

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

- ☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2018
OR
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____
Commission File Number: 001-38352



ADT Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

47-4116383
(I.R.S. Employer
Identification No.)

**1501 Yamato Road
Boca Raton, Florida 33431
(561) 322-7235**

(Address of principal executive offices, including zip code, Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

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

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

The number of outstanding shares of the registrant's common stock, \$0.01 par value, was 756,562,453 (excluding 10,207,118 unvested shares of common stock) as of August 2, 2018.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ADT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands , except share and per share data)

	June 30, 2018	December 31, 2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 344,288	\$ 122,899
Restricted cash and cash equivalents	753,883	3,883
Accounts receivable trade, less allowance for doubtful accounts of \$36,059 and \$34,042, respectively	148,882	148,822
Inventories	78,134	85,672
Work-in-progress	30,194	21,252
Prepaid expenses and other current assets	95,491	73,358
Total current assets	1,450,872	455,886
Property and equipment, net	318,827	332,445
Subscriber system assets, net	2,894,096	2,892,683
Intangible assets, net	7,568,606	7,856,775
Goodwill	5,075,681	5,070,586
Deferred subscriber acquisition costs, net	371,700	282,478
Other assets	135,850	123,967
Total Assets	\$ 17,815,632	\$ 17,014,820
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 48,319	\$ 48,060
Current maturities of mandatorily redeemable preferred securities	735,661	—
Accounts payable	196,920	187,695
Deferred revenue	316,249	309,157
Accrued expenses and other current liabilities	374,130	351,340
Total current liabilities	1,671,279	896,252
Long-term debt	9,522,457	10,121,126
Mandatorily redeemable preferred securities—authorized 1,000,000 shares Series A of \$0.01 par value; issued and outstanding 750,000 shares as of June 30, 2018 and December 31, 2017	—	682,449
Deferred subscriber acquisition revenue	460,307	368,669
Deferred tax liabilities	1,374,455	1,376,708
Other liabilities	125,292	136,504
Total Liabilities	13,153,790	13,581,708
Commitments and contingencies (See Note 8)		
Stockholders' Equity:		
Common stock—authorized 3,999,000,000 shares of \$0.01 par value; issued and outstanding shares of 766,795,086 and 641,118,571 as of June 30, 2018 and December 31, 2017, respectively	1,052	2
Additional paid-in capital	5,935,377	4,435,329
Accumulated deficit	(1,241,639)	(998,212)
Accumulated other comprehensive loss	(32,948)	(4,007)
Total Stockholders' Equity	4,661,842	3,433,112
Total Liabilities and Stockholders' Equity	\$ 17,815,632	\$ 17,014,820

See Notes to Condensed Consolidated Financial Statements
ADT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands , except per share data)

For the Quarters Ended

For the Six Months Ended

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Monitoring and related services	\$ 1,023,126	\$ 1,007,086	\$ 2,040,418	\$ 2,004,734
Installation and other	108,333	60,694	207,489	122,274
Total revenue	1,131,459	1,067,780	2,247,907	2,127,008
Cost of revenue (exclusive of depreciation and amortization shown separately below)	246,225	215,250	494,619	433,955
Selling, general and administrative expenses	322,538	285,656	627,508	638,911
Depreciation and intangible asset amortization	488,320	458,387	971,996	919,316
Merger, restructuring, integration, and other costs	455	18,860	8,478	39,665
Operating income	73,921	89,627	145,306	95,161
Interest expense, net	(174,479)	(188,099)	(348,812)	(369,160)
Loss on extinguishment of debt	—	(3,431)	(61,597)	(4,331)
Other income	29,282	9,018	28,822	13,005
Loss before income taxes	(71,276)	(92,885)	(236,281)	(265,325)
Income tax benefit	4,571	229	12,139	31,794
Net loss	\$ (66,705)	\$ (92,656)	\$ (224,142)	\$ (233,531)
Net loss per share:				
Basic and diluted	\$ (0.09)	\$ (0.14)	\$ (0.30)	\$ (0.36)
Weighted-average number of shares:				
Basic and diluted	750,009	641,048	739,354	641,048
Cash dividends declared per common share	\$ 0.035	\$ 0.312	\$ 0.070	\$ 1.170

See Notes to Condensed Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(in thousands)

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss	\$ (66,705)	\$ (92,656)	\$ (224,142)	\$ (233,531)
Other comprehensive (loss) income, net of tax:				
Change in unrealized loss on cash flow hedges	(2,289)	—	(2,289)	—
Foreign currency translation and other	(10,925)	10,219	(26,652)	13,588
Total other comprehensive (loss) income, net of tax	(13,214)	10,219	(28,941)	13,588
Comprehensive loss	\$ (79,919)	\$ (82,437)	\$ (253,083)	\$ (219,943)

See Notes to Condensed Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of December 31, 2017	641,119	\$ 2	\$ 4,435,329	\$ (998,212)	\$ (4,007)	\$ 3,433,112
Adoption of accounting standard, net of tax	—	—	—	34,430	—	34,430
Common stock issued for initial public offering proceeds, net of related fees	105,000	1,050	1,404,969	—	—	1,406,019
Other comprehensive loss, net of tax	—	—	—	—	(28,941)	(28,941)
Net loss	—	—	—	(224,142)	—	(224,142)
Dividends	—	—	—	(53,715)	—	(53,715)
Share-based compensation expense	20,676	—	95,102	—	—	95,102
Other	—	—	(23)	—	—	(23)
Balance as of June 30, 2018	<u>766,795</u>	<u>\$ 1,052</u>	<u>\$ 5,935,377</u>	<u>\$ (1,241,639)</u>	<u>\$ (32,948)</u>	<u>\$ 4,661,842</u>

See Notes to Condensed Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Net loss	\$ (224,142)	\$ (233,531)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and intangible asset amortization	971,996	919,316
Amortization of deferred subscriber acquisition costs	27,152	21,608
Amortization of deferred subscriber acquisition revenue	(35,555)	(18,646)
Share-based compensation expense	95,102	4,889
Deferred income taxes	(9,778)	(39,042)
Provision for losses on accounts receivable and inventory	27,531	28,616
Loss on extinguishment of debt	61,597	4,331
Other non-cash items, net	2,427	24,624
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Deferred subscriber acquisition costs	(88,810)	(81,814)
Deferred subscriber acquisition revenue	127,973	123,387
Other, net	7,269	(10,326)
Net cash provided by operating activities	962,762	743,412
Cash Flows from Investing Activities:		
Dealer generated customer accounts and bulk account purchases	(327,553)	(306,304)
Subscriber system assets	(280,720)	(298,923)
Capital expenditures	(65,212)	(69,435)
Acquisition of businesses, net of cash acquired	(36,214)	—
Other investing	13,552	25,464
Net cash used in investing activities	(696,147)	(649,198)
Cash Flows from Financing Activities:		
Proceeds from initial public offering, net of fees	1,406,019	—
Proceeds from long-term borrowings	—	1,344,126
Repayment of long-term borrowings, including call premiums	(673,928)	(700,306)
Dividends on common stock	(26,265)	(749,999)
Other financing	(416)	(1,048)
Net cash provided by (used in) financing activities	705,410	(107,227)
Effect of currency translation on cash	(636)	42
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	971,389	(12,971)
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	126,782	90,893
Cash and cash equivalents and restricted cash and cash equivalents at end of period	\$ 1,098,171	\$ 77,922

See Notes to Condensed Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Nature of Business —ADT Inc. (“ADT Inc.”), a company incorporated in the state of Delaware, and its wholly owned subsidiaries (collectively, the “Company”), are principally engaged in the sale, installation, servicing, and monitoring of electronic home and business security and automation systems in the United States (or “U.S.”) and Canada. Prior to September 2017, ADT Inc. was named Prime Security Services Parent Inc. ADT Inc. is majority-owned by Prime Security Services TopCo Parent, L.P. (“Ultimate Parent”). Ultimate Parent is owned by Apollo Investment Fund VIII, L.P. and related funds that are directly or indirectly managed by Apollo Global Management, LLC, its subsidiaries, and its affiliates (“Apollo” or the “Sponsor”), and management investors.

Basis of Presentation —The condensed consolidated financial statements include the accounts of ADT Inc. and its wholly owned subsidiaries, and have been prepared in U.S. dollars in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The condensed consolidated financial statements included herein are unaudited, but in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company’s financial position, results of operations, and cash flows for the interim periods presented. The interim results reported in these condensed consolidated financial statements should not be taken as indicative of results that may be expected for future interim periods or the full year. For a more comprehensive understanding of the Company and its condensed consolidated financial statements, these interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 15, 2018.

The Condensed Consolidated Balance Sheet as of December 31, 2017 included herein was derived from the audited consolidated financial statements as of that date, but does not include all the footnote disclosures from the annual financial statements.

The Company conducts business through its operating entities and reports financial and operating information in one segment. All intercompany transactions have been eliminated. The results of companies acquired are included in the condensed consolidated financial statements from the effective dates of the acquisitions.

Reclassifications— Certain prior period amounts have been reclassified to conform with the current period presentation.

Use of Estimates —The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses. Significant estimates and judgments inherent in the preparation of the condensed consolidated financial statements include, but are not limited to, estimates of future cash flows and valuation related assumptions associated with asset impairment testing and the valuation of certain intangible and tangible assets and liabilities in connection with the acquisition of businesses, useful lives and methods for depreciation and amortization, loss contingencies, and income taxes and tax valuation allowances. Actual results could differ materially from these estimates.

Stock Split —On January 4, 2018, the board of directors of the Company declared a 1.681 -for-1 stock split (the “Stock Split”) of the Company’s common stock issued and outstanding as of January 4, 2018. Unless otherwise noted, all share and per-share data included in these condensed consolidated financial statements have been adjusted to give effect to the Stock Split. In addition, the number of shares subject to, and the exercise price of, the Company’s outstanding options were adjusted to reflect the Stock Split.

Initial Public Offering —In January 2018, the Company completed its initial public offering (“IPO”) in which the Company issued and sold 105,000,000 shares of common stock at an initial public offering price of \$14.00 per share. The Company’s common stock began trading on the New York Stock Exchange under the symbol “ADT.”

The Company received net proceeds of \$1,406 million, after deducting underwriting discounts, commissions, and offering expenses, from the sale of its shares in the IPO. The Company deposited \$750 million of the net proceeds from the IPO into a segregated account (“Segregated Account”), which the Company used along with cash on hand for the purpose of redeeming the 750,000 shares of Series A \$0.01 par value preferred securities (“Koch Preferred Securities”) on July 2, 2018 (the “Koch Redemption”). Refer to Note 6 “Mandatorily Redeemable Preferred Securities” and Note 14 “Subsequent Events” for further discussion.

On February 21, 2018, the Company used approximately \$649 million of the net proceeds from the IPO to voluntarily redeem \$594 million aggregate principal amount of 9.250% Second-Priority Senior Secured Notes due 2023 (“Prime Notes”) and

pay the related call premium. The aggregate principal amount of Prime Notes outstanding after the repayment was \$2,546 million. Refer to Note 5 “Debt” for further discussion.

Merger, Restructuring, Integration, and Other Costs —Included in merger, restructuring, integration, and other costs in the Condensed Consolidated Statements of Operations are certain direct and incremental costs resulting from acquisitions made by the Company, certain related integration efforts as a result of those acquisitions, costs related to the Company’s restructuring efforts, as well as impairment charges related to the Company’s strategic investments.

Other Income —For the quarter and six months ended June 30, 2018, other income primarily includes approximately \$22 million of licensing fees, as well as gains of \$7.5 million from equity in a third party that the Company received as part of a settlement, as described below. For the quarter and six months ended June 30, 2017, other income primarily includes foreign currency gains and losses from the translation of monetary assets and liabilities that are denominated in Canadian dollars related to intercompany loans. During the first quarter of 2018, the Company designated certain of these intercompany loans to be of a long-term-investment nature, and began reflecting the related foreign currency gains and losses in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet.

Subscriber System Assets, Net —Capitalized equipment and installation costs incurred in connection with transactions in which the Company retains ownership of the security systems are reflected as subscriber system assets, net in the Condensed Consolidated Balance Sheets. Depreciation expense relating to subscriber system assets is included in depreciation and intangible asset amortization in the Condensed Consolidated Statements of Operations. The following tables set forth the gross carrying amounts, accumulated depreciation, and depreciation expense relating to subscriber system assets for the periods presented.

<i>(in thousands)</i>	June 30, 2018	December 31, 2017
Gross carrying amount	\$ 4,023,821	\$ 3,762,905
Accumulated depreciation	(1,129,725)	(870,222)
Subscriber system assets, net	\$ 2,894,096	\$ 2,892,683

<i>(in thousands)</i>	For the Quarters Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Subscriber system assets depreciation expense	\$ 136,618	\$ 133,622	\$ 272,748	\$ 266,220

Accrued Expenses and Other Current Liabilities —Accrued expenses and other current liabilities as of June 30, 2018 and December 31, 2017 consisted of the following:

<i>(in thousands)</i>	June 30, 2018	December 31, 2017
Accrued interest	\$ 85,472	\$ 91,592
Payroll-related accruals	74,993	94,501
Other accrued liabilities	213,665	165,247
Total accrued expenses and other current liabilities	\$ 374,130	\$ 351,340

Financial Instruments —The Company’s financial instruments primarily consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, debt, preferred securities, and derivative financial instruments. Due to their short-term and/or liquid nature, the fair values of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, and accounts payable approximated their respective carrying values as of June 30, 2018 and December 31, 2017.

Cash Equivalents —Included in cash and cash equivalents are investments in money market mutual funds, which were \$238 million and \$51 million as of June 30, 2018 and December 31, 2017, respectively. These investments are classified as Level 1 for purposes of fair value measurement.

Restricted Cash and Cash Equivalents —Restricted cash and cash equivalents are restricted for a specific purpose and cannot be included in the general cash account. The Company’s restricted cash and cash equivalents primarily relate to funds held in the Segregated Account for the purpose of redeeming the Koch Preferred Securities, as described above, and amounts held in escrow by a third-party trustee to cover potential adjustments to the purchase price associated with certain acquisitions. Restricted cash and cash equivalents consist of highly liquid investments with original maturities when purchased of three months or less. These investments are classified as Level 1 for purposes of fair value measurement.

Long-Term Debt Instruments and Koch Preferred Securities —The fair values of the Company’s long-term debt instruments were determined using broker-quoted market prices, which are considered Level 2 inputs. The carrying amount of debt outstanding, if any, under the Company’s revolving credit facilities approximates fair value as interest rates on these borrowings approximate current market rates, and are considered Level 2 inputs. The fair value of the Koch Preferred Securities at June 30, 2018 was estimated based on the price a market participant would receive upon the imminent redemption of the Koch Preferred Securities, which is considered a Level 3 input. Since the Company redeemed all of the outstanding Koch Preferred Securities on July 2, 2018, the fair value of the Koch Preferred Securities at June 30, 2018 was estimated as being equal to the contractual redemption price on July 2, 2018.

The fair value of the Koch Preferred Securities at December 31, 2017 was estimated using a discounted cash-flow approach in conjunction with a binomial lattice interest rate model to incorporate the contractual dividends and the Company’s ability to redeem the Koch Preferred Securities. Key input assumptions to the valuation analysis are the credit spread, yield volatility, and expected time to redemption, which are considered Level 3 inputs. The credit spread was estimated using the credit spread at issuance of the Koch Preferred Securities and adjusted for the change in observed publicly traded debt of the Company between the issuance date and the measurement date. The yield volatility estimate was based on the historical yield volatility observed from comparable public high yield debt. The expected time to redemption was based on the Company’s expectations.

The carrying values and fair values of the Company’s long-term debt instruments and Koch Preferred Securities that are subject to fair value disclosures as of June 30, 2018 and December 31, 2017 were as follows:

(in thousands)	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt instruments, excluding capital lease obligations	\$ 9,535,185	\$ 9,754,374	\$ 10,128,020	\$ 10,868,626
Koch Preferred Securities	\$ 735,661	\$ 948,900	\$ 682,449	\$ 924,700

Derivative Financial Instruments —All derivative financial instruments are reported at fair value as either assets or liabilities in the Condensed Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, changes in fair values are recognized in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets. For derivative instruments for which the Company does not apply hedge accounting, changes in fair values are reflected in the Condensed Consolidated Statements of Operations according to the nature of the hedged item. During the quarters and six months ended June 30, 2018 and 2017 , changes in fair values of the Company’s derivative instruments were not material. Refer to Note 9 “ Derivative Financial Instruments ” for further discussion.

