



# Atlas Ontario LP

Consolidated and Combined Financial Statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021, and 2020, Independent Auditor's Report and Management's Discussion and Analysis of Financial Condition and Results of Operations

## ATLAS ONTARIO LP

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Managers of  
Atlas Ontario LP:

### **Opinion**

We have audited the consolidated and combined financial statements of Atlas Ontario LP and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated and combined statements of operations, comprehensive loss, members' capital, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the consolidated and combined financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Management's Discussion and Analysis of Financial Condition and Results of Operations Accompanying the Consolidated and Combined Financial Statements**

Management is responsible for the Management's Discussion and Analysis of Financial Condition and Results of Operations accompanying the consolidated and combined financial statements. The Management's Discussion and Analysis of Financial Condition and Results of Operations comprises the information accompanying the consolidated and combined financial statements but does not include the consolidated and combined financial statements and our auditor's report thereon. Our opinion on the consolidated and combined financial statements does not cover the Management's Discussion and Analysis of Financial Condition and Results of Operations, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated and combined financial statements, our responsibility is to read the Management's Discussion and Analysis of Financial Condition and Results of Operations and consider whether a material inconsistency exists between the Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated and combined financial statements, or the Management's Discussion and Analysis of Financial Condition and Results of Operations otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Management's Discussion and Analysis of Financial Condition and Results of Operations exists, we are required to describe it in our report.

*Deloitte + Touche LLP*

March 20, 2023

**ITEM 1. FINANCIAL STATEMENTS**

**ATLAS ONTARIO LP  
CONSOLIDATED BALANCE SHEETS  
(Dollars and units in millions)**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 812	\$ 1,149
Restricted cash	149	157
Accounts receivable, net of allowance for doubtful accounts of \$73 and \$56 as of December 31, 2022 and 2021, respectively	3,435	3,160
Inventories	142	107
Prepaid and other current assets	422	434
<b>Total current assets</b>	<b>4,960</b>	<b>5,007</b>
Property, equipment and software, net	688	630
Operating lease right-of-use assets	277	302
Goodwill	8,859	8,784
Intangible assets, net	2,852	3,249
Other assets	734	888
<b>TOTAL ASSETS</b>	<b>\$ 18,370</b>	<b>\$ 18,860</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 336	\$ 316
Accrued payroll and related payroll taxes	955	1,110
Accrued expenses and other current liabilities	1,194	1,223
Accrued claims reserves, current portion	275	249
Lease liabilities, current portion	160	164
Long-term debt, current portion	800	419
<b>Total current liabilities</b>	<b>3,720</b>	<b>3,481</b>
Long-term debt, net of current portion	12,223	12,142
Accrued claims reserves, net of current portion	520	506
Deferred tax liability	575	832
Lease liabilities, net of current portion	309	328
Other liabilities	360	364
<b>Total liabilities</b>	<b>17,707</b>	<b>17,653</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>MEMBERS' CAPITAL:</b>		
Class A units, no par value, 5,146 and 5,145 Class A units issued and outstanding as of December 31, 2022 and 2021, respectively	2,548	2,452
Accumulated other comprehensive (loss) income	(57)	184
Accumulated deficit	(1,950)	(1,589)
<b>Total members' capital excluding noncontrolling interests</b>	<b>541</b>	<b>1,047</b>
Noncontrolling interests	122	160
<b>Total members' capital</b>	<b>663</b>	<b>1,207</b>
<b>TOTAL LIABILITIES AND MEMBERS' CAPITAL</b>	<b>\$ 18,370</b>	<b>\$ 18,860</b>

The accompanying notes are an integral part of these consolidated and combined financial statements.

**ATLAS ONTARIO LP**  
**CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**  
(Dollars and units in millions, except per unit amounts)

	Year Ended December 31,		
	2022	2021	2020
REVENUES	\$ 19,418	\$ 16,449	\$ 8,501
COSTS AND EXPENSES			
Cost of revenues (exclusive of depreciation and amortization)	16,128	13,612	6,913
Selling, general and administrative	2,000	1,850	936
Depreciation and amortization	767	664	356
Acquisition and related costs	23	152	26
Total costs and expenses	<u>18,918</u>	<u>16,278</u>	<u>8,231</u>
INCOME FROM OPERATIONS	<u>500</u>	<u>171</u>	<u>270</u>
OTHER EXPENSE, NET:			
Interest expense, net	780	597	346
Loss on extinguishment of debt	—	277	—
Other income, net	(7)	(100)	(15)
Total other expense, net	<u>773</u>	<u>774</u>	<u>331</u>
LOSS BEFORE INCOME TAXES	(273)	(603)	(61)
INCOME TAX PROVISION	<u>81</u>	<u>66</u>	<u>20</u>
NET LOSS	(354)	(669)	(81)
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	7	(4)	1
NET LOSS ATTRIBUTABLE TO ATLAS ONTARIO LP	<u>\$ (361)</u>	<u>\$ (665)</u>	<u>\$ (82)</u>
Loss per unit:			
Basic	<u>\$ (0.07)</u>	<u>\$ (0.14)</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ (0.07)</u>	<u>\$ (0.14)</u>	<u>\$ (0.02)</u>
Weighted-average units outstanding:			
Basic	<u>5,186</u>	<u>4,862</u>	<u>4,063</u>
Diluted	<u>5,186</u>	<u>4,862</u>	<u>4,063</u>

The accompanying notes are an integral part of these consolidated and combined financial statements.

**ATLAS ONTARIO LP**  
**CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE LOSS**  
(in millions)

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
NET LOSS	\$ (354)	\$ (669)	\$ (81)
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of tax of \$2, \$0, and \$0, respectively	(144)	25	2
Actuarial movements on defined benefit plan, net of tax of \$16, \$53, and \$0, respectively	(90)	161	—
Net unrealized losses on debt securities, net of tax of \$0	(4)	—	—
Other comprehensive (loss) income	<u>(238)</u>	<u>186</u>	<u>2</u>
COMPREHENSIVE LOSS	<u>(592)</u>	<u>(483)</u>	<u>(79)</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS			
Net income (loss) attributable to noncontrolling interests	7	(4)	1
Other comprehensive income attributable to noncontrolling interests			
Actuarial movements on defined benefit plan, net of tax of \$0	3	2	—
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>10</u>	<u>(2)</u>	<u>1</u>
COMPREHENSIVE LOSS ATTRIBUTABLE TO ATLAS ONTARIO LP	<u>\$ (602)</u>	<u>\$ (481)</u>	<u>\$ (80)</u>

The accompanying notes are an integral part of these consolidated and combined financial statements.

**ATLAS ONTARIO LP**  
**CONSOLIDATED AND COMBINED STATEMENTS OF MEMBERS' CAPITAL**  
**(Dollars and units in millions)**

	Class A Units		Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Members' Capital Excluding Noncontrolling Interests	Noncontrolling Interests	Total Members' Capital
	Issued	Amount					
Balance as of December 31, 2019	4,053	\$ 1,314	\$ (2)	\$ (842)	\$ 470	\$ 3	\$ 473
Equity contributions	10	9			9		9
Equity-based compensation		28			28		28
Distributions		(12)			(12)		(12)
Translation adjustment, net of tax of \$0			2		2		2
Net (loss) income				(82)	(82)	1	(81)
Balance as of December 31, 2020	4,063	\$ 1,339	\$ —	\$ (924)	\$ 415	\$ 4	\$ 419
Fair value of acquired noncontrolling interests (Note 9)					—	169	169
Equity contributions	1,082	1,082			1,082		1,082
Equity-based compensation		50			50		50
Distributions		(21)			(21)	(9)	(30)
Translation adjustment, net of tax of \$0			25		25		25
Purchase of noncontrolling interest in subsidiary		2			2	(2)	—
Actuarial movements on defined benefit plans, net of tax of \$53 and \$0, respectively			159		159	2	161
Net loss				(665)	(665)	(4)	(669)
Balance as of December 31, 2021	5,145	\$ 2,452	\$ 184	\$ (1,589)	\$ 1,047	\$ 160	\$ 1,207
Equity contributions	1	1			1		1
Equity-based compensation		58			58		58
Distributions		—			—	(11)	(11)
Translation adjustment, net of tax of \$2			(144)		(144)		(144)
Purchase of noncontrolling interest in subsidiary		37			37	(37)	—
Actuarial movements on defined benefit plans, net of tax of \$16 and \$0, respectively			(93)		(93)	3	(90)
Net unrealized losses on debt securities, net of tax of \$0			(4)		(4)		(4)
Net (loss) income				(361)	(361)	7	(354)
Balance as of December 31, 2022	5,146	\$ 2,548	\$ (57)	\$ (1,950)	\$ 541	\$ 122	\$ 663

The accompanying notes are an integral part of these consolidated and combined financial statements.



**ATLAS ONTARIO LP**  
**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**  
(in millions)

	Year Ended December 31,		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (354)	\$ (669)	\$ (81)
<b>Adjustments to reconcile net loss to net cash (used in) provided by operating activities:</b>			
Gain on changes in fair value of contingent purchase consideration	(2)	(18)	(2)
Depreciation and amortization	767	664	356
Non-cash operating lease costs	93	77	25
Loss on extinguishment of debt	—	277	—
Provision for losses on accounts receivable	24	29	8
Equity-based compensation expenses	58	50	28
Deferred income taxes	(39)	(31)	(39)
Amortization of deferred financing costs	21	17	10
Loss (gain) on marketable securities	22	(4)	(4)
Gain on settlement of derivative contracts	—	(30)	(8)
Net periodic pension income	(36)	(26)	—
Other	—	(1)	2
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(291)	(58)	(81)
Prepaid and other assets	(11)	(45)	(28)
Accounts payable	24	(20)	26
Accrued payroll and related payroll taxes	(135)	8	142
Accrued expenses, operating lease liabilities and other liabilities	(185)	(359)	235
Employer pension contributions	(171)	(90)	—
Net cash (used in) provided by operating activities	<u>(215)</u>	<u>(229)</u>	<u>589</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and software	(241)	(141)	(47)
Sale (purchase) of marketable securities	7	(14)	(9)
Acquisitions, net of cash and restricted cash acquired	(361)	(4,485)	(95)
Other	22	4	3
Net cash used in investing activities	<u>(573)</u>	<u>(4,636)</u>	<u>(148)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from credit facilities	—	11,591	940
Repayments of credit facilities	(48)	(7,531)	(22)
Borrowings on revolving credit loans	4,931	1,777	764
Repayments of revolving credit loans	(4,297)	(1,415)	(1,169)
Original issue premium - senior secured notes	—	—	38
Financing fees paid	—	(148)	(2)
Market premium and inducement offer on debt repayment	—	(140)	—
Finance lease and other financing payments	(89)	(81)	(53)
Payments of contingent purchase price consideration	(8)	(4)	(27)
Equity contributions	1	1,068	—
Distributions	(11)	(30)	(12)
Net change in bank overdrafts	22	58	—
Other	(2)	—	—
Net cash provided by financing activities	<u>499</u>	<u>5,145</u>	<u>457</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(56)	13	—
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(345)</b>	<b>293</b>	<b>898</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning of period</b>	<b>1,306</b>	<b>1,013</b>	<b>115</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of period</b>	<b><u>\$ 961</u></b>	<b><u>\$ 1,306</u></b>	<b><u>\$ 1,013</u></b>

The accompanying notes are an integral part of these consolidated and combined financial statements.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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### 1. BUSINESS AND ORGANIZATION OF THE COMPANY

Atlas Ontario LP (“Atlas Ontario” or the “Company”) is a limited partnership formed on November 24, 2020 under the laws of the Province of Ontario, Canada. The Company is a leading provider of comprehensive staffed security services operating in more than 90 countries and is organized into two segments: North America and International. Through a combination of comprehensive staffed security services, technology services, and other services, the Company delivers high-quality and cost-effective security and other services to its customers. The Company, which was founded in 1965 as a predecessor company, is headquartered in Irvine, CA.

On April 6, 2021, pursuant to a reorganization resulting in a change to the Company’s capital structure and in connection with the acquisition of the issued and outstanding stock of G4S plc (“G4S”), the owners of Allied Universal Topco LLC (“Topco”), the direct parent and the sole member of Allied Universal Holdco LLC (“Holdco”), contributed their membership interests and, in some cases, the legal entities holding such interests, to Atlas Ontario in exchange for proportionate membership interests in Atlas Ontario (such transactions collectively referred to as the “G4S Transaction”). Each Topco unit holder received approximately 1.25 Class A units in Atlas Ontario for every fully vested Topco unit, resulting in 4,063 million Class A units outstanding in Atlas Ontario as of April 6, 2021. Atlas Ontario’s capital structure has been retrospectively presented throughout the consolidated and combined financial statements.

Based on (i) the voting rights of Allied Universal Manager LLC, the general partner of Atlas Ontario and managing member of Topco, and (ii) the ownership interests held by Warburg Pincus LLC in each of Atlas Ontario and of Topco, prior and subsequent to the April 6, 2021 reorganization, the Company has determined that Atlas Ontario and Topco are and were under common control. As a result, the accompanying consolidated and combined financial statements present Atlas Ontario, Topco, and the investor holding entities on a combined basis at their historical carrying amounts for all periods prior to the April 6, 2021 reorganization. Periods presented subsequent to this reorganization are presented on a consolidated basis.

### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation and Principles of Consolidation*

The Company has prepared the accompanying consolidated and combined financial statements in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”).

The consolidated and combined financial statements include the accounts of all majority-owned subsidiaries and variable interest entities in which the Company is the primary beneficiary. The Company considers itself as controlling an entity if it is the majority owner of, or has voting control over, such entity. The Company records the impact of its minority members’ interests in its subsidiaries as non-controlling interests. All intercompany balances and transactions have been eliminated in consolidation, including the intercompany portion of transactions with variable interest entities.

Investments in business entities in which the Company does not have control but has the ability to exercise significant influence over operating and financial policies are accounted for as equity method investments or joint ventures under ASC 323, *Investments-Equity Method and Joint Ventures*, and are included in other assets on the consolidated balance sheets. Under this method of accounting, the Company’s share of the net earnings or losses of the investee entity is included in selling, general and

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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administrative in the consolidated statements of operations since the activities of the investee entity are integral with the operations of the Company. The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

### *Use of Estimates*

In the preparation of the consolidated and combined financial statements, management has made estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. Management makes these estimates and assumptions because certain information that it uses is dependent on future events, cannot be calculated with precision or simply cannot be calculated. In some cases, these estimates are difficult to determine, and management must exercise significant judgment. In preparing the financial statements, the most difficult and complex estimates and the assumptions that present the greatest amount of uncertainty relate to our accounting for goodwill and long-lived asset impairments, the fair value of assets and liabilities acquired in business combinations or asset acquisitions, equity unit-based compensation expense, deferred income tax asset valuation allowances, fair value of pension assets and liabilities, uncertain tax positions, tax contingencies, and reserves associated with the Company's insured and self-insured claims. Actual results could differ materially from those estimates.

### *Macroeconomic Developments*

The Company has been affected by the coronavirus ("COVID-19") pandemic, global inflation, and rising global interest rates, in some cases adversely, to varying extents depending on prevailing government restrictions and economic conditions in the markets in which the Company operates. In particular, the Company experienced some workforce disruption due to employee absences due to illness, quarantine requirements, low unemployment rates, enhanced unemployment compensation benefits and other government relief programs, or other employment restrictions which collectively have resulted in continued labor shortages and increased inflationary pressure on wages, fuel, and other costs. Global interest rates are rising in an effort to curb inflation.

During March 2020, the Company borrowed \$500.0 million from its credit facilities as a precautionary measure in response to the COVID-19 pandemic. These cash borrowings were not used to support the Company's working capital and were repaid in full during August 2020.

Due to government relief programs in the United States and elsewhere, as of December 31, 2022 and 2021, the Company had \$0 and \$208.1 million, respectively, outstanding in deferred payroll tax and other indirect tax liabilities related to COVID-19, which are recorded within accrued payroll and payroll-related taxes on the consolidated balance sheets. The decrease in COVID-19 related deferrals from December 31, 2021 to December 31, 2022 is due to payments of deferred payroll tax during December 31, 2022. Additionally, in certain jurisdictions outside of the United States, the Company received COVID-19-related government support income that partially mitigated the financial effect of incremental safety and operating costs and the cost of continuous employment for staff whose roles would have otherwise been at risk given the impact of the pandemic. This government support income is recognized as a reduction to cost of revenues and amounted to \$0, \$12.4 million, and \$0 for the years ended December 31, 2022, 2021, and 2020, respectively.

Management is unable to predict the potential effects of inflation, rising interest rates, and ongoing uncertainties related to the COVID-19 pandemic on the business.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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### *Revenue Recognition*

In accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, the Company accounts for a customer contract when both parties have approved the arrangement, the performance obligations can be identified, payment terms can be determined and it is probable the Company will collect substantially all of the consideration to which it is entitled. The Company recognizes revenue when its performance obligation is satisfied upon the transfer of control of the promised product or service to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. Revenue is recognized over time in the period in which services are provided pursuant to the terms of the Company's contractual relationships with its clients. The Company recognizes revenue in an amount that corresponds directly with the value to the customer of the Company's performance completed to date and for which the Company has the right to invoice the customer.

The Company generates revenues primarily from comprehensive staffed security services including on-site, mobile and remote security, care and justice, and other comprehensive staffed security services. Revenues are generally measured based on billable hours served by security professionals and rate per billable hour, as determined by the underlying customer contract. Revenues generated from comprehensive staffed security services are recognized over time as services are performed.

Revenues from technology services installation contracts (including the outright sale of equipment) consist primarily of video, alarm, and electronic monitoring and security systems installation contracts and are recorded as control is transferred to the Company's clients over time, as any assets created or enhanced by the Company's performance are controlled by the Company's clients and the Company has a legally enforceable right to payment for performance completed. Revenue is recognized using the cost-to-cost input method, which measures the percentage of actual cost incurred to date to the estimated total cost to complete. As of December 31, 2022 and 2021, the Company recorded \$77.0 million and \$53.9 million, respectively, in prepaid and other current assets for costs and estimated earnings in excess of billings on contracts-in-progress and \$23.4 million and \$17.8 million, respectively, in accrued expenses and other current liabilities for billings in excess of costs and estimated earnings on contracts-in-progress. When technology contracts involve the rental of technology related equipment, the Company determines whether the arrangement constitutes a lease and applies lessor accounting as applicable.

Revenues generated from other services consisting of facilities management services, risk consultancy, janitorial, cash services (cash in transit, cash processing and ATM services), staffing and other ancillary services, are recognized as services are performed.

The Company generally bills its customers either in advance, weekly, bi-weekly or monthly. Unbilled receivables of \$589.4 million and \$605.8 million as of December 31, 2022 and 2021, respectively, represent amounts earned but not yet billed to customers and are included in accounts receivable in the consolidated balance sheets. Deferred revenue generally represent amounts received from customers in advance of performing the related services. As of December 31, 2022 and 2021, deferred revenue of \$103.6 million and \$122.6 million is included in accrued expenses and other current liabilities, respectively, and \$84.0 million and \$10.4 million is included in other liabilities, respectively, in the consolidated balance sheets. The underlying revenue is recognized when the Company performs the related service.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

The Company reports revenue net of sales tax collected from customers that are then remitted to government taxing authorities. Taxes collected are recorded within accrued expenses and other current liabilities in the consolidated balance sheets until remitted to the applicable government taxing authority.

The following table presents the Company's disaggregated revenue by segment and service offering (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
North America			
Comprehensive staffed security services	\$ 11,946	\$ 10,627	\$ 8,055
Technology services	654	536	157
Other services	772	504	289
Total North America revenue	<u>13,372</u>	<u>11,667</u>	<u>8,501</u>
International			
Comprehensive staffed security services	4,228	3,320	—
Technology services	602	423	—
Other services	1,216	1,039	—
Total International revenue	<u>6,046</u>	<u>4,782</u>	<u>—</u>
Total revenue	<u>\$ 19,418</u>	<u>\$ 16,449</u>	<u>\$ 8,501</u>

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are comprised primarily of domestic and foreign bank accounts and money market funds. These cash and cash equivalents are valued based on Level 1 inputs, which consist of quoted prices in active markets. To reduce its credit risk, the Company monitors the credit standing of the financial institutions that hold the Company's cash and cash equivalents in which a portion of such balances exceed or are not subject to Federal Deposit Insurance Corporation ("FDIC") insurance limits and other limits established by various international deposit insurance systems.

Bank overdrafts totaled \$115.0 million and \$61.3 million as of December 31, 2022 and 2021, respectively, and are recorded within accrued expenses and other current liabilities in the consolidated balance sheets.

Supplemental cash flow information is as follows (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash paid for interest	<u>\$ 758</u>	<u>\$ 572</u>	<u>\$ 312</u>
Cash paid for income taxes	<u>\$ 107</u>	<u>\$ 112</u>	<u>\$ 52</u>
<b>Noncash financing activities:</b>			
Member units issued	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ 9</u>

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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### *Restricted Cash*

The Company's restricted cash primarily represents balances on deposit or contractually required to pay insurance claims as they become due. The remainder of restricted cash represents legally restricted balances based on various local regulatory or contractual restrictions on the Company's ability to use the balance for general corporate purposes.

### *Marketable Securities*

Unrealized gains and losses on marketable equity securities are included in earnings and are reported in the accompanying consolidated and combined statements of operations as a component of other expense, net. Unrealized (losses) gains on marketable equity securities for the years ended December 31, 2022, 2021, and 2020 were \$(21.7) million, \$4.4 million, and \$4.3 million, respectively. The estimated fair values of the Company's marketable securities are \$138.6 million and \$172.2 million as of December 31, 2022 and 2021, respectively, which are recorded in other assets on the consolidated balance sheets.

