

**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, 2019

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) 988-3600**

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ADT	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically 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 739,891,705 (excluding 10,208,430 unvested shares of common stock) as of July 31, 2019 .

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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, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,052	\$ 363,177
Accounts receivable trade, less allowance for doubtful accounts of \$43,892 and \$39,765, respectively	275,545	245,714
Inventories, net	108,251	89,178
Work-in-progress	27,997	26,137
Prepaid expenses and other current assets	127,630	129,811
Total current assets	582,475	854,017
Property and equipment, net	356,911	326,565
Subscriber system assets, net	2,929,512	2,907,701
Intangible assets, net	7,225,974	7,488,194
Goodwill	5,145,477	5,081,887
Deferred subscriber acquisition costs, net	487,781	429,965
Other assets	249,039	120,279
Total assets	\$ 16,977,169	\$ 17,208,608
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 329,884	\$ 58,184
Accounts payable	275,081	221,341
Deferred revenue	340,100	334,886
Accrued expenses and other current liabilities	445,913	398,079
Total current liabilities	1,390,978	1,012,490
Long-term debt	9,481,059	9,944,112
Deferred subscriber acquisition revenue	629,810	544,429
Deferred tax liabilities	1,287,589	1,342,168
Other liabilities	297,874	140,604
Total liabilities	13,087,310	12,983,803
Commitments and contingencies (See Note 7)		
Stockholders' equity:		
Common stock—authorized 3,999,000,000 shares of \$0.01 par value; issued and outstanding shares of 746,360,289 and 766,881,453 as of June 30, 2019 and December 31, 2018, respectively	7,464	7,669
Additional paid-in capital	5,888,576	5,969,347
Accumulated deficit	(1,904,242)	(1,680,432)
Accumulated other comprehensive loss	(101,939)	(71,779)
Total stockholders' equity	3,889,859	4,224,805
Total liabilities and stockholders' equity	\$ 16,977,169	\$ 17,208,608

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Monitoring and related services	\$ 1,085,422	\$ 1,023,126	\$ 2,155,837	\$ 2,040,418
Installation and other	198,322	108,333	370,967	207,489
Total revenue	1,283,744	1,131,459	2,526,804	2,247,907
Cost of revenue (exclusive of depreciation and amortization shown separately below)	338,089	246,225	664,047	494,619
Selling, general and administrative expenses	344,664	322,538	669,173	627,508
Depreciation and intangible asset amortization	500,864	488,320	996,742	971,996
Merger, restructuring, integration, and other	6,990	455	13,269	8,478
Operating income	93,137	73,921	183,573	145,306
Interest expense, net	(154,641)	(174,479)	(313,546)	(348,812)
Loss on extinguishment of debt	(66,911)	—	(88,472)	(61,597)
Other income	1,510	29,282	2,709	28,822
Loss before income taxes	(126,905)	(71,276)	(215,736)	(236,281)
Income tax benefit	22,848	4,571	45,209	12,139
Net loss	\$ (104,057)	\$ (66,705)	\$ (170,527)	\$ (224,142)
Net loss per share:				
Basic and diluted	\$ (0.14)	\$ (0.09)	\$ (0.23)	\$ (0.30)
Weighted-average number of shares:				
Basic and diluted	749,575	750,009	752,895	739,354

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net loss	\$ (104,057)	\$ (66,705)	\$ (170,527)	\$ (224,142)
Other comprehensive loss, net of tax:				
Cash flow hedges	(32,934)	(2,289)	(50,199)	(2,289)
Foreign currency translation	10,646	(10,925)	20,051	(26,652)
Defined benefit pension plans	(6)	—	(12)	—
Total other comprehensive loss, net of tax	(22,294)	(13,214)	(30,160)	(28,941)
Comprehensive loss	\$ (126,351)	\$ (79,919)	\$ (200,687)	\$ (253,083)

See Notes to Condensed Consolidated Financial Statements

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

	For the Quarter Ended June 30, 2019						For the Quarter Ended June 30, 2018					
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at beginning of period	767,005	\$ 7,670	\$5,993,668	\$ (1,773,662)	\$ (79,645)	\$ 4,148,031	766,844	\$ 1,052	\$5,890,377	\$ (1,148,059)	\$ (19,734)	\$ 4,723,636
Net loss	—	—	—	(104,057)	—	(104,057)	—	—	—	(66,705)	—	(66,705)
Other comprehensive loss, net of tax	—	—	—	—	(22,294)	(22,294)	—	—	—	—	(13,214)	(13,214)
Common stock issued for initial public offering proceeds, net of related fees	—	—	—	—	—	—	—	—	155	—	—	155
Repurchases of common stock	(20,610)	(206)	(127,808)	—	—	(128,014)	—	—	—	—	—	—
Dividends, including dividends reinvested in common stock	—	—	—	(26,368)	—	(26,368)	—	—	—	(26,875)	—	(26,875)
Share-based compensation expense	—	—	22,540	—	—	22,540	(49)	—	45,814	—	—	45,814
Other	(35)	—	176	(155)	—	21	—	—	(969)	—	—	(969)
Balances at end of period	<u>746,360</u>	<u>\$ 7,464</u>	<u>\$5,888,576</u>	<u>\$ (1,904,242)</u>	<u>\$ (101,939)</u>	<u>\$ 3,889,859</u>	<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 STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	For the Six Months Ended June 30, 2019						For the Six Months Ended June 30, 2018					
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at beginning of period	766,881	\$ 7,669	\$5,969,347	\$ (1,680,432)	\$ (71,779)	\$ 4,224,805	641,119	\$ 2	\$4,435,329	\$ (998,212)	\$ (4,007)	\$ 3,433,112
Adoption of accounting standard, net of tax	—	—	—	—	—	—	—	—	—	34,430	—	34,430
Net loss	—	—	—	(170,527)	—	(170,527)	—	—	—	(224,142)	—	(224,142)
Other comprehensive loss, net of tax	—	—	—	—	(30,160)	(30,160)	—	—	—	—	(28,941)	(28,941)
Common stock issued for initial public offering proceeds, net of related fees	—	—	—	—	—	—	105,000	1,050	1,404,969	—	—	1,406,019
Repurchases of common stock	(23,883)	(239)	(149,629)	—	—	(149,868)	—	—	—	—	—	—
Dividends, including dividends reinvested in common stock	3,407	34	22,407	(53,093)	—	(30,652)	—	—	—	(53,715)	—	(53,715)
Share-based compensation expense	—	—	46,250	—	—	46,250	20,676	—	95,102	—	—	95,102
Other	(45)	—	201	(190)	—	11	—	—	(23)	—	—	(23)
Balances at end of period	<u>746,360</u>	<u>\$ 7,464</u>	<u>\$5,888,576</u>	<u>\$ (1,904,242)</u>	<u>\$ (101,939)</u>	<u>\$ 3,889,859</u>	<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, 2019	June 30, 2018
Cash flows from operating activities:		
Net loss	\$ (170,527)	\$ (224,142)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and intangible asset amortization	996,742	971,996
Amortization of deferred subscriber acquisition costs	37,760	27,152
Amortization of deferred subscriber acquisition revenue	(50,472)	(35,555)
Share-based compensation expense	46,250	95,102
Deferred income taxes	(47,885)	(9,778)
Provision for losses on accounts receivable and inventory	27,641	27,531
Loss on extinguishment of debt	88,472	61,597
Other non-cash items, net	67,957	2,427
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Deferred subscriber acquisition costs	(97,650)	(88,810)
Deferred subscriber acquisition revenue	134,877	127,973
Other, net	(53,993)	7,269
Net cash provided by operating activities	979,172	962,762
Cash flows from investing activities:		
Dealer generated customer accounts and bulk account purchases	(333,846)	(327,553)
Subscriber system assets	(293,973)	(280,720)
Capital expenditures	(84,461)	(65,212)
Acquisition of businesses, net of cash acquired	(76,511)	(36,214)
Other investing, net	1,152	13,552
Net cash used in investing activities	(787,639)	(696,147)
Cash flows from financing activities:		
Proceeds from initial public offering, net of related fees	—	1,406,019
Proceeds from long-term borrowings	1,956,393	—
Repayment of long-term borrowings, including call premiums	(2,249,641)	(673,928)
Dividends on common stock	(30,407)	(26,265)
Repurchases of common stock	(149,868)	—
Deferred financing costs	(43,716)	(337)
Other financing, net	1,804	(79)
Net cash (used in) provided by financing activities	(515,435)	705,410
Effect of currency translation on cash	792	(636)
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(323,110)	971,389
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	367,162	126,782
Cash and cash equivalents and restricted cash and cash equivalents at end of period	\$ 44,052	\$ 1,098,171
Supplemental schedule of non-cash investing and financing activities:		
Issuance of shares in lieu of cash dividend	\$ 22,441	\$ —

See Notes to Condensed Consolidated Financial Statements

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

1 . Description of Business and Summary of Significant Accounting Policies

Organization and Business

ADT Inc. (formerly named Prime Security Services Parent Inc.) (“the Company” or “ADT Inc.”), a company incorporated in the State of Delaware, and its wholly owned subsidiaries, is a leading provider of monitored security and interactive home and business automation solutions in the United States (“U.S.”) and Canada. The Company 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.

On July 1, 2015, the Company acquired Protection One, Inc. and ASG Intermediate Holding Corp. (collectively, the “Formation Transactions”), which were instrumental in the formation of the Company. Prior to the Formation Transactions, the Company was a holding company with no assets or liabilities. On May 2, 2016, the Company acquired The ADT Security Corporation (formerly named The ADT Corporation) (“The ADT Corporation”) (“ADT Acquisition”). The Company primarily conducts business under the ADT brand name.

In January 2018, the Company completed an initial public offering (“IPO”) and its common stock began trading on the New York Stock Exchange under the symbol “ADT.”

Significant Accounting Policies

The condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”), which require the Company to select accounting policies and make estimates that affect amounts reported in the condensed consolidated financial statements and the accompanying notes. The Company’s estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

Basis of Presentation and Consolidation

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 interim results, these condensed consolidated 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, 2018 (“2018 Annual Report”), which was filed with the U.S. Securities and Exchange Commission (“SEC”) on March 11, 2019. The Company’s accounting policies used in the preparation of these condensed consolidated financial statements do not differ from those used for the annual consolidated financial statements, unless otherwise noted.

The Condensed Consolidated Balance Sheet as of December 31, 2018 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 consolidated financial statements.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions have been eliminated. Certain prior period amounts have been reclassified to conform with the current period presentation.

The Company has one operating and reportable segment, which is based on the manner in which the Chief Executive Officer, who is the chief operating decision maker, evaluates performance and makes decisions about how to allocate resources.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

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, 2019	December 31, 2018
Cash and cash equivalents	\$ 43,052	\$ 363,177
Restricted cash and cash equivalents in prepaid expenses and other current assets	1,000	3,985
Cash and cash equivalents and restricted cash and cash equivalents at end of period	\$ 44,052	\$ 367,162

Subscriber System Assets, net and Deferred Subscriber Acquisition Costs, net

The Company capitalizes certain costs associated with transactions in which the Company retains ownership of the security system as well as incremental selling expenses related to acquiring customers. These costs include equipment, installation costs, and other incremental costs and are recorded in subscriber system assets, net and deferred subscriber acquisition costs, net in the Condensed Consolidated Balance Sheets. These assets embody a probable future economic benefit as they contribute to the generation of future monitoring and related services revenue for the Company.

Subscriber system assets, net represent capitalized equipment and installation costs incurred in connection with transactions in which the Company retains ownership of the security system. Upon customer termination, the Company may retrieve such assets. Depreciation expense relating to subscriber system assets is included in depreciation and intangible asset amortization in the Condensed Consolidated Statements of Operations and was \$141 million and \$137 million for the quarters ended June 30, 2019 and 2018 , respectively, and was \$281 million and \$273 million for the six months ended June 30, 2019 and 2018 , respectively.

The gross carrying amount, accumulated depreciation, and net carrying amount of the Company's subscriber system assets as of June 30, 2019 and December 31, 2018 were as follows:

<i>(in thousands)</i>	June 30, 2019	December 31, 2018
Gross carrying amount	\$ 4,599,997	\$ 4,304,279
Accumulated depreciation	(1,670,485)	(1,396,578)
Subscriber system assets, net	\$ 2,929,512	\$ 2,907,701

Deferred subscriber acquisition costs, net represent incremental selling expenses (primarily commissions) related to acquiring customers. Amortization expense relating to deferred subscriber acquisition costs included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations was \$20 million and \$14 million for the quarters ended June 30, 2019 and 2018 , respectively, and \$38 million and \$27 million for the six months ended June 30, 2019 and 2018 , respectively.

