APi GROUP

Q2 2022 Earnings Call

AUGUST 4, 2022

POWERED BY APi GROUP

Forward Looking Statements and Disclaimers

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Such statements are based on the Company's expectations, intentions and projections regarding the Company's future performance, anticipated events or trends and other matters that are not historical facts, including expectations regarding: (i) the Company's long-term targets, goals and strategies, including its capital allocation strategies and the ability to successfully capitalize on its opportunities; (ii) the Company's outlook and expected Q3 2022, Q4 2022 and full year financial performance, including net revenue, net revenue growth, adjusted EBITDA, adjusted free cash flow, adjusted free cash flow conversion and net debt-to-adjusted EBITDA ratio; (iii) the potential benefits of the acquisition of Chubb Limited's fire and security businesses ("Chubb") by APi, including the enhancement of the Company's competitive position and ability to successfully integrate and manage the Company's global footprint, the long-term opportunities for and anticipated synergies of the combined platform, including the reduction of organizational complexity and shifting towards a branch-based operating model to capture savings, and benefits to shareholders and employees; (iv) the Company's ability to successfully manage supply chain disruptions, inflationary cost pressures and foreign exchange headwinds through its pricing activities, focused growth in inspection, service and monitoring, strong spend controls and disciplined project and customer selection; (v) the impact of the Company's backlog on future results; (vi) the impact of the Company's focus on inspection and service work, including statutorily required services, on future revenues; (vii) the Company's ability to retain employees, technicians and engineers; (viii) the Company's ability to manage results in volatile circumstances; (ix) the ability of the Company to achieve key financial targets, including organic net revenue growth, adjusted EBITDA margin targets, margin goals, targeted average adjusted free cash flow conversion rates, or long-term leverage ratio targets; (x) the ability of the Company to successfully navigate macroeconomic challenges in the second half of 2022; and (xi) the Company's belief that its leadership development culture will drive business performance and increase future cross-selling opportunities. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including: (i) economic conditions, competition and other risks that may affect the Company's future performance, including the impacts of the COVID-19 pandemic, inflationary pressures and other macroeconomic factors on the Company's business, markets, supply chain, customers and workforce, on the credit and financial markets, on the alignment of expenses and revenues and on the global economy generally; (ii) supply chain constraints and interruptions, and the resulting increases in the cost, or reductions in the supply, of the materials and commodities the Company uses in its business and for which the Company bears the risk of such increases; (iii) failure to realize the anticipated benefits of the acquisition of the Chubb fire and security business; (iv) changes in applicable laws or regulations; (v) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; (vi) the impact of the conflict between Russia and Ukraine; (vii) the trading price of the Company's common stock, which may be positively or negatively impacted by market and economic conditions, including as a result of the COVID-19 pandemic, the availability of the Company's common stock, the Company's financial performance or determinations following the date of this presentation to use the Company's funds for other purposes; and (viii) other risks and uncertainties, including those discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 under the heading "Risk Factors." Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. Additional information concerning these risks, uncertainties and other factors that could cause actual results to vary is, or will be, included in the periodic and other reports filed by the Company with the Securities and Exchange Commission. Forward-looking statements included in this presentation speak only as of the date hereof and, except as required by applicable law, the Company does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this presentation.

Non-GAAP Financial Measures

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

- The Company's management believes that adjusted gross profit, adjusted selling, general and administrative ("SG&A") expenses, adjusted net income, and adjusted earnings per share, which are non-GAAP financial measures that exclude business transformation and other expenses for the integration of acquired businesses, the impact and results of businesses classified as assets held-for-sale and businesses divested, and one-time and other events such as impairment charges, restructuring costs, transaction and other costs related to acquisitions, amortization of intangible assets, net COVID-19 relief, non-service pension benefit, severance related costs related to corporate leadership changes and certain tax benefits from the acquisition of APi Group, Inc. (the "APi Acquisition") are useful because they provide investors with a meaningful perspective on the current underlying performance of the Company's core ongoing operations.

- The Company also presents organic changes in net revenues on a consolidated basis or segment specific basis to provide a more complete understanding of underlying revenue trends by providing net revenues on a consistent basis as it excludes the impacts of material acquisitions, completed divestitures, and changes in foreign currency from year-over-year comparisons on reported net revenues, calculated as the difference between the reported net revenues for the current period and reported net revenues for the current period converted at the prior year average monthly exchange rates (excluding acquisitions and divestitures). The remainder is divided by the prior year net revenues, excluding the impacts of material acquisitions and completed divestitures.

