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- APi Group Corp. (NYSE: APG) operates two business segments: (1) Safety Services (69.5% of sales and 73% of adj. EBITDA in 2022), which designs, installs, inspects, monitors, repairs and services occupancy systems, including fire safety, electronic security & HVAC systems; and (2) Specialty Services (30.5% of sales and 27% of adj. EBITDA), which provides similar services for critical infrastructure, including electric, gas, water, sewer & telecommunications lines.

- APG operates an asset-light, variable cost, recession resistant/statutorily mandated business that we estimate possesses mid-to-high single digit underlying organic growth prospects along with numerous tuck-in M&A opportunities in a fragmented market as well as a clear path to ~300 basis points of incremental margin improvement over the next 2-3 years (primarily from growth in higher margin/recurring service businesses as well as from synergy opportunities at the recently acquired Chubb Fire & Safety business). Moreover, with shares trading at ~9x 2024E EV/EBITDA and a free cash flow yield of ~10% APG trades at a significant discount to publicly traded peers, which trade at EV/EBITDA multiples of nearly 14x and FCF yields of ~3.5%, as well as relevant private market transaction valuations, which have averaged ~16x EV/EBITDA in recent years. In addition to the fundamental upside we see for shares as management executes on its growth/margin improvement initiatives, we also see the potential for APi to separate/monetize its Specialty Services segment, via spin-off or sale. In our estimation, such a transaction would unlock value and/or provide APG with incremental capital to either rapidly de-lever, pursue accretive tuck-in M&A and/or be returned to shareholders via share repurchases (while also increasing investor/management focus on the higher margin/faster growing Safety Services business). On the latter point, recent commentary suggests "everything is on the table", in terms of unlocking value for shareholders.

- Based on management guidance and commentary as well as peer and M&A valuations, APG's Safety Services and Specialty Services businesses could be valued at ~$34 per share, and $7 per share, respectively. Accounting for corporate costs and projected net debt of ~$11 per share yields a base case sum-of-the-parts fair value of $30 per share (with bull and bear cases of ~$36.50 and ~$23.50 per share, respectively).

- Potential catalysts include the separation/monetization of assets, accretive M&A, share repurchases, leverage reductions and/or better than expected growth and margins. Risks include management execution, competition, commodity & currency fluctuations, regulation, geopolitical disruptions and/or a recession.

APi Group Corporation

NYSE: APG

Publication Date:
March 21, 2023

Price: $20.81/share

Market capitalization: ~$5.6 billion

Safety Services: $34 per share

Specialty Services: $7 per share

Corporate, Net Debt & Other:
($11) per share

SOTP: $30 per share*

*SOTP may not add due to rounding

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.

Institutional Research Group

COMPANY BACKGROUND & SEGMENT FINANCIALS

APi Group Corporation (NYSE: APG), headquartered in New Brighton, Minnesota, has origins dating back to the 1926 establishment of an insulation & contracting business within the Reuben L. Anderson-Cherne mechanical company. Over the years, particularly during the 1980's, the business both expanded and diversified, most notably into construction-related industries (largely via acquisition) and adopted the current corporate moniker in 1997. In terms of its recent history, the company was acquired by J2 Acquisition Limited, a special purpose acquisition company (SPAC), for ~$2.9 billion in October 2019 and began trading on the New York Stock Exchange (NYSE) in April 2020. (For context, J2 was founded by Sir Martin Franklin, the founder and former chairman & chief executive of Jarden Corporation [formerly NYSE: JAH] along with James Lillie, Jarden's chief executive from 2011 until its ~$16 billion sale to Newell Brands in 2016 and Ian G.H. Ashken, a co-founder and former vice-chairman & chief financial officer of Jarden. Notably, Mssrs. Franklin and Lillie are co-chairman of APG's Board while Mr. Ashken also serves as a director along seven others, of whom six are deemed independent). Most recently, in January 2022, APG acquired the $2.2 billion Chubb Fire & Security business from Carrier Global Corp. (NYSE: CARR) for ~$3.1 billion (or ~14.5x EV/EBITDA). As of the beginning of 2022, APi Group merged its legacy-Industrial Services business, which, following several divestitures, comprised only ~7% of consolidated sales and had a low-to mid-single digit margin profile, into its Specialty Services business. As such, APG currently reports two segments (see Exhibit 1): 1) Safety Services (~69.5% of consolidated sales and ~73% of adjusted EBITDA in 2022), which including the addition of Chubb, designs, installs, monitors, inspects and services, among other things, integrated fire detection/protection, electronic security and heating ventilation & air conditioning (HVAC) systems; and 2) Specialty Services (~30.5% of sales and ~27% of adj. EBITDA in 2022), which provides design, installation, maintenance & repair services, including upgrades and retrofits, for critical infrastructure projects, including such as electric, gas, water, sewer and telecommunications systems.

Exhibit 1 APi Group Corp.: Consolidated Selected Financial Items, 2020–2024E
($ in millions; December-ending calendar years)

	2020	2021	2022	2023E	2024E
Sales:					
Safety Services	$1,639	$2,081	$4,575	$4,917	$5,206
Specialty Services	$1,960	$1,906	$2,030	$2,075	$2,130
Eliminations	($12)	($47)	($47)	($48)	($49)
Total	**$3,587**	**$3,940**	**$6,558**	**$6,944**	**$7,288**
Income from operations:					
Safety Services	$8	$207	$256	$369	$489
Specialty Services	($56)	$78	$97	$103	$108
Corporate	($118)	($149)	($191)	($168)	($171)
Total	**($166)**	**$136**	**$162**	**$304**	**$427**
Adjusted EBITDA:					
Safety Services	-	$291	$559	$650	$765
Specialty Services	-	$195	$210	$218	$225
Corporate	-	($79)	($96)	($115)	($120)
Total	**$381**	**$407**	**$673**	**$753**	**$869**
Capital expenditures:					
Safety Services	$2	$6	$25	$35	$36
Specialty Services	$34	$48	$49	$53	$54
Corporate	$2	$1	$5	$7	$7
Total	**$38**	**$55**	**$79**	**$95**	**$98**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

For some context on the following discussion, the company has provided consolidated 1Q 2023 and full-year 2023 guidance as well as some longer-term financial targets/commentary (see Exhibits 2 & 3). In terms of full-year 2023 guidance, the company projects consolidated sales of $6.8-$6.95 billion, implying organic growth of 4%-6%, with adjusted EBITDA of $735-$775 million, implying 9%-15% organic growth. Anecdotally, the company expects "double-digit" growth in inspection work at Safety Services, which, in our estimation, implies at least high-single digit organic growth in that segment and flattish to low-single digit top-line growth at Specialty Services. Adjusted free cash flow conversion (relative to adj. EBITDA) is expected to be at or above 65% for full year 2023 (compared with ~61% in 2022 and ~55% in 2021). Anecdotally, the company expects its leverage ratio to be within its targeted range of 2.0x-2.5x (albeit likely at the higher-end, by our calculation) by year-end 2023 (compared with 3.2x at the end of 2022). Anecdotally, management's full-year guidance is underpinned by the expectation for restructuring, interest, and depreciation expenses of $55-$65 million, ~$150 million and ~$85 million, respectively, as well as a capital spending budget of ~$95 million. The adjusted tax rate and fully diluted share count are projected to be 24% and ~273 million, respectively. (Notably, the diluted share count forecast includes 32.5 million shares of potential dilution from the Preferred B stock issued to Blackstone and Viking as part of the Chubb financing, which yields 5.5% annually and automatically converts in December 2026 or at the holder's and APG's option if/when the stock trades at or above $24.60 and $36.90, respectively. For 1Q 2023 specifically, the company has guided to consolidated sales of $1.54-$1.56 billion, implying organic growth of 6%-8%with adjusted EBITDA of $135-$145 million, implying 8%-16% growth (see Exhibit 2).