Subscriber system assets and any related deferred subscriber acquisition costs resulting from customer acquisitions are accounted for on a pooled basis based on the month and year of acquisition. The Company amortizes its pooled subscriber system assets and related deferred subscriber acquisition costs using an accelerated method over the estimated life of the customer relationship, which is 15 years .

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of June 30, 2019 and December 31, 2018 consisted of the following:

<i>(in thousands)</i>	June 30, 2019	December 31, 2018
Accrued interest	\$ 89,651	\$ 85,046
Payroll-related accruals	92,679	105,089
Other accrued liabilities	263,583	207,944
Accrued expenses and other current liabilities	\$ 445,913	\$ 398,079

Radio Conversion Costs

In February 2019, the Company received notice from AT&T, the Company's largest wireless network provider, that it will be retiring its 3G network by the first quarter of 2022, which is also the year the Code-Division Multiple Access ("CDMA") network

used to provide services to some of the Company's customers is being retired. The Company currently provides services to approximately 3.6 million customer sites that use 3G or CDMA cellular equipment, which number is decreasing on a monthly basis in the ordinary course of business due to attrition, upgrades, and repairs. The Company's plans to address this three-year transition are not yet finalized, and the impact involves numerous estimates and variables. Among other factors, the Company will look to reduce any applicable costs to the Company, such as hardware costs currently estimated to be less than \$90 per site, by exploring cost-sharing opportunities and working with suppliers, carriers, and customers and to increase revenue by using the transition as an opportunity to sell new products and services in conjunction with replacing the radio and to more rapidly transition customers to the Company's new Command and Control technology. The Company currently estimates that aggregate net expenditures could be between \$200 million to \$325 million over the course of the next three years. For 2019, the Company expects to incur net costs of approximately \$25 million to \$35 million associated with radio conversion costs.

Fair Value of Financial Instruments

The Company's financial instruments primarily consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments. Due to their short-term and/or liquid nature, the fair values of cash, restricted cash, accounts receivable, and accounts payable approximate their respective carrying values.

Cash Equivalents - Included in cash and cash equivalents are investments in money market mutual funds, which were immaterial as of June 30, 2019 and \$221 million as of December 31, 2018. These investments are classified as Level 1 fair value measurements.

Long-Term Debt Instruments - The fair values of the Company's debt instruments are determined using broker-quoted market prices, which are classified as Level 2 fair value measurements.

The carrying value and fair value of the Company's long-term debt instruments that are subject to fair value disclosures as of June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in thousands)				
Debt instruments, excluding capital lease obligations	\$ 9,729,534	\$ 10,055,474	\$ 9,952,385	\$ 9,828,274

Derivative Financial Instruments - Derivative financial instruments are reported at fair value as either assets or liabilities in the Condensed Consolidated Balance Sheets. These fair values are primarily calculated using discounted cash flow valuation techniques that incorporate observable inputs, such as quoted forward interest rates, and incorporate credit risk adjustments to reflect the risk of default by the counterparty or the Company. The resulting fair values are classified as Level 2 fair value measurements. Refer to Note 8 "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. The Company had no material guarantees other than in standby letters of credit related to its insurance programs. The Company's guarantees totaled \$57 million and \$54 million as of June 30, 2019 and December 31, 2018, respectively.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-02, *Leases*, and related amendments, require lessees to recognize a right-of-use asset and a lease liability for substantially all leases and to disclose key information about leasing arrangements and aligns certain underlying principles of the lessor model with the revenue standard. The Company adopted this guidance in the first quarter of 2019 using the optional transition method, which allows entities to apply the guidance at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings, if any, in the period of adoption with no restatement of comparative periods. As part of the adoption, the Company elected to apply the package of transitional practical expedients under which the Company did not reassess prior conclusions about lease identification, lease classification, and initial direct costs of existing leases as of the date of adoption. Additionally, the Company elected lessee and lessor practical expedients to not separate non-lease components from lease components. The Company did not elect to apply the hindsight transitional practical expedient to reassess the lease terms of existing lease arrangements as of the date of adoption or the short-term lease recognition exemption.

Upon transition to the guidance as of the date of adoption, the Company recognized operating lease liabilities in the Condensed Consolidated Balance Sheet, with a corresponding amount of right-of-use assets, net of amounts reclassified from other assets and liabilities that are required to be presented as a component of operating lease liabilities or right-of-use assets. Refer to Note 13 “Leases” for further discussion regarding the amount of operating lease liabilities and right-of-use assets recognized as of the date of adoption. Further, the adoption did not have a material effect on the Condensed Consolidated Statements of Operations or Cash Flows.

The net impact of the adoption to the line items in the Condensed Consolidated Balance Sheet was as follows:

<i>(in thousands)</i>	December 31, 2018	Lease Standard Adoption Adjustment	January 1, 2019
Assets			
Prepaid expenses and other current assets	\$ 129,811	\$ (885)	\$ 128,926
Intangible assets, net	7,488,194	(658)	7,487,536
Other assets	120,279	125,170	245,449
Liabilities			
Accrued expenses and other current liabilities	398,079	29,460	427,539
Other liabilities	140,604	94,167	234,771

Recently Issued Accounting Pronouncements

There are no recently issued accounting pronouncements that the Company expects to have a material effect on the condensed consolidated financial statements, except as otherwise noted in our 2018 Annual Report.

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 retains 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 on a pooled basis into installation and other revenue in the Condensed Consolidated Statements of Operations over the estimated life of the customer relationship using an accelerated method consistent with the amortization of subscriber system assets and deferred subscriber acquisition costs associated with the transaction. Amortization of deferred subscriber acquisition revenue was \$26 million and \$19 million for the quarters ended June 30, 2019 and 2018 , respectively, and was \$50 million and \$36 million for the six months ended June 30, 2019 and 2018 , respectively.

In transactions involving security systems that are sold outright to the customer, the Company’s performance obligations generally 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.

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

<i>(in thousands)</i>	For the Quarters Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Monitoring and related services	\$ 1,085,422	\$ 1,023,126	\$ 2,155,837	\$ 2,040,418
Installation and other	198,322	108,333	370,967	207,489
Total revenue	\$ 1,283,744	\$ 1,131,459	\$ 2,526,804	\$ 2,247,907

3 . Acquisitions

During the six months ended June 30, 2019 , the Company paid \$77 million , net of cash acquired, related to business acquisitions, which resulted in the recognition of \$32 million of goodwill and \$28 million of contracts and related customer relationships.

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, 2019 .

Other Intangible Assets

The gross carrying amounts, accumulated amortization, and net carrying amounts of the Company's other intangible assets as of June 30, 2019 and December 31, 2018 were as follows:

<i>(in thousands)</i>	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Contracts and related customer relationships	\$ 7,924,412	\$ (3,393,202)	\$ 4,531,210	\$ 7,568,456	\$ (2,816,079)	\$ 4,752,377
Dealer relationships	1,602,573	(273,420)	1,329,153	1,598,916	(230,511)	1,368,405
Other	215,663	(183,052)	32,611	210,802	(176,390)	34,412
Total definite-lived intangible assets	9,742,648	(3,849,674)	5,892,974	9,378,174	(3,222,980)	6,155,194
Indefinite-lived intangible assets:						
Trade name	1,333,000	—	1,333,000	1,333,000	—	1,333,000
Intangible assets	\$ 11,075,648	\$ (3,849,674)	\$ 7,225,974	\$ 10,711,174	\$ (3,222,980)	\$ 7,488,194

For the six months ended June 30, 2019 , the changes in the net carrying amount of contracts and related customer relationships were as follows:

<i>(in thousands)</i>	
Beginning balance	\$ 4,752,377
Acquisition of customer relationships	27,678
Customer contract additions, net of dealer charge-backs	334,113
Amortization	(570,927)
Currency translation and other	(12,031)
Ending balance	\$ 4,531,210

The Company paid \$334 million to purchase contracts with customers under the ADT Authorized Dealer Program and from other third parties during the six months ended June 30, 2019 . The weighted-average amortization period for contracts with customers purchased under the ADT Authorized Dealer Program and from other third parties was 15 years during the six months ended June 30, 2019 .

Amortization expense for definite-lived intangible assets for the periods presented was as follows:

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(in thousands)				
Definite-lived intangible asset amortization expense	\$ 311,221	\$ 308,721	\$ 617,528	\$ 612,698

5. Debt

Debt as of June 30, 2019 and December 31, 2018 was comprised of the following:

Debt Description	Issued	Maturity	Interest Rate	Interest Payable	Balance as of	
					June 30, 2019	December 31, 2018
First Lien Term B-1 Loan	5/2/2016	5/2/2022	LIBOR +2.75%	Quarterly	\$ 3,414,353	\$ 3,924,438
First Lien Revolving Credit Facility	3/16/2018	3/16/2023	LIBOR +2.75%	Quarterly	99,000	—
Prime Notes	5/2/2016	5/15/2023	9.250%	5/15 and 11/15	1,246,000	2,546,000
First Lien Notes due 2024	4/4/2019	4/15/2024	5.250%	2/15 and 8/15	750,000	—
First Lien Notes due 2026	4/4/2019	4/15/2026	5.750%	3/15 and 9/15	750,000	—
ADT Notes due 2020	12/18/2014	3/15/2020	5.250%	3/15 and 9/15	300,000	300,000
ADT Notes due 2021	10/1/2013	10/15/2021	6.250%	4/15 and 10/15	1,000,000	1,000,000
ADT Notes due 2022	7/5/2012	7/15/2022	3.500%	1/15 and 7/15	1,000,000	1,000,000
ADT Notes due 2023	1/14/2013	6/15/2023	4.125%	6/15 and 12/15	700,000	700,000
ADT Notes due 2032	5/2/2016	7/15/2032	4.875%	1/15 and 7/15	728,016	728,016
ADT Notes due 2042	7/5/2012	7/15/2042	4.875%	1/15 and 7/15	21,896	21,896
Capital lease obligations	N/A	N/A	N/A	N/A	81,409	49,911
Less: Unamortized debt discount					(14,206)	(19,642)
Less: Unamortized deferred financing costs					(65,236)	(42,840)
Less: Unamortized purchase accounting fair value adjustment and other					(200,289)	(205,483)
Total debt					9,810,943	10,002,296
Less: Current maturities of long-term debt					(329,884)	(58,184)
Long-term debt					\$ 9,481,059	\$ 9,944,112

Significant changes in the Company's debt during the six months ended June 30, 2019 were as follows:

First Lien Credit Agreement

In April 2019, and in connection with a \$500 million repayment of the first lien term loan due in May 2022 ("First Lien Term B-1 Loan"), the Company amended and restated the first lien credit agreement ("First Lien Credit Agreement") governing the First Lien Term B-1 Loan to, among other things, (a) authorize the redemption of the outstanding principal amount of Prime Notes (as defined below), (b) authorize the incurrence of the First Lien Notes due 2024 (as defined below) and First Lien Notes due 2026 (as defined below) by amending the Net First Lien Leverage Ratio for the incurrence of pari passu indebtedness to 3.20 to 1.00 (from 2.35 to 1.00), (c) provide for \$300 million of additional incremental pari passu debt capacity, and (d) increase the borrowing capacity under a first lien revolving credit facility ("First Lien Revolving Credit Facility") by an additional \$50 million, which replaced the Mizuho Bank Revolving Credit Facility (as defined below). The Company incurred approximately \$17 million in deferred financing costs in connection with this amendment and restatement. Further, as a result of the \$500 million repayment, the Company did not have a quarterly principal payment obligation on the First Lien Term B-1 Loan as of June 30, 2019.

As of June 30, 2019, the Company had an outstanding balance of \$99 million and an available borrowing capacity of \$301 million under the First Lien Revolving Credit Facility.

Mizuho Bank Revolving Credit Facility

In February 2019, the Company entered into a first lien revolving credit agreement with an aggregate available commitment of up to \$50 million maturing in March 2023 ("Mizuho Bank Revolving Credit Facility"). The Mizuho Bank Revolving Credit Facility was terminated and replaced in April 2019 as part of the amendment and restatement to the First Lien Credit Agreement discussed above.

Prime Notes

In February 2019, the Company redeemed \$300 million aggregate principal amount of the outstanding 9.250% second-priority senior secured notes due 2023 (“Prime Notes”) for a total redemption price of approximately \$319 million, which included the related call premium. In April 2019, the Company redeemed an additional \$1 billion aggregate principal amount of the outstanding Prime Notes for a total redemption price of approximately \$1.1 billion, which included the related call premium.