Net unrealized losses on available-for-sale debt securities of \$4.4 million were recognized in other comprehensive (loss) income during the year ended December 31, 2022. No amounts were recognized in other comprehensive income during the years ended December 31, 2021 or 2020. The amount in accumulated other comprehensive (loss) income that has not yet been recognized as of December 31, 2022 consists of net unrealized losses on available-for-sale debt securities of \$4.4 million.

### *Accounts Receivable, Net of Allowance for Doubtful Accounts*

Accounts receivable includes billed and unbilled receivables, net of allowance for credit losses. The Company estimates the allowance for expected credit loss based on the following factors when determining the collectability of specific customer accounts: (1) customer creditworthiness, (2) aging of accounts receivable, (3) past transaction history with the customer, (4) current and supportable forecasts of future economic conditions and industry trends and (5) changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, the Company would provide additional allowances. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a reduction to customer accounts receivable.

Concentrations of credit risk with respect to trade receivables are limited since the Company's revenue base is composed of a large number of customers that are dispersed across different industries and geographic areas. As of and for the years ended December 31, 2022, 2021, and 2020, no customer represented greater than 10.0% of total accounts receivable or revenue. The Company extends differing levels of credit to customers, and, when necessary, maintains reserves for potential credit losses based upon the expected collectability of accounts receivable. The Company manages credit risk related to its customers by following credit approval processes, establishing credit limits, performing periodic evaluations of credit worthiness and applying other credit risk monitoring procedures.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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### *Inventories*

Inventories are stated at the lower of cost (primarily on the first-in, first-out basis) or net realizable value. The following are the major classes of inventory as of December 31, 2022 and 2021 (in millions):

	December 31,	
	2022	2021
Raw materials	\$ 20	\$ 10
Work in progress	15	14
Finished goods	107	83
Total inventories	<u>\$ 142</u>	<u>\$ 107</u>

### *Foreign Currencies*

In the majority of countries in which the Company operates, the functional currency is the local currency. The Company's foreign subsidiaries' asset and liability accounts are translated for consolidated financial reporting purposes into U.S. dollar amounts at period-end exchange rates. Revenue and expense accounts are translated at the average rates applicable during the period. Foreign exchange translation adjustments are included in accumulated other comprehensive (loss) income on the consolidated balance sheets. Except for operations that have a functional currency that is hyperinflationary, transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. The impact of foreign currency transactions from operations in hyperinflationary countries were immaterial during the periods presented.

During 2020, the Company entered into cross currency derivatives to facilitate the exchange of currency in connection with the acquisition of G4S. During 2021, the Company assumed the cross currency and interest rate swaps held by G4S to mitigate the effects of interest rate and currency exchange rate changes on borrowings. All derivatives were settled during the year ended December 31, 2021. The Company did not elect to apply hedge accounting for these transactions. Changes in the fair value of derivative instruments while held and upon settlement are recorded in other income and are included as adjustments to reconcile net loss to net cash (used in) provided by operating activities in the consolidated and combined statements of cash flows. Gains from the change in fair value of derivative instruments recognized in earnings were \$0, \$29.8 million, and \$8.0 million for the years ended December 31, 2022, 2021, and 2020, respectively. There were no derivatives outstanding as of December 31, 2022 or 2021.

### *Income Taxes*

The Company accounts for income taxes using the asset and liability method, under which it recognizes the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's consolidated and combined financial statements or tax returns. The Company measures current and deferred tax assets and liabilities based on provisions of enacted tax law. The Company evaluates the realization of its deferred tax assets based on all available evidence and establish a valuation allowance to reduce deferred tax assets when it is more likely than not that they will not be realized.

Income tax expense includes U.S. (federal and state) and foreign income taxes. Certain foreign subsidiary earnings and losses are subject to current U.S. taxation and the subsequent repatriation of those earnings is not subject to tax in the U.S. The Company does not indefinitely invest substantially all its foreign

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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subsidiary earnings, as well as its capital, in its foreign subsidiaries outside of the U.S. The Company provides for accruals in those jurisdictions in which it would incur significant, additional costs upon repatriation of such amounts.

The Company recognizes the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the consolidated and combined financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority. In addition, the Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision.

The Company is also currently subject to tax proceedings in various jurisdictions, and these jurisdictions may assess additional income tax liabilities against the Company. Developments in an audit, investigation, or other tax controversy could have a material effect on the Company's consolidated operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. The Company regularly assesses the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of its tax accruals. Although the Company believes its tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from the Company's historical income tax provisions and accruals.

The Company is directly and indirectly affected by new tax legislation and regulation and the interpretation of tax laws. Over the last several years, the Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project that, if implemented, would change various aspects of the existing framework under which the Company's tax obligations are determined in many of the countries in which the Company does business. These rules, should they be implemented via domestic legislation of countries or via international treaties, could have a material impact on the Company's effective tax rate or result in higher cash tax liabilities. In addition, on August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which includes a 15% minimum tax on the adjusted financial statement income of corporations with a three taxable year average annual adjusted financial statement income in excess of \$1 billion which is effective in taxable years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on the Company's consolidated results of operations in the current year, the Company will continue to evaluate its impact as further information becomes available.

### *Goodwill, Intangibles, and Other Long-lived Assets*

Land and construction-in-progress is recorded at historical cost. All other property, equipment and software are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of depreciable assets:

	<u>Years</u>
Buildings	up to 50
Leasehold improvements	3 - 10
Machinery and equipment	3 - 10
Software and software development	3 - 5
Automobiles and trucks	3 - 10
Uniforms	2 - 3



# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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Leasehold improvements and other leased assets classified as property, equipment and software are amortized over their estimated useful lives or the remaining life of the respective lease, whichever is shorter.

The Company capitalizes certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use, which are included in property, equipment and software.

Long-lived assets include identifiable intangibles with finite lives, property, equipment, software and right-of-use assets for leases. The Company reviews its long-lived asset groups for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of these asset groups is determined based upon the expected undiscounted future net cash flows from the operations to which the asset groups relate, utilizing management's best estimates, appropriate assumptions, and projections at the time of review. If the carrying value is determined not to be recoverable from future operating cash flows, the asset group is deemed impaired, and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair market value of the asset group. No impairment was recorded for the years ended December 31, 2022, 2021 or 2020.

The Company records goodwill as the excess of the purchase price of an acquired entity over the net of the fair values assigned to identifiable tangible and intangible assets acquired and liabilities assumed. The Company tests its goodwill for impairment annually at October 1. The Company evaluates the recoverability of goodwill based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of its reporting units are less than their carrying amounts. In the qualitative assessment, the Company considers the macroeconomic conditions, including any deterioration of general conditions and industry and market conditions, changes in the products/services and regulatory and political developments, cost of doing business, overall financial performance, including any declining cash flows and performance in relation to planned revenues and earnings in past periods, other relevant reporting unit specific facts, such as changes in management or key personnel or pending litigation, and events affecting the reporting units, including changes in the carrying value of net assets. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company would perform the quantitative goodwill impairment test as required. If the Company determines that it is not more likely than not that the fair value of a reporting unit is less than the carrying value, then no further testing is required. If the carrying amount exceeds the fair value then the Company would record an impairment loss in an amount equal to that excess, limited to the total amount of goodwill recorded. The Company estimates the fair value of its reporting units based on a combination of significant observable and unobservable inputs, including estimates of future operating performance. Changes in market conditions, among other factors, may have an impact on these estimates. During the year ended December 31, 2022, the Company performed qualitative assessments and determined that it is not more likely than not that the fair value of its reporting units are less than their carrying values. There were no goodwill impairment charges recorded during the years ended December 31, 2022, 2021 or 2020.

Certain trade names have been determined to be indefinite-lived identifiable intangible assets, and therefore are not amortized. The Company's finite-lived identifiable intangible assets, such as customer contracts, non-compete agreements, technology, and the G4S tradenames are amortized over their estimated economic lives on a straight-line basis. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For the Company's indefinite-lived trade names, the Company also conducts an assessment of qualitative factors

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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to determine whether or not it is more likely than not that the fair value of the assets is less than their carrying value. If the Company determines that it is more likely than not that the fair value of the trade names is less than the carrying value, the Company estimates the fair value of its indefinite-lived trade names using the relief from royalty method. The relief from royalty method measures the discounted cash flow savings realized from owning such intangible assets and not having to pay a royalty for their use. Impairment would then be recognized for the difference between the determined fair value and their carrying value, if applicable. The Company performs the trade name impairment test annually at October 1, regardless of the results of the goodwill evaluation. During the year ended December 31, 2022, the Company performed a qualitative assessment and determined that it is not more likely than not that the fair values of indefinite-lived trade names are less than the carrying values. There were no impairment charges on indefinite-lived assets during the years ended December 31, 2022, 2021 or 2020.

### *Fair Value Measurements*

The Company applies fair value accounting for all financial assets, including cash and cash equivalents, and liabilities that are recognized or disclosed at fair value in the consolidated and combined financial statements. The estimated fair value of financial instruments has been determined based on management's assessment of available market information and appropriate valuation methodologies. The carrying values of short-term financial instruments, such as accounts receivable, accounts payable and various accrued expenses, approximate their fair values based on the short-term maturities of these instruments.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active near the measurement date; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The remainder of this section outlines the valuation methodologies for the Company's defined pension plan assets and the Company's financial assets. While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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During the year ended December 31, 2022, there were no significant changes to valuation approaches or techniques that had, or are expected to have, a material impact on the Company's consolidated and combined financial position or results of operations.

*Common Stocks:* Investments in common stock listed on a national securities exchange and over-the-counter securities are valued at the last reported sale price on the valuation date or, if no sales are reported for that day, the last published sales price.

*Registered Investment Companies:* Registered investment companies (or mutual funds) are valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Company are deemed to be actively traded.

*Government and Agency Bonds:* Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and other sovereign nations. The fair values of these bonds are based on quoted market prices and are determined using the spread above the risk-free yield curve, as applicable.

*Corporate and Municipal Bonds:* Corporate and Municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Derivatives:* Consists of derivatives publicly traded on active markets with quoted priced and non-exchange traded derivatives. Non-exchange traded derivatives are valued using independent pricing services using the market or cost approach depending on the type of instrument.

*Collective Trust Funds:* Collective trust funds represent investments held in pooled funds. The Company's interests in the collective trust funds are valued based on the NAV provided by the fund sponsor. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Transactions (purchases and sales) may occur daily. Were the Company to initiate a full redemption of the collective trust funds, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner. There are no significant redemption restrictions or unfunded commitments on these investments. These investments are direct filing entities. In accordance with GAAP, the collective trust funds measured at net asset value have not been classified in the fair value hierarchy.

The Company has not elected the fair value option as prescribed by ASC 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, for its financial assets and liabilities that are not otherwise required to be carried at fair value. Under ASC 820, *Fair Value Measurements and Disclosures*, material financial assets and liabilities not carried at fair value, such as the Company's debt and accounts receivable and payable, are reported at their carrying values.

### *Insurance Reserves*

The Company maintains insurance coverage, subject to certain self-insured retention limits, for workers' compensation, general liability, employment practices liability, automobile liability and healthcare claims.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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Medical benefit costs for the majority of the Company's workforce are premium-based. Costs associated with the premium-based plans equal the actual premiums paid. Conversely, for administrative employees and security officers not subject to premium-based coverage, the Company is self-insured and subject to stop-loss limits.

The Company records its reserves for workers' compensation, general liability, employment practices liability and automobile liability based on a third-party actuarial analysis which includes amounts adequate to cover the ultimate claim, incurred but not reported development risk and litigation defense costs. Estimates of the ultimate cost of claims are derived from the level of the Company's insurance coverage and the Company's retained risk of loss. The Company records a reserve for healthcare claims based upon a third-party lag study analysis. Management reviews these estimates on a quarterly basis subject to information then currently available to assess their adequacy and the propriety of disclosure. The Company adjusts the reserves, if needed, based on the results of management's review. Assessing the adequacy of these reserves is subjective and requires judgments about future events. The amount of the actual loss may differ significantly from these estimates.

### *Members' Equity-Based Compensation*

The Company's management incentive plans allow the Company to attract and retain employees by allowing them to acquire an equity interest in and participate in the long-term growth and financial success of the Company.

The Company accounts for its equity-based compensation in accordance with the provisions of ASC Topic 718, *Compensation-Stock Compensation*. Under ASC Topic 718, equity-based compensation costs are measured at the grant date based on the fair value of the equity award and are recognized in the statements of operations over the period during which an employee is required to provide service in exchange for the award. The Company determines the grant-date fair value of equity unit awards using an appropriate option-pricing method. The Company recognizes the equity-based compensation expense on a straight-line basis over the requisite service period of the award and presents such expense in the same financial statement line as the employees' related service costs in the consolidated and combined statements of operations.

The Company uses an independent valuation advisor to assist with determining equity unit valuations for calculating equity-based compensation. The Company considers both the historical volatility of its peer group's stock price, as well as implied volatilities from exchange-traded options on its peer group's equity units, as applicable. The expected term used by the Company represents the period that the Company's equity units are expected to be outstanding. The assumptions used in calculating the fair value of equity-based awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, equity unit-based compensation could materially differ in the future.

### *Recently Issued Accounting Pronouncements*

In March 2020, the FASB issued ASU No. 2020-04 (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. ASU 2020-04 is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. ASU No. 2020-04

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was subject to election as of March 20, 2020 and can be elected for both interim and annual periods through December 31, 2022. The Company adopted this ASU on October 1, 2022, and the impact to the Company's consolidated financial statements was immaterial.

**3. PROPERTY, EQUIPMENT AND SOFTWARE, NET**

Property, equipment and software, net, which includes right-of-use assets under finance leases, consists of the following as of December 31, 2022 and 2021 (in millions):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Land and buildings	\$ 47	\$ 47
Leasehold improvements	42	53
Machinery and equipment	289	223
Software and software development	161	91
Automobiles and trucks	259	230
Uniforms	361	294
Construction-in-progress	38	18
Total property, equipment and software	1,197	956
Less accumulated depreciation and amortization	(509)	(326)
Property, equipment and software, net	<u>\$ 688</u>	<u>\$ 630</u>

Depreciation and amortization expense for property, equipment and software, net for the years ended December 31, 2022, 2021, and 2020 was \$297.0 million, \$219.2 million, and \$103.1 million, respectively, and is recorded within depreciation and amortization expense in the consolidated and combined statements of operations.

The Company purchases, leases and rents standard uniform garments to support the comprehensive staffed security services and facilities management service businesses. Purchased uniforms are capitalized in the consolidated balance sheets upon acquisition. Uniform lease and rental agreements are classified as leases and the respective lease classification is assessed under ASC 842.

**4. VARIABLE INTEREST ENTITIES**

In connection with the acquisition of G4S on April 6, 2021, the Company acquired a number of entities that qualify as variable interest entities included under G4S's ownership structure. The Company had no VIEs prior to April 6, 2021.

The Company evaluates its ownership, contractual, and other interests in legal entities to determine if it has a variable interest in those entities, the nature and extent of those interests, and whether they are VIEs. These evaluations are complex and involve management judgment and the use of estimates and assumptions based on available historical information, among other factors. Based on its evaluations, if the Company determines it is the primary beneficiary of such VIEs, it consolidates such entities into its financial statements.

The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the entity's economic performance, including powers granted to the entity's program manager, powers contained in the entity's

**ATLAS ONTARIO LP**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

governing board and, to a certain extent, a company's economic interest in the entity. The Company analyzes its VIEs and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary; or
- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary.

As part of the above analysis, if it is determined that the Company has the power to direct the activities that most significantly impact the entity's economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

A summary of financial information of the Company's consolidated VIEs is as follows as of December 31, 2022 and 2021 (in millions):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 322	\$ 292
Non-current assets	77	68
Total assets	<u>\$ 399</u>	<u>\$ 360</u>
Current liabilities	\$ 205	\$ 176
Non-current liabilities	95	105
Total liabilities	<u>300</u>	<u>281</u>
Total Atlas Ontario LP capital	101	82
Noncontrolling interests	(2)	(3)
Total members' capital	<u>99</u>	<u>79</u>
Total liabilities and members' capital	<u>\$ 399</u>	<u>\$ 360</u>

The Company is involved with VIEs which it does not consolidate because it does not have the power to direct the activities that most significantly impact their economic performance and thus is not considered the primary beneficiary of the entities. The Company believes there is no material loss exposure on the assets held by these entities or from these relationships.

The Company also participates in joint ventures that have their own employees and operating expenses, and in which the Company generally makes a capital contribution. The Company accounts for these joint ventures either as consolidated entities or equity method investments based on the criteria discussed above.

**5. GOODWILL AND INTANGIBLE ASSETS, NET**

*Goodwill*

The Company records goodwill as the excess of the purchase price of an acquired entity over the net of the fair values assigned to identifiable tangible and intangible assets acquired and liabilities assumed.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Changes in the carrying amount of goodwill during the years ended December 31, 2022 and 2021 are as follows (in millions):

	<b>Year Ended December 31, 2022</b>		
	<b>North America</b>	<b>International</b>	<b>Total</b>
Balance at December 31, 2021	\$ 6,633	\$ 2,151	\$ 8,784
Acquisition additions	18	168	186
Measurement period and related adjustments	(20)	57	37
Foreign currency translation adjustment	—	(148)	(148)
Balance at December 31, 2022	<u>\$ 6,631</u>	<u>\$ 2,228</u>	<u>\$ 8,859</u>

  

	<b>Year Ended December 31, 2021</b>		
	<b>North America</b>	<b>International</b>	<b>Total</b>
Balance at December 31, 2020	\$ 3,183	\$ —	\$ 3,183
Acquisition additions	3,449	2,225	5,674
Measurement period and related adjustments	1	—	1
Foreign currency translation adjustment	—	(74)	(74)
Balance at December 31, 2021	<u>\$ 6,633</u>	<u>\$ 2,151</u>	<u>\$ 8,784</u>

During the year ended December 31, 2022, measurement period adjustments primarily related to the G4S acquisition, which was finalized in the second quarter ended June 30, 2022. The adjustments consisted of changes in estimated legal reserves, allocation of intangible assets, other working capital adjustments, and the impact of the measurement period adjustments on deferred tax balances. See Note 9 for detail of acquisitions completed during the years ended December 31, 2022, 2021, and 2020.

At December 31, 2022, the amount of goodwill allocated to reporting units with negative net assets within the Company's International operating segment was \$120.5 million.

### *Intangible Assets, Net*

Intangible assets, net consist of the following at December 31, 2022 (in millions, except years):

<b>Intangible Assets</b>	<b>Weighted Average Amortization Period (years)</b>	<b>December 31, 2022</b>		
		<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Intangible Assets, Net</b>
Customer relationships	9.6	\$ 2,862	\$ 963	\$ 1,899
Definite-lived trade names	9.1	526	108	418
Technology and other	9.0	291	86	205
		<u>3,679</u>	<u>1,157</u>	<u>2,522</u>
Trade names	Indefinite	330	—	330
Total intangible assets, net		<u>\$ 4,009</u>	<u>\$ 1,157</u>	<u>\$ 2,852</u>

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Intangible assets, net consist of the following at December 31, 2021 (in millions, except years):

<b>Intangible Assets</b>	<b>Weighted Average Amortization Period (years)</b>	<b>December 31, 2021</b>		
		<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Intangible Assets, Net</b>
Customer relationships	8.6	\$ 3,336	\$ 1,174	\$ 2,162
Definite-lived trade names	9.2	568	49	519
Technology and other	8.9	299	61	238
		4,203	1,284	2,919
Trade names	Indefinite	330	—	330
Total intangible assets, net		<u>\$ 4,533</u>	<u>\$ 1,284</u>	<u>\$ 3,249</u>

Intangible assets with definite lives are amortized on a straight-line basis over periods which management estimates to be consistent with the cash flow stream expected to be realized. Amortization expense was \$470.3 million, \$445.0 million, and \$252.6 million for the years ended December 31, 2022, 2021, and 2020, respectively.

As of December 31, 2022, future amortization expense related to the Company's intangible assets with finite lives is expected to be recognized as follows (in millions):

2023	\$ 411
2024	385
2025	303
2026	269
2027	263
Thereafter	891
Total amortization expense	<u>\$ 2,522</u>

There was no impairment of goodwill or identifiable intangible assets during the years ended December 31, 2022, 2021, or 2020.