For a degree of context on management's forecasting credibility, we would note that in 2022 the company initially guided to full-year sales and adj. EBITDA of $6.3-$6.5 billion and $650-$700 million; to that end, the company's actual results of ~$6.56 billion and $673 million came in above and at the mid-point, respectively, of its initial ranges. That said, we would highlight that on a constant currency basis APG's results would have come in well above its initial guidance with adjusted sales and EBITDA of $6.74 billion and $689 million. Similarly, in 2021 the company's actual sales and adj. EBITDA results of $3.94 billion and $407 million, respectively, came in above and within, respectively, its initial guidance of $3.65-$3.75 billion in sales and $405-$419 million of adj. EBITDA.

Exhibit 2 APi Group Corp.: Initial 1Q 2023E and Full-Year 2023E Financial Guidance, Selected Items
($ in millions; December-ending calendar years)

	1Q 2023E Initial	2023E Initial
Net Sales	**$1.54 - $1.56 billion**	**$6.8 - $6.95 billion**
% Y-o-Y growth	4% - 6%	4% - 6%
% Y-o-Y organic growth, ex-currency	6% - 8%	4% - 6%
Adjusted EBITDA	**$135 - $145 million**	**$735 - $775 million**
% Y-o-Y growth	5% - 13%	9% - 15%
% Y-o-Y organic growth, ex-currency	8% - 16%	9% - 15%
Adj. free cash flow (FCF) conversion	**Flat**	**At or above 65%**
Restructuring costs	-	$55 - $65 million
Interest expense	$35 - $40 million	~$150 million
Deprecation	-	~$85 million
Capital expenditures	-	~$95 million
Adj. tax rate	-	~24%
Adj. diluted share count	-	~273 million

Source: Company reports.

Longer-term, the company is focused on continuing to expand its inspection, service and monitoring business, which are both higher-margin and more recurring given their statutorily mandated/non-discretionary nature, to 60% of consolidated sales (compared with ~50% in 2022, 40% in 2019 and ~15% in 2008). As well, the company expects to expand its consolidated EBITDA margin by ~300 basis points to 13% (from 10.3% in 2022), in large part driven by the aforementioned expansion of service revenue as well as margin improvements initiatives at Chubb where the company is targeting ~$100 million of cost synergies (up from its initial estimate of $20-$40 million) and ~550 basis points of margin improvement to 15% in 2025 (compared with 9.5% in 2021-2022). (Notably, management's anecdotal commentary suggests that once its 13% consolidated margin target is achieved, an outcome in which it is "confident", the profitability goal will likely be increased, seemingly to ~15% or above.) On the cash flow and balance sheet fronts, the company is aiming to improve its free cash flow conversion rate to 80% (as a percentage of adj. EBITDA) from 61% in 2022 and ~55% in 2021, which will further the company's ability achieve its targeted leverage ratio of 2.0x-2.5x (compared with 3.2x at the end of 2022). Again, given its current outlook management has anecdotally indicated that it expects to be within the 2.0x-2.5x range (albeit likely toward the higher-end, by our calculation) by the end of 2023 (see Exhibit 3).

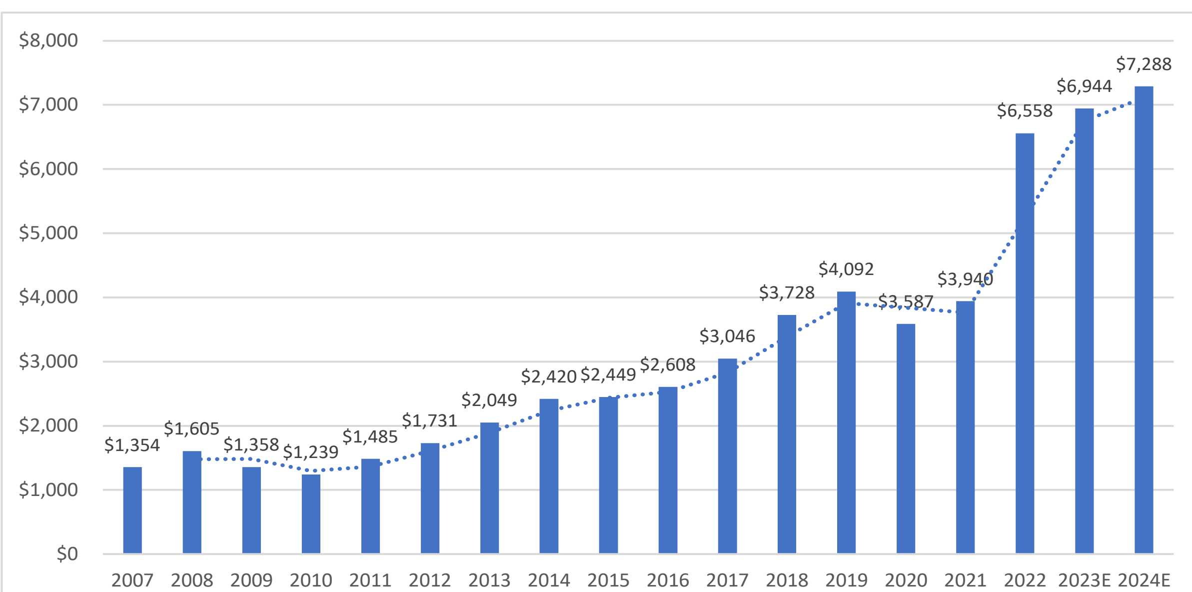
Exhibit 3 APi Group Corp.: 2025E Financial Targets, Selected Items
($ in millions; December-ending calendar years)

	2022A	2025E
% of sales from inspection, service & monitoring	~50%	60%-plus
Adjusted EBITDA margin	10.3%	13%-plus
Adj. free cash flow (FCF) conversion	61.2%	~80%
Net leverage ratio	3.2x	2.0x - 2.5x

Source: Company reports.

In terms of top-line guidance, management is targeting gross organic growth of 8%-9% through 2025 at Chubb (with net organic growth, given the company's focus on jettisoning unprofitable accounts, of 3%-5%). On a consolidated basis, the company has not provided any specific top-line guidance although management has anecdotally suggested its internal view is that APG's normalized organic growth rate is around 6%-7%, which is the compound annual rate posted during the post-Great Recession/pre-COVID period between 2011-2019, underpinned by underlying market growth of ~3%-4% in fire safety and ~4%-5% in electronic security. (That said, as illustrated in Exhibit 4, we would note that tuck-in M&A helped drive ~700 bps of incremental sales growth above its organic rate during that timeframe). All told, between 2007-2021, APG has, by our calculation, posted compound annual growth of ~8% since 2007, which is a figure that jumps to ~11% when the Chubb-impacted 2022 period is included (see Exhibit 4).

Exhibit 4 APi Group Corp.: Historical Consolidated Revenue Growth (2007-2024E)
($ in millions; December-ending calendar years)



Source: Company reports, Bloomberg and Institutional Research Group estimates.

Safety Services

The Safety Services segment, which accounted for 69.5% of consolidated sales and 73% of adj. EBITDA in 2022, designs, installs, monitors, inspects, repairs and services a range of end-to-end, integrated occupancy systems, which include safety & security services, such as fire detection & suppression and emergency response systems, and security, surveillance and access control systems (all with remote monitoring), as well as heating, ventilation and air conditioning (HVAC) and plumbing systems. (In terms of installation, we would note APG is equipment agnostic utilizing a range of supplies, including Carrier, Honeywell and Johnson Controls, among others.)