First Lien Notes due 2024 and First Lien Notes due 2026

In April 2019, the Company issued \$750 million aggregate principal amount of 5.250% first-priority senior secured notes due 2024 (“First Lien Notes due 2024”) and \$750 million aggregate principal amount of 5.750% first-priority senior secured notes due 2026 (“First Lien Notes due 2026”). The proceeds from the First Lien Notes due 2024 and the First Lien Notes due 2026, along with cash on hand and borrowings under the First Lien Revolving Credit Facility, were used to (a) repurchase \$1 billion aggregate principal amount of the Prime Notes, (b) repay \$500 million aggregate principal amount of the First Lien Term B-1 Loan, and (c) pay fees and expenses associated with the foregoing, including early call premiums on the Prime Notes as well as accrued and unpaid interest on the repurchased Prime Notes and repaid borrowings under the First Lien Term B-1 Loan. The Company incurred approximately \$25 million in deferred financing costs in connection with the issuance of the First Lien Notes due 2024 and the First Lien Notes due 2026.

The First Lien Notes due 2024 will mature on April 15, 2024 with semi-annual interest payment dates of February 15 and August 15, while the First Lien Notes due 2026 will mature on April 15, 2026 with semi-annual interest payment dates of March 15 and September 15. Both may be redeemed, in whole or in part, at any time at a make-whole premium plus accrued and unpaid interest to, but excluding, the redemption date.

The First Lien Notes due 2024 and the First Lien Notes due 2026 are guaranteed, jointly and severally, on a senior secured first-priority basis, by each of the Company’s existing and future direct or indirect wholly owned material domestic subsidiaries that guarantee the First Lien Credit Agreement. In addition, the indentures governing the First Lien Notes due 2024 and the First Lien Notes due 2026 contain covenants that limit the Company’s ability to, among other things: (i) incur certain liens; (2) enter into sale leaseback transactions; and (3) consolidate, merge, or sell all or substantially all of the Company’s assets. These covenants are subject to a number of important limitations and exceptions. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Each indenture governing the First Lien Notes due 2024 and the First Lien Notes due 2026 also provides for customary events of default.

Loss on Extinguishment of Debt

During the six months ended June 30, 2019, loss on extinguishment of debt totaled \$88 million, which related to \$22 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$300 million partial redemption of the Prime Notes in February 2019, \$61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$1 billion partial redemption of the Prime Notes in April 2019, and \$6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$500 million repayment of the First Lien Term B-1 Loan in April 2019.

During the six months ended June 30, 2018, loss on extinguishment of debt totaled \$62 million, which related to the call premium and the partial write-off of unamortized deferred financing costs in connection with the \$594 million partial redemption of the Prime Notes in February 2018.

6. Income Taxes

Unrecognized Tax Benefits

During the six months ended June 30, 2019, the Company did not have a significant change to its unrecognized tax benefits. The Company’s unrecognized tax benefits 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 ended June 30, 2019 was \$23 million , resulting in an effective tax rate for the period of 18.0% . The effective tax rate primarily represents the federal income tax rate of 21.0% and a 3.4% unfavorable impact associated with legislative changes.

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 primarily represents the federal income tax rate of 21.0% , a 14.6% unfavorable impact of permanent non-deductible expenses primarily associated with the Company's prior mandatorily redeemable preferred securities, a 7.4% unfavorable impact associated with legislative changes, and offset by a 4.1% favorable impact from a change in the valuation allowance.

The Company's income tax benefit for the six months ended June 30, 2019 was \$45 million , resulting in an effective tax rate for the period of 21.0% . The effective tax rate represents the federal income tax rate of 21.0% , a 1.8% unfavorable impact associated with legislative changes, and offset by a 1.2% favorable impact associated with the resolution of open tax years.

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 primarily represents the federal income tax rate of 21.0% , 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 Company's prior mandatorily redeemable preferred securities, and offset by an 11.4% favorable impact associated with the resolution of open tax years.

7 . Commitments and Contingencies

Purchase Obligations

During the six months ended June 30, 2019 , the Company amended an agreement with a wireless network provider, which resulted in a fixed purchase obligation totaling approximately \$80 million through 2022. There have been no other material changes to the Company's purchase obligations outside the ordinary course of business as compared to December 31, 2018 .

Legal Proceedings

The Company is subject to various claims and lawsuits in the ordinary course of business, which include contractual disputes; worker's compensation; employment matters; product, general, and auto 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. 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 records accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, opinions of internal and external legal counsel, and actuarially determined estimates of claims incurred but not yet reported based upon historical claims experience. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred. Additionally, the Company records insurance recovery receivables from third-party insurers when recovery has been determined to be probable.

The Company's accrual for ongoing claims and lawsuits not within scope of an insurance program was not material and in most cases the Company has not accrued for any losses as the ultimate outcome or the range of possible loss cannot be estimated. The Company's accrual for ongoing claims and lawsuits within scope of an insurance program totaled \$76 million and \$74 million as of June 30, 2019 and December 31, 2018 , respectively.

Environmental Matters

In October 2013, an ADT subsidiary 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 the subsidiary'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. The investigations have been inactive since December 2016 other than a status conference conducted in May 2019. The Company is coordinating joint handling of both investigations and continues to fully cooperate 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. In January 2017, the parties agreed to settle all five class action lawsuits. In October 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 in November 2017, and the claim submittal process has been completed. A fairness hearing regarding the settlement was conducted in February 2018, after which trial court stayed the settlement proceedings pending an appellate ruling on a related legal issue. The appellate court issued a ruling in early June 2019, and in July 2019 the trial court entered an order granting final approval of the settlement.

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 and have been consolidated for discovery and trial and entitled *In re ADT Inc. Shareholder Litigation*. The lead plaintiffs seek to represent a class of similarly situated shareholders and assert claims for alleged violations of the Securities Act of 1933, as amended ("Securities Act"). The plaintiffs allege that the Company 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 litigation involving the Company, the Company's efforts to protect its intellectual property, and the competitive pressures faced by the Company. The defendants moved to dismiss the consolidated complaint in October 2018. In July 2019 the Florida state court denied the Company's motions to dismiss the complaint, but reserved its ruling on the motion to dismiss by the Company's outside directors and requested further briefing. A similar shareholder class action lawsuit entitled *Perdomo v ADT Inc.*, also related to the January 2018 IPO, was filed in the U.S. District Court for the Southern District of Florida in May 2018, for which the plaintiff filed an Amended Complaint in January 2019 as directed by the Court. The defendants moved to dismiss the Amended Complaint in March 2019. The motions are fully briefed and remain pending before the federal court.

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). Mr. 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 composed of 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. In October 2018, the Company answered Plaintiff's First Amended Complaint and filed a Cross-Complaint against Plaintiff's sub-contracting company for indemnification pursuant to the term of ADT's sub-contract.

Los Angeles Alarm Permit Class Action

In June 2013, an ADT subsidiary was served with a class action complaint in California State Court entitled *Villegas v. ADT*. In this complaint, the plaintiff asserted that the ADT subsidiary violated certain provisions of the California Alarm Act and the Los Angeles Municipal Alarm Ordinance for its alleged failures to obtain alarm permits for its Los Angeles customers and disclose the alarm permit fee in its customer contracts. The plaintiff seeks to recover damages for putative class members who were required to pay enhanced false alarm fines as a result of the ADT subsidiary not obtaining a valid alarm permit at the time of alarm system installation. The case was initially dismissed by the trial court and judgment was entered in the ADT subsidiary's favor in October 2014, which the plaintiff appealed. In September 2016, the California Appellate Court reversed and remanded the case back to the trial court. In November 2018, the trial court granted the plaintiff's motion for class certification and certified four subclasses of customers who received fines from the City of Los Angeles on or after May 31, 2010 for a false alarm and for not having an alarm system permit: a pre-March 2009 class of customers installed by the ADT subsidiary; a pre-March 2009 class of customers installed by ADT Authorized Dealers; a post-March 2009 class of customers installed by the ADT subsidiary; and a post-March 2009 class of customers installed by ADT Authorized Dealers.

TCPA Telemarketing Class Action

On May 13, 2019, ADT was served in a putative Telephone Consumer Protection Act (“TCPA”) class action lawsuit captioned, *Mark Fitzhenry v. ADT LLC and Safe Streets USA LLC*, filed in the U.S. District Court for the Southern District of Florida. Plaintiff seeks to recover statutory damages allowed under the TCPA on behalf of himself and others similarly situated based on his receipt of a single telemarketing call allegedly made by or on behalf of a third-party ADT authorized dealer. ADT is being defended and indemnified by the authorized dealer.

Tax Sharing Agreement

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 (“Separation from Tyco”), and The ADT Corporation became an independent public company. In connection with the Separation from Tyco, The ADT Corporation entered into a tax sharing agreement (“2012 Tax Sharing Agreement”) that governs the rights and obligations of The ADT Corporation, Tyco, and Pentair Ltd. (formerly Tyco Flow Control International, Ltd., “Pentair”) for certain pre-Separation from Tyco tax liabilities, including Tyco’s obligations under a 2007 tax sharing agreement (“2007 Tax Sharing Agreement”) among Tyco, Covidien (“Covidien”), now operating as a subsidiary of Medtronic, and TE Connectivity Ltd. (“TE Connectivity”).

As of June 30, 2019, there have been no material changes to the 2012 Tax Sharing Agreement as compared to December 31, 2018.

8. Derivative Financial Instruments

The Company's derivative financial instruments primarily consist of LIBOR-based interest rate swap contracts, which were entered into with the objective of managing exposure to variability in interest rates on the Company's debt. All interest rate swaps are reported in the Condensed Consolidated Balance Sheets at fair value. For the interest rate swaps that are not designated as hedges, the change in fair value is recognized in interest expense, net in the Condensed Consolidated Statements of Operations. For the interest rate swaps that are designated as cash flow hedges, the change in fair value is recognized as a component of accumulated other comprehensive loss (“AOCI”) in the Condensed Consolidated Statements of Comprehensive Loss and is reclassified into interest expense, net in the same period in which the related interest on debt affects earnings.

During the six months ended June 30, 2019, the Company entered into LIBOR-based interest rate swap contracts with an aggregate notional amount of \$725 million. Below is a summary of the Company’s derivative financial instruments as of June 30, 2019 (in thousands):

Execution	Maturity	Designation	Notional Amount
April 2017	April 2020	Not designated	\$ 1,000,000
June 2018	April 2022	Cash flow hedge	1,500,000
August 2018	April 2022	Cash flow hedge	1,000,000
January 2019	April 2022	Cash flow hedge	425,000
February 2019	April 2022	Cash flow hedge	300,000
Total notional amount			\$ 4,225,000

All interest rate swaps designated as cash flow hedges were highly effective as of June 30, 2019.

The fair value of the Company’s interest rate swaps and related presentation in the Condensed Consolidated Balance Sheets for the periods presented was as follows:

(in thousands)	June 30, 2019	December 31, 2018
Assets		
Prepaid expenses and other current assets	\$ —	\$ 6,525
Other assets	—	1,236
Liabilities		
Accrued expenses and other current liabilities	21,117	1,989
Other liabilities	73,823	26,040
Fair value of interest rate swaps	\$ 94,940	\$ 20,268

9 . Share-based Compensation

During the second quarter of 2019, the Company amended the 2018 Omnibus Incentive Plan (“2018 Plan”) to increase the number of authorized common shares to be issued under the 2018 Plan from approximately 38 million shares to approximately 88 million shares. Share-based compensation expense totaled \$23 million and \$46 million during the quarters ended June 30, 2019 and 2018 , respectively, and \$46 million and \$95 million during the six months ended June 30, 2019 and 2018 , respectively.

Restricted Stock Units

During the six months ended June 30, 2019 , the Company granted approximately 4 million restricted stock units (“RSUs”) under the 2018 Plan. These RSUs are primarily service-based awards with a three-year graded vesting period from the date of grant. The fair value of the RSUs is equal to the closing price per share of the Company’s common stock on the date of grant, which resulted in a weighted-average grant date fair value of \$6.23 .

Options

During the six months ended June 30, 2019 , the Company granted 9 million options under the 2018 Plan. These options are primarily service-based awards with a three-year graded vesting period from the date of grant and have an exercise price equal to the closing price per share of the Company’s common stock on the date of grant, which resulted in a weight-average exercise price of \$6.19 , and a contractual term of ten years from the grant date.

The Company used the following significant assumptions to estimate the grant date fair value for the options using the Black Scholes valuation approach:

	For the Six Months Ended June 30, 2019
Risk-free interest rate	2.30% - 2.51%
Expected exercise term (years)	6.0 - 6.5
Expected dividend yield	2.1% - 2.3%
Expected volatility	41%

The risk-free interest rate was based on a U.S. Treasury bond with a zero-coupon rate that is based on the expected exercise term. The stock price volatility 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, and the Company’s debt to equity ratio. The dividend yield was calculated by taking the annual dividend run-rate and dividing by the stock price at date of grant. The expected average exercise term 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.

During the six months ended June 30, 2019 , the weighted-average grant date fair value for options granted was \$2.11 .

10 . Equity

In January 2018, the Company completed an IPO in which the Company issued and sold 105,000,000 shares of common stock at an IPO price of \$14.00 per share. The Company received net proceeds of \$1.4 billion from the sale of its shares in the IPO after deducting underwriting discounts, commissions, and offering expenses.