Non-GAAP Financial Measures (Cont'd)

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is the measure of profitability used by management to manage its segments and, accordingly, in its segment reporting. The Company supplements the reporting of its consolidated financial information with certain non-U.S. GAAP financial measures, including EBITDA and adjusted EBITDA, which is defined as EBITDA excluding the impact of certain non-cash and other specifically identified items ("adjusted EBITDA"). Adjusted EBITDA margin is calculated as adjusted EBITDA divided by net revenues. The Company believes these non-U.S. GAAP measures provide meaningful information and help investors understand the Company's financial results and assess its prospects for future performance. The Company uses EBITDA and adjusted EBITDA to evaluate its performance, both internally and as compared with its peers, because it excludes certain items that may not be indicative of the Company's core operating results. Consolidated EBITDA is calculated in a manner consistent with segment EBITDA, which is a measure of segment profitability.

- The Company presents free cash flow, adjusted free cash flow and adjusted free cash flow conversion, which are liquidity measures used by management as factors in determining the amount of cash that is available for working capital needs or other uses of cash, however, it does not represent residual cash flows available for discretionary expenditures. Free cash flow is defined as cash provided by (used in) operating activities less capital expenditures. Adjusted free cash flow is defined as cash provided by (used in) operating activities plus or minus events including, but not limited to, transaction and other costs related to acquisitions, business transformation and other expenses for the integration of acquired businesses, payments made for restructuring programs, impacts of businesses classified as assets held-for-sale and businesses divested, and one-time and other events such COVID related payroll tax deferral and relief items. Adjusted free cash flow conversion is defined as adjusted free cash flow as a percentage of adjusted EBITDA.

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

The Company does not provide reconciliations of forward-looking non-U.S. GAAP adjusted EBITDA and growth in organic net revenues to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations, including adjustments that could be made for acquisitions and divestitures, business transformation and other expenses for the integration of acquired businesses, one-time and other events such as impairment charges, transaction and other costs related to acquisitions, restructuring costs, amortization of intangible assets, net COVID-19 relief, and certain tax benefits from the APi Acquisition, and other charges reflected in the Company's reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

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

Second Quarter 2022 Performance Highlights

- ✓ Record second quarter net revenues of **$1.6** billion
- ✓ Reported net revenues increased by **69%** and net revenues increased on an organic basis by **12%** in the second quarter
- ✓ In line with our strategic initiatives, we saw a **20%+** increase in inspection, service and monitoring revenue at our legacy business as we march towards our goal of 60%+ as a percentage of total net revenues
- ✓ Reported and adjusted gross margin expansion of **270** and **282** basis points, respectively, for the second quarter
- ✓ Record second quarter adjusted EBITDA of **$176** million, representing a **10.7%** margin
- ✓ Record second quarter adjusted diluted earnings per share of **$0.37**, representing a **$0.08** increase from prior year period

2022 Financial Results Overview

THREE MONTHS ENDED JUNE 30, 2022

NET REVENUES

12.3%

Increase in net revenues on an organic basis compared to prior year period, driven by continued growth in inspection and service revenue in Safety Services

68.6%

Increase in reported net revenues compared to prior year period, driven by revenue from acquisitions in Safety Services and strong organic growth in Safety Services and Specialty Services

ADJUSTED GROSS MARGIN

26.7%

Representing a 282 basis point increase compared to prior year period adjusted gross margin of 23.9% driven by an improved mix of inspection and service revenue supplemented by acquisitions in Safety Services and organic growth as well as improved productivity in Specialty Services, partially offset by supply chain disruptions and inflation causing downward pressure on margins

ADJUSTED EBITDA

$176 million

10.7% margin, compared to prior year period adjusted EBITDA margin of 10.8%, driven by an improved mix of inspection and service revenue and organic growth, offset by the impact of completed acquisitions, supply chain disruptions and inflation causing downward pressure on margins

ADJUSTED DILUTED EPS

$0.37 / share

$0.08 increase from prior year period driven by accretion from acquisitions in Safety Services and strong organic growth in Safety Services and Specialty Services

