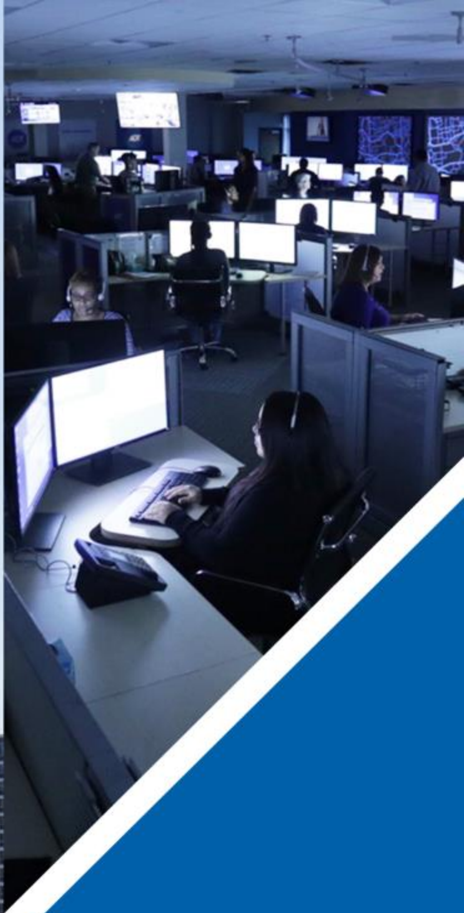



Q2 2018 Earnings Presentation

August 8, 2018

Forward Looking Statements

ADT has made statements in this presentation and other reports, filings, and other public written and verbal announcements that are forward-looking and therefore subject to risks and uncertainties. All statements, other than statements of historical fact, included in this document are, or could be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. Any forward-looking statement made in this presentation speaks only as of the date on which it is made. ADT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Forward-looking statements can be identified by various words such as "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects," and similar expressions. These forward-looking statements are based on management's current beliefs and assumptions and on information currently available to management. ADT cautions that these statements are subject to risks and uncertainties, many of which are outside of ADT's control, and could cause future events or results to be materially different from those stated or implied in this document, including among others, risk factors that are described in the Company's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein.

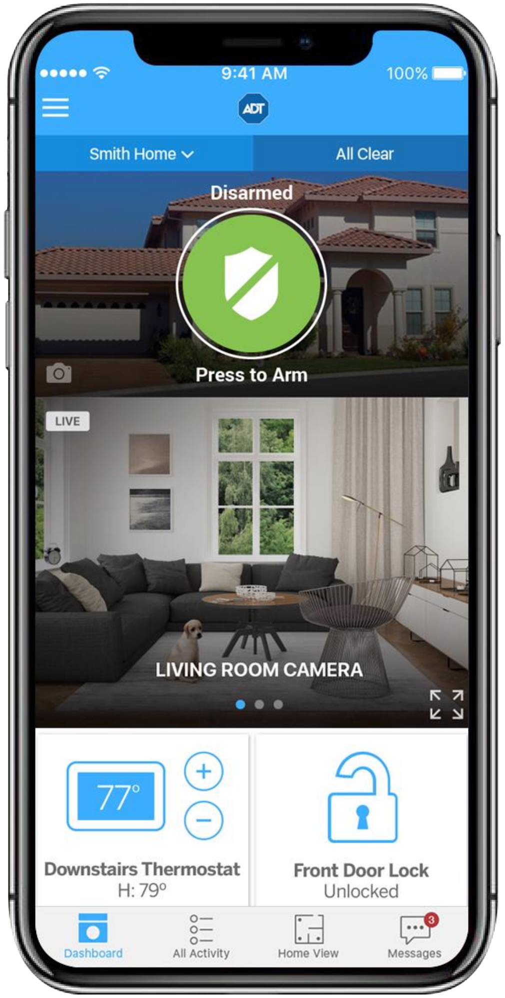
Strong Quarter Across All Areas of the Business

Balanced Revenue Growth with FCF Optimization	▪ Total Revenue increase of 6% year-over-year, driven by higher revenue in commercial and multi-site accounts and higher residential Pulse penetration
Adjusted EBITDA and Cash Flow Growth	▪ Adjusted EBITDA increase of 5% year-over-year ▪ Free Cash Flow before special items of $123 million in the quarter and $310 million YTD
Grow Commercial Business	▪ Continued momentum with strong new commercial and multi-site account sales growth
Innovate Around Trusted "ADT" Brand	▪ Reached over 150,000 downloads following Q1 launch of ADT Go, extending security from the premise to the person
Continue to Improve Customer Retention	▪ Improved LTM gross customer revenue attrition by 50 basis points year-over-year to 13.6%
Acquire New Customers More Efficiently	▪ Improved LTM Revenue Payback from 2.6 to 2.4 years ▪ Every 0.1x equates to approximately $60M of annualized cash savings

Note: Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow before specials items, Net leverage ratio, and Adjusted net income are non-GAAP financial measures. Reconciliation from GAAP to non-GAAP financial measures can be found in appendix. Amounts on this and subsequent pages may not add due to rounding

At the Center of the Connected Home

Pulse Mobile Application



Security + Home Automation, Accessible Anywhere from One App

amazon alexa
Kwikset
ring
Z-WAVE PLUS
SKYBELL
ADT
Z-WAVE
SCHLAGE
Yale
nest
NETGEAR
Linear
Google Assistant