Exhibit 5 APi Group Corp.: Safety Services Segment Business Overview (Year-End 2022)

Business mix	80% Life Safety, 20% HVAC
Geographic footprint	40% U.S., 45% Europe/Canada, 15% APAC
% Inspection, monitoring & service	~50%
Average project size	~$5,000
	Fire alarm & detection systems, emergency fire suppression systems, security & surveillance systems, HVAC systems, entry/access control systems, plumbing systems, backflow devices
Brands	APi National Service Group, Chubb. 3S Inc., American Fire Protection, Alliance Fire Protection, Davis-Ulmer Fire Protection, Grunau, International Fire Protection, MMC, Security Fire, Tessier's Mechanical Contractors, Texas Sprinkler, Twin City Garage Door, United States Alliance Fire Protection, Viking Fire Protection, Vipond and Western States Fire Protection
End markets	Commercial/Education/Entertainment (49%), Industrial/Manufacturing (15%), Healthcare (9%), Distribution & Fulfilment Centers (7%), High Tech (5%), Telecom/Utilities (5%), Government/Infrastructure (1%), Integrity/Transmission (1%), and Other (11%)
Customers	Nike, Whole Foods, Intel, Wal-Mart, Google, Disney, Reuters, Target, LinkedIn, SUEZ Group, Equinix, Citi, Bank of America, Accor, Cognizant, Uber, Amazon Web Services Edge Connex, Hermes, BT Group, Amazon, John Deere, Meta, Blackstone, CBRE, Microsoft, Primark and JLL

Source: Company reports.

In terms of business mix, following the $3.1 billion purchase of Chubb Fire & Safety, whose focus on security services and significant presence in Europe complemented APi's primarily domestic competency in fire safety, the Safety Services segment is split ~80% toward so-called the life safety arena (i.e., fire safety & electronic security), where inspection, monitoring and repair services comprise ~52% of sales and are largely statutorily mandated (i.e., monthly, quarterly and annual inspections & servicing are required by law), and 20% stems from HVAC, which while having less stringent regulatory requirements tend, in all practicality, by be largely non-discretionary. (Notably, the average cost of service within Safety Services is ~$5,000, which we think is a price point that helps further mitigate the business' cyclicality.) In terms of geographic mix, the Safety Services segment generates roughly 40% of its sales in the U.S., with ~45% stemming from Canada & Europe and 15% coming the Asia Pacific (APAC) region (see Exhibit 5).

APG's go to market strategy employs a branch model with an inspection-first mentality (given its finding that every $1 of inspection-related revenue ultimately drives $3-$4 of incremental service & repair work) via a portfolio of brands including, APi National Service Group and Chubb as well as 3S Inc., American Fire Protection, Alliance Fire Protection, Davis-Ulmer Fire Protection, Grunau, International Fire Protection, MMC, Security Fire, Tessier's Mechanical Contractors, Texas

Sprinkler, Twin City Garage Door, United States Alliance Fire Protection, Viking Fire Protection, Vipond and Western States Fire Protection (see Exhibit 5).

The company's largest end-market is the commercial, education & entertainment verticals, which together comprises nearly 50% of segment sales, followed by industrial & manufacturing (at ~12%), healthcare (9%), fulfillment & distribution centers (7%), technology (5%), telecommunications (5%), government & infrastructure (~1%) and energy transmission & integrity (~1%). In terms of specific customers, of which none exceed ~3% of sales, APi's legacy client base includes Nike, Whole Foods, Intel, Wal-Mart, Google, Disney, Reuters, Target, LinkedIn, and the SUEZ Group while Chubb's customer base includes Equinix, Citi, Bank of America, Accor, Cognizant, Uber, Amazon Web Services Edge Connex, Hermes and BT Group. Overlap customers, which were doing business with both companies prior to the merger, include Amazon, John Deere, Meta, Blackstone, CBRE, Microsoft, Primark and JLL (see Exhibit 5).

Exhibit 6 APi Group Corp.: Safety Services Segment, Selected Financial Items, 2020–2024E
($ in millions; December-ending calendar years)

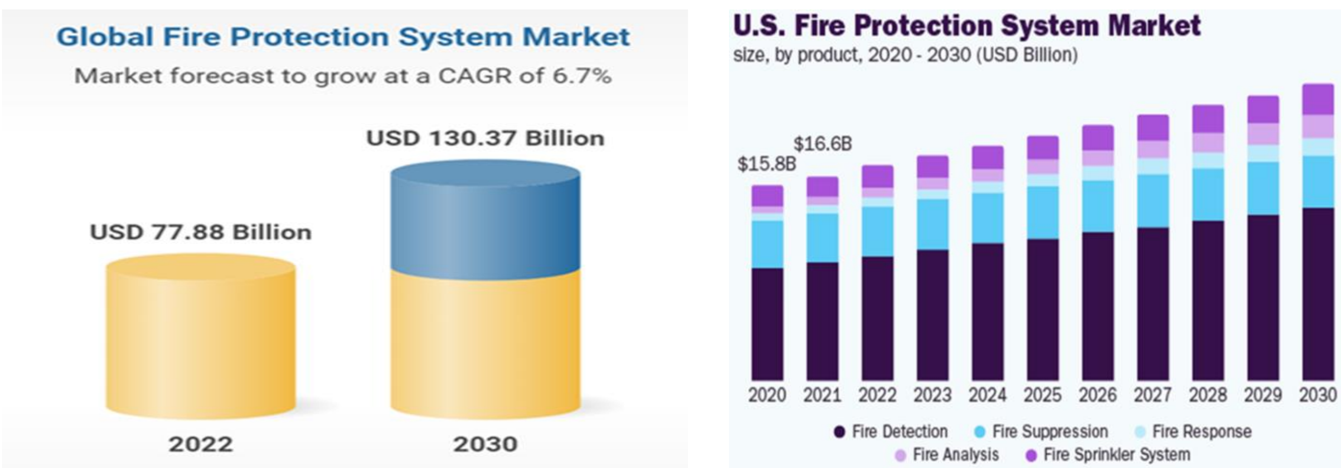
	2020	2021	2022	2023E	2024E
Sales	**$1,639**	**$2,081**	**$4,575**	**$4,917**	**$5,206**
Life safety	$1,317.0	$1,647	$4,025	$4,337	$4,597
HVAC	$322	$434	$550	$580	$609
Operating income	**$8.0**	**$207**	**$256**	**$369**	**$489**
Investment income (loss)	$13.0	$6.0	$1.0	$1.0	$1.0
Non-service pension benefit	-	-	$42.0	-	-
Depreciation & amortization	$119	$74	$193	$208	$217
EBITDA	**$140**	**$287**	**$492**	**$577**	**$708**
Contingent consideration	-	$2	$5	-	-
Non-service pension benefit	-	-	($42)	-	-
Inventory step-up	-	-	$9	-	-
Business transformation expense	-	$3	$3	$3	$1
Acquisition transition expense	-	-	$57	-	-
Integration & reorganization expense	-	-	$7	$5	$1
Restructuring costs	-	-	$30	$65	$55
COVID-19 relief, net	-	($2)	($2)	-	-
Acquisition expense	-	$1	-	-	-
Adjusted EBITDA	**-**	**$291**	**$559**	**$650**	**$765**
Operating margin	0.5%	9.9%	5.6%	7.5%	9.4%
EBITDA margin	8.5%	13.8%	10.8%	11.7%	13.6%
Adj. EBITDA margin	-	14.0%	12.2%	13.2%	14.7%
Capital expenditures	**$2.0**	**$6.0**	**$25.0**	**$35.4**	**$36.4**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