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

2022 Financial Results Overview (Cont'd)

SIX MONTHS ENDED JUNE 30, 2022

NET REVENUES	ADJUSTED GROSS MARGIN	ADJUSTED EBITDA	ADJUSTED DILUTED EPS
13.9% Increase in net revenues on an organic basis compared to prior year period, driven by continued growth in inspection and service revenue in Safety Services as well as general market recovery in Safety Services and Specialty Services compared to the prior year period which was negatively impacted by the COVID-19 pandemic **75.2%** Increase in reported net revenues compared to prior year period, driven by revenue from acquisitions in Safety Services and strong organic growth in Safety Services and Specialty Services	**26.6%** Representing a **321** basis point increase compared to prior year period adjusted gross margin of 23.4% driven by an improved mix of inspection and service revenue supplemented by acquisitions in Safety Services and organic growth as well as improved productivity in Specialty Services, partially offset by supply chain disruptions and inflation causing downward pressure on margins	**$304 million** 9.7% margin, representing a **37** basis point increase compared to prior year period adjusted EBITDA margin of 9.4%	**$0.60 / share** **$0.21** increase from prior year period driven by accretion from acquisitions in Safety Services and strong organic growth in Safety Services and Specialty Services

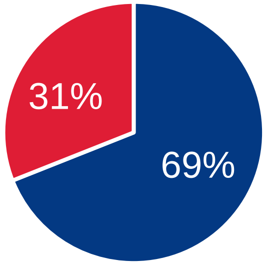
Note: Refer to Appendix for a reconciliation of non-GAAP measures to most directly comparable GAAP measures.

2022 Financial Results Overview

THREE MONTHS ENDED JUNE 30, 2022

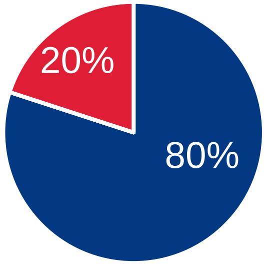
NET REVENUES

Total: $1.7 billion(1)



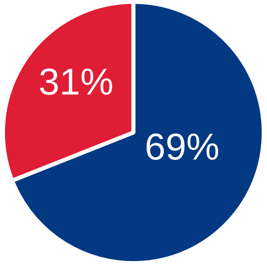
ADJUSTED GROSS PROFIT

Total: $441 million



ADJUSTED EBITDA

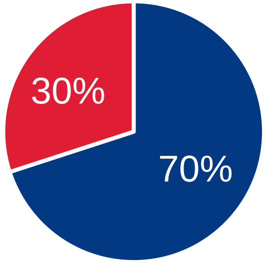
Total: $195 million(1)



SIX MONTHS ENDED JUNE 30, 2022

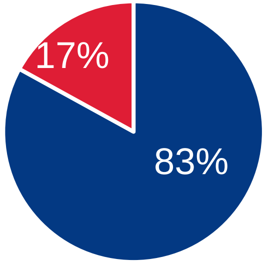
NET REVENUES

Total: $3.2 billion(1)



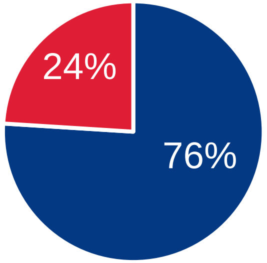
ADJUSTED GROSS PROFIT

Total: $829 million



ADJUSTED EBITDA

Total: $345 million(1)



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

● Safety Services ● Specialty Services

Key Financial and Operating Metrics

$ IN MILLIONS

($ in millions, except per share figures)	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2022	2021	YoY Change	2022	2021	YoY Change
Net Revenues	$1,649	$978	*+68.6%*	$3,120	$1,781	*+75.2%*
Net Revenues on an Organic Basis			*+12.3%*			*+13.9%*
Adjusted Gross Profit	$441	$234	*+88.5%*	$829	$416	*+99.3%*
Adjusted Gross Margin	*26.7%*	*23.9%*	*+282 bp*	*26.6%*	*23.4%*	*+321 bp*
Adjusted EBITDA	$176	$106	*+66.0%*	$304	$167	*+82.0%*
Adjusted EBITDA Margin	*10.7%*	*10.8%*	*(17 bp)*	*9.7%*	*9.4%*	*+37 bp*
Adjusted Net Income	$99	$58	*+70.7%*	$161	$80	*+101.3%*
Adjusted Diluted EPS	$0.37	$0.29	*$0.08*	$0.60	$0.39	*$0.21*
Operating Cash Flow	$54	($13)	*NM*	($64)	$19	*NM*
Adjusted Free Cash Flow	$63	($3)	*NM*	$16	$20	*NM*
Adjusted Free Cash Flow Conversion	*35.8%*	*(2.8%)*	*NM*	*5.3%*	*12.0%*	*NM*

