



Industrials and Energy

Kevin Dunn
Michael Botting
Caleb Claiborne
Drew Wangard
Aleks Ledvina
Katie Kane

APi
GROUP

APi Group
NYSE: APG

Table of Contents



- I. **Investment Narrative**
- II. **Company Overview**
- III. **Industry Overview**
- IV. **Investment Thesis**
- V. **Valuation**
- VI. **Appendix**



Investment Narrative

Industrials and Energy Committee – APi Group Pitch



CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



APi Group: The Hottest Choice in Fire Safety

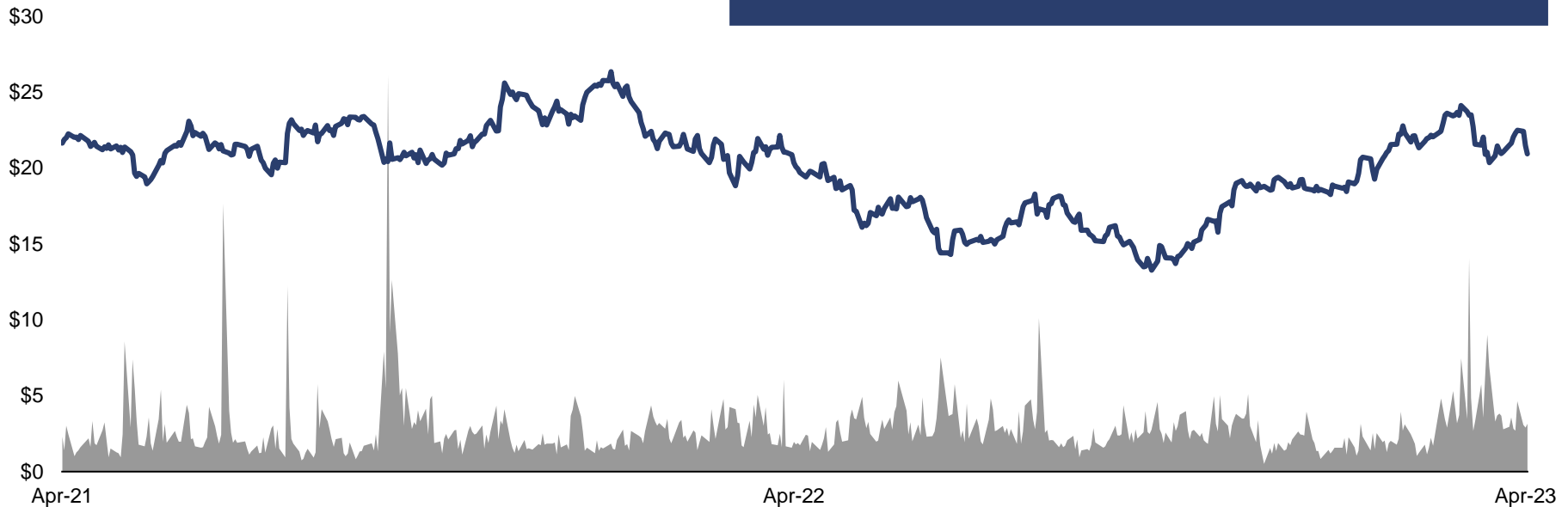


Market Cap	\$4.904 B
4/6 Close	\$20.91
Average Volume	1.1 M
52 Week Range	\$13.09 – \$24.49
NTM EV/EBITDA	10.85x
EBITDA Margin	11%

- Recommendation: **BUY** with a **PT of \$31.71**, representing an upside of 52% from 4/6/23 close – **2.5% weight**

Investment Thesis Introduction

1. The street has misunderstood the Chubb acquisition from the beginning, and it seems poised to bolster APi's recurring revenue mix and deliver synergies through cross-selling
2. APi's dominant market share within the fire safety space positions them best as a transition to national accounts seems inevitable
3. COVID masked APi's true recession resistance, and when combined with market uncertainty around post SPAC stocks, APi has been on the receiving end of consistently lower multiples than their peers





Industry Overview

Industrials and Energy Committee – APi Group Pitch



CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



Flame to Please – Breakdown of Industry Services

End Markets Within the Service Industry



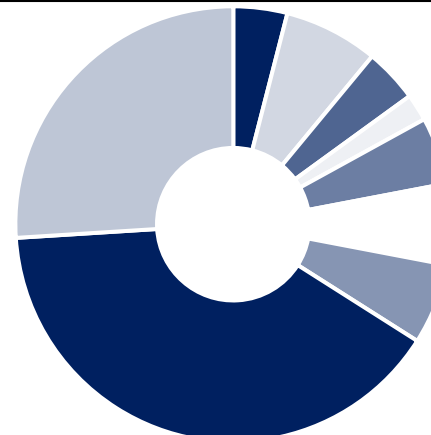
Safety Services

End Market Breakdown⁽¹⁾



Specialty Services

End Market Revenue⁽¹⁾



- Commercial/Educational/Entertainment
- Industrial/Manufacturing
- Fulfillment and Distribution Centers
- Other
- Tech
- Healthcare
- Government/Infrastructure
- Telecom/Utilities
- Integrity/Transmissions



(1) Barclays Research



Company Overview

Industrials and Energy Committee – APi Group Pitch



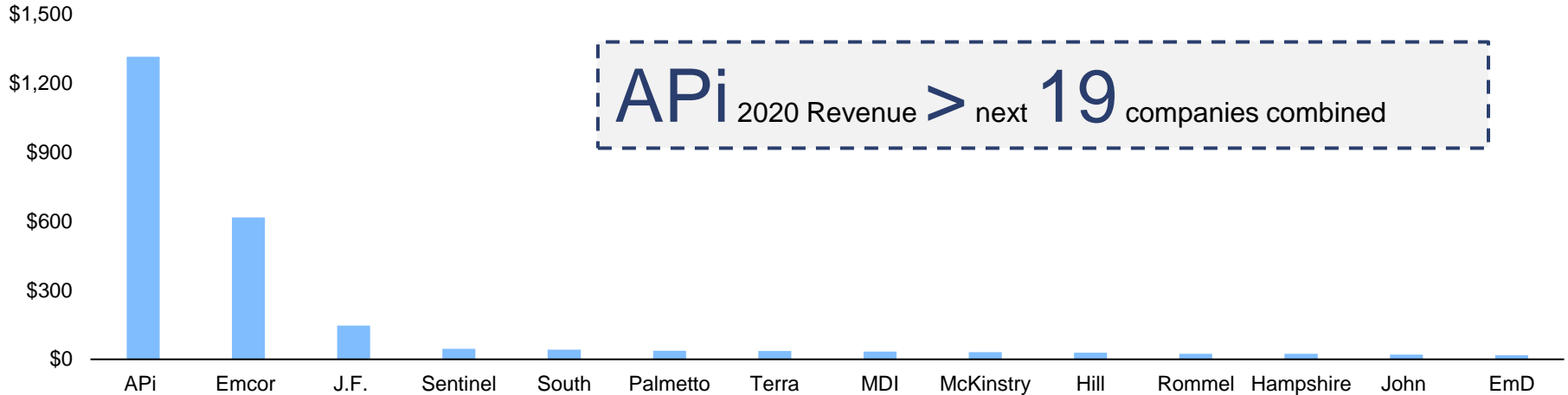
CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



APi Yesterday: A Solid but Undeveloped Business

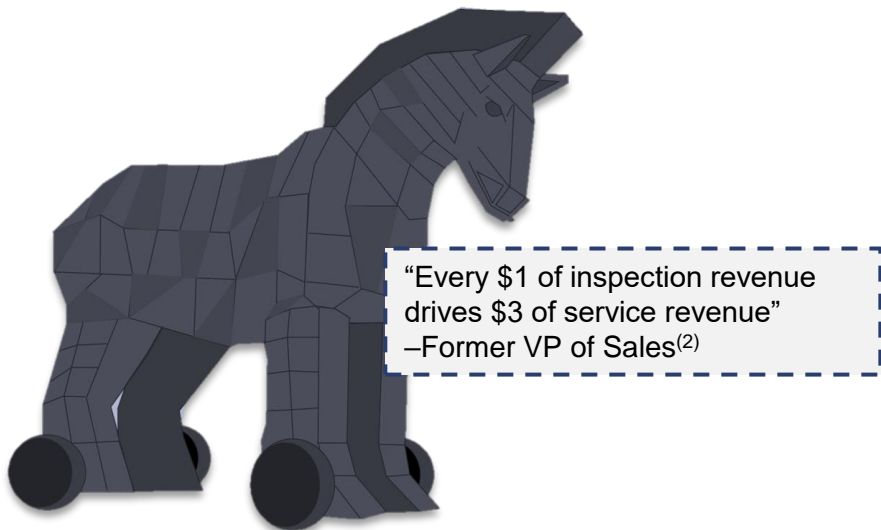
Dominant Player in the Fire Safety Space

