



NEWS RELEASE

APi Group Reports Fourth Quarter and Full Year 2019 Financial Results

4/8/2020

Combined 2019 net revenues of \$4.1 billion Combined 2019 adjusted EBITDA of \$393 million Combined 2019 cash provided by operating activities of \$295 million 2019 combined adjusted free cash flow conversion of 90%
NEW BRIGHTON, Minn., April 8, 2020 /PRNewswire/ -- APi Group Corporation (OTC:JJAQF; LSE:JTWO) ("APG" or the "Company"), today reported its financial results for the three months and year ended December 31, 2019.

The Company has classified two subsidiaries in its Industrial Services segment as assets held-for-sale as of December 31, 2019. The results presented in this announcement on an as adjusted basis include non-cash and other specifically identified adjustments in addition to excluding the impact of these two subsidiaries, which represent a combined \$290 million and \$229 million of net revenues in 2019 and 2018, respectively. In addition, all of the full year 2019 financial results presented in this announcement combine the results of APi Group, Inc. (the "Predecessor") for the period prior to the October 1, 2019 closing of its acquisition by the Company and the results of the Company following such acquisition (the "Successor").

Fourth Quarter 2019 Highlights:

- Reported net revenues were \$985 million, compared to \$992 million in the prior year period
- Adjusted net revenues grew organically by 1.0% or \$9.0 million to \$926 million, compared to \$917 million in the prior year period
- Reported gross margin was 20.1%, representing a 208 basis point decline compared to prior year gross margin of 22.2%, primarily due to an additional \$22 million in cost of revenues from the amortization of backlog intangible assets recorded in purchase accounting
- Adjusted gross margin was 23.4%, compared to 23.3% for the same period in 2018
- Reported operating loss was \$138 million, a \$151 million decline from prior year operating income of \$13 million, which was largely impacted by transaction related and non-recurring expenses
- Adjusted EBITDA was \$109 million or 11.8%, a 97 basis point increase over prior year
- Reported net loss was \$150 million, a \$145 million decline from prior year net loss of \$5 million, which was largely impacted by transaction related and non-recurring expenses and reported net loss was \$0.89 per diluted share
- Adjusted net income was \$61 million, representing a \$11 million increase over prior year and adjusted diluted EPS of \$0.35, a \$0.06 increase over prior year

Full Year 2019 Highlights:

- Combined net revenues were \$4.1 billion (Predecessor \$3.1 billion and Successor \$985 million), an increase of \$364 million or 9.8% over prior year
- Adjusted combined net revenues grew 8.7% or \$303 million to \$3.8 billion, compared to \$3.5 billion in the prior year period with segment growth of 4.2% in Safety Services, 9.9% in Specialty Services and 10.7% in Industrial Services
- Adjusted combined net revenues grew organically by 7.7% or \$272 million to \$3.8 billion, compared to \$3.5 billion in the prior year period with organic growth of 4.5% in Safety Services, 7.0% in Specialty Services and 10.9% in Industrial Services
- Reported combined gross margin was 19.6%, representing a 151 basis point decline compared to prior year gross margin of 21.1%, primarily due to an additional \$22 million in cost of revenues from the amortization of backlog intangible assets recorded in purchase accounting
- Adjusted combined gross margin was 21.5%, compared to 22.0% in 2018, driven primarily by a decline in the Industrial Services segment
- Reported combined operating loss was \$59 million, a \$221 million decline from prior year operating income of \$162 million, which was largely impacted by transaction related and non-recurring expenses
- Adjusted combined EBITDA was \$393 million or 10.3%, a 51 basis point increase over prior year
- Reported combined net loss was \$67 million, a \$203 million decline from prior year net income of \$136 million, which was largely impacted by transaction related and non-recurring expenses, and reported net loss was \$1.15 per share
- Adjusted combined net income of \$212 million, representing a \$29 million increase over prior year and adjusted combined diluted EPS was \$1.22, a \$0.17 increase over prior year

Russ Becker, APi Group's President and Chief Executive Officer said, "Our organic revenue growth and increasing margin profile reflects the continued shift in our business towards more profitable, recurring service opportunities while maintaining a strong adjusted EBITDA margin of 10.3%."

"Facing the worldwide shock wave of COVID-19 has brought out the best in APi's culture and our leadership organization. I need and want to thank each of our employees for their sacrifices. They have put APi first. The safety, health and well-being of all our employees remains paramount, and we will continue to be proactive in taking measures that we expect to help protect our business and all of our constituencies."

APi Co-Chairman James E. Lillie added, "We continue to be encouraged by the long-term opportunities that lie ahead for the business. Since joining forces with the APi leadership team we have made progress as planned on all of the short-term milestones and objectives for the Company. The financial results for 2019 speak to the strength of APi's operating model and the team's focus on driving higher margin growth as well as our ability to generate cash and run the business with a strong balance sheet. We believe we are prepared to seize opportunities as we move through 2020 and continue to execute on our long-term goals for the business."

Conference Call

APi Group will host a webcast/dial-in conference call to discuss its 2019 financial results at 8:30 a.m. (Eastern Time) on Wednesday, April 8, 2020. Participants on the call will include Russ Becker, President and Chief Executive Officer; Tom Lydon, Chief Financial Officer; James E. Lillie and Sir Martin E. Franklin, Co-Chairmen.

