

REFINITIV

DELTA REPORT

10-Q

API GROUP CORP

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1018
CHANGES	245
DELETIONS	250
ADDITIONS	523

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-39275

APi Group Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

98-1510303

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1100 Old Highway 8 NW
New Brighton, Minnesota

55112

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (651) 636-4320

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	APG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **274,286,981** **274,695,582** shares of common stock as of **April 25, 2024** **July 25, 2024**.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APi Group Corporation

Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable, net of allowances of \$5 and \$5 at March 31, 2024 and December 31, 2023, respectively		
Accounts receivable, net of allowances of \$6 and \$5 at June 30, 2024 and December 31, 2023, respectively		
Inventories		
Contract assets		
Prepaid expenses and other current assets		
Total current assets		
Property and equipment, net		
Property and equipment, net		
Property and equipment, net		
Operating lease right of use assets		
Goodwill		
Intangible assets, net		
Deferred tax assets		
Pension and post-retirement assets		
Other assets		

Total assets
Liabilities, Redeemable Convertible Preferred Stock, and Shareholders' Equity
Liabilities, Redeemable Convertible Preferred Stock, and Shareholders' Equity
Liabilities, Redeemable Convertible Preferred Stock, and Shareholders' Equity
Current liabilities:
Current liabilities:
Current liabilities:
Short-term and current portion of long-term debt
Short-term and current portion of long-term debt
Short-term and current portion of long-term debt
Accounts payable
Contingent consideration and compensation liabilities
Accrued salaries and wages
Contract liabilities
Operating and finance leases
Other accrued liabilities
Total current liabilities
Long-term debt, less current portion
Long-term debt, less current portion
Long-term debt, less current portion
Pension and post-retirement obligations
Contingent consideration and compensation liabilities
Operating and finance leases
Deferred tax liabilities
Other noncurrent liabilities
Total liabilities
Commitments and contingencies (Note 14)
Commitments and contingencies (Note 14)
Commitments and contingencies (Note 14)
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 800,000 authorized shares, 0 and 800,000 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 800,000 authorized shares, 0 and 800,000 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 800,000 authorized shares, 0 and 800,000 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 0 and 800,000 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 0 and 800,000 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively
5.5% Series B Redeemable Convertible Preferred Stock, \$0.0001 par value, 0 and 800,000 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively
Shareholders' equity:
Shareholders' equity:
Shareholders' equity:
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at March 31, 2024 and December 31, 2023
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at March 31, 2024 and December 31, 2023
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at March 31, 2024 and December 31, 2023
Common stock; \$0.0001 par value, 500,000,000 authorized shares, 261,636,951 shares and 235,575,316 shares issued at March 31, 2024 and December 31, 2023, respectively (excluding 8,281,148 shares declared for stock dividend at December 31, 2023)
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at June 30, 2024 and December 31, 2023
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at June 30, 2024 and December 31, 2023
Series A Preferred Stock, \$0.0001 par value; 7,000,000 authorized shares; 4,000,000 shares issued and outstanding at June 30, 2024 and December 31, 2023
Common stock; \$0.0001 par value, 500,000,000 authorized shares, 274,319,653 shares and 235,575,316 shares issued at June 30, 2024 and December 31, 2023, respectively (excluding 8,281,148 shares declared for stock dividend at December 31, 2023)
Additional paid-in capital
Retained earnings (accumulated deficit)
Accumulated other comprehensive loss
Total shareholders' equity
Total liabilities, redeemable convertible preferred stock, and shareholders' equity

See notes to condensed consolidated financial statements.

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APi Group Corporation
Condensed Consolidated Statements of Operations (Unaudited)
(In millions, except per share amounts)

	Three Months Ended March 31,				Six Months Ended June 30,			
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net revenues								
Cost of revenues								
Gross profit								
Selling, general, and administrative expenses								
Operating income								
Interest expense, net								
Loss on extinguishment of debt, net								
Investment expense (income) and other, net								
Other expense, net								
Income before income taxes								
Income tax provision								
Net income								
Net (loss) income attributable to common shareholders:								
Net income (loss) attributable to common shareholders:								
Stock dividend on Series B Preferred Stock								
Stock dividend on Series B Preferred Stock								
Stock dividend on Series B Preferred Stock								
Conversion of Series B Preferred Stock								
Net (loss) income attributable to common shareholders								
Net (loss) income per common share:								
Net income (loss) attributable to common shareholders								
Net income (loss) per common share:								
Basic								
Basic								
Basic								
Diluted								
Weighted average shares outstanding:								
Basic								
Basic								
Basic		250	234	272	235	261	235	
Diluted	Diluted	250	267	Diluted 276	270	261	268	

See notes to condensed consolidated financial statements.

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APi Group Corporation
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended March 31,		Six Months Ended June 30,	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2024	2023	2024	2023

	2024	2024	2023	2024	2023	2024	2023
Net income							
Other comprehensive income:							
Fair value change - derivatives, net of tax (expense) benefit of \$(5), and \$3, respectively							
Fair value change - derivatives, net of tax (expense) benefit of \$(5), and \$3, respectively							
Fair value change - derivatives, net of tax (expense) benefit of \$(5), and \$3, respectively							
Fair value change - derivatives, net of tax expense of \$(1), \$(5), \$(6), and \$(2), respectively							
Fair value change - derivatives, net of tax expense of \$(1), \$(5), \$(6), and \$(2), respectively							
Fair value change - derivatives, net of tax expense of \$(1), \$(5), \$(6), and \$(2), respectively							
Foreign currency translation adjustment							
Comprehensive income							

See notes to condensed consolidated financial statements.

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APi Group Corporation
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(In millions, except share amounts)

	Preferred Stock Issued and Outstanding Shares	Preferred Stock Issued and Outstanding	Common Stock Issued and Outstanding	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Preferred Stock Issued and Outstanding	Common Stock Issued and Outstanding	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2023													
Balance, December 31, 2023													
Balance, December 31, 2023													
Net income													
Fair value change - derivatives													
Foreign currency translation adjustment													
Gain on dedesignated derivatives amortized from AOCI into income													
Series A Preferred Stock dividend													
Series B Preferred Stock dividend													
Conversion of Series B Preferred Stock, net													
Profit sharing plan contributions													
Share-based compensation and other, net													
Balance, March 31, 2024													
Net income													
Fair value change - derivatives													
Foreign currency translation adjustment													
Gain on dedesignated derivatives amortized from AOCI into income													
Issuance of common shares													

Share-based compensation and other, net
Balance, June 30, 2024

	Preferred Stock Issued and Outstanding Shares	Preferred Stock Issued and Outstanding	Common Stock Issued and Outstanding	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Preferred Stock Issued and Outstanding	Common Stock Issued and Outstanding	Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2022													
Balance, December 31, 2022													
Balance, December 31, 2022													
Net income													
Fair value change - derivatives													
Foreign currency translation adjustment													
Gain on dedesignated derivatives amortized from AOCI into income													
Series B Preferred Stock dividend													
Share repurchases													
Profit sharing plan contributions													
Share-based compensation and other, net													
Balance, March 31, 2023													
Net income													
Fair value change - derivatives													
Foreign currency translation adjustment													
Gain on dedesignated derivatives amortized from AOCI into income													
Series B Preferred Stock dividend													
Share repurchases													
Share-based compensation and other, net													
Balance, June 30, 2023													

See notes to condensed consolidated financial statements.

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APi Group Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Three Months Ended March 31,			Six Months Ended June 30,		
	2024	2024	2023	2024	2024	2023
Cash flows from operating activities:						
Net income						
Net income						
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation						
Depreciation						
Depreciation						

Amortization
Restructuring charges, net of cash paid
Deferred taxes
Share-based compensation expense
Profit-sharing expense
Non-cash lease expense
Net periodic pension cost (benefit)
Net periodic pension expense (benefit)
Loss on extinguishment of debt, net
Other, net
Changes in operating assets and liabilities, net of effects of acquisitions:
Accounts receivable
Accounts receivable
Accounts receivable
Contract assets
Inventories
Prepaid expenses and other current assets
Accounts payable
Accrued liabilities and income taxes payable
Contract liabilities
Other assets and liabilities
Net cash provided by (used in) operating activities
Net cash provided by operating activities
Cash flows from investing activities:
Acquisitions, net of cash acquired
Acquisitions, net of cash acquired
Acquisitions, net of cash acquired
Purchases of property and equipment
Proceeds from sales of property and equipment
Net cash used in investing activities
Cash flows from financing activities:
Net short-term debt
Net short-term debt
Net short-term debt
Proceeds from long-term borrowings
Proceeds from long-term borrowings
Proceeds from long-term borrowings
Payments on long-term borrowings
Repurchases of common stock
Proceeds from issuance of common shares
Conversion of Series B Preferred Stock
Payments of acquisition-related consideration
Restricted shares tendered for taxes
Net cash used in financing activities
Other financing activities
Net cash provided by (used in) financing activities
Effect of foreign currency exchange rate change on cash, cash equivalents, and restricted cash
Net decrease in cash, cash equivalents, and restricted cash
Cash, cash equivalents, and restricted cash, beginning of period
Cash, cash equivalents, and restricted cash, end of period
Supplemental cash flow disclosures:

Cash paid for interest, net of interest income

Cash paid for interest, net of interest income

Cash paid for interest, net of interest income

Cash paid for income taxes, net of refunds

Accrued consideration issued in business combinations

Shares of common stock issued to profit sharing plan

Shares of common stock issued for conversion of Series B Preferred Stock

See notes to condensed consolidated financial statements.

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APi Group Corporation
Notes to Condensed Consolidated Financial Statements (Unaudited)
(Amounts in millions, except shares and where noted otherwise)

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business

APi Group Corporation (the "Company" or "APG") is a global, market-leading business services provider of life safety, security and specialty services with a substantial recurring revenue base and over 500 locations worldwide.

Principles of consolidation

The accompanying interim unaudited condensed consolidated financial statements (the "Interim Statements") include the accounts of the Company and of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. These Interim Statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for complete financial statements. The condensed consolidated balance sheets as of December 31, 2023, were derived from audited financial statements for the year then ended but do not include all of the information and footnotes required by U.S. GAAP with respect to annual financial statements. In the opinion of management, the Interim Statements include all adjustments (including normal recurring accruals) necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the dates and periods presented. It is recommended that these Interim Statements be read in conjunction with the Company's audited annual consolidated financial statements and accompanying footnotes thereto for the year ended December 31, 2023. Results for interim periods are not necessarily indicative of the results to be expected for a full fiscal year or for any future period.

Cash, cash equivalents, and restricted cash

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Restricted cash is reported as other current assets in the condensed consolidated balance sheets. Restricted cash reflects collateral against certain bank guarantees.

Investments

The Company holds investments in joint ventures, the majority of which are accounted for under the equity method of accounting as the Company does not exercise control over the joint ventures. The Company exercises control over one joint venture that is consolidated into the Company's financial statements and the results for that joint venture for the three and six months ended March 31, 2024 June 30, 2024 were immaterial. The Company's share of earnings from the non-consolidated joint ventures was \$2 and \$2 during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and \$4 and \$4 during the six months ended June 30, 2024 and 2023, respectively. The earnings are recorded within investment expense (income) and other, net in the condensed consolidated statements of operations. The investment balances were \$5 \$6 and \$4 as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and are recorded within other assets in the condensed consolidated balance sheets.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

See the discussion below for information pertaining to the effects of recent accounting pronouncements as updated from the discussion in the Company's 2023 audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed on February 28, 2024.

In March 2024, the SEC adopted final rules on the enhancement and standardization of climate-related disclosures, which requires disclosure of material climate-related risks, material Scope 1 and Scope 2 greenhouse gas emissions, and other matters. As it pertains to the financial statements, subject to certain materiality thresholds, the final rules require the financial statement footnotes to include certain disclosures regarding the amounts of expenses (or capitalized costs) incurred that relate to severe weather events and other natural conditions, as well as other disclosures regarding the material impact on financial estimates and assumptions of severe weather events and other natural conditions or disclosed targets or transition plans, and

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amounts related to carbon offsets and renewable energy credits. The disclosures will be required at the earliest in the annual financial statements for the year ended December 31, 2025, subject to legal challenges and the SEC's voluntary stay of the disclosure requirements. The company is currently evaluating Company will continue to assess the impact of this the new rule on its consolidated financial statements. statements while the stay is in place.

NOTE 3. BUSINESS COMBINATIONS

The Company regularly evaluates potential acquisitions that strategically fit with the Company's existing portfolio or expand the Company's portfolio into a new and attractive business area. Acquisitions are accounted for as business combinations using the acquisition method of accounting. As such, the Company makes a preliminary allocation of the purchase price to the tangible assets and identifiable intangible assets acquired, and liabilities assumed. In the months after closing, as the Company obtains additional information about the acquired assets and liabilities and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Purchase price is allocated to acquired assets and liabilities assumed based upon their estimated fair values, with limited exceptions as permitted pursuant to U.S. GAAP, as determined based on estimates and assumptions deemed reasonable by the Company. The Company engages third-party valuation specialists to assist with preparation of critical assumptions and calculations of the fair value of acquired tangible and intangible assets in connection with significant acquisitions. The excess of the purchase price over the tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Goodwill is attributable to the workforce of the acquired businesses, the complementary strategic fit and resulting synergies these businesses bring to existing operations, and the opportunities in new markets expected to be achieved from the expanded platform.

2024 Acquisitions

During the three months ended March 31, 2024 On June 3, 2024, the Company completed its acquisition of 100% of the equity interests of Elevated Facility Services Group ("Elevated"). Elevated is a premier provider of contractually based services for all major brands of elevator and escalator equipment. Elevated is headquartered in Florida and serves customers in over 18 states. The results of the Elevated business are reported within the Company's Safety Services segment.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of the Elevated acquisition:

Cash paid at closing	\$	564
Cash deposited into escrow		6
Total consideration	\$	570
Cash	\$	6
Accounts receivable		27
Contract assets		29
Other current assets		3
Property and equipment		4
Operating lease right of use assets		2
Intangible assets		257
Goodwill		361
Accounts payable		(9)
Contract liabilities		(16)
Other accrued liabilities		(19)
Current and noncurrent operating and finance lease liabilities		(3)
Deferred tax liabilities		(65)
Other noncurrent liabilities		(7)
Net assets acquired	\$	570

The Company has not finalized its accounting for any areas of purchase price allocation related to the Elevated acquisition. The Company anticipates that it will finalize its accounting for the Elevated acquisition during the second quarter of 2025.

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The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required. Based on preliminary estimates, the total amount of goodwill from the Elevated acquisition expected to be deductible for tax purposes is \$19.

During the three and six months ended June 30, 2024, the Company incurred transaction costs of \$7, which were expensed and included as a component of selling, general, and administrative expenses in the condensed consolidated statements of operations.

The results of operations for Elevated are included in the consolidated financial statements of the Company from the date of acquisition.

In addition to the Elevated acquisition, during the six months ended June 30, 2024, the Company completed six individually immaterial acquisitions for aggregate consideration transferred of \$28, \$49, made up of cash paid at closing of \$23 \$41 and accrued consideration of \$5, \$8. The results of operations of these acquisitions are included in the Company's condensed consolidated statements of operations from their respective dates of acquisition and were not material.

	Other 2024 acquisitions	
Cash paid at closing	\$	41
Accrued consideration		8
Total consideration	\$	49
Accounts receivable	\$	2
Property and equipment		3
Intangible assets		20
Goodwill		25
Contract liabilities		(1)
Net assets acquired	\$	49

2023 Acquisitions

During 2023, the Company completed an acquisition included within the Safety Services segment ("Acquisition A23"). The results of the A23 business are reported within the Company's Safety Services segment. Consideration for Acquisition A23 included cash paid at closing of \$30, cash deposited into escrow for future deferred payments of \$5, and accrued consideration of \$3.

During 2023, the Company completed an acquisition included within the Safety Services segment ("Acquisition B23"). The results of the B23 business are reported within the Company's Safety Services segment. Consideration for Acquisition B23 included cash paid at closing of \$27 and accrued consideration of \$5.

During 2023, the Company completed five individually immaterial acquisitions for aggregate consideration transferred of \$24, made up of cash paid at closing of \$22 and accrued consideration of \$2.

The results of operations of these acquisitions are included in the Company's condensed consolidated **statement statements** of operations from their respective dates of acquisition and were not material.

The Company has not finalized its accounting for **Acquisition B23 and four of the individually immaterial acquisitions completed during 2023** and will make appropriate adjustments to the purchase price allocation prior to completion of the measurement periods, as required. Based on preliminary estimates, the total amount of goodwill from acquisitions expected to be deductible for tax purposes is \$47. See Note 6 - "Goodwill and Intangibles" for the provisional goodwill assigned to each segment.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the dates of acquisition:

	Acquisition A23		Acquisition B23		Other 2023 acquisitions	
Cash paid at closing	\$	30	\$	27	\$	22
Cash deposited into escrow		5		—		—
Accrued consideration		3		5		2
Total net consideration	\$	38	\$	32	\$	24
Cash and cash equivalents		—		1		—
Accounts receivable		6		7		—
Contract assets		1		2		—
Other current assets		—		—		1
Intangible assets		13		11		9
Goodwill		21		15		16
Other accrued liabilities		—		(2)		—
Contract liabilities		(3)		(2)		(2)
Net assets acquired	\$	38	\$	32	\$	24

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	Acquisition A23		Acquisition B23		Other 2023 acquisitions	
Cash paid at closing	\$	30	\$	27	\$	22
Cash deposited into escrow		5		—		—
Accrued consideration		3		5		2

Total consideration	\$	38	\$	32	\$	24
Cash and cash equivalents	\$	—	\$	1	\$	—
Accounts receivable		6		7		—
Contract assets		1		2		—
Other current assets		—		—		1
Intangible assets		13		12		11
Goodwill		21		16		14
Other accrued liabilities		—		(2)		—
Contract liabilities		(3)		(4)		(2)
Net assets acquired	\$	38	\$	32	\$	24

For the three months ended June 30, 2024, net revenues and operating income from the Company's material acquisitions that closed over the previous twelve months was \$31 and \$1, respectively. For the six months ended June 30, 2024, net revenues and operating income from the Company's material acquisitions that closed over the previous twelve months was \$46 and \$4, respectively.

Accrued consideration

The Company's acquisition purchase agreements typically include deferred payment provisions, often to sellers who become employees of the Company or its subsidiaries. The provisions are made up of three general types of arrangements, contingent compensation, and contingent consideration (both of which are contingent on the future performance of the acquired entity) and deferred payments related to indemnities. Contingent compensation arrangements are typically contingent on the former owner's future employment with the Company, and the related amounts are recognized over the required employment period, which is typically one1 to four 4 years. Contingent consideration arrangements are not contingent on employment and are included as part of purchase consideration at the time of the initial acquisition and are paid over a one1 to four year 4 years period. The liability for deferred payments is recognized at the date of acquisition based on the Company's best estimate and is typically payable over a one1 to three year 4 years period. Deferred payments are not contingent on any future performance or employment obligations and can be offset for working capital true-ups, and representations and warranty items.

