample opportunity to grow smaller segments like elevator segment. But when you think about balancing your priorities by either industry vertical or broad US trends, how do you – so how do you balance those two?

So for instance, based on our work and being able to see our data center construction site, the amount of support is going to benefit companies of scale like APi. So do you see a greater balance of your revenues coming from that re-industrialization, see a greater mix or – and how do you balance that against just consolidating a vertical like the elevator and escalator segment? Thank you.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, I mean, thanks, Kathryn, and good morning. And we appreciate you and you being here with us. Well, for sure, the size of some of these projects and the complexity of these projects creates opportunity for folks like us,

because just there's only a handful of national players that can handle the fire life safety on, say, a large data center project. And so that's an advantage.

And for us, as we look at how do we balance that, for us our geographic footprint is an advantage for us. And the data center markets continues to follow power availability. And so there is – areas where there is some concentration of data centers, but you're starting to see these data centers move to different locations and a lot of it is remote locations. So you have to have people that are willing to travel to these locations, and that's an advantage for us.

So as an example, one of our clients is going to build a large, extensive data center in El Paso, Texas. We have a very, very strong fire life safety business in El Paso, Texas, that's positioned to support that. And that's an advantage that we have. And so as we think about the balance of, like, investing – continuing to invest in our inspection, service and monitoring business or say – continue to try to consolidate in the elevator space, we're doing both, and we feel like we've got the bandwidth to do both with the way our business is really structured.

So we've got the right resources in the elevator space to focus on not only growing the elevator business, but also executing on the elevator business that we currently have. And so we balance that these large project opportunities flow – continue to flow through me. So I can see, how much activity is going there. And so we're able to ask questions to make sure that we've got the right resources to be able to execute on the work.

And one of the things that I talk about all the time that I think sometimes people don't really have a real understanding or maybe even respect for is that, in our industry, having too much work is worse than having not enough. And so we watch that very, very closely to make sure that we're taking advantage of the right project-related opportunities so that we get paid the right price for the work that we do and the services that we provide. So we talk about it all the time, and I feel like we're doing a really good job of doing both.

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**Kathryn I. Thompson**

*Analyst, Thompson Research Group LLC*

Q

It very helpful with that. And following on that comment of too much work, are there end markets that are generally better margin, as you go towards your margin profile? Are there markets now that you would like to grow that you see as better margin markets as you focus on growth going forward? Thanks so much. I'll jump back in the queue.

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**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, I think that – I think the end markets that we're playing in right now today provide the best margin opportunity for the company. And it's because of what I've mentioned, it's based on size, based on complexity, and it's more around your ability to deliver, and the schedules for these data centers, as you're aware, are really aggressive. And so like, you have to have – you have to have the people and if you're going to deploy your people to some of these project opportunities, the margin opportunity needs to be there. And so it's the size, it's the scale, it's the complexity and it's the schedule and your ability to deliver, and you should get paid for that, and we're seeing that.

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**Kathryn I. Thompson**

*Analyst, Thompson Research Group LLC*

Q

Thanks a lot.

**Operator:** Your next question comes from the line of Andy Wittmann from Baird. Your line is live.

**Andrew John Wittmann**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Great. Good morning, and thanks for taking my questions, everyone. I guess, I want to kind of build on the margin questions here a little bit and just kind of get your assessment, Russ, on the margin performance in the quarter, 10 basis points, you got a lofty 2028 goal. I know one quarter does not make the trend. But just you mentioned some things like, I don't know, materials cost and talking about some investments for growth, and there's that inherent growth margin tradeoff that is such a focus for your company. Obviously, look back at last year, you got big margin gains as a result of kind of slowing down some of the projects that you took on.

I guess, I wanted to ask you kind of, are you at the right – the balance of growth it's much better here, but you're not getting quite as much margin. So what's your assessment of kind of your balance between those things? And as you head into 2026, you need to maybe throttle down the growth to make some progress towards that big 2028 margin guidance? Thanks.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, good morning, Andy. Thanks for being here. And well, number one, we're not going to tell you we can do something that we can't do. And you – I mean, we're competitive group. And I feel like the margin expansion goal and objective we put out there is realistic, and we will deliver on that. And I feel like we're doing a good job of balancing organic growth with inside our existing portfolio today. And as you said, really even as you framed your question, the reality of this is business really isn't linear. And we will continue to see our margins expand as we move through the remainder of the year and into next year. So I remain optimistic about how we're balancing it. I don't know, David, if you have any color you'd like to add.