Home Security

Home Automation

Security Cameras

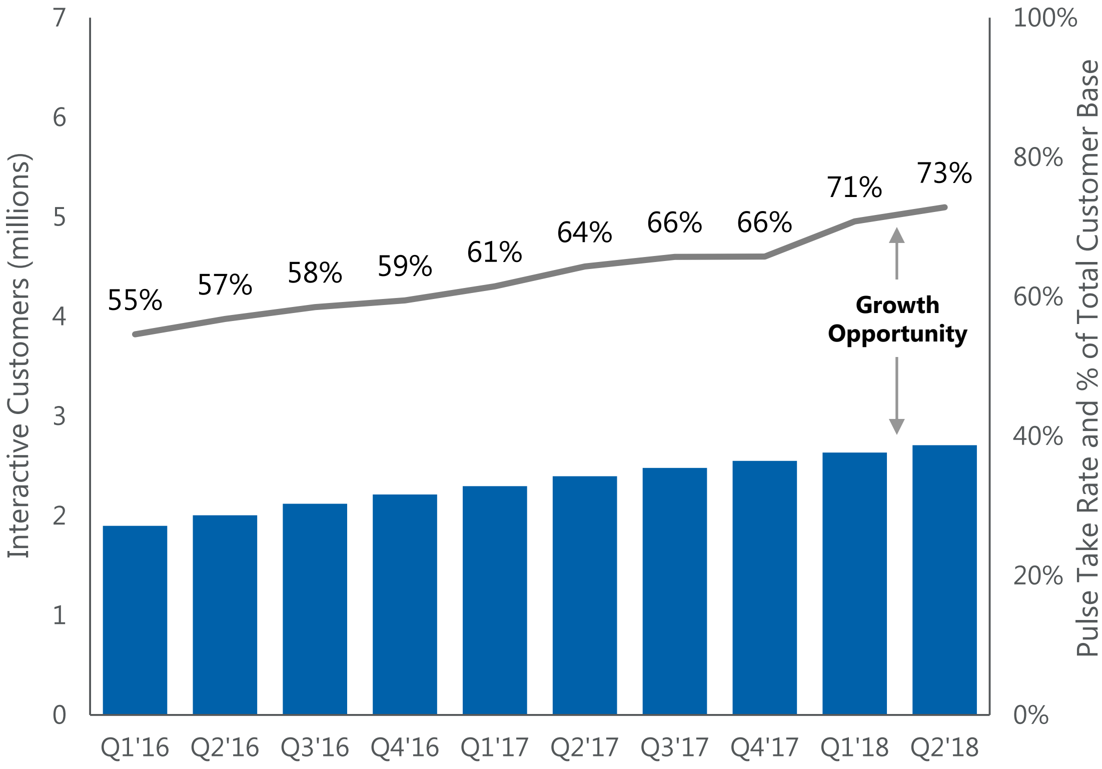
Fire, Home & Safety

Monitoring Services

Lights	Thermostat	Garage Door	Doorbell	Electric
Locks	Sensors	Water Leaks	Alerts	Video Clips

Increased Interactive Services Penetration Represents Substantial Opportunity

New Pulse Sales Penetration Continues to Rise



Number of interactive customers and % of total customer base[1]

Pulse take rate of new sales[2]

Interactive Service is Becoming the Norm for New ADT Customers[3]

~90M

Average Monthly App Logins

Resulting in the following number of smart home interactions annually:

~2 Billion Arming & Disarming

~200 Million Door Locks

~8.5 Billion Captured Video Clips

~700 Million Thermostat

~200 Million Lights

~180,000,000,000

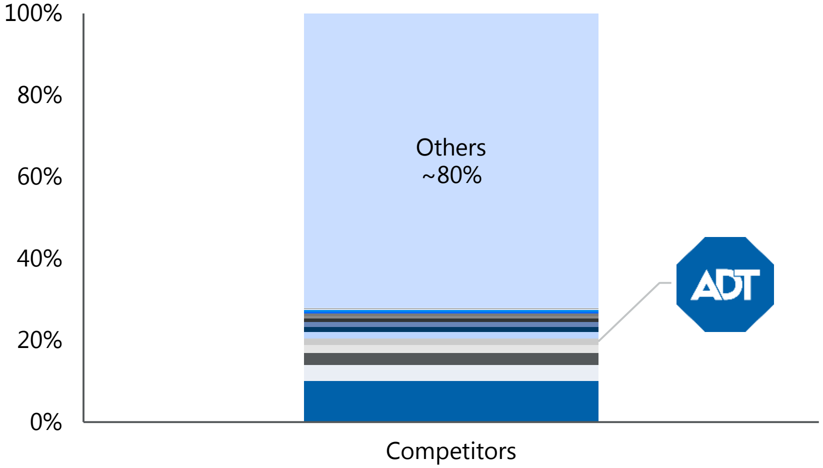
System Events Expected in 2018

Notes

1. Interactive services include Pulse and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation; customer base (7.2M as of 6/30/2018) excludes wholesale customers who outsource their monitoring to ADT
2. Take rate excludes large/multi-site, health, and wholesale customers
3. Figures are annual estimates unless otherwise noted and are expressed solely to illustrate system activity and engagement. System Events refer to all smart home, security and life safety interactions made by or on behalf of the user. The full year 2018 illustration is based on 2018 year-to-date recorded events

Highly Attractive Commercial Market Opportunity

ADT is Among Few National Players in Highly Fragmented ~$15-20B Commercial Market[(1)]



ADT's Existing Comprehensive Commercial Offering

Core Commercial | Multi-family | National Accounts | Integrated Solutions

- Monitoring
- Video Solutions
- Fire & Life Safety
- Intrusion Alarms
- Enterprise Solutions
- Managed Services
- Analytics & Reporting
- Inspection & Maintenance
- Access Control

ADT Opportunity

Already very well positioned

- Among few competitors with national footprint and scale
- Comprehensive set of existing offerings
- Strong customer centric operational infrastructure
- Household trusted brand (ADT) recently combined with Protection One expertise
- Re-branded former ADT business is current market leader

in highly attractive market

- Large and growing ~$15-20B
- Insurance requirements lead to high penetration
- Significant barriers to entry
- Service and client responsiveness drive market share
- Lower upfront costs and better attrition characteristics (vs. residential)

Recent Acquisitions Help Drive Future Growth

PROTEC INC.	Expands commercial presence in the Northwest and provides additional tools and product offerings
asg aronsonsecuritygroup	Key Fortune 100 clients and experience in tech sector; important geographical fit on the west coast
mse corporate security	Accelerates national platform growth
gsi gaston Security Inc Electronic Security	Strong relationships with several regional banks
acme Security Systems	Extends presence into energy market on west coast
Access Systems Integration	Access to a new vertical (pharmaceutical), brings additional technicians & national accounts sales force

Note

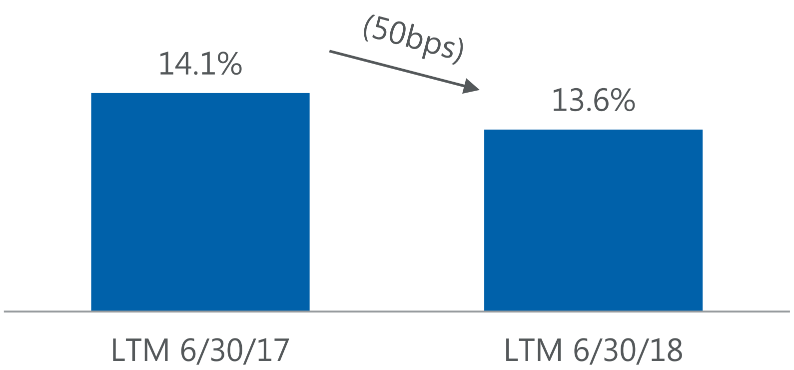
1. U.S. commercial market size based on data from Freedonia, IHS, and company estimates, and includes system installation, integration and monitoring services