As mentioned earlier, in January 2022, APG purchased Chubb Fire & Security for ~$3.1 billion from Carrier Global in a so-called carve out transaction. The complementary transaction married Chubb, the market leader fire safety within European markets (i.e., 90% of its sales stem from U.K., France, Australia, Canada, the Netherlands and Hong Kong) along with its market leading presence in the security services arena with APi's market leading domestic fire safety business. In terms of financials, Chubb generated 2021 sales of $2.2 billion, of which ~35% stemmed from electronic security, and ~$213 million of adjusted EBITDA, implying a margin of ~9.5% and a purchase multiple of ~14.5x. Given the complementary nature of the two businesses management currently estimates roughly $100 million of synergies through 2025, suggesting the post-synergy purchase multiple will ultimately be closer to 10x. Additionally, it could be postulated that despite its scale relative to its own industry the Chubb business was somewhat "neglected" given its overall impact on the previous owners financials; a contention we think is supported by the company's stagnant top-line growth (i.e., a ~0% 5-year sales CAGR) and sub-standard (i.e., less than 10%) margin profile while under the Carrier umbrella. That said, APG has set its sights on accelerating Chubb's organic top-line growth into the 3%-5% range though 2025 (despite a 4%-5% drag from the culling of unprofitable customers), which it expects will be driven by increased pricing, the optimization of its sales force and an increased focus on higher growth verticals, such as data centers, pharmaceuticals, and critical national infrastructure (CNI). As well, the company expects to improve Chubb's margins by ~550 basis points to ~15% (again, by 2025). On the profitability front, along with the expectation for ~$100 million of synergies, management notes that in 2021 55 (or 27.5%) of Chubb's 200 branches were unprofitable to the tune of a ~$36 million EBITDA loss annually. By the end of 2022, management had, via closures and/or operational improvements, improved this figure to 15% and it expects to further improve the loss leading branches to just 5% in 2023 with all branches achieving profitability in 2024.

As previously mentioned, management estimates that its domestic fire safety and electronic security markets have underlying organic growth rates and ~3%-4% and ~5%-6%, respectively (compared with APi's historical growth rate of ~6%-7%). In terms of outside views, Grand View Research, a market research & consulting firm, projects the global fire protection systems market is expected to grow at a compound annual rate of 6.7% to ~$130 billion between 2022-2030 with the U.S. market growing at 3.9% to ~$23.5 billion (see Exhibit 7). On the electronic security side, Verified Market Research projects that the electronic security systems market will grow at a compound annual rate of 8.53% to $93.2 billion between 2002-2030 while Market Research Future projects a 9.8% CAGR to $1, respectively, to $121.5 billion over the same period.

Exhibit 7 APi Group Corp.: Expected Market Growth of Fire Protection Systems Market (2022-2030)



Source: Grand View Research.

Considering APG's consolidated full-year 2023 guidance of 4%-6% organic growth to $6.8-$6.95 billion with 9%-15% growth in adjusted EBITDA to $735-$775 million as well as its anecdotal commentary that its expects "double-digit" growth Safety Services inspection work, which we think implies at least high-single digit organic growth for the Safety Services segment overall (with flattish to low-single digit top-line growth at Specialty Services) we think it reasonable to project 2023 segment sales and adjusted EBITDA of $4.9 billion and $650 million, respectively. Further, assuming ~6% organic top-line growth, which is toward the lower-end of the company's historical growth rate, as well as ~150 basis points of margin improvement, which seems reasonable (if not slightly conservative) given management commentary surrounding the cadence of margin improvement at Chubb, implies segment sales of $5.2 billion and $760 million, respectively in 2024E (see Exhibit 6)

<u>Specialty Services</u>

The Specialty Services segment, which accounted for 30.5% of consolidated sales and 27% of adj. EBITDA in 2022, provides design, fabrication, installation, maintenance, and repair services, including retrofits and upgrades, for critical infrastructure projects, such as underground electric, gas, water, sewer and telecommunications (e.g., fiber optic and cellular) systems, as well as specialized industrial plants.

In terms of business mix, ~56% of the Specialty Services business is providing services to infrastructure & utility concerns, with ~31% stemming from structural fabrication & erection and the remainder from so-called specialty contracting, which focuses on insulation, ventilation, & temperature control projects, plant maintenance & outage services and industrial & commercial ductwork. While APi's work in this arena is undoubtedly high value/critical for its customers, which generally continue to operate regardless of the broader macro condition (i.e., utilities and telecom), we would note that the average project costs in the Specialty Services segment is ~$70,000 (as compared with ~$5,000 at Safety Services). As well, the Specialty Services business is wholly centered in North America centric (as compared with the global nature of the Safety Services business).

In terms of its go to market strategy, the company also employs a branch model with a portfolio of brands including, APi Construction Co., APi Distribution, Classic Industrial Services, Jamar, J. Fletcher Creamer & Son, Lejeune, Mid-Ohio Pipeline Services, MP, Nyco, Jomax Pipeline Construction, Northland, Summit Pipeline Services and United Piping (see Exhibit 8).

The company's largest end-markets are essentially the reverse of Safety Services business with utilities & telecommunications comprising ~40% of sales followed by energy transmission & integrity (~26%), industrial & manufacturing (~7%), healthcare (6%), government & infrastructure (~6%), technology (5%), commercial, education & entertainment (4%), fulfillment & distribution centers (4%), and other (2%). In terms of specific customers, the client base includes, among others, American Water, Calpine, CenterPoint Energy, Columbia Gas, Enbridge, NiSource, PSEG, Shell, Tesoro, TransCanada, Verizon and Xcel Energy (see Exhibit 8).

Exhibit 8 APi Group Corp.: Specialty Services Segment Business Overview (Year-End 2022)
($ in millions; December-ending calendar years)

Business mix	56% Infrastructure/Utility, 31% Specialty Contracting, 13% Fabrication
Geographic footprint	~100% U.S.
% Inspection, monitoring & service	~45%
Average project size	~$70,000
Services	Electric & gas utilities, fiber optic & Cellular systems, natural gas distribution lines, specialty & industrial ductwork, electrical transmission lines, water lines & sewers
Brands	APi Construction Co., APi Distribution, Classic Industrial Services, ICS, Jamar, J. Fletcher Creamer & Sons, Lejeune, Mid-Ohio Pipeline Services, MP, NYCO, Jomax Pipeline Construction, Northland, Summit Pipeline Services, United Piping
End markets	Telecom/Utilities (40%), Integrity/Transmission (26%), Industrial/Manufacturing (7%), Healthcare (6%), Government/Infrastructure (6%), High Tech (5%), Commercial/Education/Entertainment (4%), Distribution & Fulfilment Centers (4%), and Other (2%)
Customers	American Water, Calpine, CenterPoint Energy, Columbia Gas, Enbridge, NiSource, PSEG, Shell, Tesoro, TransCanada, Verizon, Xcel Energy

Source: Company reports.