Guarantees —In the normal course of business, the Company is liable for contract completion and product performance. The Company does not believe such obligations will significantly affect its financial position, results of operations, or cash flows. As of June 30, 2018 and December 31, 2017 , the Company had no material guarantees other than \$55 million and \$54 million , respectively, primarily in standby letters of credit related to its insurance programs.

Settlements —In January 2018, the Company received \$10 million in connection with a litigation settlement, which is reflected as a benefit to selling, general and administrative expenses in the Condensed Consolidated Statement of Operations for the six months ended June 30, 2018 .

In February 2018, the Company entered into a settlement agreement (the “February 2018 Settlement Agreement”), the terms of which entitled the Company to receive \$7.5 million of non-cash compensation in the form of an equity interest in the counterparty to the agreement (the “Counterparty”), which the Company reflected as a benefit to selling, general and administrative expenses during the first quarter of 2018. Additionally, the February 2018 Settlement Agreement entitled the Company to receive \$24 million in licensing fees over a forty-eight -month period.

In the second quarter of 2018, the Counterparty was acquired by a third party. The terms of the acquisition entitled the Company to approximately \$15 million in exchange for the Company’s equity interest in the Counterparty. Additionally, as a result of the Counterparty’s acquisition, the Company concluded that amounts due under the license arrangement were probable to be collected. The Company received approximately \$12 million in cash associated with its equity interest during the second quarter of 2018, and recorded a gain on investment of \$7.5 million , which is reflected in other income in the Condensed Consolidated Statements of Operations. The Company also recorded a benefit of \$22 million associated with the license arrangement, which is discounted to reflect a significant financing component, and reflected this amount in other income in the Condensed Consolidated Statement of Operations.

Hurricanes —In the second half of 2017, there were three hurricanes impacting areas in which the Company operates that resulted in power outages and service disruptions to certain customers of the Company. The financial impact from these hurricanes

as of and for the quarter and six months ended June 30, 2018 was not material. The Company will continue to evaluate any potential financial and business impacts these hurricanes may have on future periods.

Recently Adopted Accounting Pronouncements —In May 2014, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance that sets forth a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted this new standard and its related amendments effective on January 1, 2018 using the modified retrospective transition method, whereby the cumulative effect of initially applying the new standard is recognized as an adjustment to the opening balance of stockholders’ equity. Results for reporting periods beginning on or after January 1, 2018 are presented under this new standard, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

The largest impact from the new standard relates to the timing of recognition of certain incremental selling costs associated with acquiring new customers. Under the new standard, certain costs previously amortized over the initial contract term will now be amortized in pools based on the expected life of a customer relationship using an accelerated method over 15 years. To a lesser extent, the adoption of the new standard impacted the identification of performance obligations and the allocation of transaction price to those performance obligations for certain sales of security systems sold outright to customers.

As of January 1, 2018, due to the cumulative impact of adopting this new standard, the Company recorded a net increase to the opening balance of stockholders’ equity of \$34 million, which is net of tax of \$12 million. The impact to the line items in the Condensed Consolidated Balance Sheet was as follows:

<i>(in thousands)</i>	Balance at December 31, 2017	Revenue Standard Adoption Adjustment	Balance at January 1, 2018
Assets			
Prepaid expenses and other current assets	\$ 73,358	\$ 6,615	\$ 79,973
Deferred subscriber acquisition costs, net	282,478	33,380	315,858
Other assets	123,967	6,321	130,288
Liabilities			
Deferred tax liabilities	1,376,708	11,886	1,388,594
Stockholders' Equity			
Accumulated deficit	(998,212)	34,430	(963,782)

Refer to Note 2 “ Revenue ” for further discussion related to the impact of adopting this standard.

In January 2016, the FASB issued authoritative guidance related to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the new guidance, equity investments with readily determinable fair values, except those accounted for under the equity method, will be measured at fair value with changes in fair value recognized in earnings. In addition, this update clarifies the guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from the unrealized losses on certain debt securities. The Company adopted this guidance effective on January 1, 2018. There was no material impact to the condensed consolidated financial statements as a result of the adoption.

In November 2016, the FASB issued authoritative guidance amending the presentation of restricted cash within the statement of cash flows. The new guidance requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this guidance effective on January 1, 2018 using the retrospective transition method for all periods presented in the Condensed Consolidated Statements of Cash Flows. The following table provides a reconciliation of the amount of cash and cash equivalents and restricted cash and cash equivalents reported within the Condensed Consolidated Balance Sheets to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows:

<i>(in thousands)</i>	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 344,288	\$ 122,899
Restricted cash and cash equivalents	753,883	3,883
Total cash and cash equivalents and restricted cash and cash equivalents at end of period	\$ 1,098,171	\$ 126,782

In May 2017, the FASB issued authoritative guidance that addresses changes to the terms or conditions of a share-based payment award, specifically regarding which changes to the terms or conditions of a share-based payment award would require modification accounting. This guidance does not change the accounting for modifications, but clarifies that an entity should apply modification accounting except when the fair value, vesting conditions, and classification of the modified award are the same as the original award immediately before the modification. The Company adopted this guidance effective on January 1, 2018, and applied the guidance prospectively to share-based payment award modifications subsequent to the date of adoption. The adoption of this guidance did not have a material impact to the condensed consolidated financial statements. Refer to Note 10 “Share-based Compensation” for further discussion.

In August 2017, the FASB issued authoritative guidance which simplifies the application of hedge accounting standards to better portray the economic results of risk management activities in the financial statements. The guidance aligns the recognition and presentation of the effects of hedging instruments with the hedged items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness at inception and on an ongoing basis. The guidance also eliminates the requirement to measure and disclose the ineffective portion of the change in fair value of cash flow hedges. The Company elected to early adopt this guidance in the second quarter of 2018, and applied the guidance to qualified hedging instruments entered into subsequent to the date of adoption. The Company did not have any derivative instruments classified as hedging instruments prior to the date of adoption. The impact to the condensed consolidated financial statements as a result of the adoption was not material. Refer to Note 9 “Derivative Financial Instruments” for further discussion.

Recently Issued Accounting Pronouncements —In February 2016, the FASB issued authoritative guidance on accounting for leases. This new guidance, and related amendments, requires lessees to recognize a right-to-use asset and a lease liability for substantially all leases, and to disclose key information about leasing arrangements. The recognition, measurement, and presentation of expenses and cash flows for lessees will remain significantly unchanged from current guidance. This guidance is effective for all public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. This guidance will be effective for the Company in the first quarter of 2019. The guidance requires that a company adopt the standard using a modified retrospective approach, however, recent amendments allow for an alternative adoption method whereby a company can apply this new guidance at the adoption date and recognize the cumulative effect of adoption as an adjustment to the opening balance of stockholders’ equity. The Company is currently evaluating the transition method, use of practical expedients, and impact of this guidance.

In January 2017, the FASB issued authoritative guidance to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. This guidance will be effective for the Company for annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests.

2. Revenue

The Company generates revenue primarily through contractual monthly recurring fees received for monitoring and related services provided to customers. In transactions in which the Company provides monitoring and related services but maintains ownership of the security systems, the Company’s performance obligations primarily include monitoring, related services (such as maintenance agreements), and a material right associated with the non-refundable fees received in connection with the initiation of a monitoring contract (referred to as deferred subscriber acquisition revenue) that the customer will not need to pay upon a renewal of the contract. The portion of the transaction price associated with monitoring and related services revenue is recognized when the services are provided to the customer, and is reflected in monitoring and related services revenue in the Condensed Consolidated Statements of Operations.

Deferred subscriber acquisition revenue is deferred and recorded as deferred subscriber acquisition revenue in the Condensed Consolidated Balance Sheets upon initiation of a monitoring contract. Deferred subscriber acquisition revenue is amortized into installation and other revenue in the Condensed Consolidated Statements of Operations over the estimated life of the customer relationship using an accelerated method. Amortization of deferred subscriber acquisition revenue was \$19 million and \$36 million for the quarter and six months ended June 30, 2018, respectively.

In transactions involving security systems that are sold outright to the customer, the Company’s performance obligations include monitoring, related services, and the sale and installation of the security systems. For such arrangements, the Company allocates a portion of the transaction price to each performance obligation based on a relative standalone selling price. Revenue associated with the sale and installation of security systems is recognized once installation is complete, and is reflected in installation and other revenue in the Condensed Consolidated Statements of Operations. Revenue associated with monitoring and related

services is recognized as those services are provided, and is reflected in monitoring and related services revenue in the Condensed Consolidated Statements of Operations.

Early termination of the contract by the customer results in a termination charge in accordance with the contract terms. Contract termination charges are recognized in revenue when collectability is probable, and are reflected in monitoring and related services revenue in the Condensed Consolidated Statements of Operations. Amounts collected from customers for sales and other taxes are reported net of the related amounts remitted.

The Company incurs certain incremental contract costs (referred to as deferred subscriber acquisition costs) including selling expenses (primarily commissions) related to acquiring customers. Deferred subscriber acquisition costs, net are presented in the Condensed Consolidated Balance Sheets. Commissions paid in connection with acquiring customers are determined based on the value of the contractual fees. Amortization expense relating to deferred subscriber acquisition costs was \$14 million and \$27 million for the quarter and six months ended June 30, 2018, respectively. Contract assets associated with outright sales are not material.

Customer billings for services not yet rendered are deferred and recognized as revenue as services are provided. These fees are recorded as current deferred revenue in the Condensed Consolidated Balance Sheets as the Company expects to satisfy any remaining performance obligations, as well as recognize the related revenue, within the next twelve months. Accordingly, the Company has applied the practical expedient regarding deferred revenue to exclude the value of remaining performance obligations if (i) the contract has an original expected term of one year or less or (ii) the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

The impact from the adoption of the new revenue standard on the Company's condensed consolidated financial statements as of and for the quarter and six months ended June 30, 2018 was as follows:

Statements of Operations <i>(in thousands)</i>	For the Quarter Ended June 30, 2018			For the Six Months Ended June 30, 2018		
	As Reported	Balances without Adoption of Standard	Effect of Adoption Increase / (Decrease)	As Reported	Balances without Adoption of Standard	Effect of Adoption Increase / (Decrease)
Monitoring and related services	\$ 1,023,126	\$ 1,024,604	\$ (1,478)	\$ 2,040,418	\$ 2,043,254	\$ (2,836)
Installation and other	108,333	106,070	2,263	207,489	203,347	4,142
Total revenue	1,131,459	1,130,674	785	2,247,907	2,246,601	1,306
Cost of revenue (exclusive of depreciation and amortization shown separately below)	246,225	246,225	—	494,619	494,619	—
Selling, general and administrative expenses ⁽¹⁾	322,538	329,760	(7,222)	627,508	640,971	(13,463)
Depreciation and intangible asset amortization	488,320	488,320	—	971,996	971,996	—
Merger, restructuring, integration, and other costs	455	455	—	8,478	8,478	—
Operating income	73,921	65,914	8,007	145,306	130,537	14,769
Interest expense, net	(174,479)	(174,479)	—	(348,812)	(348,812)	—
Loss on extinguishment of debt	—	—	—	(61,597)	(61,597)	—
Other income	29,282	29,282	—	28,822	28,822	—
Loss before income taxes	(71,276)	(79,283)	8,007	(236,281)	(251,050)	14,769
Income tax benefit	4,571	6,355	(1,784)	12,139	15,580	(3,441)
Net loss	\$ (66,705)	\$ (72,928)	\$ 6,223	\$ (224,142)	\$ (235,470)	\$ 11,328

(1) For the quarter and six months ended June 30, 2018, the effect of adoption includes approximately \$5 million and \$10 million, respectively, associated with non-cash amortization expense of deferred subscriber acquisition costs.

Balance Sheet <i>(in thousands)</i>	As Reported	Balances without Adoption of Standard	Effect of Adoption Increase / (Decrease)
Assets			
Prepaid expenses and other current assets	\$ 95,491	\$ 87,536	\$ 7,955
Deferred subscriber acquisition costs, net	371,700	324,078	47,622
Other assets	135,850	130,342	5,508
Liabilities			
Deferred tax liabilities	1,374,455	1,359,128	15,327
Stockholders' Equity			
Accumulated deficit	(1,241,639)	(1,287,397)	45,758

Disaggregated Revenue

The following table sets forth the Company's revenues disaggregated by source:

<i>(in thousands)</i>	For the Quarter Ended June 30, 2018	For the Six Months Ended June 30, 2018
Monitoring and related services	\$ 1,023,126	\$ 2,040,418
Installation and other	108,333	207,489
Total revenue	\$ 1,131,459	\$ 2,247,907

3. Acquisitions

From time to time, the Company may pursue acquisitions of companies that either strategically fit with the Company's existing core business or expand the Company's security and monitoring solutions in new and attractive adjacent markets. The Company acquired two businesses during the six months ended June 30, 2018, and paid \$36 million, net of cash acquired. In addition, the Company recorded preliminary amounts of approximately \$16 million of goodwill and approximately \$13 million of customer relationships in the Condensed Consolidated Balance Sheet related to these acquisitions.

Dealer Generated Customer Accounts and Bulk Account Purchases

The Company paid \$328 million and \$306 million for customer contracts for electronic security services generated through the Company's network of authorized dealers (the "ADT Authorized Dealer Program") and bulk account purchases during the six months ended June 30, 2018 and 2017, respectively. These contracts are reflected in the Condensed Consolidated Balance Sheets as definite-lived intangible assets, and are recorded at their contractually determined purchase price.

4. Goodwill and Other Intangible Assets

Goodwill

There were no material changes in the carrying amount of goodwill during the six months ended June 30, 2018.

Other Intangible Assets

The following table sets forth the gross carrying amounts and accumulated amortization of the Company's other intangible assets as of June 30, 2018 and December 31, 2017 :

(in thousands)	June 30, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets:				
Contracts and related customer relationships	\$ 7,070,540	\$ (2,271,994)	\$ 6,748,355	\$ (1,749,327)
Dealer relationships	1,602,142	(188,505)	1,605,910	(146,299)
Other	196,738	(173,315)	195,363	(130,227)
Total amortizable intangible assets	8,869,420	(2,633,814)	8,549,628	(2,025,853)
Indefinite-lived intangible assets:				
Trade name	1,333,000	—	1,333,000	—
Total intangible assets	\$ 10,202,420	\$ (2,633,814)	\$ 9,882,628	\$ (2,025,853)

For the six months ended June 30, 2018 , the changes in the net carrying amount of customer contracts acquired and customer relationships were as follows:

(in thousands)	
Balance as of December 31, 2017	\$ 4,999,028
Acquisition of customer relationships	13,394
Customer contract additions, net of dealer charge-backs	328,503
Amortization	(526,976)
Currency translation and other	(15,403)
Balance as of June 30, 2018	\$ 4,798,546

During the six months ended June 30, 2018 , the weighted-average amortization period for customer contract additions primarily purchased through the ADT Authorized Dealer Program was 15 years . Amortization expense for definite-lived intangible assets for the periods presented was as follows:

(in thousands)	For the Quarters Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Definite-lived intangible asset amortization expense	\$ 308,721	\$ 284,602	\$ 612,698	\$ 572,895

The estimated aggregate amortization expense for definite-lived intangible assets is expected to be as follows:

(in thousands)	
Remainder of 2018	\$ 575,558
2019	1,107,676
2020	1,060,102
2021	962,984
2022	620,325
2023	268,608

5. Debt

First Lien Credit Agreement Amendment

On March 16, 2018 , the Company entered into an Incremental Assumption and Amendment Agreement No. 6 (the "2018 First Lien Credit Agreement Amendment"), which further amended and restated the First Lien Credit Agreement (the First Lien Credit Agreement, as amended, restated, supplemented, or otherwise waived prior to the effective date of the 2018 First Lien Credit Agreement Amendment (the "Existing Credit Agreement") and, as amended by the 2018 First Lien Credit Agreement Amendment (the "Amended and Restated Credit Agreement")).