To listen to the call by telephone, please dial 833-721-2905 or 929-517-9835 and provide Conference ID 2764874. You may also attend and view the presentation (live or by replay) via webcast by accessing the following URL:

<https://event.on24.com/wcc/r/2253890/5C1738E2B85521CA6F22DD67A0557E64>

A replay of the call will be available shortly after completion of the live call on the webcast or by telephone, 855-859-2056 or 404-537-3406.

About APi

APi Group is a market-leading business services provider of life safety, specialty and industrial services in over 200 locations, primarily in North America. APi Group provides statutorily mandated services to a strong base of long-standing customers across industries. We have a winning leadership culture driven by entrepreneurial business leaders to deliver innovative solutions for our customers. More information can be found at **<https://www.apigroupinc.com/>**.

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Forward-Looking Statements and Disclaimers

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, issue, subscribe for, sell or otherwise dispose of any securities, nor any solicitation of any offer to purchase, otherwise acquire, issue, subscribe for, sell, or otherwise dispose of any securities. The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

Certain statements in this announcement are forward-looking statements which are based on the Company's expectations, intentions and projections regarding the Company's future performance, anticipated events or trends and other matters that are not historical facts, including expectations regarding: (i) the ability of the Company to meet the eligibility criteria and effect a registration under the Securities Act of its securities, a listing of its securities on the New York Stock Exchange, its domestication and the timing for such registration, listing and domestication;

(ii) the Company's positioning regarding its future business plans and long-term goals; (iii) the Company's strategies for each of its segments and the opportunities in the industries the Company serves; (iv) the impact of the Company's planned divestiture of two subsidiaries in its Industrial Services segment; (v) certain expected 2020 financial results and (vi) the impacts of the COVID-19 pandemic on the future operating and financial performance of the Company, the Company's plans and strategies to adapt and respond to the pandemic and the expected impact of those plans and strategies. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including: (i) economic conditions, competition and other risks that may affect the Company's future performance, including the impacts of the COVID-19 pandemic on the Company's business, markets, supply chain, customers and workforce, on the credit and financial markets, and on the global economy generally; (ii) the ability to recognize the anticipated benefits of the acquisition and of the Company to take advantage of strategic opportunities; (iii) the limited liquidity and trading of the Company's securities; (iv) changes in applicable laws or regulations; (v) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and (vi) other risks and uncertainties. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Company does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement constitutes or should be construed as constituting a profit forecast. This announcement contains inside information as defined in article 7 of the Market Abuse Regulation (EU) No 596/2014.

Non-GAAP Financial Measures

This press release contains non-U.S. GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission and includes a reconciliation of these non-U.S. GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP. The Company uses certain non-U.S. GAAP financial measures that are included in this press release and the additional financial information both in explaining its results to shareholders and the investment community and in its internal evaluation and management of its businesses. The Company's management believes that these non-U.S. GAAP financial measures and the information they provide are useful to investors since these measures (a) permit investors to view the company's performance using the same tools that management uses to evaluate the Company's past performance, reportable business segments and prospects for future performance, (b) permit investors to compare the Company with its peers and (c) determine certain elements of management's incentive compensation. Specifically:

- The Company's management believes that "adjusted" net revenues, "adjusted" gross margin, "adjusted" SG&A expense, "adjusted" operating income (loss), "adjusted" earnings per share, "adjusted" interest and "adjusted" tax rates, which exclude business transformation and other expenses for the integration of acquired businesses, the impact and results of two subsidiaries in the Company's Industrial Services segment which the Company has classified as assets held-for-sale as of December 31, 2019, and one-time and other events such as impairment charges, share-based compensation, transaction and other costs related to acquisitions, amortization of intangible assets associated with acquisitions, and certain tax benefits from the API Acquisition, are useful because they provide investors with a meaningful perspective on the current underlying performance of the Company's core ongoing operations.
- The Company also presents changes in organic net revenues to provide a more complete understanding of underlying revenue trends by providing net revenues on a consistent basis as it excludes the impacts of

significant acquisitions, planned or completed divestitures, and changes in foreign currency from year-over-year comparisons.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is the measure of profitability used by management to manage its segments and, accordingly, in its segment reporting. The Company supplements the reporting of its consolidated financial information with certain non-U.S. GAAP financial measures, including EBITDA and adjusted EBITDA, which defined as EBITDA excluding the impact of certain non-cash and other specifically identified items ("Adjusted EBITDA"). The Company believes these non-U.S. GAAP measures provide meaningful information and help investors understand the Company's financial results and assess its prospects for future performance. The Company uses EBITDA and Adjusted EBITDA to evaluate its performance, both internally and as compared with its peers, because it excludes certain items that may not be indicative of the Company's core operating results. Consolidated EBITDA is calculated in a manner consistent with Segment EBITDA, which is a measure of segment profitability.
- The Company 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.
- The Company presents non-U.S. GAAP financial measures on a combined basis to illustrate the impact of the combined Predecessor and Successor periods as a result of the APi Acquisition. The Company believes that these combined measures are useful in understanding the overall operating performance of the combined business during 2019 as compared to the performance in the prior year period and provide a more complete picture of the Company's results after factoring in its current debt and capitalization structure.

While the Company believes these non-U.S. GAAP measures are useful in evaluating the Company's performance, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with U.S. GAAP. Additionally, these non-U.S. GAAP financial measures may differ from similar measures presented by other companies. A reconciliation of these Non-U.S. GAAP financial measures is included later in this press release.