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

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2022 Guidance

NET REVENUES	ADJUSTED EBITDA
$6,400 – $6,500 million	$655 – $675 million

2022 Guidance (cont'd)

- As a reminder, approximately 40% of our net revenues are generated outside of the U.S. following the acquisition of Chubb
- Our underlying operational expectations have not changed since the guidance provided on our Q1 earnings call. However, the strengthening dollar has negatively impacted our full year outlook by approximately **$90** million of net revenues and **$10** million of adjusted EBITDA
- Noting this, based on exchange rates as of the end of the second quarter, we now expect our full year revenue outlook to range between **$6,400 to $6,500** million and expect adjusted EBITDA will range between **$655 to $675** million. Again, this is unchanged on a constant currency operational basis vs. our prior guidance and expectations
- We remain confident in our outlook of **8 – 9%** for growth in net revenues on an organic basis in 2022 at constant currencies

2022 Guidance (cont'd)

$ IN MILLIONS

	Q3	Q4	FY
Net Revenues	**$1,675 to $1,725**	**$1,605 to $1,655**	**$6,400 to $6,500**
Net Revenues on an Organic Basis	------	------	*8 – 9%*
Adjusted EBITDA	**$175 to $190**	**$176 to $181**	**$655 to $675**
Adjusted Free Cash Flow	**$110 to $130**	**------**	------
Adjusted Free Cash Flow Conversion	**------**	**------**	**At or Above 2021 Level**

Capitalization

- As of the end of the second quarter, our net debt to adjusted EBITDA ratio was approximately **3.9x** calculated pursuant to terms of existing debt agreements
- We anticipate reaching a net debt to adjusted EBITDA ratio of below **3.5x** by year-end 2022 and approximately **2.5x** as we move towards the end of 2023
- Target long-term net leverage remains **2.0x – 2.5x**
- Weighted average maturity of debt between **5 – 6 years** as of June 30th, 2022 with the earliest maturity in 2026
- During the second quarter, we entered into forward starting swap arrangement to be effective January 2023 that will shift fixed vs. floating mix to estimated **~70%** fixed / **~30%** floating

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Focus on Long-Term Value Creation

Deliver long-term organic revenue growth above industry average

Leverage SG&A / COGS

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

Average adjusted free cash flow conversion of **~80%**

Generate high single digit average earnings growth

Target long-term net leverage ratio of **2.0x to 2.5x**

Appendix

Reconciliation of Non-GAAP Financial Measures

Organic Change in Net Revenues (non-GAAP)

$ IN MILLIONS

	For the Three Months Ended June 30, 2022			
	Net revenues change (as reported)	Acquisitions and divestitures, net (a)	Foreign currency translation (b)	Organic change in net revenues (c)
Safety Services	123.8%	109.4%	(1.6) %	16.0%
Specialty Services	8.8%	—	(0.2) %	9.0%
Consolidated	**68.6%**	**57.2%**	**(0.9) %**	**12.3%**

	For the Six Months Ended June 30, 2022			
	Net revenues change (as reported)	Acquisitions and divestitures, net (a)	Foreign currency translation (b)	Organic change in net revenues (c)
Safety Services	127.0%	112.8%	(1.0) %	15.2%
Specialty Services	13.4%	—	(0.1) %	13.5%
Consolidated	**75.2%**	**61.9%**	**(0.6) %**	**13.9%**

(a) Adjustment to exclude net revenues from material acquisitions from their respective dates of acquisition until the first year anniversary from date of acquisition and net revenues from divestitures for all periods for businesses divested as of June 30, 2022.
(b) Represents the effect of foreign currency on reported net revenues excluding material acquisitions, calculated as the difference between the reported net revenues for the current period and reported net revenues for the current period converted at the prior year average monthly exchange rates.
(c) Organic change in net revenues provides a consistent basis for a year-over-year comparison in net revenues as it excludes the impacts of material acquisitions, divestitures, and the impact of changes due to foreign currency translation.