Prior to the effectiveness of the 2018 First Lien Credit Agreement Amendment, the Existing Credit Agreement included a revolving credit facility of \$255 million maturing on May 2, 2021, and a revolving credit facility of \$95 million maturing on July 1, 2020. In connection with the 2018 First Lien Credit Agreement Amendment, the existing revolving credit facilities were replaced with a first lien revolving credit facility with an aggregate commitment of up to \$350 million maturing on March 16, 2023, subject to the repayment, extension, or refinancing with longer maturity debt of certain of the Company's other indebtedness (the "2023 Revolving Credit Facility"). Borrowings under the 2023 Revolving Credit Facility will bear interest at a rate equal to, at the Company's option, either (a) a London Interbank Offered Rate ("LIBOR") determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate of Barclays Bank PLC, and (iii) one-month adjusted LIBOR plus 1.00% per annum, in each case, plus the applicable margin of 2.75% for LIBOR loans and 1.75% for base rate loans. The applicable margin for borrowings under the 2023 Revolving Credit Facility is subject to one step-down based on a certain specified net first lien leverage ratio.

In addition, the Amended and Restated Credit Agreement requires the Company to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) in respect of the unused commitments under the 2023 Revolving Credit Facility.

The term loan facilities under the Amended and Restated Credit Agreement continue to have the same terms as provided under the Existing Credit Agreement. Additionally, the parties to the Amended and Restated Credit Agreement continue to have the same obligations set forth in the Existing Credit Agreement.

The impact to the condensed consolidated financial statements as a result of the 2018 First Lien Credit Agreement Amendment was not material.

As of June 30, 2018, the Company had \$350 million in available borrowing capacity under its 2023 Revolving Credit Facility.

Prime Notes

On February 21, 2018, the Company used approximately \$649 million of the net proceeds from the IPO to voluntarily redeem \$594 million aggregate principal amount of the Prime Notes, and incurred a loss on extinguishment of debt of approximately \$62 million related to the payment of the call premium and the write-off of a portion of the unamortized debt issuance costs. The aggregate principal amount of Prime Notes outstanding after the repayment was \$2,546 million.

See Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" for further discussion on the fair value of the Company's debt.

6. Mandatorily Redeemable Preferred Securities

In connection with the acquisition of The ADT Security Corporation (formerly named The ADT Corporation) ("The ADT Corporation"), the Company issued 750,000 shares of the Koch Preferred Securities. In January 2018, in connection with the IPO, the Company deposited \$750 million of the net proceeds from the IPO into the Segregated Account for the purpose of redeeming the Koch Preferred Securities at a future date. Funds held in the Segregated Account are reported as restricted cash and cash equivalents on the Condensed Consolidated Balance Sheet as of June 30, 2018. As discussed below, the Company redeemed the Koch Preferred Securities on July 2, 2018.

The Koch Preferred Securities accrue and accumulate preferential cumulative dividends in arrears on the then current stated value of the Koch Preferred Securities. Dividends are payable quarterly, in cash, at a rate equal to the daily five-year treasury rate plus 9.00% per annum. In the event that dividends for any quarter are not paid in cash, dividends for such quarter will accrue and accumulate at a rate equal to the daily five-year treasury rate plus 9.75% per annum, and will be added to the then current stated value of the Koch Preferred Securities at the end of such quarter.

The quarterly dividend obligation associated with the Koch Preferred Securities is reflected in interest expense, net in the Condensed Consolidated Statements of Operations. For the quarter and six months ended June 30, 2018, the dividend obligation on the Koch Preferred Securities was \$26 million and \$51 million, respectively. In lieu of declaring and paying the dividend obligation on the Koch Preferred Securities, the Company elected to increase the accumulated stated value of such securities, which increased the reported balance of mandatorily redeemable preferred securities on the Condensed Consolidated Balance Sheet. For the quarter and six months ended June 30, 2017, the dividend obligation on the Koch Preferred Securities was \$20 million and \$41 million, respectively, which the Company paid in cash to an affiliate of Koch Industries, Inc. (the "Koch Investor").

Refer to Note 1 “Basis of Presentation and Summary of Significant Accounting Policies” for information on the fair value of the Koch Preferred Securities.

Koch Agreement and Consent

While the certificate of designation of the Koch Preferred Securities restricted the Company from paying dividends on its common stock, the Koch Investor consented in January 2018 to a one-time distribution on or before June 30, 2018, not to exceed \$50 million, which the Company used to declare a dividend on its common stock on March 15, 2018.

In May 2018, the Company entered into a written consent with the Koch Investor, whereby the Company agreed to redeem all of the outstanding Koch Preferred Securities on July 2, 2018. Further, the Koch Investor consented to an additional one-time distribution in an aggregate amount not to exceed \$27 million, which the Company used to declare a dividend on its common stock on May 9, 2018.

On July 2, 2018, the Company redeemed the original stated value of \$750 million of the Koch Preferred Securities for total consideration of approximately \$950 million, which included approximately \$200 million related to the payment of the redemption premium, accumulated dividends, and tax reimbursements, using the funds in the Segregated Account as well as cash on hand immediately prior to the Koch Redemption.

Refer to Note 14 “Subsequent Events” for information on the redemption of the Koch Preferred Securities.

Investor Rights Agreement

Prior to the consummation of the IPO, the Company, Prime Security Services TopCo Parent GP, LLC, as the general partner of Ultimate Parent, Ultimate Parent, and the Koch Investor entered into an Amended and Restated Series A Investor Rights Agreement, which was amended and restated by the Second Amended and Restated Series A Investor Rights Agreement (the “Investor Rights Agreement”), which contained certain designations, rights, preferences, powers, restrictions, and limitations that could require the Company to redeem all or a portion of the Koch Preferred Securities or require that the Company obtain the consent of the holders of a majority of the Koch Preferred Securities before taking certain actions or entering into certain transactions. Following the Koch Redemption, the Investor Rights Agreement was automatically terminated in accordance with its terms.

7. Income Taxes

Unrecognized Tax Benefits

The Company did not have a significant change to its unrecognized tax benefits during the six months ended June 30, 2018. The Company’s uncertain tax positions relate to tax years that remain subject to audit by the taxing authorities in the U.S. federal, state and local, and foreign jurisdictions. Based on the current status of its income tax audits, the Company does not believe that a significant portion of its unrecognized tax benefits will be resolved in the next twelve months.

Effective Tax Rate

The Company’s income tax benefit for the quarter and six months ended June 30, 2018 was \$5 million and \$12 million, respectively, resulting in an effective tax rate of 6.4% and 5.1%, respectively. The effective tax rates for the quarter and six months ended June 30, 2018 reflect the reduced federal income tax rate of 21.0% as a result of the Tax Cuts and Jobs Act (“Tax Reform”).

The effective tax rate for the quarter ended June 30, 2018 also reflects a 14.6% unfavorable impact of permanent non-deductible expenses primarily associated with the Koch Preferred Securities, a 7.4% unfavorable impact from state legislative changes, and a 4.1% favorable impact from a change in the Company’s valuation allowance.

The effective tax rate for the six months ended June 30, 2018 also reflects a 16.4% unfavorable impact of future non-deductible share-based compensation, a 12.1% unfavorable impact of permanent non-deductible expenses primarily associated with the Koch Preferred Securities, offset by an 11.4% favorable impact from tax adjustments related to prior year state returns filed in the first quarter of 2018.

The Company’s income tax benefit for the quarter and six months ended June 30, 2017 was \$229 thousand and \$32 million, respectively, resulting in an effective tax rate of 0.2% and 12.0%, respectively. The effective tax rate for the quarter and six months ended June 30, 2017 primarily reflects the impact of an increase in the Company’s unrecognized tax benefits, as well as permanent non-deductible expenses.

The effective tax rates reflect the tax impact of permanent items, state tax expense, changes in tax laws, and non-U.S. net earnings. The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, as well as recurring factors such as changes in the overall effective state tax rate.

Tax Reform

In connection with Tax Reform, the SEC issued Staff Accounting Bulletin No. 118 that allows companies to record provisional estimates of the effects of the legislative change and a one-year measurement period to finalize the accounting of those effects. During the quarter and six months ended June 30, 2018, the Company did not record any significant measurement period adjustments to the provisional amounts recorded in the 2017 consolidated financial statements. The Company expects to complete the accounting for the impact of Tax Reform by the end of 2018.

Further, in accounting for the impacts of tax on 'global intangible low taxed income' ("GILTI"), the Company elected to treat the impact of GILTI as a period cost in each year incurred.

8. Commitments and Contingencies

Purchase Obligations

As of June 30, 2018, there have been no material changes to the Company's purchase obligations outside the ordinary course of business as compared to December 31, 2017.

Legal Proceedings

The Company is subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, employment matters, product and general liability claims, claims that the Company has infringed on the intellectual property rights of others, claims related to alleged security system failures, and consumer and employment class actions. In the ordinary course of business, the Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. In connection with such formal and informal inquiries, the Company receives numerous requests, subpoenas, and orders for documents, testimony, and information in connection with various aspects of its activities. The Company has recorded accruals for losses that it believes are probable to occur and are reasonably estimable. While the ultimate outcome of these matters cannot be predicted with certainty, the Company believes that the resolution of any such proceedings (other than matters specifically identified below), will not have a material adverse effect on its financial position, results of operations, or cash flows.

Environmental Matters

On October 25, 2013, ADT was notified by subpoena that the Office of the Attorney General of California, in conjunction with the Alameda County District Attorney, is investigating whether certain of ADT's electronic waste disposal policies, procedures, and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. During 2016, Protection One was also notified by the same parties that it was subject to a similar investigation. Both the Protection One and ADT investigations are ongoing and the Company is attempting to coordinate joint handling of both investigations and is cooperating fully with the respective authorities.

Wireless Encryption Litigation

The Company is subject to five class action claims regarding wireless encryption in certain ADT security systems. Jurisdictionally, three of the five cases are in Federal Court (in districts within Illinois, Arizona, and California), and both of the remaining two cases are in Florida State Court (both in Palm Beach County Circuit Court). Each of the five plaintiffs brought a claim under the respective state's consumer fraud statute alleging that The ADT Corporation and each of its consolidated subsidiaries prior to the consummation of the ADT Acquisition) made misrepresentations and material omissions in its advertising regarding the unencrypted wireless signal pathways in certain security systems monitored by The ADT Corporation. The complaints in all five cases further allege that certain security systems monitored by The ADT Corporation are not secure because the wireless signal pathways are unencrypted, and can be easily hacked. On January 10, 2017, the parties agreed to settle all five class action lawsuits. On October 16, 2017, the U.S. District Court for the Northern District of California entered an order granting preliminary approval of the settlement. Notice to class members was issued November 16, 2017, and the settlement is currently in the administration process. A fairness hearing regarding the settlement was conducted on February 1, 2018. The Court took the matter under advisement and subsequently stayed the settlement proceedings pending an appellate ruling on a related legal issue. The deadline

for filing claims expired on February 26, 2018. The settlement administrator will not pay any claims until the Court enters an order granting final approval of the settlement.

TCPA Class Action relating to 2G-3G Radio Conversion Project

In August 2016, the Company was served with a class action complaint pending in the United States District Court for the Northern District of Georgia filed by a customer alleging that The ADT Corporation violated the Telephone Consumer Protection Act of 1991 (“TCPA”) by calling his cell phone, which was the only telephone number he provided to The ADT Corporation for his customer account, as part of The ADT Corporation’s efforts to communicate with customers affected by the Federal Communications Commission order allowing wireless carriers to sunset 2G wireless networks. Plaintiff seeks to represent a nationwide class of all The ADT Corporation customers who received such calls to their cell phones from 2013 to present. The premise of the plaintiff’s claim is that The ADT Corporation’s calls were telemarketing calls, which require a higher level of consent, and not transactional/business relationship calls because The ADT Corporation used the 2G transactional calls in an attempt to sell additional products and services. Plaintiff filed a motion for class certification. The ADT Corporation filed its opposition to class certification and further filed a motion for summary judgment in September 2017. The case settled for a nominal value in May 2018 prior to the Court ruling on the motions.

Shareholder Litigation

Five substantially similar shareholder class action lawsuits related to the January 2018 IPO of ADT Inc. common stock were filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida in March, April, and May 2018. The actions are entitled *Goldstrand Investments Inc. v. ADT Inc.*, *Krebsbach v. ADT Inc.*, *Katz v. ADT Inc.*, *Sweet v. ADT Inc.*, and *Lowinger v. ADT Inc.* Plaintiffs in each case allege the purchase of ADT Inc. common stock in or traceable to the IPO, assert claims for alleged violations of the Securities Act of 1933 (the “Securities Act”), and seek to represent a class of similarly situated shareholders. Plaintiffs in each case name ADT Inc. and various ADT Inc. officers, directors, and IPO underwriters, including Apollo Global Securities, LLC, as defendants. Plaintiffs allege that the defendants violated the Securities Act because the registration statement and prospectus used to effectuate the IPO were false and misleading in that they allegedly misled investors with respect to financial and operational metrics, litigation involving ADT Inc., ADT Inc.’s efforts to protect its intellectual property, competitive pressures ADT Inc. faced, and ADT Inc.’s customer acquisition costs. Additionally, two plaintiffs allege that the defendants misled investors with respect to false alarm pressures. On July 10, 2018, the Court entered an order consolidating the cases under the caption *In re ADT Inc. Shareholder Litigation*.

On May 21, 2018, a similar shareholder class action lawsuit also related to the January 2018 IPO was filed in the United States District Court for the Southern District of Florida. The action is entitled *Perdomo v. ADT Inc.* On July 20, 2018, several purported ADT Inc. shareholders filed competing motions to be named lead plaintiff in that action. Those motions are pending.

California Independent Contractor Litigation

In August 2017, Jabra Shuheiber filed civil litigation in Marin County Superior Court on behalf of himself and two other individuals asserting wage and hour violations against the Company. The action is entitled *Jabra Shuheiber v. ADT, LLC* (Case Number CV 1702912, Superior Court, Marin County). Shuheiber was the owner/operator of a sub-contractor, Maximum Protection, Inc. (“MPI”), who employed the other two plaintiffs in the litigation. In August 2018, in response to the California Supreme Court’s decision in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles County*, counsel for Mr. Shuheiber provided the Company with a proposed amended complaint that modified the wage and hour claims such that they were brought on a class basis. The proposed class is not clearly defined, but appears to be two groups of individuals: 1) individual owners of sub-contractors who performed services for the sub-contractor; and 2) individuals with no ownership interest in a sub-contractor who were employed by the sub-contractor and provided services pursuant to a contract between the sub-contractor and the Company. The Company has not been served with the proposed amended complaint and is currently reviewing the allegations.

Income Tax Matters

On September 28, 2012, Johnson Controls International plc (as successor to Tyco International Ltd., “Tyco”) distributed to its public stockholders The ADT Corporation’s common stock (the “Separation from Tyco”), and The ADT Corporation became an independent public company. In connection with the Separation from Tyco in September 2012, The ADT Corporation entered into the 2012 Tax Sharing Agreement that governs the rights and obligations of The ADT Corporation, Tyco, and Pentair Ltd. for certain pre-Separation from Tyco tax liabilities, including Tyco’s obligations under the 2007 Tax Sharing Agreement among Tyco, Covidien, now operating as a subsidiary of Medtronic, and TE Connectivity. The ADT Corporation is responsible for all of its own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement’s sharing formulae. Tyco and Pentair Ltd. are likewise responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement’s sharing formulae. Tyco has the right to administer, control, and settle all U.S. income tax audits for the periods prior to and including the Separation from Tyco.

All tax years through 2009 have been audited and resolved with the IRS. The IRS is currently auditing the 2010-2012 tax years, and should the IRS successfully challenge any tax positions taken in those years, the Company's share of the collective liability, if any, would be determined pursuant to the 2012 Tax Sharing Agreement. In accordance with the 2012 Tax Sharing Agreement, Tyco is responsible for the first \$500 million of tax, interest, and penalties assessed against pre-2013 tax years including its 27% share of the tax, interest, and penalties assessed for periods prior to Tyco's 2007 spin-off transaction. In addition to the Company's share of cash taxes pursuant to the 2012 Tax Sharing Agreement, the Company's net operating loss ("NOL") and credit carryforwards may be significantly reduced or eliminated by audit adjustments to pre-2013 tax periods. NOL and credit carryforwards may be reduced prior to incurring any cash tax liability, and will not be compensated for under the tax sharing agreement. The Company believes that its income tax reserves and the liabilities recorded for the 2012 Tax Sharing Agreement continue to be appropriate. However, the ultimate resolution of these matters is uncertain, and if the IRS were to prevail, it could have a material adverse impact on the Company's financial position, results of operations, and cash flows, potentially including a significant reduction in or the elimination of the Company's available NOL and credit carryforwards generated in pre-Separation from Tyco periods. Further, to the extent The ADT Corporation is responsible for any liability under the 2012 Tax Sharing Agreement, there could be a material impact on its financial position, results of operations, cash flows, or its effective tax rate in future reporting periods.