In terms of historical trends, Specialty Services has demonstrated a somewhat slower organic growth rate of ~5% with a lower margin profile of ~10% (as well as higher capital spending requirements of ~2.0%-2.5% of sales). Looking ahead, management is focused on growing the segment's service revenue through multi-year master service agreements, which it thinks provide improved visibility and help build "a more protective moat around the business", with well-capitalized customers. As well, the company is "excited" about the opportunities associated with the $1.2 billion Infrastructure and Jobs Act, particularly in the areas of rural broadband, roads, electrical grids and drinking water infrastructure, as well as the investments in semiconductor facilities driven by the $52 billion CHIPS Act (along with the ~$150 billion of associated private investment).

Exhibit 9 APi Group Corp.: Specialty Services Segment, Selected Financial Items, 2020–2024E
($ in millions; December-ending calendar years)

	2020	2021	2022	2023	2024E
Sales	**$1,960**	**$1,906**	**$2,030**	**$2,075**	**$2,130**
Infrastructure/Utility	$1,370	$1,057	$1,154	$1,183	$1,218
Fabrication	$178	$244	$253	$259	$267
Specialty contracting	$412	$605	$623	$632	$645
Operating income	**($56)**	**$78**	**$97**	**$103**	**$108**
Investment income	$17	$9	$7	$7	$7
Depreciation & amortization	$136	$118	$102	$108	$110
EBITDA	**$97**	**$205**	**$206**	**$218**	**$225**
Contingent consideration	-	($9)	$4	-	-
Divested businesses	-	($1)	-	-	-
Adjusted EBITDA	**-**	**$195**	**$210**	**$218**	**$225**
Operating margin	-2.9%	4.1%	4.8%	5.0%	5.1%
EBITDA margin	4.9%	10.8%	10.1%	10.5%	10.5%
Adj. EBITDA margin	-	10.2%	10.3%	10.5%	10.5%
Capital expenditures	**$34.0**	**$48.0**	**$49.0**	**$52.9**	**$54.3**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Specifically for 2023, considering APG's consolidated full-year 2023 guidance of 4%-6% organic growth to $6.8-$6.95 billion with 9%-15% growth in adjusted EBITDA to $735-$775 million as well as its anecdotal commentary that management expects "double-digit" growth Safety Services inspection work we estimate that low-single digit top-line growth to $2.075 billion at Specialty Services along with adjusted EBITDA $218 million. For 2024, assuming top-line growth of ~2.5%, which his below historical trends and gives little credit to the potential uptick in federal and corporate infrastructure spending, to ~$2.13 billion and a stable margin profile of 10.5% implies 2024E adjusted EBITDA of $225 million (see Exhibit 9).

Balance Sheet & Cash Flow

At the end of 2022, APG had net debt of $2.18 billion, including $605 million in cash and debt of $~$2.79 billion (see Exhibit 10), primarily consisting of a ~$2.2 billion of term loans due 2026 and 2029 (yielding SOFR plus 2.5% and 2.75%), respectively) along with $614 million of senior notes due 2029 (yielding 4.125% and 4.75%, respectively). At year-end 2022, the company had no borrowings outstanding on a $500 million revolver, which matures in 2026. (Notably, following, the repayment of $100 million in debt on each of its term loan in early-January borrowings on the 2019 & 2021 loans were $1.027 and 985 million, respectively). At year-end, APG's average cost of debt, of which ~70% is fixed, was 5.5% and its net leverage ratio was 3.2x (although per the calculation embedded in its credit agreement leverage was at 2.25x compared with its 3.75x covenant). As mentioned earlier, management targets a leverage ratio of 2.0x-2.5x by 2025 although, anecdotally, the company expects to be within this range at the end of 2023. (Based on our forecasts, we expect APG's leverage ratio will be ~2.4x at the end of 2023 and assuming no incremental M&A activity ~1.55x at the end of 2024.)

In terms of other capital structure considerations, APG issued $800 million of Series B Preferred Stock to Blackstone and Viking, its largest shareholder, as part of the Chubb acquisition financing package; these securities yield 5.5% and automatically convert at year-end 2026 or at the holder's and APG's option when the stock trades at or above $24.60 and $36.90, respectively. The company also has 4 million Series A Preferred Stock outstanding, which are largely held by an entity controlled by co-chairman Sir Martin Franklin and are entitled to an annual dividend, payable in cash or kind, equal to 20% of the increase in the volume-weighted average market price (VWAP) in the last ten trading days of the calendar a year multiplied by ~141.2 million shares. Notably, the Series A Preferred Stock, which resulted in the issuance of 7.5 million shares in 2022 and 12.4 million share in 2021, automatically converts to common shares on a one-for-one basis at year-end 2026.

Exhibit 10 APi Group Corp.: Balance Sheet, Selected Items
($ in millions; December-ending calendar years)

	2020	2021	1Q 2022	2Q 2022	3Q 2022	2022
Cash	**$515**	**$1,188**	**$315**	**$330**	**$395**	**$605**
Debt:						
Current portion	$18	$1	$2	$3	$6	$206
Long-term debt	$1,397	$1,766	$2,812	$2,814	$2,781	$2,583
Total	**$1,415**	**$1,767**	**$2,814**	**$2,817**	**$2,787**	**$2,789**
2019 term loan (due Oct. 2026)	$1,188	$1,140	$1,127	$1,127	$1,127	$1,127
2021 term loan (due Jan. 2029)	-	-	$1,085	$1,085	$1,085	$1,085
Revolver (due Oct. 2026)	$250	-	-	-	-	-
4.125% senior notes (due July 2029)	-	$350	$350	$350	$337	$337
4.75% senior notes (due Oct. 2029)	-	$300	$300	$300	$277	$277
Other obligations	$5	$1	$2	$3	$7	$6
Unamortized financing costs	($28)	($24)	($50)	($48)	($46)	($43)
Net debt	**$900**	**$579**	**$2,499**	**$2,487**	**$2,392**	**$2,184**
Leverage ratio	3.7x	4.3x	5.9x	5.2x	4.6x	4.1x
Leverage ratio, net	**2.4x**	**1.4x**	**5.3x**	**4.6x**	**4.0x**	**3.2x**
Stockholders equity	**$1,558**	**$2,323**	**$2,278**	**$2,156**	**$2,150**	**$2,127**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

For 2023, management expects capital expenditures of ~$95 million with a free cash flow conversion rate (relative to adj. EBITDA) of 65% (or better). Looking out into 2025, the company expects to improve its free cash flow conversion rate to ~80% through a combination of working capital improvements (6%-8%), debt reduction (4%-6%), growth in higher-margin inspection, monitoring & service revenue (4%-6%) and opportunistic M&A that is accretive to cash conversion (2-4%). Interestingly, given the uncertain macro environment, APG estimates that its free cash conversion rates actually improve in a slower growth/declining operating environment; to that end, if the company sales flatten its cash conversion rate would be expected to improve into the 80%-85% range and be at better than 90% if top-line growth were to decline ~5%.

In terms of potential uses of cash, APG, which has completed ~90 acquisitions since 2005, is keen on continuing to pursue tuck-in deals focused solely on the Safety Services market, particularly as leverage approaches the lower-end of its targeted range of 2.0x-2.5x. To that end, management sees a degree of arbitrage between APG's own trading multiple and those of small privately held companies, particularly those with the potential for significant operational/profitability improvement. As a theoretical example based on historical experience, management estimates that it can purchase targets generating ~$10 million of annual adj. EBITDA that are operating with a ~7% margin for 4x-7x. Over the subsequent two years post-closing, management estimates it can expand annual EBITDA to ~$30 million via a reinvigoration of organic growth as well as profitability improvements driven by increased purchasing power (~150 basis points), back-office synergies (~150 bps) and better strategic pricing discipline (~200 bps). Additionally, following the repurchase of ~2.5 million shares for $44 million (or an average of ~$17.55) in 2022, the company is authorized to buy-back an additional $206 million worth of shares through February 2024.