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

$ IN MILLIONS

Adjusted Gross Profit (non-GAAP)

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2022	2021	2022	2021
Gross profit (as reported)		$ 435	$ 232	$ 811	$ 413
Adjustments to reconcile gross profit to adjusted gross profit:					
Backlog amortization	(a)	4	2	7	3
Inventory step-up	(b)	—	—	9	—
Restructuring costs	(c)	2	—	2	—
Adjusted gross profit		$ 441	$ 234	$ 829	$ 416
Net revenues		*$ 1,649*	*$ 978*	*$ 3,120*	*$ 1,781*
Adjusted gross margin		*26.7%*	*23.9%*	*26.6%*	*23.4%*

Adjusted SG&A (non-GAAP)

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2022	2021	2022	2021
Selling, general, and administrative expenses ("SG&A") (as reported)		$ 376	$ 185	$ 759	$ 368
Adjustments to reconcile SG&A to adjusted SG&A:					
Contingent consideration and compensation	(d)	(1)	6	(5)	4
Amortization of intangible assets	(e)	(53)	(30)	(107)	(60)
Business process transformation expenses	(f)	(5)	(8)	(10)	(14)
Integration and reorganization expenses	(g)	(4)	—	(7)	—
Recent acquisition transition expenses	(h)	(18)	—	(32)	—
Divested businesses	(i)	—	(1)	—	(1)
Acquisition expenses	(j)	—	—	(24)	(3)
Restructuring costs	(c)	(9)	—	(9)	—
Adjusted SG&A expenses		$ 286	$ 152	$ 565	$ 294
Net revenues		*$ 1,649*	*$ 978*	*$ 3,120*	*$ 1,781*
Adjusted SG&A as a percentage of net revenues		*17.3%*	*15.5%*	*18.1%*	*16.5%*

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

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

Adjusted EBITDA (non-GAAP)

$ IN MILLIONS

		For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Net income (loss) (as reported)		$ 30	$ 21	$ 23	$ 13
Adjustments to reconcile net loss to EBITDA:					
Interest expense, net		28	14	55	29
Income tax provision (benefit)		14	9	(2)	3
Depreciation and amortization		76	52	152	102
EBITDA		$ 148	$ 96	$ 228	$ 147
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	1	(6)	5	(4)
Business process transformation expenses	(b)	5	8	10	14
Inventory step-up	(c)	—	—	9	—
Acquisition expenses	(d)	—	—	24	4
Non-service pension benefit	(e)	(11)	—	(22)	—
Integration and reorganization expenses	(f)	4	—	7	—
Recent acquisition transition expenses	(g)	18	—	32	—
COVID-19 relief at Canadian subsidiaries, net	(h)	—	—	—	(2)
Divested businesses	(i)	—	(1)	—	(1)
Loss on extinguishment of debt	(j)	—	9	—	9
Restructuring costs	(k)	11	—	11	—
Adjusted EBITDA		$ 176	$ 106	$ 304	$ 167
Net revenues		*$ 1,649*	*$ 978*	*$ 3,120*	*$ 1,781*
Adjusted EBITDA as a percentage of net revenues		*10.7%*	*10.8%*	*9.7%*	*9.4%*

(a) Adjustment to reflect the elimination of the expense, or reversal of previously recorded expense, attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
(b) Adjustment to reflect the elimination of non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(c) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(d) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.
(e) Adjustment to reflect the elimination of non-service pension benefit, which consists of interest cost, expected return on plan assets and amortization of actuarial gains/losses of the pension programs assumed as part of the Chubb acquisition.
(f) Adjustment to reflect the elimination of expenses related to the integration and reorganization of newly acquired businesses.
(g) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(h) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
(i) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, inclusive of impairment charges and gain/(loss) on sale.
(j) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments of long-term debt.
(k) Adjustment to reflect the elimination of expenses associated with restructuring programs.