During the third quarter of 2017, the Company was notified by the IRS of its intent to disallow amortization deductions claimed on the Company's \$987 million trademark (value as of 2012) and the Notice of Proposed Adjustment was received from the IRS in April 2018. There was no change in the Company's previous assessment of this item. The Company intends to challenge this decision before the Appeals Division of the IRS. If the Company were to lose the dispute, it would result in minimal cash tax liabilities to ADT, no impact to the Company's statement of operations, but a material loss to the Company's NOL deferred tax assets. The Company strongly disagrees with the IRS's position and maintains that the deductions claimed are appropriate. The Company intends to vigorously defend its originally filed tax return position.

Other liabilities in the Company's Condensed Consolidated Balance Sheets related to The ADT Corporation's obligations under certain tax related agreements entered into in conjunction with the Separation from Tyco were not material as of June 30, 2018 and December 31, 2017. The maximum amount of potential future payments is not determinable as such payments relate to unknown conditions and future events that cannot be predicted.

9. Derivative Financial Instruments

The Company holds interest rate swap contracts with the objective of managing exposure to variability in interest rates on the Company's debt. As of June 30, 2018, the Company had interest rate swap contracts outstanding with aggregate notional amounts of \$2.5 billion, which consist of notional amounts of \$1.5 billion entered into in June 2018 that mature in April 2022, and are designated as cash flow hedges (the "2018 Derivatives"), and notional amounts of \$1.0 billion entered into in April 2017 that mature in April 2020, and are not designated as hedging instruments (the "2017 Derivatives").

As discussed above, the 2018 Derivatives consist of a series of LIBOR-based interest rate swap contracts with an aggregate notional amount of \$1.5 billion. Changes in fair value of the 2018 Derivatives will be recorded in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets, and will be reclassified into interest expense in the same period in which the related interest on the debt obligations affects earnings. As of June 30, 2018, the 2018 Derivatives were highly effective.

The impact to the condensed consolidated financial statements as a result of the 2018 Derivatives was not material. Further, the amount of loss expected to be reclassified from accumulated other comprehensive loss into interest expense during the next twelve months is not material.

As discussed above, the Company does not apply hedge accounting to the 2017 Derivatives. Changes in fair value of the 2017 Derivatives are reflected in interest expense, net in the Condensed Consolidated Statements of Operations, and were not material for the quarters and six months ended June 30, 2018 and 2017.

10. Share-based Compensation

2016 Equity Incentive Plan Awards

In 2016, the Company approved the 2016 Equity Incentive Plan, which provides for the issuance of non-qualified stock options to various employees of the Company. The Company records share-based compensation expense on options subject to time-based vesting, and subsequent to the consummation of the IPO, on options subject to vesting based on the achievement of certain investment return thresholds by Apollo. The Company does not expect to issue additional share-based compensation awards under the 2016 Equity Incentive Plan. For the quarters and six months ended June 30, 2018 and 2017, share-based compensation expense for awards under the 2016 Equity Incentive Plan was not material.

Class B Unit Redemption

The Company records share-based compensation expense on certain Class B Unit awards granted to employees by Ultimate Parent (“Class B Units”). The Class B Units have two separate tranches, one of which is subject to time-based vesting over a five -year period (“Class B Unit Service Tranche”), and the other subject to vesting based upon the achievement of certain investment return thresholds by Apollo (“Class B Unit Performance Tranche”). Prior to the IPO, the Company recorded share-based compensation expense on the Class B Unit Service Tranche, whereas no share-based compensation expense was recorded on the Class B Unit Performance Tranche as the vesting of these awards was not deemed probable.

During the first quarter of 2018 and in connection with the IPO, each holder of Class B Units in Ultimate Parent had his or her entire Class B interest in Ultimate Parent redeemed for the number of shares of the Company’s common stock (“Distributed Shares”) that would have been distributed to such holder under the terms of Ultimate Parent’s operating agreement in a hypothetical liquidation on the date of the IPO at the initial public offering price (“Class B Unit Redemption”). All vesting conditions for the Distributed Shares remain the same as the vesting conditions that existed under the terms of the Class B Units. The Distributed Shares also have certain other restrictions pursuant to the terms and conditions of the Company’s Amended and Restated Management Investor Rights Agreement (the “MIRA”). Furthermore, as part of the Class B Unit Redemption, each holder received both vested and unvested Distributed Shares in the same proportion as the holder’s vested and unvested Class B Units held immediately prior to the IPO. As a result of the Class B Unit Redemption, holders of Class B Units received a total of 20.6 million shares of the Company’s common stock (17.8 million of which were unvested at the time of redemption). Of the Distributed Shares issued upon the Class B Unit Redemption, 50% were subject to the vesting conditions that existed for the Class B Unit Service Tranche (“Distributed Shares Service Tranche”) and 50% were subject to the vesting conditions that existed for the Class B Unit Performance Tranche (“Distributed Shares Performance Tranche”). As of June 30, 2018 , there were 6.1 million and 10.2 million unvested and outstanding shares in the Distributed Shares Service Tranche and Performance Tranche, respectively. As discussed below, all remaining unvested shares in the Distributed Shares Service Tranche became fully vested in July 2018.

The Class B Unit Redemption resulted in a modification of the Class B Units. In connection with the modification, the Company utilized a Monte Carlo simulation to estimate the fair value of the Distributed Shares, as well as the derived service period for the Distributed Shares Performance Tranche. Significant assumptions included in the simulation were the risk-free interest rate and the expected volatility of the Company’s stock price. The Company selected a risk-free interest rate of 2.43% , which was based on a five-year U.S. Treasury with a zero-coupon rate. The Company also selected a stock price volatility of 30% , which was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility. Additionally, because holders of unvested Distributed Shares are entitled to receive previously declared accrued dividends once the shares vest, a dividend yield assumption was not included in the simulation.

The Class B Unit Redemption resulted in weighted-average fair values of \$14.00 and \$12.97 for the Distributed Shares Service Tranche and Performance Tranche, respectively. The fair values also incorporate the estimated impact of post-vesting selling restrictions pursuant to the MIRA. During the first quarter of 2018, the Company began recording share-based compensation expense on the Distributed Shares Performance Tranche on a straight-line basis over the derived service period of approximately three years from the IPO date, as the vesting conditions were deemed probable following the consummation of the IPO. For the Distributed Shares Service Tranche, incremental compensation expense to be recorded as a result of the modification was not material. Additionally, the IPO triggered an acceleration of vesting of the unvested shares in the Distributed Shares Service Tranche, causing such Distributed Shares to become fully vested six months from the date of the IPO, which occurred in July 2018.

Share-based compensation expense associated with the Distributed Shares Service Tranche was \$13 million and \$25 million for the quarter and six months ended June 30, 2018 , respectively. Share-based compensation expense associated with the Distributed Shares Performance Tranche was \$13 million and \$23 million for the quarter and six months ended June 30, 2018 , respectively.

Top-up Options

In January 2018, the Company approved its 2018 Omnibus Incentive Plan (the “2018 Omnibus Incentive Plan”), which became effective upon consummation of the IPO. Under the 2018 Omnibus Incentive Plan, and in connection with the Class B Unit Redemption, the Company granted 12.7 million options to holders of Class B Units (“Top-up Options”). The Top-up Options have an exercise price equal to the initial public offering price per share of the Company’s common stock and a contractual term of ten years from the grant date. Similar to the vesting conditions outlined above for the Distributed Shares, the Top-up Options contain a tranche subject to time-based vesting (“Top-up Options Service Tranche”) and a tranche subject to vesting based upon the achievement of certain investment return thresholds by Apollo (“Top-up Options Performance Tranche”). These vesting conditions are the same vesting conditions as those attributable to the Distributed Shares, including the condition that accelerates vesting of the unvested options in the Top-up Options Service Tranche, causing such options to become fully vested six months from the date of the IPO, which occurred in July 2018. Additionally, recipients of the Top-up Options received both vested and

unvested Top-up Options in the same proportion as the vested and unvested Class B Units held immediately prior to the IPO and Class B Unit Redemption. Any shares of the Company's common stock acquired upon exercise of the Top-up Options will be subject to the terms of the MIRA.

The Company used a Monte Carlo simulation to estimate the fair value of the Top-up Options, as well as the derived service period for the Top-up Options Performance Tranche. Significant assumptions included in the simulation were the risk-free interest rate, the expected volatility, and the expected dividend yield. The Company selected a risk-free interest rate of 2.43% , which was based on a five-year U.S. Treasury with a zero-coupon rate. The Company selected a stock price volatility of 30% , which was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility. The Company also assumed a 1% dividend yield. The expected average exercise term was derived based on an average of the outcomes of various scenarios performed under the Monte Carlo simulation.

For the six months ended June 30, 2018 , the weighted-average grant date fair values of the Top-up Options Service Tranche and Top-up Options Performance Tranche were \$5.02 and \$5.04 , respectively. The fair values also incorporate the estimated impact of post-vesting selling restrictions pursuant to the MIRA. As of June 30, 2018 , there were 3.8 million and 6.4 million unvested and outstanding options in the Top-up Options Service Tranche and Performance Tranche, respectively. In July 2018, the remaining 3.8 million unvested options in the Top-up Options Service Tranche became fully vested.

The Company records share-based compensation expense associated with the Top-up Options Service Tranche on a straight-line basis over the requisite service period of six months from the IPO date. The Company records share-based compensation expense associated with the Top-up Options Performance Tranche on a straight-line basis over the derived service period of approximately three years from the IPO date.

Share-based compensation expense associated with the Top-up Options Service Tranche was \$12 million and \$30 million for the quarter and six months ended June 30, 2018 , respectively. Share-based compensation expense associated with the Top-up Options Performance Tranche was \$3 million and \$5 million for the quarter and six months ended June 30, 2018 , respectively.

Other 2018 Share-Based Compensation Awards

During the six months ended June 30, 2018 , the Company granted 4.0 million options ("2018 Options") and 1.1 million restricted stock units ("2018 RSUs") under the 2018 Omnibus Incentive Plan, both of which will cliff vest over a three -year period. For the 2018 Options, the contractual term is ten years.

The Company used a Black-Scholes pricing model to estimate the fair value of the 2018 Options granted in the first quarter of 2018. Significant assumptions included in the model were the risk-free interest rate, the expected volatility, the expected dividend yield, and the expected exercise term. The Company selected a risk-free interest rate of 2.52% , which was based on a six-year U.S. Treasury with a zero-coupon rate. The Company selected a stock price volatility of 30% , which was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility. The Company also assumed a 1% dividend yield. The expected average exercise term of 6.5 years was calculated using the simplified method, as the Company did not have sufficient historical exercise data to provide a reasonable basis to estimate future exercise patterns.

For the six months ended June 30, 2018 , the grant date fair values of the 2018 Options and 2018 RSUs were \$4.35 and \$14.00 , respectively.

The Company records share-based compensation expense associated with the 2018 Options and 2018 RSUs on a straight-line basis over the requisite service period. For the quarter and six months ended June 30, 2018 , share-based compensation expense associated with the 2018 Options and 2018 RSUs was not material. As of June 30, 2018 , the number of 2018 Options and 2018 RSUs that were unvested and outstanding were 4.0 million and 1.1 million , respectively.

For all share-based compensation awards, the Company recognizes forfeitures as they occur. Share-based compensation expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. For the quarter and six months ended June 30, 2018 , share-based compensation expense on all awards was \$46 million and \$95 million , respectively. For the quarter and six months ended June 30, 2017 , share-based compensation expense on all awards was \$2 million and \$5 million , respectively.

11. Equity

Stock Split and Initial Public Offering

Refer to Note 1 “Basis of Presentation and Summary of Significant Accounting Policies” for a discussion regarding the Stock Split and the Company’s completion of an IPO in January 2018.

Common Stock Dividends

During the six months ended June 30, 2018, the Company’s board of directors declared the following cash dividends on common stock:

Declared Date	Dividend per Share	Record Date	Payment Date
March 15, 2018	\$0.035	March 26, 2018	April 5, 2018
May 9, 2018	\$0.035	June 25, 2018	July 10, 2018

During the six months ended June 30, 2017, the Company paid dividends of \$750 million to the Company’s equity holders and Ultimate Parent, which primarily included distributions to the Company’s Sponsor (“Special Dividend”).

Accumulated Other Comprehensive Loss

During the six months ended June 30, 2018, the Company did not record any material reclassifications out of accumulated other comprehensive loss.

Other

As discussed in Note 1 “Basis of Presentation and Summary of Significant Accounting Policies,” the opening balance of stockholders’ equity for the six months ended June 30, 2018 includes \$34 million, net of tax, attributable to the cumulative effect of the adoption of the new revenue recognition standard.

12. Net Loss per Share

Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by dividing net loss available to common stockholders by the diluted weighted average number of common shares outstanding for the period. Diluted net loss per share would reflect the potential dilutive effect of common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, all awards that potentially could be dilutive were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive, therefore, basic net loss per share is equal to diluted net loss per share for each period presented.

The following table includes the computations of basic and diluted net loss per share for the periods presented.

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<i>(in thousands, except per share amounts)</i>				
Numerator:				
Net loss	\$ (66,705)	\$ (92,656)	\$ (224,142)	\$ (233,531)
Denominator:				
Weighted-average number of shares outstanding, basic and diluted	750,009	641,048	739,354	641,048
Net loss per share:				
Basic and diluted	\$ (0.09)	\$ (0.14)	\$ (0.30)	\$ (0.36)

13. Related Party Transactions

Management Consulting Agreement

In May 2016, in connection with the acquisition of The ADT Corporation, Apollo Management Holdings, L.P., an affiliate of the Company's Sponsor (the "Management Service Provider") entered into a management consulting agreement with the Company (the "Management Consulting Agreement") relating to the provision of certain management consulting and advisory services to the Company following this acquisition. The Management Consulting Agreement terminated in accordance with its terms in January 2018 upon consummation of the IPO.

Prior to the termination of the Management Consulting Agreement, the Company paid approximately \$1 million to the Management Service Provider during the six months ended June 30, 2018. During the quarter and six months ended June 30, 2017, fees under the Management Consulting Agreement were \$5 million and \$10 million, respectively. These costs are included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

Koch Preferred Securities

The dividend obligation associated with the Koch Preferred Securities is reflected in interest expense, net in the Condensed Consolidated Statements of Operations. For the quarter and six months ended June 30, 2018, the dividend obligation on the Koch Preferred Securities was \$26 million and \$51 million, respectively. In lieu of declaring and paying the dividend obligation on the Koch Preferred Securities, the Company elected to increase the accumulated stated value of such securities, which increased the reported balance of mandatorily redeemable preferred securities on the Condensed Consolidated Balance Sheet. For the quarter and six months ended June 30, 2017, the dividend obligation on the Koch Preferred Securities was \$20 million and \$41 million, respectively, which the Company paid in cash to the Koch Investor.

During the six months ended June 30, 2017, the Company paid \$45 million of structuring fees to the Koch Investor in connection with the Special Dividend, which is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

Additionally, on July 2, 2018, the Company redeemed the original stated value of \$750 million of the Koch Preferred Securities for total consideration of approximately \$950 million, which included approximately \$200 million related to the payment of the redemption premium, accumulated dividends, and tax reimbursements. Refer to Note 6 "Mandatorily Redeemable Preferred Securities" and Note 14 "Subsequent Events" for further discussion.

Apollo Global Securities, LLC

An affiliate of Apollo, Apollo Global Securities, LLC ("AGS"), served as an underwriter in the Company's IPO. As part of the IPO, AGS agreed to purchase, and the Company agreed to sell, 4,200,000 shares of common stock. The Company paid \$2 million in commissions to AGS in connection with its role as an underwriter in the IPO. The net amount of this transaction is reflected in the Condensed Consolidated Statement of Stockholders' Equity as of June 30, 2018.