The total contingent compensation arrangement liability was \$11 \$7 and \$9 as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The maximum payout of these arrangements upon completion of the future performance periods was \$15 \$9 and \$15, inclusive of the \$11 \$7 and \$9, accrued as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The contingent compensation liability is included in contingent consideration and compensation liabilities in the condensed consolidated balance sheets for all periods presented. The Company primarily determines the contingent compensation liability based on forecasted cumulative earnings compared to the cumulative earnings target set forth in the arrangement. Compensation expense associated with these arrangements is recognized ratably over the required employment period.

The contingent consideration obligations are measured at fair value each reporting period and changes in estimates of fair value are recognized in earnings. For additional considerations regarding the fair value of the Company's contingent consideration liabilities, see Note 7 - "Fair Value of Financial Instruments."

The total liability for deferred payments was \$21 \$29 and \$17 as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and is included in contingent consideration and compensation liabilities in the condensed consolidated balance sheets for all periods presented.

NOTE 4. RESTRUCTURING

During 2022, the Company announced its multi-year Chubb restructuring program designed to drive efficiencies and synergies and optimize operating margin. The Chubb restructuring program includes expenses related to workforce reductions, lease termination costs, and other facility rationalization costs through fiscal year 2025.

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During the three six months ended March 31, 2024 June 30, 2024, the Company incurred pre-tax restructuring costs within the Safety Services segment of \$1 \$5 in connection with the Chubb restructuring program. Since the Chubb Acquisition, acquisition, the Company has incurred aggregate restructuring costs of \$68. \$73. As of March 31, 2024 June 30, 2024, the Company had \$24 \$22 in restructuring liabilities recorded in other accrued liabilities on the condensed consolidated balance sheets for this plan. In addition, the Company has incurred \$4 \$8 of related costs which include lease impairment charges, asset write-downs, and consulting fees.

In total, the Company estimates that it will recognize approximately \$125 of restructuring and other costs related to the Chubb restructuring program by the end of fiscal year 2025.

For the restructuring program, employee-related costs consist of termination benefits provided to employees who have been involuntarily terminated and voluntary early retirement benefits. Program related costs include costs incurred as a direct result of the restructuring program such as consulting fees and facility relocation costs.

The following table summarizes the Company's restructuring program liabilities for the six months ended June 30, 2024 and 2023:

December 31, 2023	\$	32
Charges		5
Payments		(14)
Currency translation adjustment		(1)
June 30, 2024	\$	22

In addition to the costs noted above, the Company incurred asset write-down costs of \$1 for the three and six months ended March 31, 2024 June 30, 2024. The Company also incurred program related costs of \$3 and 2023: \$7 for the three and six months ended June 30, 2024, respectively.

December 31, 2022	\$	22
Charges		4
Payments		(11)
Currency translation adjustment		—
June 30, 2023	\$	15

	Employee termination			Total
	benefits	Program related costs	Asset write-downs	
December 31, 2023	\$ 32	\$ —	\$ 6	\$ 38
Charges	1	4	—	5
Payments	(8)	(4)	—	(12)
Currency translation adjustment	(1)	—	—	(1)
March 31, 2024	\$ 24	\$ —	\$ 6	\$ 30

	Employee termination			Total
	benefits	Program related costs	Asset write-downs	
December 31, 2022	\$ 22	\$ —	\$ —	\$ 22
Charges	—	—	—	—
Payments	(5)	—	—	(5)
March 31, 2023	\$ 17	\$ —	\$ —	\$ 17

Additionally, during the six months ended June 30, 2023, the Company incurred \$3 of asset write-down costs related to the abandonment of leases.

NOTE 5. NET REVENUES

Contracts with customers

The Company derives net revenues primarily from contracts with a duration of less than one week to three years (with the majority of contracts with durations of less than six months), which are subject to multiple pricing options, including fixed price, unit price, time and material, or cost plus a markup. Net revenues are primarily recognized by the Company over time utilizing the cost-to-cost measure of progress. Net revenues recognized at a point in time primarily relate to distribution contracts and short-term time and material contracts. The Company also enters into fixed-price service contracts related to monitoring, maintenance, and inspection of safety systems.

The Company disaggregates its net revenues primarily by segment, service type, and country from which revenues are invoiced, as the nature, timing, and uncertainty of cash flows are relatively consistent within each of these categories. The

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following tables provide disclosure of disaggregated net revenues by segment for the three and six months ended March 31, 2024 June 30, 2024, and 2023. Disaggregated net revenues information is as follows:

	Three Months Ended March 31, 2024			Consolidated	Three Months Ended June 30, 2024			Consolidated
	Safety Services	Safety Services	Specialty Services		Safety Services	Specialty Services	Consolidated	
Life Safety								

Heating, Ventilation, and Air Conditioning ("HVAC")

Infrastructure/Utility
Fabrication
Specialty Contracting
Corporate and Eliminations
Net revenues

	Three Months Ended March 31, 2023			Three Months Ended June 30, 2023			
	Safety Services	Safety Services	Specialty Services	Consolidated	Safety Services	Specialty Services	Consolidated

Life Safety
HVAC
Infrastructure/Utility
Fabrication
Specialty Contracting
Corporate and Eliminations
Net revenues

	Three Months Ended March 31, 2024			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 581	\$ 384	\$ (2)	\$ 963
France	162	—	—	162
Other	471	5	—	476
Net revenues	\$ 1,214	\$ 389	\$ (2)	\$ 1,601

	Six Months Ended June 30, 2024		
	Safety Services	Specialty Services	Consolidated
Life Safety	\$ 2,267	\$ —	\$ 2,267
HVAC	226	—	226
Infrastructure/Utility	—	451	451
Fabrication	—	97	97
Specialty Contracting	—	294	294
Corporate and Eliminations	—	—	(4)
Net revenues	\$ 2,493	\$ 842	\$ 3,331

	Three Months Ended March 31, 2023			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 560	\$ 417	\$ (7)	\$ 970
France	156	—	—	156
Other	475	13	—	488
Net revenues	\$ 1,191	\$ 430	\$ (7)	\$ 1,614

	Six Months Ended June 30, 2023		
	Safety Services	Specialty Services	Consolidated
Life Safety	\$ 2,166	\$ —	\$ 2,166
HVAC	250	—	250
Infrastructure/Utility	—	547	547

Fabrication	—	113	113
Specialty Contracting	—	325	325
Corporate and Eliminations	—	—	(16)
Net revenues	\$ 2,416	\$ 985	\$ 3,385

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	Three Months Ended June 30, 2024			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 623	\$ 453	\$ (2)	\$ 1,074
France	157	—	—	157
Other	499	—	—	499
Net revenues	\$ 1,279	\$ 453	\$ (2)	\$ 1,730

	Three Months Ended June 30, 2023			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 583	\$ 549	\$ (9)	\$ 1,123
France	150	—	—	150
Other	492	6	—	498
Net revenues	\$ 1,225	\$ 555	\$ (9)	\$ 1,771

	Six Months Ended June 30, 2024			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 1,204	\$ 837	\$ (4)	\$ 2,037
France	319	—	—	319
Other	970	5	—	975
Net revenues	\$ 2,493	\$ 842	\$ (4)	\$ 3,331

	Six Months Ended June 30, 2023			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
United States	\$ 1,143	\$ 966	\$ (16)	\$ 2,093
France	306	—	—	306
Other	967	19	—	986
Net revenues	\$ 2,416	\$ 985	\$ (16)	\$ 3,385

For in-process contracts, the aggregate amount of transaction price allocated to the unsatisfied performance obligations at **March 31, 2024** **June 30, 2024** was **\$2,894**, **\$3,019**. The Company expects to recognize revenue on approximately **86%** **87%** of the remaining performance obligations over the next twelve months.

Contract assets and liabilities

Contract assets and contract liabilities are classified as current in the condensed consolidated balance sheets as all amounts are expected to be relieved within one year. The balances of accounts receivable, net of allowances, contract assets, and contract liabilities from contracts with customers as of **March 31, 2024** **June 30, 2024** and December 31, 2023 are as follows:

	Accounts receivable, net of allowances	Accounts receivable, net of allowances	Contract assets	Contract liabilities	Accounts receivable, net of allowances	Contract assets	Contract liabilities
Balance at March 31, 2024							
Balance at June 30, 2024							
Balance at December 31, 2023							

The Company did not recognize significant revenues associated with the final settlement of contract value for any projects completed in prior periods. In accordance with industry practice, accounts receivable includes retentions receivable, a portion of which may not be received within one year. At **March 31, 2024** **June 30, 2024** and December 31, 2023, retentions receivable were **\$146** **\$145** and \$156, respectively, while the portions that may not be received within one year were **\$30** **\$33** and \$25, respectively.

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NOTE 6. GOODWILL AND INTANGIBLES

Goodwill

The following table provides disclosure of goodwill by segment as of **March 31, 2024** **June 30, 2024** and December 31, 2023. The changes in the carrying amount of goodwill by reportable segment for the **three** **six** months ended **March 31, 2024** **June 30, 2024** are as follows:

	Safety Services	Safety Services	Specialty Services	Total Goodwill	Safety Services	Specialty Services	Total Goodwill
Goodwill as of December 31, 2023							
Acquisitions							
Foreign currency translation and other, net ⁽¹⁾							
Goodwill as of March 31, 2024							
Goodwill as of June 30, 2024							

⁽¹⁾Other includes measurement period adjustments recorded during the **three** **six** months ended **March 31, 2024** **June 30, 2024** related to acquisitions for which the measurement period **ended** **was open** during the **three** **six** months ended **March 31, 2024** **June 30, 2024** (see Note 3 - "Business Combinations").

Intangibles

The Company's identifiable intangible assets are comprised of the following as of **March 31, 2024** **June 30, 2024** and December 31, 2023:

	March 31, 2024					June 30, 2024			
	Weighted Average Remaining Useful Lives (in Years)	Weighted Average Remaining Useful Lives (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Lives (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangibles:									
Contractual backlog									
Contractual backlog									
Contractual backlog									
Customer relationships									
Trade names and trademarks									
Total									

	December 31, 2023			
	Weighted Average Remaining Useful Lives (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangibles:				
Contractual backlog	0.5	\$ 155	\$ (154)	\$ 1
Customer relationships	9.4	1,552	(518)	1,034
Trade names and trademarks	12.1	722	(137)	585
Total		\$ 2,429	\$ (809)	\$ 1,620

	December 31, 2023			
	Weighted Average Remaining	Gross	Accumulated	Net Carrying
	Useful Lives (in Years)	Carrying Amount	Amortization	Amount
Amortized intangibles:				
Contractual backlog	0.5	\$ 155	\$ (154)	\$ 1
Customer relationships	9.4	1,552	(518)	1,034
Trade names and trademarks	12.1	722	(137)	585
Total		<u>\$ 2,429</u>	<u>\$ (809)</u>	<u>\$ 1,620</u>

Amortization expense recognized on identifiable intangible assets is as follows:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,		2024	2023
	2024	2023	2024	2023	2024	2023		
Cost of revenues								
Selling, general, and administrative expenses								
Total intangible asset amortization expense								

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NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance discusses valuation techniques such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1:** Observable inputs such as quoted prices for identical assets or liabilities in active markets.
- Level 2:** Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3:** Unobservable inputs that reflect the Company's own assumptions.

Recurring fair value measurements

The Company's financial assets and liabilities (adjusted to fair value at least quarterly) are derivative instruments and contingent consideration obligations. In the condensed consolidated balance sheets, derivative instruments are primarily included in other assets and other noncurrent liabilities, and contingent consideration obligations are primarily included in contingent consideration and compensation liabilities.

The following tables summarize the fair values and levels within the fair value hierarchy in which the measurements fall for assets and liabilities measured on a recurring basis as of **March 31, 2024**, **June 30, 2024** and December 31, 2023:

	Fair Value Measurements at March 31, 2024					Fair Value Measurements at June 30, 2024				
Financial assets:	Financial assets:	Level 1	Level 2	Level 3	Total	Financial assets:	Level 1	Level 2	Level 3	Total
Derivatives designated as hedge instruments										
Cash flow hedges - interest rate swaps										
Cash flow hedges - interest rate swaps										
Cash flow hedges - interest rate swaps										
Cash flow hedges - cross currency contracts										

Cash flow hedges - foreign currency forward contracts
Net investment hedges - cross currency contracts
Fair value hedges - cross currency contracts
Derivatives not designated as hedge instruments
Foreign currency forward contracts
Foreign currency forward contracts
Foreign currency forward contracts
Total

Financial liabilities:

Financial liabilities:

Financial liabilities:

Derivatives not designated as hedge instruments

Derivatives not designated as hedge instruments

Derivatives not designated as hedge instruments

Foreign currency forward contracts

Foreign currency forward contracts

Foreign currency forward contracts

Contingent consideration obligations

Total

	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives designated as hedge instruments				
Cash flow hedges - interest rate swaps	\$ —	\$ 7	\$ —	\$ 7
Cash flow hedges - cross currency contracts	—	10	—	10
Net investment hedges - cross currency contracts	—	20	—	20
Fair value hedges - cross currency contracts	—	17	—	17
Derivatives not designated as hedge instruments				
Foreign currency forward contracts	—	—	—	—
Total	\$ —	\$ 54	\$ —	\$ 54
Financial liabilities:				
Derivatives not designated as hedge instruments				
Foreign currency forward contracts	—	—	—	—
Contingent consideration obligations	—	—	(6)	(6)
Total	\$ —	\$ —	\$ (6)	\$ (6)

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	Fair Value Measurements at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives designated as hedge instruments				
Cash flow hedges - interest rate swaps	\$ —	\$ 7	\$ —	\$ 7
Cash flow hedges - cross currency contracts	—	10	—	10
Cash flow hedges - foreign currency forward contracts	—	—	—	—
Net investment hedges - cross currency contracts	—	20	—	20
Fair value hedges - cross currency contracts	—	17	—	17
Derivatives not designated as hedge instruments				
Foreign currency forward contracts	—	—	—	—
Total	\$ —	\$ 54	\$ —	\$ 54

Financial liabilities:				
Derivatives not designated as hedge instruments				
Foreign currency forward contracts	—	—	—	—
Contingent consideration obligations	—	—	(6)	(6)
Total	\$ —	\$ —	\$ (6)	\$ (6)

The Company determines the fair value of its derivative instruments designated as hedge instruments using standard pricing models and market-based assumptions for all inputs such as yield curves and quoted spot and forward exchange rates. Accordingly, the Company's derivative instruments are classified as Level 2.

Contingent consideration obligations

The value of the contingent consideration obligations is determined using a probability-weighted discounted cash flow method. This fair value measurement is based on unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. This analysis reflects the contractual terms of the purchase agreements (e.g., potential payment amounts, length of measurement periods, manner of calculating any amounts due) and utilizes assumptions with regard to future cash flows, probabilities of achieving such future cash flows, and a discount rate. Depending on the contractual terms of the purchase agreement, the probabilities of achieving future cash flows or earnings generally represent the only significant unobservable inputs. The contingent consideration obligations are measured at fair value each reporting period, and changes in estimates of fair value are recognized in earnings.

The table below presents a reconciliation of the fair value of the Company's contingent consideration obligations that use unobservable inputs (Level 3), as well as other information about the contingent consideration obligations:

		Three Six Months Ended March 31, June 30, 2024	
Balance as of December 31, 2023	\$		6
Issuances			1
Settlements			(1)
Balance as of March 31, 2024 June 30, 2024	\$		6
Number of open contingent consideration arrangements at the end of the period			26
Maximum potential payout at the end of the period	\$		6

At March 31, 2024 June 30, 2024, the remaining open contingent consideration arrangements are set to expire at various dates through 2025. Level 3 unobservable inputs were used to calculate the fair value adjustments shown in the table above. The fair value adjustments and the related unobservable inputs were not considered significant for the three and six months ended March 31, 2024 June 30, 2024.

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Fair value estimates

The following table presents the carrying amount and fair value of the Company's variable and non-variable interest rate debt (instruments defined in Note 10 – "Debt" – "Debt"), including current portions and excluding unamortized debt issuance costs. Fair value is estimated by discounting future cash flows at currently available rates for borrowing arrangements with similar terms and conditions, which are considered to be Level 2 inputs under the fair value hierarchy. The interest rates of the variable interest rate long-term debt instruments are generally reset monthly. During the three months ended March 31, 2024, first quarter of 2024, the Company upsized the 2021 Term Loan by an aggregate principal amount equal to \$300. During the second quarter of 2024, the Company upsized the 2021 Term Loan by an aggregate principal amount equal to \$550 and repriced the 2021 Term Loan and repaid the remaining \$330 of the 2019 Term Loan.

	March 31, 2024		December 31, 2023	
	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2019 Term Loan				
2021 Term Loan				
4.125% Senior Notes				
4.750% Senior Notes				

NOTE 8. DERIVATIVES

The Company uses foreign currency forward contracts, cross-currency swaps, and interest rate swap agreements to manage risks associated with foreign currency exchange rates, net investments in foreign operations, and interest rates. The Company does not hold derivative financial instruments of a speculative nature or for trading purposes. The Company records derivatives as assets and liabilities on the condensed consolidated balance sheets at fair value. Changes in fair value are recognized immediately in earnings unless the

derivative qualifies and is designated as a hedge under ASC 815, *Derivatives and Hedging*. Cash flows from derivatives are classified in the condensed consolidated statements of cash flows in the same category as the cash flows from items subject to designated hedge or undesignated (economic) hedge relationships. The Company evaluates hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be effective, hedge accounting is discontinued.

The Company is exposed to credit risk in the event of nonperformance of counterparties for foreign currency forward exchange contracts, cross currency swaps, and interest rate swap agreements. The Company monitors its exposure to credit risk by using credit approvals and credit limits and by selecting major global banks and financial institutions as counterparties. The Company does not enter into derivative transactions for trading purposes, and is not party to any derivatives that require collateral to be posted prior to settlement.

Certain of the Company's derivative transactions are subject to master netting arrangements that allow the Company to net settle contracts with the same counterparties. These arrangements do not call for collateral, and no cash collateral had been received or pledged related to the underlying derivatives as of **March 31, 2024** **June 30, 2024**.