Improvement Across Key Financial and Operating Metrics

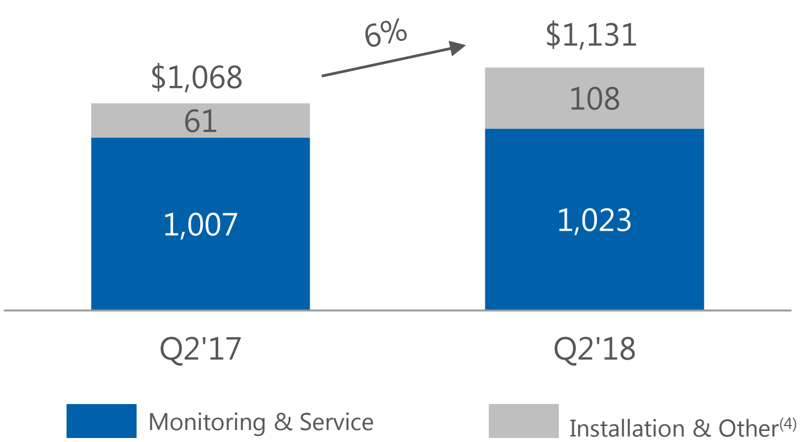
	For the quarters ended			
($ in millions)	Jun 30, 2018	Jun 30, 2017	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$1,023	$1,007	$16	2%
Total Revenue	1,131	1,068	64	6%
Net Loss	(67)	(93)	26	28%
Adjusted EBITDA	610	583	27	5%
Adjusted Net Income	113	37	76	205%
Free Cash Flow (before special items)	$123	$17	$106	637%
LTM Gross Revenue Attrition	13.6%	14.1%		(50bps)
LTM Revenue Payback (in years)	2.4x	2.6x	(0.2x)	
End of Period RMR	$338	$332	$6	2%

Total Revenue Up 6% Year over Year

Gross Customer Revenue Attrition[1][2]
%



Total Revenue[3]
$MM



Attrition improved 50 basis points

- High quality customer selection and better customer service levels led to year-over-year improvement
- Continued management focus on driving higher retention during the seasonally active second half of the year

Total revenue increase of 6%

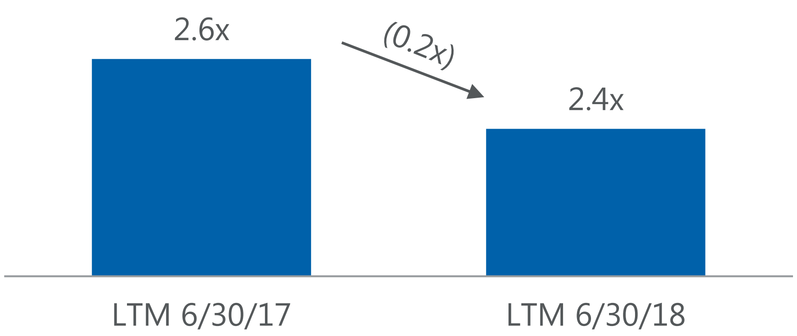
- Growth in Monitoring and Service revenue driven by improving attrition and higher average prices, in part due to increased interactive services penetration
- Higher Installation and Other revenue reflects continued success of the commercial growth strategy

Notes

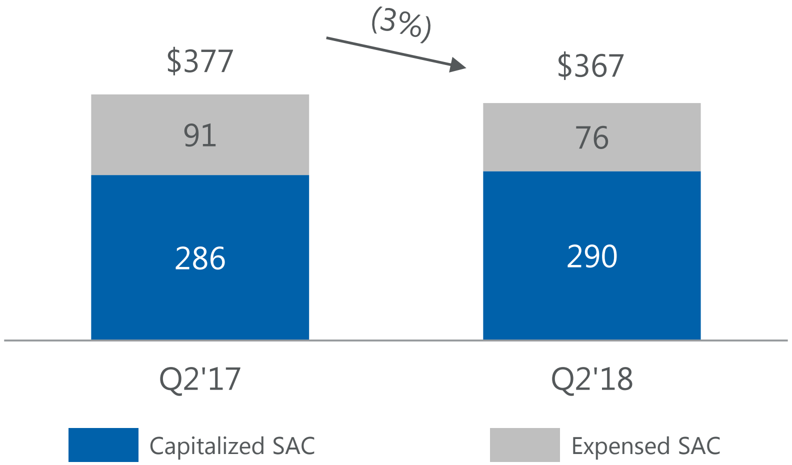
1. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements
2. Excludes wholesale customers who outsource their monitoring to ADT
3. Includes impact of newly adopted revenue recognition standard (ASC 606); excluding the impact, Q2'18 monitoring & service revenue is $1,025M and installation & other revenue is $106M
4. Split between installation revenue and deferred installation revenue recognition is available in Appendix

Acquiring New Customers More Efficiently

Customer Revenue Payback[1][2]
Years



Net Subscriber Acquisition Costs[3]
$MM



Revenue Payback improves 0.2x (years)

- Strong improvement driven by higher installation revenue, efficient sales and marketing spend, and other productivity actions
- Each 0.1x improvement equates to approximately $60M of annual savings in the net cost to acquire new recurring revenue

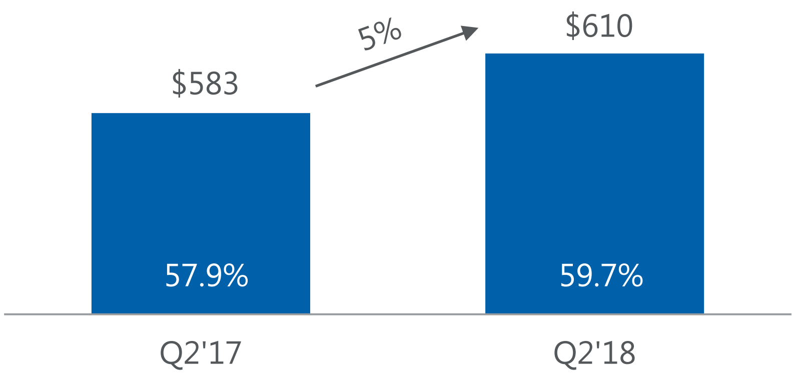
Grew RMR adds 3% YoY, while reducing SAC 3%

