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Close coverage of APG, as of today's close, with shares trading roughly in-line with our fair value estimate

- For context, since our initial recommendation in March 2023 APG shares have appreciated ~84.9% (versus a ~38.8% increase in the S&P 500 Index and a ~16.8% rise in the Russell 2000).
- That said, with shares trading roughly in-line with our \$40 fair value estimate, which reflected a blended multiple of ~12.5x on F2025E adjusted EBITDA of ~\$1.01 billion along with projected net debt of ~\$1.4 billion and a diluted share count of ~281.5 million (see Exhibit 2 on page 2), we prefer to maintain a disciplined approach and focus our resources on more currently compelling situations; as such, we will close coverage of APG, as of today's close.
- As always, we will continue to monitor the shares for an opportunity to re-recommend if valuation shifts or more tangible steps toward potential strategic alternatives materialize.

UPDATE

APi Group Corporation NYSE: APG

Publication Date:
June 28, 2024

Price: \$38.47/share

Market capitalization: ~\$10.6B

Safety Services: \$41/share

Specialty Services: \$9/share

Corporate, Net Debt & Other: (\$10.50)/share

SOTP: \$40 per share*

*SOTP may not add due to rounding

(See the report dated 3/31/2023 and updates from 5/4/2023, 7/11/2023, 10/6/2023, 2/28/2024 and 4/15/2024, 4/17/2024 for more info.)

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.



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Exhibit #1 APi Group: Initial 4Q 2024 Guidance and Full-Year 2024E Financial Guidance Progression

(\$ in millions, except per share figures)

	<u>1Q 2024E</u>	<u>1Q 2024E</u>	<u>2024E</u>
	<u>Initial</u>	<u>Current</u>	<u>Initial</u>
Net Sales	\$1.560 - \$1.61 billion	1.590 - \$1.610 billion	\$7.050 - \$7.25 billion
% Y-o-Y growth	(3)% - 0%	-	2% - 5%
% Y-o-Y organic growth, ex-currency	(4%) - (1%)	-	2% - 5%
Adjusted EBITDA	\$165 - \$185 million	\$172 - \$177 million	\$855 - \$905 million
% Y-o-Y growth	13% - 23%	-	6% - 16%
% Y-o-Y organic growth, ex-currency	9% - 20%	-	9% - 15%
Adj. free cash flow (FCF) conversion	-	-	~70%
Restructuring costs	-	-	\$55 - \$65 million
Interest expense	-	-	~\$150 million
Depreciation	-	-	~\$85 million
Capital expenditures	-	-	~\$95 million
Adj. tax rate	-	-	~24%
Adj. diluted share count	-	-	~273 million

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

Exhibit #2 APi Group: Sum-of-the-Parts Fair Value Estimate

(\$ in millions, except per share figures)

	<u>Safety Services</u>	<u>Specialty Services</u>	<u>Corporate & Other</u>	<u>Enterprise Value</u>	<u>Net Debt</u>	<u>Market Cap</u>
2024E Revenue	\$5,406	\$2,182				
Revenue growth est.	5.4%	2.5%				
2025E Revenue	\$5,697	\$2,236				
EBITDA margin	<u>14.7%</u>	<u>10.9%</u>				
2025E EBITDA	\$895	\$244	(\$124)		(\$1,411.2)	
Applied multiple	<u>13.0x</u>	<u>10.0x</u>	<u>12.4x</u>		1.0x	
Enterprise value	\$11,633	\$2,438	(\$1,537)	\$12,534	(\$1,411)	\$11,123
Diluted shares	<u>281.5</u>	<u>281.5</u>	<u>281.5</u>		<u>281.5</u>	<u>281.5</u>
Per share basis	\$41.33	\$8.66	(\$5.46)		(\$5.01)	\$39.52
Bull	\$47.68	\$10.39	(\$5.90)		(\$5.01)	\$47.16
Base	\$41.33	\$8.66	(\$5.46)		(\$5.01)	\$39.52
Bear	\$34.97	\$6.93	(\$5.02)		(\$5.01)	\$31.87

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