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**6. DEBT**

The carrying value of the Company's outstanding debt as of December 31, 2022 consists of (in millions):

	<b>First Lien</b>	<b>Senior Notes</b>		<b>Total Debt</b>
		<b>Secured</b>	<b>Unsecured</b>	
First Lien	\$ 4,847	\$ —	\$ —	\$ 4,847
Senior Notes	—	5,256	2,010	7,266
Other financing arrangements	—	—	12	12
	<u>4,847</u>	<u>5,256</u>	<u>2,022</u>	<u>12,125</u>
Less unamortized discount and deferred financing fees	65	18	27	110
Total first lien and senior notes, net	4,782	5,238	1,995	12,015
ABL and other revolving credit facilities	1,008	—	—	1,008
	<u>5,790</u>	<u>5,238</u>	<u>1,995</u>	<u>13,023</u>
Less current portion	789	—	11	800
Long-term debt, net	<u>\$ 5,001</u>	<u>\$ 5,238</u>	<u>\$ 1,984</u>	<u>\$ 12,223</u>

The carrying value of the Company's outstanding debt as of December 31, 2021 consists of (in millions):

	<b>First Lien</b>	<b>Senior Notes</b>		<b>Total Debt</b>
		<b>Secured</b>	<b>Unsecured</b>	
First Lien	\$ 4,944	\$ —	\$ —	\$ 4,944
Senior Notes	—	5,363	2,010	7,373
Other financing arrangements	—	—	13	13
	<u>4,944</u>	<u>5,363</u>	<u>2,023</u>	<u>12,330</u>
Less unamortized discount and deferred financing fees	77	21	33	131
Total first lien and senior notes, net	4,867	5,342	1,990	12,199
ABL and other revolving credit facilities	362	—	—	362
	<u>5,229</u>	<u>5,342</u>	<u>1,990</u>	<u>12,561</u>
Less current portion	411	—	8	419
Long-term debt, net	<u>\$ 4,818</u>	<u>\$ 5,342</u>	<u>\$ 1,982</u>	<u>\$ 12,142</u>

On July 12, 2019, the Company refinanced its debt (the "2019 Refinancing") by entering into new senior secured credit facilities (the "July 2026 Senior Secured Credit Facilities"), consisting of (i) a \$2,020.0 million seven-year senior secured term loan facility (the "July 2026 First Lien Term Loan Facility") and a delayed draw term loan facility providing borrowings of up to \$200.0 million (the "July 2026 Delayed Draw Term Loan Facility" and, together with the July 2026 First Lien Term Loan Facility, the "July 2026 Term Loan Facility"), (ii) a \$300.0 million five year senior secured revolving credit facility (the "July 2024 Revolving Credit Facility") and (iii) a \$750.0 million five year asset based lending credit facility (the "May 2026 ABL Credit Facility"). The July 2026 First Lien Term Loan Facility was fully drawn on July 12, 2019. Contemporaneously with the entry into the July 2026 Senior Secured Credit Facilities, the Company issued (i) \$1,000.0 million aggregate principal amount of 6.625% senior secured notes due

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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2026 (the “July 2026 Secured Notes”) under an indenture dated July 12, 2019 (the “Secured Indenture”) and (ii) \$1,050.0 million aggregate principal amount of 9.750% senior notes due 2027 (the “July 2027 Unsecured Notes”) under an indenture dated July 12, 2019 (the “Unsecured Indenture”). The July 2026 Secured Notes and July 2027 Unsecured Notes were issued in a private transaction not subject to the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). Holders of the Secured Notes and Unsecured Notes are not entitled to any registration rights and the Secured Indenture and Unsecured Indenture are not qualified under the Trust Indenture Act.

The proceeds from the July 2026 Senior Secured Credit Facilities and the July 2026 Secured Notes and July 2026 Unsecured Notes were used to (i) repay in full all outstanding borrowings under the then existing facilities, (ii) redeem in full all borrowings under the then existing second lien note purchase agreement, (iii) pay related fees, costs, premiums and expenses in connection with these transactions, (iv) cash collateralize, replace or provide credit support for certain existing letters of credit (“LoCs”) outstanding and (v) provide working capital and funds for other general corporate purposes (and certain fees and expenses related thereto) of the Company. The July 2026 Delayed Draw Term Loan Facility was fully drawn on December 30, 2019 in connection with the acquisition of SOS.

On February 3, 2020, the Company issued an additional \$540.0 million aggregate principal amount of July 2026 Secured Notes under the Secured Indenture. The additional July 2026 Secured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the additional July 2026 Secured Notes are not entitled to any registration rights. In connection with the issuance, the Company capitalized \$25.7 million of original issue premium. The proceeds from the additional July 2026 Secured Notes were used to repay the outstanding borrowings under the May 2026 ABL Credit Facility and provide working capital and funds for other general corporate purposes of the Company.

On July 15, 2020, the Company issued an additional \$400.0 million aggregate principal amount of July 2026 Secured Notes under the Secured Indenture. The additional July 2026 Secured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the additional July 2026 Secured Notes are not entitled to any registration rights. In connection with the issuance, the Company capitalized \$12.0 million of original issue premium. The proceeds from the additional July 2026 Secured Notes were used to provide working capital and funds for other general corporate purposes of the Company.

In April 2021, in connection with the G4S Transaction, the Company, along with its subsidiary, Atlas LuxCo 4 S.à r.l., a private limited liability company incorporated under the laws of Luxembourg, entered into new senior secured credit facilities (the “May 2028 Senior Secured Credit Facilities”), which consist of (i) a \$950.0 million seven year senior secured U.S. dollar term loan facility bearing interest of 4.25% plus an applicable margin per annum (the “May 2028 First Lien USD Term Loan Facility”) and a €715.5 million seven year senior secured euro term loan facility bearing interest of 4.25% plus an applicable margin per annum (the “May 2028 First Lien Euro Term Loan Facility”) and, together with the May 2028 First Lien USD Term Loan Facility, the “May 2028 First Lien Term Loan Facilities”) and (ii) a €300.0 million five year senior secured euro revolving credit facility bearing interest of a variable rate based on the Company’s leverage ratio plus an applicable margin per annum (the “April 2026 Euro Revolving Credit Facility”). During April 2021, the May 2028 First Lien USD Term Loan Facility was fully drawn and €96.8 million of the May 2028 First Lien Euro Term Loan Facility was drawn. In addition, the Company entered into (i) a new senior secured bridge loan credit facility, pursuant to which secured bridge loans in the amounts of \$900.0 million bearing interest of 5.00% plus an applicable margin per annum, \$775.0 million bearing interest of 5.00% plus an applicable margin per annum, €813.0 million

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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bearing interest of 4.25% plus an applicable margin per annum, and £367.6 million bearing interest of 5.75% plus an applicable margin per annum were made available to us for borrowing and (ii) a new senior unsecured bridge loan credit facility, pursuant to which unsecured bridge loans in the amount of \$1,285.0 million bearing interest of 7.25% plus an applicable margin per annum were made available to us for borrowing (collectively, the “Bridge Credit Facilities”).

The amounts borrowed under the May 2028 Senior Secured Credit Facilities and the Bridge Credit Facilities, together with cash on hand and certain equity contributions, were used to (i) pay the acquisition consideration in connection with the G4S Transaction and (ii) pay related fees, costs, premiums and expenses in connection therewith. Such net proceeds were additionally used to repay the voluntary redemption by us in full of certain existing third-party indebtedness of G4S.

During April 2021, the Company also increased the total availability under the May 2026 ABL Credit Facility from \$750.0 million to \$1,000.0 million with other terms remaining unchanged, and on May 25, 2021, the Company further increased the total availability under the ABL Credit Facility to \$1,500.0 million subject to certain limitations, extended the maturity date to May 25, 2026 and made certain other modifications thereto.

On May 14, 2021, the Company issued (i) \$1,225.0 million aggregate principal amount of 4.625% senior secured notes due 2028 (the “June 2028 USD I Secured Notes”), (ii) \$775.0 million aggregate principal amount of 4.625% senior secured notes due 2028 (the “June 2028 USD II Secured Notes”), (iii) €813.0 million aggregate principal amount of 3.625% senior secured notes due 2028 (the “June 2028 Euro Notes”) and (iv) £367.7 million aggregate principal amount of 4.875% senior secured notes due 2028 (the “June 2028 GBP Notes”) (collectively, the “June 2028 Secured Notes”) under an indenture dated May 14, 2021 (the “June 2028 Secured Indenture”) and (v) \$960.0 million aggregate principal amount of 6.000% senior notes due 2029 (the “June 2029 Unsecured Notes”) under an indenture dated May 14, 2021 (the “June 2029 Unsecured Indenture”). The June 2028 Secured Notes and June 2029 Unsecured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the June 2028 Secured Notes and June 2029 Unsecured Notes are not entitled to any registration rights and the June 2028 Secured Indenture and June 2029 Unsecured Indenture are not qualified under the Trust Indenture Act.

The proceeds from the June 2028 Secured Notes and June 2029 Unsecured Notes were used to (i) repay in full borrowings outstanding under the Bridge Credit Facilities and terminate all available borrowings thereunder, (ii) pay related fees, costs, premiums and expenses, and (iii) to repay assumed debt from the acquisition of G4S.

On May 14, 2021, the Company also entered into amended and restated new senior secured credit facilities (the “Amended and Restated May 2028 Senior Secured Credit Facilities”), which consist of (i) a \$3,142.3 million seven year senior secured U.S. dollar term loan facility (the “Amended May 2028 First Lien USD Term Loan Facility”), (ii) the May 2028 First Lien Euro Term Loan Facility and (iii) the April 2026 Euro Revolving Credit Facility. The Amended and Restated May 2028 Senior Secured Credit Facilities modified the May 2028 First Lien USD Term Loan Facility, the May 2028 First Lien Euro Term Loan Facility and the April 2026 Euro Revolving Credit Facility. The Amended and Restated May 2028 Senior Secured Credit Facilities extinguished the July 2026 First Lien Term Loan Facility. The July 2024 Revolving Credit Facility was not modified and remains pursuant to the terms of the July 2026 Senior Secured Credit Facilities associated with the 2019 Refinancing.

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In connection with the modification of the May 2028 First Lien Term Loan Facilities, on May 14, 2021, an additional €618.7 million was drawn under the May 2028 First Lien Euro Term Loan Facility.

On November 23, 2021, the Company amended its Amended May 2028 First Lien USD Term Loan Facility to increase the total amount outstanding by \$1,000.0 million. There were no changes in the terms of the Amended May 2028 First Lien USD Term Loan Facility as a result of the amendment. The other proceeds from the additional borrowings under the Amended May 2028 First Lien USD Term Loan Facility were used to repay the outstanding borrowings under the May 2026 ABL Credit Facility, repay the outstanding borrowings under the July 2024 Revolving Credit Facility, and for other corporate purposes.

Outstanding balances under the Amended May 2028 First Lien USD Term Loan Facility accrue interest equal to, at the Company's option: (a) Adjusted Term Secured Overnight Financing Rate (or "SOFR") plus 3.75%, as amended on December 9, 2022 or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Outstanding balances under the May 2028 First Lien Euro Term Loan Facility accrue interest equal to, at the Company's option: (a) LIBOR plus 3.75% or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Outstanding balances under the April 2026 Euro Revolving Credit Facility accrue interest equal to, at the Company's option: (a) LIBOR plus 3.75% or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Amounts drawn on the July 2024 Revolving Credit Facility accrue interest equal to, at the Company's option: (a) LIBOR plus 4.25% or (b) an alternative base rate plus 3.25%, in each case, subject to certain pricing step-downs as set forth therein. Amounts drawn on the May 2026 ABL Credit Facility accrue interest equal to, at the Company's option: (a) LIBOR plus between 1.25% and 1.75% or (b) an alternative base rate plus between 0.25% and 0.75%. As of December 31, 2022, the applicable interest rates on the Amended May 2028 First Lien USD Term Loan Facility and the May 2028 First Lien Euro Term Loan Facility were 8.17% and 5.65%, respectively. As of December 31, 2021, the applicable interest rates on the Amended May 2028 First Lien USD Term Loan Facility and the May 2028 First Lien Euro Term Loan Facility were 4.25% and 3.75%, respectively.

Outstanding balances under the July 2026 Secured Notes and the July 2027 Unsecured Notes accrue interest at an annual rate of 6.625% and 9.750%, respectively. Outstanding balances under the June 2028 USD I Secured Notes, the June 2028 USD II Secured Notes, the June 2028 Euro Notes, the June 2028 GBP Notes and the June 2029 Unsecured Notes accrue interest at an annual rate of 4.625%, 4.625%, 3.625%, 4.875% and 6.000%, respectively. Accrued interest as of December 31, 2022 and 2021 was \$134.4 million and \$130.1 million, respectively.

Principal on the Amended May 2028 First Lien USD Term Loan Facility and the June 2028 First Lien Euro Term Loan Facility is payable in equal quarterly installments of 0.25% of the original aggregate principal amounts of such facilities, beginning in December 2021, with the remaining unpaid balances due on May 14, 2028, the maturity date. All unpaid balances of the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility and May 2026 ABL Credit Facility are due and payable on July 12, 2024, April 8, 2026 and May 25, 2026, respectively, the maturity dates. The July 2026 Secured Notes are due and payable on July 15, 2026, the maturity date. The July 2027 Unsecured Notes are due and payable on July 15, 2027, the maturity date. The June 2028 Secured Notes are due and payable on June 1, 2028, the maturity date. The June 2029 Unsecured Notes are due and payable on June 1, 2029, the maturity date.

The May 2028 Senior Secured Credit Facilities contain provisions for potential additional principal payments based on excess cash flow for years commencing with the year ending December 31, 2022.

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## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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Additional principal payments were not required for the year ending December 31, 2022. Based on the provisions of the May 2028 Senior Secured Credit Facilities agreement, a potential additional principal payment based on excess cash flow is not applicable for the year ended December 31, 2021. Voluntary prepayments of amounts outstanding under the May 2028 Term Loan Facility, and optional redemptions of all or a portion of the July 2026 Secured Notes, the July 2027 Unsecured Notes, the May 2028 Secured Notes and the June 2029 Unsecured Notes are permitted under certain circumstances.

Borrowings under the July 2024 Revolving Credit Facility, the May 2026 ABL Credit Facility, the Amended and Restated May 2028 Senior Secured Credit Facilities, the July 2026 Secured Notes and the June 2028 Secured Indenture are secured by substantially all of the assets of the Company and certain of its subsidiaries (subject to certain exceptions and limitations for each such facility) and the foregoing facilities each include certain restrictive covenants (subject to certain exceptions and limitations for each such facility). As of December 31, 2022, the Company was in compliance with all financial debt covenants.

The Company may issue up to \$100.0 million in LoCs against the July 2024 Revolving Credit Facility, €100.0 million in LoCs against the April 2026 Euro Revolving Credit Facility and another \$750.0 million against the May 2026 ABL Credit Facility. Availability under each of the foregoing facilities is reduced by pledged LoCs under such facility, which serve primarily as collateral for the Company's workers' compensation and general liability insurance policies and as collateral for the defined benefit plan assumed from the G4S Transaction. Furthermore, availability under the May 2026 ABL Credit Facility is subject to limitation based on the amount of the borrowing base, as defined pursuant to the terms of the May 2026 ABL Credit Facility agreement. As of December 31, 2022, the total amount of LoCs pledged against the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility was \$0, \$0, and \$411.3 million, respectively. As of December 31, 2021, the total amount of LoCs pledged against the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility was \$0, \$0, and \$294.4 million, respectively.

The Company recognized a loss on early extinguishment of debt of \$277.3 million during the three months ended June 30, 2021, which included: (i) the write-off of \$126.3 million of deferred financing fees, issue discounts, and third party costs incurred associated with the extinguishment of the Bridge Loan Credit Facilities and the July 2026 First Lien Term Loan Facility; (ii) \$60.3 million of market premiums paid and \$10.7 million in other charges related to the redemption of G4S's Euro Market Term Loans; and (iii) \$80.0 million incurred for the prepayment of G4S's USD Private Placement Notes. No loss on extinguishment of debt was recognized during the year ended December 31, 2022 or 2020.

The amount available for borrowing under the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility as of December 31, 2022 was \$300.0 million, \$53.6 million, and \$348.7 million, respectively. The amount available for borrowing under the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility as of December 31, 2021 was \$300.0 million, \$288.3 million, and \$905.6 million, respectively. As of December 31, 2022 and 2021, the weighted average interest rate on our outstanding revolving credit facility borrowings was 6.0% and 3.1%, respectively.

As of December 31, 2022 and 2021, \$9.7 million and \$13.6 million, respectively, of unamortized deferred financing fees related to revolving credit facilities were included in other assets on the accompanying consolidated balance sheets.

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As of December 31, 2022, annual scheduled principal payments of term debt are as follows (in millions):

<u>Year Ending December 31,</u>	
2023	\$ 60
2024	50
2025	49
2026	1,989
2027	1,099
Thereafter	8,878
Total	<u>\$ 12,125</u>

**7. LEASES**

*Lessor*

The Company acts as a lessor in a limited number of arrangements. These mainly relate to the lease of smart safes, cash recycling equipment, and right-of-use assets related to those assets leased to the Company's customers. The Company considers various inputs and assumptions including, but not necessarily limited to, lease terms, renewal options, discount rates, and other rights and provisions in the purchase and sale agreement, lease and other documentation to determine whether control has been transferred to the customer. A lease will be classified as direct-financing if risks and rewards are conveyed without the transfer of control and will be classified as a sales-type lease if control of the underlying asset is transferred to the customer. Otherwise, the lease is treated as an operating lease. These criteria also include estimates and assumptions regarding the fair value of the asset, minimum lease payments, the economic useful life of the asset, the existence of a purchase option and certain other terms in the lease agreements. As of December 31, 2022 and 2021, the net investment receivable from these lease arrangements was \$32.3 million and \$32.7 million, respectively, of which, \$12.8 million and \$13.6 million is recorded in prepaid and other current assets and \$19.5 million and \$19.1 million is recorded in other assets on the consolidated balance sheets, respectively.

The maturities of lease receivables were as follows (in millions):

Less than one year	\$ 13
Between one and two years	10
Between two and three years	6
Between three and four years	3
Between four and five years	1
Thereafter	2
Total undiscounted cash flows	<u>35</u>
Less: Imputed interest	(3)
Net investment receivable from finance leases	<u>\$ 32</u>

The Company expects to receive operating lease income of \$4.8 million, \$2.7 million, \$0.9 million, \$0.7 million, \$0.3 million, and \$1.4 million in less than one year, between one and two years, between two and

**ATLAS ONTARIO LP**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

three years, between three and four years, between four and five years, and after five years, respectively, related to lessor arrangements.

*Lessee*

The Company has various leases for its offices, vehicles, uniforms, and equipment, which are typically non-cancelable. Certain lease agreements contain renewal options, rent abatement, and escalation clauses that are factored into the determination of lease payments when appropriate. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. If an implicit rate is not readily determinable, management estimates the Company's incremental borrowing rate to discount the lease payments based on information available at lease commencement. Management determines the Company's incremental borrowing rate based on the lease term and the economic environment of the applicable country. Operating leases are comprised primarily of offices and equipment leases, and finance leases are comprised primarily of vehicle and uniform leases.

The assets and liabilities related to operating and finance leases were as follows (in millions):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating lease assets, included within lease right-of-use assets	\$ 277	\$ 302
Finance lease assets, included within property, equipment and software, net	171	184
Total lease assets	<u>\$ 448</u>	<u>\$ 486</u>
Operating lease liabilities included within lease liabilities, current portion	\$ 79	\$ 92
Finance lease liabilities, included within lease liabilities, current portion	81	72
Operating lease liabilities included within lease liabilities, net of current portion	208	220
Finance lease liabilities, included within lease liabilities, net of current portion	101	108
Total lease liabilities	<u>\$ 469</u>	<u>\$ 492</u>

The components of lease costs for the years ended December 31, 2022, 2021, and 2020 were as follows (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating lease costs	\$ 106	\$ 78	\$ 31
Finance lease costs - amortization of right-of-use assets	100	72	45
Finance lease costs - interest on lease liabilities	9	6	5
Short-term lease costs	9	25	2
Variable lease costs	49	20	27
Subtotal of lease costs, before sublease income	<u>273</u>	<u>201</u>	<u>110</u>
Less: Sublease income	(6)	(6)	—
Total lease costs	<u>\$ 267</u>	<u>\$ 195</u>	<u>\$ 110</u>

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Supplemental cash flow information for the years ended December 31, 2022, 2021, and 2020 related to leases is as follows (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	\$ 113	\$ 101	\$ 33
Financing cash flows for finance leases	\$ 86	\$ 72	\$ 46
Right-of-use assets obtained in exchange for lease liabilities:			
Operating leases	\$ 59	\$ 353	\$ 15
Finance leases	\$ 168	\$ 250	\$ 113
Non-cash reduction of lease liabilities from disposals:			
Finance leases	\$ 79	\$ 68	\$ 65

As of December 31, 2022, the weighted average remaining lease term of operating and financing leases was 5.2 years and 5.1 years, respectively, and the weighted average discount rate was 5.1% and 4.9%, respectively. As of December 31, 2021, the weighted average remaining lease term of operating and financing leases was 5.1 years and 7.0 years, respectively, and the weighted average discount rate was 4.5% and 3.2%, respectively.

The undiscounted cash flows for each of the first five years and total of the remaining years to the finance and operating lease liabilities recorded on the consolidated balance sheet as of December 31, 2022 were as follows (in millions):

2023	\$ 176
2024	135
2025	87
2026	52
2027	27
Thereafter	60
Total minimum lease payments	537
Less imputed interest	(68)
Present value of future minimum lease payments	469
Less current portion of lease obligations	(160)
Long-term lease obligations	\$ 309

**8. COMMITMENTS AND CONTINGENCIES**

The Company is from time to time subject to legal claims and litigation in the ordinary course of business. The Company regularly reviews all pending legal matters in which it is involved and establishes reserves deemed appropriate by management for these matters when a loss is deemed to be probable and reasonably estimable.

While the Company believes its judgments relating to reserves are reasonable, litigation outcomes are not readily predictable and may materially differ from management estimates. Although the Company may reserve amounts for certain matters based on the Company's judgment as to the likely outcome, if



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## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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developments in a particular matter dictate a change to the Company's reserve, the Company may have to record additional expense.