APi Group Corporation
Condensed Consolidated Statements of Operations (GAAP)
(Amounts in millions, except per share data)
(Unaudited)

	For the three months ended December 31,	
	2019	2018
	(Successor)	(Predecessor)
Net revenues	\$ 985	\$ 992
Cost of revenues	787	772
Gross profit	198	220
Selling, general and administrative expenses	336	207
Impairment of goodwill, intangibles and long-lived assets	-	-

Operating income (loss)	(138)	13
Interest expense, net	16	8
Investment income and other, net	(6)	4
Income (loss) before income tax provision	(148)	1
Income tax provision	2	6
Net loss	\$ (150)	\$ (5)
<u>Loss per ordinary share</u>		
Basic	\$ (0.89)	NM
<u>Weighted average shares outstanding</u>		
Basic	169.4	NM

* NM - NOT MEANINGFUL

API Group Corporation

Condensed Consolidated Statements of Operations (GAAP)

(Amounts in millions, except per share data)

(Unaudited)

	For the year ended December 31, 2019		For the year ended December 31, 2018
	Year ended	Period from January 1, 2019 to September 30, 2019	Year ended
	December 31, 2019	December 31, 2019	December 31, 2018
	(Successor)	(Predecessor)	(Predecessor)
Net revenues	\$ 985	\$ 3,107	\$ 3,728
Cost of revenues	787	2,503	2,941
Gross profit	198	604	787
Selling, general and administrative expenses	359	490	625
Impairment of goodwill, intangibles and long-lived assets	-	12	-
Operating income (loss)	(161)	102	162
Investment income and other, net	15	20	22
Other (income) expense, net	(25)	(11)	(6)

Income (loss) before income tax provision	(151)	93	146
Income tax provision	2	7	10
Net income (loss)	\$ (153)	\$ 86	\$ 136

Loss per ordinary share

Basic and diluted	\$ (1.15)	NM	NM
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Weighted average shares outstanding

Basic and diluted	133.1	NM	NM
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* NM - NOT MEANINGFUL

APi Group Corporation

Condensed Consolidated Balance Sheets (GAAP)

(Amounts in millions)

(Unaudited)

	December 31, 2019	December 31, 2018
	(Successor)	(Predecessor)
Assets		
Current assets:		
Cash and cash equivalents	\$ 256	\$ 54
Accounts receivable, net	730	765
Inventories, net	58	56
Contract assets	245	240
Prepaid expenses and other current assets	33	27
Assets held for sale	20	-
Total current assets	1,342	1,142
Property, plant and equipment, net	402	328
Operating lease right of use assets	105	-
Goodwill	980	320
Intangible assets, net	1,121	204
Other assets	61	47
Total assets	\$ 4,011	\$ 2,041

Liabilities and Shareholders' Equity

Current liabilities:

Short-term debt and current portion of long-term debt	\$ 19	\$ 295
Accounts payable	156	174
Other accrued liabilities	355	327
Deferred consideration	73	-
Contract liabilities	193	203
Operating and finance leases	27	-
Total current liabilities	823	999
Long-term debt, less current portion	1,171	305
Deferred income taxes	23	-
Operating and finance leases	95	-
Other noncurrent liabilities	142	104
Total liabilities	2,254	1,408
Total shareholders' equity	1,757	633
Total liabilities and shareholders' equity	\$ 4,011	\$ 2,041

APi Group Corporation

Condensed Consolidated Statements of Cash Flows (GAAP)

(Amounts in millions)

(Unaudited)

For the years ended

	Period from	
Year ended	January 1, 2019 to	Year ended
December 31, 2019	September 30, 2019	December 31, 2018
(Successor)	(Predecessor)	(Predecessor)

Cash flows from operating activities:

Net income (loss) as reported	\$ (153)	\$ 86	\$ 136
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Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Depreciation and amortization	69	78	109
Impairment of goodwill, intangibles and long-lived assets	-	12	-
Deferred taxes	(2)	1	-
Share-based compensation expense	156	35	3
Other, net	(2)	-	(1)
Changes in operating assets and liabilities, net of effects of business acquisitions	82	(67)	(135)
Net cash provided by operating activities	150	145	112
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(2,565)	(6)	(234)
Purchases of property and equipment	(11)	(53)	(74)
Proceeds from sales of property and equipment	5	7	5
Advances (payments) on notes receivable, net	27	1	3
Proceeds of marketable securities, net	816	-	-
Net cash used in investing activities	(1,728)	(51)	(300)
Cash flows from financing activities:			
Proceeds from issuance of long-term borrowings and revolving credit line	1,214	76	315
Payments on long-term borrowings	-	(17)	(12)
Deferred financing costs paid	(24)	-	(1)
Payments of acquisition-related contingent consideration	(2)	(16)	(25)
Proceeds from issuance of ordinary shares and warrant exercise	210	-	-
Distributions paid	-	(53)	(74)
Net cash provided by (used in) financing activities	1,398	(10)	203
Effect of foreign currency exchange rate change on cash and cash equivalents	(1)	-	(2)
Net increase (decrease) in cash and cash equivalents	(181)	84	13
Cash and cash equivalents at beginning of period	437	54	41
Cash and cash equivalents at end of period	\$ 256	\$ 138	\$ 54

Adjusted Condensed Consolidated Statements of Operations (non-GAAP)

For the Three Months Ended December 31, 2019 and 2018

(Amounts in millions, except per share data)