2020 Fire Safety Revenues⁽¹⁾



APi 2020 Revenue > next 19 companies combined

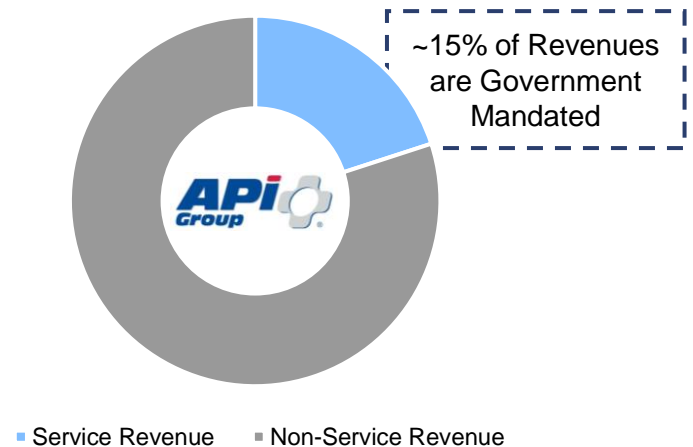
FITD “Trojan Horse” Strategy



“Every \$1 of inspection revenue drives \$3 of service revenue”
 –Former VP of Sales⁽²⁾

Revenue Mix

APi Group Revenue – 2008⁽³⁾



(1) JP Morgan Research (2) Tegus (3) Company Filings
 Culverhouse Investment Management Group – Industrials and Energy Committee



Chubb: Not Your Average Bolt-On Acquisition

Chubb Business Services

Security Services

Integrated Security Solutions



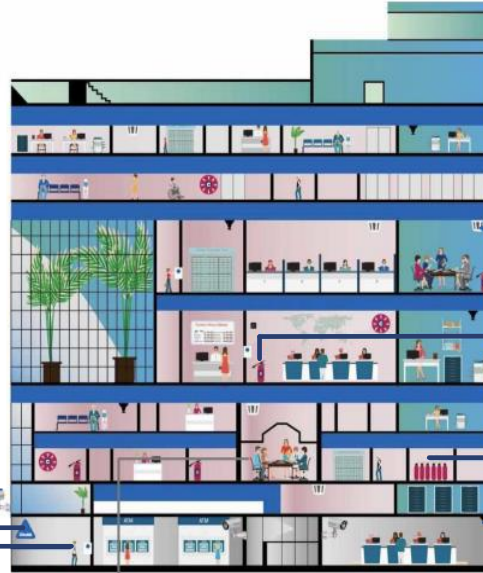
Monitoring, Video Verification, and Remote Guarding



Intruder Detection



Access Control



Life Safety

Detection and Alarm Systems



Fire Protection Equipment



Fire Suppression Systems



Water Mist Systems



Multiples

Acquisition Stats⁽¹⁾

\$3.1B

Enterprise Value
(\$2.9B Cash + \$200m Liability)

\$1.1B Debt

\$1.2B Cash on Hand

\$800m Series B shares

\$2B

Revenue Contribution
(~36% of total revenues)

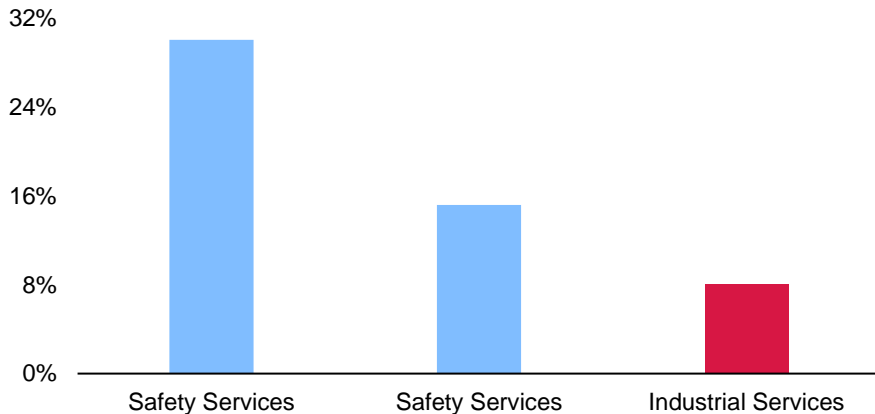
(1) Company Filings



APi Today: A Cycle-Resistant, Global Player

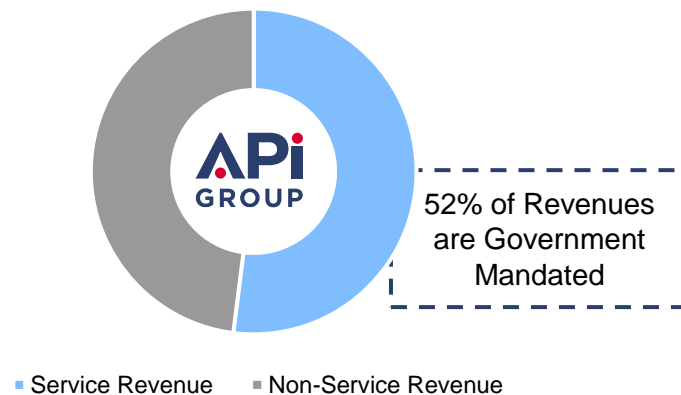
Divesting the Low Margin Industrials Segment...

Gross Margin Profile by Segment⁽¹⁾

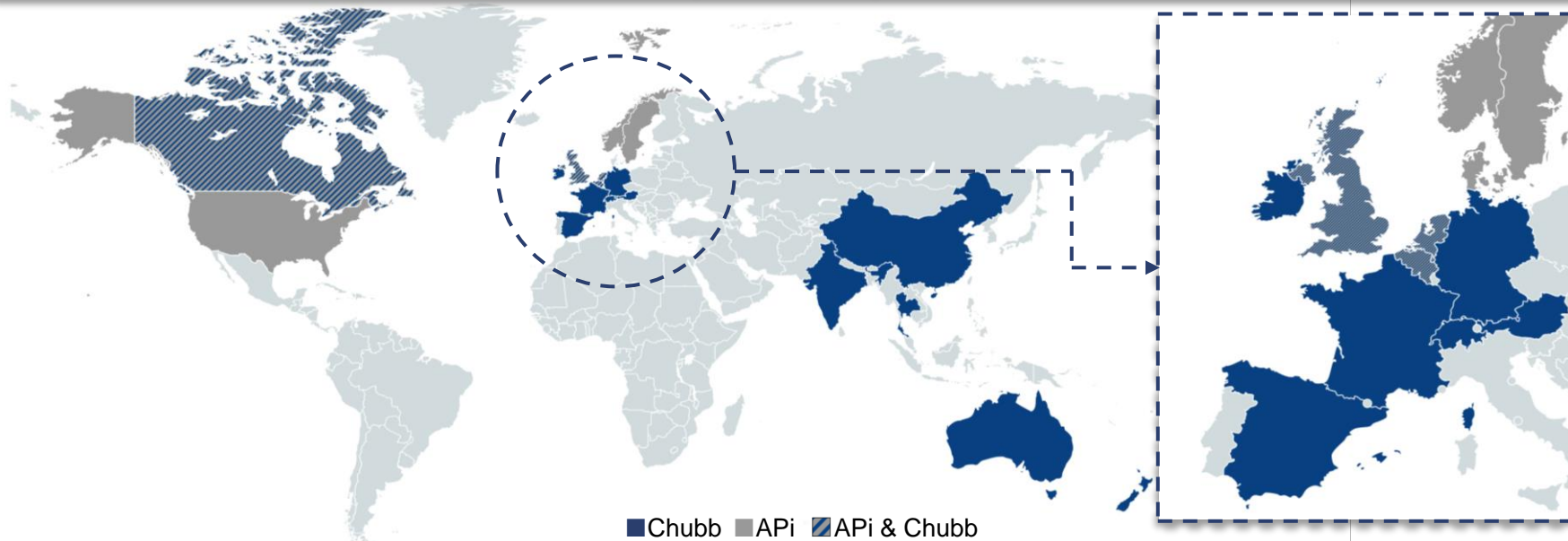


Leading to a Better Revenue Mix...