During the six months ended June 30, 2017, the Company paid approximately \$1 million to AGS related to amendments and restatements to the Company's first lien credit facilities. These expenses are reflected in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

Other Transactions

During the six months ended June 30, 2017, the Company paid \$750 million of the Special Dividend to the Company's equity holders and Ultimate Parent, which primarily included distributions to its Sponsor.

14. Subsequent Events

Koch Redemption

On July 2, 2018, the Company redeemed the original stated value of \$750 million of the Koch Preferred Securities for total consideration of approximately \$950 million, which included approximately \$200 million related to the payment of the redemption premium, accumulated dividends, and tax reimbursements, using the funds in the Segregated Account as well as cash on hand immediately prior to redemption.

Common Stock Dividend

On August 8, 2018 , the Company's board of directors declared a cash dividend of \$0.035 per share to common stockholders of record as of September 18, 2018 . This dividend will be paid on October 2, 2018 .

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

Unless otherwise indicated or the context otherwise requires, references in this quarterly report on Form 10-Q ("Quarterly Report") to (i) "we," "our," "us," "ADT," and the "Company" refer to ADT Inc., a Delaware corporation and each of its consolidated subsidiaries, (ii) "Ultimate Parent" refers to Prime Security Services TopCo Parent, LP, our direct parent company, (iii) our "Sponsor" refers to certain investment funds directly or indirectly managed by Apollo Global Management, LLC, its subsidiaries, and its affiliates ("Apollo").

INTRODUCTION

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements, the related notes thereto included elsewhere in this Quarterly Report, as well as our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Annual Report"), which was filed with the United States Securities and Exchange Commission (the "SEC"), to enhance the understanding of our financial condition, changes in financial condition, and results of operations. The following discussion and analysis contains forward-looking statements about our business, operations, and financial performance based on current plans and estimates that involve risks, uncertainties, and assumptions. Actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Quarterly Report titled "Cautionary Statements Regarding Forward-Looking Statements" and "Item 1A. Risk Factors."

OVERVIEW

We are the leading provider of monitored security, interactive home and business automation, and related monitoring services in the United States (or "U.S.") and Canada. We offer our residential, commercial, and multi-site customers a comprehensive set of burglary, video, access control, fire and smoke alarm, and medical alert solutions. Our core professionally monitored security offering is complemented by a broad set of innovative products and services, including interactive home and business automation solutions that are designed to control access, react to movement, and sense carbon monoxide, flooding, and changes in temperature or other environmental conditions, as well as address personal emergencies, such as injuries, medical emergencies, or incapacitation. These products and services include interactive technologies to enhance our monitored solutions and to allow our customers to remotely manage their residential and commercial environments by adding increased automation through video, access control, and other smart-building functionality. Through our interactive offerings, customers can use their smart phones, tablets, and laptops to arm and disarm their security systems, adjust lighting or thermostat levels, view real-time video of their premises, and program customizable schedules for the management of a range of smart home products.

In addition, we offer professional monitoring of third-party devices by enabling other companies to integrate solutions into our monitoring and billing platform. This allows us to provide monitoring solutions to customers who do not currently have an installed ADT security system or interactive automation platform.

As of June 30, 2018, we serve approximately 7.2 million customers, excluding contracts monitored but not owned. We are one of the largest full-service companies with a national footprint providing both residential and commercial monitored security. We deliver an integrated customer experience by maintaining the industry's largest sales, installation, and service field workforce, as well as a 24/7 professional monitoring network.

BASIS OF PRESENTATION

All financial information presented in this section has been prepared in U.S. dollars in accordance with generally accepted accounting principles in the United States of America ("GAAP").

We report financial and operating information in one segment. Our operating segment is also our reportable segment.

FACTORS AFFECTING OPERATING RESULTS

Our subscriber-based business requires significant upfront investment to generate new customers, which in turn provides predictable contractual recurring revenue generated from our monitoring fees and additional services. We focus on the following key drivers of our business with the intent of optimizing returns on customer acquisition expenditures and cash flow generation: best-in-class customer service; increased customer retention; disciplined, high-quality customer additions; efficient customer acquisition; and reduced costs incurred to provide ongoing services to customers.

Our ability to add new subscribers depends on the overall demand for our products and solutions, which is driven by a number of external factors. The overall economic condition in the geographies in which we operate can impact our ability to

attract new customers and grow our business in all customer channels. Growth in our residential customer base can be influenced by the overall state of the housing market. Growth in our commercial and multi-site customer base can be influenced by the rate at which new businesses begin operating or existing businesses grow. The demand for our products and solutions is also impacted by the perceived threat of crime, as well as the quality of the service of our competitors.

The monthly fees that we generate from any individual customer depend primarily on the level of service we provide to the customer. We offer a wide range of services at various price points from basic burglar alarm monitoring to our full suite of interactive services. Our ability to increase monthly fees at the individual customer level depends on a number of factors, including our ability to effectively introduce and market additional features and services that increase the value of our offerings to customers, which we believe drives customers to purchase higher levels of service and supports our ability to make periodic adjustments to pricing.

Attrition has a direct impact on the number of customers we monitor and service, as well as our financial results, including revenues, operating income, and cash flows. A portion of our customer base can be expected to cancel its service every year. Customers may choose not to renew or may terminate their contracts for a variety of reasons, including, but not limited to, relocation, cost, loss to competition, or service issues.

Hurricanes

In the second half of 2017, there were three hurricanes impacting areas in which we operate that resulted in power outages and service disruptions to certain of our customers. The financial impact from these hurricanes as of and for the quarter and six months ended June 30, 2018 was not material. We will continue to evaluate any potential financial and business impacts these hurricanes may have on future periods.

Public Company Costs

As a result of our initial public offering (“IPO”), we incur additional legal and accounting fees, board compensation, and other expenses that we did not previously incur prior to becoming a public company, including costs associated with SEC reporting and corporate governance requirements. These requirements include compliance with the Sarbanes-Oxley Act of 2002, as amended, as well as other rules implemented by the SEC and the national securities exchanges. Our results following our IPO reflect the impact of these expenses.

SIGNIFICANT EVENTS

Initial Public Offering

In January 2018, we completed our IPO in which we issued and sold 105,000,000 shares of common stock at an initial public offering price of \$14.00 per share. Net proceeds from the IPO were \$1,406 million, after deducting underwriting discounts, commissions, and offering expenses. In connection with the IPO, we deposited \$750 million of the net proceeds from the IPO into a segregated account (“Segregated Account”) for the purpose of redeeming 750,000 shares of Series A \$0.01 par value preferred securities (“Koch Preferred Securities”) at a future date. On July 2, 2018, we redeemed the Koch Preferred Securities. As discussed below, the Koch Redemption will result in a material impact to our condensed consolidated financial statements. Refer to Note 14 “Subsequent Events” to the condensed consolidated financial statements for further discussion.

In February 2018, we used approximately \$649 million of the net proceeds from the IPO to voluntarily redeem \$594 million aggregate principal amount of 9.250% Second-Priority Senior Secured Notes due 2023 (“Prime Notes”) and pay the related call premium. The aggregate principal amount of Prime Notes outstanding after the repayment was \$2,546 million. Refer to Note 5 “Debt” to the condensed consolidated financial statements for further discussion.

During the first quarter of 2018 and in connection with the IPO, we redeemed Class B Units in Ultimate Parent in full for the number of shares of our common stock (“Distributed Shares”) that would have been distributed to such holder under the terms of Ultimate Parent’s operating agreement in a hypothetical liquidation on the date of the IPO at the initial public offering price (“Class B Unit Redemption”), which resulted in a modification of both the shares subject to time-based vesting (“Distributed Shares Service Tranche”) and shares subject to vesting based upon the achievement of certain investment return thresholds by Apollo (“Distributed Shares Performance Tranche”). The modification of the Distributed Shares Performance Tranche resulted in a significant increase in fair value, whereas the impact of the modification on the Distributed Shares Service Tranche was not material. Additionally, upon consummation of the IPO, we approved our 2018 Omnibus Incentive Plan (the “2018 Omnibus Incentive Plan”). Under the 2018 Omnibus Incentive Plan, and in connection with the Class B Unit Redemption, we also granted options to holders of Class B Units (“Top-up Options”). The Class B Unit Redemption and Top-up Options resulted in the increase

in share-based compensation expense during the quarter and six months ended June 30, 2018 . Refer to Note 10 “ Share-based Compensation ” to the condensed consolidated financial statements for further discussion.

KEY PERFORMANCE INDICATORS

In evaluating our financial results, we utilize the following key performance indicators.

Recurring Monthly Revenue (“RMR”) . RMR is generated by contractual monthly recurring fees for monitoring and other recurring services provided to our customers, including contracts monitored but not owned. Our computation of RMR may not be comparable to other similarly titled measures reported by other companies. We believe the presentation of RMR is useful because it measures the volume of revenue under contract at a given point in time.

Gross Customer Revenue Attrition . Gross customer revenue attrition is defined as the recurring revenue (RMR) lost as a result of customer attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned. Customer sites are considered canceled when all services are terminated. Dealer charge-backs represent customer cancellations charged back to the dealers because the customer canceled service during the charge-back period, generally twelve to fifteen months.

Gross customer revenue attrition is calculated on a trailing twelve-month basis, the numerator of which is the annualized recurring revenue lost during the period due to attrition, net of dealer charge-backs and reinstated customers, and the denominator of which is total annualized recurring revenue based on an average of recurring revenue under contract at the beginning of each month during the period.

Adjusted EBITDA . Adjusted EBITDA is a non-GAAP measure that we believe is useful to investors to measure the operational strength and performance of our business. Our definition of Adjusted EBITDA, a reconciliation of Adjusted EBITDA to net income (loss) (the most comparable GAAP measure), and additional information, including a description of the limitations relating to the use of Adjusted EBITDA, are provided under “—Non-GAAP Measures.”

Free Cash Flow . Free Cash Flow is a non-GAAP measure that our management employs to measure cash that is available to repay debt, make other investments, and pay dividends. Our definition of Free Cash Flow, a reconciliation of Free Cash Flow to net cash provided by operating activities (the most comparable GAAP measure), and additional information, including a description of the limitations relating to the use of Free Cash Flow, are provided under “—Non-GAAP Measures.”

RESULTS OF OPERATIONS

Quarter Ended June 30, 2018 Compared to Quarter Ended June 30, 2017

The following table sets forth our condensed consolidated results of operations and key performance indicators for the periods presented.

	For the Quarters Ended	
	June 30, 2018	June 30, 2017
<i>(in thousands, except as otherwise indicated)</i>		
Results of Operations:		
Monitoring and related services	\$ 1,023,126	\$ 1,007,086
Installation and other	108,333	60,694
Total revenue	1,131,459	1,067,780
Cost of revenue (exclusive of depreciation and amortization shown separately below)	246,225	215,250
Selling, general and administrative expenses	322,538	285,656
Depreciation and intangible asset amortization	488,320	458,387
Merger, restructuring, integration, and other costs	455	18,860
Operating income	73,921	89,627
Interest expense, net	(174,479)	(188,099)
Loss on extinguishment of debt	—	(3,431)
Other income	29,282	9,018
Loss before income taxes	(71,276)	(92,885)
Income tax benefit	4,571	229
Net loss	\$ (66,705)	\$ (92,656)
Key Performance Indicators: ⁽¹⁾		
RMR	\$ 338,078	\$ 332,127
Gross customer revenue attrition (percent)	13.6%	14.1%
Adjusted EBITDA ⁽²⁾	\$ 610,387	\$ 582,909

(1) Refer to the “—Key Performance Indicators” section for the definitions of these key performance indicators.

(2) Adjusted EBITDA is a non-GAAP measure. Refer to the “—Non-GAAP Measures” section for the definition of this term and reconciliation to the most comparable GAAP measure.

Total Revenue

Monitoring and related services revenue increased by \$16 million for the quarter ended June 30, 2018 as compared to 2017. This increase was primarily attributable to an increase in contractual monthly recurring fees for monitoring and other recurring services, which was favorably impacted by an improvement in average pricing, partially offset by lower customer volume. The improvement in average pricing was driven by the addition of new customers at higher rates, largely due to new subscribers generally selecting higher priced services as compared to our existing customers, as well as price escalations on our existing customer base. These factors also were the primary driver for an increase in RMR to \$338 million as of June 30, 2018 from \$332 million as of June 30, 2017. Lower customer volume, which reflects improvements in gross customer revenue attrition of 0.5 percentage points, resulted from our focus on adding new high-quality customers. The improvements in gross customer revenue attrition primarily resulted from lower voluntary disconnects due to enhanced customer service levels in our field offices and call centers.

Installation and other revenue increased by \$48 million. This increase was primarily due to \$39 million related to revenue from security equipment sold outright to customers, of which approximately \$22 million related to revenue associated with acquisitions. The remaining increase was due to additional amortization of deferred installation revenue during 2018.

Cost of Revenue

Cost of revenue increased by \$31 million for the quarter ended June 30, 2018 as compared to 2017. The majority of the increase in cost of revenue was attributable to installation costs associated with a higher volume of sales where security-related equipment is sold outright to customers, including the impact from acquisitions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$37 million for the quarter ended June 30, 2018 as compared to 2017. The increase primarily relates to an increase in share-based compensation expense associated with our equity compensation awards, which were impacted by the completion of our IPO.

Depreciation and Intangible Asset Amortization

Depreciation and intangible asset amortization expense increased by \$30 million for the quarter ended June 30, 2018 as compared to 2017. This increase was primarily attributable to the amortization of customer contracts acquired through our network of authorized dealers (the “ADT Authorized Dealer Program”).

Merger, Restructuring, Integration, and Other Costs

Merger, restructuring, integration, and other costs decreased by \$18 million for the quarter ended June 30, 2018 as compared to 2017. This decrease was primarily due to a \$14 million decrease in charges associated with our restructuring efforts associated with the acquisition of The ADT Security Corporation (formerly named The ADT Corporation) (“The ADT Corporation”) in May 2016.

Interest Expense, Net

Net interest expense decreased by \$14 million for the quarter ended June 30, 2018 as compared to 2017. Net interest expense is primarily comprised of interest expense on our long-term debt. The decrease in interest expense was driven by a reduction in principal associated with the \$594 million aggregate principal redemption of the Prime Notes using a portion of the net proceeds from the IPO.

Other Income

For the quarter ended June 30, 2018, other income primarily includes approximately \$22 million of licensing fees, as well as gains of \$7.5 million on equity in a third party that we received as part of a settlement. Refer to Note 1 “Basis of Presentation and Summary of Significant Accounting Policies” to the condensed consolidated financial statements for further discussion.

For the quarter ended June 30, 2017, other income primarily includes \$9 million of foreign currency gains related to the translation of monetary assets and liabilities that are denominated in Canadian dollars due to intercompany loans. During the first quarter of 2018, we designated certain of these intercompany loans to be of a long-term-investment nature, and began reflecting the related foreign currency gains and losses in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet.

Income Tax Benefit

Income tax benefit for the quarter ended June 30, 2018 was \$5 million, resulting in an effective tax rate for the period of 6.4%. The effective tax rate reflects the reduced federal income tax rate of 21.0% as a result of Tax Reform, a 14.6% unfavorable impact of permanent non-deductible expenses primarily associated with the Koch Preferred Securities, a 7.4% unfavorable impact from state legislative changes, and a 4.1% favorable impact from a change in our valuation allowance.

Income tax benefit for the quarter ended June 30, 2017 was \$229 thousand, resulting in an effective tax rate for the period of 0.2%. The effective tax rate primarily reflects the impact of an increase in our unrecognized tax benefits, as well as permanent non-deductible expenses.

The effective tax rates for the quarters ended June 30, 2018 and 2017 reflect the tax impact of permanent tax adjustments, state tax expense, changes in tax laws, and non-U.S. net earnings. The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, recurring factors such as changes in the overall effective state tax rate, as well as fluctuations in pre-tax income or loss. Discrete items and permanent tax adjustments will have a greater impact on the effective tax rate when pre-tax income is lower. Refer to Note 7 “Income Taxes” to the condensed consolidated financial statements for further discussion.