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Yeah. I'll add a few points, Russ. Thanks for the time, Andy. Thanks for the question. Underlying, we've seen really good margin expansion in our inspection, service and monitoring work, and we're able to continue to get margin accretive pricing and we expect that to continue into the future. I'd say, we're still in the early phases of a lot of this contract work that is driving organic revenue growth, particularly, this comment is in the Specialty Services segment, and we'll see margins expand sequentially again in Q4 and into 2026.

As those projects move deeper into completion, we tend to move margins up on our projects as we get closer to completion, and we're still in early days in many of those projects. I think there's a lot of opportunity to grow margin. Last thing I'd say is, we did deliver a strong quarter and raise our guide for the year and with that comes some increase in corporate costs and variable compensation that impacted margin in the quarter as well.

**Andrew John Wittmann**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Okay. That's – any specific comment on or maybe elaboration on the materials and the investments?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, we can – the primary area that when David was talking about investments is continuing to invest in our sales team, primarily in the inspection, service and monitoring space. We have really ambitious goals in with our –

where we want to take the inspection, service and monitoring component of our business as you – when you think about our 2028 objectives, which means in a lot of ways, we need to more than double our sales team and the folks that are doing that work, which means we need to bring more inspectors into – to the business. So it's primarily, when we talk about investment, it's primarily in that piece of our business. So that's the primary when we talk about investment. It's really in building out our sales team and our sales leadership.

**Andrew John Wittmann**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Great. Thanks.

**Operator:** Your next question comes from the line of Josh Chan from UBS Financial. Your line is live.

**Joshua K. Chan**

*Analyst, UBS Securities LLC*

Q

Hi. Good morning, Russ, David. Thanks for taking my questions. I think in terms of organic growth, certainly a really strong year and it seems like it's just getting stronger. I guess, you are tracking ahead of your mid-single-digit kind of long-term growth rate. So maybe could you comment on sort of the sustainability to grow mid-single digits on top of the very strong growth this year? Or how are you thinking about kind of the cadence, whether this pulls anything forward or whether you can kind grow on top of this?

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Yeah, great question. Thanks for being with us, too, Josh. I'll take you back to the organic growth algorithm that we shared at our Investor Day in late May. And when you think about our Safety Services side of the business, we expect mid- to upper single-digit growth. That's kind of mid- to upper single-digit growth in the service side of the business, driven by both price and share gain and then low- to mid-single-digit growth on the project side. And likewise, we expect mid-single-digit growth over the long-term in our Specialty business, and we believe that algorithm is sustainable over the long run into a point that Russ made earlier when we put out frameworks and expectations we deliver against them.

As we've gotten deeper into the year, where you've seen that outsized revenue growth is really in the project part of the business where we've got an expectation over the long-term of that being in the low- to mid-single digits and that was more in the mid- to upper single digits – double digits in places in the third quarter. So do I believe it's sustainable? Yes. And we'll continue to deliver against that growth algorithm.

**Joshua K. Chan**

*Analyst, UBS Securities LLC*

Q

Great. Yeah. Thanks, David, for the color there. And then I guess in terms of the guidance, you moved up the revenue guidance nicely, I think over \$100 million at midpoint, and then you kind of nudged up the EBITDA guidance at midpoint. So could you talk about the translation there in terms of the much higher revenue and then kind of the slightly higher EBITDA?

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Yeah. I'd be happy to, Josh. When you think about what's moving up our revenue guide for the year, it's the same answer that I gave you on the last question, which is increased or continued strong strength in the project

environment. And we've talked publicly for the last couple of years on how the project side of our business on average is at a lower gross margin than the inspection, service and monitoring stream. And so that mix impact influences and we've talked over the last couple of quarters how as we're ramping up projects, they tend to come in at a lower margin flow through, at the early part of the project and get marked up as we go through the work, and you see that dynamic in the fourth quarter as well.

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**Joshua K. Chan**

*Analyst, UBS Securities LLC*

Q

Okay, great. Thanks for the color, and good luck on the rest of the year.

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**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Thanks, Josh.

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**Operator:** Your next question comes from the line of Tomo Sano from JPMorgan. Your line is live.