APi Group 2022 Revenue Mix⁽¹⁾



For a Dominant, Full-Service, Global Provider⁽¹⁾



(1) Company Filings

Visualizing What They Do



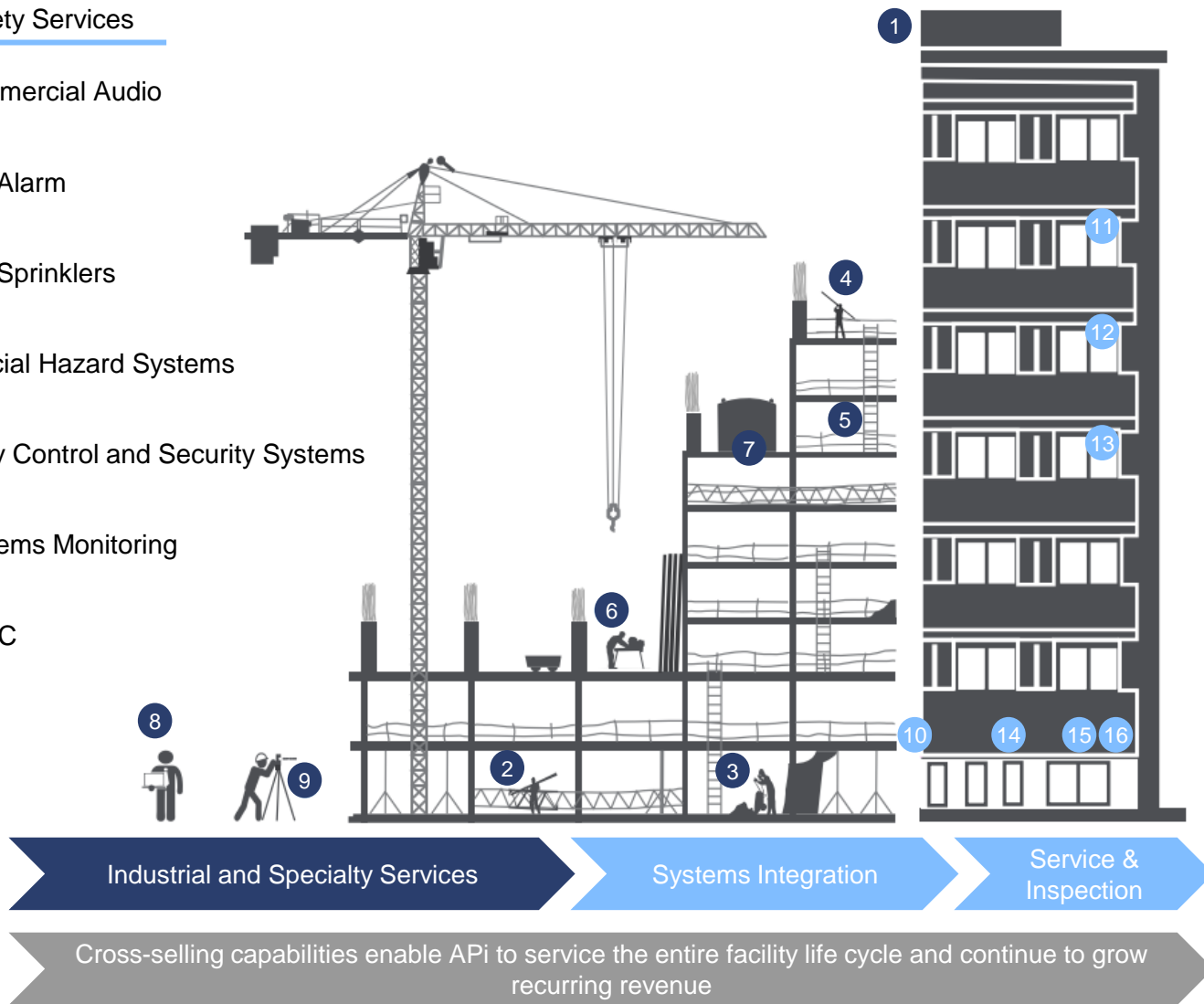
Visualizing API's Ability to Cross-Sell Across Services⁽¹⁾

Specialty Services

Safety Services

- 1 Architectural Metals
- 2 Building Materials
- 3 Excavation
- 4 Metal Contracting
- 5 Scaffolding
- 6 Specialty Contracting
- 7 Structural Steel
- 8 Project Design
- 9 Right-of-Way Access

- 10 Commercial Audio
- 11 Fire Alarm
- 12 Fire Sprinklers
- 13 Special Hazard Systems
- 14 Entry Control and Security Systems
- 15 Systems Monitoring
- 16 HVAC



(1) Company Filings



Investment Thesis

Industrials and Energy Committee – APi Group Pitch



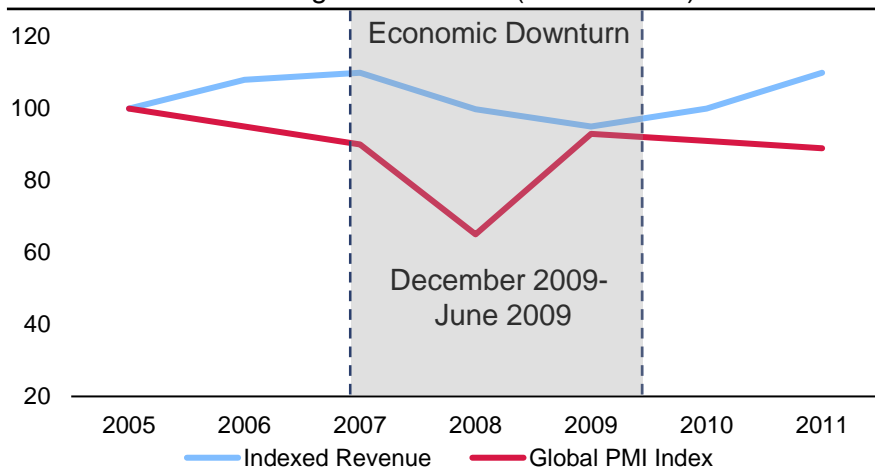
CULVERHOUSE
INVESTMENT MANAGEMENT GROUP

Chubb: "The Big One"



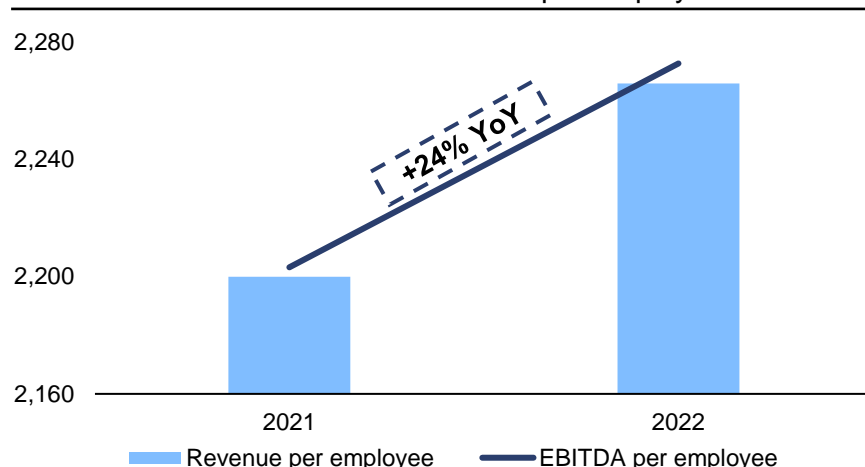
Outperformance Through Recessionary Cycles...

Indexed Organic Revenue (2005 – 2011)⁽¹⁾



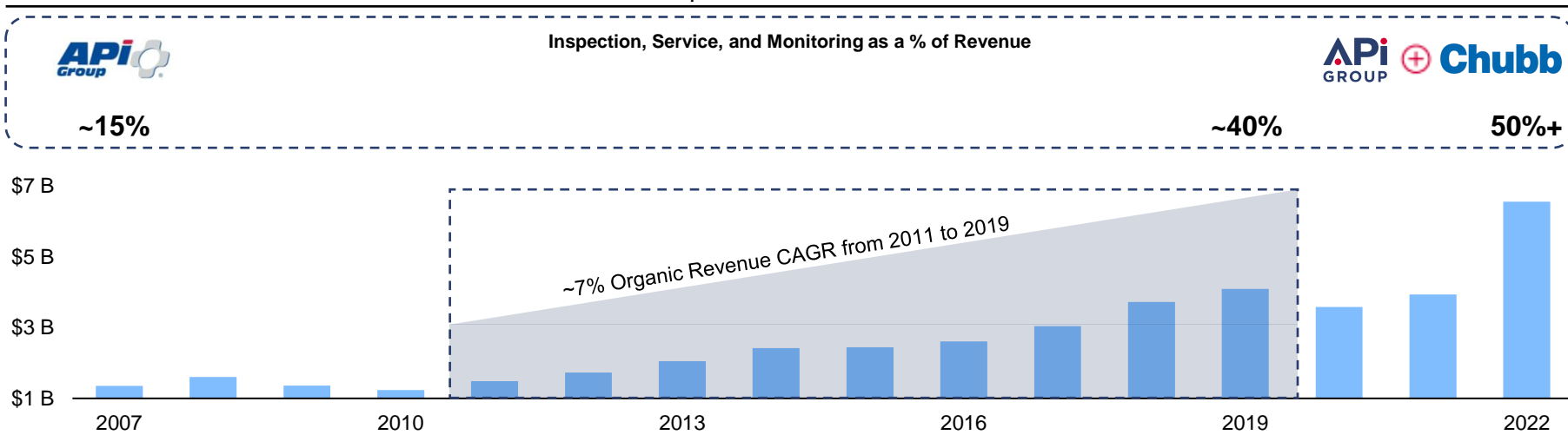
And Rapid Improvement Since Acquisition...