Exhibit 11 APi Group Corp.: Sources & Uses of Cash Flow, Selected Items

($ in millions; September-ending fiscal years)

	2020	2021	2022	2023E	2024E
Net income	($153)	$47	$46	$197	$282
Depreciation & amortization	$263	$202	$304	$325	$337
Other	$386	($67)	($80)	($35)	($25)
Cash flow from operations	**$496**	**$182**	**$270**	**$488**	**$595**
Capital expenditures	($38)	($55)	($79)	($95)	($98)
Free cash flow (FCF)	**$458**	**$127**	**$191**	**$393**	**$497**
Contingent consideration		$20	$3	-	-
Pension contributions	-	-	$27	$25	$25
Business transformation expense	-	$35	$22	-	-
Acquisition costs	-	$24	$35	-	-
Acquisition transition expense	-	-	$95	-	-
Integration & reorganization expense	-	-	$14	-	-
Restructuring costs	-	-	$8	$65	$55
COVID-19 relief, net	-	($2)	($2)	-	-
Payroll tax deferral	-	$19	$11	-	-
Payments on acquired liabilities	-	-	$8	-	-
Adjusted free cash flow	**-**	**$223**	**$412**	**$483**	**$577**
FCF per share	$2.71	$0.62	$0.72	$1.44	$1.78
FCF conversion %	*120.2%*	*31.2%*	*28.4%*	*52.1%*	*57.2%*
Adj. FCF per share	-	$1.08	$1.55	$1.77	$2.07
Adj. FCF conversion %	-	*54.8%*	*61.2%*	*64.1%*	*66.4%*
Proceeds from sale of assets	$17	$20	$17	-	-
Acquisitions	($319)	($86)	($2,839)	-	-
Stock repurchases	($30)	-	($44)	($20)	($20)
Stock issuances	$3	$676	$797	-	-
Dividends	-	-	-	-	-

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Corporate Governance, Ownership & Recent Management Commentary

APG's Board is currently comprised of 10 directors, of which 8 are deemed independent although we would note that two of those members, Mr. James Lillie (who is co-chairman) and Mr. Ian G.H. Ashken, are among the founders of J2 Acquisition and former Jarden executives. As such, they are long-time business partners of co-chairman Sir Martin Franklin who along with chief executive Mr. Russ Becker (who has been at the helm since 2002) comprise the non-independent director ranks (by official NYSE standards).

In terms of ownership, all directors and executives as a group (of 17) control ~13.7% of the outstanding shares although we would note that those shares are primarily concentrated among the personal holdings of Sir Martin Franklin, Mr. James Lillie and Mr. Ian G.H. Ashken along with their investment vehicles, including MEF Holdings and JTOO LLC. The top-10 10 institutional shareholders, of which the largest is Viking Global, own roughly 53% of the company. (While the company is not currently under any overt pressure from shareholders, we would note that Ancora Advisors, a sometimes activist-investor, has, per Bloomberg, a 0.4% or ~932K share passive position in APG.)

Exhibit 12 APi Group Corp.: Insider and Institutional Ownership, Selected Items

Holders:	Shares held	% ownership
Viking Global Investors LP	42.1	18.0%
Vanguard Group Inc/The	18.3	7.8%
BlackRock Inc	14.5	6.2%
MEF HOLDINGS LLLP	12.3	5.3%
Martin Franklin Ellis	11.9	5.1%
Allspring Global Investments Holdings	10.7	4.6%
Wells Fargo & Co	9.6	4.1%
ClearBridge LLC	6.4	2.8%
Permian Investment Partners LP	6.0	2.6%
FIL Ltd	5.8	2.5%
Alua Capital Management LP	5.1	2.2%
IGHA HOLDINGS	5.1	2.2%
Empyrean Capital Partners LP	4.9	2.1%
JTOO LLC	4.6	2.0%
ADW Capital Management LLC	4.3	1.8%
State Street Corp	4.1	1.8%
Geode Capital Management LLC	3.7	1.6%
Becker Russell Anthony	3.0	1.3%
Blackstone Inc	2.9	1.2%
FMR LLC	2.7	1.1%
Total	**178.2**	**76.0%**
Insiders:		
All executives & directors (17 people)	**32.0**	**13.7%**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

In terms of recent management commentary, we would note that management has consistently indicated a willingness to pursue transactional-related opportunities to unlock value for shareholders. To that end, we highlight some excerpts on the topic of pursuing potential divestitures, particularly of the Specialty Services segment but also for smaller scale transactions that could involve individual business lines or geographies (see Exhibit 13).

Exhibit 13 APi Group Corp.: Recent Management Commentary

"We're going to look at what's best for the business. If we have to prune, whether that's individual businesses in the segment or individual businesses in the safety services segment we'll prune. If the best thing to do is for us to look at divesting specialty, we'll look at it and we'll make decisions that are best for our shareholders and what's best for the company." *- Russ Becker, APG's CEO at the JP Morgan Industrials Conf. on March 14, 2023*

"Like everything is open for conversation, we've never been afraid to prune. We will prune like we will shutdown branches. We will evaluate whether there's certain countries and regions that we should or should not be in, in that conversation is ongoing. And we're have that conversation as it relates to the core business, as well we need to look at what's best for the business, how we can optimize the profitability of the business and ultimately create shareholder value. And so we have really and Jim might have some thoughts he would like to share on this, but we have very active dialogue all the time with our Board about what's best for the company. And but, we have it, we own it. We have to work on fixing it and the better we get it to function if we wanted to sell it, the better we do in the sale." *- Russ Becker, APG's CEO at the Barclays Industrial Select Conference on February 22, 2023*

"Regarding specialty, the -- we continue to talk about all sorts of what's the best options for the business. We've looked at, is there options for us to continue to prune? We've never been able to prune across any one of the aspects of the company. It doesn't matter if it's safety. If we need to do some pruning, we'll do some pruning. If we chose to sell the specialty business, we would be able to separate the business. So we'll continue to look at what's best for our shareholders, and we'll make the appropriate decisions as we move it forward." *- Russ Becker, APG's CEO at the Citi 2023 Global Industrial Tech and Mobility Conference on February 21, 2023*

"We remain focused on being disciplined on project and customer selection, and we'll continue to focus our efforts on growing the cyclical recurring service revenue aspects of our portfolio than -- rather than growing for the sake of growth and risking profitability. We are not afraid to prune where needed, as we have demonstrated most recently in 2020 with the divestiture of two underperforming industrial services businesses. We will continue to be opportunistic and won't hesitate if something isn't working. This goes for both of our segments. *- Russ Becker, APG's CEO at the Citi 2023 Global Industrial Tech and Mobility Conference on February 21, 2023*

"I mean, the -- this whole concept of pruning, right, is we get questions all the time about how are you viewing the Specialty Services segment of the business and everything else. And it's no different than many of the investors that are sitting in this room today, right? They own x amount of stocks. They're constantly evaluating their portfolio, looking at which stock should we sell, where should we reinvest, that's no different than us…..we look at every component of our business and evaluate, does it make sense for us to be here? Does it make sense? Should we look at potentially selling this piece of the business? Everything is open for conversation. We have a lot of robust dialogue around should we prune this? Should we sell this? Should we close this? And we make decisions that are based in the long-term best interest of the business. And so there are things that we are actively looking at other markets we should exit. We are 100% in that same mindset, okay?" *- Russ Becker, CEO at APG's 2022 Investor Day on November 17, 2023*

Q – "Hi. Good morning. Thank you for taking my question. I was wondering if you could talk about the portfolio-managing opportunities enabled by your Chubb acquisition. You have a safety business at scale now. Is there potential to do something with the specialty services or maybe old industrial business? How these sellers are deleveraging or unless valued somewhere else?"