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

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

$ IN MILLIONS

		For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Income (loss) before income tax provision (as reported)		$ 44	$ 30	$ 21	$ 16
Adjustments to reconcile loss before income tax provision to adjusted income before income tax provision:					
Amortization of intangible assets	(a)	57	32	114	63
Contingent consideration and compensation	(b)	1	(6)	5	(4)
Business process transformation expenses	(c)	5	8	10	14
Inventory step-up	(d)	—	—	9	—
Acquisition expenses	(e)	—	—	24	4
Non-service pension benefit	(f)	(11)	—	(22)	—
Integration and reorganization expenses	(g)	4	—	7	—
Recent acquisition transition expenses	(h)	18	—	32	—
Divested businesses	(i)	—	(1)	—	(1)
Loss on extinguishment of debt	(j)	—	9	—	9
COVID-19 relief at Canadian subsidiaries, net	(k)	—	—	—	(2)
Restructuring costs	(l)	11	—	11	—
Adjusted income before income tax provision		$ 129	$ 72	$ 211	$ 99
Income tax provision (benefit) (as reported)		$ 14	$ 9	$ (2)	$ 3
Adjustments to reconcile income tax provision to adjusted income tax provision:					
Income tax provision adjustment	(m)	16	5	52	16
Adjusted income tax provision		$ 30	$ 14	$ 50	$ 19
Adjusted income before income tax provision		$ 129	$ 72	$ 211	$ 99
Adjusted income tax provision		30	14	50	19
Adjusted net income		$ 99	$ 58	$ 161	$ 80
Diluted weighted average shares outstanding (as reported)		266	206	266	202
Adjustments to reconcile diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding:					
Dilutive impact of Series A Preferred Stock	(n)	4	—	4	1
Adjusted diluted weighted average shares outstanding		270	206	270	203
Adjusted diluted EPS		*$ 0.37*	*$ 0.29*	*$ 0.60*	*$ 0.39*

(a) Adjustment to reflect the addback of pre-tax amortization expense related to intangible assets.
(b) Adjustment to reflect the elimination of the expense, or reversal of previously recorded expense, attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
(c) Adjustment to reflect the elimination of non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(d) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(e) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.
(f) Adjustment to reflect the elimination of non-service pension benefit, which consists of interest cost, expected return on plan assets and amortization of actuarial gains/losses of the pension programs assumed as part of the Chubb acquisition.
(g) Adjustment to reflect the elimination of integration and reorganization expenses associated with acquisitions.
(h) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(i) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, inclusive of impairment charges and gain/(loss) on sale.
(j) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments of long-term debt.
(k) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
(l) Adjustment to reflect the elimination of expenses associated with restructuring programs.
(m) Adjustment to reflect an adjusted effective cash tax rate of 24% for the six months ended June 30, 2022 and 21% for the three and six months ended June 30, 2021 applied to resulting adjusted pre-tax income inclusive of the adjustments shown above. The adjustment for the three months ended June 30, 2022 is the amount required to adjust the six-month period to 24%.
(n) Adjustment for the three and six months ended June 30, 2022 and 2021 reflects addition of the dilutive impact of 4 million shares associated with the deemed conversion of Series A Preferred Stock. Adjustment for the three and six months ended June 30, 2021 is offset by the elimination of 4 million and 3 million shares, respectively, to reflect the dilutive effect of the Series A Preferred Stock dividend as the dividend is contingent upon the share price the last ten days of the calendar year and was not earned as of June 30, 2021.

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

Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2022 (a)	2021 (a)	2022 (a)	2021 (a)
Safety Services					
Net revenues		$ 1,146	$ 512	$ 2,220	$ 978
Adjusted gross profit		351	163	689	310
Adjusted EBITDA		135	75	262	138
Adjusted gross margin		*30.6%*	*31.8%*	*31.0%*	*31.7%*
Adjusted EBITDA as a percentage of net revenues		*11.8%*	*14.6%*	*11.8%*	*14.1%*
Specialty Services					
Net revenues		$ 518	$ 476	$ 930	$ 820
Adjusted gross profit		90	71	140	106
Adjusted EBITDA		60	50	83	66
Adjusted gross margin		*17.4%*	*14.9%*	*15.1%*	*12.9%*
Adjusted EBITDA as a percentage of net revenues		*11.6%*	*10.5%*	*8.9%*	*8.0%*
Total net revenues before corporate and eliminations	(b)	*$ 1,664*	*$ 988*	*$ 3,150*	*$ 1,798*
Total adjusted EBITDA before corporate and eliminations	(b)	*195*	*125*	*345*	*204*
Adjusted EBITDA as a percentage of net revenues before corporate and eliminations	(b)	*11.7%*	*12.7%*	*11.0%*	*11.3%*
Corporate and Eliminations					
Net revenues		$ (15)	$ (10)	$ (30)	$ (17)
Adjusted EBITDA		(19)	(19)	(41)	(37)
Total Consolidated					
Net revenues		$ 1,649	$ 978	$ 3,120	$ 1,781
Adjusted gross profit		441	234	829	416
Adjusted EBITDA		176	106	304	167
Adjusted gross margin		*26.7%*	*23.9%*	*26.6%*	*23.4%*
Adjusted EBITDA as a percentage of net revenues		*10.7%*	*10.8%*	*9.7%*	*9.4%*