Chubb Revenue and EBITDA per Employee⁽²⁾



Accelerates the Transition to More Stable Inspection, Service, & Monitoring Revenues

APi Group Revenues 2007 – 2022⁽³⁾



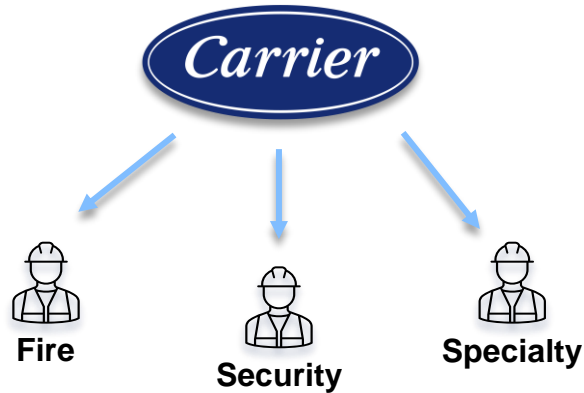
(1) Company Filings (2) Company Filings, Value Investor Club (3) Barclays Research



Chubb's New Owner is Better Fit to Maximize Value

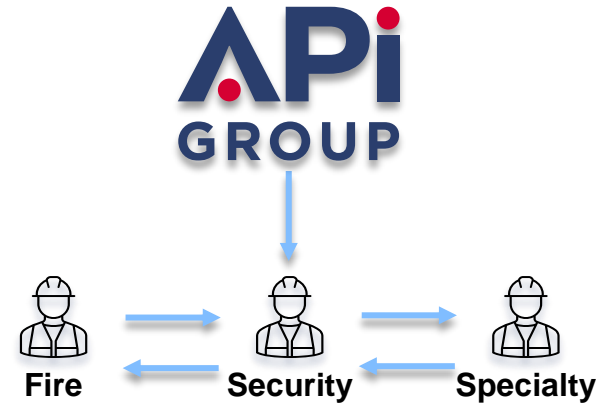
Chubb Under Carrier

Carrier Misunderstood and Neglected Synergies



Chubb under APi Group

APi Can Reunite Chubb and Incentivize Cross-Selling



- Carrier saw Chubb as a **low-priority** asset and sought to sell its individual verticals
- Did not consolidate sales operations, negating ability to **cross-sell**

- APi uses an **integrated and centralized** business model, emphasizing **cross-selling**
- Combining verticals **reduces overhead** and **recognizes synergies**

Visualizing APi's Ability to Cross-Sell Across Services⁽¹⁾

Revenue per Employee

Clear Path to Margin Expansion

Quantifiable benefit

Chubb

**APi
GROUP**

\$169,231

\$296,241



Restructuring



Attrition Improvements



Branch Optimization

\$162.5-167.5m

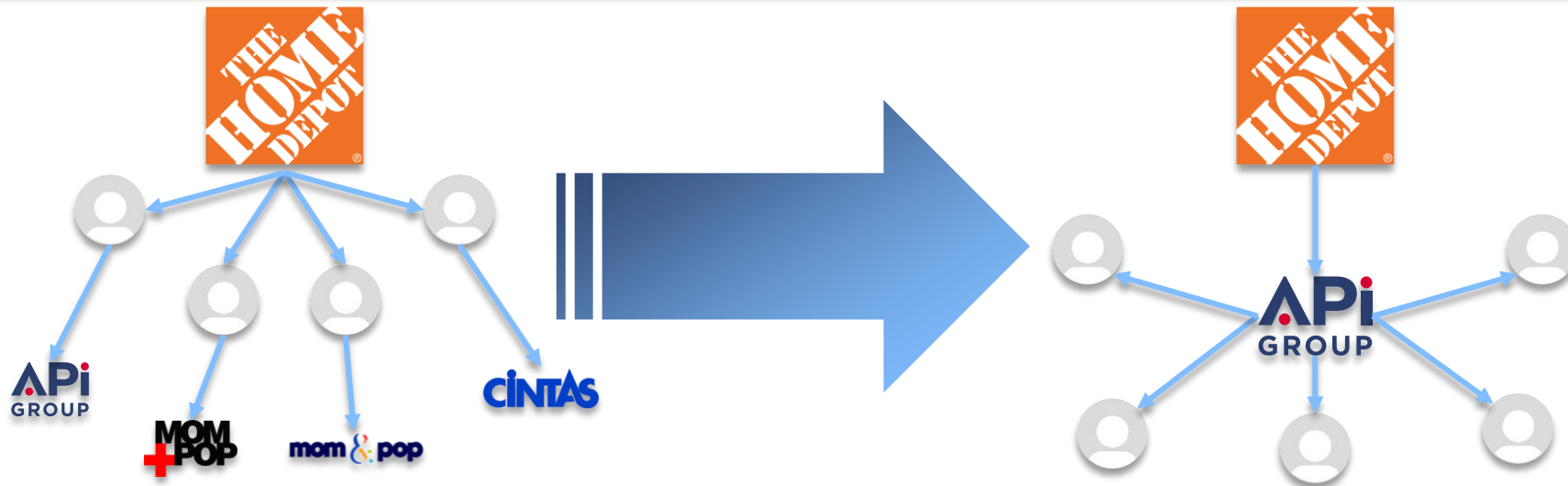
Expected Synergies by 2025

(1) Company Filings

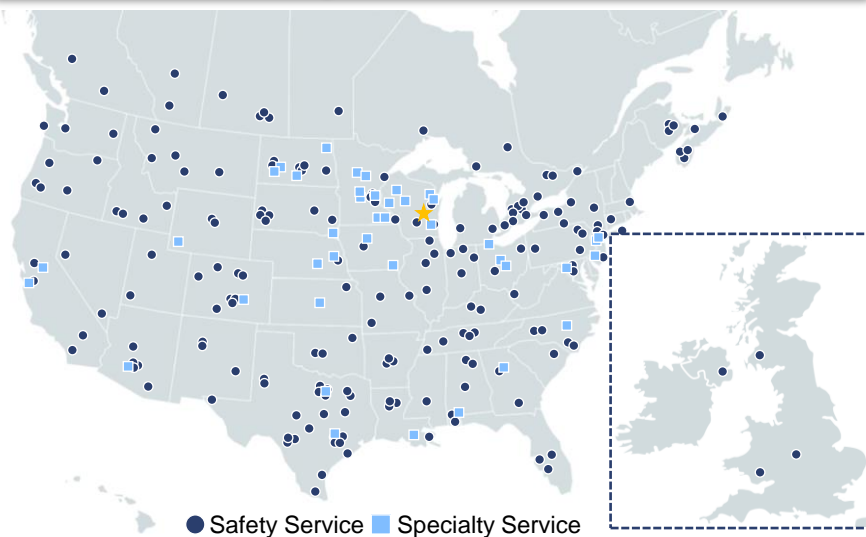
Nationalization of Inspection Accounts Provides Growth Runway



National Accounts Streamline the Inspection Process...



To Leverage Continental Scale... (1)



And Provide a Superior Customer Experience

“It provides a unique opportunity for customers to have more **control**, more **visibility**, more **consistency** and **delivery** of product. And that market for national accounts, we grew while I was there **from 10 to 30 million.**” – Former President and CEO of API National Service Group⁽²⁾