Dividends

In February 2019, the Company approved a dividend reinvestment plan (“DRIP”), which allows stockholders to designate all or a portion of the cash dividends on their shares of common stock for reinvestment in additional shares of the Company’s common stock. The number of shares issued will be determined based on the volume weighted average closing price per share of the Company’s common stock for the five trading days preceding the dividend payment and adjusted for any discounts, as applicable. The DRIP will terminate upon the earlier of (a) February 27, 2021 and (b) the date upon which an aggregate of 18,750,000 shares of common stock have been issued pursuant to the DRIP. When dividends are declared, the Company records a liability for the full amount of the dividends. When dividends are settled, the Company reduces the liability and records an increase in common stock par value and additional paid-in capital for the portion of dividends settled in shares of common stock under the DRIP.

During the six months ended June 30, 2019 , the Company declared the following dividends on common stock:

Declared Date	Dividend per Share	Record Date	Payment Date
March 11, 2019	\$0.035	April 2, 2019	April 12, 2019
May 7, 2019	\$0.035	June 11, 2019	July 2, 2019

During the quarter ended June 30, 2019 , the Company declared \$26 million (or \$0.035 per share) in dividends, of which \$3 million represents the portion of the dividends settled in cash and \$23 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of approximately 4 million shares of common stock, on July 2, 2019 .

During the six months ended June 30, 2019 , the Company declared \$53 million (or \$0.07 per share) in dividends. When including the July 2, 2019 payment date, approximately \$7 million represents the portion of the dividends settled in cash and \$46 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of 7 million shares of common stock.

On August 6, 2019 , the Company announced a dividend of \$0.035 per share to common stockholders of record on September 11, 2019 , which will be distributed on October 2, 2019 .

Share Repurchase Program

In February 2019, the Company approved a share repurchase program, which permits the Company to repurchase up to \$150 million of the Company's shares of common stock through February 27, 2021. The Company effected these repurchases pursuant to one or more trading plans to be adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. The share repurchase program was conducted in accordance with Securities Exchange Act Rule 10b-18 and was substantially complete as of June 30, 2019 .

During the quarter and six months ended June 30, 2019 , the Company repurchased 21 million and 24 million shares of common stock, respectively, for approximately \$128 million and \$150 million , respectively. All of the shares repurchased were treated as retirements and reduced the number of shares issued and outstanding. In addition, the Company recorded the excess of the purchase price over the par value per share as a reduction to additional paid-in capital.

Accumulated Other Comprehensive Loss

There were no material reclassifications out of AOCI during the quarters and six months ended June 30, 2019 and 2018 .

11 . Net Loss per Share

Basic net loss per share is computed by dividing net loss available to common shares by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss available to common shares by the diluted weighted-average number of common shares outstanding during the period, which reflects the dilutive effect of potential common shares using the treasury stock method.

For purposes of the diluted net loss per share computation, all potential common shares that would be dilutive were excluded because their effect would be anti-dilutive due to the net loss available to common shares. As a result, basic net loss per share is equal to diluted net loss per share for each period presented.

The computations of basic and diluted net loss per share for the periods presented are as follows:

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<i>(in thousands, except per share amounts)</i>				
Numerator:				
Net loss	\$ (104,057)	\$ (66,705)	\$ (170,527)	\$ (224,142)
Denominator:				
Weighted-average shares outstanding, basic and diluted	749,575	750,009	752,895	739,354
Net loss per share, basic and diluted	\$ (0.14)	\$ (0.09)	\$ (0.23)	\$ (0.30)

12 . Related Party Transactions

The Company's related party transactions primarily relate to management, consulting, and transaction advisory services provided

by Apollo and Apollo's affiliates, as well as monitoring and related services provided to other entities controlled by Apollo. There were no significant related party transactions for the presented periods.

13 . Leases

Company as Lessor

The Company is a lessor in certain transactions in which the Company provides monitoring and related services but retains ownership of the security systems as the Company has identified a lease component associated with the right-of-use of the security systems and a non-lease component associated with monitoring and related services. For transactions in which the timing and pattern of transfer is the same for the lease and non-lease components, and the lease component would be classified as an operating lease if accounted for separately, the Company applies the practical expedient to aggregate the lease and non-lease components and accounts for the combined component based upon its predominant characteristic, which is the non-lease component. As a result, the Company accounts for the combined component as a single performance obligation under the applicable revenue guidance and the underlying assets are reflected within subscriber system assets, net in the Condensed Consolidated Balance Sheets.

Certain of the Company's transactions do not qualify for the practical expedient as the lease component represents a sales-type lease, as such, the Company separately accounts for the lease component and non-lease component. The Company's sales-type leases are immaterial.

Company as Lessee

The Company leases real estate, vehicles, and equipment with various lease terms and maturities that extend out through 2030 from various counter parties as part of normal operations. The Company applies the practical expedient to not separate the lease and non-lease components and accounts for the combined component as a lease. Additionally, the Company's right-of-use assets and lease liabilities include leases with an initial lease term of 12 months or less.

The Company's right-of-use assets and lease liabilities primarily represent (a) lease payments that are fixed at the commencement of a lease and (b) variable lease payments that depend on an index or rate. Lease payments are recognized as lease cost on a straight-line basis over the lease term, which is determined as the non-cancelable period, periods in which termination options are reasonably certain of not being exercised, and periods in which renewal options are reasonably certain of being exercised. The discount rate for a lease is determined using the Company's incremental borrowing rate that coincides with the lease term at the commencement of a lease. The incremental borrowing rate is estimated based on publicly available data for the Company's debt instruments and other instruments with similar characteristics.

Lease payments that are not fixed or that are not dependent on an index or rate and vary because of changes in usage or other factors are included in variable lease costs. Variable lease costs, which primarily relate to fuel, repair, and maintenance payments that vary based on the usage of leased vehicles, are recorded in the period in which the obligation is incurred.

The Company's leases do not contain material residual value guarantees or restrictive covenants. The Company's subleases are immaterial.

The following table presents the amounts reported in the Company's Condensed Consolidated Balance Sheets related to operating and finance leases as of the periods presented below:

Leases (in thousands)	Classification	June 30, 2019	January 1, 2019
Assets			
Current			
Operating	Prepaid expenses and other current assets	\$ 1,527	\$ 1,642
Non-current			
Operating	Other assets	133,506	125,936
Finance	Property and equipment, net(a)	69,210	38,181
Total right-of-use assets		\$ 204,243	\$ 165,759
Liabilities			
Current			
Operating	Accrued expenses and other current liabilities	\$ 31,011	\$ 30,357
Finance	Current maturities of long-term debt	27,204	18,343
Non-current			
Operating	Other liabilities	107,563	99,168
Finance	Long-term debt	54,205	31,568
Total lease liabilities		\$ 219,983	\$ 179,436

(a) Finance right-of-use assets are recorded net of accumulated amortization of approximately \$34 million and \$32 million as of June 30, 2019 and January 1, 2019, respectively.

The following is a summary of the Company's lease cost for the presented periods:

Lease Cost (in thousands)	For the Quarter Ended June 30, 2019	For the Six Months Ended June 30, 2019
Operating lease cost	\$ 14,986	\$ 30,073
Finance lease cost		
Amortization of right-of-use assets	6,071	10,518
Interest on lease liabilities	905	1,657
Variable lease costs	13,408	24,858
Total lease cost	\$ 35,370	\$ 67,106

The following is a summary of the cash flows and supplemental information associated with the Company's leases for the presented period:

Other information (in thousands)	For the Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 23,628
Operating cash flows from finance leases	1,657
Financing cash flows from finance leases	9,996
Right-of-use assets obtained in exchange for new finance lease liabilities	43,004
Right-of-use assets obtained in exchange for new operating lease liabilities	33,398

The following is a summary of the weighted-average lease term and discount rate for operating and finance leases as of the presented period:

Lease Term and Discount Rate	June 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	4.9
Finance leases	3.4
Weighted-average discount rate	
Operating leases	6.60%
Finance leases	5.00%

The following is a maturity analysis related to the Company's operating and finance leases as of June 30, 2019 :

Maturity of Lease Liabilities (in thousands)	Operating Leases	Finance Leases
2019	\$ 19,709	\$ 27,501
2020	37,436	25,295
2021	31,800	20,486
2022	28,390	13,807
2023	22,257	1,003
Thereafter	23,232	31
Total lease payments	\$ 162,824	\$ 88,123
Less interest	24,250	6,714
Total	\$ 138,574	\$ 81,409

The following is a maturity analysis related to the Company's operating and finance leases as of December 31, 2018 :

Maturity of Lease Liabilities (in thousands)	Operating Leases	Finance Leases
2019	\$ 40,192	\$ 20,604
2020	31,885	16,735
2021	26,336	10,728
2022	22,751	5,386
2023	16,731	696
Thereafter	17,727	—
Total lease payments	\$ 155,622	\$ 54,149
Less interest	—	4,238
Total	\$ 155,622	\$ 49,911

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 consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report"), which was filed with the

United States Securities and Exchange Commission (“SEC”) on March 11, 2019, to enhance the understanding of our financial condition, changes in financial condition, and results of operations. The following discussion and analysis contain 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 a leading provider of monitored security and interactive home and business automation solutions in the United States and Canada. Our monitored security and automation offerings involve the installation and monitoring of security and premises automation systems designed to detect intrusion; control access; sense movement, smoke, fire, carbon monoxide, flooding, temperature, and other environmental conditions and hazards; and address personal emergencies, such as injuries, medical emergencies, or incapacitation. Our products and services include interactive technologies to allow our customers to remotely monitor and manage their residential and commercial environments by adding automation capabilities to our monitored security systems. Through our interactive offerings, customers are able to remotely access information regarding the security of their residential or commercial environment, arm and disarm their security system, adjust lighting or thermostat levels, or view real-time video from cameras covering different areas of their premises via web-enabled devices (such as smart phones, laptops, and tablet computers) and a customized web portal. Additionally, our interactive automation solutions enable customers to create customized schedules or automation for managing lights, thermostats, appliances, and garage doors. The system can also be programmed to perform additional functions such as recording and viewing live video and sending text messages based on triggering events.

Our goal is to extend the concept of security from the physical home or business to cybersecurity and personal on-the-go security and safety. Customers’ increasingly mobile and active lifestyles have created new opportunities for us in the fast-growing market for self-monitored and do-it-yourself (“DIY”) products and services. Our technology also allows us to service our customers via various connected and wearable devices whether they are at home or on-the-go.

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, 2019, we serve over 7 million recurring revenue 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”) and include the accounts of ADT Inc. and its subsidiaries. All intercompany transactions have been eliminated.

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 recurring revenue generated from our monitoring and other services. In order to optimize returns on customer acquisitions and cash flow generation, we focus on the following key drivers of our business: 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 vary based on the level of service we provide to the customer and customer tenure. 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 revenue, 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.

Radio Conversion Costs

We received notice from AT&T, our largest wireless network provider, that it will be retiring its 3G networks by the first quarter of 2022, which is also the year the Code-Division Multiple Access (“CDMA”) network used to provide services to some of our customers is being retired. We currently provide services to approximately 3.6 million customer sites that use 3G or CDMA cellular equipment, which number is diminishing on a monthly basis in the ordinary course of business due to attrition, upgrades, and repairs. Our plans to address this three-year transition are not yet finalized, and the impact involves numerous estimates and variables. Among other factors, we will look to reduce any applicable costs to us, such as hardware costs currently estimated to be less than \$90 per site, by exploring cost-sharing opportunities, working with our suppliers, carriers, and customers, and to increase revenue by using the transition as an opportunity to sell new products and services in conjunction with replacing the radio and to more rapidly transition customers to our new Command and Control technology. We currently estimate that aggregate net expenditures could be between \$200 million to \$325 million over the course of the next three years. For 2019, we expect to incur net costs of approximately \$25 million to \$35 million associated with radio conversion costs.

SIGNIFICANT EVENTS

The following event has significantly impacted the comparability of our results of operations in historical or future periods:

Red Hawk Acquisition

On December 3, 2018, we acquired all of the issued and outstanding capital stock of Red Hawk Fire & Security, a leader in commercial fire, life safety, and security services, for total consideration of \$318 million and cash paid of \$301 million, net of cash acquired (“Red Hawk Acquisition”). We funded the Red Hawk Acquisition from a combination of additional debt financing and cash on hand. This acquisition is intended to accelerate our growth in the commercial security market and expand our product portfolio with the introduction of commercial fire safety related solutions.

KEY PERFORMANCE INDICATORS

In evaluating our results, we utilize key performance indicators, which include non-GAAP measures as well as the operating metrics of recurring monthly revenue and gross customer revenue attrition. Our computations of key performance indicators may not be comparable to other similarly titled measures reported by other companies. Additionally, our operating metric key performance indicators are approximated as there may be variations to reported results in each period due to certain adjustments we might make in connection with the integration over several periods of acquired companies that calculated these metrics differently, or otherwise, including periodic reassessments and refinements in the ordinary course of business. These refinements, for example, may include changes due to systems conversion or historical methodology differences in legacy systems.