A – "Well, I think, Jon, I think we -- the way we've approached that is that every opportunity is an opportunity that we're going to continue to look at and review. And we will do what's best for the business, whether that's individual pruning, whether that's closing branches, whether that's optimizing other aspects of the business. We will continue to look at each and every opportunity and make good decisions and choices that are in the long-term best interest of the shareholders….. So, everything is on the table. And we talked -- we just had a board meeting. We had a lot of robust conversations and dialogue about what's best for the business strategically. And as we continue -- as our thinking continues to evolve, then we'll continue to take appropriate action in the business." *– Russ Becker, APG's CEO in an exchange with an investment analyst on the 2Q 2022 earnings conference call on August 4, 2022*

Source: Company reports, and Bloomberg.

Exhibit 14 APi Group Corp.: Public Comparables

($ in millions, except per share amounts; shares in millions)

3/20/2023	API Group Corp	AECOM	Aramark	Cintas Corp	Comfort Systems USA Inc	Dycom Industries Inc	Ecolab Inc	EMCOR Group Inc	FirstService Corp	Jacobs Solutions Inc	Johnson Controls International plc	Otis Worldwide Corp	Quanta Services Inc	Rollins Inc	Watsco Inc	Xylem Inc/NY
Ticker	APG	ACM	ARMK	CTAS	FIX	DY	ECL	EME	FSV	J	JCI	OTIS	PWR	ROL	WSO	XYL
Price	$20.81	$82.56	$33.41	$441.79	$139.15	$95.11	$156.29	$161.65	$136.60	$114.02	$58.54	$81.78	$157.29	$36.56	$300.20	$97.66
Shares Out	273.0	139.0	260.5	101.6	35.7	29.4	284.7	47.7	44.5	126.7	687.2	414.9	144.0	492.7	33.3	180.3
M Cap	5,680.7	11,471.7	8,703.7	44,894.9	4,972.9	2,792.0	44,491.0	7,708.7	6,254.1	14,447.9	40,229.5	33,928.0	22,649.8	18,014.7	11,632.9	17,606.0
Net Debt	2,184.0	1,184.6	7,862.2	2,830.9	199.0	600.7	8,004.3	(208.5)	831.7	2,952.3	9,435.0	5,785.0	3,316.8	(40.4)	282.8	945.0
EV	7,864.7	12,656.3	16,565.9	47,725.8	5,172.0	3,392.7	52,495.3	7,500.2	7,085.8	17,400.2	49,664.5	39,713.0	25,966.6	17,974.3	11,915.7	18,551.0
Revenue																
2022A	6,558.0	13,212.9	16,014.3	7,854.0	4,105.0	3,098.9	14,224.7	10,990.0	3,702.0	14,902.0	25,318.5	13,603.1	16,924.1	2,694.8	7,302.5	5,426.3
2023E	6,943.8	13,901.9	18,220.6	8,723.5	4,718.8	3,706.1	15,149.7	12,068.6	4,160.8	15,301.9	26,886.5	14,095.0	18,590.2	2,885.7	7,459.0	5,847.5
2024E	7,287.7	14,744.2	19,313.5	9,257.5	5,035.8	4,050.2	15,868.2	12,742.8	4,420.0	15,955.3	28,172.5	14,700.8	20,175.1	3,086.4	7,695.9	6,225.6
CAGR	*22.8%*	*3.2%*	*17.6%*	*9.2%*	*18.5%*	*8.5%*	*7.6%*	*9.1%*	*11.0%*	*3.7%*	*5.9%*	*0.9%*	*16.7%*	*8.7%*	*8.0%*	*6.3%*
EV / Sales																
2022A	1.2x	1.0x	1.0x	6.1x	1.3x	1.1x	3.7x	0.7x	1.9x	1.2x	2.0x	2.9x	1.5x	6.7x	1.6x	3.4x
2023E	1.1x	0.9x	0.9x	5.5x	1.1x	0.9x	3.5x	0.6x	1.7x	1.1x	1.8x	2.8x	1.4x	6.2x	1.6x	3.2x
2024E	1.1x	0.9x	0.9x	5.2x	1.0x	0.8x	3.3x	0.6x	1.6x	1.1x	1.8x	2.7x	1.3x	5.8x	1.5x	3.0x
Average		2.1x														
EBITDA																
2022A	673.0	897.7	1,252.2	2,019.3	325.0	251.3	2,730.5	652.0	348.0	1,361.2	3,733.8	2,321.3	1,667.3	577.9	843.5	905.8
2023E	753.3	960.8	1,543.3	2,193.0	398.7	336.3	2,986.4	737.3	397.8	1,463.5	4,148.9	2,419.9	1,856.3	654.7	827.3	1,021.9
2024E	869.4	1,085.4	1,771.7	2,363.4	438.3	419.1	3,269.1	829.0	431.5	1,624.3	4,529.6	2,591.5	2,040.0	725.7	854.1	1,137.9
Margin	*11.9%*	*7.4%*	*9.2%*	*25.5%*	*8.7%*	*10.3%*	*20.6%*	*6.5%*	*9.8%*	*10.2%*	*16.1%*	*17.6%*	*10.1%*	*23.5%*	*11.1%*	*18.3%*
EV / EBITDA																
2022A	11.7x	14.1x	13.2x	23.6x	15.9x	13.5x	19.2x	11.5x	20.4x	12.8x	13.3x	17.1x	15.6x	31.1x	14.1x	20.5x
2023E	10.4x	13.2x	10.7x	21.8x	13.0x	10.1x	17.6x	10.2x	17.8x	11.9x	12.0x	16.4x	14.0x	27.5x	14.4x	18.2x
2024E	9.0x	11.7x	9.4x	20.2x	11.8x	8.1x	16.1x	9.0x	16.4x	10.7x	11.0x	15.3x	12.7x	24.8x	14.0x	16.3x
Average		**13.8x**														
EPS																
2022A	$1.30	$3.44	$1.17	$11.39	$5.15	$1.43	$4.46	$7.77	$4.22	$6.93	$3.00	$3.11	$6.34	$0.74	$13.99	$2.71
2023E	$1.49	$3.70	$1.82	$12.73	$6.38	$4.01	$4.95	$9.15	$4.67	$7.37	$3.51	$3.45	$7.02	$0.83	$13.65	$3.19
2024E	$1.75	$4.45	$2.41	$14.15	$7.28	$5.35	$5.72	$10.51	$5.21	$8.37	$4.00	$3.81	$7.96	$0.93	$14.13	$3.61
P/E																
2022A	16.0x	24.0x	28.6x	38.8x	27.0x	66.7x	35.0x	20.8x	32.4x	16.5x	19.5x	26.3x	24.8x	49.6x	21.5x	36.0x
2023E	14.0x	22.3x	18.4x	34.7x	21.8x	23.7x	31.6x	17.7x	29.3x	15.5x	16.7x	23.7x	22.4x	44.0x	22.0x	30.6x
2024E	11.9x	18.5x	13.9x	31.2x	19.1x	17.8x	27.3x	15.4x	26.2x	13.6x	14.6x	21.5x	19.8x	39.4x	21.2x	27.0x
Average		21.8x														
Leverage ratio (2022)	3.2x	1.3x	6.3x	1.4x	0.6x	2.4x	2.9x	-0.3x	2.4x	2.2x	2.5x	2.5x	2.0x	-0.1x	0.3x	1.0x
Average																
FCF Yield	10.0%	4.3%	2.1%	2.8%	5.1%	-	2.4%	5.8%	-	2.2%	1.8%	4.2%	3.1%	2.4%	5.0%	2.2%
Average		*3.3%*														

Source: Company reports, Bloomberg and Institutional Research Group estimates.