- RMR additions of $13M[1], up 3% vs. prior year; 3rd consecutive quarter of year over year growth
- Expensed SAC reduction driven by higher installation revenues on outright sales and other efficiencies

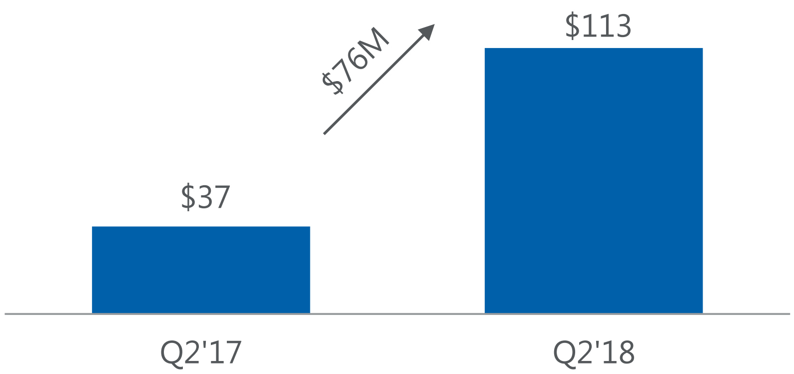
Notes
1. Excludes wholesale customers who outsource their monitoring to ADT
2. Revenue Payback period measures the approximate time, in years, required to recover our initial investment through contractual monthly recurring fees
3. Costs of acquiring new revenue and installation expenditures, net of installation revenue

Strong Adjusted EBITDA and Adjusted Net Income

Adjusted EBITDA & Margin %[1]
$MM



Adjusted Net Income
$MM



Adjusted EBITDA increase of 5%

- Growth is primarily driven by the flow through of high margin incremental recurring revenue, and the margin on higher year-over-year outright sales to commercial and multi-site customers

Adjusted Net Income up $76M

- Increase due to higher Adjusted EBITDA and lower cash interest (including timing of preferred securities interest payments)

Note
1. Adjusted EBITDA margin is calculated as a percentage of monitoring and service revenue

Continued Strong Cash Flow Generation

(in millions)	For the quarters ended			For the six months ended		
	Jun 30, 2018	Jun 30, 2017	Y/Y Change	Jun 30, 2018	Jun 30, 2017	Y/Y Change
Adjusted EBITDA	**$610**	**$583**	**$27**	**$1,230**	**$1,160**	**$70**
Less: Capitalized SAC Expense	(290)	(286)	(4)	(569)	(564)	(5)
Less: Cash Taxes	(5)	(8)	3	(3)	(10)	7
Less: Cash Interest	(201)	(231)	30	(296)	(311)	15
Less: Preferred Interest	-	(20)	20	-	(41)	41
Adjusted Net Income	**$113**	**$37**	**$76**	**$362**	**$235**	**$128**
Less: Capital Expenditures[1]	(30)	(28)	(2)	(60)	(56)	(4)
Less: Working Capital & Other[1]	39	8	32	8	13	(5)
Free Cash Flow (before special Items)	**$123**	**$17**	**$106**	**$310**	**$191**	**$119**

Note

1. Capital expenditures exclude special items primarily related to integration activities; Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees

Capital Structure Well-Positioned to Support Growth

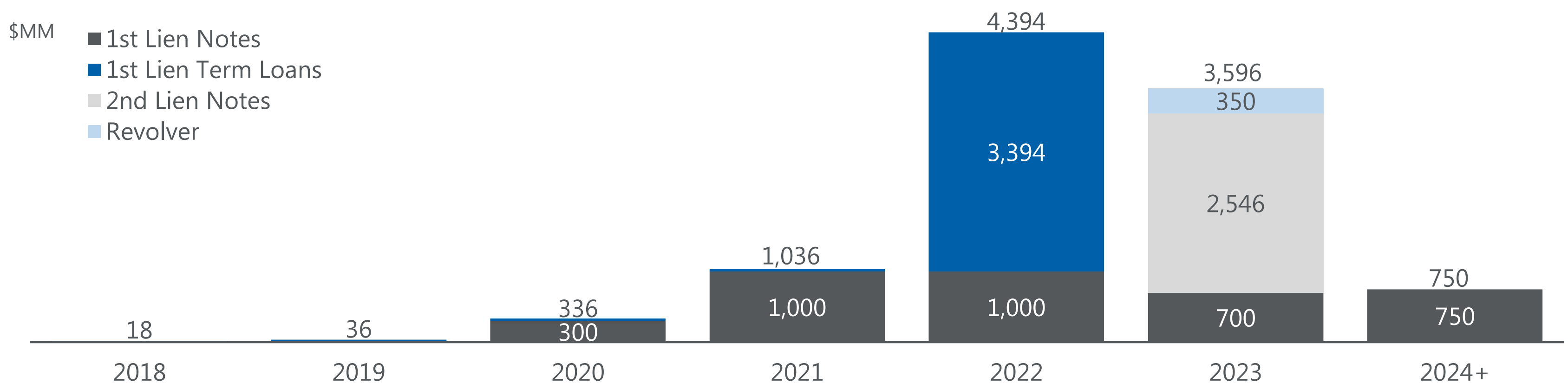
Capital Structure[1]

$MM	12/31/17 Actual	6/30/18 Actual	6/30/18 Pro Forma[2]
Revolver	-	-	-
First Lien Term Loan	3,536	3,518	3,518
First Lien Notes	3,750	3,750	3,750
Capital Leases	41	36	36
Total First Lien Debt	**$ 7,327**	**$ 7,304**	**$ 7,304**
Second Lien Notes	3,140	2,546	2,546
Preferred Securities	795	846	0
Total Debt + Preferred Securities	**$ 11,262**	**$ 10,696**	**$ 9,850**
Cash and Cash Equivalents	(123)	(1,094)[3]	(145)
Net Debt + Preferred Securities	**$ 11,139**	**$ 9,602**	**$ 9,705**
LTM Adjusted EBITDA	**2,353**	**2,423**	**2,423**
Net Leverage Ratio	**4.7x**	**4.0x**	**4.0x**
Fixed vs. Float Ratio[4]	~70%/30%	~83%/17%	~90%/10%

