Q3 2018 Earnings Presentation

November 7, 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 3% year-over-year ▪ Free Cash Flow before special items of $169 million in the quarter and $479 million YTD
Grow Commercial Business	▪ Continued strong new commercial and multi-site account sales growth ▪ Acceleration of commercial expansion with agreement to acquire Red Hawk; expected to close by end of 2018
Innovate Around Trusted "ADT" Brand	▪ Collaboration with Amazon expands existing relationship to provide new sales and marketing opportunities and home security features
Continue to Improve Customer Retention	▪ Improved LTM gross customer revenue attrition by 40 basis points year-over-year to 13.4%
Acquire New Customers More Efficiently	▪ Improved LTM Revenue Payback from 2.5x to 2.4x (in years) ▪ Every 0.1x equates to approximately $60M of annualized cash savings

Note:
Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before specials items, Adjusted Net Income, Net Income (Loss) before special items, and Net Leverage Ratio 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

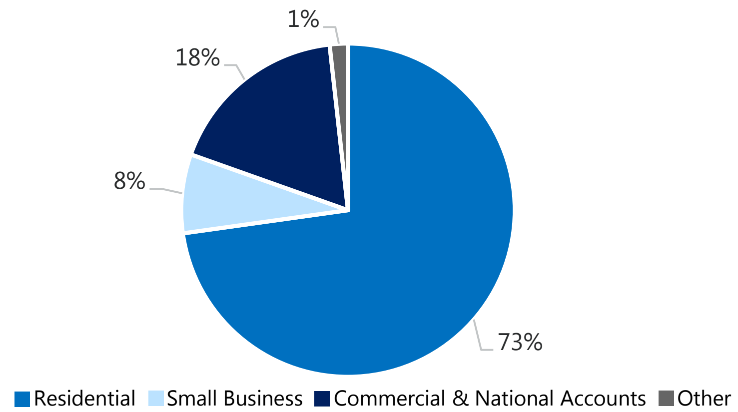
Red Hawk Will Re-establish ADT as a Commercial Leader

Key Highlights

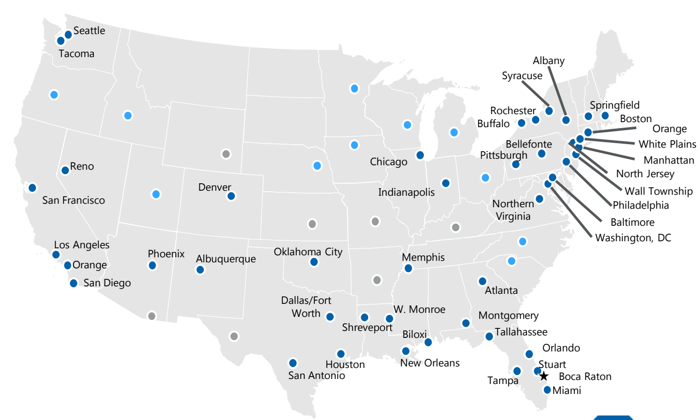
RED HAWK
Fire & Security

- Expected to close by end of 2018
- Enhances commercial management expertise, technician base and sales force
- Increases product array with introduction of additional fire related offerings
- Establishes critical mass in commercial with scalable, national platform
- Revenue synergy opportunity by cross selling new services and leveraging ADT name over time
- Cost synergy opportunity by leveraging ADT's infrastructure and purchasing power
- Expected to be modestly accretive to Free Cash Flow in first 12 months, before accounting for synergies

ADT + Red Hawk Total Revenue



Red Hawk Footprint

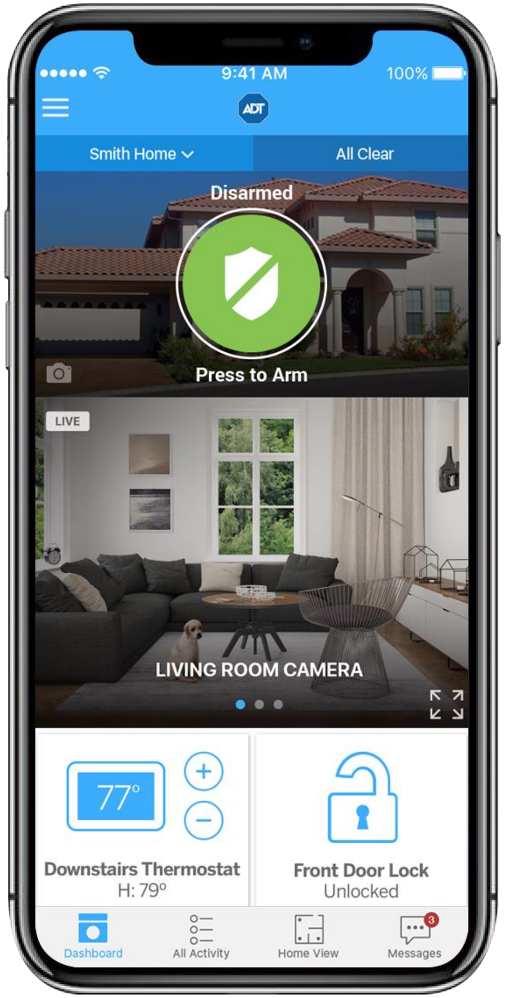


★ Corporate Office
● District Locations
● Remote Resources[(1)]
● Strategic Partner[(2)]

Notes:
1. Red Hawk employees operating from a private office.
2. Third parties with which Red Hawk has reciprocal service arrangements.