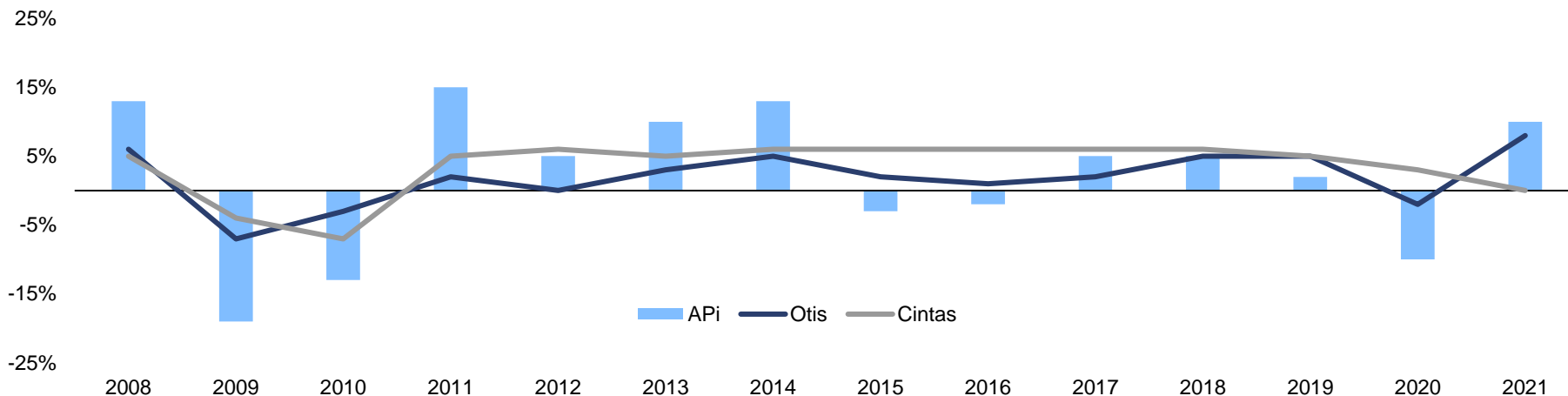
(1) Company Filings (2) Tegus

Street Misunderstands New Cyclicality Resistance



Revenue Declines During COVID-19 Exceeded Peers

Revenue Growth Y/Y⁽¹⁾



Health Codes Delayed Inspections

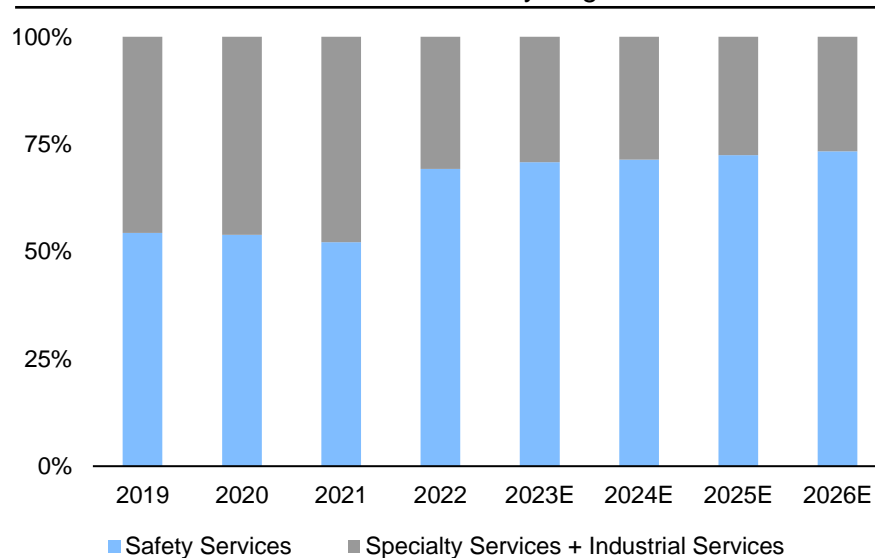


*"Many codes, state regulations and **laws require** fire sprinklers in buildings, to be fully operational and functional. We did have a little hiccup or stutter with **COVID and gaining access in the buildings**, especially health care, education and even some commercial-type buildings."*

-VP of Sales at Millennium Fire Protection⁽²⁾

Safety Service Revenue Poised for Growth

Revenue Contribution by Segment⁽³⁾



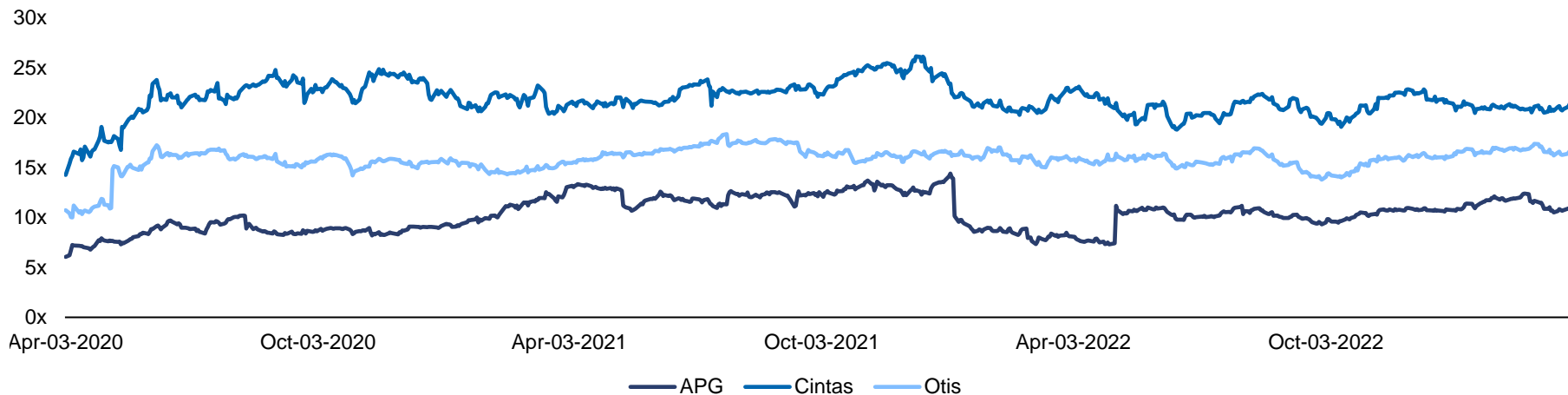
(1) JP Morgan Research (2) Tegus (3) Company Filings, InE Estimates

Comparable Companies Trade Far Higher



A Multiple Expansion to Meet Similar Peers Would Provide Upside

EV/NTM EBITDA Comparison⁽¹⁾



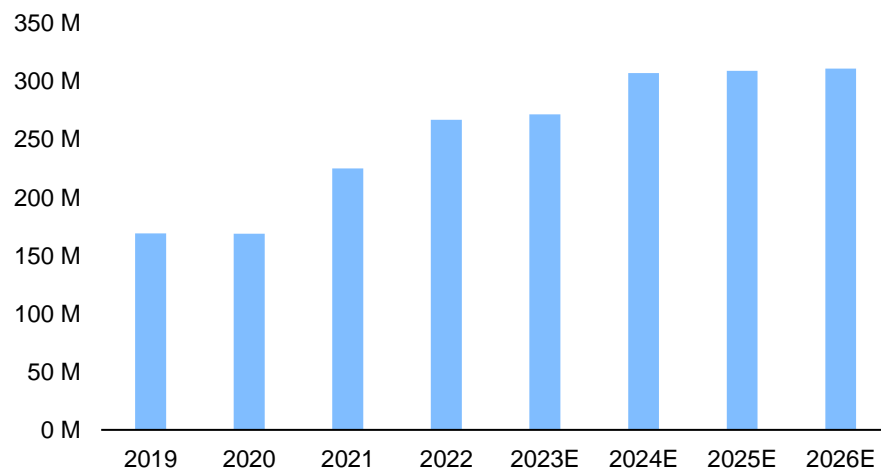
Preferred Share Structure Misunderstood

“

“As present, SPAC sponsors have an unusual compensation scheme whereby they are paid on performance of common shares through a preferred equity structure that results in dilution. This arrangement clearly forces the sponsor to be aligned with equity holders, but it is confusing to some investors and completely off-putting to others. In either case, this structure will be eliminated in 2026, making the story much clearer.”⁽²⁾

We Project 16% Additional Dilution

Diluted Shares Outstanding⁽³⁾



(1) Capital IQ (2) Laughing Water Capital (3) Company Filings, InE Estimates



Valuation

Industrials and Energy Committee – APi Group Pitch



CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



Recommending a Buy at a 2.5% Weight

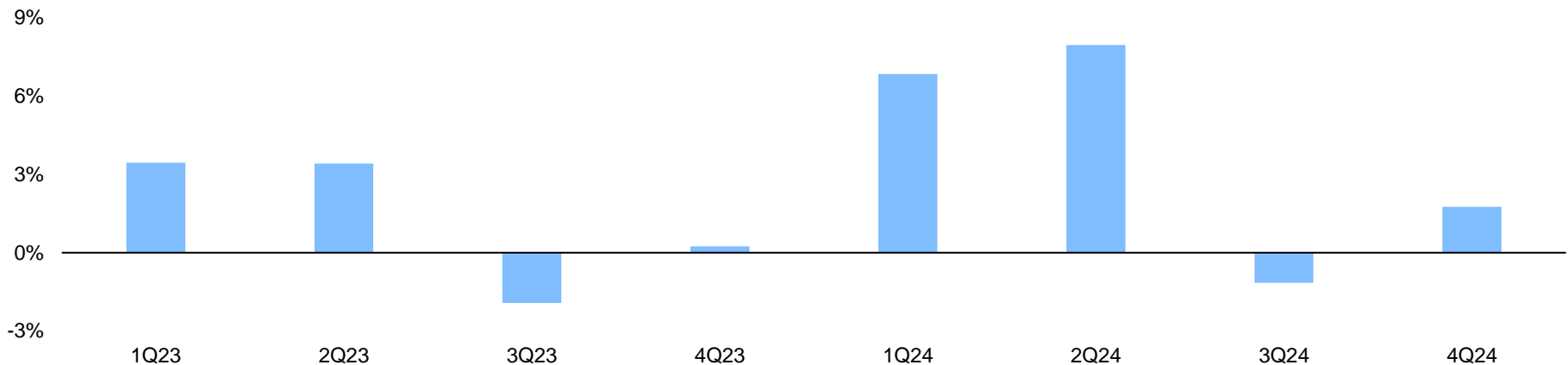
Walkdown

DCF Valuation - LTGR	
Discount Rate	10%
LTGR	2.5%
Sum of PV of Cash Flows	5,541
TV	5,561
Implied Enterprise Value	11,101
(-) Debt	3,028
(+) Cash	605
(-) Preferred Stock	-
Implied Equity Value	8,678
Adj. DSO	311
Implied Price	\$ 27.90
Current Price	\$ 20.91
Upside	33%
Implied NTM EBITDA Multiple	14.5x