In connection with the 2017 Tax Cuts and Jobs Act (“Tax Reform”), the SEC issued Staff Accounting Bulletin No. 118, which allows companies to record provisional estimates of the effects of the legislative change, and a one-year measurement period to finalize the accounting of those effects. During the quarter ended June 30, 2018, we did not record any significant measurement

period adjustments to the provisional amounts recorded in the 2017 financial statements. We expect to complete the accounting for the impact of Tax Reform by the end of 2018.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The following table sets forth our condensed consolidated results of operations, summary cash flow data, and key performance indicators for the periods presented.

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
<i>(in thousands, except as otherwise indicated)</i>		
Results of Operations:		
Monitoring and related services	\$ 2,040,418	\$ 2,004,734
Installation and other	207,489	122,274
Total revenue	2,247,907	2,127,008
Cost of revenue (exclusive of depreciation and amortization shown separately below)	494,619	433,955
Selling, general and administrative expenses	627,508	638,911
Depreciation and intangible asset amortization	971,996	919,316
Merger, restructuring, integration, and other costs	8,478	39,665
Operating income	145,306	95,161
Interest expense, net	(348,812)	(369,160)
Loss on extinguishment of debt	(61,597)	(4,331)
Other income	28,822	13,005
Loss before income taxes	(236,281)	(265,325)
Income tax benefit	12,139	31,794
Net loss	\$ (224,142)	\$ (233,531)
Summary Cash Flow Data:		
Net cash provided by operating activities	\$ 962,762	\$ 743,412
Net cash used in investing activities	\$ (696,147)	\$ (649,198)
Net cash provided by (used in) financing activities	\$ 705,410	\$ (107,227)
Key Performance Indicators: ⁽¹⁾		
RMR	\$ 338,078	\$ 332,127
Gross customer revenue attrition (percent)	13.6%	14.1%
Adjusted EBITDA ⁽²⁾	\$ 1,230,154	\$ 1,159,930
Free Cash Flow ⁽²⁾	\$ 289,277	\$ 68,750

(1) Refer to the “—Key Performance Indicators” section for the definitions of these key performance indicators.

(2) Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Refer to the “—Non-GAAP Measures” section for the definitions of these terms and reconciliations to the most comparable GAAP measures.

Total Revenue

Monitoring and related services revenue increased by \$36 million for the six months ended June 30, 2018 as compared to 2017. This increase was primarily attributable to an increase in contractual monthly recurring fees for monitoring and other recurring services, which was favorably impacted by an improvement in average pricing, partially offset by lower customer volume. The improvement in average pricing was driven by the addition of new customers at higher rates, largely due to new subscribers generally selecting higher priced services as compared to our existing customers, as well as price escalations on our existing customer base. These factors also were the primary driver for an increase in RMR to \$338 million as of June 30, 2018 from \$332 million as of June 30, 2017. Lower customer volume, which reflects improvements in gross customer revenue attrition of 0.5 percentage points, resulted from our focus on adding new high-quality customers. The improvements in gross customer revenue attrition primarily resulted from lower voluntary disconnects due to enhanced customer service levels in our field offices and call centers.

Installation and other revenue increased by \$85 million. This increase was primarily due to \$68 million related to revenue from security equipment sold outright to customers, of which approximately \$38 million related to revenue associated with acquisitions. The remaining increase was due to additional amortization of deferred installation revenue during 2018.

Cost of Revenue

Cost of revenue increased by \$61 million for the six months ended June 30, 2018 as compared to 2017. The majority of the increase in cost of revenue was attributable to installation costs associated with a higher volume of sales where security-related equipment is sold outright to customers, including the impact from acquisitions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$11 million for the six months ended June 30, 2018 as compared to 2017. The decrease primarily relates to decreases in (i) financing and consent fees of \$64 million associated with fees incurred in 2017 in connection with the dividend paid to our equity holders and Ultimate Parent, which primarily included distributions to our Sponsor (“Special Dividend”), amendments and restatements to our first lien credit facilities (“2017 First Lien Credit Facilities Amendments”), and the incremental first lien term loan facility in an aggregate principal amount of \$800 million (“2017 Incremental Term B-1 Loan”); (ii) general and administrative expenses of \$23 million mostly due to recoveries from legal settlements during the six months ended June 30, 2018; and (iii) fees of \$9 million under a management consulting agreement, which was terminated upon consummation of the IPO. The decreases were partially offset by an increase in share-based compensation expense of \$90 million associated with our equity compensation awards, which were impacted by the completion of our IPO.

Depreciation and Intangible Asset Amortization

Depreciation and intangible asset amortization expense increased by \$53 million for the six months ended June 30, 2018 as compared to 2017. This increase was primarily attributable to the amortization of customer contracts acquired under the ADT Authorized Dealer Program.

Merger, Restructuring, Integration, and Other Costs

Merger, restructuring, integration, and other costs decreased by \$31 million for the six months ended June 30, 2018 as compared to 2017. This decrease was primarily due to a \$16 million decrease in charges associated with our restructuring efforts associated with the acquisition of The ADT Corporation in May 2016, as well as a \$9 million decrease related to impairment charges associated with our strategic investments in 2017.

Interest Expense, Net

Net interest expense decreased by \$20 million for the six months ended June 30, 2018 as compared to 2017. Net interest expense is primarily comprised of interest expense on our long-term debt. The decrease in interest expense was driven by a reduction in principal associated with the \$594 million aggregate principal redemption of the Prime Notes using a portion of the net proceeds from the IPO.

Loss on Extinguishment of Debt

Loss on extinguishment of debt for the six months ended June 30, 2018 primarily relates to the loss recorded in connection with the partial redemption of the Prime Notes in 2018 using net proceeds from the IPO.

Other Income

For the six months ended June 30, 2018, other income primarily includes approximately \$22 million of licensing fees, as well as gains of \$7.5 million from equity in a third party that we received as part of a settlement. Refer to Note 1 “Basis of Presentation and Summary of Significant Accounting Policies” to the condensed consolidated financial statements for further discussion.

For the six months ended June 30, 2017, other income primarily includes \$13 million of foreign currency gains related to the translation of monetary assets and liabilities that are denominated in Canadian dollars due to intercompany loans. During the first quarter of 2018, we designated certain of these intercompany loans to be of a long-term-investment nature, and began reflecting the related foreign currency gains and losses in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet.

Income Tax Benefit

Income tax benefit for the six months ended June 30, 2018 was \$12 million, resulting in an effective tax rate for the period of 5.1%. The effective tax rate reflects the reduced federal income tax rate of 21.0% as a result of Tax Reform, a 16.4% unfavorable impact of future non-deductible share-based compensation, a 12.1% unfavorable impact of permanent non-deductible expenses primarily associated with the Koch Preferred Securities, offset by an 11.4% favorable impact of tax adjustments related to prior year state returns filed in the first quarter of 2018.

Income tax benefit for the six months ended June 30, 2017 was \$32 million, resulting in an effective tax rate for the period of 12.0%. The effective tax rate primarily reflects the impact of an increase in our unrecognized tax benefits, as well as permanent non-deductible expenses.

The effective tax rates for the six months ended June 30, 2018 and 2017 reflect the tax impact of permanent tax adjustments, state tax expense, changes in tax laws, and non-U.S. net earnings. The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, recurring factors such as changes in the overall effective state tax rate, as well as fluctuations in pre-tax income or loss. Discrete items and permanent tax adjustments will have a greater impact on the effective tax rate when pre-tax income is lower. Refer to Note 7 "Income Taxes" to the condensed consolidated financial statements for further discussion.

As discussed above, during the six months ended June 30, 2018, we did not record any significant measurement period adjustments to the provisional amounts related to Tax Reform recorded in the 2017 financial statements.

NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined by GAAP, we disclose Adjusted EBITDA and Free Cash Flow as non-GAAP measures, which management believes provide useful information to investors. These measures are not financial measures calculated in accordance with GAAP, and should not be considered as a substitute for net income, operating income, or any other measure calculated in accordance with GAAP, and may not be comparable to a similarly titled measure reported by other companies. We use Adjusted EBITDA to measure the operational strength and performance of our business. We use Free Cash Flow as an additional measure of our ability to repay debt, make other investments, and pay dividends.

Adjusted EBITDA

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, including depreciation of subscriber system assets and other fixed assets and amortization of dealer and other intangible assets, (iv) amortization of deferred costs and deferred revenue associated with subscriber acquisitions, (v) share-based compensation expense, (vi) purchase accounting adjustments under GAAP, (vii) merger, restructuring, integration, and other costs, (viii) financing and consent fees, (ix) foreign currency gains/losses, (x) losses on extinguishment of debt, (xi) radio conversion costs, (xii) management fees and other charges, and (xiii) other non-cash items.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash items and about unusual items that we do not expect to continue at the same level in the future, as well as other items. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest expense, income tax expense, and other adjustments which directly affect our net income. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering Adjusted EBITDA in conjunction with net income as calculated in accordance with GAAP.

Free Cash Flow

We define Free Cash Flow as cash from operating activities less cash outlays related to capital expenditures. We define capital expenditures to include purchases of property, plant, and equipment; subscriber system asset additions; and accounts purchased through our network of authorized dealers or third parties outside of our authorized dealer network. These items are subtracted from cash from operating activities because they represent long-term investments that are required for normal business activities. As a result, subject to the limitations described below, Free Cash Flow is a useful measure of our cash available to repay debt, make other investments, and pay dividends.

Free Cash Flow adjusts for cash items that are ultimately within management's discretion to direct, and therefore, may imply that there is less or more cash that is available than the most comparable GAAP measure. Free Cash Flow is not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Free Cash Flow in combination with the cash flow results according to GAAP.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to net loss for the periods presented.

(in thousands)	For the Quarters Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss	\$ (66,705)	\$ (92,656)	\$ (224,142)	\$ (233,531)
Interest expense, net	174,479	188,099	348,812	369,160
Income tax benefit ⁽¹⁾	(4,571)	(229)	(12,139)	(31,794)
Depreciation and intangible asset amortization	488,320	458,387	971,996	919,316
Merger, restructuring, integration, and other costs ⁽²⁾	455	18,860	8,478	39,665
Financing and consent fees ⁽³⁾	—	2,021	—	63,593
Foreign currency losses/(gains) ⁽⁴⁾	719	(9,233)	1,739	(12,657)
Loss on extinguishment of debt ⁽⁵⁾	—	3,431	61,597	4,331
Other non-cash items ⁽⁶⁾	242	895	574	13,794
Radio conversion costs ⁽⁷⁾	1,675	2,673	3,026	6,591
Amortization of deferred subscriber acquisition costs ⁽⁸⁾	14,305	11,768	27,152	21,608
Amortization of deferred subscriber acquisition revenue ⁽⁹⁾	(18,790)	(10,007)	(35,555)	(18,646)
Share-based compensation expense ⁽¹⁰⁾	45,814	2,464	95,102	4,889
Management fees and other charges ⁽¹¹⁾	(25,556)	6,436	(16,486)	13,611
Adjusted EBITDA	\$ 610,387	\$ 582,909	\$ 1,230,154	\$ 1,159,930

(1) For 2018, reflects the impact of Tax Reform. Refer to Note 7 "Income Taxes" to the condensed consolidated financial statements for further discussion.

(2) Represents direct and incremental costs resulting from acquisitions made by us and certain related restructuring and integration efforts as a result of those acquisitions, as well as certain asset impairment charges related to our strategic investments.

(3) For 2017, includes fees incurred in connection with the Special Dividend, 2017 First Lien Credit Facilities Amendments, and the 2017 Incremental Term B-1 Loan.

(4) Relates to the translation of monetary assets and liabilities that are denominated in Canadian dollars due to intercompany loans. In the first quarter of 2018, we designated certain of these intercompany loans to be of a long-term-investment nature, and are reflecting foreign currency losses/(gains) on these loans in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet.

(5) For 2018, loss on extinguishment of debt primarily relates to the payment of the call premium and the write-off of a portion of the unamortized debt issuance costs associated with the paydown of \$594 million of the Prime Notes in connection with our IPO. For 2017, loss on extinguishment of debt relates to the write-off of a portion of the debt discount and issuance costs associated with the amendments and restatements to our First Lien Credit Facilities.

(6) For 2017, primarily represents non-cash asset write-downs associated with our strategic investments.

(7) Represents costs associated with upgrading cellular technology used in many of our security systems.

(8) Represents non-cash amortization expense associated with certain incremental contract costs that are deferred (referred to as deferred subscriber acquisition costs) including selling expenses (primarily commissions) related to acquiring customers.

(9) Represents non-cash amortization expense associated with non-refundable fees that are deferred (referred to as deferred subscriber acquisition revenue) received in connection with the initiation of a monitoring contract.

(10) Represents compensation expense associated with our equity compensation plans. Refer to Note 10 "Share-based Compensation" to the condensed consolidated financial statements for further discussion.

(11) In 2018, primarily includes income of approximately \$22 million of one-time licensing fees, as well as gains of \$7.5 million from equity in a third party that we received as part of a settlement. Refer to Note 1 "Basis of Presentation and Summary of Significant Accounting Policies" for further discussion. In 2017, primarily represents fees under a management consulting agreement, which was terminated in connection with the consummation of the IPO.

Quarter Ended June 30, 2018 Compared to Quarter Ended June 30, 2017

For the quarter ended June 30, 2018, Adjusted EBITDA increased by \$27 million compared to 2017. This increase was primarily due to an increase in revenue from contractual monthly recurring fees for monitoring and other recurring services, as well as higher revenue offset by the associated costs on transactions in which security equipment is sold outright to customers.

For further details on the drivers of these changes, refer to the discussions above under “—Results of Operations.”

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

For the six months ended June 30, 2018, Adjusted EBITDA increased by \$70 million compared to 2017. This increase was primarily due to an increase in revenue from contractual monthly recurring fees for monitoring and other recurring services, as well as higher revenue offset by the associated costs on transactions in which security equipment is sold outright to customers. The remainder of this increase was attributable to a decrease in general and administrative expenses, excluding share-based compensation expense, radio conversion costs, financing and consent fees, and other non-cash items that are excluded under our definition of Adjusted EBITDA.

For further details on the drivers of these changes, refer to the discussions above under “—Results of Operations.”

Free Cash Flow

The table below reconciles Free Cash Flow to net cash provided by operating activities for the periods presented.

<i>(in thousands)</i>	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Net cash provided by operating activities	\$ 962,762	\$ 743,412
Dealer generated customer accounts and bulk account purchases	(327,553)	(306,304)
Subscriber system assets	(280,720)	(298,923)
Capital expenditures	(65,212)	(69,435)
Free Cash Flow	\$ 289,277	\$ 68,750

Cash Flows from Operating Activities

The increase in net cash provided by operating activities for the six months ended June 30, 2018 as compared to 2017 resulted from (i) an increase in Adjusted EBITDA of \$70 million, as discussed above, (ii) a decrease in cash interest paid of \$56 million, and (iii) a decrease in cash paid of \$64 million for fees associated with the Special Dividend, 2017 First Lien Credit Facilities Amendments, and the 2017 Incremental Term B-1 Loan. The remainder relates to changes in assets and liabilities due to timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

Refer to the discussions above under “—Results of Operations” for further details.

Cash Outlays Related to Capital Expenditures

For the six months ended June 30, 2018 and 2017, cash outlays related to capital expenditures included (i) accounts purchased under the ADT Authorized Dealer Program and bulk account purchases of \$328 million and \$306 million, respectively, (ii) subscriber system asset additions of \$281 million and \$299 million, respectively, and (iii) capital expenditures of \$65 million and \$69 million, respectively.

Refer to the discussions below under “—Liquidity and Capital Resources” for further details.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We expect our ongoing sources of liquidity to include cash generated from operations, as well as borrowings under our revolving credit facility and the issuance of equity and/or debt securities as appropriate given market conditions. Our future cash needs are expected to include cash for operating activities, working capital, capital expenditures, strategic investments, periodic principal and interest payments on our debt, and potential dividend payments to our stockholders. We believe our cash position,

borrowing capacity available under our revolving credit facility, and cash provided by operating activities are, and will continue to be, adequate to meet our operational and business needs in the next twelve months as well as our long-term liquidity needs.

We are a highly leveraged company with significant debt service requirements. As of June 30, 2018, we had \$344 million in cash and cash equivalents, \$754 million in restricted cash and cash equivalents, and \$350 million available under our revolving credit facility. Excluding the Koch Preferred Securities, the carrying value of total debt outstanding including capital lease obligations was \$9,571 million as of June 30, 2018.