*Business Insurance Risks (Workers' Compensation, General Liability, Employment Practices Liability, Automobile Liability and certain Healthcare Claims)*

The Company maintains insurance coverage, subject to certain self-insured retentions, for claims and liabilities incurred by the Company in the ordinary course of its business, including claims relating to workers' compensation, general liability, employment practices liability, automobile liability and certain healthcare claim expenses incurred under Company benefit plans. The Company has established reserves for these claims based on insurance coverage, the risk of loss retained by the Company, independent actuarial analyses, and management's judgment. The Company reserves for all known insured claims as well as those claims that management believes have been incurred but not reported as of the balance sheet date based on an independent actuary's estimate of the ultimate cost of the claims. Management does not expect the ultimate outcome of any one insured claim to have a material effect on the Company's consolidated and combined financial position, results of operations, or cash flows.

As of December 31, 2022 and 2021, expected payments on an undiscounted basis for estimated self-insured claims were \$587.5 million and \$543.9 million, respectively, of which \$154.2 million and \$143.3 million, respectively, are included in accrued claims reserves, current portion and \$433.3 million and \$400.6 million, respectively, are included in accrued claims reserves, net of current portion in the accompanying consolidated balance sheets. As of December 31, 2022 and 2021, the accrued reserve for estimated other claims and contingencies was \$207.6 million and \$211.1 million, respectively, of which \$120.9 million and \$106.0 million, respectively, are included in accrued claims reserves, current portion and \$86.7 million and \$105.1 million, respectively, are included in accrued claims reserves, net of current portion in the accompanying consolidated balance sheets.

*Other Claims and Contingencies*

The Company is involved in disputes, claims and litigation in respect of its business activities and operations in the ordinary course of business. These include disputes, claims and litigation relating to tort laws, labor laws, commercial disputes with customers, subcontractors and vendors, and regulatory proceedings. In management's judgment, except otherwise noted here, these cases will either be resolved in a manner that is not expected to be material to the Company or, it is not deemed reasonably possible for the Company to incur a loss or possible to estimate the potential exposure as of the balance sheet date.

In addition, the interpretation of laws and regulations in numerous jurisdictions where the Company operates, including those relating to tax and labor regulation, is complex and there is inherent judgment involved in applying those laws and regulations to the Company's activities. As such, there is risk that further disputes and claims could arise in the future. Where there is a dispute or claim or risk of a dispute or claims and where, based on the advice of counsel and in management's judgment, the Company determines that it is probable that the dispute will result in a reasonably estimable loss, an accrual is made based on the Company's estimate of the financial outcome. Where a reasonable estimate cannot be made, or where the Company determines that it is not probable that there will be a loss incurred, no reserve is accrued. Additionally, with respect to certain business combinations, the Company assumes contingent losses from the seller, which are recorded as liabilities using management's best estimate of fair value as of the date of acquisition. Based on the inherent subjectivity of these estimates, actual results can materially deviate from these estimates. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred.

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In 2019, G4S received claims on behalf of shareholders seeking damages for alleged losses following the reduction in the G4S share price in 2013. At this point, the Company is unable to make a reasonable estimate of the merit, outcome or impact of any litigation relating to these claims, and therefore no provision has been made in respect of these.

During 2020, G4S Care and Justice Services (UK) Limited, a wholly-owned subsidiary of the Company as a consequence of the G4S Transaction, concluded a Deferred Prosecution Agreement (“DPA”) with the Serious Fraud Office (“SFO”) in the United Kingdom (“UK”), in respect of the UK Care & Justice electronic monitoring contract investigation commenced in 2013. The DPA spans a period of three years, ending in July 2023, and requires G4S to take a number of actions focused on strengthening the internal control environment. In the event that the Company does not fulfill its commitments as set out in the DPA, the SFO may seek to prosecute the Company.

In April 2020, G4S received requests for information from the Belgium Competition Authority (“BCA”) and the U.S. Department of Justice Antitrust Division (“DOJ”) in connection with the Company’s Belgium business. The BCA inquiry is continuing, and the Company is cooperating fully with the investigation. The DOJ portion of the inquiry has been resolved by way of a plea agreement entered into with the DOJ in July 2021, under which G4S agreed to a payment of \$15.0 million, which payment was made in August 2021. As of December 31, 2022, the Company has reserved \$54.3 million in relation to the BCA inquiries, which is recorded within accrued claims reserves, net of current portion on the consolidated balance sheets. This accrual represents management’s estimate after considering estimates of the potential penalties and costs which might arise on completion of the inquiry process. There is a range of possible outcomes in respect of these inquiries, including but not limited to the imposition of incremental financial penalties and third-party claims.

The Company has been the subject of labor claims asserted by past and current employees in Brazil primarily related to allegations of insufficient payment of overtime wages and certain employee benefits. The Company recorded a loss reserve related to these matters of \$26.0 million in aggregate as of December 31, 2022, \$15.1 million of which is recorded in accrued claims reserves, current portion and \$10.9 million of which is recorded within accrued claims reserves, net of current portion on the consolidated balance sheet. The Company also is the subject of labor claims asserted in respect of employees’ alleged wage and benefit discrepancies in Guatemala. The Company recorded a loss reserve related to the Guatemala claims of \$21.0 million in aggregate as of December 31, 2022, \$3.8 million of which is recorded in accrued claims reserves, current portion and \$17.2 million of which is recorded within accrued claims reserves, net of current portion on the consolidated balance sheet. These reserves represent management’s estimate of the potential aggregate liability arising from these claims. There is a range of possible outcomes in respect of these claims.

The Company is currently involved in a number of claims in India, mainly related to periods prior to 2011, in relation to the interpretation of the basis for payments to the India Provident Fund. These disputes are currently awaiting court resolution. The aggregate of the Provident Fund related claims exposure is estimated to be approximately \$60.5 million based on applicable exchange rates as of December 31, 2022. The Company believes it has a defensible legal position. Therefore, no accrual has been recorded for this matter as of December 31, 2022 as management does not believe a loss is probable.

In the normal course of business, the Company is audited by taxing authorities and from time to time, receives proposed non-income tax related assessments as a result of those audits. The Company records obligations for those proposed tax assessments or portion thereof that management believes are probable of payment and estimable. Management believes that even if any one or more proposed assessment

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## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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resulted in an unfavorable outcome, they would not be material to the Company's financial position individually or in the aggregate. The timing and outcome of a settlement of any proposed assessment may not always be reasonably ascertained.

### 9. BUSINESS COMBINATIONS

All acquisitions were accounted for under ASC Topic 805, *Business Combinations*. Accordingly, the assets and liabilities were recorded at fair value and purchase accounting was applied.

#### *Attenti Electronic Monitoring Group LTD*

On August 1, 2022, the Company purchased all of the outstanding equity interests of Attenti Electronic Monitoring Group LTD ("Attenti") for an initial purchase price of approximately \$250.1 million, subject to certain post-closing adjustments. Attenti is a provider of electronic monitoring products and is based in Israel.

The assets acquired and liabilities assumed were accounted for as a business combination and at fair value at the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable.

The preliminary purchase price allocation resulted in a book goodwill amount of \$114.2 million recorded in the Company's International segment, identifiable intangible assets of \$65.3 million, and net working capital of \$70.6 million. The Company is currently evaluating the portion of goodwill that is deductible for tax purposes, which the Company will finalize during the measurement period. Acquired intangible assets consist of customer relationships, to which the Company is still estimating the fair value of net assets, including the estimation of the useful lives of amortizable tangible and intangible assets, which the Company will finalize during the measurement period.

The preliminary fair value of each intangible asset was determined with the assistance of an external valuation specialist using a combination of income, market and cost approach valuation methodologies in accordance with ASC 805. The purchase consideration was allocated to the identifiable net assets acquired based on estimated fair values at the date of the acquisition. Identified intangible assets and their weighted-average amortization periods are as follows (in millions, except years):

	<b>Fair Value</b>	<b>Weighted Average Amortization Period (years)</b>
Customer relationships	<u>\$ 65</u>	20.0

The Company recognized \$40.8 million and \$5.1 million of revenue and net income, respectively, in the consolidated statement of operations for the year ended December 31, 2022 as a result of the acquisition of Attenti since the date of acquisition.

#### *T.S.S. (Total Security Services) Limited and Corporate Cupboard Limited*

On March 22, 2022, the Company purchased the issued and outstanding shares of Total Security Services Limited ("TSS") and its affiliate, Corporate Cupboard Limited ("CCL"), for £71.8 million, or \$94.6 million based on the exchange rate as of March 22, 2022, in addition to contingent consideration up to £10.0 million, or \$12.1 million based on the exchange rate as of December 31, 2022. The Company is still

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

evaluating the fair value of the contingent consideration as of December 31, 2022, which management will finalize during the measurement period as updated information becomes available on the fair value of the contingent consideration as of the acquisition date. TSS provides security services, including manned guarding and technology-based solutions in the United Kingdom. CCL purchases and supplies uniforms and ancillary security equipment.

The assets acquired and liabilities assumed were accounted for as a business combination and at fair value at the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable.

The preliminary purchase price allocation resulted in a book goodwill amount of \$51.9 million recorded in the Company's International segment, identifiable intangible assets of \$42.3 million, and net working capital of \$12.5 million. The Company is currently evaluating the portion of goodwill that is deductible for tax purposes, which the Company will finalize during the measurement period. Acquired intangible assets consist of customer relationships, to which the Company is still estimating the fair value of net assets, including the estimation of the useful lives of amortizable tangible and intangible assets, which the Company will finalize during the measurement period.

The fair value of each customer relationship was determined with the assistance of an external valuation specialist using the income approach valuation methodology in accordance with ASC 805. The purchase consideration was allocated to the identifiable net assets acquired based on estimated fair values at the date of the acquisition. Identified intangible assets and their weighted-average amortization periods are as follows (in millions, except years):

	<b>Fair Value</b>	<b>Weighted Average Amortization Period (years)</b>
Customer relationships	\$ 38	20.0
Tradenames	4	5.0
	<u>\$ 42</u>	<u>18.6</u>

The Company recognized \$148.4 million and \$2.9 million of revenue and net income, respectively, in the consolidated statement of operations for the year ended December 31, 2022 as a result of the acquisition of T.S.S. since the date of acquisition.

### *Other 2022 Business Combinations*

In addition to the Attenti and T.S.S. acquisitions, the Company completed 11 other acquisitions during the year ended December 31, 2022 which are accounted under ASC Topic 805, and which have an aggregate purchase price of \$41.2 million. The aggregate purchase price includes contingent consideration of \$15.1 million, which is subject to be paid based on the achievement of certain targets after the acquisition dates. These acquisitions resulted in the recording of net working capital of \$8.8 million, identifiable intangible assets of \$13.0 million and goodwill of \$19.4 million, \$17.8 million and \$1.6 million of which was recorded within the Company's North America and International segments, respectively.

The results related to the 2022 acquisition entities have been included in the Company's consolidated statement of operations since their respective acquisition dates.

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**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

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*G4S*

On April 6, 2021, the Company completed the acquisition of the outstanding stock of G4S for approximately £3.8 billion, or approximately \$5.3 billion based on the exchange rate as of April 6, 2021. G4S was acquired to enhance the Company's presence domestically and internationally. The assets acquired and liabilities assumed were accounted for as a business combination and at fair value at the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable.

The following table presents the fair value estimates of assets acquired and liabilities assumed on the date of acquisition (in millions):

Cash, cash equivalents and restricted cash	\$ 1,629
Accounts receivable	1,558
Inventories	111
Investments	107
Property, equipment, software and right-of-use assets	726
Intangible assets	2,228
Goodwill	5,327
Deposits and other assets	934
Accounts payable	(432)
Accrued payroll and related payroll taxes	(662)
Accrued expenses and other current liabilities	(869)
Accrued claims reserves	(424)
Long-term debt and lease liabilities	(3,462)
Retirement benefit obligations	(370)
Deferred tax liabilities	(619)
Other liabilities	(290)
Noncontrolling interests	(169)
Net assets acquired	<u>\$ 5,323</u>

The purchase price allocation resulted in a goodwill amount of \$5,326.6 million, none of which is deductible for tax purposes. The amount of goodwill relates to several factors including G4S's assembled workforce, potential buyer-specific synergies, and the potential to leverage the Company's sales force to attract new customers. Acquired intangible assets consist of tradenames, customer relationships and technology. Items finalized during the measurement period included but were not limited to uninsured legal and other reserves and income taxes.

The fair value of each intangible asset was determined with the assistance of an external valuation specialist using a combination of income, market and cost approach valuation methodologies in accordance with ASC 805. The income approach utilizes a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's business model. The market approach utilizes a guideline public company method, which assumes that businesses operating in the same industry as the Company will share similar characteristics and multiples derived from the stock prices of these businesses can be used to estimate fair value. The cost approach utilizes the replacement cost of a particular asset and discounts that cost for the estimated depreciation at

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the time of the valuation. The purchase consideration was allocated to the identifiable net assets acquired based on estimated fair values at the date of the acquisition.

The purchase consideration was allocated to the identifiable net assets acquired based on estimated fair values at the date of the acquisition. Identified intangible assets and their weighted-average amortization periods are as follows (in millions, except years):

	<b>Fair Value</b>	<b>Weighted Average Amortization Period (years)</b>
Customer relationships	\$ 1,409	10.0
Tradenames	584	9.2
Developed technology	235	10.0
	<u>\$ 2,228</u>	9.8

The Company recognized \$7,051.1 million and \$77.2 million of revenue and net loss, respectively, in the consolidated statement of operations for the year ended December 31, 2021 as a result of the acquisition of G4S since the date of acquisition.

*SecurAmerica, LLC*

On January 16, 2021, the Company purchased the outstanding equity interests in SecurAmerica, LLC and related entities (“SecurAmerica”) for an initial purchase price, subject to certain post-closing adjustments, of \$351.0 million, including contingent consideration. At the date of acquisition, management estimated the fair value of contingent consideration to be \$18.8 million. The contingent consideration was remeasured as of December 31, 2021, resulting in a gain of \$9.4 million recorded in other income on the consolidated statement of operations. There were no subsequent changes to the contingent consideration.

The assets acquired and liabilities assumed were accounted for at fair value at the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable. The following table presents the fair value estimates of assets acquired and liabilities assumed on the date of acquisition (in millions):

Cash	\$ 13
Accounts receivable	59
Prepaid and other assets	3
Property and equipment	8
Intangible assets	114
Goodwill	193
Accounts payable	(4)
Accrued payroll and related payroll taxes	(23)
Accrued expenses and other liabilities	(11)
Accrued claims reserves	(1)
Lease liabilities	(3)
Net assets acquired	<u>\$ 348</u>

# ATLAS ONTARIO LP

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The purchase price allocation resulted in a goodwill amount of \$192.6 million recorded within the Company's North America segment, which is deductible for tax purposes.

Acquired intangible assets consists of customer relationships. The fair value of each customer relationship was determined with the assistance of an external valuation specialist using the income approach valuation methodology in accordance with ASC 805. The purchase consideration was allocated to the identifiable net assets acquired based on estimated fair values at the date of the acquisition. Identified intangible assets and their weighted-average amortization periods are as follows (in millions, except years):

	<u>Fair Value</u>	<u>Weighted Average Amortization Period (years)</u>
Customer relationships	<u>\$ 114</u>	<u>10.0</u>

In connection with the purchase of SecurAmerica, the Company also deposited \$31.5 million into an escrow account to fund the future purchase of substantially all of the assets of SecurAmerica TN. Based in Chattanooga, Tennessee, SecurAmerica TN is a provider of security and janitorial services. The transaction closed on November 2, 2021, and as part of closing, \$1.2 million in cash was released back to the Company from escrow due to closing adjustments, resulting in a final, adjusted purchase price of \$30.3 million.

The Company has recognized \$392.4 million and \$28.7 million of revenue and net income, respectively, in the consolidated and combined statement of operations for the year ended December 31, 2021 as a result of the acquisition of SecurAmerica effective January 16, 2021.

### *Other 2021 Business Combinations*

In addition to the SecurAmerica and G4S acquisitions, the Company completed seven other acquisitions during the year ended December 31, 2021 which are accounted under ASC Topic 805, and which have an aggregate purchase price of \$357.6 million. The aggregate purchase price includes contingent consideration of \$5.0 million, which is subject to be paid based on the achievement of certain targets after the acquisition dates. These acquisitions resulted in the recording of net working capital of \$28.9 million, identifiable intangible assets of \$124.5 million and goodwill of \$199.2 million, all of which was recorded within the Company's North America segment.

The results related to the 2021 acquisition entities have been included in the Company's consolidated and combined statements of operations since their respective acquisition dates.

On September 1, 2021, the Company paid \$123.7 million, including \$10.0 million of Class A units in Atlas Ontario, to acquire a 49% equity interest in Blackstone Consulting, Inc. ("BCI") and R.J.B. Properties, Inc. ("RJB"), two affiliated entities that provide security services. The stock purchase agreement contained a provision for contingent consideration which was measured when the contingency was resolved and the consideration became payable as of December 31, 2022, resulting in an estimated fair value of \$24.4 million recorded in accrued expenses on the consolidated balance sheet as of December 31, 2022. The contingent consideration of \$24.4 million was paid during January 2023. This investment was accounted for under ASC Topic 323, *Investments-Equity Method and Joint Ventures*, as an equity method investment and is included in other assets on the accompanying consolidated balance sheets.

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### *2020 Business Combinations*

The Company completed six acquisitions during the year ended December 31, 2020 with an aggregate purchase price of \$117.0 million. The aggregate purchase price includes contingent consideration of \$10.8 million, which is subject to be paid based on the achievement of certain targets after the acquisition dates. These acquisitions resulted in the recording of net working capital of \$2.8 million, identifiable intangible assets of \$39.2 million and goodwill of \$64.2 million, all of which was recorded within the Company's North America segment.

The results related to the 2020 acquisition entities have been included in the Company's consolidated and combined statements of operations since their respective acquisition dates.

### *Acquisition Costs*

Acquisition and related costs which include transaction costs, such as legal, accounting, valuation, and other professional services, were expensed as incurred. Acquisition and related costs totaled \$23.4 million, \$152.3 million, and \$26.0 million for the years ended December 31, 2022, 2021, and 2020, respectively.

### *Purchase Price Payable*

As part of certain completed acquisitions, the Company has agreed to pay cash to the sellers based upon achievement of certain targets after the acquisition date. The Company evaluates the fair value of contingent consideration throughout the year and in every reporting period. Changes in the fair value resulting from events that occurred after the acquisition date are recorded as a gain or loss on changes in fair value of the contingent purchase consideration in the accompanying consolidated and combined statements of operations. As of December 31, 2022 and 2021, purchase price payable of \$54.7 million and \$15.7 million, respectively, is reported in accrued expenses and other current liabilities and \$5.6 million and \$4.6 million, respectively, is reported in other liabilities on the accompanying consolidated balance sheets.

## **10. RETIREMENT PLANS**

### *Defined Benefit Plans*

The Company has several funded and unfunded defined retirement benefit plans. These plans were assumed as a result of the acquisition of G4S on April 6, 2021.

The Company's primary defined benefit plan is based in the United Kingdom (the "UK Plan"), with other plans around the world. The UK Plan is comprised of three sections: (i) the Group 4 section, (ii) the Securicor section, which was assumed by G4S in 2004 with the acquisition of Securicor plc, and (iii) the GSL section, which was assumed by G4S in 2008 with the acquisition of GSL.



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**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

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A summary of the Company's UK Plan as of December 31, 2022 is as follows (in millions):

	<b>Projected Benefit Obligation</b>	<b>Fair Value of Assets</b>	<b>Surplus</b>
Securicor	\$ 1,599	\$ 1,751	\$ 152
Group 4	359	394	35
GSL	224	334	110
Total for the UK Plan	<u>\$ 2,182</u>	<u>\$ 2,479</u>	<u>\$ 297</u>

A summary of the Company's UK Plan as of December 31, 2021 is as follows (in millions):

	<b>Projected Benefit Obligation</b>	<b>Fair Value of Assets</b>	<b>Surplus / (Deficit)</b>
Securicor	\$ 2,702	\$ 2,778	\$ 76
Group 4	598	596	(2)
GSL	398	552	154
Total for the UK Plan	<u>\$ 3,698</u>	<u>\$ 3,926</u>	<u>\$ 228</u>

The UK Plan is closed to future accrual apart from some sub-sections of the GSL section, and for most members defines the pension based on final salary. Certain sub-sections of the GSL section have historically remained open to provide a facility to accept former public-sector employees who join certain subsidiaries of the Company through outsourcings. In the Group 4 and Securicor sections, members retain their link to final salary where appropriate on their benefits accrued up to closure in 2011.

The UK Plan is set up under UK law and governed by a trustee company which is responsible for the plan's investments, administration and management. The board of the trustee company comprises an independent chairman and further appointees who are made up of plan membership representatives and company appointees.