Recurring Monthly Revenue (“RMR”)

RMR is generated by contractual recurring fees for monitoring and other recurring services provided to our customers, including contracts monitored but not owned. 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 RMR lost as a result of customer attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned and DIY customers. 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 RMR lost during the period due to attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned and DIY customers, and the denominator of which is total annualized RMR based on an average of RMR under contract at the beginning of each month during the period.

As of January 1, 2019, in conjunction with the acquisition of LifeShield LLC, we began presenting gross customer revenue attrition excluding existing and new DIY customers. As a result, trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers and as of June 30, 2018, was 3 basis points higher and rounded to 13.6% with DIY customers included.

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.”

Quarter Ended June 30, 2019 Compared to Quarter Ended June 30, 2018

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

(in thousands, except as otherwise indicated)

	For the Quarters Ended		
	June 30, 2019	June 30, 2018	\$ Change
Results of Operations:			
Monitoring and related services	\$ 1,085,422	\$ 1,023,126	\$ 62,296
Installation and other	198,322	108,333	89,989
Total revenue	1,283,744	1,131,459	152,285
Cost of revenue (exclusive of depreciation and amortization shown separately below)	338,089	246,225	91,864
Selling, general and administrative expenses	344,664	322,538	22,126
Depreciation and intangible asset amortization	500,864	488,320	12,544
Merger, restructuring, integration, and other	6,990	455	6,535
Operating income	93,137	73,921	19,216
Interest expense, net	(154,641)	(174,479)	19,838
Loss on extinguishment of debt	(66,911)	—	(66,911)
Other income	1,510	29,282	(27,772)
Loss before income taxes	(126,905)	(71,276)	(55,629)
Income tax benefit	22,848	4,571	18,277
Net loss	\$ (104,057)	\$ (66,705)	\$ (37,352)
Key Performance Indicators: ⁽¹⁾			
RMR	\$ 351,391	\$ 338,078	\$ 13,313
Gross customer revenue attrition (percent) ⁽²⁾	13.3%	13.5%	(20) bps
Adjusted EBITDA ⁽³⁾	\$ 630,239	\$ 610,387	\$ 19,852

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

(2) Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers and as of June 30, 2018, was 3 basis points higher and rounded to 13.6% with DIY customers included. Refer to the “—Key Performance Indicators” section for further details.

(3) 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.

Monitoring and Related Services Revenue

The increase in monitoring and related services revenue was driven by an increase in recurring revenue as well as service revenue. Recurring revenue increased primarily due to incremental revenue from acquisitions of businesses. The remainder of the increase was due to an increase in monthly recurring revenue, which resulted from improvements in average pricing, partially offset by customer attrition and lower volume of additions. These factors were also a primary driver for the increase in RMR to \$351 million as of June 30, 2019 from \$338 million as of June 30, 2018, which represents an increase of 4%, of which 2% is due to the Red Hawk Acquisition. 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. As of June 30, 2019, gross customer revenue attrition excluding DIY customers was 13.3%. As of June 30, 2018, gross customer revenue attrition excluding DIY customers was 13.5% and was 3 basis points higher when including DIY customers. We believe this improvement was a result of a lower rate of disconnects due to high quality customer selection and better customer service levels. The increase in service revenue was primarily due to incremental revenue from acquisitions of businesses.

Installation and Other Revenue

The increase in installation and other revenue was primarily due to \$83 million related to revenue from equipment sold outright to customers, the majority of which is due to incremental revenue associated with acquisitions of businesses. The remaining increase was due to additional amortization of deferred installation revenue during the quarter ended June 30, 2019.

Cost of Revenue

The increase in cost of revenue was primarily due to an increase of \$67 million related to installation costs associated with a higher volume of sales where equipment is sold outright to customers, the majority of which was due to the incremental volume associated with acquisitions of businesses. The remaining increase is primarily due to incremental field service costs associated with acquisition of businesses.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses was primarily due to \$31 million of incremental expenses associated with acquisitions of businesses as well as increases in advertising and selling expenses, which includes amortization of deferred subscriber acquisition costs. These increases were partially offset by a reduction in share-based compensation of approximately \$23 million primarily due to certain awards with accelerated vesting conditions that became fully vested in July 2018 as a result of our IPO.

Depreciation and Intangible Asset Amortization

The increase in depreciation and intangible asset amortization expense includes \$22 million associated with the amortization of customer contracts acquired under the ADT Authorized Dealer Program, partially offset by a decrease in amortization expense of approximately \$20 million associated with the Protection One trade name, which became fully amortized in June 2018. The remainder of the increase is due to the impact of acquisitions of businesses, capital expenditures, and subscriber system assets.

Interest Expense, net

Interest expense, net is primarily comprised of interest expense on our long-term debt. The decrease in interest expense was primarily driven by the reduction in interest expense of \$29 million on the 9.250% second-priority senior secured notes due 2023 (“Prime Notes”) due to the decrease in principal associated with the partial redemptions of the Prime Notes in February and April 2019, and the reduction in interest expense of \$28 million on our prior mandatorily redeemable preferred securities, which were fully redeemed in July of 2018. These decreases were partially offset by an increase in interest expense of \$20 million related to the issuance of the 5.250% first-priority senior secured notes due 2024 (“First Lien Notes due 2024”) and the 5.750% first-priority senior secured notes due 2026 (“First Lien Notes due 2026”) in April 2019 as well as an increase of \$10 million in interest expense on our variable-rate first lien term loan due in May 2022 (“First Lien Term B-1 Loan”) primarily due to the timing of borrowings and repayments and higher interest rates, including the net impact of our interest rate swaps.

Loss on Extinguishment of Debt

During the quarter ended June 30, 2019 , loss on extinguishment of debt totaled \$67 million which related to \$61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$1 billion partial redemption of the Prime Notes in April 2019, and \$6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$500 million repayment of the First Lien Term B-1 Loan in April 2019. There were no events resulting in a loss on extinguishment of debt during the quarter ended June 30, 2018.

Other Income (Expense)

Other income was not material during the quarter ended June 30, 2019 . During the quarter ended June 30, 2018 , other income primarily includes \$22 million of licensing fees as well as a gain of \$7.5 million from the sale of equity in a third party that we received as part of a settlement.

Income Tax Benefit

Income tax benefit for the quarter ended June 30, 2019 was \$23 million , resulting in an effective tax rate for the period of 18.0% . The effective tax rate primarily represents the federal income tax rate of 21.0% and a 3.4% unfavorable impact associated with legislative changes.

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 primarily represents the federal income tax rate of 21.0%, a 14.6% unfavorable impact of permanent non-deductible expenses primarily associated with our prior mandatorily redeemable preferred securities, a 7.4% unfavorable impact associated with legislative changes, and offset by a 4.1% favorable impact from a change in our valuation allowance.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

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

(in thousands, except as otherwise indicated)

	For the Six Months Ended		
	June 30, 2019	June 30, 2018	\$ Change
Results of Operations:			
Monitoring and related services	\$ 2,155,837	\$ 2,040,418	\$ 115,419
Installation and other	370,967	207,489	163,478
Total revenue	2,526,804	2,247,907	278,897
Cost of revenue (exclusive of depreciation and amortization shown separately below)	664,047	494,619	169,428
Selling, general and administrative expenses	669,173	627,508	41,665
Depreciation and intangible asset amortization	996,742	971,996	24,746
Merger, restructuring, integration, and other	13,269	8,478	4,791
Operating income	183,573	145,306	38,267
Interest expense, net	(313,546)	(348,812)	35,266
Loss on extinguishment of debt	(88,472)	(61,597)	(26,875)
Other income	2,709	28,822	(26,113)
Loss before income taxes	(215,736)	(236,281)	20,545
Income tax benefit	45,209	12,139	33,070
Net loss	\$ (170,527)	\$ (224,142)	\$ 53,615
Summary Cash Flow Data:			
Net cash provided by operating activities	\$ 979,172	\$ 962,762	\$ 16,410
Net cash used in investing activities	\$ (787,639)	\$ (696,147)	\$ (91,492)
Net cash (used in) provided by financing activities	\$ (515,435)	\$ 705,410	\$ (1,220,845)
Key Performance Indicators: ⁽¹⁾			
RMR	\$ 351,391	\$ 338,078	\$ 13,313
Gross customer revenue attrition (percent) ⁽²⁾	13.3%	13.5%	(20) bps
Adjusted EBITDA ⁽³⁾	\$ 1,251,574	\$ 1,230,154	\$ 21,420
Free Cash Flow ⁽³⁾	\$ 266,892	\$ 289,277	\$ (22,385)

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

(2) Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers and as of June 30, 2018, was 3 basis points higher and rounded to 13.6% with DIY customers included. Refer to the “—Key Performance Indicators” section for further details.

(3) 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.

Monitoring and Related Services Revenue

The increase in monitoring and related services revenue was driven by an increase in recurring revenue as well as service revenue. Recurring revenue increased primarily due to incremental revenue from acquisitions of businesses. The remainder of the increase was due to an increase in monthly recurring revenue, which resulted from improvements in average pricing, partially offset by customer attrition and lower volume of additions. These factors were also a primary driver for the increase in RMR to \$351 million as of June 30, 2019 from \$338 million as of June 30, 2018, which represents an increase of 4%, of which 2% is due to the Red Hawk Acquisition. 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. As of June 30, 2019, gross customer revenue attrition excluding DIY customers was 13.3%. As of June 30, 2018, gross customer revenue attrition excluding DIY customers was 13.5% and was 3 basis points higher when including DIY customers. We believe this improvement was a result of a lower rate of disconnects due to high quality customer selection and better customer service levels. The increase in service revenue was primarily due to incremental revenue from acquisitions of businesses.

Installation and Other Revenue

The increase in installation and other revenue was primarily due to \$149 million related to revenue from equipment sold outright to customers, the majority of which is due to incremental revenue associated with acquisitions of businesses. The remaining increase was due to additional amortization of deferred installation revenue during the six months ended June 30, 2019.

Cost of Revenue

The increase in cost of revenue was primarily due to an increase of \$121 million related to installation costs associated with a higher volume of sales where equipment is sold outright to customers, the majority of which was due to the incremental volume associated with acquisitions of businesses. The remaining increase is primarily due to incremental field service costs associated with acquisition of businesses.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses was primarily due to \$55 million of incremental expenses associated with acquisitions of businesses, \$17.5 million from two favorable legal settlements in the first quarter of 2018, and increases in advertising and selling expenses, which includes amortization of deferred subscriber acquisition costs. These increases were partially offset by a reduction in share-based compensation of approximately \$49 million primarily due to certain awards with accelerated vesting conditions that became fully vested in July 2018 as a result of our IPO.

Depreciation and Intangible Asset Amortization

The increase in depreciation and intangible asset amortization expense includes \$45 million associated with the amortization of customer contracts acquired under the ADT Authorized Dealer Program, partially offset by a decrease in amortization expense of approximately \$40 million associated with the Protection One trade name, which became fully amortized in June 2018. The remainder of the increase is due to the impact of acquisitions of businesses, capital expenditures, and subscriber system assets.

Interest Expense, net

Interest expense, net is primarily comprised of interest expense on our long-term debt. The decrease in interest expense was primarily driven by the reduction in interest expense of \$41 million on the Prime Notes due to the decrease in principal associated with the timing of partial redemptions in 2018 and 2019, and the reduction in interest expense of \$53 million on our prior mandatorily redeemable preferred securities, which were fully redeemed in July of 2018. These decreases were partially offset by the increase in interest expense of \$20 million related to the issuance of the First Lien Notes due 2024 and First Lien Notes due 2026 in April 2019 as well as an increase of \$31 million in interest expense on the First Lien Term B-1 Loan due to the timing of borrowings and repayments and higher interest rates, including the net impact of our interest rate swaps.

Loss on Extinguishment of Debt

During the six months ended June 30, 2019, loss on extinguishment of debt totaled \$88 million, which related to \$22 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$300 million partial redemption of the Prime Notes in February 2019, \$61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$1 billion partial redemption of the Prime Notes in April 2019, and \$6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$500 million repayment of the First Lien Term B-1 Loan in April 2019.

During the six months ended June 30, 2018, loss on extinguishment of debt totaled \$62 million, which related to the call premium and the partial write-off of unamortized deferred financing costs in connection with the \$594 million partial redemption of the Prime Notes in February 2018.

Other Income (Expense)

Other income was not material during the six months ended June 30, 2019. During the six months ended June 30, 2018, other income primarily includes \$22 million of licensing fees as well as a gain of \$7.5 million from the sale of equity in a third party that we received as part of a settlement.