Second Quarter and Pro Forma Highlights

- Strong cash flow generation during 2nd quarter
- Redeemed Preferred Securities on 7/2/2018
- Swapped $1.5B floating rate debt to fixed LIBOR curve, reducing interest rate volatility
- Paid out Q2 dividends of $0.035 per share in July
- Declared Q3 dividend of $0.035 per share in August, payable October 2nd

Pro Forma Debt Maturity Profile[5]



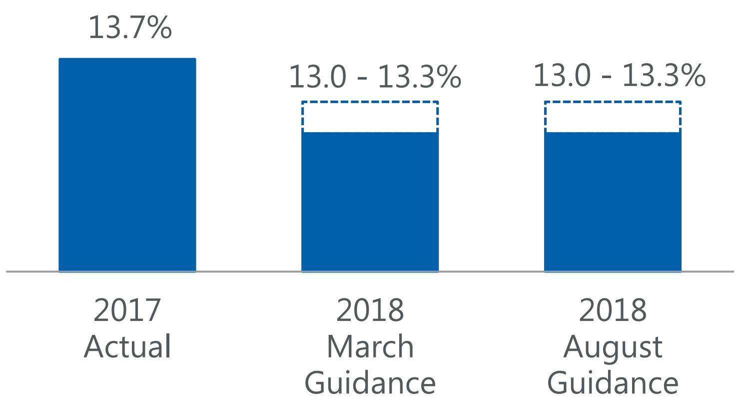
Notes

1. Debt instruments are stated at face value. Preferred securities are stated at face value plus accumulated dividends
2. Presented pro forma to include Koch redemption on 7/2/2018
3. Includes $750M of restricted cash used to redeem Koch preferred securities on 7/2/2018
4. Represents our current exposure to interest rate movements and is inclusive of the impact of interest rates swaps
5. Excludes preferred securities and capital leases

Improving FY 2018 Financial Guidance

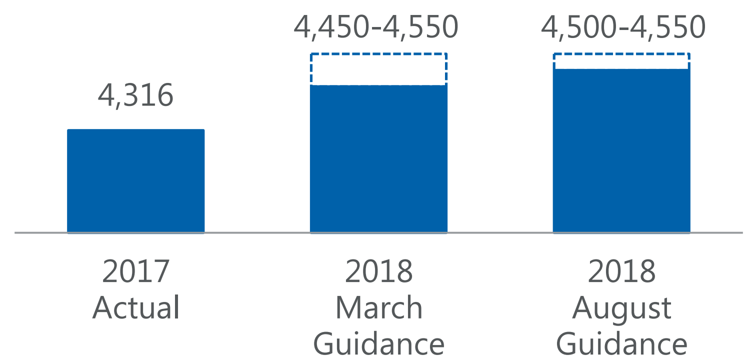
Gross Customer Revenue Attrition[1]

%



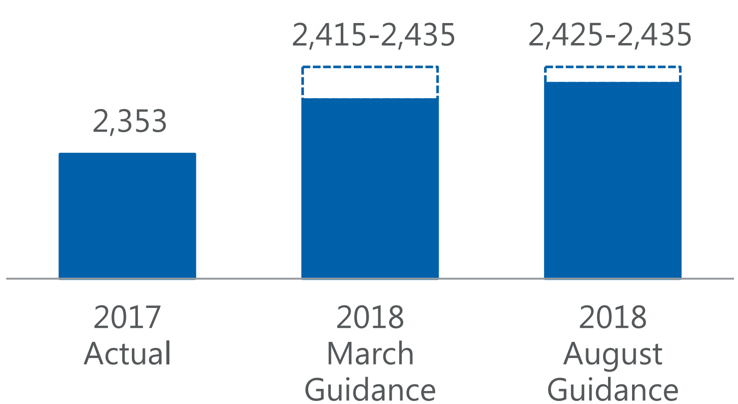
Total Revenue

$MM



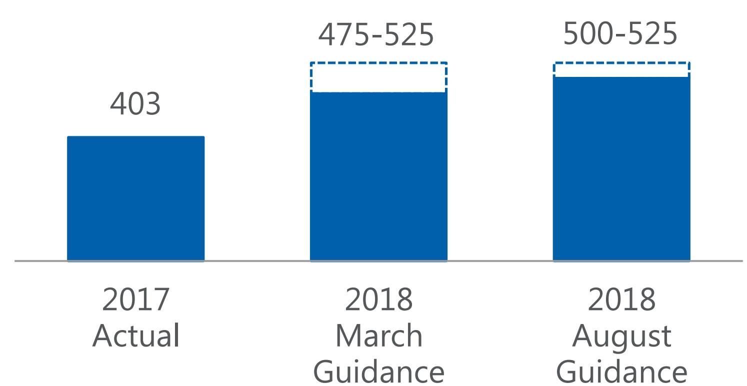
Adjusted EBITDA

$MM



Free Cash Flow[2]

$MM



Notes

1. Excludes wholesale customers who outsource their monitoring to ADT; calculated on a trailing 12 months basis
2. Before special items and Koch redemption (payment of redemption premium, accumulated dividends, and tax reimbursements)