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The following table presents the fair value of derivative instruments:

March 31, 2024					December 31, 2023				
June 30, 2024					December 31, 2023				
Outstanding Gross Notional Amount	Outstanding Gross Notional Amount	Other Assets	Other Noncurrent liabilities	Outstanding Gross Notional Amount	Other Assets	Other Noncurrent liabilities	Outstanding Gross Notional Amount	Other Assets	Other Noncurrent liabilities
Derivatives designated as hedging instruments:									
Cash flow hedges:									
Cash flow hedges:									
Cash flow hedges:									
Interest rate swaps									
Interest rate swaps									
Interest rate swaps									
Cross currency contracts									
Foreign currency forward contracts									
Fair value hedges:									
Cross currency contracts									
Cross currency contracts									
Cross currency contracts									
Net investment hedges:									
Cross currency contracts									
Cross currency contracts									
Cross currency contracts									
Total derivatives designated as hedging instruments									
Derivatives not designated as hedging instruments:									
Derivatives not designated as hedging instruments:									
Derivatives not designated as hedging instruments:									
Foreign currency forward contracts									
Foreign currency forward contracts									
Foreign currency forward contracts									
Total derivatives not designated as hedging instruments									
Total derivatives									
Total derivatives									
Total derivatives									

The following table presents the after tax effect of derivatives on the condensed consolidated statements of operations:

Derivatives	Derivatives	Location of income (expense) recognized in the condensed consolidated statements of operations	Amount of income (expense) recognized in income			
			Three Months Ended March 31,		Three Months Ended June 30,	
			2024	2023	2024	2023
Cash flow hedging relationships:						
Interest rate swaps						
Interest rate swaps						
Interest rate swaps						
Cross currency contracts						
Cross currency contracts						
Foreign currency forward contracts						
Fair value hedging relationships:						
Cross currency contracts						
Cross currency contracts						
Cross currency contracts						
Cross currency contracts						
Net investment hedging relationships:						
Cross currency contracts						
Cross currency contracts						
Cross currency contracts						
Not designated as hedging instruments:						
Foreign currency forward contracts						
Foreign currency forward contracts						
Foreign currency forward contracts						

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Derivatives	Location of income (expense) recognized in the condensed consolidated statements of operations	Amount of income (expense) recognized in income	
		Six Months Ended June 30,	
		2024	2023
Cash flow hedging relationships:			
Interest rate swaps	Interest expense, net	\$ 18	\$ 15
Cross currency contracts	Investment expense (income) and other, net	3	(2)
Cross currency contracts	Interest expense, net	1	1
Foreign currency forward contracts	Investment expense (income) and other, net	—	—
Fair value hedging relationships:			
Cross currency contracts	Investment expense (income) and other, net	15	(22)
Cross currency contracts	Interest expense, net	1	1
Net investment hedging relationships:			
Cross currency contracts	Interest expense, net	2	2
Not designated as hedging instruments:			
Foreign currency forward contracts	Investment expense (income) and other, net	—	(1)

Currency Effects

The income (expense) from derivatives designed to offset foreign currency exposure and recorded in investment expense (income) and other, net were offset by foreign currency transaction gains and losses resulting in a net (loss) gain of \$(1) and \$0 for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, and \$(2) and \$0 for the **six months ended June 30, 2024** and 2023, respectively.

The following table presents the effect of cash flow and fair value hedge accounting on accumulated other comprehensive income (loss) ("AOCI"):

	Three Months Ended March 31,			Three Months Ended June 30,			Three Months Ended June 30,			Three Months Ended June 30,		
	Derivatives	2024	2023	Derivatives	2024	2023	Derivatives	2024	2023	Derivatives	2024	2023
Cash flow hedging relationships:												
Interest rate swaps												
Interest rate swaps												
Interest rate swaps												
Cross currency contracts												
Forward currency forward contracts												
Fair value hedging relationships:												
Cross currency contracts												
Cross currency contracts												
Cross currency contracts												
Net investment hedging relationships:												
Cross currency contracts												
Cross currency contracts												
Cross currency contracts												

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Derivatives	Amount of gain (loss) recognized in other comprehensive income		Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) reclassified from AOCI into income	
	Six Months Ended June 30,			Six Months Ended June 30,	
	2024	2023		2024	2023
Cash flow hedging relationships:					
Interest rate swaps	\$ 13	\$ 8	Interest expense, net	\$ 8	\$ 8
Cross currency contracts	—	(1)	Investment expense (income) and other, net	3	(2)
Forward currency forward contracts	—	—	Investment expense (income) and other, net	—	—
Fair value hedging relationships:					
Cross currency contracts	1	4	Investment expense (income) and other, net	15	(22)
Net investment hedging relationships:					
Cross currency contracts	4	(5)	Interest expense, net	—	—

Cash flow hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Interest rate swaps

The Company manages its fixed and floating rate debt mix using interest rate swaps. The Company uses interest rate swap contracts to separate interest rate risk management from the debt funding decision. The Company elected a method that does not require continuous evaluation of hedge effectiveness.

During 2022, the Company terminated the previously outstanding \$720 notional amount interest rate swap with a maturity date in October 2024 ("2024 Interest Rate Swap"). The present value as of the date of termination of the 2024 Interest Rate Swap is recorded in AOCI on the condensed consolidated balance sheets. The fair value previously recognized in AOCI related to interest rate movements of the 2024 Interest Rate Swap is being amortized to interest expense on a straight-line basis through October 2024. As of **March 31, 2024**, approximately **\$10 \$5** of unrealized pre-tax gains remained in AOCI.

The Company has an aggregate \$720 notional amount interest rate swap ("2026 Interest Rate Swap") and aggregate \$400 notional swaps ("2028 Interest Rate Swap"), each amended on May 19, 2023 in connection with the transition to the Secured Overnight Financing Rate ("SOFR"). Refer to Note 10 - "Debt" for additional information. The 2026 Interest Rate Swap exchanges a variable rate of interest (SOFR) for an average fixed rate of interest of approximately 3.59% over the term of the agreement, which matures in October 2026. The 2028 Interest Rate Swap exchanges a variable rate of interest (SOFR) for an average fixed rate of interest of approximately 3.41% over the term of the agreements, which mature in January 2028.

As of **March 31, 2024**, the Company had \$1,120 notional amount outstanding in the 2028 Interest Rate Swap and the 2026 Interest Rate Swap. The Company has designated these swaps as cash flow hedges of the interest rate risk attributable to forecasted variable interest (SOFR) payments for its SOFR based term **loans** of **\$2,037**. As of **March 31, 2024**, the **\$2,257**. The weighted average fixed rate of interest on these swaps was approximately 3.52%. Variations in the assets and liability balances are primarily driven by changes in the applicable forward yield curves related to SOFR.

Cross-currency swaps

The Company enters into cross-currency exchange contracts utilized to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies and to hedge exposures of certain intercompany loans subject to changes in foreign currency exchange rates. The Company periodically assesses whether its currency exchange contracts are effective, and when a contract is determined to be no longer effective as a hedge, the Company discontinues hedge accounting prospectively.

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During 2021, the Company entered into two cross-currency swaps designated as cash flow hedges with gross notional U.S. dollar equivalent amounts of \$26 and \$94 with maturity dates of September 2027 and 2030, respectively.

Foreign currency forward contracts

The Company utilizes foreign currency forward contracts to hedge the effect of foreign currency exchange rate fluctuations on forecasted foreign currency transactions, including inventory purchases and intercompany charges and other payments. These forward contracts are designated as cash flow hedges. The changes in fair value of these contracts are recorded in other comprehensive income until the hedged items affect earnings, at which time the hedge gain or loss is reclassified into current earnings.

The Company periodically assesses whether its currency exchange contracts are effective, and when a contract is determined to be no longer effective as a hedge, the Company discontinues hedge accounting prospectively.

Fair value hedges

The Company has certain intercompany loans subject to changes in foreign currency exchange rates. In **January 2022**, **to hedge these exposures**, the Company entered into three cross-currency swaps each with maturity dates of January 2027 and are designated as fair value hedges with gross notional U.S. dollar equivalents of \$271, \$241, and \$209 in GBP, CAD, and EUR, respectively. **In June 2024, the Company entered into a cross-currency swap with a maturity date of June 2029 and designated it as a fair value hedge with gross notional U.S. dollar equivalent of \$16 in AUD.** The Company measures the effectiveness of fair value hedges on a spot-to-spot basis. Accordingly, the spot-to-spot change in the derivative fair values are recorded in the condensed consolidated statements of operations and perfectly offset the spot-to-spot change in the underlying intercompany loans, and as such, these hedges are deemed highly effective. The excluded component of the fair values of these derivatives is reported in AOCI within shareholders' equity in the condensed consolidated balance sheets. Any cash flows associated with these instruments are included in operating activities in the condensed consolidated statements of cash flows.

Net investment hedges

The Company has net investments in foreign subsidiaries subject to changes in foreign currency exchange rates. During 2021, the Company entered into a \$230 notional foreign currency swap designated as a net investment hedge for a portion of the Company's net investments in Euro-denominated subsidiaries. Gains and losses resulting from a change in fair value of the net investment hedge are offset by gains and losses on the underlying foreign currency exposure and are included in AOCI in the condensed consolidated balance sheets.

During 2021, the Company amended the critical terms of the foreign currency swap by extending the maturity date to July 2029 and modifying the U.S. dollar and Euro coupons. The amended swap was redesignated as a net investment hedge and is recorded at fair value with changes recorded in AOCI. The initial net investment hedge was dedesignated. The amended net investment hedge reduces the Company's interest expense by approximately \$3 annually and reduces its overall effective interest rate by approximately 24 basis points.

The fair value previously recognized in AOCI related to interest rate movements of the dedesignated swap is being amortized to interest expense on a straight-line basis through the third quarter of 2029.

Foreign currency contracts

The Company utilizes foreign currency forward contracts to hedge the effect of foreign currency exchange rate fluctuations on confirmed foreign currency transactions, including inventory purchases and intercompany charges and other payments. These forward contracts are undesignated for hedge accounting purposes. The changes in fair value of these contracts are recorded in investment expense (income) and other, net.

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NOTE 9. PROPERTY AND EQUIPMENT, NET

The components of property and equipment as of March 31, 2024 June 30, 2024 and December 31, 2023 are as follows:

	Estimated Useful Lives (In Years)	Estimated Useful Lives (In Years)	March 31, 2024	December 31, 2023	Estimated Useful Lives (In Years)	June 30, 2024	December 31, 2023
Land							
Building							
Machinery, equipment, and office equipment							
Autos and trucks							
Leasehold improvements							
Total cost							
Accumulated depreciation							
Property and equipment, net							

Depreciation expense related to property and equipment, including finance leases, was \$19 \$20 and \$19 during the three months ended March 31, 2024 June 30, 2024 and 2023, and \$39 and \$38 during the six months ended June 30, 2024 and 2023, respectively. Depreciation expense is included within cost of revenues and selling, general, and administrative expenses in the condensed consolidated statements of operations.

NOTE 10. DEBT

Debt obligations consist of the following:

	Maturity Date	Maturity Date	March 31, 2024	December 31, 2023	Maturity Date	June 30, 2024	December 31, 2023
Term loan facility							
2019 Term Loan							
2019 Term Loan							
2019 Term Loan							
2021 Term Loan							
Revolving Credit Facility							
Senior notes							
4.125% Senior Notes							
4.125% Senior Notes							
4.125% Senior Notes							
4.750% Senior Notes							
Other obligations							
Total debt obligations							
Less: unamortized deferred financing costs							
Total debt, net of deferred financing costs							
Less: short-term and current portion of long-term debt							
Long-term debt, less current portion							

Term loan facility

During the three months ended March 31, 2024, second quarter of 2024, the Company completed its Sixth Amendment to its credit agreement, refinancing the 2021 Term Loan through an upsizing and repricing and repaying the 2019 Term Loan. The repricing reduced the applicable margin on the 2021 Term Loan by 50 basis points and removed the credit spread adjustment ("CSA"). As part of the transaction, the Company incurred approximately \$550 of incremental principal on the 2021 Term Loan. The proceeds were used to repay

the remaining \$330 of the 2019 Term Loan, repay \$100 of the Revolving Credit Facility outstanding, and for general corporate purposes, including to partially fund the Elevated acquisition.

During the first quarter of 2024, the Company completed its Fifth Amendment to its credit agreement, upsizing its 2021 Term Loan by an aggregate principal amount equal to \$300. The loan proceeds were directed as consideration for a portion of the

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purchase price for the Series B Preferred Stock Conversion. For additional information regarding the Series B Preferred Stock Conversion, see Note 15 - "Shareholders' Equity and Redeemable Convertible Preferred Stock."

As of **March 31, 2024** **June 30, 2024**, the Company had **\$330** \$0 of principal outstanding under the \$1,200 term loan (the "2019 Term Loan") with a maturity date of October 1, 2026. The interest rate applicable to the 2019 Term Loan is, at the Company's option, either (a) a base rate plus an applicable margin equal to 1.25% or (b) Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to 2.25% plus a credit spread adjustment ("CSA").

As of **March 31, 2024** **June 30, 2024**, the Company had **\$1,707** **\$2,257** of principal outstanding under the incremental term loan used to finance the Chubb acquisition (the "2021 Term Loan") with a maturity date of January 3, 2029. The interest rate applicable to the 2021 Term Loan is, at the Company's option, either (1) a base rate plus an applicable margin equal to **1.50%** **1.00%** or (2) Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to **2.50% plus a CSA** **2.00%**.

As of **March 31, 2024**, the Company had **\$100** outstanding. The interest rate applicable to borrowings under the \$500 five-year senior secured revolving credit facility (the "Revolving Credit Facility"). The interest rate applicable to the Revolving Credit Facility is, at the Company's option, either (1) a base rate plus an applicable margin equal to 1.25%, or (2) a Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to 2.25% plus a CSA.

As of **June 30, 2024** and **December 31, 2023**, the Company had no amounts outstanding under the Revolving Credit Facility, and \$496 and \$495 was available at **June 30, 2024** and **December 31, 2023**, respectively, after giving effect to \$4 and \$5 of outstanding letters of credit, respectively.

As of **June 30, 2024** and **December 31, 2023**, the Company was in compliance with all applicable debt covenants.

Swap activity

As of **March 31, 2024** **June 30, 2024**, the Company had the 2026 Interest Rate Swap with \$720 of notional value, exchanging one-month SOFR for a fixed rate of 3.59% per annum, and the 2028 Interest Rate Swap with aggregate \$400 notional value, exchanging one-month SOFR for a rate of 3.41%. Accordingly, the Company's fixed interest rate per annum on the first swapped \$400 notional value of the term loans is 3.41% and the second swapped \$720 notional value of the term loans is 3.59% through their maturity. The remaining **\$917** **\$1,137** of the term loans balance will bear interest based on **one month one-month** SOFR plus CSA plus 225 basis points or SOFR plus CSA plus **250** **200** basis points, but the rate will fluctuate as SOFR fluctuates. Refer to Note 8 - "Derivatives" for additional information.

As of **March 31, 2024** and **December 31, 2023**, the Company had **\$100** and **\$0** outstanding under the Revolving Credit Facility, respectively, and **\$396** and **\$495** was available at **March 31, 2024** and **December 31, 2023**, respectively, after giving effect to \$4 and \$5 of outstanding letters of credit, respectively.

As of **March 31, 2024** and **December 31, 2023**, the Company was in compliance with all applicable debt covenants.

Senior notes

4.125% Senior Notes

During 2021, the Company completed a private offering of \$350 aggregate principal amount of 4.125% Senior Notes (the "4.125% Senior Notes") issued under an indenture dated June 22, 2021. The 4.125% Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company and certain of the Company's subsidiaries. The balance as of **March 31, 2024** **June 30, 2024** was \$337.

4.750% Senior Notes

During 2021, the Company completed a private offering of \$300 aggregate principal amount of 4.750% Senior Notes due 2029 (the "4.750% Senior Notes") issued under an indenture dated October 21, 2021, as supplemented by a supplemental indenture dated January 3, 2022. The 4.750% Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company and certain of the Company's subsidiaries. The balance as of **March 31, 2024** **June 30, 2024** was \$277.

The Company was in compliance with all covenants contained in the indentures for the 4.125% Senior Notes and 4.750% Senior Notes as of **March 31, 2024** **June 30, 2024**, and **December 31, 2023**.

Other obligations

As of **March 31, 2024** **June 30, 2024** and **December 31, 2023**, the Company had **\$5** **\$4** and \$5 in notes outstanding, respectively, for working capital purposes and the acquisition of equipment and vehicles.

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NOTE 11. INCOME TAXES

The Company's quarterly income tax provision is measured using an estimate of its consolidated annual effective tax rate, adjusted in the current period for discrete income tax items, within the periods presented. The comparison of the Company's income tax provision between periods may be impacted by the level and mix of earnings and losses by tax jurisdiction, foreign income tax rate differentials, and discrete items. The Company's effective tax rate was 28.0% 22.4% and 30.6% 37.2% for the three months ended March 31, 2024 June 30, 2024 and 2023, and 24.7% and 35.0% for the six months ended June 30, 2024, and 2023, respectively. The difference between the effective tax rate and the statutory U.S. federal income tax rate of 21.0% for the three and six months ended March 31, 2024 June 30, 2024 and 2023 is due to nondeductible permanent items, taxes on foreign earnings in jurisdictions that have higher tax rates, state taxes, and state taxes, discrete items.

As of March 31, 2024 June 30, 2024, the Company's deferred tax assets included a valuation allowance of \$110 primarily related to certain net operating loss, capital loss, and tax credit carryforwards of the Company's foreign subsidiaries. The factors used to assess the likelihood of realization were the past performance of the related entities, forecasts of future taxable income, future reversals of existing taxable temporary differences, and available tax planning strategies that could be implemented to realize the deferred tax assets. The ability or failure to achieve the forecasted taxable income in these entities could affect the ultimate realization of deferred tax assets.

As of March 31, 2024 June 30, 2024, the Company had gross federal, state, and foreign net operating loss carryforwards of approximately \$0, \$19, and \$112, \$110, respectively. The state net operating losses have carryforward periods of five to twenty years and begin to expire in 2027. The foreign net operating losses have carryback periods of three years, carryforward periods of twenty years, or are indefinite, and begin to expire in 2036.

The Company's liability for unrecognized tax benefits is recorded within other noncurrent liabilities in the condensed consolidated balance sheets and recognizes interest and penalties accrued related to unrecognized tax benefits in the provision for income taxes in the condensed consolidated statements of operations. As of March 31, 2024 June 30, 2024, and December 31, 2023, the total gross unrecognized tax benefits were \$8 and \$7, respectively. The Company had accrued gross interest and penalties as of each of March 31, 2024 June 30, 2024 and December 31, 2023 of \$3 and \$2, \$2, respectively. During the three and six months ended March 31, 2024 June 30, 2024 and 2023, the Company did not recognize net interest expense.

If all of the Company's unrecognized tax benefits as of March 31, 2024 June 30, 2024, were recognized, \$10 \$11 would impact the Company's effective tax rate. The Company does not expect any unrecognized tax benefits to expire in the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction, and various state, local, and foreign jurisdictions. As of March 31, 2024 June 30, 2024, with few exceptions, neither the Company nor its subsidiaries are subject to examination prior to tax year 2014. There are various other audits in state and foreign jurisdictions, including an ongoing IRS exam related to the 2019 final S Corporation return. No adjustments have been proposed and the Company does not expect the results of the audits to have a material impact on the Interim Statements.

NOTE 12. EMPLOYEE BENEFIT PLANS

Defined benefit pension plans

The Company sponsors both funded and unfunded foreign defined benefit pension plans that cover a portion of the Company's employees, and the largest plans are closed to new participants and frozen for accrual of future service.

The components of the net periodic pension cost (benefit) for the defined benefit pension plans are as follows:

	Three Months Ended March 31,			Three Months Ended June 30,		
	2024	2024	2023	2024	2024	2023
Service cost						
Interest cost						
Expected return on plan assets						
Net periodic pension cost (benefit)						

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	Six Months Ended June 30,	
	2024	2023
Service cost	\$ 3	\$ 2
Interest cost	30	31
Expected return on plan assets	(21)	(37)
Net periodic pension cost (benefit)	\$ 12	\$ (4)

Multiemployer pension plans

Certain subsidiaries of the Company contribute amounts to multiemployer pension plans and other multiemployer benefit plans and trusts, which are recorded as a component of employee wages and salaries within cost of revenues on the condensed consolidated statements of operations. Contributions are generally based on fixed amounts per hour per employee for employees covered under these plans. Multiemployer plan contribution rates are determined annually and assessed on a pay-as-you-go basis based on union employee payrolls. Union payrolls cannot be determined for future periods because the number of union employees employed at a given time and the plans in which they participate vary depending upon the location, the number of ongoing projects, and the need for union resources in connection with those projects. Total consolidated contributions to multiemployer plans were \$19 \$25 and \$23 \$27 during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and \$44 and \$50 during the six months ended June 30, 2024 and 2023, respectively.