Initial Public Offering

In January 2018, in connection with the consummation of our IPO, we received net proceeds of \$1,406 million, after deducting underwriting discounts, commissions, and offering expenses, from the sale of our shares in the IPO.

In February 2018, we used approximately \$649 million of the proceeds from the IPO to redeem \$594 million aggregate principal amount of Prime Notes and pay the related call premium. In accordance with definitive documents governing the Koch Preferred Securities, following the consummation of the IPO, we were required to maintain cash in the Segregated Account in an amount equal to at least \$750 million until the Koch Preferred Securities have been redeemed in full. We funded the Segregated Account with a portion of the net proceeds from the IPO. Amounts held in this Segregated Account were used to redeem the Koch Preferred Securities on July 2, 2018 (the “Koch Redemption”). As discussed below, the Koch Redemption will result in a material impact to our condensed consolidated financial statements. Refer to Note 6 “Mandatorily Redeemable Preferred Securities” and Note 14 “Subsequent Events” to the condensed consolidated financial statements for further discussion.

Long-Term Debt

Amendment and Restatement of First Lien Credit Agreement

On March 16, 2018, we entered into an Incremental Assumption and Amendment Agreement No.6 (the “2018 First Lien Credit Agreement Amendment”), which further amended and restated the First Lien Credit Agreement (the First Lien Credit Agreement, as amended, restated, supplemented, or otherwise waived prior to the effective date of the 2018 First Lien Credit Agreement Amendment (the “Existing Credit Agreement”) and, as amended by the 2018 First Lien Credit Agreement Amendment (the “Amended and Restated Credit Agreement”).

Prior to the effectiveness of the 2018 First Lien Credit Agreement Amendment, the Existing Credit Agreement included a revolving credit facility of \$255 million maturing on May 2, 2021, and a revolving credit facility of \$95 million maturing on July 1, 2020. In connection with the 2018 First Lien Credit Agreement Amendment, the existing revolving credit facilities were replaced with a first lien revolving credit facility with an aggregate commitment of up to \$350 million maturing on March 16, 2023, subject to the repayment, extension, or refinancing with longer maturity debt of certain of our other indebtedness (the “2023 Revolving Credit Facility”). Borrowings under the 2023 Revolving Credit Facility will bear interest at a rate equal to, at our option, either (a) a London Interbank Offered Rate (“LIBOR”) determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate of Barclays Bank PLC, and (iii) one-month adjusted LIBOR plus 1.00% per annum, in each case, plus the applicable margin of 2.75% for LIBOR loans and 1.75% for base rate loans. The applicable margin for borrowings under the 2023 Revolving Credit Facility is subject to one step-down based on a certain specified net first lien leverage ratio.

In addition, the Amended and Restated Credit Agreement requires us to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) in respect of the unused commitments under the Replacement Revolving Credit Facility.

The term loan facilities under the Amended and Restated Credit Agreement continue to have the same terms as provided under the Existing Credit Agreement. Additionally, the parties to the Amended and Restated Credit Agreement continue to have the same obligations set forth in the Existing Credit Agreement.

The impact to the condensed consolidated financial statements as a result of the 2018 First Lien Credit Agreement Amendment was not material.

As of June 30, 2018, we had no borrowings outstanding under the 2023 Revolving Credit Facility, leaving a total borrowing capacity of \$350 million.

Prime Notes

On February 21, 2018, we redeemed \$594 million aggregate principal amount of the Prime Notes using a portion of the net proceeds received from the IPO, and incurred a loss on extinguishment of debt of \$62 million primarily related to the payment of the call premium, as well as the write-off of a portion of the unamortized debt issuance costs. The aggregate principal amount of Prime Notes outstanding after the repayment was \$2,546 million.

Koch Preferred Securities

The dividend obligation associated with the Koch Preferred Securities is reflected in interest expense, net in the Condensed Consolidated Statements of Operations. For the six months ended June 30, 2018, the dividend obligation on the Koch Preferred Securities was \$51 million. In lieu of declaring and paying the dividend obligation on the Koch Preferred Securities, we elected to increase the reported balance of such securities, which increased the reported balance of mandatorily redeemable preferred securities on the Condensed Consolidated Balance Sheet. For the six months ended June 30, 2017, the dividend obligation on the Koch Preferred Securities was \$41 million, which was paid in cash to the Koch Investor.

On May 8, 2018, we entered into a written consent (the “May 8 Koch Consent”) with an affiliate of Koch Industries, Inc. (the “Koch Investor”), whereby we agreed to redeem the Koch Preferred Securities on July 2, 2018. We redeemed the original stated value of \$750 million of the Koch Preferred Securities on July 2, 2018 using the funds deposited in the Segregated Account in connection with the IPO. We also paid approximately \$200 million for the redemption premium, accumulated dividends, and tax reimbursements associated with the redemption of the Koch Preferred Securities, which was funded with cash on hand at the time of redemption.

In connection with the Koch Redemption, we will record an estimated loss on extinguishment of debt in the third quarter of 2018 of approximately \$215 million primarily related to the write-off of unamortized debt issuance costs and discount and the payment of the redemption premium.

Additionally, while the certificate of designation of the Koch Preferred Securities restricted us from paying dividends on our common stock, the May 8 Koch Consent allowed us to make a one-time distribution in an aggregate amount not to exceed \$27 million, which we used to declare a dividend on our common stock on May 9, 2018.

Debt Covenants

As of June 30, 2018, we were in compliance with all financial covenant and other maintenance tests for all our debt obligations.

Refer to Note 5 “Debt” and Note 6 “Mandatorily Redeemable Preferred Securities” to the condensed consolidated financial statements for further discussion.

Dividends

During the six months ended June 30, 2018, our board of directors declared the following cash dividends on our common stock:

Declared Date	Dividend per Share	Record Date	Payment Date
March 15, 2018	\$0.035	March 26, 2018	April 5, 2018
May 9, 2018	\$0.035	June 25, 2018	July 10, 2018

On August 8, 2018, our board of directors declared a cash dividend of \$0.035 per share to common stockholders of record as of September 18, 2018. This dividend will be paid on October 2, 2018.

Cash Flow Analysis

The following table is a summary of our cash flow activity for the periods presented:

(in thousands)	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Net cash provided by operating activities	\$ 962,762	\$ 743,412
Net cash used in investing activities	\$ (696,147)	\$ (649,198)
Net cash provided by (used in) financing activities	\$ 705,410	\$ (107,227)

Cash Flows from Operating Activities

For the six months ended June 30, 2018 and 2017, net cash provided by operating activities was \$963 million and \$743 million, respectively. See discussion of net cash provided by operating activities included in Free Cash Flow under “—Non-GAAP Measures.”

Cash Flows from Investing Activities

We make certain investments in our business that are intended to grow our customer base, enhance the overall customer experience, improve the productivity of our field workforce, and support greater efficiency of our back-office systems and our customer care centers. For the six months ended June 30, 2018 and 2017, our investing activities consisted of accounts purchased under the ADT Authorized Dealer Program and bulk account purchases of \$328 million and \$306 million, respectively, subscriber system asset additions of \$281 million and \$299 million, respectively, and capital expenditures of \$65 million and \$69 million, respectively. The increase in cash paid for dealer generated customer accounts was primarily driven by costs associated with the acquisition of customers through the ADT Authorized Dealer Program. The decrease in subscriber system asset additions primarily resulted from the decrease in customer volume accompanied by the improvements in installation cost efficiencies.

Furthermore, during the six months ended June 30, 2018, we paid \$36 million for business acquisitions, net of cash acquired, and received \$14 million primarily related to proceeds received from the sale of a strategic investment. During the six months ended June 30, 2017, we received \$25 million primarily related to proceeds received from the sale of a strategic investment.

Cash Flows from Financing Activities

For the six months ended June 30, 2018, cash flows from financing activities primarily consisted of net proceeds from the IPO of \$1,406 million, after deducting related fees, repayment of long-term borrowings of \$674 million primarily associated with the partial paydown of the Prime Notes, and dividend payments on our common stock of \$26 million. For the six months ended June 30, 2017, financing activities primarily consisted of net proceeds from long-term borrowings of \$644 million primarily associated with incremental borrowings under our first lien credit facilities and dividend payments of \$750 million to our equity holders and Ultimate Parent, which primarily included distributions to our Sponsor.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In our Annual Report on Form 10-K for the year ended December 31, 2017, we disclosed our commitments and contractual obligations. There have been no other material changes to these commitments and contractual obligations outside the ordinary course of business except as noted below.

In February 2018, we used approximately \$649 million of the proceeds from the IPO to redeem \$594 million aggregate principal amount of Prime Notes and to pay the related call premium. Refer to Note 5 “Debt” to the condensed consolidated financial statements for further discussion.

In addition, on July 2, 2018, we redeemed the Koch Preferred Securities for total consideration of approximately \$950 million, including the payment of the related redemption premium, accumulated dividends, and tax reimbursements. Refer to Note 6 “Mandatorily Redeemable Preferred Securities” to the condensed consolidated financial statements for further discussion.

OFF-BALANCE SHEET ARRANGEMENTS

There were no material off-balance sheet arrangements as of June 30, 2018.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. We identified in our 2017 Annual Report on Form 10-K accounting policies that are based on, among other things, estimates and judgments made by management that include inherent risks and uncertainties.

Refer to Note 1 “Basis of Presentation and Summary of Significant Accounting Policies” to the condensed consolidated financial statements for further information about recent accounting adoptions and pronouncements.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain information that may constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management’s plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Without limiting the generality of the preceding sentence, any time we use the words “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

Forward-looking information involves risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, including without limitation, the risks and uncertainties disclosed in Item 1A. of this report under the heading “Risk Factors.” Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of the Company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in the Quarterly Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For quantitative and qualitative disclosures about market risk, see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2017. Other than as set forth below, our exposures to market risk have not changed materially since December 31, 2017.

We hold interest rate swap contracts with the objective of managing exposure to variability in interest rates on our debt. In June 2018, we entered into a series of LIBOR-based interest rate swap contracts with an aggregate notional amount of \$1.5 billion maturing in April 2022. Refer to Note 9 “Derivative Financial Instruments” to the condensed consolidated financial statements for further discussion.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”)) as of the end of the period covered by this Quarterly Report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2018, the Company’s disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2018, that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 8 "Commitments and Contingencies" to the condensed consolidated financial statements under the heading "Legal Proceedings" included in this Quarterly Report on Form 10-Q for legal proceedings and related matters.

ITEM 1A. RISK FACTORS.

ADT Inc.'s significant business risks are described in Part I, Item 1A. in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 15, 2018. You should be aware that these risk factors and other information may not describe every risk facing the Company. Other than as set forth below, there have been no material changes to our risk factors from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

We may be subject to securities class actions and other lawsuits which may harm our business and results of operations.

We have previously been subject to securities class actions in connection with issues that arose prior to our acquisition of The ADT Corporation while it was still a publicly traded company. The ADT Corporation became the subject of securities litigation as described in The ADT Corporation's filings with the SEC. We may in the future become subject to additional securities litigation in connection with issues that may have arisen prior to our acquisition of The ADT Corporation. This type of litigation may be lengthy, and may result in substantial costs and a diversion of management's attention and resources. Results cannot be predicted with certainty and an adverse outcome in such litigation could result in monetary damages or injunctive relief that could materially adversely affect our business, results of operations, financial condition and cash flows.

Five substantially similar shareholder class action lawsuits related to the January 2018 IPO of ADT Inc. common stock were filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida in March, April, and May 2018. The actions are entitled *Goldstrand Investments Inc. v. ADT Inc.*, *Krebsbach v. ADT Inc.*, *Katz v. ADT Inc.*, *Sweet v. ADT Inc.*, and *Lowinger v. ADT Inc.* By order dated July 10, 2018, the five Florida state court cases were consolidated for discovery and trial. A sixth shareholder class action lawsuit, *Juan Perdomo v. ADT Inc.*, was filed in the United States District Court for the Southern District of Florida in late May 2018. Plaintiffs in each case allege the purchase of ADT common stock in or traceable to the IPO, assert claims for alleged violations of the Securities Act of 1933 (the "Securities Act"), and seek to represent a class of similarly situated shareholders. Plaintiffs in all six cases name ADT Inc. and various ADT Inc. officers, directors, and IPO underwriters, including Apollo Global Securities, LLC, as defendants. Plaintiffs allege that the defendants violated the Securities Act because the registration statement and prospectus used to effectuate the IPO were false and misleading in that they allegedly misled investors with respect to financial and operational metrics, litigation involving ADT Inc., ADT Inc.'s efforts to protect its intellectual property, competitive pressures ADT Inc. faced, and ADT Inc.'s customer acquisition costs. Additionally, two plaintiffs allege that the defendants misled investors with respect to false-alarm pressures.

These lawsuits may be lengthy, and may result in substantial costs and a diversion of management's attention and resources. We can make no assurances that the outcome of such litigation will be favorable.

In addition, we are currently and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business, including, without limitation, commercial or contractual disputes with our suppliers; intellectual property matters; third-party liability, including product liability claims; and employment claims. There is a possibility that such claims may have a material adverse effect on our results of operations that is greater than we anticipate and/or negatively affect our reputation.

Our use of independent contractors for certain functions may expose us to additional risks.

In order to meet our evolving customer needs, we rely on third party independent contractors in addition to our existing workforce to perform certain tasks including, but not limited to, installation and service of our customer alarm systems. From time to time, we are involved in lawsuits and claims that assert that certain independent contractors should be treated as our employees. The state of the law regarding independent contractor status varies from state to state and is subject to change based on court decisions and regulation. For example, on April 30, 2018, the California Supreme Court adopted a new standard for determining whether a company "employs" or is the "employer" for purposes of the California Wage Orders in its decision in the

Dynamex Operations West, Inc. v. Superior Court case. The *Dynamex* decision alters the analysis of whether an individual, who is classified by a hiring entity as an independent contractor in California, has been properly classified as an independent contractor. Under the new test, an individual is considered an employee under the California Wage Orders unless the hiring entity establishes three criteria: (i) the worker is free from the control and direction of the hirer in connection with the performance of the work, both under the contract for the performance of such work and in fact; (ii) the worker performs work that is outside the usual course of the hiring entity's business; and (iii) the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity. Adverse determinations regarding the independent contractor status of any of our subcontractors could, among other things, entitle such individuals to the reimbursement of certain expenses and to the benefit of wage-and-hour laws, and could result in ADT being liable for employment and withholding tax and benefits for such individuals. Any such adverse determination could result in a material reduction of the number of subcontractors we can use for our business or significantly increase our costs to serve our customers, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

If new tariffs or other trade restrictions are imposed on imports from China or other countries where our end-user equipment is manufactured, or any counter-measures are taken in response, our business and results of operations may be materially adversely affected.

If new tariffs or other trade restrictions are placed on imports from China or other countries where our end-user equipment is manufactured, or any counter-measures are taken in response to new tariffs, our business and results of operations may be materially harmed. In July 2018, the United States federal government announced a list of categories of goods manufactured in China, including alarm equipment, that could face tariffs of 10% and other categories of electronic equipment manufactured in China that we install in our customers' premises, such as batteries and thermostats, that could face tariffs of 25%. It is expected that these tariffs will be finalized after a public comment period ending in early September 2018. If the proposed tariff on alarm equipment and other electronics from China remains unaltered, a significant portion of the equipment we install in our customer premises would be subject to additional tariffs of 10% to 25% upon entering the United States, which may result in our costs for such equipment increasing as a result of some or all of such new tariffs being passed on to us by the sellers of such equipment. If any or all of the costs of these tariffs are passed on to us by the sellers of our end-user equipment, we may be required to raise our prices, which could result in the loss of customers and harm our business and results of operations. Alternatively, we may seek to find new sources of end-user products, which may result in higher costs and disruption to our business. The United States federal government has also indicated that it may seek further modifications to trade agreements with China and other countries beyond the proposed 10% tariff on electronics from China. Even if the currently proposed tariffs are not imposed on our end-user equipment manufactured in China, it is possible further tariffs will be imposed on imports of equipment that we install in end-user premises, or that our business will be impacted by retaliatory trade measures taken by China or other countries, causing us to raise our prices or make changes to our business, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Securities

Set forth below is information regarding securities sold or granted by us during the six months ended June 30, 2018 that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). Also included is the consideration, if any, received by us for such securities and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed for such sales and grants. Such information is rounded to the nearest whole number, except per share data.