Q&A

Appendix:
GAAP to Non-GAAP Reconciliations & Supplemental Schedules

Additional Historical Quarterly Trend Data

$ in millions	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Key Performance Indicators								
Monitoring and Service Revenue	$984	$990	$998	$1,007	$1,012	$1,012	$1,017	$1,023
Total Revenue	1,038	1,051	1,059	1,068	1,083	1,106	1,116	1,131
Net Loss / Income	(91)	(85)	(141)	(93)	(62)	638	(157)	(67)
Adjusted EBITDA	545	553	577	583	594	598	620	610
Adjusted Net Income	106	11	197	37	208	76	249	113
Adjusted EBITDA Margin (as % of M&S revenue)	55.4%	55.9%	57.8%	57.9%	58.7%	59.1%	60.9%	59.7%
LTM Gross Revenue Attrition[1]	15.2%	14.8%	14.5%	14.1%	13.8%	13.7%	13.6%	13.6%
Revenue Payback (in years)[1]	2.7x	2.7x	2.6x	2.6x	2.5x	2.5x	2.5x	2.4x
Subscriber Acquisition Costs								
Expensed	$99	$95	$86	$91	$84	$75	$75	$76
Capitalized	334	284	278	286	301	288	279	290
Total	$433	$379	$363	$377	$385	$363	$354	$367
Free Cash Flow								
Adjusted EBITDA	$545	$553	$577	$583	$594	$598	$620	$610
Less: Cash interest	(104)	(257)	(100)	(251)	(81)	(229)	(94)	(201)
Less: Cash taxes	(2)	(2)	(2)	(8)	(4)	(5)	2	(5)
Less: Changes in net working capital and other[2]	33	(33)	5	8	8	(31)	(32)	39
Less: Capitalized SAC expense	(334)	(284)	(278)	(286)	(301)	(288)	(279)	(290)
Less: Capital expenditures[2]	(23)	(19)	(28)	(28)	(26)	(24)	(29)	(30)
Free Cash Flow (before special items)	$116	($42)	$175	$17	$190	$22	$187	$123
RMR								
Ending RMR (excluding Wholesale)	$323	$324	$326	$328	$330	$331	$332	$334
Wholesale RMR	4	4	4	4	4	4	4	4
Ending RMR (including Wholesale)	327	328	330	332	334	335	337	338
Additions[1]	13.7	12.2	11.8	12.4	12.9	12.4	12.4	12.8

Notes

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted
2. Capital expenditures exclude special items primarily related to integration activities; Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees

Selected Statement of Operations Components

($ in millions)	GAAP Line Items – For the quarter ended June 30, 2018					GAAP Line Items – For the quarter ended June 30, 2017				
	Total Revenue	Cost of Revenue	SG&A	D&A	Total	Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,023	-	-	-	**$1,023**	1,007	-	-	-	**$1,007**
Monitoring & Service Costs and G&A	-	174	163	-	**$337**	-	170	164	-	**$334**
Net Expensed SAC	90	73	93	-	**$76**	51	45	96	-	**$91**
Depreciation and Amortization	19	-	14	488	**$484**	10	-	12	458	**$460**
Special Items	(1)	-	51	-	**$52**	-	-	14	-	**$14**
Total	**$1,131**	**$246**	**$323**	**$488**		**$1,068**	**$215**	**$286**	**$458**	

	For the quarter ended March 31, 2018					For the quarter ended March 31, 2017				
	Total Revenue	Cost of Revenue	SG&A	D&A	Total	Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,017	-	-	-	**$1,017**	998	-	-	-	**$998**
Monitoring & Service Costs and G&A	-	181	142	-	**$323**	-	174	161	-	**$335**
Net Expensed SAC	83	67	90	-	**$75**	53	45	94	-	**$86**
Depreciation and Amortization	17	-	13	484	**$480**	9	-	10	461	**$462**
Special Items	(0)	-	60	-	**$60**	0	-	89	-	**$89**
Total	**$1,116**	**$248**	**$305**	**$484**		**$1,059**	**$219**	**$353**	**$461**	

	GAAP Line Items			
	Total Revenue	**Cost of Revenue**	**SG&A**	**D&A**
Monitoring & Service Revenue	Monitoring & Service Revenue	-	-	-
Monitoring & Service Costs and G&A	-	Field Service and Customer Care Expenses	General and Administrative	-
Net Expensed SAC	Installation Revenue	Installation Costs	Selling and Advertising	-
Depreciation and Amortization	Amortization of deferred subscriber acquisition revenue	-	Amortization of deferred subscriber acquisition costs (commissions)	Depreciation and Amortization
Special Items	Purchase Accounting Adjustments	-	Special Items	-

Note: Excludes special items not applicable to the GAAP measures presented

Key Financial and Operating Metrics for 1H 2018

	For the six months ended			
($ in millions)	Jun 30, 2018	Jun 30, 2017	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$2,040	$2,005	$36	2%
Total Revenue	2,248	2,127	121	6%
Net Loss	(224)	(234)	10	4%
Adjusted EBITDA	1,230	1,160	70	6%
Adjusted Net Income	362	235	127	54%
Free Cash Flow (before special items)	$310	$191	$119	62%
LTM Gross Revenue Attrition	13.6%	14.1%		(50bps)
LTM Revenue Payback (in years)	2.4x	2.6x	(0.2x)	
End of Period RMR	$338	$332	$6	2%

Statements of Operations

(in millions, except per share data)	For the Quarters Ended June 30, 2018	For the Quarters Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Monitoring and related services	$ 1,023	$ 1,007	$ 2,040	$ 2,005
Installation and other	108	61	207	122
Total Revenue	1,131	1,068	2,248	2,127
Cost of revenue (exclusive of depreciation and amortization shown separately below)	246	215	495	434
Selling, general and administrative expenses	323	286	628	639
Depreciation and intangible asset amortization	488	458	972	919
Merger, restructuring, integration, and other costs	—	19	8	40
Operating income	74	90	145	95
Interest expense, net	(174)	(188)	(349)	(369)
Loss on extinguishment of debt	—	(3)	(62)	(4)
Other income	29	9	29	13
Loss before income taxes	(71)	(93)	(236)	(265)
Income tax benefit	5	—	12	32
Net loss	$ (67)	$ (93)	$ (224)	$ (234)
Net loss per share:				
Basic and Diluted	$ (0.09)	$ (0.14)	$ (0.30)	$ (0.36)
Weighted-average number of shares:				
Basic and Diluted	750	641	739	641

GAAP to Non-GAAP Reconciliations

Net loss before special items:

(in millions)	For the Quarters Ended June 30, 2018	For the Quarters Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Net loss	$ (67)	$ (93)	$ (224)	$ (234)
Merger, restructuring, integration, and other costs	—	19	8	40
Financing and consent fees	—	2	—	64
Foreign currency losses / (gains)	1	(9)	2	(13)
Loss on extinguishment of debt	—	3	62	4
Radio conversion costs	2	3	3	7
Share-based compensation expense	46	2	95	5
Other[1]	(27)	10	(24)	30
Tax adjustments[2]	(5)	(11)	3	(29)
Net loss before special items	$ (50)	$ (74)	$ (75)	$ (126)

Diluted EPS before special items:

(in millions, except per share data)	For the Quarters Ended June 30, 2018	For the Quarters Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Diluted EPS (GAAP)	$ (0.09)	$ (0.14)	$ (0.30)	$ (0.36)
Impact of special items	0.03	0.05	0.20	0.21
Impact of tax adjustments	(0.01)	(0.02)	—	(0.05)
Diluted EPS before special items	$ (0.07)	$ (0.11)	$ (0.10)	$ (0.20)
Diluted weighted-average number of shares outstanding	750	641	739	641

Notes

1. 2018 primarily includes income from one-time licensing fees and gains on our strategic investments. 2017 primarily includes management fees and other, and charges associated with our strategic investments.
2. Represents tax impact on special items. Additionally, for the six months ended June 30, 2018, includes a one-time non-deductible tax impact on share-based compensation expense related to the Class B Units in Ultimate Parent.