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

Reciliation of Non-GAAP Financial Measures (Cont’d)

Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

		For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Safety Services					
Safety Services EBITDA		$ 121	$ 73	$ 244	$ 138
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	1	1	2	1
Non-service pension benefit	(b)	(11)	—	(22)	—
Inventory step-up	(c)	—	—	9	—
Recent acquisition transition expenses	(d)	5	—	10	—
Business process transformation expenses	(e)	1	1	1	1
Integration and reorganization expenses	(f)	7	—	7	—
COVID-19 relief at Canadian subsidiaries, net	(g)	—	—	—	(2)
Restructuring costs	(h)	11	—	11	—
Safety Services adjusted EBITDA		$ 135	$ 75	$ 262	$ 138
Specialty Services					
Specialty Services EBITDA		$ 60	$ 58	$ 80	$ 72
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Contingent consideration and compensation	(a)	—	(7)	3	(5)
Divested businesses	(i)	—	(1)	—	(1)
Specialty Services adjusted EBITDA		$ 60	$ 50	$ 83	$ 66
Corporate and Eliminations					
Corporate and Eliminations EBITDA		$ (33)	$ (35)	$ (96)	$ (63)
Adjustments to reconcile EBITDA to adjusted EBITDA:					
Business process transformation expenses	(e)	4	7	9	13
Acquisition expenses	(j)	—	—	24	4
Integration and reorganization expenses	(f)	(3)	—	—	—
Recent acquisition transition expenses	(d)	13	—	22	—
Loss on extinguishment of debt	(k)	—	9	—	9
Corporate and Eliminations adjusted EBITDA		$ (19)	$ (19)	$ (41)	$ (37)

(a) Adjustment to reflect the elimination of the expense, or reversal of previously recorded expense, attributable to deferred consideration to prior owners of acquired businesses not expected to continue or recur.
(b) Adjustment to reflect the elimination of non-service pension benefit, which consists of interest cost, expected return on plan assets and amortization of actuarial gains/losses of the pension programs assumed as part of the Chubb acquisition
(c) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(d) Adjustment to reflect the elimination of expenses associated with the transition of newly acquired businesses from prior ownership into APi Group.
(e) Adjustment to reflect the elimination of non-operational costs related to business process transformation, including system and process development costs and implementation of processes and compliance programs related to the Sarbanes-Oxley Act of 2002.
(f) Adjustment to reflect the elimination of integration and reorganization expenses associated with acquisitions.
(g) Adjustment to reflect the elimination of miscellaneous income in Canada related to COVID-19 relief, net of severance costs.
(h) Adjustment to reflect the elimination of expenses associated with restructuring programs.
(i) Adjustment to reflect the elimination of amounts related to businesses divested and classified as held-for-sale, inclusive of impairment charges and gain/(loss) on sale.
(j) Adjustment to reflect the elimination of potential and completed acquisition-related expenses.
(k) Adjustment to reflect the elimination of loss on extinguishment of debt resulting from early repayments of long-term debt.