Common Stock

- On January 4, 2018, we effected a stock split whereby our issued and outstanding shares of common stock were reclassified as 641,118,571 shares of our common stock.
- On January 22, 2018, we issued 20,636,766 shares of common stock to Ultimate Parent.
- On January 25, 2018, we issued 147,620 shares of common stock to an executive officer of the Company to satisfy the Company's obligations under a retention agreement. The retention grant was fully vested upon issuance.

Except as otherwise noted above, these transactions were exempt from registration pursuant to Section 4(a)(2) of the Securities Act, as they were transactions by an issuer that did not involve a public offering of securities.

Use of Proceeds from Registered Securities

In January 2018, we consummated an initial public offering of 105,000,000 shares of our common stock at a price of \$14.00 per share pursuant to a Registration Statement on Form S-1 (Registration No. 333-222233), which was declared effective by the SEC on January 18, 2018. We received gross proceeds from our IPO of approximately \$1,470 million, or \$1,406 million after reflecting underwriting discounts and commissions of approximately \$55 million, as well as expenses. In February 2018, we used approximately \$649 million of the proceeds from the IPO to redeem \$594 million aggregate principal amount of the Prime Notes and pay the related call premium. In addition, upon consummation of the IPO, we deposited \$750 million of the net proceeds into the Segregated Account, which amount was used to redeem the Koch Preferred Securities on July 2, 2018, and we also paid approximately \$200 million for the redemption premium, accumulated dividends, and tax reimbursements, which was funded with cash on hand at the time of redemption. The remaining proceeds from the IPO were used for general corporate purposes.

Issuer Purchases of Equity Securities

We do not currently have a repurchase plan or program for our equity securities. However, we repurchased 4,203 equity securities in January 2018 from two former employees at our January 2018 initial public offering price of \$14.00 per share. As described by the following information, there were no stock repurchases during the quarter ended June 30, 2018.

Period	Total Number of Shares Purchased	Average Price Paid Per Share
April 1, 2018 - April 30, 2018	—	\$ —
May 1, 2018 - May 31, 2018	—	\$ —
June 1, 2018 - June 30, 2018	—	\$ —
Total	—	\$ —

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See Exhibit Index attached hereto, which is incorporated herein by reference.

Exhibits Index

The information required by this Item is set forth on the exhibit index.

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
<u>10.1</u>	<u>Incremental Assumption and Amendment Agreement No. 6, dated as of March 16, 2018, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, the lenders party thereto, Barclays Bank PLC and the other parties party thereto</u>	8-K	10.1	03/19/2018
<u>10.2</u>	<u>Written Consent of Preferred Majority Holder, dated January 23, 2018</u>	10-Q	10.2	05/09/2018
<u>10.3</u>	<u>Agreement and Consent, dated May 8, 2018, by and among Koch SV Investments, LLC and ADT Inc.</u>	10-Q	10.3	05/09/2018
<u>10.4</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan</u>	S-1/A	10.32	01/08/2018
<u>10.5</u>	<u>Form of Restricted Stock Unit Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>	S-1/A	10.33	01/08/2018
<u>10.6</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>	S-1/A	10.34	01/08/2018
<u>10.7</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>	S-1/A	10.35	01/08/2018
<u>10.8</u>	<u>Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>	S-1/A	10.36	01/08/2018
<u>10.9*</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement</u>			
<u>10.10*</u>	<u>Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P.</u>			
<u>31.1*</u>	<u>Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</u>			
<u>31.2*</u>	<u>Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</u>			
<u>32.1*</u>	<u>Certification by the CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>			
<u>32.2*</u>	<u>Certification by the CFO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>			
101*	Financial statements from the quarterly report on Form 10-Q of ADT Inc. for the quarter and six months ended June 30, 2018 formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statement of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements			

* Filed herewith.

SIGNATURES

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

Date: August 9, 2018

ADT Inc.

By: _____ /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

ADT INC.
2018 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”), is entered into as of [____], 20[___] (the “Date of Grant”), by and between ADT Inc., a Delaware corporation (the “Company”), and [____] (the “Participant”). Capitalized terms used in this Agreement and not otherwise defined herein have the meanings ascribed to such terms in the ADT Inc. 2018 Omnibus Incentive Plan, as amended, restated or otherwise modified from time to time in accordance with its terms (the “Plan”).

WHEREAS, the Company has adopted the Plan, pursuant to which restricted stock units (“RSUs”) may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant the RSUs provided for herein to the Participant on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant a total of [____] RSUs, on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The RSUs shall vest in accordance with Section 2. The RSUs shall be credited to a separate book-entry account maintained for the Participant on the books of the Company.

(b) Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and the Participant’s beneficiary in respect of any questions arising under the Plan or this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

2. Vesting; Settlement.

(a) Except as may otherwise be provided herein, the RSUs shall become vested with respect to one-hundred percent (100%) of the RSUs on the earlier of (i) the first anniversary of the Date of Grant and (ii) the consummation of a Change in Control (the “Vesting Date”), subject to the Participant’s continued engagement as a director of the Company or any of its Affiliates through the applicable Vesting Date. Upon vesting, the RSUs shall no longer be subject to cancellation pursuant to Section 4 hereof. Notwithstanding the foregoing, the Committee shall have the authority to remove the restrictions on the RSUs whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the Date of Grant, such action is appropriate.

(b) Each RSU shall be settled within 10 days following the Vesting Date in shares of Common Stock.

3. Dividend Equivalents. In the event of any issuance of a cash dividend on the shares of Common Stock (a “Dividend”), the Participant shall be credited, as of the payment date for such Dividend, with an additional number of RSUs (each, an “Additional RSU”) equal to the quotient obtained by dividing (x) the product of (i) the number of RSUs granted pursuant to this Agreement and outstanding as of the record date for such Dividend multiplied by (ii) the amount of the Dividend per share, by (y) the Fair Market Value per share on the payment date for such Dividend, such quotient to be rounded to the nearest hundredth. Once credited, each Additional RSU shall be treated as an RSU granted hereunder and shall be subject to all terms and conditions set forth in this Agreement and the Plan.

4. Termination of Directorship.

(a) Generally. Except as otherwise provided herein, if the Participant’s membership on the board of directors of the Company or any of its Affiliates terminates for any reason other than for Cause, the Participant’s unvested RSUs will vest on a prorated basis as of the date of such termination, which shall be the final Vesting Date, based on the number of full months of service completed commencing on the Date of Grant and ending on the date of such termination, divided by the number of full months required to achieve complete vesting. Each RSU that vests in accordance with this Section 4(a) shall be settled upon the Participant’s separation from service. Any portion of the RSU award that does vest in accordance with this Section 4(a) shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

(b) Death or Disability. Notwithstanding anything to the contrary in Section 4, if the Participant’s membership on the board of directors of the Company or any of its Affiliates terminates due to the Participant’s death or Disability, then all unvested RSUs shall become fully vested as of the date of such termination, which shall be the final Vesting Date. Each RSU that vests in accordance with this Section 4(b) will (i) in the case of the Participant’s Disability, be settled upon the Participant’s separation from service, and (ii) in the case of the Participant’s death, be settled within 90 days following the date of the Participant’s death.

(c) Cause. Notwithstanding anything to the contrary in Section 4, if the Participant’s membership on the board of directors of the Company or any of its Affiliates is terminated by the Company for Cause, all unvested RSUs shall be canceled immediately and the Participant shall not be entitled to receive any payments with respect thereto.

5. Rights as a Stockholder. The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock underlying the RSUs unless, until and to the extent that (i) the Company shall have issued and delivered to the Participant the shares of Common Stock underlying the RSUs and (ii) the Participant’s name shall have been entered as a stockholder of record with respect to such shares of Common Stock on the books of the Company. The Company shall cause the actions described in clauses (i) and (ii) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

6. Compliance with Legal Requirements.

(a) Generally. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable U.S. federal, state and local laws, rules and regulations, all applicable non-U.S. laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Agreement.

(b) Tax Withholding. Vesting and settlement of the RSUs shall be subject to the Participant's satisfying any applicable U.S. federal, state and local tax withholding obligations and non-U.S. tax withholding obligations. The Company shall have the right and is hereby authorized to withhold from any amounts payable to the Participant in connection with the RSUs or otherwise the amount of any required withholding taxes in respect of the RSUs, their settlement or any payment or transfer of the RSUs or under the Plan and to take any such other action as the Committee or the Company deem necessary to satisfy all obligations for the payment of such withholding taxes (up to the maximum permissible withholding amounts), including the right to sell the number of shares of Common Stock that would otherwise be available for delivery upon settlement of the RSUs necessary to generate sufficient proceeds to satisfy withholding obligations. The Participant may elect to satisfy, and the Company may require the Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that would otherwise be deliverable to the Participant upon settlement of the RSUs with a Fair Market Value equal to such withholding liability.

7. **Clawback**. Notwithstanding anything to the contrary contained herein, the Committee may cancel the RSU award if the Participant, without the consent of the Company, has engaged in or engages in activity that is in conflict with or adverse to the interests of the Company or any Affiliate while employed by, serving as a director of, or otherwise providing services to the Company or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, or any violation of any non-competition, non-solicitation, non-disparagement or non-disclosure covenant or agreement with the Company or any Affiliate (after giving effect to any applicable cure period set forth therein), as determined by the Committee. In such event, the Participant will forfeit any compensation, gain or other value realized thereafter on the vesting or settlement of the RSUs, the sale or other transfer of the RSUs, or the sale of shares of Common Stock acquired in respect of the RSUs (provided that the RSUs vested during the 12-month period immediately prior to the Participant's adverse activity), and must promptly repay such amounts to the Company. If the Participant receives any amount in excess of what the Participant should have received under the terms of the RSUs for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), all as determined by the Committee, then the Participant shall promptly repay any such excess amount to the Company. To the extent required by applicable law or the rules and regulations of the NYSE or any other securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted, or if so required pursuant to a written policy adopted by the Company, the RSUs shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into this Agreement).

8. Miscellaneous.

(a) Transferability. The RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered (a “Transfer”) by the Participant other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order or as otherwise permitted under Section 14(b) of the Plan. Any attempted Transfer of the RSUs contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSUs, shall be null and void and without effect.

(b) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The RSUs are intended to be exempt from, or compliant with, Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant’s consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 8(c) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the RSUs will not be subject to interest and penalties under Section 409A.

(d) General Assets. All amounts credited in respect of the RSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant’s interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(e) Notices. Any notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage-paid first-class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant’s address indicated by the Company’s records, or if to the Company, to the attention of the General Counsel at the Company’s principal executive office.

(f) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(g) No Rights to Employment, Directorship or Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company or any of its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever.

(h) Fractional Shares. In lieu of issuing a fraction of a share of Common Stock resulting from adjustment of the RSUs pursuant to Section 11 of the Plan or otherwise, the Company shall be entitled to pay to the Participant an amount in cash equal to the Fair Market Value of such fractional share.

(i) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation.

(j) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(k) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto, other than any other non-competition, non-solicitation, non-disparagement or non-disclosure or other similar agreement to which the Participant may be a party, the covenants of which shall continue to apply to the Participant in accordance with the terms of such agreement. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 11 or 13 of the Plan.

(l) Governing Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(i) Dispute Resolution; Consent to Jurisdiction. All disputes between or among any Persons arising out of or in any way connected with the Plan, this Agreement or the RSUs shall be solely and finally settled by the Committee, acting in good faith, the determination of which shall be final. Any matters not covered by the preceding sentence shall be solely and finally settled in accordance with the Plan, and the Participant and the Company consent to the personal jurisdiction of the United States federal and state courts sitting in Wilmington, Delaware, as the exclusive jurisdiction with respect to matters arising out of or related to the enforcement of the Committee's determinations and resolution of matters, if any, related to the Plan or this Agreement not required to be resolved by the Committee. Each such Person hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the last known address of such Person, such service to become effective ten (10) days after such mailing.

(ii) Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or the transactions contemplated (whether based on contract, tort or any other theory). Each party hereto (A) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (B) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this section.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(o) Electronic Signature and Delivery. This Agreement may be accepted by return signature or by electronic confirmation. By accepting this Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to the Participant).

(p) Electronic Participation in Plan. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[Remainder of page intentionally blank]

IN WITNESS WHEREOF, this Restricted Stock Unit Award Agreement has been executed by the Company and the Participant as of the day first written above.

ADT INC.

By: __
Name:
Title:

PARTICIPANT

[Insert Name]

[Signature Page to Restricted Stock Unit Award Agreement]

AMENDMENT TO THE REGISTRATION RIGHTS AGREEMENT
BETWEEN PRIME SECURITY SERVICES TOPCO PARENT, L.P. AND ADT INC.

This Amendment, dated as of June 22, 2018 (this “Amendment”) is entered into by and among Prime Security Services TopCo Parent, L.P. (“Prime Parent”), Prime Security Services TopCo Parent II, L.P. (“Prime Parent II”) and ADT Inc. (the “Company”), to add Prime Parent II as a “Stockholder” under the Registration Rights Agreement, dated as of January 23, 2018, by and between Prime Parent and the Company (the “Registration Rights Agreement”). Terms used but not defined herein shall have the meaning assigned in the Registration Rights Agreement.

RECITALS

WHEREAS, on January 23, 2018, Prime Parent and ADT Inc. entered into the Registration Rights Agreement;

WHEREAS, pursuant to Section 4.8 of the Registration Rights Agreement, no provision of the Registration Rights Agreement may be amended unless such amendment is in writing and signed by the Company and Stockholders holding a majority of the Registerable Securities;

WHEREAS, Prime Parent is a Stockholder under the Registration Rights Agreement and holds a majority of the Registerable Securities;

WHEREAS, Prime Parent has transferred 42,025,000 shares of the Company’s common stock to Prime Parent II; and

WHEREAS, Prime Parent and the Company desire to amend the Registration Rights Agreement to add Prime Parent II as a party thereto.

AMENDMENT

1. Amendment to the Definition of Stockholders. In exchange for good and valuable consideration, the receipt of which is acknowledged, in accordance with Section 4.8 of the Registration Rights Agreement, the parties hereby agree to amend and restate the definition of Stockholders included in Section 1.1 of the Registration Rights Agreement to:

“Stockholder” shall mean Prime Parent, Prime Parent II and their successors, permitted transferees and assigns.

2. Effect of Amendment. Except as expressly provided in Section 1 hereof, this Amendment does not, by implication or otherwise, nor shall it be deemed to operate to, alter, modify, waive, amend or in any way affect any of the rights, remedies, powers, privileges or covenants contained in the Registration Rights Agreement. This Amendment shall not be deemed to be consent to any past, current or future amendment, waiver or modification of any other term or condition of the Registration Rights Agreement.

This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

[*Signature page follows*]

IN WITNESS WHEREOF , this Amendment is executed as of the date first written above.

PRIME PARENT

Prime Security Services TopCo Parent, L.P.

By: Prime Security Services TopCo Parent GP, LLC, its general partner

By: /s/ Timothy J. Whall

Name: Timothy J. Whall
Title: Chief Executive Officer

THE COMPANY

ADT Inc.

By: /s/ Timothy J. Whall

Name: Timothy J. Whall
Title: Chief Executive Officer

PRIME PARENT II

Prime Security Services Topco Parent II, L.P.
By: Prime Security Services GP, LLC,
its general partner

By: /s/ Timothy J. Whall

Name: Timothy J. Whall

Title: Chief Executive Officer

[Signature Page – Amendment]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Timothy J. Whall , certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ADT Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) *Omitted pursuant to SEC Release No. 34-54942* ;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Timothy J. Whall

Timothy J. Whall

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffrey Likosar , certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ADT Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) *Omitted pursuant to SEC Release No. 34-54942* ;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2018

/s/ Jeffrey Likosar

Jeffrey Likosar

Chief Financial Officer

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

I, Timothy J. Whall, Chief Executive Officer of ADT Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

/s/ Timothy J. Whall

Timothy J. Whall

Chief Executive Officer

August 9, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

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

I, Jeffrey Likosar , Chief Financial Officer of ADT Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

/s/ Jeffrey Likosar

Jeffrey Likosar

Chief Financial Officer

August 9, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.