GAAP to Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin:

(in millions)	For the Quarters Ended								For the Six Months Ended		For the Twelve Months Ended	
	September 30, 2016	**December 31, 2016**	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**June 30, 2018**	**June 30, 2017**	**December 31, 2017**	**June 30, 2018**
Net (loss) income	$ (91)	$ (85)	$ (141)	$ (93)	$ (62)	$ 638	$ (157)	$ (67)	$ (224)	$ (234)	$ 343	$ 352
Interest expense, net	184	184	181	188	184	179	174	174	349	369	733	712
Income tax benefit	(76)	(36)	(32)	(0)	(7)	(725)	(8)	(5)	(12)	(32)	(764)	(745)
Depreciation and intangible asset amortization	458	428	461	458	468	476	484	488	972	919	1,863	1,916
Merger, restructuring, integration and other costs	29	23	21	19	15	11	8	0	8	40	65	34
Financing and consent fees	—	2	62	2	—	—	0	—	-	64	64	-
Foreign currency losses / (gains)	6	(0)	(3)	(9)	(14)	3	1	1	2	(13)	(24)	(9)
Loss on extinguishment of debt	7	12	1	3	—	—	62	—	62	4	4	62
Other non-cash items	9	4	13	1	(4)	3	0	0	1	14	13	(0)
Radio conversion costs	3	8	4	3	3	3	1	2	3	7	12	9
Purchase accounting deferred revenue fair value adjustment	11	3	—	—	—	—	—	—	-	-	-	-
Amortization of deferred subscriber acquisition costs	5	9	10	12	14	16	13	14	27	22	51	57
Amortization of deferred subscriber acquisition revenue	(4)	(6)	(9)	(10)	(13)	(15)	(17)	(19)	(36)	(19)	(46)	(63)
Share-based compensation expense	0	2	2	2	4	3	49	46	95	5	11	101
Management fees and other charges	5	5	7	6	7	7	9	(26)	(16)	14	28	(2)
Adjusted EBITDA	$ 545	$ 553	$ 577	$ 583	$ 594	$ 598	$ 620	$ 610	$ 1,230	$ 1,160	$ 2,353	$ 2,423
Net (loss) income to total revenue ratio	*-8.8%*	*-8.1%*	*-13.3%*	*-8.7%*	*-5.7%*	*57.7%*	*-14.1%*	*-5.9%*	*-10.0%*	*-11.0%*	*7.9%*	*7.9%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*55.4%*	*55.9%*	*57.8%*	*57.9%*	*58.7%*	*59.1%*	*60.9%*	*59.7%*	*60.3%*	*57.9%*	*58.4%*	*59.6%*
Total Revenue	$ 1,038	$ 1,051	$ 1,059	$ 1,068	$ 1,083	$ 1,106	$ 1,116	$ 1,131	$ 2,248	$ 2,127	$ 4,316	$ 4,436
Monitoring and related services revenue	$ 984	$ 990	$ 998	$ 1,007	$ 1,012	$ 1,012	$ 1,017	$ 1,023	$ 2,040	$ 2,005	$ 4,029	$ 4,065

Adjusted net income:

(in millions)	For the Quarters Ended								For the Six Months Ended		For the Year Ended
	September 30, 2016	**December 31, 2016**	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**June 30, 2018**	**June 30, 2017**	**December 31, 2017**
Adjusted EBITDA	$ 545	$ 553	$ 577	$ 583	$ 594	$ 598	$ 620	$ 610	$ 1,230	$ 1,160	$ 2,353
Capitalized SAC	(334)	(284)	(278)	(286)	(301)	(288)	(279)	(290)	(568)	(564)	(1,154)
Cash taxes	(2)	(2)	(2)	(8)	(4)	(5)	2	(5)	(3)	(10)	(19)
Cash interest	(104)	(257)	(100)	(251)	(81)	(229)	(94)	(201)	(296)	(352)	(661)
Adjusted net income	$ 106	$ 11	$ 197	$ 37	$ 208	$ 76	$ 249	$ 113	$ 362	$ 235	$ 519

GAAP to Non-GAAP Reconciliations

Free Cash Flow before special items:

	For the Quarters Ended								For the Six Months Ended		For the Year Ended
(in millions)	**September 30, 2016**	**December 31, 2016**	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**June 30, 2018**	**June 30, 2017**	**December 31, 2017**
Net cash provided by operating activities	$ 434	$ 236	$ 412	$ 331	$ 519	$ 330	$ 505	$ 458	$ 963	$ 743	$ 1,592
Net cash used in investing activities	(374)	(322)	(308)	(341)	(400)	(364)	(367)	(329)	(696)	(649)	(1,413)
Net cash provided by (used in) financing activities	(164)	(0)	97	(204)	(22)	(13)	748	(43)	705	(107)	(143)
Free Cash Flow	61	(87)	82	(14)	160	(3)	174	116	289	69	225
Net cash provided by operating activities	434	236	412	331	519	330	505	458	963	743	1,592
Dealer generated customer accounts and bulk account purchases	(166)	(148)	(144)	(163)	(180)	(167)	(160)	(168)	(328)	(306)	(653)
Subscriber system assets	(180)	(148)	(152)	(147)	(146)	(138)	(138)	(143)	(281)	(299)	(583)
Capital expenditures	(27)	(27)	(34)	(36)	(33)	(28)	(33)	(32)	(65)	(69)	(131)
Free Cash Flow	61	(87)	82	(14)	160	(3)	174	116	289	69	225
Financing and consent fees	-	2	62	2	-	-	-	-	-	64	64
Restructuring and integration payments	29	20	12	13	10	11	6	5	11	25	46
Integration related capital expenditures	5	9	6	7	8	4	4	2	6	13	25
Management fees and other	9	4	7	6	10	7	2	(1)	1	14	30
Radio conversion costs	13	9	5	2	3	3	2	2	3	7	13
Free Cash Flow before special items	$ 116	$ (42)	$ 175	$ 17	$ 190	$ 22	$ 187	$ 123	$ 310	$ 191	$ 403