Q

Good morning. This is [ph] Ethan (00:36:22) on for Tomo, and thank you for taking my question today. Looking at the M&A pipeline, you guys had four bolt-on acquisitions in the quarter and a strong track record of value accretive M&A. What's kind of the current status of that M&A pipeline? And are there any particular geographics or service lines that you're prioritizing for future bolt-on acquisitions?

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**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, I mean – the pipeline I mean, I think you can expect more of the same what I mean? It's kind of just a regular cadence for us. At this stage of the game, we just keep plugging away and making sure that we're making good choices for the businesses that we choose to bring into the APi family, culture values and fit being, the number one gate, if you will, that we need to solve for.

So I think you're going to continue to see a very similar cadence as you've seen really over the course of the last couple of years. So that part of it is good. And the opportunities that are in front of us are really positive. As it relates to focus, it seems like just based on readiness and capability are – the majority of our transactions have happened in our North American safety business primarily in the fire – probably fire protection first, electronic security second. And elevators, I would say, are on equal footing. And that's just the way – that's just kind of the way it's happened. And a lot of that is based on readiness.

So – but I would say fire suppression, fire just in general, electronic security in elevators are kind of all the same as it relates to our priorities. And you're going to see us continue to do more transactions in North America until the international business is in a kind of an overarching way more ready and capable of handling bolt-on M&A activity. We are – all that being said, we continue to do work on opportunities that we see in our international-based business, and that's based on country readiness.

So we have certain countries that are in a much better place as it relates to being ready to take a bolt-on versus other countries. And that's a gate that we use actually in North America as well. So but you should expect a very, very similar cadence of activity. We also continue to look at slightly larger opportunities that are out there in the

market. And we continue to do work on those. So lots of good things happening from an M&A perspective right now, today.

Q

Thank you for providing a little bit of color. On your investments in the sales team, are you guys seeing – how is the labor availability and technician retention and are you guys experiencing any wage pressures or capacity constraints?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

So I would tell you that well, number one, as it relates to people in general, not just like sales people like, we talked about the investment in our inspection, service and monitoring business really as a whole. And the first tenant of people and talent management is retention. And you have to keep the people that you have. And our retention is very, very strong, I think, north of 90%. And I would tell you that that's driven by the company's purpose of building great leaders and the investments that we continue to make in every single person that's on our team and that includes the men and the women in the field. And I think that's something that differentiates us.

So first, we have to keep the people that we have. Second, you have to really be looking for people in non-traditional places in today's world. And I feel like our team is doing a better and better job. Like, I don't think we're perfect at it, but I think we're doing a better and better job of bringing people in from non-traditional places. And then you have to have the capabilities to train them. And we have these, I don't know if I'd call them a center of excellence, but pockets of brilliance anyways, where we've developed training programs and where we can send inspectors and we can send fire alarm technicians and folks like that. We have a design – design training center inside one of our businesses that's being utilized by all of their sister companies.

And so we recognize the fact that if we want to achieve, our goals 10/16/60+, it's going to take more people in our organization. And so we have to be thinking differently about that. And I feel like our team is really doing a good job. I think we have some more work to do there, but I feel like we're doing a good job and understanding what the people needs are.

I look at people, if you – if our business leaders use people as the reason that they can't grow their business, then that's an excuse. And the reality of it is, is that everybody that's in the industry knows that finding really good people that have the skills to do the work that we need to do for our customers. It's been tight like this for 10 years. And so saying that you can't find the people, that's an excuse, like you have to think differently about it and in how you're going to – how you're going to build your business. And I feel like our group is doing a nice job there. And that's – it takes leadership to do that.

Q

Thank you for taking my question and good luck with the rest of the year.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Thank you.

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Thank you.

**Operator:** Your next question comes from the line of Stephanie Moore from Jefferies. Your line is live.

**Harold Antor**

*Analyst, Jefferies LLC*

Q

Hello. This is Harold Antor on for Stephanie Moore. Just wanted to get an update on Elevated. I think you guys have owned the acquisition for a little bit over a year now. So just, I guess, what's the organic growth running in that business? How's the cross-selling running? How many cities have you been in? Just any conversations about how that integration has been going?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

I think Elevated is doing really well. And they are – high-single-digit pushing double-digit, but high-single-digit organic growth. So we feel good about where that business is at. It's really doing well. The cross-selling, again, is just – we're in maybe the top of the second inning as it relates to cross-selling as those folks get to know their long-term APi teammates there, that's going to only accelerate. But it's happening more and more, I view that as being very, very positive.