Profit sharing plans

The Company has a trustee-administered profit-sharing retirement plan covering substantially all of the Company's employees in the U.S. not covered by collective bargaining agreements and a profit sharing plan for employees in Canada (collectively, "Profit Sharing Plans"). The Profit Sharing Plans provide for annual discretionary contributions in amounts based on a performance grid as determined by the Company's directors, which may be settled in shares of the Company's common stock or in cash. In connection with these plans, the Company recognized \$6 \$5 and \$5 in expense for shares distributed to eligible employees during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and \$11 and \$10 in expense during the six months ended June 30, 2024 and 2023, respectively.

Employee stock purchase plan

Most of the Company's employees in the U.S. and Canada, including named executive officers, are eligible to participate in the Company's Employee Stock Purchase Plan (the "ESPP"). Sales of shares of the Company's common stock under the ESPP are generally made pursuant to offerings that are intended to satisfy the requirements of Section 423 of the Internal Revenue Code. The ESPP permits employees of the Company to purchase common stock at a price equal to 85% of the lesser of (i) the market value of the common stock on the first day of the offering period, or (ii) the market value of the common stock on the purchase date, whichever is lower. Participants are subject to eligibility requirements and may not purchase more than 500 shares in any offering period or more than ten thousand dollars of common stock in a year under the ESPP. The Company recognized \$1 \$2 and \$2 \$1 of expense during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and \$3 and \$3 of expense during the six months ended June 30, 2024 and 2023, respectively.

NOTE 13. RELATED-PARTY TRANSACTIONS

The Company incurred advisory fees of \$1 during both each of the three months ended March 31, 2024 June 30, 2024 and 2023 and \$2 during each of the six months ended June 30, 2024 and 2023, in each case payable to Mariposa Capital, LLC, an entity owned by a co-chair of the Company's Board of Directors. In addition, dividends for Series A Preferred Stock were declared as of December 31, 2023 and settled in 7,944,104 shares issued during January 2024. The shares were issued to Mariposa Acquisition IV, LLC, a related entity that is controlled by a co-chair of the Company's Board of Directors.

During 2022, the Company issued and sold 800,000 shares of the Company's 5.5% Series B Redeemable Convertible Preferred Stock, par value \$0.0001 per share (the "Series B Preferred Stock") for an aggregate purchase price of \$800. Of the 800,000 shares issued and sold, 200,000 shares were sold to Viking Global Equities Master Ltd. and Viking Global Equities II LP ("Viking Purchasers"), which is the aggregate owner of more than 5% of the Company's outstanding stock for an aggregate purchase price of \$200. During the three six months ended March 31, 2024 June 30, 2024, the Company issued dividends of 155,059 shares of common stock on the Series B Preferred Stock held by Viking Purchasers, with 70,798 shares declared in February 2024 and 84,261 shares declared in December 2023. The Company declared and issued dividends of 124,573 109,247 and 223,820

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shares of common stock on the Series B Preferred Stock held by the Viking Purchasers during the three and six months ended March 31, 2023 June 30, 2023.

During the three months ended March 31, 2024, first quarter of 2024, the Company executed an agreement with the Viking Purchasers which allowed the exercise of their right to convert all of their Series B Preferred Stock into common stock. For additional information regarding the Series B Preferred Stock Conversion, see Note 15 - "Shareholders' - "Shareholders' Equity and Redeemable Convertible Preferred Stock."

From time to time, the Company also enters other immaterial related-party transactions.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigation matters and is subject to claims from time to time from customers and various government entities. While it is not feasible to determine the outcome of any of these uncertainties, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

Environmental obligations

The Company's operations are subject to environmental regulation by various authorities. The Company has accrued for the costs of environmental remediation activities, including but not limited to, investigatory, remediation, operating and maintenance costs, and performance guarantees, and periodically reassess these amounts. Management believes that the likelihood of incurring losses materially in excess of the amounts accrued is remote.

The outstanding liability for these obligations was \$16 and \$17, and was included in other noncurrent liabilities on the condensed consolidated balance sheets as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively.

NOTE 15. SHAREHOLDERS' EQUITY AND REDEEMABLE CONVERTIBLE PREFERRED STOCK

Shareholders' equity

Series A Preferred Stock

The Company had 4,000,000 shares of Series A Preferred Stock issued and outstanding as of **March 31, 2024** **June 30, 2024** ("Series A Preferred Stock"). The Series A Preferred Stock will be automatically converted into shares of common stock on a one-for-one basis on December 31, 2026.

Stock Repurchases *Common stock*

During the three months ended **March 31, 2024** **June 30, 2024**, the Company issued 12,650,000 shares of the Company's common stock in a public underwritten offering. The proceeds from this offering totaled approximately \$458, net of related expenses. The Company used net proceeds from this offering to finance a portion of the consideration for the Elevated acquisition and for general corporate purposes.

Stock Repurchases

During the first quarter of 2024, the Company's Board of Directors authorized a stock repurchase program ("SRP") to purchase up to an aggregate of \$1,000 of shares of the Company's common stock. This stock repurchase program is indefinite, unless otherwise modified or terminated by the Board of Directors at any time in its sole discretion. The SRP authorizes open market, private, and accelerated share repurchase transactions.

During the **three** six months ended **March 31, 2024** **June 30, 2024** and 2023, the Company repurchased 16,260,160 and **541,316** 970,004 shares of common stock for **aggregate** payments of approximately \$600 and **\$12, \$23**, respectively. The repurchases during the **three** six months ended **March 31, 2024** **June 30, 2024** were related to the Series B Preferred Stock Conversion, see below for more information. During the three months ended **June 30, 2023**, the Company repurchased 428,688 shares of common stock for **aggregate** payments of approximately **\$11**. As of **March 31, 2024** **June 30, 2024**, the Company had approximately \$400 of authorized repurchases remaining under the SRP.

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During 2022, the Board of Directors authorized the Company to purchase up to an aggregate of \$250 of shares of the Company's common stock pursuant to the stock repurchase program ("2022 SRP"). The 2022 SRP expired on February 29, 2024.

Redeemable Convertible Preferred Stock

Series B Preferred Stock

During 2022, the Company authorized, issued, and sold, for an aggregate purchase price of \$800, 800,000 shares of the Company's 5.5% Series B Preferred Stock, par value \$0.0001 per share.

On February 28, 2024, the Company entered into a Conversion and Repurchase Agreement with Juno Lower Holdings L.P. ("Juno Lower Holdings"), FD Juno Holdings L.P. ("FD Juno Holdings"), and together with Juno Lower Holdings, "Blackstone"), Viking Global Equities Master Ltd. ("VGEM") and Viking Global Equities II L.P. (VGE II, and collectively with VGEM, "Viking" and collectively with the Blackstone, the "Series B Holders") pursuant to which Blackstone and Viking agreed to convert all of the outstanding shares of the Series B Preferred Stock that they hold, which represents all of the Series B Preferred Stock outstanding. The transactions contemplated by the agreement (the "Series B Preferred Stock Conversion") were also consummated on February 28, 2024.

Under the terms of the agreement, (i) the Series B Holders each agreed to exercise their respective right to convert all of their Series B Preferred Stock into common stock, resulting in a total of 800,000 shares of Series B Preferred Stock being converted into approximately 32,803,519 shares of common stock of the Company (inclusive of approximately 283,196 shares attributable to accrued and unpaid dividends thereon (the "Conversion Shares") and (ii) upon issuance of the Conversion Shares, the Company agreed to immediately repurchase one-half of the Conversion Shares, on a pro rata basis, from the Series B Holders for an aggregate purchase price of \$600. The fair value of the issued one-half of the remaining Conversion Shares was \$569.

The repurchase price was financed by (i) an incremental term facility of \$300 **funded exclusively by Blackstone in the amount of \$225 and Viking in the amount of \$75** and (ii) cash and available credit from the balance sheet.

Dividends

Following the Series B Preferred Stock Conversion there are no Series B Preferred Shares issued or outstanding and the **former** holders of Series B Preferred Stock are no longer entitled to receive cumulative dividends. The Company declared a pro rata Series B Preferred Stock dividend of \$7, or 283,196 shares of common stock, during the **three** six months ended **March 31, 2024** **June 30, 2024** for the Series B Preferred Stock outstanding through February 28, 2024. The Company declared **a Series B Preferred Stock dividend of \$11, or 436,992 shares of common stock, during the three months ended June 30, 2023. The Company declared and issued a Series B Preferred Stock dividend of \$11, \$22, or 498,293 935,285 shares of common stock, during the three six months ended March 31, 2023 June 30, 2023. The Company declared a Series B Preferred Stock dividend of \$11 or**

337,044 shares of common stock in December 2023 and \$11 or 584,584 shares of common stock in December 2022 and issued the shares in January 2024 and January 2023, respectively.

NOTE 16. EARNINGS PER SHARE

Net income is allocated between the Company's common shares and other participating securities based on their participation rights. The Series A Preferred Stock represents participating securities. Earnings attributable to Series A Preferred Stock are not included in earnings attributable to common shares in calculating earnings per common share (the two-class method). For periods of net loss, there is no impact from the two-class method on earnings per share ("EPS") as net loss is allocated to common shares because Series A Preferred Stock shares are not contractually obligated to share the loss.

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The following table sets forth the computation of earnings per common share using the two-class method. The dilutive effect of outstanding Series A Preferred Stock and the Series A Preferred Stock dividend is reflected in diluted EPS using the if-converted method and options, restricted shares, performance shares, and market shares are reflected using the treasury stock method. For periods of net loss, basic and diluted EPS are the same, as the assumed exercise of Series A Preferred Stock,

restricted shares, performance shares, market shares, and stock options are anti-dilutive. (Amounts in millions, except share and per share amounts.)

	Three Months Ended March 31,			Three Months Ended June 30,			Six Months Ended June 30,		
	2024		2024		2023		2024		2023
Basic (loss) earnings per common share:									
Basic earnings per common share:									
Net income									
Net income									
Net income									
Less income allocable to Series A Preferred Stock									
Less income allocable to Series B Preferred Stock									
Less stock dividend attributable to Series B Preferred Stock									
Less conversion of Series B Preferred Stock									
Net (loss) income attributable to common shareholders									
Net income (loss) attributable to common shareholders									

Weighted average shares outstanding - basic					
Weighted average shares outstanding - basic					
Weighted average shares outstanding - basic	249,744,275	234,386,758	271,541,999	235,182,839	260,643,137
(Loss) income per common share - basic					
Income (loss) per common share - basic					
Diluted (loss) earnings per common share:					
Diluted (loss) earnings per common share:					
Diluted (loss) earnings per common share:					
Diluted earnings per common share:					
Diluted earnings per common share:					
Diluted earnings per common share:					
Net income					
Net income					
Net income					
Less income allocable to Series A Preferred Stock					
Less stock dividend attributable to Series B Preferred Stock					
Less conversion of Series B Preferred Stock					
Net (loss) income attributable to common shareholders - diluted					
Net income (loss) attributable to common shareholders - diluted					

Weighted average shares outstanding - basic									
Weighted average shares outstanding - basic									
Weighted average shares outstanding - basic		249,744,275	234,386,758	271,541,999	235,182,839		260,643,137		
Dilutive securities: ⁽¹⁾									
Restricted stock units, warrants, and stock options									
Restricted stock units, warrants, and stock options									
Restricted stock units, warrants, and stock options		—	265,515	265,515	1,247,621	240,255		—	
Shares issuable upon conversion of Series B Preferred Shares	Shares issuable upon conversion of Series B Preferred Shares	—	32,520,000	32,520,000	—	32,520,000		32,520,000	
Shares issuable pursuant to the Series A Preferred Stock dividend ⁽²⁾									
		2,939,298	1,618,596		—		809,298		
Weighted average shares outstanding - diluted	Weighted average shares outstanding - diluted	249,744,275	267,172,273		275,728,918	269,561,690		260,643,137	
(Loss) income per common share - diluted									
Income (loss) per common share - diluted									

- The following items were excluded from the calculation of diluted shares as their inclusion would be anti-dilutive:
 - For all periods presented, 4,000,000 shares of Series A Preferred Stock, which are convertible to the same number of common shares.
 - For the **three** six months ended **March 31, 2024** **June 30, 2024**, 125,000 stock options to purchase the same number of common shares.
 - For the **three** six months ended **March 31, 2024** **June 30, 2024**, **1,188,112** 1,160,800 time-based, performance-based, and market-based restricted stock units.
- For the three months ended June 30, 2024, and the three and six months ended June 30, 2023, dilutive securities include common share equivalents which represent the annual dividend, payable in the form of common shares or cash at the Company's sole option, that Series A Preferred Shares would be entitled to receive assuming that the volume weighted average price of the Company's common shares for the last ten trading days of the period would be the same average price during the last ten trading days of the calendar year. The holders of the Series A Preferred Stock are entitled to receive an annual dividend based on the increase in the market price of the Company's common stock (the "Annual

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Dividend Amount"). The Annual Dividend Amount is equal to 20% of the increase in the volume-weighted average market price per share of the Company's common shares for the last ten trading days of the calendar year, multiplied by 141,194,638 shares. During 2024, the Annual Dividend amount was calculated based on the appreciation of the Company's share price over the highest previously used share price of \$33.9465. During 2023, the Annual Dividend amount was calculated based on the appreciation of the Company's share price over the highest previously used share price of \$24.3968.

NOTE 17. SEGMENT INFORMATION

The Company manages its operations under two operating segments which represent the Company's two reportable segments: Safety Services and Specialty Services. This structure is generally focused on various businesses related to contracting services and maintenance of industrial and commercial facilities. Both reportable segments derive their revenues from installation, inspection, maintenance, service and repair, retrofitting and upgrading, engineering and design, distribution, fabrication, and various types of other services in over 20 countries.

The Safety Services segment focuses on end-to-end integrated occupancy systems (fire protection services, HVAC, and entry systems), including design, installation, inspection, and service of these integrated systems. The work performed within this segment spans across industries and facilities and includes commercial, education, healthcare, high-tech, industrial and special-hazard settings.

The Specialty Services segment provides a variety of infrastructure services and specialized industrial plant services, which include maintenance and repair of critical infrastructure such as underground electric, gas, water, sewer, and telecommunications infrastructure. This segment's services include engineering and design, fabrication, installation,

maintenance service and repair, retrofitting and upgrading, pipeline infrastructure, access and road construction, supporting facilities, and performing ongoing integrity management and maintenance to customers within the energy industry. Customers within this segment vary from private and public utilities, communications, healthcare, education, transportation, manufacturing, industrial plants, and governmental agencies throughout North America.

The accounting policies of the reportable segments are the same as those described in Note 1 – "Basis of Presentation and Significant Accounting Policies." All intercompany transactions and balances are eliminated in consolidation. Intercompany revenues and costs between entities within a reportable segment are eliminated to arrive at segment totals and eliminations between segments are separately presented. Corporate results include amounts related to corporate functions such as administrative costs, professional fees, acquisition-related transaction costs (exclusive of acquisition integration costs, which are included within the segment results of the acquired businesses), and other discrete items.

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. As appropriate, the Company supplements the reporting of consolidated financial information determined in accordance with U.S. GAAP with certain non-U.S. GAAP financial measures, including EBITDA. The Company believes these non-U.S. GAAP measures provide meaningful information and help investors understand the Company's financial results and assess its prospects for future performance. The Company uses EBITDA 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 for its reportable segments. Segment EBITDA is calculated in a manner consistent with consolidated EBITDA.

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Summarized financial information for the Company's reportable segments is presented and reconciled to consolidated financial information in the following tables, including a reconciliation of consolidated operating income (loss) to EBITDA:

	Three Months Ended March 31, 2024				Three Months Ended June 30, 2024				
	Safety Services	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
Net revenues									
EBITDA Reconciliation	EBITDA Reconciliation								
Operating income (loss)									
Operating income (loss)									
Operating income (loss)									
Plus:	Plus:								
Investment (expense) income and other, net									
Investment (expense) income and other, net									
Investment (expense) income and other, net									
Depreciation									
Amortization									
EBITDA									
Total assets									
Capital expenditures									

	Three Months Ended March 31, 2023				Three Months Ended June 30, 2023				
	Safety Services	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
Net revenues									
EBITDA Reconciliation									
Operating income (loss)									
Operating income (loss)									

Operating income (loss)		
Plus:	Plus:	
Investment income and other, net		
Investment income and other, net		
Investment income and other, net		
Loss on extinguishment of debt, net		
Depreciation		
Amortization		
EBITDA		
Total assets		
Capital expenditures		

	Six Months Ended June 30, 2024			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
Net revenues	\$ 2,493	\$ 842	\$ (4)	\$ 3,331
<i>EBITDA Reconciliation</i>				
Operating income (loss)	\$ 264	\$ 42	\$ (80)	\$ 226
Plus:				
Investment (expense) income and other, net	(10)	5	—	(5)
Depreciation	15	22	2	39
Amortization	78	26	1	105
EBITDA	\$ 347	\$ 95	\$ (77)	\$ 365
Total assets	\$ 6,359	\$ 1,144	\$ 458	\$ 7,961
Capital expenditures	11	23	10	44

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NOTE 18. SUBSEQUENT EVENTS

	Six Months Ended June 30, 2023			
	Safety Services	Specialty Services	Corporate and Eliminations	Consolidated
Net revenues	\$ 2,416	\$ 985	\$ (16)	\$ 3,385
<i>EBITDA Reconciliation</i>				
Operating income (loss)	\$ 194	\$ 41	\$ (55)	\$ 180
Plus:				
Investment income and other, net	6	5	—	11
Loss on extinguishment of debt, net	—	—	(3)	(3)
Depreciation	13	24	1	38
Amortization	83	26	2	111
EBITDA	\$ 296	\$ 96	\$ (55)	\$ 337
Total assets	\$ 6,107	\$ 1,328	\$ 539	\$ 7,974
Capital expenditures	14	31	1	46

On April 15, 2024, the Company signed a definitive agreement to acquire Elevated Facility Services Group (“Elevated”), a premier provider [Table of contractually based services for all major brands of elevator and escalator equipment. Elevated will be acquired from a fund managed by L Squared Capital Partners for approximately \\$570 in cash, subject to working capital and other standard adjustments. The transaction is expected to close in the second quarter of 2024, subject to customary closing conditions and regulatory approvals.](#)[Contents](#)

On April 16, 2024, the Company entered into an underwriting agreement relating to the underwritten public offering of 11,000,000 shares of common stock at a public offering price of \$37.50 per share. The offering closed on April 19, 2024. The underwriters exercised the option in the agreement to purchase an additional 1,650,000 shares of common stock on April 23, 2024. The net proceeds to the Company from the offering were \$457 after deducting underwriting discounts, commissions, and offering expenses.