(Unaudited)

	<u>For the three months ended December 31, 2019</u>			<u>For the three months ended December 31, 2018</u>		
	AS REPORTED	AS ADJUSTED		AS REPORTED	AS ADJUSTED	
	Three months ended		Three months ended		Three months ended	
	December 31, 2019	Adjustments	December 31, 2019	December 31, 2018	Adjustments	December 31, 2018
	(Successor)		(Successor)	(Predecessor)		(Predecessor)
Net revenues	\$ 985	\$ (59)	(a) \$ 926	\$ 992	\$ (75)	(a) \$ 917
Cost of revenues	787	(56)	(a) 709	772	(69)	(a) 703
		(22)	(b)			
Gross profit	198	19	217	220	(6)	214
Selling, general and administrative expenses	336	(5)	(a) 131	207	(6)	(a) 132
		(29)	(b)		(11)	(b)
		(156)	(c)		(58)	(d)
		(15)	(d)			
Operating income (loss)	(138)	224	86	13	69	82
Interest expense, net	16	-	16	8	8	(e) 16
Other (income) expense, net	(6)	-	(6)	4	-	4
Income (loss) before income tax provision(148)		224	76	1	61	62
Income tax provision	2	13	(f) 15	6	6	(f) 12
Net income (loss)	\$ (150)	\$ 211	\$ 61	\$ (5)	\$ 55	\$ 50
<u>Earnings (loss) per share</u>						
Basic and diluted	\$ (0.89)	NM	\$ 0.35	NM	NM	\$ 0.29
<u>Weighted average shares outstanding</u>						
Basic and diluted	169.4	4.5	(h) 173.9	NM	173.9	(i) 173.9

* NM - NOT MEANINGFUL

Notes:

- (a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.
- (b) Adjustment to reflect the addback of amortization expense related to intangibles assets.
- (c) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including \$155 million for the Founder Preferred Shares dividend rights.
- (d) Adjustment to reflect the elimination of the following non-recurring costs in 2019: \$5 million of costs related to business process transformation and public company registration, listing and compliance and \$10 million of potential and completed acquisition-related costs, and elimination of the following non-recurring costs in 2018: \$33 million of contingent consideration related to acquired businesses and \$25 million of charges and costs under prior ownership not expected to continue or recur following the APi Acquisition.
- (e) Adjustment to reflect an increase in interest expense of \$14 million related to the \$1.2 billion of Term Loan at a rate of 4.29% issued in connection with the APi Acquisition and \$2 million related to amortization of debt issuance costs and commitment fees, offset by elimination of \$8 million of interest expense related to the Predecessor's Term Loan and Revolving Credit Facility.
- (f) Adjustment to reflect the tax effect of adjustments and a restatement of the Company's tax expense to the Company's adjusted effective tax rate of 20% (taking into consideration the approximately \$350 million tax asset acquired with the APi Acquisition and including the period from January 1 through September 30, 2019 for both Successor and Predecessor).
- (g) Not used.
- (h) Adjustment to reflect the diluted weighted average shares outstanding following the APi Acquisition and includes the dilutive impact associated with the deemed conversion of Founder Preferred Shares and restricted stock units.
- (i) Adjustment to reflect the adjusted, diluted weighted average shares outstanding as if the APi Acquisition had occurred on January 1, 2018. Excludes 64.5 million warrants outstanding, which are exercisable at a price of \$11.50 per share for a total of 21.5 million ordinary shares.

APi Group Corporation

Adjusted Condensed Consolidated Statements of Operations (non-GAAP)

For the Year Ended December 31, 2019

(Amounts in millions, except per share data)

(Unaudited)

	AS REPORTED	AS REPORTED		AS ADJUSTED
		Period from		
	Year ended	January 1, 2019 to	Year ended	Year Ended
	December 31, 2019	September 30, 2019	December 31, 2019	Adjustments
	(Successor)	(Predecessor)	(Combined)	(Combined)
Net revenues	\$ 985	\$ 3,107	\$ 4,092	\$ (290) (a) \$ 3,802
Cost of revenues	787	2,503	3,290	(283) (a) 3,007
				(22) (b) (22)
Gross profit	198	604	802	15 817
Selling, general and administrative expenses	359	490	849	(33) (a) 509
				(54) (b)

				(193)	(c)
				(60)	(d)
Impairment of goodwill, intangibles and other assets-	12	12	(12)		(e)
Operating income (loss)	(161)	102	(59)	367	308
Interest expense, net	15	20	35	24	(f) 59
Other (income) expense, net	(25)	(11)	(36)	20	(g) (16)
Income (loss) before income tax provision	(151)	93	(58)	323	265
Income tax provision	2	7	9	44	(h) 53
Net income (loss)	\$ (153)	\$ 86	\$ (67)	\$ 279	\$ 212
<u>Earnings (loss) per share</u>					
Diluted	\$ (1.15)	NM	\$ (0.50)	NM	\$ 1.22
<u>Weighted average shares outstanding</u>					
Diluted	133.1	NM	133.1	40.5	(i) 173.6

* NM - NOT MEANINGFUL

Notes:

- (a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.
- (b) Adjustment to reflect the addback of amortization expense related to intangibles assets.
- (c) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including \$155 million for the Founder Preferred Shares dividend rights in 2019 and equity-based compensation related to prior ownership.
- (d) Adjustment to reflect the elimination of the following non-recurring costs: \$17 million of costs related to business process transformation and public company registration, listing and compliance, \$18 million of charges and costs under prior ownership not expected to continue or recur following the API Acquisition, and \$25 million of potential and completed acquisition-related costs.
- (e) Adjustment to reflect the elimination of non-cash impairment charges related to goodwill and intangibles attributable to one of the Predecessor's acquired business during the period from January 1, 2019 to September 30, 2019.
- (f) Adjustment to reflect an increase in interest expense of \$38 million related to the \$1.2 billion of Term Loan at a rate of 4.29% issued in connection with the API Acquisition and \$5 million related to amortization of debt issuance costs and commitment fees, offset by elimination of \$19 million of interest expense related to the Predecessor's Term Loan and Revolving Credit Facility.
- (g) Adjustment to reflect the elimination of APG investment income prior to the API Acquisition that is not expected to recur. Cash from these investments was used to fund a portion of the cash consideration for the API Acquisition.
- (h) Adjustment to reflect the tax effect of adjustments and a restatement of the Company's tax expense to the Company's adjusted effective tax rate of 20% (taking into consideration the approximately \$350 million tax asset acquired with the API Acquisition and including the period from January 1 through September 30, 2019 for both Successor and Predecessor).
- (i) Adjustment to reflect the inclusion of 4 million Founder Preferred Shares, convertible to common on a 1:1 basis and the full year impact of 48.5 million shares issued in connection with the API Acquisition. Excludes 64.5 million warrants outstanding, which are exercisable at a price of \$11.50 per share for a total of 21.5 million ordinary shares.

APi Group Corporation

Adjusted Condensed Consolidated Statements of Operations (non-GAAP)

For the Year Ended December 31, 2018

(Amounts in millions, except per share data)

(Unaudited)

	<u>For the year ended December 31, 2018</u>		
	AS REPORTED		AS ADJUSTED
	Year ended		Year ended
	December 31, 2018	Adjustments	December 31, 2018
	(Predecessor)		(Predecessor)
Net revenues	\$ 3,728	\$ (229)	(a) \$ 3,499
Cost of revenues	2,941	(211)	(a) 2,730
Gross profit	787	(18)	769
Selling, general and administrative expenses	625	(15)	(a) 489
		(47)	(b)
		(74)	(d)
Operating income (loss)	162	118	280
Interest expense, net	22	35	(f) 57
Other (income) expense, net	(6)	-	(6)
Income (loss) before income tax provision	146	83	229
Income tax provision	10	36	(h) 46
Net income (loss)	\$ 136	\$ 47	\$ 183
<u>Earnings (loss) per share</u>			
Diluted	NM	NM	\$ 1.05
<u>Weighted average shares outstanding</u>			
Diluted	NM	173.6	(i) 173.6

* NM - NOT MEANINGFUL

Notes:

- (a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.
- (b) Adjustment to reflect the addback of amortization expense related to intangibles assets.
- (c) Not used.
- (d) Adjustment to reflect the elimination of the following non-recurring costs: \$10 million of costs related to non-recurring operational matters, \$30 million of charges and costs under prior ownership not expected to continue or recur following the API Acquisition, and \$34 million of potential and completed acquisition-related costs.
- (e) Not used.
- (f) Adjustment to reflect an increase in interest expense of \$51 million related to the \$1.2 billion of Term Loan at a rate of 4.29% issued in connection with the API Acquisition and \$6 million related to amortization of debt issuance costs and commitment fees, offset by elimination of \$22 million of interest expense related to the Predecessor's Term Loan and Revolving Credit Facility.
- (g) Not used.
- (h) Adjustment to reflect the tax effect of adjustments and a restatement of the Company's tax expense to the Company's adjusted effective tax rate of 20% (taking into consideration the approximately \$350 million tax asset acquired with the API Acquisition and including the period from January 1 through September 30, 2019 for both Successor and Predecessor).
- (i) Adjustment to reflect the adjusted, diluted weighted average shares outstanding as if the API Acquisition had occurred on January 1, 2018. Excludes 64.5 million warrants outstanding, which are exercisable at a price of \$11.50 per share for a total of 21.5 million ordinary shares.

API Group Corporation

Reconciliations of GAAP to Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA (non-GAAP)

(Amounts in millions)

(Unaudited)

	For the three months ended		For the years ended			
	December 31, 2019 (Successor)	December 31, 2018 (Predecessor)	December 31, 2019 (Successor)	Period from		December 31, 2019 (Predecessor)
				Year ended January 1, 2019 to September 30, 2019 (Predecessor)	Year ended December 31, 2019 (Combined)	
Net income (loss) as reported	\$ (150)	\$ (5)	\$ (153)	\$ 86	\$ (67)	\$ 136
Adjustments to reconcile to net income (loss)						
Interest expense, net	16	8	15	20	35	22
Income tax provision	2	6	2	7	9	10

Depreciation and amortization	69	33	69	78	147	109
EBITDA	\$ (63)	\$ 42	\$ (67)	\$ 191	\$ 124	\$ 277
Adjustments to reconcile EBITDA to adjusted EBITDA:						
Businesses classified as held-for-sale	(a) 1	(1)	1	23	24	(7)
Impairment of goodwill, intangibles and long-lived assets(b)-		-	-	12	12	-
Share-based compensation costs	(c) 156	4	156	37	193	4
Potential and completed acquisitions expenses	(d) 10	33	21	4	25	34
Expenses related to prior ownership	(e)-	21	-	18	18	36
Public company registration, listing and compliance	(f) 5	-	17	-	17	-
Investment income	(g)-	-	(20)	-	(20)	-
Adjusted EBITDA	\$ 109	\$ 99	\$ 108	\$ 285	\$ 393	\$ 344
Adjusted net revenues	\$ 926	\$ 917			\$ 3,802	\$ 3,499
Adjusted EBITDA as a percentage of adjusted net revenues	11.8%	10.8%			10.3%	9.8%