As we mentioned earlier, we made one acquisition in the elevator space. It's really not a bolt-on to Elevated. It's kind of what we turned a tweener. It's a really – it's a nice sized business. And we're operating it, independently of Elevated. But we couldn't be happier with where we're at with our – with the elevator business as it sits today.

**Harold Antor**

*Analyst, Jefferies LLC*

Q

Great. Thank you for the color. And then I guess just double clicking on Specialty, another solid quarter of strong performance. I guess, what's the size of the pipeline today versus, I guess, the last time we spoke? And I know you're not giving formal 2026 guide, but I guess, as we think about the double-digit momentum that we – it prepares for you to be [ph] excellent (00:45:00) in 2025. What would – I guess, do you think that's sets up for 2026 to run slightly ahead of that mid-single-digit organic growth performance or just any comments there would be very helpful. Thank you.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Well, I think I mean, we don't break out backlog by segment, but our backlog remains at record highs across really both segments. And so we feel really, really good about where we're going as we work our way through the fourth quarter and into 2026. We still – our target is, David mentioned this earlier in his remarks and I'll let him make some additional comments about it. But our targeted growth rate is mid-single-digit organic. And we'll take advantage of the opportunities that are continued to be presented to us. And if there's an opportunity that we feel like we can execute on and it's going to be accretive to our margin goals, we're going to grab it and go, but right now and as we move into 2026, the expectation is mid-single-digit organic growth. I don't know, David, you had anything?

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Yeah. And maybe the only thing I'd add is, on the momentum question, if you pull apart our guide for the full year, it just really a strong fourth quarter guide too, it'll be in a mid- to upper single-digit organic revenue growth and our highest margin expansion quarter of the year. So it feel like we're exiting 2025 with really good momentum. We've got that project backlog behind us. And most importantly, as Russ mentioned earlier in that call that project work will lead to great inspection, service and monitoring opportunities for our teammates, which will fuel growth throughout the 2028 strat period.

**Harold Antor**

*Analyst, Jefferies LLC*

Q

Thank you, guys.

**Operator:** Your next question comes from the line of Julian Mitchell from Barclays. Your line is live.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

Thanks very much. Good morning. Maybe my first question would just be around the acquisition sort of contribution, not so much the pipeline of unannounced deals and all of that. But just if I look at the announced closed transactions and so forth, I think M&A contribution to revenue this year is sort of mid-single digits. When you look at the acquisitions that have closed or expected to close by year end, how should we think about the M&A sales contribution for next year as it looks today? Again, just based on the announced, closed and about to close deals. And any color on the sort of profitability for those newer acquisitions in aggregate.

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

You're asking a 2026 budget question, Julian.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

Well, it is based off announced sort of closed deals, nothing perspective or what have you?

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

The best year I can give you on that is that about \$1 of purchase price is about \$1, maybe a little bit less in revenue over a 12-month period. And so if you shaped that out and you'll get a pretty good sense, I think, of what that could contribute next year. And we expect our deals to be accretive to fleet average from a margin perspective.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

That's helpful. Thank you. And then maybe just circling back to the operating leverage question that's come up a handful of times on this call. So is the core assumption leaving aside any outsized acquisitions that might have a different margin profile? But if we just look at the business as it is today, should we assume that that sort of mid-

high-teens, operating leverage that you've delivered year-to-date, that's a good sort of run rate for the year ahead just looking at the shape of end market growth rates and the attendant kind of mix differences and all that.

**Adam Fee**

*Vice President-Investor Relations, APi Group Corp.*

A

Julian, when you say operating leverage, are you talking about EBITDA growth or maybe just can you help clarify that?

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

Yeah. So it – sorry, just – sure, Adam, so it's sort of incremental EBITDA margin, I think that number, for example, on sort of incremental EBITDA margin in the third quarter just delivered was mid-teens and it was mid-teens in the first half as well. So your – sort of your headline EBITDA margin was 13.5%, your sort of incremental EBITDA margin, just changing EBITDA over change in sales was more like mid-teens. Is that a good kind of run rate when you're looking at the end market mix today?

**Glenn David Jackola**

*Chief Financial Officer & Executive Vice President, APi Group Corp.*

A

Yeah. I think as your modeling out into 2026 and beyond, I'd model a somewhat higher incremental going into the future.