DCF Valuation - Terminal Multiple	
Discount Rate	10%
Terminal EBITDA Multiple	14.0x
Sum of PV of Cash Flows	5,541
TV	22,638
PV of TV	7,934
Implied Enterprise Value	13,475
(-) Debt	3,028
(+) Cash	605
(-) Preferred Stock	-
Implied Equity Value	11,052
Adj. DSO	311
Implied Price	\$ 35.52
Current Price	\$ 20.91
Upside	70%
Implied NTM EBITDA Multiple	17.5x

Blended Valuation	
LTGR Method Weighting	50%
LTGR Method Price Target	\$ 27.90
Value from LTGR Method	\$ 13.95
Terminal Multiple Method Weighting	50%
Terminal Multiple Method Valuation	\$ 35.52
Value from Terminal Multiple Method	\$ 17.76
Implied Price	\$ 31.71
Current Price	\$ 20.91
Upside	52%

EBITDA % Difference: Model vs. Street⁽¹⁾



(1) Company Filings, InE Estimates



Appendix

Industrials and Energy Committee – APi Group Pitch



CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



Appendix Table of Contents

<u>Main Deck</u>	<u>Appendix</u>	<u>Model Appendix</u>
I. <u>Title Slide</u>	I. <u>Fire Safety Codes</u>	I. <u>DCF</u>
II. <u>Table of Contents</u>	II. <u>Company History</u>	II. <u>Variance</u>
III. <u>Investment Narrative</u>	III. <u>Inspection First Model</u>	
IV. <u>Industry Overview</u>	IV. <u>Cole's Slide</u>	
V. <u>APi Yesterday</u>	V. <u>Margins/Time</u>	
VI. <u>Chubb Overview</u>	VI. <u>Combined Leadership</u>	
VII. <u>APi Today</u>	VII. <u>"Just Be Better"</u>	
VIII. <u>Visualizing What They Do</u>	VIII. <u>American Expansion</u>	
IX. <u>Chubb Acquisition</u>	IX. <u>Discarded Data</u>	
X. <u>Cross-Selling</u>		
XI. <u>National Accounts</u>		
XII. <u>Cyclicality</u> <u>Misunderstanding</u>		
XIII. <u>Comps Multiples</u>		
XIV. <u>Variance From Market</u>		
XV. <u>Valuation</u>		



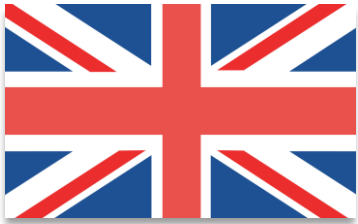
Fire Safety Code by Relevant Country



“Semi-annual, annual, five-year, and 10-year fire alarm inspections must be performed by licensed fire protection technicians”⁽¹⁾



“Semi-annual, annual, five-year, and 10-year fire alarm inspections must be performed by licensed fire protection technicians”⁽²⁾



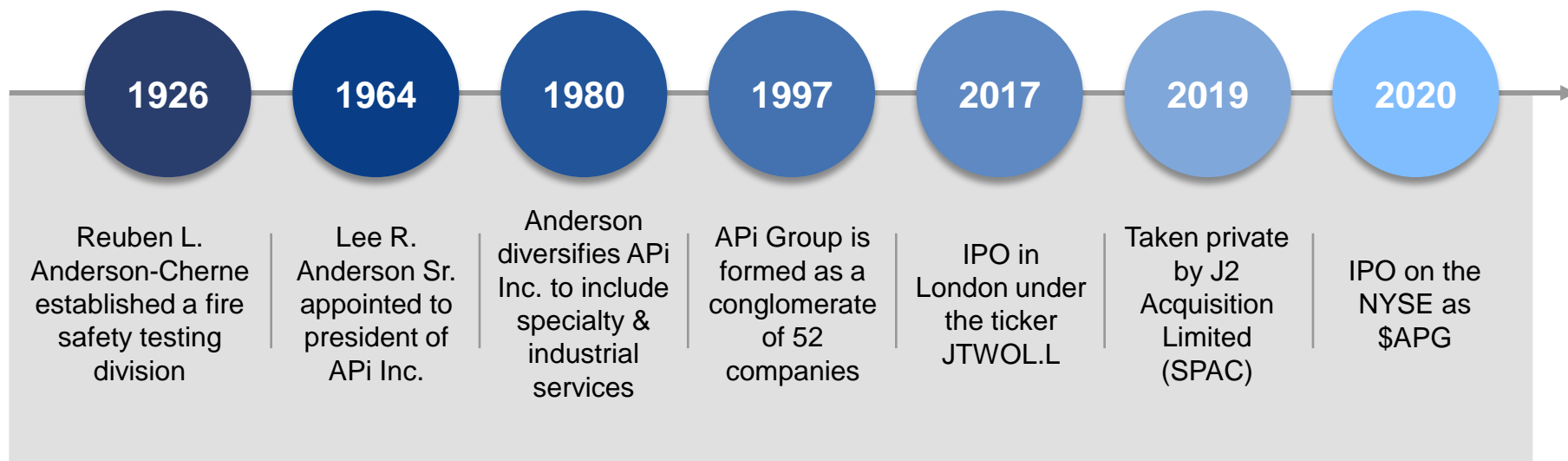
“Monthly, six-monthly, and annual inspections must be performed by licensed fire protection technicians”⁽³⁾



“Low-rise blocks of up to three stories should be reviewed every 2 years and redone every 4. Blocks with higher risks, or more than 3 stories high should be reviewed annually and redone every 3 years.”⁽⁴⁾

(1) National Fire Protection Association (2) Australia Building Codes Board (3) UK.gov (4) National Fire Code of Canada

APi Group Timeline



Evolution from a local contracting firm to a global industry leader with a recurring services-focused business model⁽¹⁾

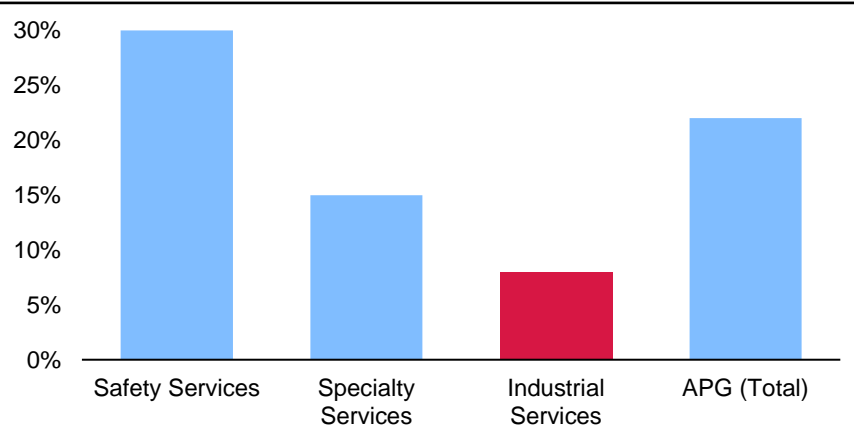
(1) Company Filings



APi Group is an “Inspection First” Business

Benefit of Divestiture of Industrial Services

Gross Margin Profile by Service⁽¹⁾



Split of Safety and Specialty Services

Safety Services (~70% of total net revenues)

- Provide statutorily mandated and other contracted services to a large installed base of diverse customers
- Focused on non-discretionary, regulatory-driven, higher margin, recurring inspection, service and monitoring revenue, which represents 50%+ of total net revenues
- Chubb acquisition created world's leading life safety services provider

Specialty Services (~30% of total net revenues)

- Diverse offering serving standing customers across largely counter cyclical markets

APi's Differentiated Business Model as a Strategic Advantage

APi Group Business Model



APi's strategy in Safety Services is to target inspection work first at existing facilities



Every dollar of inspection revenue leads to \$3 - \$4 of service work



Ultimately leads to relationship based, higher margin, new contract revenue opportunities

Competitors' Business Model



Proposals submitted to general contractors hired by building owners for new construction opportunity