Income Tax Benefit

Income tax benefit for the six months ended June 30, 2019 was \$45 million, resulting in an effective tax rate for the period of 21.0%. The effective tax rate primarily represents the federal income tax rate of 21.0%, a 1.8% unfavorable impact associated with legislative changes, and offset by a 1.2% favorable impact associated with the resolution of open tax years.

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 primarily represents the federal income tax rate of 21.0%, 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 our prior mandatorily redeemable preferred securities, and offset by an 11.4% favorable impact associated with the resolution of open tax years.

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. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, operating income, cash flows, or any other measure calculated in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies.

Adjusted EBITDA

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. 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.

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) merger, restructuring, integration, and other, (vii) losses on extinguishment of debt, (viii) radio conversion costs, (ix) financing and consent fees, (x) foreign currency gains/losses, (xi) acquisition related adjustments, and (xii) other charges and non-cash items.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. 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 believe that the presentation of Free Cash Flow is appropriate to provide additional information to investors about our ability to repay debt, make other investments, and pay dividends.

We define Free Cash Flow as cash flows 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 flows from operating activities because they represent long-term investments that are required for normal business activities.

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 flows as calculated in accordance with 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, 2019	June 30, 2018	\$ Change	June 30, 2019	June 30, 2018	\$ Change
Net loss	\$ (104,057)	\$ (66,705)	\$ (37,352)	\$ (170,527)	\$ (224,142)	\$ 53,615
Interest expense, net	154,641	174,479	(19,838)	313,546	348,812	(35,266)
Income tax benefit	(22,848)	(4,571)	(18,277)	(45,209)	(12,139)	(33,070)
Depreciation and intangible asset amortization	500,864	488,320	12,544	996,742	971,996	24,746
Amortization of deferred subscriber acquisition costs	19,528	14,305	5,223	37,760	27,152	10,608
Amortization of deferred subscriber acquisition revenue	(26,133)	(18,790)	(7,343)	(50,472)	(35,555)	(14,917)
Share-based compensation expense	22,540	45,814	(23,274)	46,250	95,102	(48,852)
Merger, restructuring, integration, and other	6,990	455	6,535	13,269	8,478	4,791
Loss on extinguishment of debt	66,911	—	66,911	88,472	61,597	26,875
Radio conversion costs, net ⁽¹⁾	919	1,675	(756)	919	3,026	(2,107)
Financing and consent fees ⁽²⁾	384	—	384	1,387	—	1,387
Foreign currency losses/(gains) ⁽³⁾	93	719	(626)	(738)	1,739	(2,477)
Acquisition related adjustments ⁽⁴⁾	4,943	4,255	688	12,699	7,754	4,945
Licensing fees ⁽⁵⁾	—	(21,533)	21,533	—	(21,533)	21,533
Other ⁽⁶⁾	5,464	(8,036)	13,500	7,476	(2,133)	9,609
Adjusted EBITDA	\$ 630,239	\$ 610,387	\$ 19,852	\$ 1,251,574	\$ 1,230,154	\$ 21,420

(1) Represents costs associated with upgrading cellular technology used in many of our security systems, offset by any incremental revenue earned.

(2) Represents fees incurred associated with the issuance, restatement, and amendment of debt.

(3) Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.

(4) Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.

(5) The quarter and six months ended June 30, 2018 include other income related to approximately \$22 million of one-time licensing fees.

(6) Represents certain advisory and other costs associated with our transition to a public company as well as other charges and non-cash items. The quarter and six months ended June 30, 2018 include a gain of \$7.5 million from the sale of equity in a third party that we received as part of a settlement.

Quarter Ended June 30, 2019 Compared to Quarter Ended June 30, 2018

For the quarter ended June 30, 2019, Adjusted EBITDA increased by \$20 million compared to 2018. This increase was primarily due to an increase in monitoring and related services revenue combined with higher revenue from transactions in which equipment is sold outright to customers, partially offset by the associated costs and an increase in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA.

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

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

For the six months ended June 30, 2019, Adjusted EBITDA increased by \$21 million compared to 2018. This increase was primarily due to an increase in monitoring and related services revenue combined with higher revenue from transactions in which equipment is sold outright to customers, partially offset by the associated costs and an increase in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA.

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

Free Cash Flow

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

(in thousands)	For the Six Months Ended		
	June 30, 2019	June 30, 2018	\$ Change
Net cash provided by operating activities	\$ 979,172	\$ 962,762	\$ 16,410
Dealer generated customer accounts and bulk account purchases	(333,846)	(327,553)	(6,293)
Subscriber system assets	(293,973)	(280,720)	(13,253)
Capital expenditures	(84,461)	(65,212)	(19,249)
Free Cash Flow	\$ 266,892	\$ 289,277	\$ (22,385)

Cash Flows from Operating Activities

Refer to the discussion below under “—Liquidity and Capital Resources” for further details regarding cash flows from operating activities.

Cash Outlays Related to Capital Expenditures

Dealer generated customer accounts and bulk account purchases, subscriber system assets, and capital expenditures are included in cash flows from investing activities. Refer to the discussions below under “—Liquidity and Capital Resources” for further details regarding cash flows from investing activities.

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 may, from time to time, seek to repay, redeem, repurchase, or refinance our indebtedness, or seek to retire or purchase our outstanding securities through cash purchases in the open market or through privately negotiated transactions or through a 10b5-1 repurchase plan or otherwise, and any such transactions may involve material amounts. 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, 2019, we had \$43 million in cash and cash equivalents and \$301 million in available borrowing capacity under our revolving credit facility. The carrying value of total debt outstanding, including capital lease obligations, was \$9.8 billion as of June 30, 2019.

Long-Term Debt

Significant changes in the Company’s debt during the six months ended June 30, 2019 were as follows:

First Lien Credit Agreement

In April 2019, and in connection with a \$500 million repayment of the First Lien Term B-1 Loan, we amended and restated the first lien credit agreement (“First Lien Credit Agreement”) governing the First Lien Term B-1 Loan to, among other things, (a) authorize the redemption of the outstanding principal amount of the Prime Notes, (b) authorize the incurrence of the First Lien Notes due 2024 and First Lien Notes due 2026 by amending the Net First Lien Leverage Ratio for the incurrence of pari passu indebtedness to 3.20 to 1.00 (from 2.35 to 1.00), (c) provide for \$300 million of additional incremental pari passu debt capacity, and (d) increase the borrowing capacity under a first lien revolving credit facility (“First Lien Revolving Credit Facility”) by an additional \$50 million, which replaced the Mizuho Bank Revolving Credit Facility (as defined below). We incurred approximately \$17 million in deferred financing costs in connection with this amendment and restatement. Further, as a result of the \$500 million repayment, we no longer have a quarterly principal payment obligation on the First Lien Term B-1 Loan as of June 30, 2019.

As of June 30, 2019, we had an outstanding balance of \$99 million under our First Lien Revolving Credit Facility.

Mizuho Bank Revolving Credit Facility

In February 2019, we entered into a first lien revolving credit agreement with an aggregate available commitment of up to \$50 million maturing in March 2023 (“Mizuho Bank Revolving Credit Facility”). The Mizuho Bank Revolving Credit Facility was terminated and replaced in April 2019 as part of our amendment and restatement to the First Lien Credit Agreement discussed above.

Prime Notes

In February 2019, we redeemed \$300 million aggregate principal amount of the Prime Notes for a total redemption price of approximately \$319 million, which included the related call premium. In April 2019, we redeemed an additional \$1 billion aggregate principal amount of the outstanding Prime Notes for a total redemption price of approximately \$1.1 billion, which included the related call premium.

First Lien Notes due 2024 and First Lien Notes due 2026

In April 2019, we issued \$750 million aggregate principal amount of the First Lien Notes due 2024 and \$750 million aggregate principal amount of the First Lien Notes due 2026. The proceeds from the First Lien Notes due 2024 and the First Lien Notes due 2026, along with cash on hand and borrowings under the First Lien Revolving Credit Facility, were used to (a) repurchase \$1 billion aggregate principal amount of the Prime Notes, (b) repay \$500 million aggregate principal amount of the First Lien Term B-1 Loan, and (c) pay fees and expenses associated with the foregoing, including early call premiums on the Prime Notes as well as accrued and unpaid interest on the repurchased Prime Notes and repaid borrowings under the First Lien Term B-1 Loan. We incurred approximately \$25 million in deferred financing costs in connection with the issuance of the First Lien Notes due 2024 and the First Lien Notes due 2026.

The First Lien Notes due 2024 will mature on April 15, 2024 with semi-annual interest payment dates of February 15 and August 15, while the First Lien Notes due 2026 will mature on April 15, 2026 with semi-annual interest payment dates of March 15 and September 15. Both may be redeemed, in whole or in part, at any time at a make-whole premium plus accrued and unpaid interest to, but excluding, the redemption date.

The First Lien Notes due 2024 and the First Lien Notes due 2026 are guaranteed, jointly and severally, on a senior secured first-priority basis, by each of our existing and future direct or indirect wholly owned material domestic subsidiaries that guarantee the First Lien Credit Agreement. In addition, the indentures governing the First Lien Notes due 2024 and the First Lien Notes due 2026 contain covenants that limit our ability to, among other things: (i) incur certain liens; (2) enter into sale leaseback transactions; and (3) consolidate, merge or sell all or substantially all of our assets. These covenants are subject to a number of important limitations and exceptions. Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Each indenture governing the First Lien Notes due 2024 and the First Lien Notes due 2026 also provides for customary events of default.

Debt Covenants

As of June 30, 2019, we were in compliance with all financial covenant and other maintenance tests for all our debt obligations.

Dividends

In February 2019, we approved a dividend reinvestment plan (“DRIP”), which allows stockholders to designate all or a portion of the cash dividends on their shares of common stock for reinvestment in additional shares of our common stock. The number of shares issued will be determined based on the volume weighted average closing price per share of our common stock for the five trading days preceding the dividend payment and adjusted for any discounts, as applicable. The DRIP will terminate upon the earlier of (a) February 27, 2021 and (b) the date upon which an aggregate of 18,750,000 shares of common stock have been issued pursuant to the DRIP.

During the six months ended June 30, 2019, we declared the following dividends on common stock:

Declared Date	Dividend per Share	Record Date	Payment Date
March 11, 2019	\$0.035	April 2, 2019	April 12, 2019
May 7, 2019	\$0.035	June 11, 2019	July 2, 2019

During the quarter ended June 30, 2019 , we declared \$26 million (or \$0.035 per share) in dividends, of which \$3 million represents the portion of the dividends settled in cash and \$23 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of 4 million shares of common stock, on July 2, 2019.

During the six months ended June 30, 2019 , we declared \$53 million (or \$0.07 per share) in dividends. When including the July 2, 2019 payment date, approximately \$7 million represents the portion of the dividends settled in cash and \$46 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of 7 million shares of common stock.

On August 6, 2019 , we announced a dividend of \$0.035 per share to common stockholders of record on September 11, 2019 , which will be distributed on October 2, 2019 .

Share Repurchases

In February 2019, we approved a share repurchase program which permits us to repurchase up to \$150 million of our shares of common stock through February 27, 2021. We effected these repurchases pursuant to one or more trading plans to be adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. The share repurchase program was conducted in accordance with Securities Exchange Act Rule 10b-18 and was substantially complete as of June 30, 2019 . During the quarter and six months ended June 30, 2019 , we repurchased 21 million and 24 million shares of common stock, respectively, for approximately \$128 million and \$150 million , respectively.

Refer to the discussions below under “Item 2. Unregistered Sales of Equity Securities and Use of Proceeds” for further details.

Cash Flow Analysis

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

<i>(in thousands)</i>	For the Six Months Ended		
	June 30, 2019	June 30, 2018	\$ Change
Net cash provided by operating activities	\$ 979,172	\$ 962,762	\$ 16,410
Net cash used in investing activities	\$ (787,639)	\$ (696,147)	\$ (91,492)
Net cash (used in) provided by financing activities	\$ (515,435)	\$ 705,410	\$ (1,220,845)

Cash Flows from Operating Activities

The increase in cash flows provided by operating activities was primarily due to an increase in monitoring and related services revenue combined with an increase in transactions in which equipment is sold outright to customers, partially offset by the associated costs and an increase in selling, general and administrative expenditures. The remainder of the activity in cash flows provided by operating activities relates to changes in assets and liabilities due to the volume and 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 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.

The increase in cash flows used in investing activities was primarily due to an increase in cash used for business acquisitions, net of cash acquired, of \$40 million. The remainder of the increase is due to the volume and timing of dealer and bulk additions, spend on subscriber system assets, and non-subscriber capital expenditures.