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## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

The following chart summarizes the benefit obligations, assets, funded status and balance sheet impacts associated with the UK Plan (in millions):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Projected benefit obligations		
Beginning obligations	\$ 3,698	\$ –
Acquisition of plan benefit obligations	–	3,692
Service cost	2	2
Interest cost	63	56
Actuarial (gain) loss	(1,098)	148
Foreign currency exchange rate changes	(367)	(100)
Benefits paid	(115)	(99)
Expenses and other	(1)	(1)
Ending obligations	<u>\$ 2,182</u>	<u>\$ 3,698</u>
Fair value of plans' assets		
Beginning fair value	\$ 3,926	\$ –
Acquisition of plan assets	–	3,598
Actual return on plan assets	(1,102)	438
Foreign currency exchange rate changes	(393)	(102)
Employer contributions	164	92
Benefits paid	(115)	(99)
Expenses and other	(1)	(1)
Ending fair value	<u>\$ 2,479</u>	<u>\$ 3,926</u>
Overfunded status of the plans	<u>\$ 297</u>	<u>\$ 228</u>

Key assumptions of the UK Plan are as follows:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Discount rate used to determine the fiscal year-end benefit obligation	4.90%	1.90%
Discount rate used to determine the interest cost component of net periodic benefit	1.90%	2.10%
Rate of return on plan assets used to determine the expected rate of return on plan assets component of net periodic benefit	1.95% - 3.10%	3.24%
Weighted average rate of compensation increase to determine the fiscal year-end benefit obligation	2.60%	2.75%
Weighted average rate of compensation increase to determine the service cost component of net periodic benefit	2.75%	3.35% - 3.50%

### *UK Plan Funded Status*

The projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets for the UK Plan were \$598.2

## ATLAS ONTARIO LP

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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million, \$599.3 million, and \$595.6 million, respectively, as of December 31, 2021. There were no pension plans with projected benefit obligations in excess of plan assets for the UK Plan as of December 31, 2022.

For pension plans with projected benefit obligations less than plan assets, the projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for the UK Plan were \$2,182.0 million, \$2,174.0 million, and \$2,479.0 million, respectively, as of December 31, 2022 and were \$3,099.8 million, \$3,104.6 million, and \$3,329.9 million, respectively, as of December 31, 2021.

The Company's total accumulated pension benefit obligations for the UK Plan as of December 31, 2022 and 2021 were \$2,174.0 million and \$3,703.9 million, respectively.

#### *UK Plan Assets*

The primary investment objective for the UK Plan assets is the prudent and cost effective management of assets to satisfy benefit obligations to plan participants. Financial risks are managed through diversification of plan assets, selection of investment managers and through the investment guidelines incorporated in investment management agreements. Investments are monitored to assess whether returns are commensurate with risks taken.

The long-term asset allocation policy for the UK Plan was established taking into consideration a variety of factors that include, but are not limited to, the average age of participants, the number of retirees, the duration of liabilities and the expected payout ratio. Liquidity needs of the plans are generally managed using cash generated by investments or by liquidating securities.

Assets are generally managed by external investment managers pursuant to investment management agreements that establish permitted securities and risk controls commensurate with the account's investment strategy. Some agreements permit the use of derivative securities (futures, options, interest rate swaps, credit default swaps) that enable investment managers to enhance returns and manage exposures within their accounts.

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The UK Plan assets as of December 31, 2022 and 2021 are summarized by level in the following tables (in millions, except plan asset mix). See Note 2 for definitions of fair value measures, the levels within the fair value hierarchy, and valuation techniques.

Description	December 31, 2022			Plan Asset Mix
	Level 1	Level 2	Total	
Cash	\$ 163	\$ –	\$ 163	15%
Registered investment companies	1	–	1	—%
Government and federal agency bonds	–	1,156	1,156	103%
Derivatives and other, net	–	(201)	(201)	(18)%
Total investments in the fair value hierarchy	<u>\$ 164</u>	<u>\$ 955</u>	<u>\$ 1,119</u>	<u>100%</u>
Asset value at NAV as a practical expedient:				
Collective trust funds			1,360	
Total investments at fair value			<u>\$ 2,479</u>	

Description	December 31, 2021			Plan Asset Mix
	Level 1	Level 2	Total	
Cash	\$ 254	\$ –	\$ 254	11%
Registered investment companies	192	–	192	8%
Government and federal agency bonds	–	1,624	1,624	71%
Corporate bonds	–	218	218	10%
Derivatives and other, net	–	3	3	—%
Total investments in the fair value hierarchy	<u>\$ 446</u>	<u>\$ 1,845</u>	<u>\$ 2,291</u>	<u>100%</u>
Asset value at NAV as a practical expedient:				
Collective trust funds			1,635	
Total investments at fair value			<u>\$ 3,926</u>	

### Plan Contributions

In contemplation of the acquisition of G4S, the Company entered into a memorandum of understanding with the UK Plan trustee in which the Company has agreed to pay a one-time lump sum payment of £50 million, which was paid during January 2022, followed by quarterly contributions of £20 million for the calendar years 2021 to 2026 inclusive. The quarterly contributions will increase by 3% every year until the last payment in 2026.

During the years ended December 31, 2022 and 2021, the Company made \$171.3 million and \$91.7 million of contributions to its pension plans, respectively. The Company currently expects to make approximately \$103.3 million in pension contributions to the UK Plan during the fiscal year ending December 31, 2023.

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The following table presents estimated future benefit payments from the UK plans for the next ten fiscal years (in millions):

Year ending December 31,	
2023	\$ 117
2024	121
2025	126
2026	131
2027	137
2028 - 2032	770
Total	<u>\$ 1,402</u>

*Assumptions*

Assumptions, such as discount rates and the long-term rate of return on plan assets, have a significant effect on the amounts reported for net periodic benefit as well as the related benefit obligations.

The assumed discount rate for pension plans reflects the market rates for high-quality corporate bonds currently available. The Company's discount rate was determined by considering yield curves constructed of a large population of high-quality corporate bonds and reflects matching a model plan's liability cashflows, which has a similar duration to the UK Plan, to the yield curves.

The long-term rate of return on plan assets represents an estimate of long-term returns on an investment portfolio consisting of a mixture of equities, fixed income and alternative investments. When determining the long-term rate of return on plan assets, the Company considers long-term rates of return on the asset classes (both historical and forecasted) in which the Company expects the pension funds to be invested based on the investment managers' long term target for investment returns as agreed with the Trustees and Company. The plan assets are managed dynamically over time rather than a set strategic allocation.

The Company's pension plans create a number of risk exposures. Annual increases in benefits are, to a varying extent from plan to plan, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

The components of net periodic benefit are as follows (in millions):

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Service cost	\$ 4	\$ 2
Other costs (benefits):		
Interest cost	70	56
Expected return on plan assets	(106)	(84)
Total other benefits	(36)	(28)
Net periodic pension benefit	<u>\$ (32)</u>	<u>\$ (26)</u>

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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The Company recognizes service costs within cost of revenues and selling, general and administrative in the consolidated statements of operations and recognizes interest costs and the expected return on plan assets within other income, net in the consolidated statements of operations.

Net actuarial (losses) gains of \$(90.0) million and \$161.4 million were recognized in other comprehensive (loss) income during the years ended December 31, 2022 and 2021, respectively. No amounts were recognized in other comprehensive income during the year ended December 31, 2020. The amounts in accumulated other comprehensive (loss) income that have not yet been recognized as of December 31, 2022 and 2021 consist of net actuarial gains of \$71.4 million and \$161.4 million, respectively.

### *Other Defined Benefit Plans*

As of December 31, 2022 and 2021, the Company's defined benefit plans with a net surplus totaled \$296.9 million and \$230.1 million, respectively, which was recorded within other assets on the consolidated balance sheets. As of December 31, 2022 and 2021, the Company's defined benefit plans with a net deficit totaled \$107.1 million and \$85.8 million, respectively. The funded status of defined benefit plans is based on actuarial estimates and contributions during the period. The most recent actuarial estimates were completed as of December 31, 2022. Actual results may differ materially from these estimates.

### *Defined Contribution and Other Deferred Compensation Plans*

The Company has 401(k) plans for eligible employees in the United States and may make discretionary matching contributions to qualified participants. Matching contributions for qualified participants amounted to \$3.8 million, \$4.0 million, and \$5.1 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The Company has non-qualified deferred compensation plans for select groups of management in the United States. These plans are generally unfunded and their benefits are paid from the general assets of the Company, except that the Company has segregated assets in marketable securities accounts of \$97.5 million and \$120.9 million as of December 31, 2022 and 2021, respectively, which the Company intends to utilize to fund the deferred compensation plan liabilities. Employee vesting generally occurs over six years of service. The Company's (income) expense related to deferred compensation plans, exclusive of gains and losses on segregated marketable securities held by the plans, was \$(14.5) million, \$7.5 million, and \$8.0 million during each of the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022 and 2021, the Company had \$102.6 million and \$71.2 million, respectively, in other liabilities in the consolidated balance sheets for these deferred compensation plans.

The Company has employees in a number of countries that are covered by various deferred compensation plans. These plans are administered based upon the legal requirements in the countries in which they are established.

## **11. MEMBERS' CAPITAL AND EQUITY-BASED COMPENSATION**

### *Members' Capital*

The Company is a limited partnership in which each limited partner contributed cash or other property or consideration, including their service as employees, to the partnership in exchange for Class A Units, Class B Units or Incentive Units.

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Equity-based compensation consists of Class B Units and Incentive Units in Atlas Ontario or, prior to the G4S Transaction, Class B and Incentive Units issued in Topco. Class B Units and Incentive Units are classified as equity and are measured based on fair value as of the grant date. Equity-based compensation is recognized using the straight-line attribution method over the requisite service period, and the Company accounts for forfeitures as they occur.

Class A Units, Class B Units and Incentive Units are non-voting interests in Atlas Ontario. Distributions, including those made upon liquidation, dissolution or winding up the affairs of the partnership, are to be made to first to holders of Class A Units, to the outstanding balance of their capital account, and then to holders of Class A Units, Class B Units and Incentive Units in accordance with their pro rata share of eligible units. Unvested Class B Units and unvested Incentive Units are not eligible for distributions. Furthermore, vested Incentive Units are eligible for distributions only if distributions exceed a predefined threshold amount as specified by the applicable unit grant agreement with each unit holder.

### *Allied Universal Topco Class B and Incentive Units*

From 2016 through 2019, the Company issued Class B Units in Topco to certain members of management. Fifty percent of each grantee's Topco Class B Units issued were subject to time-vesting and fifty percent were subject to certain performance vesting conditions based on internal rate of return targets measured upon the occurrence of certain events and subject to each unit holder's continued service with the Company. Time-vesting Topco Class B Units generally vested in ratable annual installments over the five-year period following the grant date.

From 2019 through 2020 and in connection with the amendment of the Topco partnership agreement, the Company discontinued awarding Class B Units, and instead began awarding to eligible members of management Incentive Units in Topco. The resulting modification approximated fair value as of the date of the G4S Transaction. Fifty percent of the Topco Incentive Units issued were subject to time-vesting and fifty percent were subject to certain performance vesting conditions based on internal rate of return, targets measured upon the occurrence of certain events and subject to each unit holder's continued service with the Company. Topco Incentive Units granted subject to time-vesting vested ratably in annual installments over the five-year period following the grant date, such that, by the fifth anniversary of the grant date, one hundred percent of the time-based units would have vested.

The weighted-average grant-date fair values issued during the year ended December 31, 2020 were \$3.96 for each Topco Incentive Unit (as adjusted for the 0.2524 conversion into Atlas Ontario Class B Units in 2021) subject to time-vesting and \$1.59 for each Topco Incentive Unit (as adjusted for the 0.2524 conversion into Atlas Ontario Class B Units in 2021) subject to performance conditions.

The fair value of each Topco Incentive Unit award was estimated on the grant date using the Monte Carlo option-pricing model based on the following assumptions for the year ended December 31, 2020:

	<b>2020</b>
Expected volatility	42.5%
Dividend yield	0.0%
Risk-free interest rate	1.7%
Expected term (in years)	5.0

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

For the period between January 1, 2021 and April 6, 2021, the Company did not issue any Topco Incentive Units, and 3.6 million unvested Topco Incentive Units were forfeited due to separations from employment. As of April 6, 2021, the Company had 48.1 million Topco Incentive Units outstanding.

### *2021 Atlas Ontario Units*

On April 6, 2021, in conjunction with the G4S Transaction, Topco Incentive Units then issued and outstanding were converted into Atlas Ontario Class B Units at a rate of 0.2524 Atlas Ontario Class B Units per Topco Incentive Unit, which represented the fair value of the units at the date of the G4S Transaction. All vesting conditions related to the converted Topco Incentive Units remained unchanged. This conversion resulted in the issuance of 48.1 million of new Class B Units in Atlas Ontario.

In conjunction with the G4S Transaction, the Company also issued Atlas Ontario Incentive Units to certain members of management. Fifty percent of each grantee's Atlas Ontario Incentive Units are subject to time-vesting and fifty percent were subject to certain performance vesting conditions based on internal rate of return, targets measured upon the occurrence of certain events and subject to each unit holder's continued service with the Company. Atlas Ontario Incentive Units subject to time-vesting vest ratably in annual installments over the five-year period following the grant date.

The fair value of each Atlas Ontario Incentive Unit award granted during the years ended December 31, 2022 and 2021, is estimated on the grant date using the Monte Carlo option-pricing model based on the following assumptions:

	<u>2022</u>	<u>2021</u>
Expected volatility	72.5 %	60.0% - 65.0%
Dividend yield	0.0 %	0.0 %
Risk-free interest rate	2.2 %	0.4% - 1.0%
Expected term (in years)	2.0	3.0

Equity-based compensation related activity during the year ended December 31, 2022 consisted of the following (in millions, except weighted-average information and years):

	<u>Class B Units</u>		<u>Atlas Ontario Incentive Units</u>	
	<u>Number of Units</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Number of Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding as of December 31, 2021	35	\$ 2.77	366	\$ 0.41
Granted	—	—	102	0.23
Vested	(4)	3.96	(42)	0.38
Forfeited	(1)	2.49	(14)	0.37
Outstanding and unvested as of December 31, 2022	<u>30</u>	<u>\$ 2.27</u>	<u>412</u>	<u>\$ 0.40</u>
Unrecognized compensation cost		<u>\$ 47</u>		<u>\$ 114</u>
Weighted average remaining amortization period (years)		<u>2.0</u>		<u>3.4</u>



**ATLAS ONTARIO LP**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

*Loss per Unit*

Basic loss per unit is computed by dividing net loss by the weighted average number of common units outstanding for the period. Diluted earnings per unit is applicable only in periods of net income and is computed by dividing net income by the weighted average number of common units outstanding for the period and potentially dilutive common unit equivalents outstanding for the period. Periods of net loss require the diluted computation to be the same as the basic computation. There was an aggregate of 441.4 million, 187.7 million, and 20.4 million potentially dilutive unit equivalents outstanding during the years ended December 31, 2022, 2021, and 2020, respectively, which have been excluded from diluted loss per unit during the years ended December 31, 2022, 2021, and 2020.

**12. INCOME TAXES**

*Income Tax Provision*

The Company's provision for income taxes for the years ended December 31, 2022, 2021, and 2020 consisted of the following (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current provision:			
U.S. Federal	\$ 18	\$ (9)	\$ 34
U.S. State	32	18	24
Foreign	71	88	1
Total current provision	<u>121</u>	<u>97</u>	<u>59</u>
Deferred benefit:			
U.S. Federal	(13)	(11)	(26)
U.S. State	(6)	(6)	(13)
Foreign	(21)	(14)	–
Total deferred benefit	<u>(40)</u>	<u>(31)</u>	<u>(39)</u>
Total provision for income taxes	<u>\$ 81</u>	<u>\$ 66</u>	<u>\$ 20</u>

U.S. and foreign components of loss before income taxes were as follows (in millions):

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
U.S.	\$ (336)	\$ (529)	\$ (61)
Foreign	63	(74)	–
	<u>\$ (273)</u>	<u>\$ (603)</u>	<u>\$ (61)</u>

The applicable statutory income tax rate in Canada was zero for Atlas Ontario for the years ended December 31, 2022, 2021, and 2020. For purposes of the reconciliation between the provision for income

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

taxes at the statutory rate and the provision for income taxes at the effective tax rate, a notional 21% tax rate is applied for the years ended December 31, 2022, 2021, and 2020 as follows:

	Year Ended December 31,		
	2022	2021	2020
Income tax benefit at United States federal statutory rate	\$ (57)	\$ (127)	\$ (13)
State taxes, net of federal benefit	1	1	(1)
Acquisition costs	–	11	(2)
Gain on liquidating distribution	–	17	–
Net income not subject to corporate taxation	11	14	2
Withholding tax	5	8	–
Tax credits	(21)	(21)	(11)
Valuation allowance	113	175	45
Foreign tax rate differential	(3)	(16)	1
Change in tax rates	4	(13)	(3)
Uncertain tax positions	(22)	–	–
Return to provision	25	–	2
Other permanent differences	25	17	–
Income tax provision	<u>\$ 81</u>	<u>\$ 66</u>	<u>\$ 20</u>

### *Deferred Taxes*

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

**ATLAS ONTARIO LP**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

Significant components of the Company's deferred tax assets and liabilities are as follows (in millions):

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax assets:		
Net operating loss carryforwards	\$ 301	\$ 384
Tax credit carryforwards	88	70
Interest expense limitation	430	276
Compensation accruals	42	82
Legal accruals	2	13
Other deferred tax assets	146	49
Lease liability	7	11
Deferred tax assets before valuation allowance	<u>1,016</u>	<u>885</u>
Valuation allowance	(657)	(576)
Deferred tax assets net of valuation allowance	<u>359</u>	<u>309</u>
Deferred tax liabilities:		
Basis differences related to partnership investments	(199)	(125)
Amortization	(497)	(623)
Fixed assets	(17)	(5)
UK pension	(75)	(57)
Unremitted earnings	(70)	(73)
Other deferred tax liabilities	(8)	(5)
ROU asset	(6)	(9)
Deferred tax liabilities	<u>(872)</u>	<u>(897)</u>
Total deferred taxes	<u>\$ (513)</u>	<u>\$ (588)</u>

*Unremitted Earnings*

The Company's income tax provision includes U.S. (federal and state) and foreign income taxes. Certain foreign subsidiary earnings and losses are subject to current U.S. taxation and the subsequent repatriation of those earnings is not subject to tax in the U.S. Additionally, the Company intends to remit its foreign subsidiary earnings, outside of the U.S. when necessary, in those jurisdictions in which the Company would incur significant, additional costs upon repatriation of such amounts. The Company has unremitted earnings of \$18.2 billion and has recorded a deferred tax liability of \$70.0 million as of December 31, 2022. Significant portions of unremitted earnings are located in jurisdictions with no withholding tax.

*Operating Loss and Tax Credit Carryforwards*

As of December 31, 2022 and 2021, the Company's operating subsidiaries had net operating loss carryforwards of approximately \$1.5 billion and \$1.6 billion, respectively, in various jurisdictions.

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

The gross net operating loss carryforwards and the related carryforward periods as of December 31, 2022 are summarized as follows (in millions, except years):

	<b>Carryforward Amount</b>	<b>Tax Benefit Amount</b>	<b>Valuation Allowance</b>	<b>Net Tax Benefit</b>	<b>Carryforward Period Ends</b>
U.S. federal net operating losses	\$ 154	\$ 30	\$ (30)	\$ —	2036 - 2038
U.S. federal net operating losses	215	42	(41)	1	Indefinite
U.S. state net operating losses	154	11	(11)	—	2026 - 2038
U.S. state net operating losses	223	15	(13)	2	Indefinite
Non-U.S. net operating losses	736	203	(71)	132	Indefinite
Total	<u>\$ 1,482</u>	<u>\$ 301</u>	<u>\$ (166)</u>	<u>\$ 135</u>	

The Company also has tax credit carryforwards available to offset future tax liabilities of approximately \$88.0 million and \$70.0 million as of December 31, 2022 and 2021, respectively, which have various expiration dates and begin to expire in 2023.

The gross tax credit carryforwards and the related carryforward periods as of December 31, 2022 are summarized as follows (in millions, except years):

	<b>Carryforward Amount</b>	<b>Valuation Allowance</b>	<b>Net Tax Benefit</b>	<b>Carryforward Period Ends</b>
Work opportunity tax credits	\$ 78	\$ (69)	\$ 9	Indefinite
Foreign tax credits	6	(6)	—	2024 - 2030
General business credits	4	(2)	2	Indefinite
Total	<u>\$ 88</u>	<u>\$ (77)</u>	<u>\$ 11</u>	

Certain tax attributes are subject to an annual limitation as a result of the acquisitions which constitute a change of ownership as defined under Internal Revenue Code Section 382.

The Company has gross capital loss carryforwards in the UK of \$3.6 billion that have not been included in the provision. The future use of such amounts are limited and remote.

### *Valuation Allowance*

Where, based on the weight of available evidence, it is more likely than not that some amount of a recorded deferred tax asset will not be realized, a valuation allowance is established for the amount sufficient to reduce that deferred tax asset to an amount that will more likely than not be realized. Management believes that future results will be sufficient to realize the Company's deferred tax assets with the exception of certain net operating losses, excess business interest expenses and foreign tax credits ("FTC"). As of December 31, 2022 and 2021, a valuation allowance of \$657.1 million and \$576.1 million, respectively, has been established against federal deferred tax assets.

**ATLAS ONTARIO LP**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

*Uncertain Tax Positions*

As of December 31, 2022 and 2021, the gross uncertain tax positions were \$35.0 million and \$60.0 million, respectively. The reduction of uncertain tax positions in 2022 was primarily due to the settlement of disputed valuation matters in Denmark and the United Kingdom for tax years 2006 and 2007 which resulted in a refund of previously assessed tax and decrease in related uncertain tax positions.