VALUATION

Peers to APG could include a range of service-based/multi-industry businesses, including AECOM (MYSE: ACM), Aramark (NYSE: ARMK) Cintas Corporation (NASDAQ: CTAS), Comfort Systems USA (NYSE: FIX), Dycom Industries (NYSE: DY), EcoLab Inc. (NYSE: ECL), EMCOR Group (NYSE: EME), Jacobs Solutions (NYSE: J), Johnson Controls International (NYSE: JCI), Otis Worldwide Corp. (NYSE: OTIS), Quanta Services, Inc. (NYSE: PWR), Rollins Inc. (NYSE: ROL), Watsco Inc. (NYSE: WSO) and Xylem Inc. (NYSE: XYL), which trade, on average, at nearly 14x 2024E EV/EBITDA (in a range of ~8x-24.5x; see Exhibit 14). In terms of relevant M&A in the sector, we estimate the average purchase multiple has been around ~16x in recent years (see Exhibit 15).

Exhibit 15 APi Group Corp.: Sector M&A Activity, Selected Items

Completed	Acquirer	Target	EV/EBITDA multiple
Jan-22	APi Group	Chubb Fire & Security	14.6x
Jan-22	Summit Companies	Fire & Life Safety America	~13x
Dec-21	Pye-Barker Fire & Safety	Mountain Alarm Fire & Security	~14x
Nov-21	Carlyle Group	Sciens Building Solutions	~19x
Oct-21	Blackrock	Summit Companies	~17x
Jul-21	Levine Leichtman Capital	Encore Fire Protection	~17x
Jun-21	Atlas Partners	Pye-Barker Fire & Safety	~23x
Mar-21	TruArc Partners	A1 Fire	~14x
Mar-21	HGGC	Marmic Fire & Safety	~15x
Nov-19	Leonard Green & Partners	Pye-Barker Fire & Safety	~17x
Dec-18	ADT Inc.	Red Hawk Fire & Safety	~11x
Avg.			**15.9x**

Source: Company reports, Bloomberg, Chain Bridge Research and Institutional Research Group estimates.

Safety Services

Applying a 12.5x multiple to 2024E EBITDA yields a segment value of about $9.56 billion, or roughly $34 per share (see Exhibit 16).

Exhibit 16 APi Group Corp.: Estimated Value of Safety Services Segment Based on 2024E EBITDA
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

		Safety Services	
2022A Revenue		$4,575	
Revenue growth est.		7.5%	
2023E Revenue		$4,917	
Revenue growth est.		5.9%	
2024E Revenue		**$5,206**	
EBITDA margin		13.6%	
2024E EBITDA		**$765**	
Applied multiple	10.5x	**12.5x**	14.5x
Enterprise value	$8,032.5	**$9,562.5**	$11,092.5
Diluted shares	278.5	278.5	278.5
Per share basis	$28.84	**$34.34**	$39.83

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Specialty Services

Applying a low-end peer multiple of 9.0x to F2024E EBITDA yields a segment value of roughly $2.0 billion, or about $7 per share (see Exhibit 17).

Exhibit 17 APi Group Corp.: Estimated Value of Specialty Services Segment Based on 2024E EBITDA
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

		Specialty Services	
2022A Revenue		$2,030	
Revenue growth est.		2.2%	
2023E Revenue		$2,075	
Revenue growth est.		2.7%	
2024E Revenue		**$2,130**	
EBITDA margin		10.5%	
2024E EBITDA		**$225**	
Applied multiple	7.0x	**9.0x**	11.0x
Enterprise value	$1,571.6	**$2,020.7**	$2,469.7
Diluted shares	278.5	278.5	278.5
Per share basis	$5.64	**$7.26**	$8.87

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Sum-of-the-Parts Valuation

Accounting for corporate costs capitalized at the corporate average, as well as projected net debt, yields a total sum-of-the-parts value of ~$8.4 billion, or ~$30 per share (with bull and bear cases of ~$36.50 and ~$23.50 per share, respectively; see Exhibit 18).

Exhibit 18 APi Group Corp.: Sum-of-the-Parts Valuation
($ in millions, except per share amounts; shares in millions; December-ending calendar years)

	Safety Services	Specialty Services	Corporate & Other	Enterprise Value	Net Debt	Market Cap
2023E Revenue	**$4,917**	**$2,075**				
Revenue growth est.	5.9%	2.7%				
2024E Revenue	**$5,206**	**$2,130**				
EBITDA margin	13.6%	10.5%				
2024E EBITDA	**$765**	**$225**	**($159)**		**($1,334.5)**	
Applied multiple	**12.5x**	**9.0x**	**11.7x**		**1.0x**	
Enterprise value	**$9,562**	**$2,021**	**($1,863)**	**$9,720**	**($1,334)**	**$8,386**
Diluted shares	278.5	278.5	278.5		278.5	278.5
Per share basis	**$34.34**	**$7.26**	**($6.69)**		**($4.79)**	**$30.11**
Bull	$39.83	$8.87	($7.26)		($4.79)	$36.65
Base	$34.34	$7.26	($6.69)		($4.79)	$30.11
Bear	$28.84	$5.64	($6.12)		($4.79)	$23.58

Source: Company reports, Bloomberg and Institutional Research Group estimates.

Summary & Conclusion

APG operates an asset-light, variable cost, recession resistant/statutorily mandated business that we estimate possesses mid-to-high single digit underlying organic growth prospects along with numerous tuck-in M&A opportunities in a fragmented market as well as a clear path to ~300 basis points of incremental margin improvement over the next 2-3 years (primarily from growth in higher margin/recurring service businesses as well as from synergy opportunities at the recently acquired Chubb Fire & Safety business). Moreover, with shares trading at ~9x 2024E EV/EBITDA and a free cash flow yield of ~10% APG trades at a significant discount to publicly traded peers, which trade at EV/EBITDA multiples of nearly 14x and FCF yields of ~3.5%, as well as relevant private market transaction valuations, which have averaged ~16x EV/EBITDA in recent years. In addition to the fundamental upside we see for shares as management executes on its growth/margin improvement initiatives, we also see the potential for APi to separate/monetize its Specialty Services segment, via spin-off or sale. In our estimation, such a transaction would unlock value and/or provide APG with incremental capital to either rapidly de-lever, pursue accretive tuck-in M&A and/or be returned to shareholders via share repurchases (while also increasing investor/management focus on the higher margin/faster growing Safety Services business). On the latter point, recent commentary suggests management is "constantly evaluating" its options to unlock value for shareholders.

Based on management guidance and commentary as well as peer and M&A valuations, APG's Safety Services and Specialty Services businesses could be valued at ~$34 per share, and $7 per share, respectively. Accounting for corporate costs and projected net debt of ~$11 per share yields a base case sum-of-the-parts fair value of $30 per share (with bull and bear cases of ~$36.50 and ~$23.50 per share, respectively).

Potential catalysts include the separation/monetization of assets, accretive M&A, share repurchases, leverage reductions and/or better than expected growth and margins. Risks include management execution, competition, commodity & currency fluctuations, regulation, geopolitical disruptions and/or a recession.