Cash Flows from Financing Activities

For the six months ended June 30, 2019 , net cash used in financing activities primarily consisted of (i) net repayments of long-term borrowings of \$293 million associated with payments on the Prime Notes and the First Lien Term B-1 Loan, offset by borrowings from the First Lien Notes due 2024, the First Lien Notes due 2026, and the First Lien Revolving Credit Facility; (ii) payments of \$150 million for the repurchase of common stock; (iii) payments of \$44 million associated with deferred financing

costs in connection with the issuance of the First Lien Notes due 2024 and the First Lien Notes due 2026, and the amendment and restatement to the First Lien Credit Agreement; and (iv) dividend payments on common stock of \$30 million.

For the six months ended June 30, 2018, net cash provided by financing activities consisted primarily of net proceeds from the IPO of \$ 1.4 billion, after deducting related fees, offset by repayment of long-term borrowings of \$674 million primarily associated with the partial redemption of the Prime Notes, and dividend payments on common stock of \$26 million.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In our 2018 Annual Report, we disclosed our commitments and contractual obligations. There have been no material changes to these commitments and contractual obligations outside the ordinary course of business except for the changes to our long-term debt and an amendment to an agreement with a wireless network provider, which resulted in a fixed purchase obligation totaling approximately \$80 million through 2022. Refer to the discussion above under “—Liquidity and Capital Resources” for further details regarding significant changes to our long-term debt.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes to our off-balance sheet arrangements since our 2018 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying condensed consolidated financial statements are prepared in accordance with GAAP, which requires us to select accounting policies and make estimates that affect amounts reported in the condensed consolidated financial statements and the accompanying notes. Management’s estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions. In our 2018 Annual Report, we identified our 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 “Description of Business 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 Part II 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 2018 Annual Report. Other than as set forth below, our exposures to market risk have not changed materially since December 31, 2018 .

During the six months ended June 30, 2019 , we entered into additional LIBOR-based interest rate swap contracts with an aggregate notional amount of \$725 million . As of June 30, 2019 , we had interest rate swap contracts outstanding with notional amounts aggregating \$4,225 million used to hedge the majority of our variable-rate debt. Refer to Note 8 “ Derivative Financial Instruments ” to the condensed consolidated financial statements for further discussion.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 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, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2019 , our disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed in the reports that we file or submit 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 decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in our management’s evaluation pursuant to Rules 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended June 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 7 “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.

Our significant business risks are described in Part I, Item 1A, in our 2018 Annual Report, as filed with the SEC on March 11, 2019. You should be aware that these risk factors and other information may not describe every risk facing the Company. There have been no material changes to our risk factors from those previously disclosed in our 2018 Annual Report.

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

Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities during the six months ended June 30, 2019 .

Use of Proceeds from Registered Securities

We did not receive any proceeds from sales of registered equity securities during the six months ended June 30, 2019 .

Issuer Purchases of Equity Securities

Under our publicly announced share repurchase program, we repurchased common shares pursuant to one or more trading plans in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions or pursuant to an accelerated share repurchase program. The share repurchase program was conducted in accordance with Securities Exchange Act Rule 10b-18 and was substantially complete as of June 30, 2019 .

During the quarter ended June 30, 2019 , we repurchased shares of our common stock as follows:

Period	Total Number of Shares Purchased(a)	Average Price Paid Per Share(b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a) (in thousands)
April 1, 2019 - April 30, 2019	—	\$ —	—	\$ 128,146
May 1, 2019 - May 31, 2019	9,012,200	\$ 6.22	9,012,200	\$ 72,050
June 1, 2019 - June 30, 2019	11,597,900	\$ 6.20	11,597,900	\$ 132
Total	20,610,100	\$ 6.21	20,610,100	\$ 132

(a) On February 27, 2019, we approved a share repurchase program, which permits us to repurchase up to \$150 million of our shares of common stock through February 27, 2021. We announced this plan on March 11, 2019.

(b) The average price paid per share is calculated by dividing the total cash paid for the shares by the total number of shares repurchased.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

Amendment to Compensatory Arrangements of Certain Officers

On August 2, 2019 (the “Amendment Date”), the Company adopted the following amendments (the “Top-Up Option Amendment”) to the terms of all outstanding stock options that were granted under the Company’s 2018 Omnibus Incentive Plan in connection with the redemption of the Class B Units (the “Top-Up Options”) in Ultimate Parent:

- Top-Up Options that are or become exercisable will remain outstanding following the holder’s termination of employment until the normal expiration of the Top-Up Option’s term (*i.e.* , January 18, 2028). This amendment applies to both the “Tranche A Option” (*i.e.* , the portion of the Top-Up Option subject to service-based vesting conditions only) and the “Tranche B Option” (*i.e.* , the portion of the Top-Up Option subject to performance-based vesting conditions), except if the option holder’s employment is terminated for cause.
- As of each February 21, beginning with February 21, 2020, 20% of the shares of common stock subject to the Tranche B Option will cease to be at risk of forfeiture due to the option holder’s termination of employment (other than a termination for cause) (*i.e.* , they will no longer require continued service in order to vest); provided, that the vesting of the Tranche B Option will in all events remain subject to the return hurdles described in the Company’s Proxy Statement for the 2019 Annual Meeting of Stockholders (which remain unchanged), and the Tranche B Option will be forfeited if such return hurdles are not achieved. Following an option holder’s termination of employment (other than for cause) on or after February 21, 2020, the portion of the option holder’s Tranche B Option as to which the risk of service-based forfeiture has lapsed will remain outstanding and eligible to vest based on the achievement of the return hurdles.

Similarly, the award terms applicable to shares of the Company’s common stock distributed by Ultimate Parent in redemption of the “Performance Tranche” of the Class B Units in Ultimate Parent, as described in the Company’s Proxy Statement for the 2019 Annual Meeting of Stockholders, were amended as of the Amendment Date in the same manner as described above with respect to the Tranche B Option.

All of the amendments described herein apply to such awards held by individuals who were employed by the Company or one of its subsidiaries as of the Amendment Date, including each of the Company’s named executive officers (other than Mr. Whall).

The foregoing description of the Top-Up Option Amendment is qualified in its entirety by reference to the Form of Amendment to Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption), which is filed as an exhibit to this Quarterly Report on Form 10-Q as Exhibit 10.37 and is incorporated by reference herein.

Potential Apollo Margin Loan Agreement

As of July 29, 2019, certain investment funds directly or indirectly managed by Apollo, the Company’s controlling stockholder, have informed the Company that they intend to pledge, hypothecate or grant security interests in all of their shares of our common stock pursuant to a margin loan agreement on a non-recourse basis. Apollo has informed the Company that, should Apollo consummate the margin loan, it expects the loan to value ratio will be equal to approximately 20%. Apollo has informed the Company that it expects the margin loan agreement to contain customary default provisions and that in the event of a default under the margin loan agreement, the secured parties may foreclose upon any and all shares of our common stock pledged to them.

The Company did not independently verify the foregoing disclosure. The Company will not be a party to the margin loan agreement and will have no obligations thereunder. If the margin loan agreement is entered into, it is expected that the Company will deliver customary letter agreements to the secured parties in which it will, among other things, agree, subject to applicable law and stock exchange rules, not to take any actions that are intended to materially hinder or delay the exercise of any remedies by the secured parties under the margin loan agreement.

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
3.1	Amended and Restated Certificate of Incorporation of ADT Inc.

3.2	<u>Amended and Restated Bylaws of ADT Inc.</u>
4.1	<u>Indenture, dated as of July 5, 2012, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
4.2	<u>First Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</u>
4.3	<u>Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</u>
4.4	<u>Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</u>
4.5	<u>Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
4.6	<u>Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
4.7	<u>Sixth Supplemental Indenture, dated as of April 8, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</u>
4.8	<u>Seventh Supplemental Indenture, dated as of April 22, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</u>
4.9	<u>Eighth Supplemental Indenture, dated as of May 2, 2016, under 2012 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association</u>
4.10	<u>Ninth Supplemental Indenture, dated as of November 15, 2017, under 2012 Base Indenture, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</u>
4.11	<u>Tenth Supplemental Indenture, dated as of April 18, 2018, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
4.12	<u>Eleventh Supplemental Indenture, dated as of August 17, 2018, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</u>
4.13	<u>Twelfth Supplemental Indenture, dated as of January 7, 2019, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
4.14	<u>Thirteenth Supplemental Indenture, dated as of January 30, 2019, under 2012 Base Indenture, by and among The ADT Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</u>
4.15	<u>Fourteenth Supplemental Indenture, dated as of March 12, 2019, under 2012 Base Indenture, by and among The ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association</u>
4.16	<u>Indenture, dated as of March 19, 2014, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
4.17	<u>Officer's Certificate, dated as of December 18, 2014, of The ADT Corporation, establishing the terms of its 5.250% Senior Notes due 2020 (including form Note)</u>
4.18	<u>First Supplemental Indenture, dated as of April 8, 2016 under 2014 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</u>
4.19	<u>Second Supplemental Indenture, dated as of May 2, 2016, under 2014 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association</u>
4.20	<u>Third Supplemental Indenture, dated as of November 15, 2017, under 2014 Base Indenture, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</u>
4.21	<u>Fourth Supplemental Indenture, dated as of April 18, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
4.22	<u>Fifth Supplemental Indenture, dated as of August 17, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</u>
4.23	<u>Sixth Supplemental Indenture, dated as of January 7, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
4.24	<u>Seventh Supplemental Indenture, dated as of January 30, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</u>
4.25	<u>Eighth Supplemental Indenture, dated as of March 12, 2019, under 2014 Base Indenture, by and among The ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association</u>
4.26	<u>Indenture, dated as of May 2, 2016, by and between Prime Security One MS, Inc. and the Wells Fargo Bank, National Association</u>
4.27	<u>First Supplemental Indenture, dated as of May 2, 2016, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</u>
4.28	<u>Second Supplemental Indenture, dated as of August 9, 2016, by and between The ADT Corporation, the Notes Guarantors and Wells Fargo Bank, National Association</u>
4.29	<u>Third Supplemental Indenture, dated as of November 15, 2017, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</u>
4.30	<u>Fourth Supplemental Indenture, dated as of April 18, 2018, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
4.31	<u>Fifth Supplemental Indenture, dated as of August 17, 2018, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</u>

<u>4.32</u>	<u>Sixth Supplemental Indenture, dated as of January 7, 2019, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</u>
<u>4.33</u>	<u>Seventh Supplemental Indenture, dated as of January 30, 2019 by and among the ADT Security Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</u>
<u>4.34</u>	<u>Eighth Supplemental Indenture, dated as of March 12, 2019 by and among the ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association</u>
<u>4.35</u>	<u>Second Lien Notes Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and Wells Fargo Bank, National Association</u>
<u>4.36</u>	<u>Second Lien Notes Supplemental Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and ADT Guarantors</u>
<u>4.37</u>	<u>Second Lien Notes Second Supplemental Indenture, dated as of November 15, 2017, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., Datashield, LLC and Wells Fargo Bank, National Association</u>
<u>4.38</u>	<u>Second Lien Notes Third Supplemental Indenture, dated as of April 18, 2018, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association</u>
<u>4.39</u>	<u>Second Lien Notes Fourth Supplemental Indenture, dated as of August 17, 2018, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</u>
<u>4.40</u>	<u>Second Lien Notes Fifth Supplemental Indenture, dated as of January 7, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association</u>
<u>4.41</u>	<u>Second Lien Notes Sixth Supplemental Indenture, dated as of January 30, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</u>
<u>4.42</u>	<u>Second Lien Notes Seventh Supplemental Indenture, dated as of March 12, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association</u>
<u>4.43</u>	<u>Indenture, dated as of April 4, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, relating to the \$750 million aggregate principal amount of 5.250% first-priority senior secured notes due 2024,</u>
<u>4.44</u>	<u>Indenture, dated as of April 4, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, relating to the \$750 million aggregate principal amount of 5.750% first-priority senior secured notes due 2026,</u>
<u>10.1</u>	<u>Fifth Amended and Restated First Lien Credit Agreement, dated July 1, 2015, as amended and restated as of May 2, 2016, as further amended and restated as of June 23, 2016, December 28, 2016, February 13, 2017 and June 29, 2017, among Prime Security Services Holdings, LLC, as Holdings, Prime Security Services Borrower, LLC, as Borrower, the Lenders Party thereto and Barclays Bank PLC, as Administrative Agent</u>
<u>10.2</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>
<u>10.3</u>	<u>Incremental Assumption and Amendment Agreement No. 7, dated as of December 3, 2018, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, certain of Prime Security Services Borrower's subsidiaries, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto,</u>
<u>10.4</u>	<u>Incremental Assumption and Amendment Agreement No. 8, dated as of March 15, 2019, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, certain of Prime Security Services Borrower's subsidiaries, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto,</u>
<u>10.5</u>	<u>Subsidiary Guarantee Agreement (First Lien), dated July 1, 2015, among the Subsidiaries of Prime Security Services Borrower, LLC named therein and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent</u>
<u>10.6</u>	<u>Supplement No. 1, dated as of May 2, 2016, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Securities Services Borrower, LLC and Barclays Bank PLC, as Collateral Agent</u>
<u>10.7</u>	<u>Supplement No. 2, dated as of October 31, 2017, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.8</u>	<u>Supplement No. 3, dated as of January 22, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.9</u>	<u>Supplement No. 4, dated as of February 28, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.10</u>	<u>Supplement No. 5, dated as of August 17, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.11</u>	<u>Supplement No. 6, dated as of January 7, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.12</u>	<u>Supplement No. 7, dated as of January 30, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.13</u>	<u>Supplement No. 8, dated as of March 11, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent</u>
<u>10.14</u>	<u>Holdings Guarantee and Pledge Agreement (First Lien), dated and effective as of July 1, 2015, between Prime Security Services Holdings, LLC, as Holdings, and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent</u>