**Julian Mitchell**

*Analyst, Barclays Capital, Inc.*

Q

Okay, perfect. Thanks very much.

**Operator:** Your next question comes from the line of Jasper Bibb from Truist Securities. Your line is live.

**Jasper Bibb**

*Analyst, Truist Securities, Inc.*

Q

Hey. Good morning, guys. Following up on the data center comments, based on what you're seeing in the backlog trend for that sector, should we expect the revenue contribution from data center to continue to build over the next few quarters, maybe to a materially higher number than the 9% to 10% you cited earlier on the call?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

I don't think it'll be material higher – materially higher. I can't even say it. I think it might creep to 10%, 11% or something like that as a percent of our revenue. I mean, I'd be surprised if it got to 12%. And one of the things to remember is that, the difference between say, us and some of the other players that are really taking advantage of the data center space is the fire life safety. That component of these jobs is like significantly smaller. So like the HVAC/mechanical work on a large data center might be \$500 million from a contract value perspective. And like I'm kind of making – I'm just trying to give you directional guidance on the numbers here. The fire life safety might be \$10 million to \$15 million on that same data center job.

Now we're seeing some of these large, large – very, very large projects where the fire life safety is higher than that. But then the mechanical is probably still kind of next of that. And so the contract, the sizes are different. And

so that's the reason that you won't see it incrementally affect us as much as it, say, might affect one of our peers in the space.

**Jasper Bibb**

*Analyst, Truist Securities, Inc.*

Q

That's a super helpful context. And then hoping you could maybe update us on early progress on your tech investments, and any key milestones when thinking about the ERP, for example, what should keep in mind as we think about 2026?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Yeah, absolutely. Thanks for the question. Our tech investment, this is our ERP investment in our Safety Services segment. I'd say, it's progressing largely as we expected. These are difficult projects, but I'm really pleased that the team is progressing and they're progressing doing it lockstep with our business and making sure that this is a business-led project that's meeting the business needs of our branch leaders, our field leaders and our company leaders. So that is moving forward. We're out of the blueprinting phase and we are currently deploying in our pilot companies.

So really moving forward as we expected. As you think into 2026 from a cost perspective, 2025 is going to be the high watermark for spend on that system deployment project. It'll step down a bit as we go into 2026 and then step down further in 2027 as we get near and approach conclusion.

**Jasper Bibb**

*Analyst, Truist Securities, Inc.*

Q

Thank you for taking my questions, guys.

**Operator:** Our final question comes from the line of Jon Tanwanteng from CJS Securities. Your line is live.

**Jon Tanwanteng**

*Analyst, CJS Securities, Inc.*

Q

Hi. Thank you for taking my question. A lot of them have been answered already. I guess, the one thing I have is, based on and following up on the prior question on the incremental margin expectation going forward to be higher than it has been. Should we take that to mean that there's no very large project start quarters in the schedule for the upcoming several quarters? And I understand that that's obviously good for growth, but impacts the margin in the quarter. Is that best takeaway we should be having?

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

A

Yeah. I wouldn't – I view this whole project start topic that's impacted our year-over-year margins in the past couple of quarters is something that happens at an inflection point. And as we went from being down year-over-year to significantly up year-over-year from a revenue perspective in Q2, it impacted we were up about \$50 million to \$60 million in revenue quarter-over-quarter in the Specialty segment in the third quarter, so that impacted. But now as we get into the fourth quarter and I'd expect our margins in the Specialty segment to be year-over-year accretive and then into Q1 and Q2 of next year, it's just going to be part of the ebbs and flows of our margin and not a major issue.

**Jon Tanwanteng**

*Analyst, CJS Securities, Inc.*



Got it. Thank you very much.

**Operator:** This concludes the Q&A session portion of today's meeting. I would now like to turn the call over to Russ Becker closing remarks.

**Russell A. Becker**

*President, Chief Executive Officer & Director, APi Group Corp.*

Thank you. In closing, I would like to thank all our team members for their continued support and dedication to our business. I'm truly grateful for what each and every one of you do on a daily basis. I would also like to thank our long-term shareholders, as well as those that have recently joined us for their support. We appreciate your ownership of APi and look forward to updating you on our progress throughout the remainder of the year. Thank you, everybody, for joining the call this morning.

**Operator:** This concludes today's meeting. You may now disconnect.

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