Notes:

- (a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.
- (b) Adjustment to reflect the elimination of non-cash impairment charges related to goodwill and intangibles attributable to one of the Predecessor's acquired business during the period from January 1, 2019 to September 30, 2019.
- (c) Adjustment to reflect the elimination of non-cash, share-based compensation costs, primarily including \$155 million for the Founder Preferred Shares dividend rights in 2019 and equity-based compensation related to prior ownership.
- (d) Adjustment to reflect the elimination of contingent consideration related to acquired businesses, transaction expenses associated with the APi Acquisition and other potential and completed acquisition-related costs.
- (e) Adjustment to reflect the elimination of charges and costs under prior ownership not expected to continue or recur following the APi Acquisition.
- (f) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
- (g) Adjustment to reflect the elimination of APG investment income prior to the APi Acquisition that is not expected to recur. Cash from these investments was used to fund a portion of the cash consideration for the APi Acquisition.

Adjusted Segment Financial Information (non-GAAP)

(Amounts in millions)

(Unaudited)

	For the three months ended		For the years ended	
	AS ADJUSTED	AS ADJUSTED	AS ADJUSTED	AS ADJUSTED
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Safety Services				
Adjusted net revenues	\$ 435	\$ 435	\$ 1,777	\$ 1,705
Adjusted gross profit	135	134	533	499
Adjusted EBITDA	59	53	233	202
Adjusted gross profit as a percentage of adjusted net revenues	31.0%	30.8%	30.0%	29.3%
Adjusted EBITDA as a percentage of adjusted net revenues	13.6%	12.2%	13.1%	11.8%
Specialty Services				
Adjusted net revenues	\$ 386	\$ 334	\$ 1,493	\$ 1,359
Adjusted gross profit	70	61	238	219
Adjusted EBITDA	50	38	174	146
Adjusted gross profit as a percentage of adjusted net revenues	18.1%	18.3%	15.9%	16.1%
Adjusted EBITDA as a percentage of adjusted net revenues	13.0%	11.4%	11.7%	10.7%
Industrial Services (a)				
Adjusted net revenues	\$ 108	\$ 152	\$ 547	\$ 494
Adjusted gross profit	12	19	46	51
Adjusted EBITDA	12	15	36	38
Adjusted gross profit as a percentage of adjusted net revenues	11.1%	12.5%	8.4%	10.3%
Adjusted EBITDA as a percentage of adjusted net revenues	11.1%	9.9%	6.6%	7.7%
Corporate and Eliminations				
Adjusted net revenues	\$ (3)	\$ (4)	\$ (15)	\$ (59)
Adjusted EBITDA	(12)	(7)	(50)	(42)
Adjusted EBITDA as a percentage of adjusted net revenues	NM	NM	NM	NM
Total Consolidated (a)				
Adjusted net revenues	\$ 926	\$ 917	\$ 3,802	\$ 3,499
Adjusted gross profit	217	214	817	769
Adjusted EBITDA	109	99	393	344

Adjusted gross profit as a percentage of adjusted net revenues	23.4%	23.3%	21.5%	22.0%
Adjusted EBITDA as a percentage of adjusted net revenues	11.8%	10.8%	10.3%	9.8%

* NM - NOT MEANINGFUL

Notes:

(a) Adjusted financial information reflects the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.

API Group Corporation

Adjusted Segment Financial Information (non-GAAP)

Reconciliations of GAAP to Non-GAAP Financial Measures

(Amounts in millions)

(Unaudited)

	For the three months ended		For the years ended			
	December 31, 2019 (Successor)	December 31, 2018 (Predecessor)	December 31, 2019 (Successor)	Period from		
				Year ended December 31, 2019 (Predecessor)	January 1, 2019 to September 30, 2019 (Predecessor)	Year ended December 31, 2019 (Combined)
Safety Services						
Safety Services EBITDA	\$ 59	\$ 48	\$ 59	\$ 170	\$ 229	\$ 197
Adjustments to reconcile EBITDA to adjusted EBITDA:						
Share-based compensation costs (a)-	-	-	-	2	2	-
Expenses related to prior ownership (b)	-	-	-	2	2	-
Potential and completed acquisitions expenses (d)-	5	-	-	-	-	5
Safety Services adjusted EBITDA	\$ 59	\$ 53	\$ 59	\$ 174	\$ 233	\$ 202

Specialty Services

Specialty Services EBITDA	\$	50	\$	18	\$	50	\$	111	\$	161	\$	125
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Adjustments to reconcile EBITDA to adjusted EBITDA:

Impairment of goodwill, intangibles and long-lived(c) - assets		-		-		12		12		-		-
Potential and completed acquisitions expenses (d)-		20		-		-		-		-		21
Expenses related to prior ownership (b)-		-		-		1		1		-		-
Specialty Services adjusted EBITDA	\$	50	\$	38	\$	50	\$	124	\$	174	\$	146