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

Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

	For the Three Months Ended June 30, 2022			For the Three Months Ended June 30, 2021		
	As Reported	*Adjustments*	*As Adjusted*	*As Reported*	*Adjustments*	*As Adjusted*
Safety Services						
Net revenues	$ 1,146	$ —	$ 1,146	$ 512	$ —	$ 512
Cost of revenues	800	(3) (a) — (b) (2) (c)	795	350	(1) (a)	349
Gross profit	$ 346	$ 5	$ 351	$ 162	$ 1	$ 163
Gross margin	*30.2%*		*30.6%*	*31.6%*		*31.8%*
Specialty Services						
Net revenues	$ 518	$ —	$ 518	$ 476	$ —	$ 476
Cost of revenues	429	(1) (a)	428	406	(1) (a)	405
Gross profit	$ 89	$ 1	$ 90	$ 70	$ 1	$ 71
Gross margin	*17.2%*		*17.4%*	*14.7%*		*14.9%*
Corporate and Eliminations						
Net revenues	$ (15)	$ —	$ (15)	$ (10)	$ —	$ (10)
Cost of revenues	(15)	—	(15)	(10)	—	(10)
Total Consolidated						
Net revenues	$ 1,649	$ —	$ 1,649	$ 978	$ —	$ 978
Cost of revenues	1,214	(4) (a) - (b) (2) (c)	1,208	746	(2) (a)	744
Gross profit	$ 435	$ 6	$ 441	$ 232	$ 2	$ 234
Gross margin	*26.4%*		*26.7%*	*23.7%*		*23.9%*

(a) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
(b) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(c) Adjustment to reflect the elimination of expenses associated with restructuring programs.

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

Adjusted Segment Financial Information (non-GAAP)

$ IN MILLIONS

	For the Six Months Ended June 30, 2022			For the Six Months Ended June 30, 2021		
	As Reported	*Adjustments*	*As Adjusted*	*As Reported*	*Adjustments*	*As Adjusted*
Safety Services						
Net revenues	$ 2,220	$ —	$ 2,220	$ 978	$ —	$ 978
Cost of revenues	1,547	(5) (a)	1,531	669	(1) (a)	668
		(9) (b)				
		(2) (c)				
Gross profit	$ 673	$ 16	$ 689	$ 309	$ 1	$ 310
Gross margin	*30.3%*		*31.0%*	*31.6%*		*31.7%*
Specialty Services						
Net revenues	$ 930	$ —	$ 930	$ 820	$ —	$ 820
Cost of revenues	792	(2) (a)	790	716	(2) (a)	714
Gross profit	$ 138	$ 2	$ 140	$ 104	$ 2	$ 106
Gross margin	*14.8%*		*15.1%*	*12.7%*		*12.9%*
Corporate and Eliminations						
Net revenues	$ (30)	$ —	$ (30)	$ (17)	$ —	$ (17)
Cost of revenues	(30)	—	(30)	(17)	—	(17)
Total Consolidated						
Net revenues	$ 3,120	$ —	$ 3,120	$ 1,781	$ —	$ 1,781
Cost of revenues	2,309	(7) (a)	2,291	1,368	(3) (a)	1,365
		(9) (b)				
		(2) (c)				
Gross profit	$ 811	$ 18	$ 829	$ 413	$ 3	$ 416
Gross margin	*26.0%*		*26.6%*	*23.2%*		*23.4%*

(a) Adjustment to reflect the addback of amortization expense related to backlog intangible assets.
(b) Adjustment to reflect the elimination of costs related to the fair value step-up of acquired inventory.
(c) Adjustment to reflect the elimination of expenses associated with restructuring programs.

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

Adjusted Free Cash Flow and Conversion (non-GAAP)

$ IN MILLIONS

		For the Six Months Ended June 30,	
		2022	2021
Net cash provided by (used in) operating activities (as reported)		$ (64)	$ 19
Less: Purchases of property and equipment		(34)	(34)
Free cash flow		$ (98)	$ (15)
Add (deduct): Cash payments (sources) related to following items:			
Contingent compensation	(a)	$ 2	$ 19
Business process transformation expenses	(b)	10	14
Acquisition costs	(c)	33	4
Integration and reorganization expenses	(d)	3	—
Recent acquisition transition expenses	(e)	36	—
Pension contributions	(f)	27	—
COVID-19 relief at Canadian subsidiaries, net	(g)	—	(2)
Restructuring payments	(h)	3	—
Adjusted free cash flow		$ 16	$ 20
Adjusted EBITDA	(i)	*$ 304*	*$ 167*
Adjusted free cash flow conversion		*5.3%*	*12.0%*

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

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Q2 2022 Earnings Call