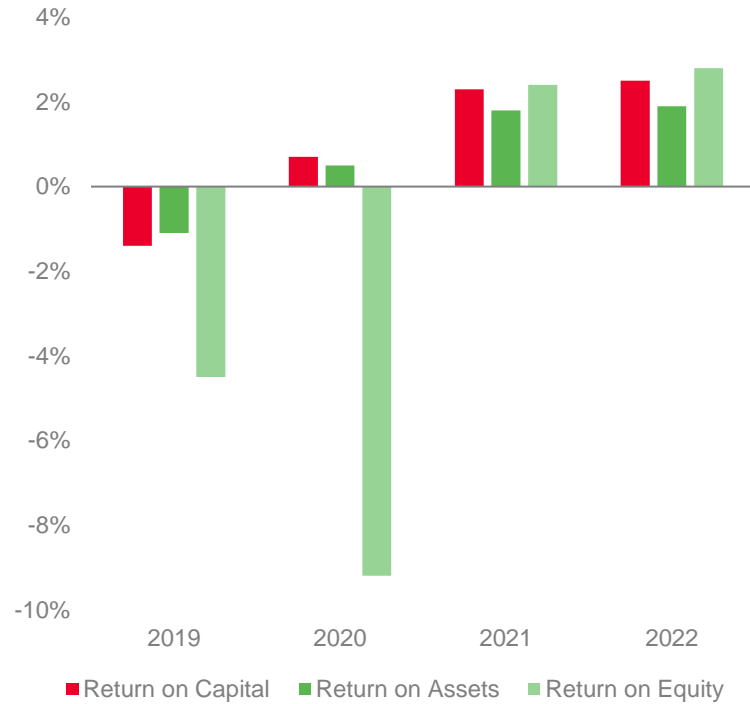
Subcontractors begin work on new construction opportunity with high revenue and low margins



Begin targeting service and inspection work on building that is nearly complete

(1) Company Filings

Cole Asked For This Slide



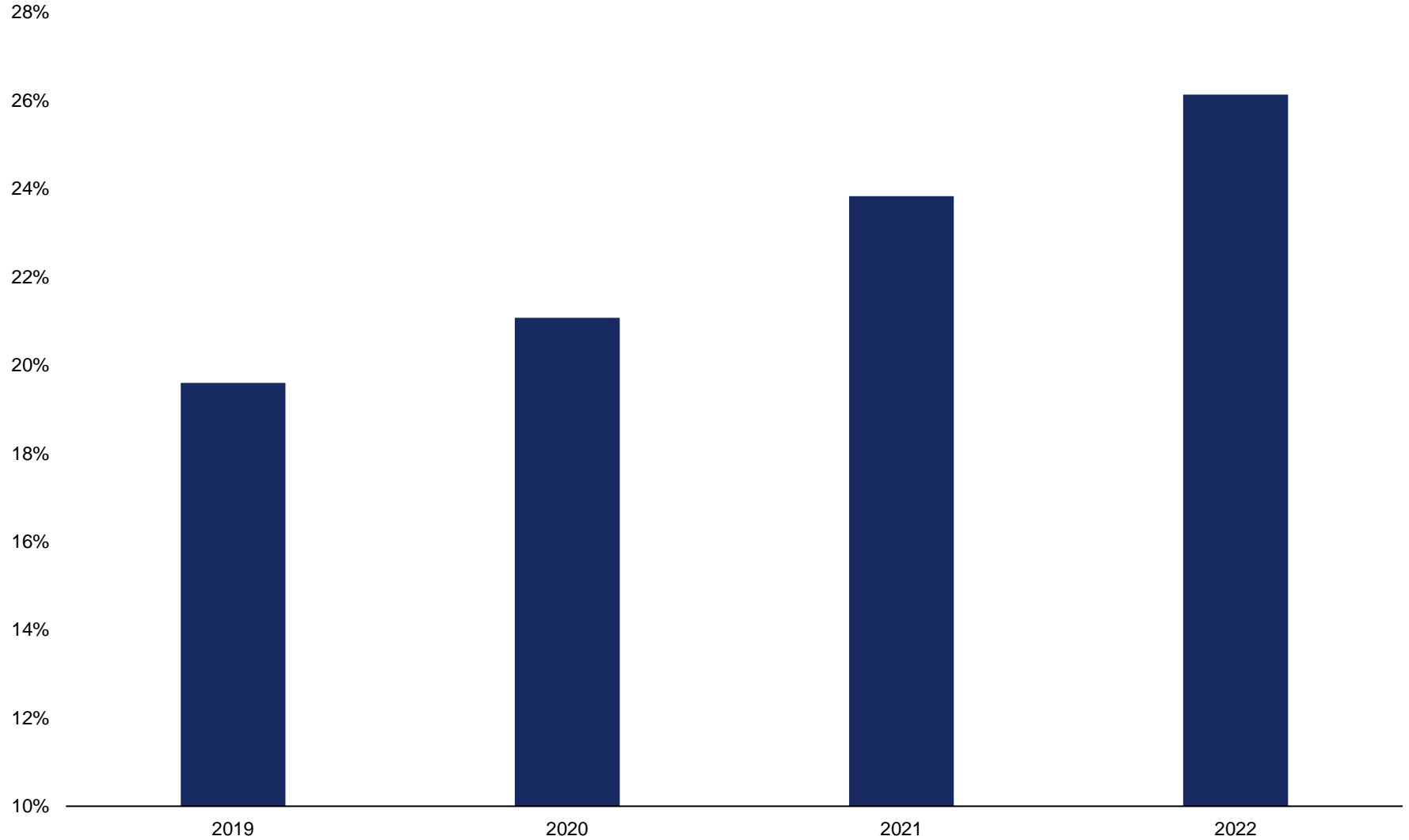
(1) Look Who's Driving the Truck on the Title Slide...

Margins Over Time



Foot-In-The-Door Strategy has been Successful in Increasing Gross Margins

APi Group Gross Margin %⁽¹⁾



(1) Company Filings



Combined Leadership Team

APi Leadership



Russ Becker
President and CEO



Kevin Krumm
Executive VP and CFO



Andrew White
CEO, Chubb

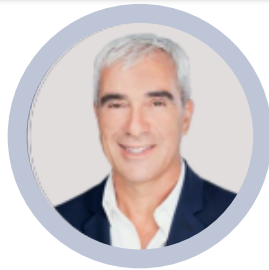
Chubb Leadership



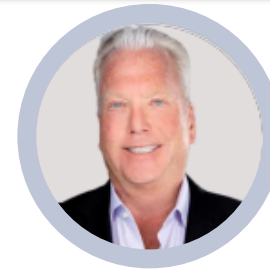
David Jackola
CFO, Chubb



J2 Leadership



Sir Martin E. Franklin
Co-Founder, J2 Acquisitions
Co-Chair, Board of Directors, APi Group



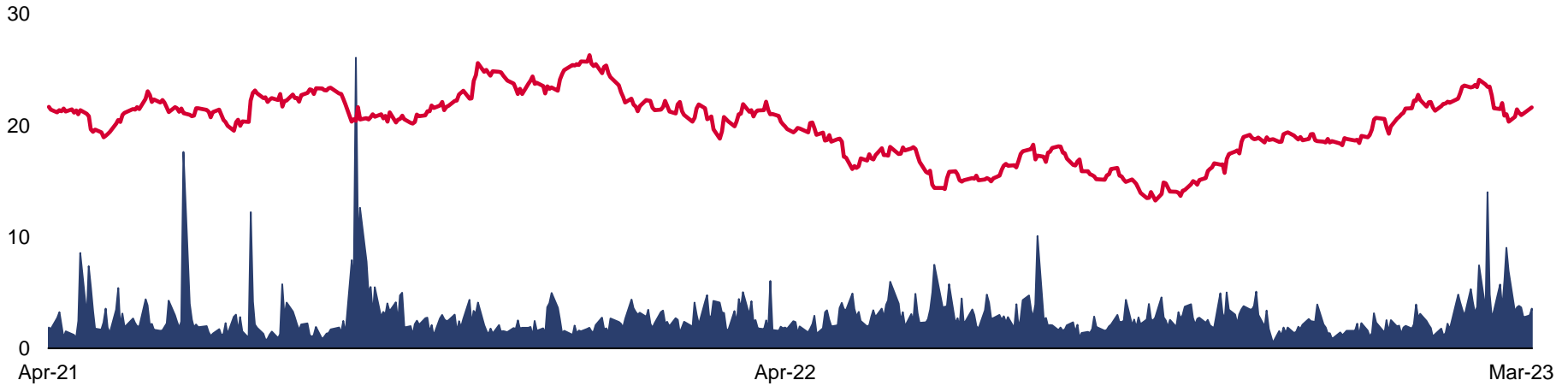
James E. Lillie
Co-Founder, J2 Acquisitions
Co-Chair, Board of Directors, APi Group