<u>10.15</u>	<u>Collateral Agreement (First Lien), dated as of July 1, 2015 among Prime Security Services Borrower, LLC, each Subsidiary of Prime Security Services Borrower, LLC from time to time identified therein as a party and Barclays Bank PLC. as collateral agent</u>
<u>10.16</u>	<u>Collateral Agreement (Second Lien), dated as of May 2, 2016, among Prime Security Services Borrower, LLC, as Issuer, Prime Finance Inc., as Co-Issuer, each Subsidiary Guarantor party thereto and Wells Fargo Bank, National Association, as Collateral Agent</u>
<u>10.17</u>	<u>First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016 among Barclays Bank PLC, as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, Wells Fargo Bank, National Association, as the Initial Other Authorized Representative, and each additional Authorized Representative from time to time party hereto relating to Prime Security Services Borrower, LLC</u>
<u>10.18</u>	<u>First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Credit Suisse AG, Cayman Islands Branch, as First Lien Facility Agent and Applicable First Lien Agent, and Credit Suisse AG, Cayman Islands Branch, as Second Lien Facility Agent and Applicable Second Lien Agent relating to Prime Security Services Borrower, LLC</u>
<u>10.19</u>	<u>Tax Sharing Agreement, dated as of September 28, 2012, by and among Pentair Ltd., Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation</u>
<u>10.20</u>	<u>Non-Income Tax Sharing Agreement dated as of September 28, 2012, by and among Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation</u>
<u>10.21</u>	<u>Trademark Agreement, dated as of September 25, 2012, by and among ADT Services GmbH, ADT US Holdings, Inc., Tyco International Ltd. and The ADT Corporation</u>
<u>10.22</u>	<u>Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation</u>
<u>10.23</u>	<u>Separation and Distribution Agreement, dated September 26, 2012 by and among Tyco International Ltd., Tyco International Finance S.A., The ADT Corporation and ADT LLC</u>
<u>10.24</u>	<u>ADT LLC Supplemental Savings and Retirement Plan, effective as of April 1, 2017</u>
<u>10.25</u>	<u>Stockholders Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.26</u>	<u>Registration Rights Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.27</u>	<u>Amendment to Amended and Restated Employment Agreement, dated May 3, 2019, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Donald Young</u>
<u>10.28</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Jamie Haenggi</u>
<u>10.29</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Daniel M. Bresingham</u>
<u>10.30</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and James D. DeVries</u>
<u>10.31</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and Jeffrey Likosar</u>
<u>10.32</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.33*</u>	<u>First Amendment to ADT Inc. 2018 Omnibus Incentive Plan dated April 25, 2019</u>
<u>10.34</u>	<u>Form of Restricted Stock Unit Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.35</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.36</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>
<u>10.37*</u>	<u>Form of Amendment to Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>
<u>10.38</u>	<u>Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.39</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement</u>
<u>10.40</u>	<u>Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P.</u>
<u>10.41</u>	<u>Timothy J. Whall's Retirement Agreement</u>
<u>10.42</u>	<u>Second Amended & Restated Employment Agreement with James D. DeVries</u>
<u>10.43</u>	<u>Amendment to Second Amended & Restated Employment Agreement of James D. DeVries</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	XBRL Instant Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* 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 6, 2019

ADT Inc.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

PROXY STATEMENT SUPPLEMENT

ADT Inc.
1501 Yamato Road Boca Raton, FL 33431

To Stockholders of ADT Inc.:

The following information relates to the Proxy Statement of ADT Inc. (the “Company”), filed on April 29, 2019, as supplemented by the Proxy Statement Supplement filed on May 8, 2019 (the “Proxy Statement”), and furnished to stockholders of the Company in connection with the solicitation of proxies by the Board of Directors of the Company (the “Board of Directors”) for the 2019 Annual Meeting of Stockholders and any adjournment or postponement thereof (the “Annual Meeting”) to be held on June 13, 2019, at 9:30 a.m., local time, at the Farmer’s Table Event Center, 1901 N. Military Trail, Boca Raton, FL 33431.

THE PROXY STATEMENT CONTAINS IMPORTANT INFORMATION AND THIS PROXY STATEMENT SUPPLEMENT SHOULD BE READ IN CONJUNCTION WITH THE PROXY STATEMENT

Explanatory Note

This Proxy Statement Supplement (this “Supplement”) is being filed solely to supplement the disclosure under the heading “PROPOSAL 3— APPROVAL OF AMENDMENT TO THE OMNIBUS INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE THEREUNDER” beginning on page 54 of the Proxy Statement. Except as described in this Supplement, the information provided in the Proxy Statement continues to apply. To the extent that information in this Supplement differs from or updates information contained in the Proxy Statement, the information in this Supplement is more current. Defined terms used but not defined in this Supplement have the meanings set forth in the Proxy Statement.

Supplement to Proxy Statement

The first paragraph of the disclosure under the heading “PROPOSAL 3— APPROVAL OF AMENDMENT TO THE OMNIBUS INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE THEREUNDER – Summary of the Omnibus Incentive Plan” beginning on page 54 of the Proxy Statement is hereby amended and restated as follows:

“The following is a summary of certain terms and conditions of the Omnibus Incentive Plan, as amended by the 2019 Plan Amendment. This summary is qualified in its entirety by reference to the Omnibus Incentive Plan, which plan is attached as Exhibit 10.38 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as amended by the 2019 Plan Amendment, which amendment is attached as Appendix A hereto. You are encouraged to read the full Omnibus Incentive Plan and the 2019 Plan Amendment.”

Additionally, the disclosure under the heading “PROPOSAL 3— APPROVAL OF AMENDMENT TO THE OMNIBUS INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE THEREUNDER – Summary of the Omnibus Incentive Plan – Eligibility” beginning on page 54 of the Proxy Statement is supplemented by adding the sentence set forth below at the end of the current disclosure:

“For the fiscal year ended December 31, 2018, 12 directors, approximately 19,000 employees (including our officers) and approximately 3,000 consultants and advisors would have been eligible to participate in the Omnibus Incentive Plan.”

There are no changes to the proposals to be acted upon at the Annual Meeting, which are described in the Proxy Statement, or the proxy card you previously received. If you have already submitted your proxy, you do not need to take any action unless you wish to change your vote. If you have already submitted your proxy card and wish to change your vote based on any of the information contained in this Supplement, you may change your vote or revoke your proxy at any time before it is voted at the Annual Meeting by following the instructions in the Proxy Statement.

We look forward to your attendance in person or by proxy at our Annual Meeting.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'David Smail', written over a horizontal line.

David Smail
Executive Vice President, Chief Legal Officer and Secretary

**FIRST AMENDMENT TO ADT INC.
2018 OMNIBUS INCENTIVE PLAN**

The 2018 Omnibus Incentive Plan (the “Plan”) of ADT Inc., a Delaware corporation (the “Company”), is hereby amended, effective as of April 25, 2019 (the “Effective Date”), as follows:

1. Amendment to Section 5(b) of the Plan. Section 5(b) of the Plan is hereby amended and restated in its entirety as follows:

“(b) Share Limits. Subject to Section 11 of the Plan and subsection (e) below, the following limitations apply to the grant of Awards: (i) no more than 87,545,456 shares of Common Stock may be reserved for issuance and delivered in the aggregate pursuant to Awards granted under the Plan (the “**Share Pool**”); (ii) no more than 87,545,456 shares of Common Stock may be delivered pursuant to the exercise of Incentive Stock Options granted under the Plan; and (iii) the maximum amount (based on the Fair Market Value of shares of Common Stock on the date of grant as determined in accordance with applicable financial accounting rules) of Awards that may be granted in any single fiscal year to any non-employee member of the Board, taken together with any cash fees paid to such non-employee member of the Board during such fiscal year, shall be \$400,000; provided, that the foregoing limitation shall not apply in respect of any Awards issued to a non-employee director in respect of any one-time initial equity grant upon a non-employee director’s appointment to the Board.”

2. Effectiveness. In accordance with Section 13(a) of the Plan, the effectiveness of this First Amendment to ADT Inc. 2018 Omnibus Incentive Plan (this “Amendment”) is subject to the approval of the Company’s stockholders at the Company’s 2019 annual general meeting of stockholders. For the avoidance of doubt, if stockholder approval is not obtained, then this Amendment shall be void *ab initio* and of no force and effect.

3. Effect on the Plan. This Amendment shall not constitute a waiver, amendment or modification of any provision of the Plan not expressly referred to herein. Except as expressly amended or modified herein, the provisions of the Plan are and shall remain in full force and effect and are hereby ratified and confirmed. On and after the Effective Date, each reference in the Plan to “this Plan,” “herein,” “hereof,” “hereunder” or words of similar import shall mean and be a reference to the Plan as amended hereby. To the extent that a provision of this Amendment conflicts with or differs from a provision of the Plan, such provision of this Amendment shall prevail and govern for all purposes and in all respects.
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Executive Vice President, Chief Legal Officer and Secretary

Amendment to Top-Up Option Agreement(s)¹

The applicable Nonqualified Stock Option Award Agreement with a former holder of Class B Units in Prime Security Services TopCo Parent L.P. (“Topco”), in respect of certain stock options granted on January 18, 2018 (the “Top-Up Option Agreement”), is hereby amended as follows:

- 1. Vesting of the Tranche B Option**. The following language shall be inserted following the first paragraph of Section 2 (Vesting) of the Top-Up Option Agreement(s):

Notwithstanding anything to the contrary in this Section 2, the Tranche B Option shall remain eligible to vest following any termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates on or after February 21, 2019, other than a termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates for Cause, until the final Measurement Date in accordance with the terms of this Agreement; provided, however, that the number of Option Shares subject to the Tranche B Option that shall vest as of any Measurement Date following such termination shall equal the greater of (x) the number of Option Shares that would have vested pursuant to the terms of this Agreement but for this paragraph and (y) the product of (A) the percentage of the Tranche B Option that would have vested had the Participant not experienced a termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates and (B) a fraction, the numerator of which is the number of full years elapsed from February 21, 2019, through the date of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates terminates (or if smaller, five), and the denominator of which is five (the “Service Percentage Factor”).

If the Participant experiences a termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates for any reason (other than for Cause), then as of the date immediately following the first anniversary of the date of such termination (or if such termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates is by the Participant without Good Reason, then as of the date of such termination), the Participant shall forfeit the number of then-unvested Option Shares that would result by multiplying the inverse of the Service Percentage Factor by the number of then-unvested Option Shares subject to the Tranche B Option. For the avoidance of doubt, all then-unvested Options Shares subject to the Tranche B Option are forfeited immediately upon a termination of the Participant’s employment with, or engagement to provide services to, the Company and its Affiliates for Cause.

¹ Capitalized terms used but not otherwise defined in this Amendment shall have the meanings ascribed to them in the Top-Up Option Agreement(s).

2. **Expiration of the Top-Up Options**. The following language shall be inserted as a new subsection (e) to Section 3 (Expiration) of the Top-Up Option Agreement(s):

Notwithstanding anything to the contrary in this Section 3 and subject to the terms of Section 2 of this Agreement, following any termination of the Participant's employment with, or engagement to provide services to, the Company and its Affiliates for any reason (other than for Cause), the Option shall remain outstanding until the earlier of (x) the expiration of the Option Period (i.e., January 18, 2028) and (y) the date on which the Option Shares subject to the Option are forfeited in accordance with Section 2 of this Agreement.

* * *

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James D. DeVries , 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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 6, 2019

/s/ James D. DeVries

James D. DeVries

President and 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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 6, 2019

/s/ Jeffrey Likosar

Jeffrey Likosar

Executive Vice President, Chief Financial Officer and Treasurer

**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, James D. DeVries , President and 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, 2019 (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/ James D. DeVries

James D. DeVries

President and Chief Executive Officer

August 6, 2019

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

**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 , Executive Vice President, Chief Financial Officer and Treasurer 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, 2019 (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

Executive Vice President, Chief Financial Officer and Treasurer

August 6, 2019

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).