A reconciliation of the beginning and ending amount of uncertain tax positions, excluding interest, penalties, and foreign exchange, is as follows:

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Uncertain gross tax positions, January 1	\$ 60	\$ –	\$ –
Uncertain tax positions assumed through acquisition	–	45	–
Current year tax positions	–	15	–
Increase in prior year tax positions	2	–	–
Decrease in prior year tax positions	(25)	–	–
Settlements	(2)	–	–
Lapse of statute of limitations	–	–	–
Uncertain gross tax positions, December 31	<u>\$ 35</u>	<u>\$ 60</u>	<u>\$ –</u>

The table above represents the gross amounts of uncertain tax positions without regard to reductions in tax liabilities or additions to deferred tax assets and liabilities if such uncertain tax positions were settled.

The Company recognizes interest and penalties, if any, related to uncertain tax positions in the provision of income taxes. As of December 31, 2022 and 2021, the Company had accrued \$1.2 million and \$5.1 million of interest and penalties related to uncertain tax positions, respectively, which is recorded in other liabilities on the consolidated balance sheets.

The Company files U.S. federal, state, and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time.

At December 31, 2022, the Company is addressing the following material audits:

- The Company is currently in discussions with the Income Tax Department of the Government of India for the years 2013 to 2018.

**13. SEGMENT INFORMATION**

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the Chief Operating Decision Maker (“CODM”), who is the Company’s Chief Executive Officer.

The CODM evaluates the Company’s financial information and assesses the performance of the North America and International segments of the business in order to determine how to allocate resources. The CODM reviews the Company’s revenues and operating income for the North America and International

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

operating segments, which also constitute the Company's reportable segments, and the CODM reviews assets and capital expenditures on a consolidated basis. Therefore, revenues and operating income are presented by reportable segment and assets and capital expenditures by operating segment are not presented.

Revenues and operating income by segment reconciled to net loss are as follows (in millions):

	Year Ended December 31,		
	2022	2021	2020
REVENUES			
North America	\$ 13,372	\$ 11,667	\$ 8,501
International	6,046	4,782	—
Total revenues	<u>\$ 19,418</u>	<u>\$ 16,449</u>	<u>\$ 8,501</u>
SEGMENT OPERATING INCOME			
North America	327	93	270
International	173	78	—
Total segment operating income	<u>\$ 500</u>	<u>\$ 171</u>	<u>\$ 270</u>
RECONCILIATION TO NET LOSS			
Segment operating income	500	171	270
Interest expense, net	(780)	(597)	(346)
Loss on early extinguishment of debt	—	(277)	—
Other income, net	7	100	15
Income tax provision	(81)	(66)	(20)
Net loss	<u>\$ (354)</u>	<u>\$ (669)</u>	<u>\$ (81)</u>

Long-lived assets by geographic area are as follows (in millions):

	December 31,	
	2022	2021
United States of America	\$ 9,084	\$ 9,441
United Kingdom	1,286	1,220
Other countries	2,306	2,287
	<u>\$ 12,676</u>	<u>\$ 12,948</u>

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

### 14. FAIR VALUE MEASUREMENTS

#### *Investments Measured at Fair Value on a Recurring Basis*

The following tables present our cash and cash equivalents and investments' costs, net unrealized gains (losses), and fair value by security type as of December 31, 2022 and 2021 (in millions):

	<b>December 31, 2022</b>			
	<b>Cost</b>	<b>Net Unrealized Gains (Losses)</b>	<b>Fair Value</b>	<b>Cash and Cash Equivalents</b>
Cash and cash equivalents	\$ 812	\$ —	\$ 812	\$ 812
Restricted cash	149	—	149	—
	<u>961</u>	<u>—</u>	<u>961</u>	<u>812</u>
Level 1 :				
Common stock	9	1	10	—
Registered investment companies	91	(12)	79	—
Subtotal	<u>100</u>	<u>(11)</u>	<u>89</u>	<u>—</u>
Level 2:				
Government and federal agency bonds	5	—	5	—
Corporate bonds	22	(2)	20	—
Municipal bonds	18	(2)	16	—
Subtotal	<u>45</u>	<u>(4)</u>	<u>41</u>	<u>—</u>
Level 3: Other	7	—	7	—
Total assets in the fair value hierarchy	<u>152</u>	<u>(15)</u>	<u>137</u>	<u>—</u>
Asset value at NAV as a practical expedient:				
Collective trust funds	2	—	2	—
Total assets	<u>\$ 1,115</u>	<u>\$ (15)</u>	<u>\$ 1,100</u>	<u>\$ 812</u>

# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

	December 31, 2021			
	Cost	Net Unrealized Gains (Losses)	Fair Value	Cash and Cash Equivalents
Cash and cash equivalents	\$ 1,149	\$ —	\$ 1,149	\$ 1,149
Restricted cash	157	—	157	—
	<u>1,306</u>	<u>—</u>	<u>1,306</u>	<u>1,149</u>
Level 1 :				
Common stock	9	4	13	—
Registered investment companies	84	11	95	—
Subtotal	<u>93</u>	<u>15</u>	<u>108</u>	<u>—</u>
Level 2:				
Government and federal agency bonds	5	—	5	—
Corporate bonds	24	—	24	—
Municipal bonds	26	(1)	25	—
Subtotal	<u>55</u>	<u>(1)</u>	<u>54</u>	<u>—</u>
Level 3: Other	8	—	8	—
Total assets in the fair value hierarchy	<u>156</u>	<u>14</u>	<u>170</u>	<u>—</u>
Asset value at NAV as a practical expedient:				
Collective trust funds	2	—	2	—
Total assets	<u>\$ 1,464</u>	<u>\$ 14</u>	<u>\$ 1,478</u>	<u>\$ 1,149</u>

There were no transfers in or out of Level 3 financial assets or liabilities during the year ended December 31, 2022 or December 31, 2021. Other than adjustments for foreign currency translation, there was no other activity associated with Level 3 investments during the year ended December 31, 2022 or December 31, 2021.

The Company's purchase price payable liabilities represent the estimated fair value of additional future contingent consideration payable for acquisitions of businesses that included contingent consideration clauses. The fair value of purchase price payable liabilities is evaluated on an ongoing basis and is based on management estimates and entity-specific assumptions which are considered Level 3 inputs. The valuation of purchase price payables is initially established using a range of methods, including discounted cash flow models and other estimates by management.

### *Instruments Not Recorded at Fair Value on a Recurring Basis*

Management estimates the fair value of the Company's debt instruments carried at face value, less unamortized discount and issuance costs, quarterly for disclosure purposes. The estimated fair values of the Company's debt instruments are estimated using current market pricing quotes (Level 2). As of December 31, 2022, the estimated fair values of the Company's first lien term loans, senior secured notes, and senior unsecured notes are approximately \$4,704.5 million, \$4,477.3 million, and \$1,617.4 million, respectively, as compared to their carrying values, exclusive of discounts, premiums and related fees, of \$4,847.4 million, \$5,255.9 million, and \$2,010.0 million, respectively. As of December 31, 2021, the estimated fair values of the Company's first lien term loans, senior secured notes, and senior unsecured notes are approximately \$4,951.9 million, \$5,410.9 million, and \$2,056.1 million, respectively, as



# ATLAS ONTARIO LP

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

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compared to their carrying values, exclusive of discounts, premiums and related fees, of \$4,944.4 million, \$5,363.2 million, and \$2,010.0 million, respectively.

### *Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis*

Certain assets and liabilities, including goodwill and intangible assets, are subject to measurement at fair value on a non-recurring basis if there are indicators of impairment or if they are deemed to be impaired as a result of an impairment review.

## **15. RELATED PARTY TRANSACTIONS**

Prior to 2021, the Company was party to an Investor Management Agreement with certain funds and vehicles affiliated with Warburg Pincus LLC pursuant to which the Company received certain administrative and management services. In exchange for these services, the Company incurred management fee expenses of \$6.8 million during the year ended December 31, 2020.

Related party sales to BCI, an affiliated entity, for security services totaled \$196.0 million, \$13.6 million, and \$0 during the years ended December 31, 2022, 2021, and 2020, respectively.

The Company's consolidated and combined statements of operations include sales to some of its joint venture partners. Sales agreements with related parties include terms that are consistent with those that we believe would have been negotiated at an arm's length with an independent party. Related party sales to joint venture partners totaled \$104.2 million, \$89.6 million, and \$0 for the years ended December 31, 2022, 2021, and 2020, respectively. Accounts receivable from the Company's joint venture partners totaled \$4.5 million and \$2.8 million as of December 31, 2022 and 2021, respectively. The Company's total investment in its joint venture partners was \$9.3 million and \$10.9 million as of December 31, 2022 and 2021, respectively, which is included in other assets on the consolidated balance sheets.

## **16. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 20, 2023, the date the consolidated and combined financial statements were available to be issued.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)

*The discussion and analysis of financial condition and results of operations are based upon financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and should be read together with the applicable consolidated and combined financial statements, the notes to those financial statements and the other financial information appearing elsewhere in this report.*

*This report includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. These statements are based on the beliefs and assumptions of our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot make assurances that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning our possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. These statements may be preceded by, followed by or include the words “believe,” “estimate,” “expect,” “project,” “forecast,” “may,” “will,” “should,” “seek,” “plan,” “scheduled,” “anticipate” or “intend” or similar expressions. Forward-looking statements are not guarantees of performance. Readers of this report should not put undue reliance on these statements which speak only as of the date hereof.*

### **Business Overview**

Atlas Ontario LP (referred to as “Allied Universal” or the “Company”) is a leading provider of comprehensive staffed security services across North America, and as a result of the acquisition of G4S Plc (“G4S”) on April 6, 2021, in more than 90 countries. We provide services to a broad range of customers across a variety of types of facilities and locations, including over 400 of the Fortune 500 companies. We use our expertise, service delivery and system integration capabilities alongside our geographic scale to differentiate our services to customers, drive outsourcing and enhance the value of traditional security services through greater use of technology. We are responsible for providing “best-in-class” security services that allow clients to completely outsource the recruiting, screening, hiring, training, uniforming, scheduling and supervision of security professionals. Our security professionals work on-site at customer locations and are responsible for observing, detecting, deterring and reporting and responding to perceived, potential or actual security threats. Through a combination of comprehensive staffed security services, technology services, and other services, Allied Universal seeks to deliver high-quality and cost-effective security services to its customers.

Allied Universal was formed in August 2016 through the combination of AlliedBarton Security Services (“AlliedBarton”) and Universal Services of America (“Universal”). Universal, founded in 1965, and AlliedBarton, founded in 1957, were industry leaders in customer service, organic growth, customer and employee retention, and accretive mergers and acquisitions, with a highly complementary and diverse set of blue-chip customers. The combined company became the largest provider of security officer services in North America and continues to grow both organically and through mergers and acquisitions. On April 6, 2021, pursuant to a reorganization resulting in a change to the Company’s holding entity structure and in connection with the acquisition of G4S, the owners of Allied Universal Topco LLC (“Topco”), the direct parent and the sole member of Allied Universal Holdco LLC (“Holdco”), contributed their membership interests and, in some cases, the legal entities holding such interests, in exchange for proportionate membership interests in

Atlas Ontario LP. In connection with the acquisition of G4S, we incorporated additional services and geographies into our core global portfolio.

Our global footprint differentiates us in the ability to serve large national and multi-national customers across multiple continents. We leverage our service expertise to offer customized security solutions tailored to customer needs.

### **Our Service Offerings**

The Company provides comprehensive staffed security services, technology services, and other services:

- *Comprehensive staffed security services* – includes on-site, mobile and remote security, care and justice, and other comprehensive staffed security services
- *Technology services* – comprehensive solutions provided to customers includes video, alarm, and electronic monitoring, security systems installation, and cash management solutions (ATMs and related software, retail cash solutions)
- *Other services* – includes facilities management services, risk consultancy, janitorial, cash services (cash in transit, cash processing and ATM services), staffing, and other ancillary services

### **Recent Developments**

The Company has been affected by the coronavirus (“COVID-19”) pandemic, global inflation, and rising global interest rates, in some cases adversely, to varying extents depending on prevailing government restrictions and economic conditions in the markets in which the Company operates. In particular, the Company experienced some workforce disruption due to employee absences due to illness, quarantine requirements, low unemployment rates, enhanced unemployment compensation benefits and other government relief programs, or other employment restrictions which collectively have resulted in continued labor shortages and increased inflationary pressure on wages, fuel, and other costs. Global interest rates are rising in an effort to curb inflation.

Due to government relief programs in the United States and elsewhere, as of December 31, 2022 and 2021, the Company had \$0 and \$208.1 million, respectively, outstanding in deferred payroll tax and other indirect tax liabilities related to COVID-19, which are recorded within accrued payroll and payroll-related taxes on the consolidated balance sheets. The decrease in COVID-19 related deferrals from December 31, 2021 to December 31, 2022 is due to payments of deferred payroll tax during December 31, 2022. Additionally, in certain jurisdictions outside of the United States, the Company received COVID-19-related government support income that partially mitigated the financial effect of incremental safety and operating costs and the cost of continuous employment for staff whose roles would have otherwise been at risk given the impact of the pandemic. This government support income is recognized as a reduction to cost of revenues and amounted to \$0, \$12.4 million, and \$0 for the years ended December 31, 2022, 2021, and 2020, respectively.

Management is unable to predict the potential effects of inflation, rising interest rates, and ongoing uncertainties related to the COVID-19 pandemic on the business.

On August 1, 2022, the Company purchased all of the outstanding equity interests of Attenti Electronic Monitoring Group LTD (“Attenti”) for an initial purchase price of approximately \$250.1 million, subject to certain post-closing adjustments. Attenti is a provider of electronic monitoring products and is based in Israel. The assets acquired and liabilities assumed were accounted for as a business combination and at fair value at

the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable.

On March 22, 2022, the Company purchased the issued and outstanding shares of Total Security Services Limited (“TSS”) and its affiliate, Corporate Cupboard Limited (“CCL”), for £71.8 million, or \$94.6 million based on the exchange rate as of March 22, 2022, in addition to contingent consideration up to £10.0 million, or \$12.1 million based on the exchange rate as of December 31, 2022. The Company is still evaluating the fair value of the contingent consideration as of December 31, 2022, which management will finalize during the measurement period as updated information becomes available on the fair value of the contingent consideration as of the acquisition date. TSS provides security services, including manned guarding and technology-based solutions in the United Kingdom. CCL purchases and supplies uniforms and ancillary security equipment. The assets acquired and liabilities assumed were accounted for as a business combination and at fair value at the acquisition date based on current available information and certain assumptions and estimates that management believes are reasonable.

## **Characteristics of our Revenues and Expenses**

### **Revenues**

We generate revenues primarily from comprehensive staffed security services which are generally measured based on billable hours served by security professionals and rate per billable hour, as determined by the underlying customer contract. Revenues generated from comprehensive staffed security services are recognized over time as services are performed. Revenues from technology services installation contracts (including the outright sale of equipment) consist primarily of video, alarm, and electronic monitoring and security systems installation contracts, and are recorded as control is transferred to the Company’s clients over time, as any assets created or enhanced by the Company’s performance are controlled by the Company’s clients and the Company has a legally enforceable right to payment for performance completed. Revenue is recognized using the cost-to-cost input method, which measures the percentage of actual cost incurred to date to the estimated total cost to complete. When our technology contracts involve the rental of technology related equipment, we determine whether the arrangement constitutes a lease and apply lessor accounting as applicable. Our revenue from other services is recognized as services are performed. We generally bill our customers either in advance, weekly, bi-weekly or monthly.

Our revenue growth in the year ended December 31, 2022 over the corresponding periods was driven by acquisitions, as well as organic revenue growth related to bill-rate improvements and new business wins. Our organic revenue growth is driven primarily by our ability to maintain strong customer retention rates and to attract new customers.

### **Cost of Revenues (Exclusive of Depreciation and Amortization)**

Cost of revenues are comprised primarily of direct labor, payroll taxes, medical and life insurance benefits, workers’ compensation costs, general liability, employment practices liability and automobile insurance costs, and subcontract labor and other cost of revenues. We classify all of our security officer wages and payroll-related expenses as cost of revenues. Compensation paid includes regular pay, overtime pay for hourly personnel, bonus, vacation, training, holiday and sick time. The total hours paid normally exceeds total hours billed principally due to unbillable overtime and certain other unbillable costs. Our contract security professional revenues and high customer retention rates are dependent on our ability to attract and retain high-quality, qualified employees. Our wage rates are generally above state and local minimum wage requirements,

and we provide our security professionals with benefits at a higher level than many of our competitors. In addition, we engage in extensive candidate screening, training and development, which supports employee retention and in turn, helps reduce the cost of employee turnover. We believe our employee retention rate compares favorably to the average retention rates in our industry. We believe that we have higher wage and benefit costs than other companies in our industry, due to our focus on attracting, developing and retaining a highly qualified workforce.

General wage inflation, payroll tax rate and related taxable wage threshold changes, and insurance premiums and related claim costs are the primary drivers that affect the major components of cost of revenues. Traditionally, we have been able to pass increased costs in these areas on to our customers.

Our payroll tax expenses historically are higher in the first half of the year because a significant number of employees do not reach their taxable wage limits for employer related federal and state unemployment taxes until the second half of the year.

Medical benefit costs for the majority of our workforce consist of premium-based insurance costs. Conversely, for administrative employees and security professionals not subject to premium-based coverage, we are self-insured and subject to self-insured retention limits. See “Critical Accounting Policies and Estimates” for further discussion.

### **Key Factors Affecting our Performance**

We believe the following trends and factors have an important impact on our financial performance:

- Continued growth in the security market: Due to increased occurrences of adverse safety and security events affecting the general public, continued wage growth, and increased outsourced services penetration, we continue to see growth in the total size of the security market in the United States and globally. As a market-leading provider of security services and technology services, overall industry growth is a factor driving our business. As such, our financial results are significantly affected by overall industry growth levels.
- Increasing pressure on customer pricing combined with a competitive labor market: The security market is intensely competitive as there are relatively low barriers to entry. We compete directly with local, regional, national and international companies. As more customers select service providers through competitive bid processes intended to procure quality services at lower prices, our customer retention may be affected as new competitors may be willing to provide services at lower prices. In addition, we face pressure to increase compensation and benefits for employees as we compete with other companies both within and beyond our industry for the same workforce. Our ability to retain customers is dependent on our ability to hire, train and retain employees at scale while efficiently deploying our workforce to meet our customers’ security service needs.
- Our ability to deliver comprehensive staffed security services and expand the use of technology: Increasingly, our clients are seeking more complex security services and incorporating technology and other complex capabilities. We believe that our success will depend on our ability to tailor specific, innovative solutions to meet the changing needs of our clients.
- Our sales performance and ability to execute on strategy: The number of clients that we add in a given period impacts our longer-term revenue. We are focused on attracting new clients and expanding our service offerings at existing clients. Furthermore, our ability to continue to pass along rate increases to our customers will protect our margins but in part, could be offset by reduced hours.

- Our continued ability to acquire and integrate accretive targets: Since 2007 and as of December 31, 2022, we have acquired 96 businesses. Our acquisition process allows us to integrate targets, while minimizing client disruption. Furthermore, we view expansion into international and adjacent markets to be an opportunity for future growth.

## **Segments**

The company operates and manages its business in two segments: North America and International. The North America segment primarily operates in the United States. The International segment primarily operates in the United Kingdom & Ireland, Europe, Middle East & Africa, Latin America, and Asia Pacific. Both segments offer comprehensive staffed security services, technology services and other services.

## Results of Operations

The following table shows the percentages of each statement of operations caption in relation to total revenues.

	<b>For the Years Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
REVENUES	100.0 %	100.0 %	100.0 %
COSTS AND EXPENSES			
Cost of revenues (exclusive of depreciation and amortization)	83.1 %	82.8 %	81.3 %
Selling, general, and administrative	10.3 %	11.2 %	11.0 %
Depreciation and amortization	3.9 %	4.0 %	4.2 %
Acquisition and related costs	0.1 %	0.9 %	0.3 %
Total costs and expenses	97.4 %	98.9 %	96.8 %
INCOME FROM OPERATIONS	2.6 %	1.1 %	3.2 %
OTHER EXPENSE, NET:			
Interest expense, net	4.0 %	3.6 %	4.1 %
Loss on extinguishment of debt	0.0 %	1.7 %	0.0 %
Other income, net	0.0 %	(0.6)%	(0.2%)
Total other expense, net	4.0 %	4.7 %	3.9 %
LOSS BEFORE INCOME TAXES	(1.4%)	(3.6%)	(0.7%)
INCOME TAX PROVISION	0.4 %	0.4 %	0.2 %
NET LOSS	(1.8%)	(4.0%)	(0.9%)
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	0.0 %	0.0 %	0.0 %
NET LOSS ATTRIBUTABLE TO ATLAS ONTARIO LP	(1.8%)	(4.0%)	(0.9%)

## Revenues

(\$ in millions)	For the Years Ended December 31,		Change	
	2022	2021	Dollar	Percent
Revenues				
North America	\$ 13,372	\$ 11,667	\$ 1,705	14.6 %
International	6,046	4,782	1,264	26.4 %
Total revenues	\$ 19,418	\$ 16,449	\$ 2,969	18.0 %

Revenues increased by \$2,969.0 million, or 18.0%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. Of this increase, \$1,595.7 million relates to incremental revenue generated from the G4S acquisition that occurred in April 2021, along with an increase in our average security officer bill rate and new business wins, partially offset by a revenue decrease due to the relative strengthening of the U.S. Dollar against multiple foreign currencies.

North America segment revenues for the year ended December 31, 2022 as compared to the year ended December 31, 2021 increased by \$1,705.0 million, or 14.6%, primarily due to an increase of \$520.6 million relating to incremental revenue generated from the G4S acquisition in April 2021. The remaining \$1,184.4 million increase in revenues is primarily attributable to other completed acquisitions, an increase in our average security officer bill rate and new business wins.