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

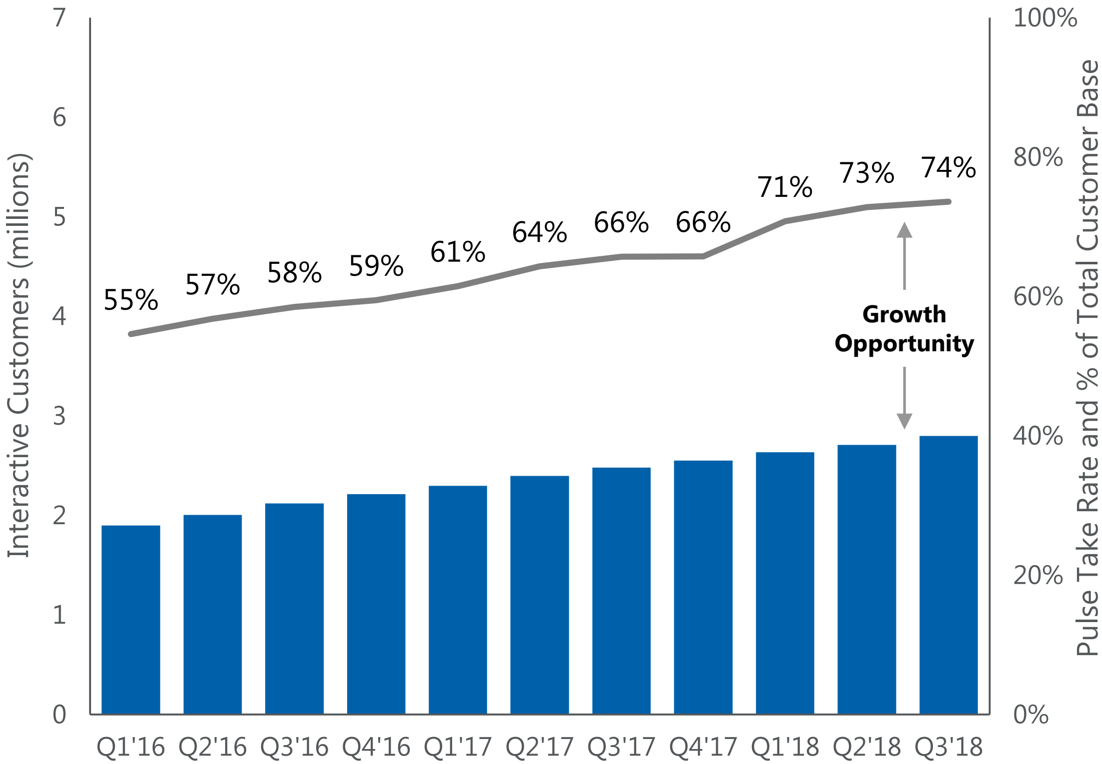
Water Leaks

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 9/30/2018) excludes wholesale customers who outsource their monitoring to ADT
2. Take rate represents sales by ADT or its authorized dealer network, and 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

Leader in Voice-Assisted Security and Home Automation

Expanding Existing Relationship with Amazon

2017: Voice Integration with Amazon Alexa

- When at home, offers 100+ commands, such as:

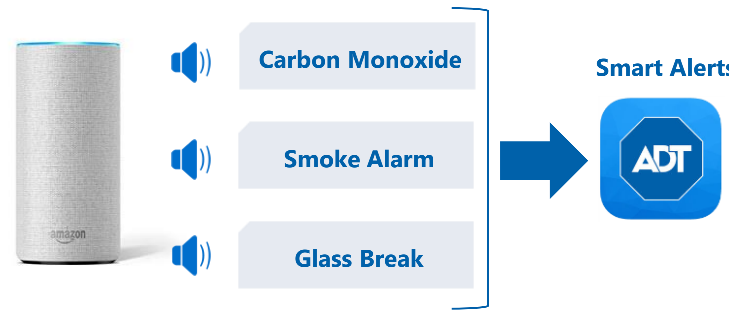
2018: Voice Assisted Security & Marketing Relationship

- When away from home, the customer's Amazon Echo device will serve as an audio sensor to enhance security
- Substantial co-marketing campaign investment planned by both Amazon and ADT
- Will open new sales and marketing opportunities through Amazon channels for our products and services, expanding leadership in the smart home

ADT & Alexa Guard: How It Will Work

ADT | amazon alexa

1 Detect the sounds that matter



2 Elevate your security system

Automatic Forwarding – Alexa can automatically forward notifications of audio events in the home and the related sound clip to ADT, who can act on behalf of the customer even when the customer is unreachable.