GAAP to Non-GAAP Reconciliations

Debt to net income ratio:

(in millions)	June 30, 2018	December 31, 2017
Total debt + Preferred securities (book value)	$ 10,306	$ 10,852
LTM net income	352	343
Debt to net income ratio	**29.3x**	**31.7x**

Net leverage ratio:

(in millions)	June 30, 2018	December 31, 2017
Revolver	$ —	$ —
First lien term loan	3,518	3,536
First lien notes	3,750	3,750
Capital leases	36	41
Total first lien debt	**7,304**	**7,327**
Second lien notes	2,546	3,140
Preferred securities	846	795
Total debt + Preferred securities(1)	**10,696**	**11,262**
Cash and cash equivalents(2)	(1,094)	(123)
Net debt + Preferred securities	**9,602**	**11,139**
LTM Adjusted EBITDA	**$ 2,423**	**$ 2,353**
Net leverage ratio	**4.0x**	**4.7x**

Notes

1. Debt instruments are stated at face value. Preferred securities are stated at face value plus accumulated dividends
2. Includes $750M of restricted cash for the redemption of Preferred Securities. The company redeemed the Preferred Securities in full on July 2, 2018

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined by generally accepted accounting principles in the United States ("GAAP"), we disclose the following non-GAAP financial measures: Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before special items, Adjusted Net Income, Net Income (Loss) before special items, diluted earnings per share ("EPS") before special items and Net Leverage Ratio. These measures are not financial measures calculated in accordance with GAAP, and should not be considered as a substitute for net income, operating income, or any other measure calculated in accordance with GAAP, and may not be comparable to a similarly titled measure reported by other companies.

Adjusted EBITDA

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

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, including depreciation of subscriber system assets and other fixed assets and amortization of dealer and other intangible assets, (iv) amortization of deferred costs and deferred revenue associated with subscriber acquisitions, (v) share-based compensation expense, (vi) purchase accounting adjustments under GAAP, (vii) merger, restructuring, integration, and other costs, (viii) financing and consent fees, (ix) foreign currency gains/losses, (x) losses on extinguishment of debt, (xi) radio conversion costs, (xii) management fees and other charges, and (xiii) other non-cash items. There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest expense, income tax expense, and other adjustments which directly affect our net income 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 or loss as calculated in accordance with GAAP. The Adjusted EBITDA discussion above is also applicable to its margin measure, which is calculated as Adjusted EBITDA as a percentage of monitoring and related services revenue.

Free Cash Flow

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

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

Free Cash Flow before special items

We define Free Cash Flow before special items as Free Cash Flow adjusted for charges and gains related to (i) acquisitions, (ii) integrations, (iii) restructuring, (iv) impairments, and (v) other income or charges that may mask the operating results or business trends of the Company. As a result, subject to the limitations described below, Free Cash Flow before special items is useful measure of our cash available to repay debt, make other investments, and pay dividends.

Free Cash Flow before special items 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 before special items 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 before special items in combination with the GAAP cash flow numbers.

Adjusted Net Income

Adjusted Net Income is a non-GAAP measure that we present to provide additional information to investors about our operating performance. We define Adjusted Net Income as Adjusted EBITDA less (1) capitalized subscriber acquisition costs, (2) cash taxes, and (3) cash interest paid, including interest on our preferred securities. Given our capital intensive business model, high debt levels, and the fact we are a low cash income tax paying Company due to our significant net operating loss, the Company uses this measure to reflect the cash portion of such adjusted items mentioned above to further evaluate our operational performance. There are material limitations to using Adjusted Net Income. Adjusted Net Income does not take into account certain significant items, including depreciation and amortization, interest expense, income tax expense, and other adjustments which directly affect our net income or loss. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering Adjusted Net Income in conjunction with net income or loss as calculated in accordance with GAAP.

Net Income (Loss) and Diluted EPS before special items

Net Income (Loss) and Diluted EPS before special items are non-GAAP measures that may be used from time to time and should not be considered replacements for GAAP results. Net Income (Loss) before special items is defined as net income (loss) adjusted for (i) share-based compensation expense, (ii) purchase accounting adjustments under GAAP, (iii) merger, restructuring, integration, and other costs, (iv) financing and consent fees, (v) foreign currency gains/losses, (vi) loss on extinguishment of debt, (vii) radio conversion costs, (viii) management fees and other charges, (ix) other non-cash items, and (x) the impact these adjusted items have on the effective tax rate. Diluted EPS before special items is diluted earnings per share adjusted for the items above. The difference between Net Income (Loss) before special items and diluted EPS before special items, and net income (loss) and diluted EPS (the most comparable GAAP measures) consists of the impact of the special items noted above on the applicable GAAP measure. The Company believes that Net Income (Loss) and Diluted EPS both before special items are benchmarks used by analysts and investors who follow the industry for comparison of its performance with other companies in the industry, although our measures may not be directly comparable to similar measures reported by other companies. The limitation of these measures is that they exclude the impact (which may be material) of items that increase or decrease our reported operating income, operating margin, net income or loss, and EPS. This limitation is best addressed by using the non-GAAP measures in combination with the most comparable GAAP measures in order to better understand the amounts, character, and impact of any increase or decrease on reported results.

Net Leverage Ratio

The leverage ratio may be presented as the ratio of Adjusted EBITDA to net debt. The leverage ratio is a useful measure of the Company's credit position and progress towards leverage targets. Refer to the discussion on Adjusted EBITDA for a description of the differences between the most comparable GAAP measure. The calculation is limited in that the Company may not always be able to use cash to repay debt on a dollar-for-dollar basis.

Financial Outlook

The Company is not providing a quantitative reconciliation of our financial outlook for Adjusted EBITDA and Free Cash Flow before special items to net income (loss) and net cash provided by operating activities, which are their corresponding GAAP measures because these GAAP measures that we exclude from our non-GAAP financial outlook are difficult to reliably predict or estimate without unreasonable effort due to their dependence on future uncertainties, such as special items discussed above under the heading — *Non-GAAP Measures "Adjusted EBITDA" and "Free Cash Flow before special items."* Additionally, information that is currently not available to the Company could have a potentially unpredictable and potentially significant impact on its future GAAP financial results.