Industrial Services

Industrial Services EBITDA	\$	9	\$	8	\$	9	\$	21	\$	30	\$	37
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Adjustments to reconcile EBITDA to adjusted EBITDA:

Businesses classified as held-for-sale (e)1		(1)		1		4		5		(7)		(7)
Potential and completed acquisitions expenses (d)2		8		2		(1)		1		8		8
Industrial Services adjusted EBITDA	\$	12	\$	15	\$	12	\$	24	\$	36	\$	38

Notes:

- (a) Adjustment to reflect the elimination of non-cash, equity-based compensation related to prior ownership.
- (b) Adjustment to reflect the elimination of charges and costs under prior ownership not expected to continue or recur following the APi Acquisition.
- (c) Adjustment to reflect the elimination of non-cash impairment charges related to goodwill and intangibles attributable to one of the Predecessor's business during the period from January 1, 2019 to September 30, 2019.
- (d) Adjustment to reflect the elimination of potential and completed acquisition-related costs.
- (e) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.

APi Group Corporation

Adjusted Segment Financial Information (non-GAAP)

Reconciliations of GAAP to Non-GAAP Financial Measures

(Amounts in millions)

(Unaudited)

For the year ended December 31, 2019

	AS REPORTED		AS REPORTED				AS ADJUSTED	
	Year ended		January 1, 2019 to	Year ended			Year ended	
	December 31, 2019		September 30, 2019	December 31, 2019	Adjustments		December 31, 2019	
	(Successor)		(Predecessor)	(Combined)			(Combined)	
Safety Services								
Net revenues	\$ 435		\$ 1,342	\$ 1,777	\$ -		\$ 1,777	
Cost of revenues	310		944	1,254	(10)		(a) 1,244	
Gross profit	\$ 125		\$ 398	\$ 523	\$ 10		\$ 533	
Gross profit as a percentage of net revenues	28.7%		29.7%	29.4%			30.0%	
Specialty Services								
Net revenues	\$ 386		\$ 1,107	\$ 1,493	\$ -		\$ 1,493	
Cost of revenues	324		939	1,263	(8)		(a) 1,255	
Gross profit	\$ 62		\$ 168	\$ 230	\$ 8		\$ 238	
Gross profit as a percentage of net revenues	16.1%		15.2%	15.4%			15.9%	
Industrial Services								
Net revenues	\$ 167		\$ 670	\$ 837	\$ (290)		(b) \$ 547	
Cost of revenues	156		632	788	(283)		(b) 501	
					(4)		(a)	
Gross profit	\$ 11		\$ 38	\$ 49	\$ (3)		\$ 46	
Gross profit as a percentage of net revenues	6.6%		5.7%	5.9%			8.4%	
Corporate and Eliminations								
Net revenues	\$ (3)		\$ (12)	\$ (15)	\$ -		\$ (15)	
Cost of revenues	(3)		(12)	(15)	-		(15)	
Total Consolidated								
Net revenues	\$ 985		\$ 3,107	\$ 4,092	\$ (290)		(b) \$ 3,802	
Cost of revenues	787		2,503	3,290	(283)		(b) 2,985	
					(22)		(a)	
Gross profit	\$ 198		\$ 604	\$ 802	\$ 15		\$ 817	
Gross profit as a percentage of net revenues	20.1%		19.4%	19.6%			21.5%	

Notes:

- (a) Adjustment to reflect the addback of amortization expense related to the backlog intangibles assets.
- (b) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.

APi Group Corporation

Adjusted Segment Financial Information (non-GAAP)

Reconciliations of GAAP to Non-GAAP Financial Measures

For the Year Ended December 31, 2018

(Amounts in millions)

(Unaudited)

	For the year ended December 31, 2018			AS ADJUSTED
	AS REPORTED		Adjustments	
	Year ended			
	December 31, 2018		December 31, 2018	
Safety Services	(Predecessor)		(Predecessor)	
Net revenues	\$ 1,705	-	\$ 1,705	
Cost of revenues	1,206	-	1,206	
Gross profit	\$ 499	-	\$ 499	
Gross profit as a percentage of net revenues	29.3%		29.3%	
Specialty Services				
Net revenues	\$ 1,359	-	\$ 1,359	
Cost of revenues	1,140	-	1,140	
Gross profit	\$ 219	-	\$ 219	
Gross profit as a percentage of net revenues	16.1%		16.1%	
Industrial Services				
Net revenues	\$ 723	(229)	(a) \$ 494	
Cost of revenues	654	(211)	(a) 443	
Gross profit	\$ 69	(18)	\$ 51	

Gross profit as a percentage of net revenues	9.5%			10.3%
Corporate and Eliminations				
Net revenues	\$	(59)	-	\$ (59)
Cost of revenues	(59)		-	(59)
Total Consolidated				
Net revenues	\$	3,728	(229)	(a) \$ 3,499
Cost of revenues	2,941		(211)	(a) 2,730
Gross profit	\$	787	\$ (18)	\$ 769
Gross profit as a percentage of net revenues	21.1%			22.0%

Notes:

(a) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.