On April 30, 2024, the Company began a process to reprice its 2021 Term Loan with a remaining principal of \$1,707. The Company expects that the repricing will reduce the applicable margin on all outstanding amounts. Additionally, the Company expects to increase the existing 2021 Term Loan by approximately \$550 on the same terms as the current 2021 Term Loan. The Company expects to use the proceeds of approximately \$550 to refinance the 2019 Term Loan with a remaining principal balance of \$330 and repay the \$100 Revolving Credit Facility borrowing as well as to provide funds for general corporate purposes, including the acquisition of Elevated. The Company expects the transaction to close in May 2024.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). These forward-looking statements are based on beliefs and assumptions as of the date such statements are made and are subject to risks and uncertainties. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms including “expect”, “anticipate”, “project”, “will”, “should”, “believe”, “intend”, “plan”, “estimate”, “potential”, “target”, “would”, and similar expressions, although not all forward-looking statements contain these identifying terms.

These forward-looking statements are based on our current expectations and assumptions and on information currently available to management and include, among others, statements regarding, as of the date such statements are made:

- our beliefs and expectations regarding our business strategies and competitive strengths;
- our beliefs regarding procurement challenges and the nature of our contractual arrangements and renewal rates and their impact on our future financial results;
- our beliefs regarding our acquisition platform and ability to execute on and successfully integrate strategic acquisitions;
- our beliefs regarding the future demand for our services, the seasonal and cyclical volatility of our business, financial condition, results of operations, and cash flows;
- our beliefs regarding the recurring and repeat nature of our business, customers and revenues, and its impact on our cash flows and organic growth opportunities and our belief that it helps mitigate the impact of economic downturns;
- our intent to continue to grow our business, both organically and through acquisitions, and our beliefs regarding the impact of our business strategies on our growth;
- our beliefs regarding our customer relationships and plans to grow existing business and expand service offerings;
- our beliefs regarding our ability to pass along commodity price increases to our customers;
- our expectations regarding the cost of compliance with laws and regulations;
- our expectations regarding labor matters;
- our beliefs regarding market risk, including our exposure to foreign currency fluctuations, and our ability to mitigate that risk;
- our expectations and beliefs regarding accounting and tax matters;
- our beliefs regarding the effectiveness of the steps taken to remediate previously reported material weaknesses in our internal control over financial reporting and the timing of remediation;
- our expectations regarding future capital expenditures;
- our expectations regarding future expenses in connection with our multi-year restructuring program, including those related to workforce reductions;
- our expectations regarding future pension contributions;
- our expectations regarding the acquisition (the “Chubb Acquisition”) of the Chubb fire and security business (the “Chubb business” or “Chubb”), our acquisitions, including the operational challenges and the expected benefits of the acquisition acquisitions and future growth, expansion, cross-selling and other value creation opportunities; and
- our beliefs regarding the sufficiency of our current sources of liquidity including access to capital markets, to fund our future liquidity requirements, our expectations regarding the types of future liquidity requirements and our expectations regarding the availability and terms of future sources of liquidity to satisfy our liquidity needs on terms favorable to us. liquidity.

These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this quarterly report and in our Annual Report on Form 10-K, filed on February 28, 2024,

including those described under “Cautionary Note Regarding Forward Looking Statements” and “Risk Factors” in such Form 10-K, and other filings we make with the SEC. In light of these risks, uncertainties and assumptions, the forward-looking

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events and circumstances discussed in this quarterly report may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Important factors that may materially affect the forward-looking statements include the following:

- our decentralized business model which subjects us to various risks which may impact our ability to execute on our business strategies and integrated policies and processes;
- our participation in joint ventures which presents certain risks, including risks of harm to our reputation for failures of our joint venture partners;
- expansion of our international operations which subjects us to economic, political, and other risks;
- improperly managed projects or project delays that may result in additional costs on claims against us;
- our business strategy, which relies on our ability to successfully acquire other businesses, and integrate acquired businesses into our operations, and our inability to do so could adversely affect our business and results of operations;
- we may not realize the expected benefits of completed acquisitions because of integration and transition difficulties;
- adverse developments in the credit markets that could adversely affect funding of construction significant projects in our industries and our ability to secure financing, take advantage of acquisition opportunities, or achieve our growth objectives;
- a significant portion of our revenue is recognized over time based on estimates of contract revenue, costs, and profitability, and our reliance on such projections carries risk of a reduction or reversal of previously recorded revenue or profits;
- we have a significant amount of goodwill and identifiable intangible assets that are subject to impairment in the future under certain circumstances;
- any shortfalls in our remediation of the material weaknesses in our internal controls over financial reporting, or in our implementation and maintenance of effective controls, creates certain risks;
- our substantial level of indebtedness, and the associated compliance obligations contained in the financial maintenance covenants in our credit facilities and restrictions on our operations set forth in our Credit Agreement, increases the potential negative impact of interest rate increases and creates risks to our cash flow and operating flexibility;
- we are effectively self-insured against many potential liabilities, which makes estimating our future expenses for claims difficult and which increases the financial risks associated with the realization of such potential liabilities;
- a portion of our contracts allocate the risks of price increases, or reductions in the supply, of the materials we use in our business to us;
- our contracts portfolio contains many highly-regulated government contracts and guaranties of subsidiary contracts, which present elevated risks in the event of contract breach;
- our contracts portfolio is primarily comprised of contracts with durations of less than six months, many of which are subject to reduction or cancellation, which present risks that turn on our ability to maintain a stable pipeline of projects;
- exposure a large portion of our workforce is covered by collective bargaining agreements, works council arrangements and benefit pension plans, which limits our discretion in the management of covered employees, carries a risk of strikes or other concerted activities that may impair our operations, subjects us to global economic, political potential works council claims and legal risks related litigation and imposes obligations to our international operations, including geopolitical instability; fund certain pension plans;
- we are vulnerable to the economic conditions affecting the industries we serve, including the construction industry and the energy sector, which present risks of a decline in demand for our services or in the financial condition of our customers and their ability and willingness of customers to invest in infrastructure projects;
- a decline in demand for we often perform our services under dangerous and challenging conditions, which presents substantial risks of injury and associated liability;
- we face regular litigation in our business across a broad range of claims, including costs related to damages we may be assessed relating to our contractual obligations or for the products and services as a result of product liability claims against our customers;

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- we are governed by many health, safety and environmental laws and regulations, which presents significant risks associated with compliance deficiencies;
- certain of the fact that markets we serve are seasonal, and our revenues are derived primarily from contracts projects can be negatively impacted by poor or extreme weather;
- we maintain confidential data and information which exposes us to risks associated with durations cybersecurity incidents and compliance with data privacy and security laws, identity protection and information security;
- we face risks associated with, deterioration in our performance of less than six months services, increases in healthcare costs, significant employee misconduct, and the risk that customers will not renew or enter into new contracts; adverse regulatory changes, all of which may negatively impact our operations and financial results; and
- our ability to successfully acquire other businesses, successfully integrate acquired businesses into our operations and manage the risks and potential liabilities associated with those acquisitions;

- the impact of our regional, decentralized business model success ultimately depends on our ability to execute on our business strategies and operate our business successfully;
- our ability to compete successfully in the industries and markets we serve;
- our ability to properly manage and accurately estimate costs associated with specific customer projects, in particular for arrangements with fixed price terms;
- supply chain constraints and interruptions, and serve which may be jeopardized by the resulting increases in the cost, or reductions in the supply, of the materials and commodities we use in our business and for which we bear the risk of such increases;
- the impact of inflation;
- our relationship with our employees, a large portion of which are covered by collective bargaining arrangements, and our ability to effectively manage and utilize our workforce;
- the inherently dangerous nature of the services we provide and the risks of potential liability;
- the impact of customer consolidation;
- the loss of the services of key senior management personnel and the availability or a shortage of highly skilled personnel;
- the seasonality of our business and the impact of weather conditions;
- the variability of our operating results between periods and the resulting difficulty in forecasting future operating results;
- litigation that results from our business, including costs related to any damages we may be required to pay as a result of general liability or workmanship claims brought by our customers;
- the impact of health, safety, and environmental laws and regulations, and the costs associated with compliance with such laws and regulations;
- our substantial level of indebtedness and the effect of restrictions on our operations set forth in the documents that govern such indebtedness;
- our expectations regarding the acquisition of the Chubb business, including the expected benefits of the acquisition and future value creation opportunities; and
- our compliance with certain financial maintenance covenants in our credit agreement and the effect on our liquidity of any failure to comply with such covenants. personnel.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, which could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have a material adverse effect on us. You should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. These forward-looking statements speak only as of the date of this quarterly report. We assume no obligation to update or revise these forward-

looking forward-looking statements for any reason, even if new information becomes available in the future, except as required by applicable law.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this quarterly report and hereafter in our other SEC filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") section should be read in conjunction with the interim unaudited condensed consolidated financial statements (the "Interim Statements") and related notes included in this quarterly report, and the Company's 2023 audited annual consolidated financial statements, the related notes thereto and under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and other disclosures contained in our Annual Report on Form 10-K, including financial results for the year ended December 31, 2023. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under the "Cautionary Note Regarding Forward Looking Statements" section of this quarterly report.

We prepare our financial statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). To supplement our financial results presented in accordance with U.S. GAAP in this MD&A section, we present EBITDA, which is a non-U.S. GAAP financial measure, to assist readers in understanding our performance and provide an additional perspective on trends and underlying operating results on a period-to-period comparable basis. Non-U.S. GAAP financial measures either exclude or include amounts not reflected in the most directly comparable measure calculated and presented in accordance with U.S. GAAP. Where a non-U.S. GAAP financial measure is used, we have provided the most directly comparable measure calculated and presented in accordance with U.S. GAAP, a reconciliation to the U.S. GAAP measure and a discussion of the reasons why management believes this information is useful to it and may be useful to investors.

Unless the context otherwise requires, all references in this section to "APG", the "Company", "we", "us", and "our" refer to API Group Corporation and its subsidiaries.

Overview

We are a global, market-leading business services provider of safety and specialty services in over 500 locations worldwide. We provide statutorily mandated and other contracted services to a strong base of long-standing customers across industries. We have a winning leadership culture driven by entrepreneurial business leaders that deliver innovative solutions to our customers.

We operate our business under two primary operating segments, which are also our reportable segments:

- **Safety Services** – Our Safety Services segment is a leading provider of safety services in North America, Europe, and Asia Pacific focusing on end-to-end integrated occupancy systems (fire protection, Heating, Ventilation, and Air Conditioning (“HVAC”) and entry), including service, monitoring, inspection, design and installation, of these integrated systems. The work performed within this segment spans across industries and facilities and includes commercial, education, healthcare, high-tech, industrial and special-hazard settings.
- **Specialty Services** – Our Specialty Services segment is a leading provider of a variety of infrastructure services and specialized industrial plant services, which include maintenance and repair of critical infrastructure such as underground electric, gas, water, sewer and telecommunications infrastructure. Our services include engineering and design, fabrication, installation, maintenance service and repair, retrofitting and upgrading, pipeline infrastructure, access and road construction, supporting facilities, and performing ongoing integrity management and maintenance to customers within the energy industry. Customers within this segment vary from private and public utilities, communications, healthcare, education, transportation, manufacturing, industrial plants, and governmental agencies throughout North America.

We focus on growing our recurring revenues and repeat business from our diversified long-standing customers across a variety of end markets, which we believe provides us with stable cash flows and a platform for organic growth. We believe maintenance and service revenues are generally more predictable through contractual arrangements with typical terms ranging from days to three years, with the majority having short durations and are often recurring due to consistent renewal rates and long-standing customer relationships.

For financial information about our operating segments, see Note 17 – “Segment Information” to our condensed consolidated financial statements included herein.

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RECENT DEVELOPMENTS AND CERTAIN FACTORS AND TRENDS AFFECTING OUR RESULTS OF OPERATIONS

Acquisitions

On June 3, 2024, we completed the acquisition of Elevated Facility Services Group (“Elevated”). The total net consideration for the Elevated acquisition was \$570 million. Elevated is a premier provider of contractually based services for all major brands of elevator and escalator equipment.

For additional information about our acquisition activity, see Note 3 – “Business Combinations” to our condensed consolidated financial statements included herein.

Restructuring

During 2022, we announced our multi-year Chubb restructuring program designed to drive efficiencies and synergies and optimize operating margin. The Chubb restructuring program includes expenses related to workforce reductions, lease termination costs, and other facility rationalization costs through fiscal year 2025.

During the three six months ended March 31, 2024 June 30, 2024, we have incurred pre-tax restructuring costs within the Safety Services segment of \$1 million \$5 million in connection with the Chubb restructuring program. In total, we estimate that we will recognize approximately \$125 million of restructuring and other costs related to the Chubb restructuring program by the end of fiscal year 2025.

For additional information about our restructuring activity, see Note 4 – “Restructuring” to our condensed consolidated financial statements included herein.

Economic, Industry and Market Factors

We closely monitor the effects of general changes in economic and market conditions on our customers. General economic and market conditions can negatively affect demand for our customers’ products and services, which can affect their planned capital and maintenance budgets in certain end markets. Market, regulatory, and industry factors could affect demand for our services. Availability of transportation and transmission capacity and fluctuations in market prices for energy and other fuel sources can also affect demand for our services for pipeline and power generation construction services. These fluctuations, as well as the highly competitive nature of our industries, have resulted and may continue to result, in lower proposals and lower profit on the services we provide. In the face of increased pricing pressure on key materials, such as steel, or other market developments, we strive to maintain our profit margins through productivity improvements, cost reduction programs, pricing adjustments, and business streamlining efforts. Increased competition for skilled labor resources and higher labor costs can reduce our profitability and impact our ability to deliver timely service to our customers. We have experienced supply chain disruptions, which have negatively impacted the source and supply of materials needed to perform our work. In addition, fluctuations in foreign currencies may have an impact on our financial position and the results of operations. However, we believe that our exposure to transactional gains or losses resulting from changes in foreign currencies is limited because our foreign operations primarily invoice and collect receivables in their respective local or functional currencies, and the expenses associated with these transactions are generally contracted and paid for in the same local currencies. In cases where operational transactions represent a material currency risk, we generally enter into cross-currency swaps. Refer to Note 8 – “Derivatives” to our condensed consolidated financial statements included in this quarterly report for additional information on our hedging activities. While we actively monitor economic, industry, and market factors that could affect our business, we cannot predict the effect that changes in such factors may have on our future consolidated results of operations, liquidity, and cash flows, and we may be unable to fully mitigate, or benefit from such changes.

Effect of Seasonality and Cyclical Nature of Business

Our net revenues and results of operations can be subject to variability stemming from seasonal and other variations. Seasonal variations can be influenced by weather conditions impacting customer spending patterns, contract award seasons, and project schedules, as well as the timing of holidays. Consequently, net revenues for our businesses are typically lower during the first and second quarters due to the prevalence of unfavorable weather conditions within our North America companies, which can cause project delays and affect productivity.

Additionally, the industries we serve can be cyclical. Fluctuations in end-user demand, or in the supply of services within those industries, can affect demand for our services. As a result, our business may be adversely affected by industry declines or by delays in new projects. Variations or unanticipated changes in project schedules in connection with large projects can create fluctuations in net revenues.

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Recent Accounting Pronouncements

A summary of recent accounting pronouncements is included in Note 2 – “Recent Accounting Pronouncements” to our condensed consolidated financial statements included herein.

DESCRIPTION OF KEY LINE ITEMS

Net revenues

Net revenues are generated from the sale of various types of contracted services, fabrication and distribution. We derive net revenues primarily from services under contractual arrangements with durations ranging from days to three years, with the majority having durations of less than six months, and which may provide the customer with pricing options that include a combination of fixed, unit, or time and material pricing. Net revenues for fixed price agreements are generally recognized over time using the cost-to-cost method of accounting which measures progress based on the cost incurred to total expected cost in satisfying our performance obligation.

Net revenues from time and material contracts are recognized as the services are provided. Net revenues earned are based on total contract costs incurred plus an agreed upon markup. Net revenues for these cost-plus contracts are recognized over time on an input basis as labor hours are incurred, materials are utilized, and services are performed. Net revenues from wholesale or retail unit sales are recognized at a point-in-time upon shipment.

Cost of revenues

Cost of revenues consists of direct labor, materials, subcontract costs and indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Labor costs are considered to be incurred as the work is performed. Subcontractor labor is recognized as the work is performed.

Gross profit

Our gross profit is influenced by direct labor, materials, and subcontract costs. Our profit margins are also influenced by raw material costs, contract mix, weather, and proper coordination with contract providers. Labor-intensive contracts usually drive higher margins than those contracts that include material, subcontract, and equipment costs.

Selling, general, and administrative expenses (“SG&A”)

Selling expenses consist primarily of compensation and associated costs for sales and advertising, trade shows, and corporate marketing. General and administrative expenses consist primarily of compensation and associated costs for executive management, personnel, facility leases, administrative expenses associated with accounting, finance, legal, information systems, leadership development, human resources, and risk management, and overhead associated with these functions. General and administrative expenses also include outside professional fees and other corporate expenses.

Amortization of intangible assets

Amortization expense reflects the charges incurred to amortize our finite-lived identifiable intangible assets, such as customer relationships, which are amortized over their estimated useful lives. There is a portion of amortization expense related to the backlog intangible assets reflected in cost of revenues in the condensed consolidated statements of operations.

Loss on extinguishment of debt, net

Loss on extinguishment of debt, net reflects the difference between the repurchase price and carrying amount of debt at the time of extinguishment.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For information regarding our Critical Accounting Policies, see the “Critical Accounting Policies” section of the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations during the three and six months ended March 31, 2024 June 30, 2024 and the three and six months ended March 31, 2023 June 30, 2023.

Three months ended March 31, 2024 June 30, 2024 compared to the three months ended March 31, 2023 June 30, 2023

		Three Months Ended March 31, 2024				Change				Three Months Ended June 30, 2024				Change			
(\$ in millions)	(\$ in millions)	2024	2023	2024	2023	\$	%	(\$ in millions)		2024	2023	2024	2023	\$	%		
Net revenues	Net revenues	\$1,601	\$1,614	\$1,730	\$1,771	\$(13)	(0.8)	Net revenues		\$1,730	\$1,771	\$441	25.0	\$	25.0		
Cost of revenues	Cost of revenues	1,109	1,189	1,186	1,275	(80)	(6.7)	Cost of revenues		1,186	1,275	(89)	(7.0)		(7.0)		
Gross profit	Gross profit	492	425	544	496	67	15.8	Gross profit		544	496	48	9.7		9.7		
Selling, general, and administrative expenses	Selling, general, and administrative expenses	392	352	418	389	40	11.4	Selling, general, and administrative expenses		418	389	29	7.5		7.5		
Operating income	Operating income	100	73	126	107	27	37.0	Operating income		126	107	19	17.8		17.8		
Interest expense, net	Interest expense, net	34	37	35	38	(3)	(8.1)	Interest expense, net		35	38	(3)	(7.9)		(7.9)		
Loss on extinguishment of debt, net		—	3	—	—	(3)	(100.0)			—	—	—	—				
Investment expense (income) and other, net	Investment expense (income) and other, net	3	(5)	2	(6)	8	(160.0)	Investment expense (income) and other, net		2	(6)	(8)	(400.0)		(400.0)		
Other expense, net	Other expense, net	37	35	37	32	2	5.7	Other expense, net		37	32	5	15.6		15.6		
Income before income taxes	Income before income taxes	63	38	89	75	25	65.8	Income before income taxes		89	75	14	18.7		18.7		
Income tax provision	Income tax provision	18	12	20	27	6	50.0	Income tax provision		20	27	(7)	(25.9)		(25.9)		
Net income	Net income	\$ 45	\$ 26	\$ 69	\$ 48	\$ 19	73.1	Net income		\$ 69	\$ 48	\$ 21	43.8		43.8		

Net revenues

Net revenues for the three months ended March 31, 2024 June 30, 2024 were \$1,601 million \$1,730 million compared to \$1,614 million \$1,771 million for the same period in 2023, a decrease of \$13 million \$41 million or 0.8% 2.3%. The decrease in net revenues was primarily driven by disciplined project and customer selection on our longer term projects and project delays in the Specialty Services segment and the divestiture of an Infrastructure/Utility operating company in the Specialty Services segment during 2023, partially offset by growth in inspection, service, and monitoring revenue in and acquisitions completed within the Safety Services segment.