International segment revenues for the year ended December 31, 2022 as compared to the year ended December 31, 2021 increased by \$1,264.0 million, or 26.4%, primarily due to an increase of \$1,075.1 million relating to incremental revenue generated from the G4S acquisition that occurred in April 2021. Additionally, the acquisitions of T.S.S. in March 2022 and Attenti in August 2022 accounted for \$148.4 million and \$40.8 million, respectively, of the increase in revenue for the year ended December 31, 2022. The remaining \$0.3 million decrease in revenues is primarily attributable to other completed acquisitions, an increase in our average security officer bill rate and new business wins, offset by the relative strengthening of the U.S. Dollar against multiple foreign currencies and temporary contracts from the year ended December 31, 2021.

(\$ in millions)	For the Years Ended December 31,		Change	
	2021	2020	Dollar	Percent
Revenues				
North America	\$ 11,667	\$ 8,501	\$ 3,166	37.2 %
International	4,782	—	4,782	N/M
Total revenues	\$ 16,449	\$ 8,501	\$ 7,948	93.5 %

Revenues increased by \$7,947.9 million, or 93.5%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. Of this increase, \$7,051.1 million relates to incremental revenue generated from the G4S acquisition that occurred in April 2021. The remaining \$934.3 million increase in revenues is primarily attributable to other completed acquisitions and an increase in our average security officer billing rate.

North America segment revenues from 2020 to 2021 increased by \$3,166.3 million, or 37.2%, primarily due to an increase of \$2,269.5 million relating to incremental revenue generated from the G4S acquisition in April



2021. The remaining \$896.8 million increase in revenues is primarily attributable to other completed acquisitions and an increase in our average security officer billing rate.

International segment Revenues from 2020 to 2021 increased by \$4,781.6 million due to the G4S acquisition.

### Cost of Revenues (Exclusive of Depreciation and Amortization)

(\$ in millions)	For the Years Ended December 31,		Change	
	2022	2021	Dollar	Percent
Cost of revenues (exclusive of depreciation and amortization)	\$ 16,128	\$ 13,612	\$ 2,516	18.5 %

Cost of revenues increased by \$2,516.2 million, or 18.5%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase in cost of revenues is primarily due to the increase in revenues of 18.0%, largely due to the G4S acquisition in April 2021 and other acquisitions, which resulted in increased cost, as well as an increase in labor costs due to labor market shortages, particularly in North America.

(\$ in millions)	For the Years Ended December 31,		Change	
	2021	2020	Dollar	Percent
Cost of revenues (exclusive of depreciation and amortization)	\$ 13,612	\$ 6,913	\$ 6,699	96.9 %

Cost of revenues increased by \$6,698.6 million, or 96.9%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase in cost of revenues is primarily due to the increase in revenues of 93.5%, primarily due to the G4S acquisition in April 2021 which resulted in \$5,866.6 million of increased cost, as well as an increase in labor costs due to labor market shortages, particularly in North America.

### Operating Costs and Expenses

(\$ in millions)	For the Years Ended December 31,		Change	
	2022	2021	Dollar	Percent
Selling, general, and administrative	\$ 2,000	\$ 1,850	\$ 150	8.1 %
Depreciation and amortization	767	664	103	15.5 %
Acquisition and related costs	23	152	(129)	(84.7)%

Selling, general and administrative expenses increased by \$149.6 million, or 8.1%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase is primarily due to additional general and administrative expenses from completed acquisitions in 2022 and 2021, offset by realized acquisition synergies and other profit improvement initiatives.

Depreciation and amortization increased by \$102.8 million, or 15.5%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase is primarily due to acquired property,

equipment and software and identifiable intangible assets resulting from completed acquisitions in 2022 and 2021.

Acquisition and related costs decreased by \$128.8 million, or 84.7%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. This decrease is primarily attributable to higher professional service expenses during the year ended December 31, 2021 related to the G4S acquisition completed in April 2021 and the SecurAmerica acquisition in January 2021.

(\$ in millions)	For the Years Ended December 31,		Change	
	2021	2020	Dollar	Percent
	Selling, general, and administrative	\$ 1,850	\$ 936	\$ 914
Depreciation and amortization	664	356	308	86.7 %
Acquisition and related costs	152	26	126	484.9 %

Selling, general and administrative expenses increased by \$914.0 million, or 97.7%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase is primarily due to additional general and administrative expenses from the G4S acquisition of \$959.8 million, partially offset by realized acquisition synergies and other profit improvement initiatives.

Depreciation and amortization increased by \$308.5 million, or 86.7%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase is primarily due to acquired property, equipment and software and identifiable intangible assets resulting from the acquisition of G4S.

Acquisition and related costs increased by \$126.3 million, or 484.9%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. This increase is primarily attributable to higher professional expenses related to the G4S acquisition completed in April 2021 and the SecurAmerica acquisition in January 2021.

#### Other Expense, Net

(\$ in millions)	For the Years Ended December 31,		Change	
	2022	2021	Dollar	Percent
	Interest expense, net	\$ 780	\$ 597	\$ 183
Loss on extinguishment of debt	—	277	(277)	(100.0)%
Other income	(7)	(100)	93	(93.3)%

Interest expense, net, increased by \$182.5 million, or 30.6%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase in interest expense, net is primarily related to an increase in the applicable rates on our variable rate debt and a higher outstanding debt balance. Refer to Liquidity and Capital Resources for additional information.

Loss on extinguishment of debt of \$277.3 million during the year ended December 31, 2021, includes: (i) the write-off of \$126.3 million of deferred financing fees, issue discounts, and third party costs incurred associated with the extinguishment of the Bridge Loan Credit Facilities and the April 2021 First Lien USD Term Loan Facility; (ii) \$60.3 million of market premiums paid and \$10.7 million in other charges related to

the redemption of G4S's Euro Market Term Loans; (iii) \$80.0 million incurred for the prepayment of G4S's USD Private Placement Notes.

Other income decreased by \$93.3 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The decrease in other income is primarily the result of activity associated with foreign exchange derivatives and interest rate swaps which were settled during 2021, and a net decrease in the fair market value of marketable securities during the year ended December 31, 2022.

(\$ in millions)	For the Years Ended December 31,		Change	
	2021	2020	Dollar	Percent
Interest expense, net	\$ 597	\$ 346	\$ 251	72.4 %
Loss on extinguishment of debt	277	—	277	N/M
Other income	(100)	(15)	(85)	571.2 %

Interest expense, net, increased by \$250.7 million, or 72.4%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase in interest expense, net is primarily related to a higher outstanding balance related to the issuance of debt in connection with the acquisition of G4S. Refer to Liquidity and Capital Resources for additional information.

Loss on extinguishment of debt of \$277.3 million during the year ended December 31, 2021, includes: (i) the write-off of \$126.3 million of deferred financing fees, issue discounts, and third party costs incurred associated with the extinguishment of the Bridge Loan Credit Facilities and the April 2021 First Lien USD Term Loan Facility; (ii) \$60.3 million of market premiums paid and \$10.7 million in other charges related to the redemption of G4S's Euro Market Term Loans; (iii) \$80.0 million incurred for the prepayment of G4S's USD Private Placement Notes.

Other income increased by \$85.4 million, or by 571.2%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase in other income is primarily the result of activity associated with foreign exchange derivatives and interest rate swaps, the net periodic benefit income of \$26 million from pension plans and gains from contingent consideration recognized during 2021.

### Income Tax Expense

(\$ in millions)	For the Years Ended December 31,		Change	
	2022	2021	Dollar	Percent
Income tax expense	\$ 81	\$ 66	\$ 15	22.0 %

Income tax expense increased by \$14.5 million, or 22.0%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. This increase in tax expense is primarily the result of increased taxable income and change in the valuation allowance in the current year.

(\$ in millions)	For the Years Ended December 31,		Change	
	2021	2020	Dollar	Percent
Income tax expense	\$ 66	\$ 20	\$ 46	230.2 %

Income tax expense increased by \$46 million, or 230.2%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. This increase in tax expense is primarily the result of increased taxable income and the inclusion of foreign earnings from the acquisition of G4S.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated and combined financial statements, which have been prepared in accordance with GAAP. The preparation of the consolidated and combined financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting period. We base these estimates, judgments and assumptions on historical experience and on other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical policies affect our more significant estimates and assumptions used in the preparation of our consolidated and combined financial statements.

#### **Revenue Recognition**

In accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, the Company accounts for a customer contract when both parties have approved the arrangement, the performance obligations can be identified, payment terms can be determined and it is probable the Company will collect substantially all of the consideration to which it is entitled. The Company recognizes revenue when its performance obligation is satisfied upon the transfer of control of the promised product or service to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. Revenue is recognized over time in the period in which services are provided pursuant to the terms of the Company's contractual relationships with its clients. The Company recognizes revenue in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date and for which the Company has the right to invoice the customer.

#### **Segments**

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the Chief Operating Decision Maker (“CODM”), who is the Company’s Chief Executive Officer.

The CODM evaluates the Company’s financial information and assesses the performance of the North America and International segments of the business in order to determine how to allocate resources. The CODM reviews the Company’s revenues and operating income for the North America and International operating segments, which also constitute the Company’s reportable segments, and the CODM reviews assets and capital expenditures on a consolidated basis. Therefore, revenues and operating income are presented by reportable segment and assets and capital expenditures by operating segment are not presented.

#### **Long-lived Asset Impairment**

Long-lived assets include identifiable intangibles with finite lives, property and equipment, and right-of-use assets. We review our long-lived asset groups for impairment whenever events or changes in circumstances

indicate that the carrying amount of such asset groups may not be recoverable. Such events and circumstances include, among other factors:

- current period operating losses or negative cash flow combined with a history of similar losses or forecasts indicating continuing losses associated with the use of an asset group,
- significant decreases in the market value of an asset group,
- technological developments resulting in obsolescence,
- significant changes in demand for our services in competition and competitive practices, or
- significant negative changes in the business climate, industry or economic conditions.

Recoverability of our long-lived asset groups is determined based upon the expected undiscounted future net cash flows from the operations to which the asset groups relate, utilizing our best estimates, appropriate assumptions, and projections at the time of review. If the carrying value is determined not to be recoverable from future operating cash flows, the asset group is deemed impaired, and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair market value of the asset group.

### **Goodwill and Indefinite-lived Intangible Asset Impairment**

Goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment annually as of October 1. For goodwill, we may conduct an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In a qualitative assessment, we would consider the macroeconomic conditions, including any deterioration of general conditions and industry and market conditions, including any deterioration in the environment where the reporting unit operates, increased competition, changes in the products/services and regulatory and political developments, cost of doing business, overall financial performance, including any declining cash flows and performance in relation to planned revenues and earnings in past periods, other relevant reporting unit specific facts, such as changes in management or key personnel or pending litigation, and events affecting the reporting unit, including changes in the carrying value of net assets. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then we would perform the quantitative goodwill impairment test as required. If we determine that it is not more likely than not that the fair value of the reporting unit is less than the carrying value, then no further testing is required. If the carrying amount exceeds the fair value then we would record an impairment loss in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. We estimate the fair value of our reporting unit based on a combination of significant observable and unobservable inputs, including estimates of future operating performance. Changes in market conditions, among other factors, may impact these estimates.

For our indefinite-lived trade names, we may also conduct an assessment of qualitative factors to determine whether or not it is more likely than not that the fair value of the assets is less than their carrying value. If we determine that it is more likely than not that the fair value of the trade names is less than their carrying value, we estimate the fair value of our indefinite-lived trade names using the relief from royalty method. The relief from royalty method measures the discounted cash flow savings realized from owning such intangible assets and not having to pay a royalty for their use. Impairment would then be recognized for the difference between the determined fair value and their carrying value, if applicable.

## **Self-Insurance and Other Reserves**

We self-insure for certain obligations related to our employee health care benefit programs. We also maintain self-insured retentions and deductibles under our workers' compensation liability, general liability, employment practices, and automobile liability insurance programs. Our reserves are estimated through actuarial methods, with the assistance of third-party actuaries, using loss development assumptions based on our claim history and related factors. The accounting estimates related to our self-insurance reserves are critical accounting estimates because changes in our claim experience, our ability to settle claims or other estimates and judgments we use could potentially have a material impact on our results of operations.

In the normal course of operations, various legal claims are filed against the Company for which we maintain insurance coverage. We have reserved for these claims based on insurance coverage, the risk of loss retained by the Company and estimated by our external actuary and management's judgment. We do not expect the ultimate outcome of any of these actions to have a material adverse effect on our consolidated and combined financial position, results of operations, or cash flows.

## **Business Combinations**

The cost of an acquired business is assigned to the tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of tangible and intangible assets acquired and obligations assumed is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings.

As part of certain completed acquisitions, we may agree to pay cash to the sellers based upon achievement of certain targets after the acquisition date. The fair values of these contingent consideration arrangements are estimated using a probability weighted income approach. We evaluate the fair value of the contingent consideration throughout the year and every reporting period. Changes in the fair value during the measurement period that pertain to facts and circumstances that existed as of the acquisition date are recorded as measurement period adjustments to goodwill. Changes in the fair value resulting from events that occurred after the acquisition date are recorded as a gain or loss on changes in fair value of the contingent purchase consideration in the consolidated and combined statements of operations.

## **Defined Benefit Plans**

The Company has several funded and unfunded defined retirement benefit plans in various jurisdictions around the world. The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions and are reviewed by management on an annual basis. If management determines that there are changes in the assumptions or market conditions that would result in a material change to the pension plan liability, an external actuary will assist in reevaluating the assumptions to calculate the pension plan liability.

The actuary determines the fair value of the pension plan liabilities using the projected unit credit method and values the plan assets based on fair market value. The projected unit credit method involves projecting future salaries and benefits to which an employee will be entitled at the expected date of employment termination. The obligation for these estimated future payments is then discounted to determine the present value of the

defined benefit obligation and allocated to remaining service periods to determine the current service cost recorded within selling, general and administrative expenses in the consolidated statements of operations.

The Company's pension plans create a number of risk exposures. Annual increases in benefits are, to a varying extent from plan to plan, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

### **Equity-Based Compensation**

Equity-based compensation costs are measured at the grant date based on the fair value of the equity award using an appropriate option-pricing method and are recognized in the consolidated and combined statements of operations over the period during which an employee is required to provide service in exchange for the award.

We use an independent valuation advisor to assist with determining the fair value of the equity awards used for calculating equity unit-based compensation. We consider both the historical volatility of our peer group's stock prices, as well as implied volatilities from exchange-traded options on our peer group's equity units, as applicable. The expected term used represents the period that the equity units are expected to be outstanding and is determined using a combination of the vesting period and management's judgment on when an expected liquidity event will occur. The assumptions used in calculating the fair value of equity unit-based awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and different assumptions were used, equity unit-based compensation could materially differ in the future.

### **Income Taxes and Other Tax Contingencies**

We account for income taxes using the asset and liability method, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. We measure current and deferred tax assets and liabilities based on provisions of enacted tax law. We evaluate the realization of our deferred tax assets based on all available evidence and establishes a valuation allowance to reduce deferred tax assets when it is more likely than not that they will not be realized.

Income tax provision includes U.S. (federal and state) and foreign income taxes. Certain foreign subsidiary earnings and losses are subject to current U.S. taxation and the subsequent repatriation of those earnings is not subject to tax in the U.S. We do not indefinitely invest substantially all its foreign subsidiary earnings, as well as its capital, in its foreign subsidiaries outside of the U.S. We provide for accruals in those jurisdictions in which it would incur significant, additional costs upon repatriation of such amounts.

We recognize the financial statement effects of a tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination. The tax benefits of the position recognized in the consolidated and combined financial statements are then measured based on the largest amount of benefit that is greater than 50% likely to be realized upon settlement with a taxing authority. In addition, we recognize interest and penalties related to unrecognized tax benefits as a component of the income tax provision.

We are also currently subject to tax controversies in various jurisdictions, and these jurisdictions may assess additional income tax liabilities against us. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical income tax provisions and accruals.

### **Liquidity and Capital Resources**

As of December 31, 2022, we had \$812.4 million in cash and \$1,240.1 million in working capital. Our liquidity requirements are principally for debt service, working capital, and potential acquisitions. Our primary source of liquidity is cash provided by operating and financing activities. As of December 31, 2022, the Company has \$115.0 million in bank overdrafts, which represent temporary financing from the bank for issued checks that have not yet been presented to the bank for payment. Bank overdrafts reduce our available liquidity. However, we also had \$300.0 million, \$53.6 million and \$348.7 million available for borrowing under our July 2024 Revolving Credit Facility, April 2026 Euro Revolving Credit Facility and May 2026 ABL Credit Facility, respectively, as of December 31, 2022, that provide additional liquidity to the Company as needed. Purchases under other financing arrangements were \$467.7 million, \$255.0 million, and \$52.9 million during the years ended December 31, 2022, 2021, and 2020 respectively.

### **Credit Agreements**

On July 12, 2019, the Company refinanced its debt (the “2019 Refinancing”) by entering into new senior secured credit facilities (the “July 2026 Senior Secured Credit Facilities”), consisting of (i) a \$2,020.0 million seven-year senior secured term loan facility (the “July 2026 First Lien Term Loan Facility”) and a delayed draw term loan facility providing borrowings of up to \$200.0 million (the “July 2026 Delayed Draw Term Loan Facility” and, together with the July 2026 First Lien Term Loan Facility, the “July 2026 Term Loan Facility”), (ii) a \$300.0 million five year senior secured revolving credit facility (the “July 2024 Revolving Credit Facility”) and (iii) a \$750.0 million five year asset based lending credit facility (the “May 2026 ABL Credit Facility”). The July 2026 First Lien Term Loan Facility was fully drawn on July 12, 2019. Contemporaneously with the entry into the July 2026 Senior Secured Credit Facilities, the Company issued (i) \$1,000.0 million aggregate principal amount of 6.625% senior secured notes due 2026 (the “July 2026 Secured Notes”) under an indenture dated July 12, 2019 (the “Secured Indenture”) and (ii) \$1,050.0 million aggregate principal amount of 9.750% senior notes due 2027 (the “July 2027 Unsecured Notes”) under an indenture dated July 12, 2019 (the “Unsecured Indenture”). The July 2026 Secured Notes and July 2027 Unsecured Notes were issued in a private transaction not subject to the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). Holders of the Secured Notes and Unsecured Notes are not entitled to any registration rights and the Secured Indenture and Unsecured Indenture are not qualified under the Trust Indenture Act.

The proceeds from the July 2026 Senior Secured Credit Facilities and the July 2026 Secured Notes and July 2026 Unsecured Notes were used to (i) repay in full all outstanding borrowings under the then existing facilities, (ii) redeem in full all borrowings under the then existing second lien note purchase agreement, (iii) pay related fees, costs, premiums and expenses in connection with these transactions, (iv) cash collateralize, replace or provide credit support for certain existing letters of credit (“LoCs”) outstanding and (v) provide working capital and funds for other general corporate purposes (and certain fees and expenses related thereto) of the Company. The July 2026 Delayed Draw Term Loan Facility was fully drawn on December 30, 2019 in connection with the acquisition of SOS.



On February 3, 2020, the Company issued an additional \$540.0 million aggregate principal amount of July 2026 Secured Notes under the Secured Indenture. The additional July 2026 Secured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the additional July 2026 Secured Notes are not entitled to any registration rights. In connection with the issuance, the Company capitalized \$25.7 million of original issue premium. The proceeds from the additional July 2026 Secured Notes were used to repay the outstanding borrowings under the May 2026 ABL Credit Facility and provide working capital and funds for other general corporate purposes of the Company.

On July 15, 2020, the Company issued an additional \$400.0 million aggregate principal amount of July 2026 Secured Notes under the Secured Indenture. The additional July 2026 Secured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the additional July 2026 Secured Notes are not entitled to any registration rights. In connection with the issuance, the Company capitalized \$12.0 million of original issue premium. The proceeds from the additional July 2026 Secured Notes were used to provide working capital and funds for other general corporate purposes of the Company.

In April 2021, in connection with the G4S Transaction, the Company, along with its subsidiary, Atlas LuxCo 4 S.à r.l., a private limited liability company incorporated under the laws of Luxembourg, entered into new senior secured credit facilities (the “May 2028 Senior Secured Credit Facilities”), which consist of (i) a \$950.0 million seven year senior secured U.S. dollar term loan facility bearing interest of 4.25% plus an applicable margin per annum (the “May 2028 First Lien USD Term Loan Facility”) and a €715.5 million seven year senior secured euro term loan facility bearing interest of 4.25% plus an applicable margin per annum (the “May 2028 First Lien Euro Term Loan Facility”) and, together with the May 2028 First Lien USD Term Loan Facility, the “May 2028 First Lien Term Loan Facilities”) and (ii) a €300.0 million five year senior secured euro revolving credit facility bearing interest of a variable rate based on the Company’s leverage ratio plus an applicable margin per annum (the “April 2026 Euro Revolving Credit Facility”). During April 2021, the May 2028 First Lien USD Term Loan Facility was fully drawn and €96.8 million of the May 2028 First Lien Euro Term Loan Facility was drawn. In addition, the Company entered into (i) a new senior secured bridge loan credit facility, pursuant to which secured bridge loans in the amounts of \$900.0 million bearing interest of 5.00% plus an applicable margin per annum, \$775.0 million bearing interest of 5.00% plus an applicable margin per annum, €813.0 million bearing interest of 4.25% plus an applicable margin per annum, and £367.6 million bearing interest of 5.75% plus an applicable margin per annum were made available to us for borrowing and (ii) a new senior unsecured bridge loan credit facility, pursuant to which unsecured bridge loans in the amount of \$1,285.0 million bearing interest of 7.25% plus an applicable margin per annum were made available to us for borrowing (collectively, the “Bridge Credit Facilities”).