APi Group Corporation

Adjusted Segment Financial Information (non-GAAP)

Reconciliations of GAAP to Non-GAAP Financial Measures

For the Three Months Ended December 31, 2019 and 2018

(Amounts in millions)

(Unaudited)

<u>For the three months ended December 31, 2019</u>		<u>For the three months ended December 31, 2018</u>	
AS REPORTED	AS ADJUSTED	AS REPORTED	AS ADJUSTED
Three months ended	Three months ended	Three months ended	Three months ended
December 31, 2019	December 31, 2019	December 31, 2018	December 31, 2018
(Successor)	(Successor)	(Predecessor)	(Predecessor)

Safety Services

Net revenues	\$	435	\$	-	\$	435	\$	435	\$	-	\$	435		
Cost of revenues		310		(10)	(a)	300		301		-		301		
Gross profit	\$	125	\$	10		135	\$	134	\$	-	\$	134		
Gross profit as a percentage of net revenues		28.7%				31.0%		30.8%				30.8%		
Specialty Services														
Net revenues	\$	386	\$	-	\$	386	\$	334	\$	-	\$	334		
Cost of revenues		324		(8)	(a)	316		273		-		273		
Gross profit	\$	62	\$	8		70	\$	61	\$	-	\$	61		
Gross profit as a percentage of net revenues		16.1%				18.1%		18.3%				18.3%		
Industrial Services														
Net revenues	\$	167	\$	(59)	(b)	\$	108	\$	227	\$	(75)	(b)	\$	152
Cost of revenues		156		(56)	(b)	96		202		(69)		(b)	133	
				(4)	(a)			-		-		-		
Gross profit	\$	11	\$	1		12	\$	25	\$	(6)		\$	19	
Gross profit as a percentage of net revenues		6.6%				11.1%		11.0%				12.5%		
Corporate and Eliminations														
Net revenues	\$	(3)	\$	-		(3)	\$	(4)	\$	-	\$	(4)		
Cost of revenues		(3)		-		(3)		(4)		-		(4)		
Total Consolidated														
Net revenues	\$	985	\$	(59)	(b)	\$	926	\$	992	\$	(75)	(b)	\$	917
Cost of revenues		787		(22)	(a)	709		772		(69)		(b)	703	
				(56)	(b)									
Gross profit	\$	198	\$	19		217	\$	220	\$	(6)		\$	214	
Gross profit as a percentage of net revenues		20.1%				23.4%		22.2%				23.3%		

Notes:

- (a) Adjustment to reflect the addback of amortization expense related to the backlog intangibles assets.
- (b) Adjustment to reflect the elimination of amounts related to businesses classified as held-for-sale as of December 31, 2019.

APi Group Corporation

Reconciliations of GAAP to Non-GAAP Financial Measures

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

For the Year Ended December 31, 2019

(Amounts in millions)

(Unaudited)

	For the year ended December 31,			
	Year ended	Period from	Year ended	
	December 31, 2019	January 1, 2019 to	December 31, 2019	
	(Successor)	September 30, 2019	(Predecessor)	(Combined)
Net cash provided by operating activities (As Reported)	\$ 150	\$ 145	\$ 295	
Less: Purchases of property and equipment	(11)	(53)	(64)	
Free cash flow	\$ 139	\$ 92	\$ 231	
Add: Cash payments related to following items:				
Potential and completed acquisitions expenses	(a) 19	5	24	
Expenses related to prior ownership	(b) -	18	18	
Public company registration, listing and compliance	(c) 17	-	17	
Settlement of Predecessor stock options	(d) 62	-	62	
Adjusted free cash flow	\$ 237	\$ 115	\$ 352	
Adjusted EBITDA	\$ 108	\$ 285	\$ 393	
Adjusted free cash flow conversion			90%	

Notes:

(a) Adjustment to reflect the elimination of potential and completed acquisition-related costs.

- (b) Adjustment to reflect the elimination of charges and costs under prior ownership not expected to continue or recur following the APi Acquisition.
- (c) Adjustment to reflect the elimination of costs relating to public company registration, listing and compliance.
- (d) Adjustment to eliminate the cash settlement of equity compensation paid by prior ownership at the closing of the APi Acquisition.

APi Group Corporation

Reconciliations of GAAP to Non-GAAP Financial Measures

Organic Revenue Growth (non-GAAP)

(Unaudited)

	For the year ended December 31, 2019			
	(Combined)			
	AS REPORTED	Acquisitions		
	Net revenue	and planned	Foreign currency	Organic net
	<u>growth</u>	<u>divestitures, net (a)</u>	<u>translation (b)</u>	<u>revenue growth (c)</u>
Safety Services	4.2%	0.0%	(0.3%)	4.5%
Specialty Services	9.9%	2.9%	-	7.0%
Industrial Services	15.8%	5.1%	(0.2%)	10.9%
Combined consolidated	9.8%	2.2%	(0.1%)	7.7%

Notes:

- (a) Acquisitions include pre-acquisition net revenues in their respective years of acquisition. Planned divestitures exclude net revenues for both 2019 and 2018 for the Company's businesses held for sale.
- (b) Represents the effect of foreign currency on 2019 reported net revenues, calculated as the difference between the 2019 reported net revenues and the 2019 local currency net revenues converted at the prior year average monthly exchange rates (excluding acquisitions and divestitures).
- (c) Organic net revenue growth provides a consistent basis for year-over-year comparisons in net revenues as it excludes the impacts of acquisitions, planned and completed divestitures, and the impact of changes due to foreign currency translation.

View original content: <http://www.prnewswire.com/news-releases/api-group-reports-fourth-quarter-and-full-year-2019-financial-results-301037417.html>

SOURCE API Group Corporation