Management's Commitment to Perpetual Excellence

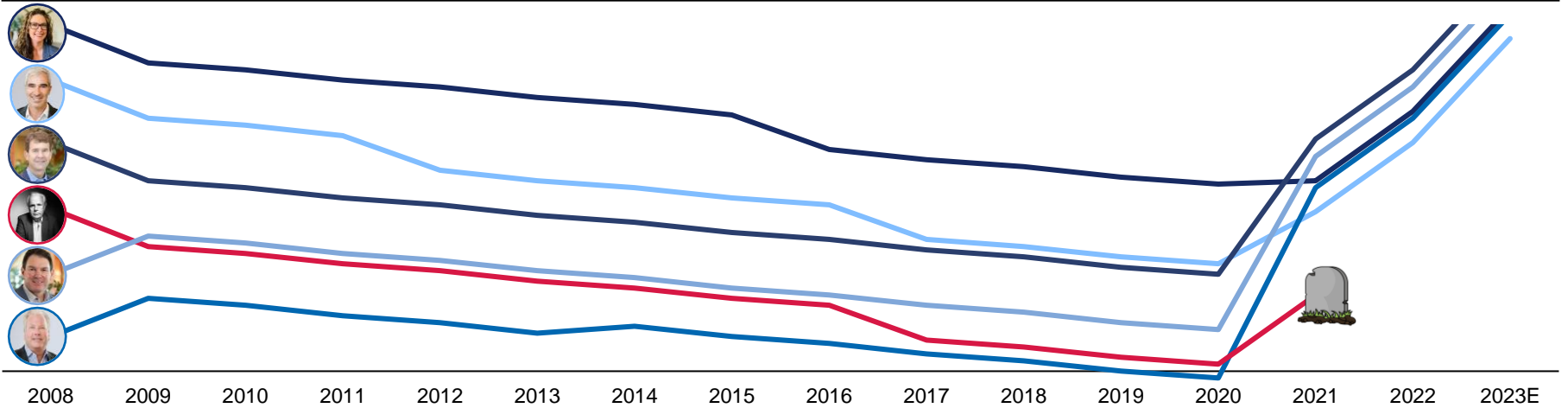
On April 22, 2021, API Management Committed to "Just Getting Better"⁽¹⁾

Stock Performance Since 2021 Investor Day⁽²⁾



The Results are In...

Management Performance Since 2021 Investor Day⁽³⁾



(1) Company Filings (2) CapIQ (3) InE Estimates

How Chubb Will Expand to America



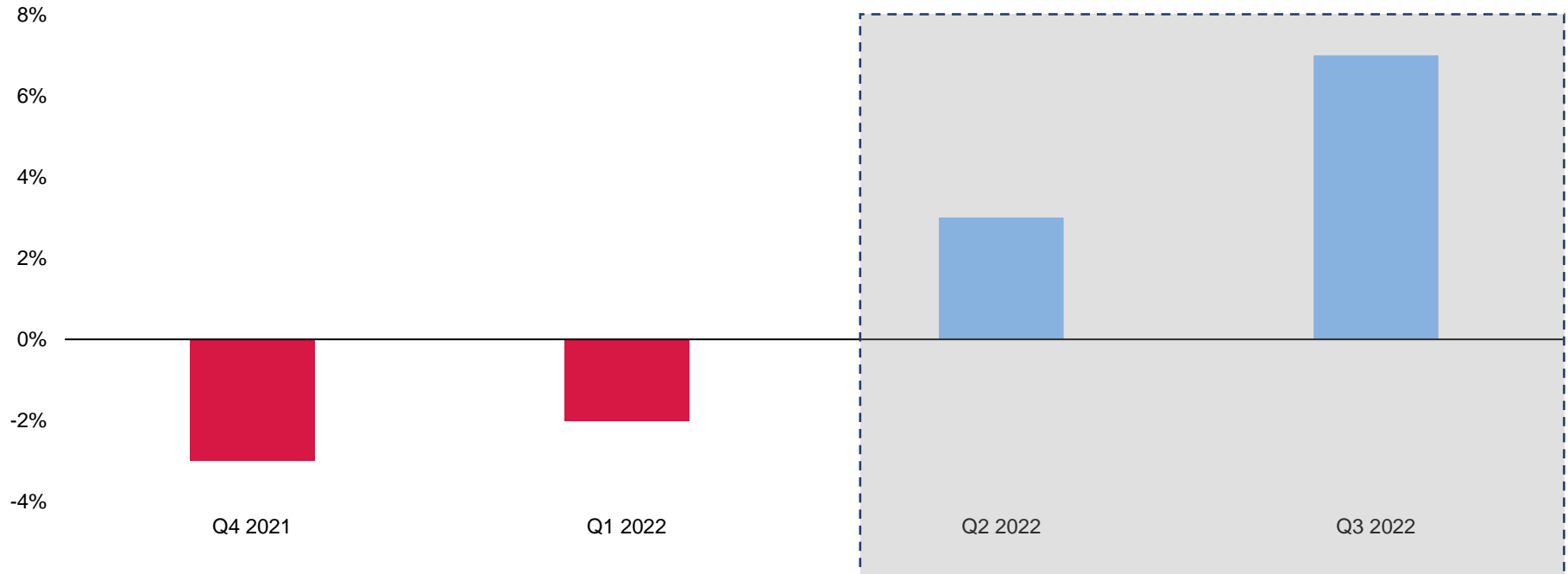
(1) @the_P_God

Chubb Revenue since acquisition



Chubb has Outperformed Since Acquisition

Chubb Revenue Growth %⁽¹⁾



(1) Company Filings



Model Appendix

Industrials and Energy Committee – Ferguson Pitch



CULVERHOUSE
INVESTMENT MANAGEMENT GROUP



Calendar Ended	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
	A	A	A	A	E	E	E	E	E	E	E	E	E	E	E
Revenue	4,092	3,587	3,940	6,558	7,079	7,521	8,006	8,486	8,884	9,361	9,803	10,297	10,874	11,448	12,051
Cost of Sales	3,290	2,831	3,001	4,844	5,221	5,527	5,770	6,033	6,303	6,627	6,896	7,235	7,630	8,023	8,425
Gross Profit	802	756	939	1,714	1,858	1,994	2,236	2,454	2,582	2,734	2,907	3,062	3,244	3,425	3,626
SGA	849	725	803	1,552	1,403	1,424	1,501	1,601	1,649	1,733	1,821	1,920	2,036	2,152	2,274
Other	12	197	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	861	922	803	1,552	1,403	1,424	1,501	1,601	1,649	1,733	1,821	1,920	2,036	2,152	2,274
EBIT	(59)	(166)	136	162	456	570	734	853	933	1,001	1,086	1,142	1,207	1,272	1,352
	-1%	-5%	3%	2%	6%	8%	9%	10%	10%	11%	11%	11%	11%	11%	11%
Taxes	9	(31)	32	20	75	99	130	154	171	185	195	196	211	225	243
NOPAT	(68)	(135)	104	142	381	471	605	699	762	816	891	946	996	1,047	1,109
D&A	147	263	202	304	312	307	243	219	262	243	210	208	244	254	265
Capex	(64)	(38)	(55)	(79)	(93)	(98)	(96)	(97)	(134)	(139)	(143)	(149)	(180)	(187)	(194)
(Increase) Decrease in NWC	9	214	(147)	(111)	1	15	(64)	(52)	(55)	(67)	(72)	(31)	(67)	(69)	(74)
UFCFF	24	304	104	256	601	695	687	768	835	854	886	974	993	1,046	1,107
Discount Period					0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5
Discounted UFCFF					573	602	541	550	544	505	477	476	442	423	407
EBITDA	88	97	338	466	768	877	977	1,072	1,195	1,244	1,296	1,349	1,452	1,527	1,617
Margin	2%	3%	9%	7%	11%	12%	12%	13%	13%	13%	13%	13%	13%	13%	13%

Variance



Calendar Ended	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-23	Dec-24
Fiscal Year Ended	2023				2024				2023	2024
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	FY23	FY24
	E	E	E	E	E	E	E	E	E	E
Safety Services Revenue										
Model	1,156	1,288	1,239	1,326	1,223	1,402	1,310	1,442	5,009	5,377
Street	1,152	1,220	1,236	1,274	1,214	1,287	1,314	1,345	4,881	5,160
Variance	0%	6%	0%	4%	1%	9%	0%	7%	3%	4%
Specialty Services Revenue										
Model	425	539	612	529	436	562	635	550	2,105	2,182
Street	406	529	608	529	424	560	643	561	2,071	2,187
Variance	5%	2%	1%	0%	3%	0%	-1%	-2%	2%	0%
Revenue										
Model	1,573	1,818	1,842	1,846	1,651	1,954	1,936	1,982	7,079	7,521
Street	1,545	1,740	1,827	1,791	1,615	1,848	1,950	1,902	6,902	7,315
Variance	2%	5%	1%	3%	2%	6%	-1%	4%	3%	3%
EBITDA										
Model	146	201	211	210	173	230	235	239	768	877
Street	141	194	215	210	162	213	238	235	760	847
Variance	3%	3%	-2%	0%	7%	8%	-1%	2%	1%	3%
Diluted EPS										
Model	\$ 0.11	\$ 0.24	\$ 0.26	\$ 0.05	\$ 0.20	\$ 0.32	\$ 0.19	\$ 0.19	\$ 0.66	\$ 0.90
Street	\$ 0.09	\$ 0.23	\$ 0.28	\$ 0.28	\$ 0.18	\$ 0.31	\$ 0.41	\$ 0.40	\$ 0.88	\$ 1.30
Variance	26%	4%	-6%	-84%	9%	5%	-53%	-53%	-25%	-31%
Dilutes Shares Outstanding										
Model	268	268	269	272	272	272	305	307		
Street	271	272	273	274	276	276	277	278		
Variance	-1%	-2%	-2%	-1%	-1%	-1%	10%	11%		