Gross profit

The following table presents our gross profit (net revenues less cost of revenues) and gross margin (gross profit as a percentage of net revenues) for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively:

Three Months Ended March 31,		Change
Three Months Ended June 30,		Change

(\$ in millions)	(\$ in millions)	2024		2023	\$	%	(\$ in millions)	2024	2023	\$	%
Gross profit	Gross profit	\$ 492		425	\$ 67	15.8	Gross profit	\$ 544	\$ 496	\$ 48	9.7
Gross margin											

Our gross profit for the three months ended **March 31, 2024** **June 30, 2024** was **\$492 million** **\$544 million** compared to **\$425 million** **\$496 million** for the same period in 2023, an increase of **\$67 million** **\$48 million** or **15.8%** **9.7%**. Gross margin for the three months ended **March 31, 2024** **June 30, 2024** was **30.7%** **31.4%**, an increase of **440** **340** basis points compared to the prior year period, primarily due to disciplined project and customer selection, pricing improvements in our Safety Services segment, and an improved mix of inspection, service, and monitoring revenue, which generates higher margins.

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Operating expenses

The following table presents operating expenses and operating margin (operating income as a percentage of net revenues) for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively:

		Three Months Ended March 31,						Change								
		Three Months Ended June 30,						Change								
(\$ in millions)	(\$ in millions)	2024		2023		\$		%	(\$ in millions)	2024		2023		\$		%
Selling, general, and administrative expenses	Selling, general, and administrative expenses	\$392	\$	352	\$	\$40	11.4	11.4 %	Selling, general, and administrative expenses	\$418	\$	\$389	\$	\$29	7.5	7.5 %

SG&A expenses as a % of net revenues

Operating margin	
Operating margin	
Operating margin	
SG&A expenses (excluding amortization) (Non-GAAP)	
SG&A expenses (excluding amortization) (non-GAAP)	
SG&A expenses (excluding amortization) (Non-GAAP)	
SG&A expenses (excluding amortization) (non-GAAP)	
SG&A expenses (excluding amortization) (Non-GAAP)	\$342 \$ 304 \$38 12.5 %
SG&A expenses (excluding amortization) as a % of net revenues (Non-GAAP)	
SG&A expenses (excluding amortization) (non-GAAP)	\$366 \$ 339 \$27 8.0 %
SG&A expenses (excluding amortization) as a % of net revenues (non-GAAP)	

Selling, general, and administrative expenses

Our SG&A expenses for the three months ended **March 31, 2024** **June 30, 2024** were **\$392 million** **\$418 million** compared to **\$352 million** **\$389 million** for the same period in 2023, an increase of **\$40 million** **\$29 million**. SG&A expenses as a percentage of net revenues was **24.5%** **24.2%** during the three months ended **March 31, 2024** **June 30, 2024** compared to **21.8%** **22.0%** for the same period in 2023. The increase in SG&A expenses as a percentage of net revenues was primarily driven by investments to support our Safety Services segment and Specialty Services segments acquisition costs that are non-recurring in nature in the three months ended **March 31, 2024** **June 30, 2024** compared to 2023. The increase in SG&A expenses was also due to third party advisor costs partially offset by savings in our Safety Services segment related to the **Series B Preferred Stock Conversion** that are non-recurring in nature, Chubb restructuring program. Our SG&A expenses excluding amortization for the three months ended **March 31, 2024** **June 30, 2024** were **\$342 million** **\$366 million**, or **21.4%** **21.2%** of net revenues, compared to **\$304 million** **\$339 million**, or **18.8%** **19.1%** of net revenues, for the same period of 2023. The increase in SG&A expenses excluding amortization as a percentage of net revenues is primarily due to the factors discussed above. See the discussion and reconciliation of our non-U.S. GAAP financial measures below.

Interest expense, net

Interest expense was **\$34 million** **\$35 million** and **\$37 million** **\$38 million** for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively. The decrease in interest expense was primarily due to the decrease in the average outstanding principal amounts of our floating rate debt, partially offset by an increase in interest rates on our **floating interest rate debt**.

Loss on extinguishment of debt, net

During 2023, we made aggregate payments of \$200 million to pay down outstanding principal amounts investment of the 2019 Term Loan equity and 2021 Term Loan. In connection with debt cash proceeds prior to the payments, we recognized a net loss on debt extinguishment of \$3 million. Elevated acquisition.

Investment expense (income) and other, net

Investment expense (income) and other, net was \$3 million expense of \$2 million for the three months ended March 31, 2024 June 30, 2024 compared to income of \$5 million \$6 million for the prior year, same period of 2023. The increase in investment expense and other was primarily due to an increase in non-service pension costs in the current year.

Income tax provision

The effective tax rate for the three months ended March 31, 2024 June 30, 2024 was 28.0%, 22.4% compared to 30.6% 37.2% in the same period of 2023. 2023. The difference in the effective tax rate was driven by changes to the forecasted geographical income mix offset by discrete and nondeductible permanent items. The difference between the effective tax rate and the statutory U.S. federal income tax rate of 21.0% is due to the nondeductible permanent items, taxes on foreign earnings in jurisdictions that have higher tax rates, state taxes, and state taxes, discrete items.

The Organization for Economic Co-operation and Development has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective January 1, 2024 and other aspects effective January 1, 2025. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which the Company operates have adopted the legislation, and other countries are in the process of introducing legislation to implement Pillar 2. The Company is continuing to evaluate and monitor but does not expect for Pillar 2 to have a material impact on the effective tax rate or the consolidated financial statements.

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Net income and EBITDA

The following table presents net income and EBITDA for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively:

The following table presents net income and EBITDA for the three months ended March 31, 2024, June 30, 2024 and 2023, respectively.																
Three Months Ended March 31, Change																
Three Months Ended June 30, Change																
(\$ in millions)	(\$ in millions)	2024		2023		\$		%	(\$ in millions)	2024		2023		\$		%
Net income	Net income	\$45	\$	26	\$	\$19	73.1	73.1 %	Net income	\$ 69	\$	\$48	\$	\$21	43.8	43.8 %
EBITDA (non-GAAP)	EBITDA (non-GAAP)	166	149	149	\$	\$ 17	11.4	11.4 %	EBITDA (non-GAAP)	199	188	188	11	11	5.9	5.9 %
Net income as a % of net revenues																
EBITDA as a % of net revenues																
EBITDA as a % of net revenues																
EBITDA as a % of net revenues																

Specialty Services	Specialty Services	389	430	430	\$	(41)	(9.5)	(9.5)	%	Specialty Services	453	555	555	(102)	(10)
Corporate and Eliminations	Corporate and Eliminations	(2)	(7)	(7)	NM			NM		Corporate and Eliminations	(2)	(9)	(9)	NM	
		\$	\$ 1,601	\$	\$ 1,614	\$	\$ (13)	(0.8)	(0.8)%		\$ 1,730	\$	\$ 1,771	\$	

Operating Income (Loss)

Three Months Ended March 31, Change																		
Three Months Ended June 30, Change																		
(\$ in millions)	(\$ in millions)	2024		2023		\$		%	(\$ in millions)	2024		2023		\$		%		
Safety Services	Safety Services	\$125	\$	\$ 96	\$	\$ 29	30.2	30.2 %	Safety Services	\$ 139	\$	\$ 98	\$	\$ 41	41.8	41.8 %		

Safety Services operating margin

Specialty Services	Specialty Services	\$ 7	\$	\$ —	\$	\$ 7	NM	NM	\$35	\$	\$41	\$	\$ (6)	(14.6	(14.6 %)		
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Specialty Services operating margin

Corporate and Eliminations																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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EBITDA

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EBITDA

Three Months Ended March 31, Change																		
Three Months Ended June 30, Change																		
(\$ in millions)	(\$ in millions)	2024		2023		\$		%	(\$ in millions)	2024		2023		\$		%		
Safety Services	Safety Services	\$163	\$	\$ 146	\$	\$ 17	11.6	11.6 %	Safety Services	\$184	\$	\$ 150	\$	\$ 34	22.7	22.7 %		

Safety Services EBITDA as a % of net revenues

Specialty Services	Specialty Services	\$ 33	\$	\$ 27	\$	\$ 6	22.2	22.2 %	\$62	\$	\$ 69	\$	\$ (7)	(10.1	(10.1 %)		
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Corporate and
Eliminations

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Safety Services

Safety Services operating margin for the three months ended March 31, 2024 June 30, 2024 and 2023 was approximately 10.3% 10.9% and 8.1% 8.0%, respectively. The increase was primarily the result of disciplined project and customer selection, pricing improvements, improved mix of inspection, service and monitoring revenue, which generates higher margins, and savings in our Safety Services segment related to the Chubb restructuring program. Safety Services EBITDA as a percentage of net revenues for the three months ended March 31, 2024 June 30, 2024 and 2023 was approximately 13.4% 14.4% and 12.3% 12.2%, respectively. This increase was primarily related to the factors discussed above.

Specialty Services

Specialty Services operating margin was approximately 1.8%, 7.7% and 0% 7.4% for the three months ended March 31, 2024, June 30, 2024 and 2023, respectively. The increase was primarily the result of disciplined project and customer selection. Specialty Services EBITDA as a percentage of net revenues for the three months ended March 31, 2024, June 30, 2024 and 2023 was approximately 8.5%, 13.7% and 6.3% 12.4%, respectively, due to the factors discussed above.

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

	Six Months Ended June 30,		Change	
(\$ in millions)	2024	2023	\$	%
Net revenues	\$ 3,331	\$ 3,385	\$ (54)	(1.6)%
Cost of revenues	2,295	2,464	(169)	(6.9)%
Gross profit	1,036	921	115	12.5 %
Selling, general, and administrative expenses	810	741	69	9.3 %
Operating income	226	180	46	25.6 %
Interest expense, net	69	75	(6)	(8.0)%
Loss on extinguishment of debt, net	—	3	(3)	(100.0)%
Investment expense (income) and other, net	5	(11)	(16)	(145.5)%
Other expense, net	74	67	7	10.4 %
Income before income taxes	152	113	39	34.5 %
Income tax provision	38	39	(1)	(2.6)%
Net income	\$ 114	\$ 74	\$ 40	54.1 %

Net revenues

Net revenues for the six months ended June 30, 2024 were \$3,331 million compared to \$3,385 million for the same period in 2023, a decrease of \$54 or 1.6%. The decrease was primarily driven by disciplined project and customer selection and project delays in the Specialty Services segment and the divestiture of an Infrastructure/Utility operating company in the Specialty Services segment during 2023, partially offset by growth in inspection, service, and monitoring revenue in the Safety Services segment.

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Gross profit

The following table presents our gross profit (net revenues less cost of revenues) and gross margin (gross profit as a percentage of net revenues) for the six months ended June 30, 2024 and 2023, respectively:

(\$ in millions)	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Gross profit	\$ 1,036	\$ 921	\$ 115	12.5 %
Gross margin	31.1 %	27.2 %		

Our gross profit for the six months ended June 30, 2024 was \$1,036 million compared to \$921 million for the same period in 2023, an increase of \$115 million, or 12.5%. Gross margin was 31.1%, an increase of 390 basis points compared to the prior year period, primarily due to disciplined project and customer selection, pricing improvements in our Safety Services segment, and an improved mix of inspection, service, and monitoring revenue, which generates higher margins.

Operating expenses

The following table presents operating expenses and operating margin (operating income (loss) as a percentage of net revenues) for the six months ended June 30, 2024 and 2023, respectively:

(\$ in millions)	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Selling, general, and administrative expenses	\$ 810	\$ 741	\$ 69	9.3 %
SG&A expense as a % of net revenues	24.3 %	21.9 %		
Operating margin	6.8 %	5.3 %		
SG&A expenses (excluding amortization) (non-GAAP)	\$ 708	\$ 643	\$ 65	10.1 %
SG&A expenses (excluding amortization) as a % of net revenues (non-GAAP)	21.3 %	19.0 %		

Selling, general, and administrative expenses

Our SG&A expenses for the six months ended June 30, 2024 were \$810 million compared to \$741 million for the same period in 2023, an increase of \$69 million. SG&A expenses as a percentage of net revenues was 24.3% during the six months ended June 30, 2024 compared to 21.9% for the same period in 2023. The increase in SG&A expenses was primarily driven by investments to support our Safety Services and Specialty Services segments in the six months ended June 30, 2024 compared to 2023. The increase was also due to acquisition costs and third party advisor costs related to the Series B Preferred Stock Conversion that are non-recurring in nature in the six months ended June 30, 2024. The increase in SG&A expenses was partially offset by savings in our Safety Services segment related to the Chubb restructuring program. Our SG&A expenses excluding amortization and impairment for the six months ended June 30, 2024 were \$708 million or 21.3% of net revenues, compared to \$643 million, or 19.0% of net revenues, for the same period of 2023 primarily due to the factors discussed above. See the discussion and reconciliation of our non-U.S. GAAP financial measures below.

Interest expense, net

Interest expense was \$69 million and \$75 million for the six months ended June 30, 2024 and 2023, respectively. The decrease in interest expense was primarily due to the investment of the equity and debt cash proceeds prior to the Elevated acquisition and lower debt issuance cost amortization.

Loss on extinguishment of debt, net

During the six months ended June 30, 2023, we made aggregate payments of \$200 million to pay down outstanding principal amounts of the 2019 Term Loan and 2021 Term Loan. In connection with the payments, we recognized a net loss on debt extinguishment of \$3 million.

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Investment expense (income) and other, net

Investment expense (income) and other, net was expense of \$5 million during the six months ended June 30, 2024 compared to income of \$11 million for the same period in 2023. The increase in investment expense and other was primarily due to an increase in non-service pension costs in the current year.

Income tax provision

The income tax provision for the six months ended June 30, 2024 was \$38 million compared to \$39 million in the same period of 2023. This change was driven by increased generated income before taxes in the six months ended June 30, 2024 compared to the same period of the prior year. The effective tax rate for the six months ended June 30, 2024 was 24.7%, compared to 35.0% in the same period of 2023. The difference in the effective tax rate was driven by discrete and nondeductible permanent items. The difference between the effective tax rate and the statutory U.S. federal income tax rate of 21.0% is due to the nondeductible permanent items, taxes on foreign earnings in jurisdictions that have higher tax rates, state taxes, and discrete items.

Net income and EBITDA

The following table presents net income and EBITDA for the six months ended June 30, 2024 and 2023, respectively:

(\$ in millions)	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Net income	\$ 114	\$ 74	\$ 40	54.1 %
EBITDA (non-GAAP)	365	337	28	8.3 %
Net income as a % of net revenues	3.4 %	2.2 %		
EBITDA as a % of net revenues	11.0 %	10.0 %		

Our net income for the six months ended June 30, 2024 was \$114 million compared to \$74 million for the same period in 2023, an increase of \$40 million. The improvement is primarily attributable to growth in inspection, service, and monitoring revenue and pricing improvements in our Safety Services segment, in addition to improved operating margin due to disciplined project and customer selection in our Safety Services and Specialty Services segments. The increase in is also attributable to savings in our Safety Services segment related to the Chubb restructuring program. The net income increase was partially offset by an increase in non-service pension costs of approximately \$15 million. Net income as a percentage of net revenues for the six months ended June 30, 2024 and 2023 was 3.4% and 2.2%, respectively. EBITDA for the six months ended June 30, 2024 was \$365 million compared to \$337 million for the same period in 2023, an increase of \$28 million. The increase in EBITDA was primarily driven by the factors previously discussed. See the discussion and reconciliation of our non-U.S. GAAP financial measures below.

Operating Segment Results for the six months ended June 30, 2024 compared to the six months ended June 30, 2023

(\$ in millions)	Net Revenues			
	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Safety Services	\$ 2,493	\$ 2,416	\$ 77	3.2 %
Specialty Services	842	985	(143)	(14.5)%
Corporate and Eliminations	(4)	(16)	NM	NM
	<u>\$ 3,331</u>	<u>\$ 3,385</u>	<u>(54)</u>	<u>(1.6)%</u>

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(\$ in millions)	Operating Income (Loss)			
	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Safety Services	\$ 264	\$ 194	\$ 70	36.1 %
Safety Services operating margin	10.6 %	8.0 %		
Specialty Services	\$ 42	\$ 41	\$ 1	2.4 %
Specialty Services operating margin	5.0 %	4.2 %		
Corporate and Eliminations	\$ (80)	\$ (55)	NM	NM
	<u>\$ 226</u>	<u>\$ 180</u>	<u>\$ 46</u>	<u>25.6 %</u>

(\$ in millions)	EBITDA			
	Six Months Ended June 30,		Change	
	2024	2023	\$	%
Safety Services	\$ 347	\$ 296	\$ 51	17.2 %

Safety Services EBITDA as a % of net revenues		13.9 %		12.3 %		
Specialty Services	\$	95	\$	96	\$	(1) (1.0 %)
Specialty Services EBITDA as a % of net revenues		11.3 %		9.7 %		
Corporate and Eliminations	\$	(77)	\$	(55)		NM NM
	\$	365	\$	337	\$	28 8.3 %

NM = Not meaningful

The following discussion breaks down the net revenues, operating income (loss), and EBITDA by operating segment for the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

Safety Services

Safety Services net revenues for the six months ended June 30, 2024 increased by \$77 or 3.2% compared to the same period in 2023. The increase was driven by increased inspection, service, and monitoring revenue and revenue from acquisitions completed in the last year. This increase was also due to continued strength in our end markets and strategic pricing improvements.

Safety Services operating margin for the six months ended June 30, 2024 and 2023 was approximately 10.6% and 8.0%, respectively. The increase was primarily the result of disciplined project and customer selection, pricing improvements, and improved mix of inspection, service, and monitoring revenue, which generates higher margins, and savings in our Safety Services segment related to the Chubb restructuring program. Safety Services EBITDA as a percentage of net revenues for the six months ended June 30, 2024 and 2023 was approximately 13.9% and 12.3%, respectively. This increase was primarily related to the factors discussed above.