The amounts borrowed under the May 2028 Senior Secured Credit Facilities and the Bridge Credit Facilities, together with cash on hand and certain equity contributions, were used to (i) pay the acquisition consideration in connection with the G4S Transaction and (ii) pay related fees, costs, premiums and expenses in connection therewith. Such net proceeds were additionally used to repay the voluntary redemption by us in full of certain existing third-party indebtedness of G4S.

During April 2021, the Company also increased the total availability under the May 2026 ABL Credit Facility from \$750.0 million to \$1,000.0 million with other terms remaining unchanged, and on May 25, 2021, the Company further increased the total availability under the ABL Credit Facility to \$1,500.0 million subject to certain limitations, extended the maturity date to May 25, 2026 and made certain other modifications thereto.

On May 14, 2021, the Company issued (i) \$1,225.0 million aggregate principal amount of 4.625% senior secured notes due 2028 (the “June 2028 USD I Secured Notes”), (ii) \$775.0 million aggregate principal

amount of 4.625% senior secured notes due 2028 (the “June 2028 USD II Secured Notes”), (iii) €813.0 million aggregate principal amount of 3.625% senior secured notes due 2028 (the “June 2028 Euro Notes”) and (iv) £367.7 million aggregate principal amount of 4.875% senior secured notes due 2028 (the “June 2028 GBP Notes”) (collectively, the “June 2028 Secured Notes”) under an indenture dated May 14, 2021 (the “June 2028 Secured Indenture”) and (v) \$960.0 million aggregate principal amount of 6.000% senior notes due 2029 (the “June 2029 Unsecured Notes”) under an indenture dated May 14, 2021 (the “June 2029 Unsecured Indenture”). The June 2028 Secured Notes and June 2029 Unsecured Notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. Holders of the June 2028 Secured Notes and June 2029 Unsecured Notes are not entitled to any registration rights and the June 2028 Secured Indenture and June 2029 Unsecured Indenture are not qualified under the Trust Indenture Act.

The proceeds from the June 2028 Secured Notes and June 2029 Unsecured Notes were used to (i) repay in full borrowings outstanding under the Bridge Credit Facilities and terminate all available borrowings thereunder, (ii) pay related fees, costs, premiums and expenses, and (iii) to repay assumed debt from the acquisition of G4S.

On May 14, 2021, the Company also entered into amended and restated new senior secured credit facilities (the “Amended and Restated May 2028 Senior Secured Credit Facilities”), which consist of (i) a \$3,142.3 million seven year senior secured U.S. dollar term loan facility (the “Amended May 2028 First Lien USD Term Loan Facility”), (ii) the May 2028 First Lien Euro Term Loan Facility and (iii) the April 2026 Euro Revolving Credit Facility. The Amended and Restated May 2028 Senior Secured Credit Facilities modified the May 2028 First Lien USD Term Loan Facility, the May 2028 First Lien Euro Term Loan Facility and the April 2026 Euro Revolving Credit Facility. The Amended and Restated May 2028 Senior Secured Credit Facilities extinguished the July 2026 First Lien Term Loan Facility. The July 2024 Revolving Credit Facility was not modified and remains pursuant to the terms of the July 2026 Senior Secured Credit Facilities associated with the 2019 Refinancing.

In connection with the modification of the May 2028 First Lien Term Loan Facilities, on May 14, 2021, an additional €618.7 million was drawn under the May 2028 First Lien Euro Term Loan Facility.

On November 23, 2021, the Company amended its Amended May 2028 First Lien USD Term Loan Facility to increase the total amount outstanding by \$1,000.0 million. There were no changes in the terms of the Amended May 2028 First Lien USD Term Loan Facility as a result of the amendment. The other proceeds from the additional borrowings under the Amended May 2028 First Lien USD Term Loan Facility were used to repay the outstanding borrowings under the May 2026 ABL Credit Facility, repay the outstanding borrowings under the July 2024 Revolving Credit Facility, and for other corporate purposes.

Outstanding balances under the Amended May 2028 First Lien USD Term Loan Facility accrue interest equal to, at the Company’s option: (a) Adjusted Term Secured Overnight Financing Rate (or “SOFR”) plus 3.75%, as amended on December 9, 2022 or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Outstanding balances under the May 2028 First Lien Euro Term Loan Facility accrue interest equal to, at the Company’s option: (a) LIBOR plus 3.75% or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Outstanding balances under the April 2026 Euro Revolving Credit Facility accrue interest equal to, at the Company’s option: (a) LIBOR plus 3.75% or (b) an alternative base rate plus 2.75%, in each case, subject to certain pricing step-downs as set forth therein. Amounts drawn on the July 2024 Revolving Credit Facility accrue interest equal to, at the Company’s option: (a) LIBOR plus 4.25% or (b) an alternative base rate plus 3.25%, in each case, subject to certain pricing step-downs as set forth therein. Amounts drawn on the May 2026 ABL Credit

Facility accrue interest equal to, at the Company's option: (a) LIBOR plus between 1.25% and 1.75% or (b) an alternative base rate plus between 0.25% and 0.75%. As of December 31, 2022, the applicable interest rates on the Amended May 2028 First Lien USD Term Loan Facility and the May 2028 First Lien Euro Term Loan Facility were 8.17% and 5.65%, respectively. As of December 31, 2021, the applicable interest rates on the Amended May 2028 First Lien USD Term Loan Facility and the May 2028 First Lien Euro Term Loan Facility were 4.25% and 3.75%, respectively.

Outstanding balances under the July 2026 Secured Notes and the July 2027 Unsecured Notes accrue interest at an annual rate of 6.625% and 9.750%, respectively. Outstanding balances under the June 2028 USD I Secured Notes, the June 2028 USD II Secured Notes, the June 2028 Euro Notes, the June 2028 GBP Notes and the June 2029 Unsecured Notes accrue interest at an annual rate of 4.625%, 4.625%, 3.625%, 4.875% and 6.000%, respectively. Accrued interest as of December 31, 2022 and 2021 was \$134.4 million and \$130.1 million, respectively.

Principal on the Amended May 2028 First Lien USD Term Loan Facility and the June 2028 First Lien Euro Term Loan Facility is payable in equal quarterly installments of 0.25% of the original aggregate principal amounts of such facilities, beginning in December 2021, with the remaining unpaid balances due on May 14, 2028, the maturity date. All unpaid balances of the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility and May 2026 ABL Credit Facility are due and payable on July 12, 2024, April 8, 2026 and May 25, 2026, respectively, the maturity dates. The July 2026 Secured Notes are due and payable on July 15, 2026, the maturity date. The July 2027 Unsecured Notes are due and payable on July 15, 2027, the maturity date. The June 2028 Secured Notes are due and payable on June 1, 2028, the maturity date. The June 2029 Unsecured Notes are due and payable on June 1, 2029, the maturity date.

The May 2028 Senior Secured Credit Facilities contain provisions for potential additional principal payments based on excess cash flow for years commencing with the year ending December 31, 2022. Additional principal payments were not required for the year ending December 31, 2022. Based on the provisions of the May 2028 Senior Secured Credit Facilities agreement, a potential additional principal payment based on excess cash flow is not applicable for the year ended December 31, 2021. Voluntary prepayments of amounts outstanding under the May 2028 Term Loan Facility, and optional redemptions of all or a portion of the July 2026 Secured Notes, the July 2027 Unsecured Notes, the May 2028 Secured Notes and the June 2029 Unsecured Notes are permitted under certain circumstances.

Borrowings under the July 2024 Revolving Credit Facility, the May 2026 ABL Credit Facility, the Amended and Restated May 2028 Senior Secured Credit Facilities, the July 2026 Secured Notes and the June 2028 Secured Indenture are secured by substantially all of the assets of the Company and certain of its subsidiaries (subject to certain exceptions and limitations for each such facility) and the foregoing facilities each include certain restrictive covenants (subject to certain exceptions and limitations for each such facility). As of December 31, 2022, the Company was in compliance with all financial debt covenants.

The Company may issue up to \$100.0 million in LoCs against the July 2024 Revolving Credit Facility, €100.0 million in LoCs against the April 2026 Euro Revolving Credit Facility and another \$750.0 million against the May 2026 ABL Credit Facility. Availability under each of the foregoing facilities is reduced by pledged LoCs under such facility, which serve primarily as collateral for the Company's workers' compensation and general liability insurance policies and as collateral for the defined benefit plan assumed from the G4S Transaction. Furthermore, availability under the May 2026 ABL Credit Facility is subject to limitation based on the amount of the borrowing base, as defined pursuant to the terms of the May 2026 ABL Credit Facility agreement. As of December 31, 2022, the total amount of LoCs pledged against the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility

was \$0, \$0, and \$411.3 million, respectively. As of December 31, 2021, the total amount of LoCs pledged against the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility was \$0, \$0, and \$294.4 million, respectively.

The Company recognized a loss on early extinguishment of debt of \$277.3 million during the three months ended June 30, 2021, which included: (i) the write-off of \$126.3 million of deferred financing fees, issue discounts, and third party costs incurred associated with the extinguishment of the Bridge Loan Credit Facilities and the July 2026 First Lien Term Loan Facility; (ii) \$60.3 million of market premiums paid and \$10.7 million in other charges related to the redemption of G4S's Euro Market Term Loans; and (iii) \$80.0 million incurred for the prepayment of G4S's USD Private Placement Notes. No loss on extinguishment of debt was recognized during the year ended December 31, 2022 or 2020.

The amount available for borrowing under the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility as of December 31, 2022 was \$300.0 million, \$53.6 million, and \$348.7 million, respectively. The amount available for borrowing under the July 2024 Revolving Credit Facility, the April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility as of December 31, 2021 was \$300.0 million, \$288.3 million, and \$905.6 million, respectively. As of December 31, 2022 and 2021, the weighted average interest rate on our outstanding revolving credit facility borrowings was 6.0% and 3.1%, respectively.

As of December 31, 2022 and 2021, \$9.7 million and \$13.6 million, respectively, of unamortized deferred financing fees related to revolving credit facilities were included in other assets on the accompanying consolidated balance sheets.

### Contractual Obligations

The following table summarizes our contractual obligations by year as of December 31, 2022:

(in millions)	Payments Due by Year as of December 31,						
	Total	2023	2024	2025	2026	2027	Thereafter
<b>Contractual Obligations</b> <sup>(1)</sup> :							
Debt obligations <sup>(2)</sup>	\$ 12,125	\$ 60	\$ 50	\$ 49	\$ 1,989	\$ 1,099	\$ 8,878
Interest on debt <sup>(3)</sup>	4,201	815	812	807	803	671	293
Non-cancelable operating leases	342	102	79	58	43	25	35
Non-cancelable finance leases	195	74	56	29	9	2	25
<b>Total</b>	<b>\$ 16,863</b>	<b>\$ 1,051</b>	<b>\$ 997</b>	<b>\$ 943</b>	<b>\$ 2,844</b>	<b>\$ 1,797</b>	<b>\$ 9,231</b>

<sup>(1)</sup> The contractual obligations table does not include (a) liabilities for our defined contribution plans and other deferred compensation plans which amounted to \$102.6 million and \$71.2 million as of December 31, 2022 and 2021, respectively, or (b) contingent purchase price payable for business combinations which amounts to \$60.3 million and \$20.3 million as of December 31, 2022 and 2021, respectively.

<sup>(2)</sup> Amounts are gross of loan costs.

- (3) Debt interest was calculated using the December 31, 2022 foreign exchange rates, as applicable, and the December 31, 2022 interest rates of 8.17% for the \$4,142.3 million Amended May 2028 First Lien USD Term Loan Facility, 4.625% for the \$1,225.0 million June 2028 USD I Secured Notes, 6.00% for the \$960.0 million June 2029 Unsecured Notes, 4.625% for the \$775.0 million June 2028 USD II Secured Notes, 4.875% for the £367.7 million June 2028 GBP Notes, 5.65% for the €715.5 million May 2028 First Lien Euro Term Loan Facility, 6.63% for the \$1,940 million July 2026 Senior Secured Credit Facilities, 9.75% for the \$1,050 million July 2027 Unsecured Notes, and 3.625% for the €813.0 million June 2028 Euro Notes; assuming required pay downs were made in accordance with the related agreements and the term loans are outstanding until maturity date. Interest related to the July 2024 Revolving Credit Facility, April 2026 Euro Revolving Credit Facility, and May 2026 ABL Credit Facility is not included within this table.

### Cash Flows

Below is a summary of our cash flows for the years ended December 31, 2022, 2021, and 2020:

(in millions)	For the Years Ended December 31,		
	2022	2021	2020
Net cash (used in) provided by operating activities	\$ (215)	\$ (229)	\$ 589
Net cash used in investing activities	(573)	(4,636)	(148)
Net cash provided by financing activities	499	5,145	457
Effect of exchange rate changes	(56)	13	—
Net (decrease) increase in cash, cash equivalents, and restricted cash	\$ (345)	\$ 293	\$ 898

### Operating Activities

Cash used in operating activities for the year ended December 31, 2022 was \$215.4 million, cash used in operating activities for the year ended December 31, 2021 was \$229.0 million, and cash provided by operating activities for the year ended December 31, 2020 was \$589.0 million. For the year ended December 31, 2022, cash used in operating activities was generated from net losses of \$353.6 million adjusted for non-cash expenses of \$907.6 million as well as changes in working capital of \$(769.4) million. Changes in working capital during the year ended December 31, 2022 included employer pension plan contributions of \$171.3 million and the repayment of COVID-19 related deferrals. For the year ended December 31, 2021, cash used in operating activities was generated from net losses of \$668.8 million adjusted for non-cash expenses of \$1,004.3 million as well as changes in working capital of \$(564.4) million. Changes in working capital during the year ended December 31, 2021 included the repayment of COVID-19 related deferrals of \$226.0 million and employer pension plan contributions of \$90.0 million. For the year ended December 31, 2020, cash provided by operating activities was generated from net losses of \$80.7 million adjusted for non-cash expenses of \$392.0 million as well as changes in working capital of \$278.0 million, which is inclusive of \$282.0 million of qualified payroll tax payment deferrals from the CARES Act. CARES Act payroll tax deferrals were repaid in full by December 31, 2022.

## **Investing Activities**

Cash used in investing activities for the year ended December 31, 2022 was \$573.0 million, cash used in investing activities for the year ended December 31, 2021 was \$4,636.0 million, and cash used in investing activities for the year ended December 31, 2020 was \$148.4 million. For the years ended December 31, 2022, 2021, and 2020 we paid \$240.7 million, \$141.4 million, and \$46.7 million, respectively, for purchases of property and equipment. Additionally, for the years ended December 31, 2022, 2021, and 2020, net sales (purchases) of marketable securities were \$7.1 million, \$(14.2) million, and \$(9.2) million, respectively. During the year ended December 31, 2022, we paid approximately \$361.3 million (net of cash acquired) for the acquisitions of T.S.S., Attenti, and 11 other acquisitions. During the year ended December 31, 2021, we paid approximately \$4,485.2 million (net of cash acquired) for the acquisitions of SecurAmerica, G4S, and seven other acquisitions and an equity method investment. Cash used for acquisitions was partially offset by the settlement of foreign currency and interest rate swap derivatives and other items. During the year ended December 31, 2020, we paid approximately \$95.4 million (net of cash acquired) for six acquisitions. Additionally, we received a \$1.6 million refund from escrow and recorded a measurement period adjustment of \$1.6 million to cash and restricted cash acquired as part of the acquisition of SOS. Cash used in investing activities was partially offset by proceeds from the sale of property and equipment and other items during the years ended December 31, 2022, 2021, and 2020.

## **Financing Activities**

Financing activities have consisted primarily of borrowings and repayments on long-term debt associated with acquisitions of businesses. Cash provided by financing activities for the year ended December 31, 2022 was \$498.7 million, cash provided by financing activities for the year ended December 31, 2021 was \$5,145.0 million, and cash provided by financing activities for the year ended December 31, 2020 was \$456.8 million.

During the year ended December 31, 2022, we received proceeds from borrowings on the revolving credit facilities of \$4,931.3 million and received equity contributions of \$0.5 million. In addition, we made payments on certain revolving credit facilities in the amount of \$4,296.9 million, made finance lease and other financing payments of \$91.4 million, made distributions to members and noncontrolling interests of \$10.9 million, made principal payments on our existing term loan facilities of \$48.4 million, and made contingent purchase price payments of \$7.6 million, and had net cash inflows of \$22.1 million from changes in bank overdrafts.

During the year ended December 31, 2021, we received proceeds from credit facilities of \$11,591.2 million, net of financing fees of \$148.0 million, borrowings on the revolving credit facilities of \$1,776.7 million, bank overdrafts of \$58.3 million, and received equity contributions of \$1,068.3 million, which were used to redeem credit facilities in the amount of \$1,415.0 million and pay market premiums and inducement offers on the extinguishment of G4S's debt of \$140.0 million. In addition, we made finance lease and other financing payments of \$81 million, made distributions to members and noncontrolling interests of \$29.8 million, made principal payments and fully repaid certain term loan facilities of \$7,531.4 million, and made contingent purchase price payments of \$3.9 million.

During the year ended December 31, 2020, we received proceeds from the issuance of additional senior secured notes of \$975.5 million, inclusive of issue premiums of \$37.7 million and net of financing fees paid of \$2.2 million, had net repayments on our ABL Credit Facility of \$405.0 million, made capital lease and other financing payments of \$53.2 million, made contingent purchase price payments of \$26.7 million, made principal payments on our existing term loan facilities of \$22.2 million, made distributions to members of \$12.0 million and received an equity contribution of \$0.4 million.

Based upon our current level of operations, we believe that our existing cash balances and our cash from operating activities, together with available borrowings under our Senior Secured Credit Facilities, will be adequate to meet our anticipated requirements for working capital, capital expenditures, income tax payments and distributions, principal and interest payments for the next 12 months. There can be no assurance, however, that our business will continue to generate cash flow at our current level of operations or that anticipated improvements in our current level of operations will be achieved. If we are unable to generate sufficient cash flow from operations to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our indebtedness or obtain additional financing. Our ability to make scheduled principal payments or to pay interest on or to refinance our indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting our industry and to general conditions and factors that are beyond our control. We believe that sufficient funds will be available to enable us to service our indebtedness and to make capital expenditures for at least the next 12 months. As of December 31, 2022, we do not have any material commitments related to capital expenditures.

### **Off-Balance Sheet Arrangements**

In contemplation of the acquisition of G4S, the Company entered into a memorandum of understanding with the UK Plan trustee in which the Company has agreed to pay a one-time lump sum payment of £50 million, which was paid during January 2022, followed by quarterly contributions of £20 million for the calendar years 2021 to 2026 inclusive. The quarterly contributions will increase by 3% every year until the last payment in 2026.

### **Inflation**

In general, our costs are affected by inflation and we may experience the effects of inflation in future periods, particularly with respect to rising labor costs. Additionally, the impact of foreign currency transactions from operations in hyperinflationary countries were immaterial during each period.

The Company's defined pension plans create a number of risk exposures. Annual increases in benefits are, to a varying extent from plan to plan, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

### **Related Party Transactions**

Prior to 2021, the Company was party to an Investor Management Agreement with certain funds and vehicles affiliated with Warburg Pincus LLC pursuant to which the Company received certain administrative and management services. In exchange for these services, the Company incurred management fee expenses of \$6.8 million during the year ended December 31, 2020.

Related party sales to BCI, an affiliated entity, for security services totaled \$196.0 million, \$13.6 million, and \$0 during the years ended December 31, 2022, 2021, and 2020, respectively.

The Company's consolidated and combined statements of operations include sales to some of its joint venture partners. Sales agreements with related parties include terms that are consistent with those that we believe would have been negotiated at an arm's length with an independent party. Related party sales to joint venture partners totaled \$104.2 million, \$89.6 million, and \$0 for the years ended December 31, 2022, 2021, and

2020, respectively. Accounts receivable from the Company's joint venture partners totaled \$4.5 million and \$2.8 million as of December 31, 2022 and 2021, respectively. The Company's total investment in its joint venture partners was \$9.3 million and \$10.9 million as of December 31, 2022 and 2021, respectively, which is included in other assets on the consolidated balance sheets.

### **Quantitative and Qualitative Disclosures about Market Risk**

#### **Foreign Exchange Risk**

We transact business globally and are subject to risks associated with changes in foreign exchange rates. The majority of our foreign subsidiaries designate their local currencies as their functional currencies. Our objective is to minimize the impact to earnings and cash flow associated with foreign exchange rate fluctuations. From time to time, we may enter into foreign exchange derivatives in the ordinary course of business primarily to reduce exposure to currency fluctuations attributable to intercompany transactions. There were no such transactions as of December 31, 2022.

#### **Interest Rate Risk**

We are exposed to market risk primarily from changes in interest rates. Interest rates on the First Lien Credit Facilities and May 2026 ABL Credit Facility bear interest at variable rates and therefore actual interest rates could be significantly different than the assumed rates. Based on the contractual interest rates on our floating rate debt at December 31, 2022, if interest rates were to increase or decrease by 100 basis points for the year and our borrowing amounts remained constant, our annual interest expense could increase by \$58.6 million or decrease by \$58.6 million.