Specialty Services

Specialty Services net revenues for the six months ended June 30, 2024 decreased by \$143 million or 14.5% compared to the same period in 2023. The decrease was primarily due to continued disciplined project and customer selection, project delays, and the planned exit of a customer relationship in the Infrastructure/Utility reporting unit. The decrease is also due to the divestiture of an Infrastructure/Utility operating company during 2023.

Specialty Services operating margin for the six months ended June 30, 2024 and 2023 was approximately 5.0% and 4.2%, respectively. The increase was primarily the result of disciplined project and customer selection during the six months ended June 30, 2024. Specialty Services EBITDA as a percentage of net revenues for the six months ended June 30, 2024 and 2023 was approximately 11.3% and 9.7%, respectively, due to the factors discussed above.

Non-GAAP Financial Measures

We supplement our reporting of consolidated financial information determined in accordance with U.S. GAAP with SG&A expenses (excluding amortization) and EBITDA (defined below), which are non-U.S. GAAP financial measures. We

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use these non-U.S. GAAP financial measures to evaluate our performance, both internally and as compared with our peers because they exclude certain items that may not be indicative of our core operating results. Management believes these measures are useful to investors since they (a) permit investors to view our performance using the same tools that management uses to evaluate our past performance, reportable business segments, and prospects for future performance, (b) permit investors to compare us with our peers, and (c) in the case of EBITDA, determines certain elements of management's incentive compensation.

These non-U.S. GAAP financial measures, however, have limitations as analytical tools and should not be considered in isolation from, a substitute for, or superior to, the related financial information we report in accordance with U.S. GAAP. The principal limitation of these non-U.S. GAAP financial measures is that they exclude significant expenses required by U.S. GAAP to be recorded in our financial statements and may not be comparable to similarly titled measures of other companies due to potential differences in calculation methods. In addition, these measures are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded or included in determining these non-U.S. GAAP financial measures. Investors are encouraged to review the following reconciliations of these non-U.S. GAAP financial measures to the most comparable U.S. GAAP financial measures and not to rely on any single financial measure to evaluate our business.

SG&A expenses (excluding amortization)

SG&A expenses (excluding amortization) is a measure of operating costs used by management to manage the business and its segments. We believe this non-U.S. GAAP measure provides meaningful information and helps investors understand our core selling, general, and administrative expenses excluding acquisition-related amortization expense charges to better enable investors to understand our financial results and assess our prospects for future performance.

The following tables present reconciliations of SG&A expenses to SG&A expenses (excluding amortization) for the periods indicated:

	Three Months Ended March 31,				Three Months Ended June 30,	
	(\$ in millions)	2024	2023	(\$ in millions)	2024	2023
Reported SG&A expenses						

Adjustments to reconcile to SG&A expenses to SG&A expenses (excluding amortization)

Amortization expense
Amortization expense
Amortization expense

SG&A expenses (excluding amortization)

	Six Months Ended June 30,
	Six Months Ended June 30,
	Six Months Ended June 30,
(\$ in millions)	20242023

Reported SG&A expenses
Adjustments to reconcile to SG&A expenses to SG&A expenses (excluding amortization)
Amortization expense
Amortization expense
Amortization expense
SG&A expenses (excluding amortization)

EBITDA

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. We supplement the reporting of our consolidated financial information with EBITDA. We believe this non-U.S. GAAP measure provides meaningful information and helps investors understand our financial results and assess our prospects for future performance. Consolidated EBITDA is calculated in a manner consistent with segment EBITDA, which is a measure of segment profitability.

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The following table presents a reconciliation of net income to EBITDA for the periods indicated:

				Three Months Ended March 31,		Three Months Ended June 30,	
(\$ in millions)	(\$ in millions)	2024		2023	(\$ in millions)	2024	2023
Reported net income							
Adjustments to reconcile net income to EBITDA:							
Interest expense, net							
Interest expense, net							
Interest expense, net							
Income tax provision							
Depreciation							
Amortization							
EBITDA							

				Six Months Ended June 30,	
(\$ in millions)		2024		2023	
Reported net income	\$	114	\$	74	
Adjustments to reconcile net income to EBITDA:					
Interest expense, net		69		75	
Income tax provision		38		39	
Depreciation		39		38	
Amortization		105		111	
EBITDA	\$	365	\$	337	

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity are cash flows from the operating activities of our consolidated subsidiaries, available cash and cash equivalents, our access to our \$500 million **five year five-year** senior secured revolving credit facility (the "Revolving Credit Facility") and the proceeds from debt **and equity** offerings. We believe these sources will be sufficient to fund our liquidity requirements for at least the next twelve months. Although we believe we have sufficient resources to fund our future cash requirements, there are many factors with the potential to influence our cash flow position including weather, seasonality, commodity prices, market conditions, and inflation, over which we have no control.

As of **March 31, 2024** **June 30, 2024**, we had **\$643 million** **\$820 million** of total liquidity, comprising **\$247 million** **\$324 million** in cash and cash equivalents and **\$396 million** **\$496 million** (**\$400** **500** million less outstanding letters of credit of approximately \$4 million, which reduce availability) of available borrowings under our Revolving Credit Facility.

During 2022, we **entered into an amendment** **completed the Second Amendment** to our credit agreement. As part of this amendment, we entered into a \$1,100 million seven year incremental term loan ("2021 Term Loan"), the Revolving Credit Facility was upsized by \$200 million to \$500 million, the maturity date of the Revolving Credit Facility was extended five years, and the letter of credit limit was increased by \$100 million to \$250 million.

During 2023, we completed the Fourth Amendment to our credit agreement, repricing our 2019 Term Loan and 2021 Term Loan. The repricing reduced the applicable margin on all outstanding amounts by 25 basis points. Additionally, \$422 million of the 2019 Term Loan was extended to the 2021 Term Loan and assumed all the same terms as the repriced 2021 Term Loan. We made a repayment of \$100 million on the 2019 Term Loan concurrent with the close of this transaction.

During the **three months ended March 31, 2024**, **first quarter of 2024**, we **upsized** **completed the Fifth Amendment to our credit agreement**, **upsizing** our 2021 Term Loan by \$300 million **with a Fifth Amendment to our credit agreement**. The loan proceeds were directed as consideration for a portion of the purchase price for the Series B Preferred Stock Conversion.

During the **three months ended March 31, 2024**, **second quarter of 2024**, we **drew** **completed the Sixth Amendment to our credit agreement**, **repaying the 2019 Term Loan and refinancing the 2021 Term Loan through an upsizing and repricing**. We incurred approximately \$550 million of incremental principal on our 2021 Term Loan. The proceeds were used to repay the remaining \$330 million of the 2019

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Term Loan, repay \$100 million **under of** the Revolving Credit Facility **outstanding**, and for general corporate purposes, including to **partially** fund the Elevated acquisition.

During the second quarter of 2024, we issued 12,650,000 shares of Company common stock in a **portion** public underwritten offering. The proceeds from this offering totaled approximately \$458 million, net of related expenses. We expect to use the **purchase price net proceeds from this offering for the Series B Preferred Stock Conversion**, **general corporate purposes, which may include future acquisitions and other business opportunities, capital expenditures and working capital**.

We expect to continue to be able to access the capital markets through equity and debt offerings for liquidity purposes as needed. Our principal liquidity requirements have been, and we expect will continue to be, for working capital and general corporate purposes, including capital expenditures and debt service, any accrued consideration and compensation due to selling shareholders, including tax payments in connection therewith, as well as to identify, execute, and integrate strategic acquisitions and business transformation transactions or initiatives.

On February 26, 2024, our Board of Directors authorized a stock repurchase program ("SRP") to purchase up to an aggregate of \$1,000 million of shares of our common stock. This stock repurchase program is indefinite, unless otherwise modified or terminated by our Board of Directors at any time in its sole discretion. During the **three six** months ended **March 31, 2024** **June 30, 2024**, we repurchased 16,260,160 shares of common stock for approximately \$600 million. As of **March 31, 2024** **June 30, 2024**, we had approximately \$400 million of authorized repurchases remaining under the SRP.

In 2022, our Board of Directors authorized a stock repurchase program ("2022 SRP"), authorizing the purchase of up to an aggregate of \$250 million of common stock through February 2024. The 2022 SRP expired on February 29, 2024.

Cash Flows

The following table summarizes net cash flows with respect to our operating, investing and financing activities for the periods indicated:

(\$ in millions)	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash provided by (used in) operating activities				
Net cash provided by operating activities				
Net cash used in investing activities				
Net cash used in financing activities				
Net cash provided by (used in) financing activities				
Effect of foreign currency exchange rate change on cash, cash equivalents, and restricted cash				
Net decrease in cash, cash equivalents, and restricted cash				

Cash, cash equivalents, and restricted cash, end of period

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was \$7 million \$117 million for the three six months ended March 31, 2024 June 30, 2024 compared to \$1 million of cash used \$73 million for the same period in 2023. The increase in cash provided by operating activities is primarily due to an increase in net income in the period. This increase in cash provided by operating activities is also driven by lower working capital needs associated with the various services we provided in the three six months ended March 31, 2024 June 30, 2024 compared to the same period of the prior year. Cash flow from operations is primarily driven by changes in the mix and timing of demand for our services and working capital needs associated with the various services we provide. Working capital is primarily affected by changes in total accounts receivable, accounts payable, accrued expenses, and contract assets and contract liabilities, all of which tend to be related and are affected by changes in the timing and volume of work performed.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$22 million \$623 million for the three six months ended March 31, 2024 June 30, 2024 compared to \$27 million \$82 million for the same period in 2023. We had proceeds on During the sale six months ended June 30, 2024, we completed the Elevated acquisition and several individually immaterial acquisitions, resulting in the use of property and equipment of \$23 million \$606 million for acquisitions during the three six months ended March 31, 2024 June 30, 2024 compared to \$4 million \$45 million for the same period in 2023, partially offset by cash used in acquisitions 2023.

[Table of \\$23 million and \\$10 million in the three months ended March 31, 2024 and 2023, respectively](#) [Contents](#)

Net Cash Used in Provided by (Used in) Financing Activities

Net cash used in provided by financing activities was \$213 million \$357 million for the three six months ended March 31, 2024 June 30, 2024 compared to \$216 million \$232 million used in financing activities for the same period in 2023. The consistent use of increase in cash in provided by financing activities was primarily driven by equity and stock repurchases debt issuances in the three six months ended March 31, 2024 related to the Series B Preferred Stock Conversion. June 30, 2024. In the three six months ended March 31, 2024 June 30, 2024, \$400 million cash provided by financing activities was higher due to \$850 million of proceeds from the repricing transactions of the 2021 Term Loan, and Revolving Credit Facility were used for share repurchases \$458 million of \$600 million during proceeds from the Series B Preferred Stock Conversion. issuance of common shares. The increase in cash used in financing activities in the three six months ended March 31, 2023 June 30, 2024 was driven partially offset by \$202 million \$334 million of aggregate payments on long-term borrowings and \$600 million of payments for conversion of the 2019 Term Loan and 2021 Term Loan. Series B Preferred Stock.

Financing Activities

Credit Agreement

We have entered into a Credit Agreement by and among APi Group DE, Inc., our wholly-owned subsidiary, as borrower ("APi Group DE"), APG as a guarantor, the subsidiary guarantors from time to time party thereto, the lenders from time to time party thereto, and Citibank N.A., as administrative agent and as collateral agent (the "Credit Agreement") which provides for: (1) a term loan facility, pursuant to which we incurred the \$1,200 million term loan ("2019 Term Loan") used to fund a part of the cash portion of the purchase price in the APi Acquisition, and a \$1,100 million seven-year incremental term loan ("2021 Term Loan") used to fund a portion of the purchase price in the Chubb acquisition, and (2) a \$500 million Revolving Credit Facility of which up to \$250 million can be used for the issuance of letters of credit.

During the three months ended March 31, 2024, first quarter of 2024, we completed the Fifth Amendment to our credit agreement, upsizing our 2021 Term Loan by an aggregate principal amount equal to \$300. \$300 million. The loan proceeds were directed as consideration for a portion of the purchase price for the Series B Preferred Stock Conversion.

During the second quarter of 2024, we completed the Sixth Amendment to our credit agreement, refinancing the 2021 Term Loan through an upsizing and repricing and repaying the 2019 Term Loan. We incurred approximately \$550 million of incremental principal our 2021 Term Loan. The proceeds were used to repay the remaining \$330 million of the 2019 Term Loan, repay \$100 million of the Revolving Credit Facility loan outstanding, and for general corporate purposes, including to partially fund the Elevated acquisition.

In 2023, we completed repricing of our 2019 Term Loan and 2021 Term Loan. The repricing reduces the applicable margin on all outstanding amounts by 25 basis points. Additionally, \$422 million of the 2019 Term Loan was extended to the 2021 Term Loan and assumed all the same terms as the repriced 2021 Term Loan.

The amended interest rate applicable to the 2019 Term Loan is, at our option, either (a) a base rate plus an applicable margin equal to 1.25% or (b) a Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to 2.25% plus a credit spread adjustment ("CSA"). Principal payments on the 2019 Term Loan are due in quarterly installments on the last day of each fiscal quarter, unless prepayments are made, for a total total annual amount equal to 1.00% of the initial aggregate principal amount of the 2019 Term Loan. The 2019 Term Loan matures on October 1, 2026. Based on the early prepayments we have made, we do not owe any quarterly principal amounts for the remainder of the 2019 Term Loan.

The amended interest rate applicable to the 2021 Term Loan is, at our option, either (a) a base rate plus an applicable margin equal to 1.50% 1.00% or (b) a Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to 2.50% plus a CSA. Principal payments on the 2021 Term Loan will be made in quarterly installments on the last day of each fiscal quarter, for a total total annual amount equal to 1.00% of the initial aggregate principal amount of the 2021 Term Loan. 2.00%. The 2021 Term Loan matures on January 3, 2029. The 2021 Term Loan is subject to the same mandatory prepayment provisions as the 2019 Term Loan. Based on the early prepayments we have made, we do not owe any quarterly principal amounts for the remainder of the 2021 Term Loan.

The interest rate applicable to borrowings under the Revolving Credit Facility is, at our option, either (a) a base rate plus an applicable margin equal to 1.25% or (2) a Term SOFR rate (adjusted for statutory reserves) plus an applicable margin equal to 2.25% plus a CSA.

The Credit Agreement contains customary representations and warranties, and affirmative and negative covenants, including covenants that, among other things, restrict our, and our restricted subsidiaries', ability to (i) incur additional indebtedness; (ii) pay dividends or make other distributions or repurchase or redeem capital stock; (iii) prepay, redeem or repurchase certain debt; (iv) make loans and investments; (v) sell, transfer and otherwise dispose of assets; (vi) incur or permit to exist certain liens; (vii) enter into transactions with affiliates; (viii) enter into agreements restricting subsidiaries' ability to pay dividends; and (ix) consolidate, amalgamate, merge or sell all or substantially all assets. The Credit Agreement also contains customary events of default. Furthermore, with respect to the revolving credit facility, we must maintain a first lien net leverage ratio that does not exceed (i) 4.00 to 1.00 for each fiscal quarter ending in 2021, and (ii) 3.75 to 1.00 for each fiscal quarter ending thereafter, if on the last day of any fiscal quarter the outstanding amount of all revolving loans and letter of credit obligations (excluding undrawn letters of credit up to \$40 million) under the Credit Agreement is greater than 30% of the total revolving credit commitments thereunder subject to a right of cure. Our first lien net leverage ratio as of **March 31, 2024** **June 30, 2024** was **2.09:1.00** **2.0:1.0**.

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As of **March 31, 2024** **June 30, 2024**, the 2019 Term Loan and the 2021 Term Loan have remaining principal amounts of **\$330 million** **\$0 million** and **\$1,707 million** **\$2,257 million**, respectively. We had **\$100 million** **no amounts** outstanding under the Revolving Credit Facility, under which **\$396 million** **\$496 million** was available after giving effect to \$4 million of outstanding letters of credit, which reduces availability.

On April 30, 2024, we began a process to reprice our 2021 Term Loan with a remaining principal balance of \$1,707 million. We expect that the repricing will reduce the applicable margin on all outstanding amounts. Additionally, we expect to increase the existing 2021 Term Loan by approximately \$550 million on the same terms as the current 2021 Term Loan. We expect to use the proceeds of approximately \$550 million to refinance the 2019 Term Loan with a remaining principal of \$330 million and repay the \$100 million Revolving Credit Facility borrowing as well as to provide funds for general corporate purposes, including the acquisition of Elevated Facility Services Group. We expect the transaction to close in early May 2024.

Senior Notes

On June 22, 2021, Api Group DE completed a private offering of \$350 million aggregate principal amount of 4.125% Senior Notes due 2029 (the "4.125% Senior Notes"), issued under an indenture, dated June 22, 2021. The 4.125% Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by us and certain of our subsidiaries. The 4.125% Senior Notes will mature on July 15, 2029, unless redeemed earlier, and bear interest at a rate of 4.125% per year until maturity, payable semi-annually in arrears. We used the net proceeds from the sale of the 4.125% Senior Notes to repay a previously outstanding term loan, prepay a portion of the 2019 Term Loan and for general corporate purposes. As of **March 31, 2024** **June 30, 2024**, we had \$337 million aggregate principal amount of 4.125% Senior Notes outstanding.

On October 21, 2021, a wholly-owned subsidiary of the Company, completed a private offering of \$300 million aggregate principal amount of 4.750% Senior Notes due 2029 (the "4.750% Senior Notes") issued under an indenture dated October 21, 2021, as supplemented by a supplemental indenture dated January 3, 2022. The 4.750% Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by us and certain of our subsidiaries. The 4.750% Senior Notes will mature on October 15, 2029, unless earlier redeemed, and bear interest at a rate of 4.750% per year until maturity, payable semi-annually in arrears. We used the net proceeds from the sale of the 4.750% Senior Notes to finance a portion of the consideration for the Chubb Acquisition. As of **March 31, 2024** **June 30, 2024**, we had \$277 million aggregate principal amount of 4.750% Senior Notes outstanding.

Debt Covenants

We were in compliance with all covenants contained in the indentures governing the 4.125% Senior Notes and 4.750% Senior Notes and Credit Agreement as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

Issuance and Conversion of Series B Preferred Stock

During 2022, we issued and sold 800,000 shares of our 5.5% Series B Redeemable Convertible Preferred Stock, par value \$0.0001 per share (the "Series B Preferred Stock"), for an aggregate purchase price of \$800 million, pursuant to securities purchase agreements entered into on July 26, 2021 with certain investors. The net proceeds from the Series B Preferred Stock issuance were used to fund a portion of the consideration for the Chubb Acquisition.

On February 28, 2024, we entered into a Conversion and Repurchase Agreement with Juno Lower Holdings L.P. ("Juno Lower Holdings"), FD Juno Holdings L.P. ("FD Juno Holdings"), and together with Juno Lower Holdings, "Blackstone"), Viking Global Equities Master Ltd. ("VGEM") and Viking Global Equities II L.P. (VGE II, and collectively with VGEM, "Viking" and collectively with the Blackstone, the "Series B Holders") pursuant to which Blackstone and Viking agreed to convert all of the outstanding shares of the Series B Preferred Stock that they hold, which represents all of the Series B Preferred Stock outstanding. The transactions contemplated by the agreement (the "Series B Preferred Stock Conversion") were also consummated on February 28, 2024.

Under the terms of the agreement, (i) the Series B Holders each agreed to exercise their respective right to convert all of their Series B Preferred Stock into common stock, resulting in a total of 800,000 shares of Series B Preferred Stock being converted into approximately 32,803,519 shares of common stock (inclusive of approximately 283,196 shares attributable to accrued and unpaid dividends thereon (the "Conversion Shares") and (ii) upon issuance of the Conversion Shares, we agreed to immediately repurchase one-half of the Conversion Shares, on a pro rata basis, from the Series B Holders for an aggregate purchase price of \$600.

The repurchase price was financed by (i) an incremental term facility of \$300 **funded exclusively by Blackstone in the amount of \$225 and Viking in the amount of \$75** and (ii) cash and available credit from the balance sheet.

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Material Cash Requirements from Known Contractual and Other Obligations

Our material cash requirements from known contractual and other obligations primarily relate to the following, for which information on both a short-term and long-term basis is provided in the indicated notes to the Interim Statements and expected to be satisfied using cash generated from operations:

- Operating and Finance Leases – See Note 12 – “Leases” in the Annual Report on Form 10-K filed on February 28, 2024. We have not had material changes to our lease obligations during the **three six** months ended **March 31, 2024 June 30, 2024**.
- Debt – See Note 10 – “Debt” for future principal payments and interest rates on our debt instruments.
- Tax Obligations – See Note 11 – “Income Taxes.”
- Pension obligations – See Note 12 – “Employee Benefit Plans.”

We make investments in our properties and equipment to enable continued expansion and effective performance of our business. Our capital expenditures are typically less than 1.5% of annual net revenues.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

As of **March 31, 2024 June 30, 2024**, our outstanding variable interest rate debt was primarily related to our **2019 Term Loan and our 2021 Term Loan**. As of **March 31, 2024**, we had **\$330 million outstanding on the 2019 Term Loan and \$1,707 million outstanding on the \$2,257 million** 2021 Term Loan. To mitigate increases in variable interest rates, we have a \$720 million interest rate swap, exchanging one-month SOFR for a rate of 3.59% per annum and a \$400 million interest rate swap exchanging one-month SOFR for a rate of 3.41% per annum. In addition, interest expense will be offset by the amortization through October 2024 of the remaining gain of **\$10 million \$5 million** recognized from the termination of the previously outstanding \$720 million notional amount interest rate swap. The remaining floating rate portfolio will bear interest based on one-month SOFR plus **CSA plus 225 200 basis points (for the 2019 Term Loan) or one-month SOFR plus CSA plus 250 basis points (for the 2021 Term Loan)**, points. As of **March 31, 2024 June 30, 2024**, excluding letters of credit outstanding of \$4 million, we had **\$100 million no amounts** of outstanding revolving loans under our Credit Agreement.

Foreign currency risk

We have operations in over 20 countries globally. Revenues generated from foreign operations represented approximately **40% 38% and 39%** of our consolidated net revenues for **the three and six** months ended **March 31, 2024 June 30, 2024**. Net revenues and expenses related to our foreign operations are, for the most part, denominated in the functional currency of the foreign operation, which minimizes the impact fluctuations in exchange rates would have on net income or loss. We are subject to fluctuations in foreign currency exchange rates when transactions are denominated in currencies other than the functional currencies. Such transactions were not material to our operations during the **three six** months ended **March 31, 2024 June 30, 2024**. These foreign currency transaction gains and losses, including hedging impacts, are classified in investment **expense (income) income** and other, net, in the condensed consolidated statements of operations and were a (loss) gain of **\$(1) million and \$— million \$0 million** for the three months ended **March 31, 2024 June 30, 2024 and 2023** respectively, and **\$(2) million and \$0 million for the six months ended June 30, 2024 and 2023**, respectively. These net foreign currency transaction gains and losses include derivative instruments designed to reduce foreign currency exchange rate risks. Translation gains or losses, which are recorded in accumulated other comprehensive loss in the condensed consolidated balance sheets, result from translation of the assets and liabilities of our foreign subsidiaries into U.S. dollars. Foreign currency translation (losses) gains totaled approximately **\$(42) \$(1) million and \$14 million \$27 million** for the three months ended **March 31, 2024 June 30, 2024 and 2023**, respectively, and **\$(43) million and \$41 million for the six months ended June 30, 2024 and 2023**, respectively.

Our exposure to fluctuations in foreign currency exchange rates has increased as a result of our international presence and may continue to increase in the future if we continue to expand our operations outside of the U.S. We seek to manage foreign currency exposure by minimizing our consolidated net assets and liability positions in currencies other than the functional currency of our foreign subsidiaries. However, we believe that our exposure to transactional gains or losses resulting from fluctuations in foreign currencies is limited because our foreign operations primarily invoice and collect receivables in their respective local or functional currencies, and the expenses associated with these transactions are generally contracted and paid for in the same local currencies. In order to manage foreign currency risk related to transactions in foreign currencies and the intercompany financing structure, we entered into cross-currency swaps to manage the foreign currency risk of certain intercompany loans. We also use foreign currency contracts as a way to mitigate foreign currency exposure.

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Other market risk

We are also exposed to market risks impacting our customer base due to the potential related impact on accounts receivable or contract assets on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. We continually monitor the creditworthiness of our customers and maintain ongoing discussions with customers regarding contract status with respect to change orders and billing terms. Therefore, management believes it takes appropriate action to manage market and other risks, but there is no assurance management will be able to reasonably identify all risks with respect to the collectability of these assets. See also “Revenue Recognition from Contracts with Customers” under Critical Accounting Estimates within Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

In addition, we are exposed to various supply chain risks, including the market risk of price fluctuations or availability of copper, steel, cable optic fiber, and other materials used as components of supplies or materials utilized in our operations. We are also exposed to increases in energy prices, particularly as they relate to gasoline prices for our vehicle fleet. Disruptions in our supply chain can occur due to market inefficiencies but can also be driven by other events, like cybersecurity breaches, pandemics, or similar disruptive events. While we believe we can increase our contract prices to adjust for some price increases in commodities, there can be no assurance that such price increases, if they were to occur, would be recoverable. Additionally, some of our fixed price contracts do not allow us to adjust prices and, as a result, increases in material costs could reduce profitability with respect to projects in progress.

Significant declines in market prices for oil, gas, and other fuel sources may also impact our operations. Prolonged periods of low oil and gas prices may result in projects being delayed or canceled and in a low oil and gas price environment, certain of our businesses could become less profitable or incur losses.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, **processed, processed**, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by Rule 13a-15(b) of the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are not effective as of **March 31, 2024 June 30, 2024** due to the material weaknesses in internal control over financial reporting described below, which were previously disclosed in Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2023.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. However, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company have been detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of **March 31, 2024 June 30, 2024** based on the guidelines established in Internal Control — Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based

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on this evaluation, our management concluded that our internal control over financial reporting was not effective as of **March 31, 2024 June 30, 2024** due to the material weaknesses in internal control over financial reporting identified and further described below.

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

We continue to have previously identified control deficiencies that are not remediated as of **March 31, 2024 June 30, 2024** related to user access controls specific to segregation of duties in the Company's change management process in certain information technology systems of the Chubb fire and security business that was acquired in 2022, which resulted from ineffective risk assessment. We also continue to have previously identified control deficiencies that are not remediated as of **March 31, 2024 June 30, 2024** related to adequate controls to ensure the completeness and accuracy of time keeping and service order information used in the financial reporting processes of certain businesses that is processed and hosted by a third-party service organization. These control deficiencies constitute material weaknesses in our internal control over financial reporting as of **March 31, 2024 June 30, 2024**.

Ongoing Remediation Plan

Management has undertaken various steps to continue remediating such control deficiencies and has seen improved results versus December 31, 2023. Steps taken by us during the three months ended **March 31, 2024 June 30, 2024** include the following:

- **Obtained a final attestation report for Completed the year 2023 over the design effectiveness mapping of controls operated by the third-party service organization, noting it was issued with an unqualified opinion; and**
- **Continued to map conflicts within certain information technology systems of the Chubb fire and security business in order developed reports which were reviewed by management to perform further analysis on transactions within the system, ensure roles were appropriately designed and all conflicts are appropriately mitigated.**

We plan to continue our efforts to strengthen our internal control over financial reporting and are committed to ensuring that such controls are operating effectively. We are implementing process and control improvements to address the above material weakness as follows:

- Continue to conduct ongoing training with control owners and reviewers within operations and finance with a specific focus on sufficient documentation and evidence in the execution of the controls.

As anticipated, and we We have made progress with the Company's remediation plans. In addition, under the direction of the Audit Committee of the Board of Directors, we will continue to review and make necessary changes to the overall design of the Company's internal control environment, as well as to refine policies and procedures to improve the overall effectiveness of internal control over financial reporting of the Company.

The material weaknesses in our internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. There is no assurance that the remediation will be fully effective. As described above, these material weaknesses have not been remediated as of the filing date of this quarterly report. If these remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of our financial reporting may be adversely affected.

Changes in Internal Control over Financial Reporting

We are executing our remediation plans to remediate the material weaknesses relating to our internal control over financial reporting, as described above. Other than changes described above, there have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended) during the quarter ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors contained in Part I, Item 1A. "Risk Factors" of our Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information about the Company's purchase Company did not have any purchases of equity securities during the three months ended March 31, 2024:

During the Three Months Ended March 31, 2024			Maximum Approximate Dollar	
	Total Number of Shares		Value of	
	Purchased (1)	Average Price Paid Per Share	Total Number of Shares	Shares that May Yet Be
			Purchased as Part of	Purchased Under
			Publicly Announced	the Plans or Programs (in
			Plans or Programs	millions)
January 1, 2024 - January 31, 2024	—	\$ —	—	\$ —
February 1, 2024 - February 29, 2024	16,260,160	36.90	16,260,160	400
March 1, 2024 - March 31, 2024	—	—	—	—
Total	16,260,160	\$ 36.90	16,260,160	\$ 400

(1) During the three months ended March 31, 2024, our Board of Directors authorized a stock repurchase program ("SRP") to purchase up to an aggregate of \$1,000 million of shares of our common stock. Acquisitions pursuant to the SRP may be made from time to time through a combination of open market repurchases in compliance with Rule 10b-18 under the Exchange Act, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions, at our discretion, as permitted by securities laws and other legal requirements. In connection with the SRP, we may enter into Rule 10b5-1 trading plans which would generally permit us to repurchase shares at times when it might otherwise be prevented from doing so under the securities laws. The SRP is indefinite, unless otherwise modified or earlier terminated by our Board of Directors at any time in its sole discretion. June 30, 2024.

ITEM 4. MINE SAFETY DISCLOSURES

Information regarding mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this quarterly report.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024 June 30, 2024, Sir Martin E. Franklin, a director Louis Lambert, an officer of the Company, adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On March 8, 2024 May 6, 2024, Mr. Franklin Lambert adopted a Rule 10b5-1 trading arrangement providing for the sale of the Company's common stock (a "Rule 10b5-1 Trading Plan") that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Mr. Franklin's Lambert's Rule 10b5-1 Trading Plan provides for the sale of up to 1,980,000 17,513 shares of our common stock pursuant to one or more limit orders until December 13, 2024 December 31, 2024, or earlier if all transactions under the trading arrangement are completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the quarter ended **March 31, 2024** **June 30, 2024**.

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ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
3.1	Certificate of Elimination of 5.5% Series B Perpetual Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 5, 2024).
10.1	Conversion and Repurchase Agreement, dated February 28, 2024, by and among APi Group Corporation, Juno Lower Holdings L.P., FD Juno Holdings L.P., Viking Global Equities Master Ltd. and Viking Global Equities II LP. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 28, 2024).
10.2 10.25	Amendment No. 5, 6 to Credit Agreement, dated February 28, 2024 as of May 10, 2024, by and among APi DE, Inc., as borrower, APi Group Corporation, the subsidiary guarantors from time to time party thereto, the lenders from time to time party thereto, and Citibank, N.A. as administrative agent and collateral agent, Juno Lower Holdings L.P., FD Juno Holdings L.P., Viking Global Equities Master Ltd. and Viking Global Equities II LP (incorporated agent, (Incorporated herein by reference to Exhibit 10.2 1.1 to the Company's Registrant's Current Report on Form 8-K filed with the SEC on February 28, 2024), May 13, 2024).
31.1*	Certification by Russell A. Becker, Chief Executive Officer, pursuant to Exchange Act Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Kevin S. Krumm, Chief Financial Officer, pursuant to Exchange Act Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by Russell A. Becker, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by Kevin S. Krumm, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95.1*	Mine Safety Disclosures.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized.

APi GROUP CORPORATION

May 2, August 1, 2024

/s/ Russell A. Becker

Russell A. Becker

Chief Executive Officer

(Duly Authorized Officer)

May 2, August 1, 2024

/s/ Kevin S. Krumm

Kevin S. Krumm

Chief Financial Officer

(Principal Financial Officer)

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Exhibit 31.1

CERTIFICATION

I, Russell A. Becker, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of APi Group Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 1, 2024

By: /s/ Russell A. Becker

Name: Russell A. Becker

Title: Chief Executive Officer

CERTIFICATION

I, Kevin S. Krumm, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of API Group Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 1, 2024

By: /s/ Kevin S. Krumm
 Name: Kevin S. Krumm
 Title: Chief Financial Officer

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
 AS ADOPTED PURSUANT TO
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of API Group Corporation (the "Company") for the quarterly period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Russell Becker, as Chief Executive Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2024 August 1, 2024

By: /s/ Russell A. Becker
 Name: Russell A. Becker
 Title: Chief Executive Officer

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of API Group Corporation (the "Company") for the quarterly period ended **March 31, 2024** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin Krumm, as Chief Financial Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 2, 2024** **August 1, 2024**

By: /s/ Kevin S. Krumm
Name: Kevin S. Krumm
Title: Chief Financial Officer

MINE SAFETY DISCLOSURES

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

Mine Safety Information

Whenever the Federal Mine Safety and Health Administration ("MSHA") believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, may be reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

The following table includes information required by the Act for the **quarter three months** ended **March 31, 2024** **June 30, 2024**.

API Inc.

Three Months Ended March 31, 2024												
Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)
SGI 4700148	0	0	0	0	0	0	0	No	No	0	0	0
Tilden Mine 2000422	0	0	0	0	0	0	0	No	No	0	0	0

Three Months Ended June 30, 2024												
Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)
Eagle Mine/4607437	0	0	0	0	0	0	0	No	No	0	0	0
Specialty Granules/M00639	0	0	0	0	0	0	0	No	No	0	0	0

API Group Life Safety USA

Three Months Ended March 31, 2024												
Three Months Ended June 30, 2024	Three Months Ended June 30, 2024											

Operation / MSHA Identification Number	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)
Pend Oreille Mine/4500366	Pend Oreille Mine/4500366				0				No		0	0		Pend Oreille Mine/4500366				0								
Freeport-McMoRan Morenci Inc./0200024	Freeport-McMoRan Morenci Inc./0200024				0				No		0	0		Freeport-McMoRan Morenci Inc./0200024				0								
Coeur Rochester /2601941	Coeur Rochester /2601941				0				No		0	0		Coeur Rochester /2601941				0								
Continental Cement Company/2302434	Continental Cement Company/2302434				0				No		0	0		Continental Cement Company/2302434				0								
Graymont Pilot Peak Plant / 2601906	Graymont Pilot Peak Plant / 2601906				0				No		0	0		Graymont Pilot Peak Plant / 2601906				0								
American Soda LLC (Solvay Chemicals)/ 4801295	American Soda LLC (Solvay Chemicals)/ 4801295				0				No		0	0		American Soda LLC (Solvay Chemicals)/ 4801295				0								
Big Island Mine & Refinery (Ciner Wyoming) / 48000154	Big Island Mine & Refinery (Ciner Wyoming) / 48000154				0				No		0	0		Big Island Mine & Refinery (Ciner Wyoming) / 48000154				0								
US Borax Inc (Boron) / 400743	US Borax Inc (Boron) / 400743				0				No		0	0		US Borax Inc (Boron) / 400743				0								

Davis Ulmer Sprinkler Company

Three Months Ended June 30, 2024	Three Months Ended March 31, 2024														Three Months Ended June 30, 2024													
	Operation / MSHA Identification Number	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)				
Operation / MSHA Identification Number	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)					
US Salt – Watkins Glen	US Salt – Watkins Glen				0				No		0	0		US Salt – Watkins Glen				0				No						
Cargill – Watkins Glen	Cargill – Watkins Glen				0				No		0	0		Cargill – Watkins Glen				0				No						
Cargill - Lansing	Cargill - Lansing				0				No		0	0		Cargill - Lansing				0				No						
Cargill: 1252 PA-706, Wyalusing, PA 18853	Cargill: 1252 PA-706, Wyalusing, PA 18853				0				No		0	0		Cargill: 1252 PA-706, Wyalusing, PA 18853				0				No						

The Jamar Company

Three Months Ended March 31, 2024														Three Months Ended June 30, 2024													
Three Months Ended June 30, 2024																											
Operation / MSHA Identification Number	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)				
C6S	C6S	1	0				388	0	No		0	0	0	C6S			0				0	0	No				
J03	J03		0				0	0	No		0	0	0	J03			0						No				

Viking Automatic Sprinkler

Three Months Ended March 31, 2024																									
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Three Months Ended June 30, 2024														Three Months Ended June 30, 2024												
Operation / MSHA Identification Number	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of the End of the Period (#)	Operation / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Mining-Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(c) (Yes/No)	Received Notice of Potential to Have Pattern Under Section 104(c) (Yes/No)			
US Steel – MinnTac 2100282	US Steel – MinnTac 2100282				0				No		0		0	US Steel – MinnTac 2100282				0				No				
US Steel – Kee Tac 2103352	US Steel – Kee Tac 2103352				0				No		0		0	US Steel – Kee Tac 2103352				0				No				
Cleveland Cliffs – Eveleth pit and Forbes Pellet Plant 2103403 & 2103404	Cleveland Cliffs – Eveleth pit and Forbes Pellet Plant 2103403 & 2103404				0				No		0		0	Cleveland Cliffs – Eveleth pit and Forbes Pellet Plant 2103403 & 2103404				0				No				
Cleveland Cliffs – NorthShore Mining, Silver Bay Pellet Plant and Babbitt pit 2100209 & 2100831	Cleveland Cliffs – NorthShore Mining, Silver Bay Pellet Plant and Babbitt pit 2100209 & 2100831				0				No		0		0	Cleveland Cliffs – NorthShore Mining, Silver Bay Pellet Plant and Babbitt pit 2100209 & 2100831				0				No				
ArcelorMittal Minorca Mine – pit/ plant	ArcelorMittal Minorca Mine – pit/ plant				0				No		0		0	ArcelorMittal Minorca Mine – pit/ plant				0				No				
Cleveland Cliffs – Hibbing Taconite 2101600	Cleveland Cliffs – Hibbing Taconite 2101600				0				No		0		0	Cleveland Cliffs – Hibbing Taconite 2101600				0				No				

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