Self-Forwarding – The customer can forward the information and the related audio clip to ADT after they have received and reviewed each detected sound.

Improvement Across Key Financial and Operating Metrics

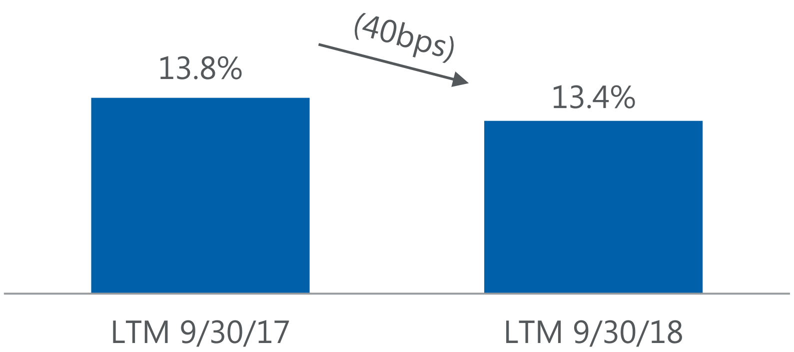
	For the quarters ended			
($ in millions)	Sep 30, 2018	Sep 30, 2017	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$1,029	$1,012	$17	2%
Total Revenue	1,148	1,083	65	6%
Net Loss	(236)	(62)	(174)	(281%)
Adjusted EBITDA	610	594	15	3%
Adjusted Net Income[1]	194	208	(14)	(7%)
Free Cash Flow (before special items)[1]	$169	$190	(21)	(11%)
LTM Gross Revenue Attrition	13.4%	13.8%		(40bps)
LTM Revenue Payback (in years)	2.4x	2.5x	(0.1x)	
End of Period RMR	$340	$334	6	2%

Note:

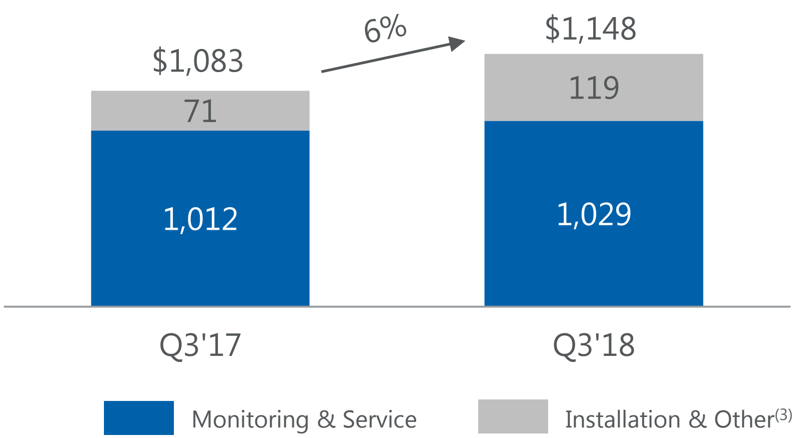
1. On July 2, 2018, the Company redeemed the Koch Preferred Securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items and Adjusted Net Income. Additionally, Free Cash Flow before special items and Adjusted Net Income for 2017 include a total of $41 million of dividend obligation payments on the Koch Preferred Securities in Q1 and Q2 2017.

Total Revenue Up 6% Year-over-Year

Gross Customer Revenue Attrition[(1)]
%



Total Revenue[(2)]
$MM



Attrition improved 40 basis points

- High quality customer selection and better customer service levels led to year-over-year (40 bp) and sequential (20 bp) improvement
- Improvement throughout our U.S. customers, partially offset by our Canadian operations

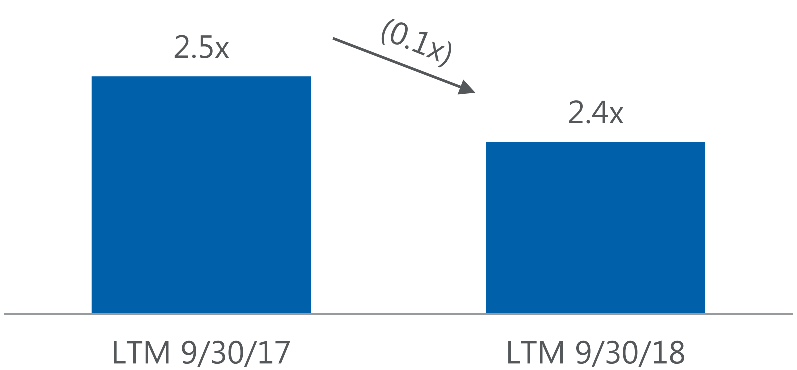
Total revenue increase of 6%

- 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 commercial progress with organic growth of $14M and inorganic growth of $26M

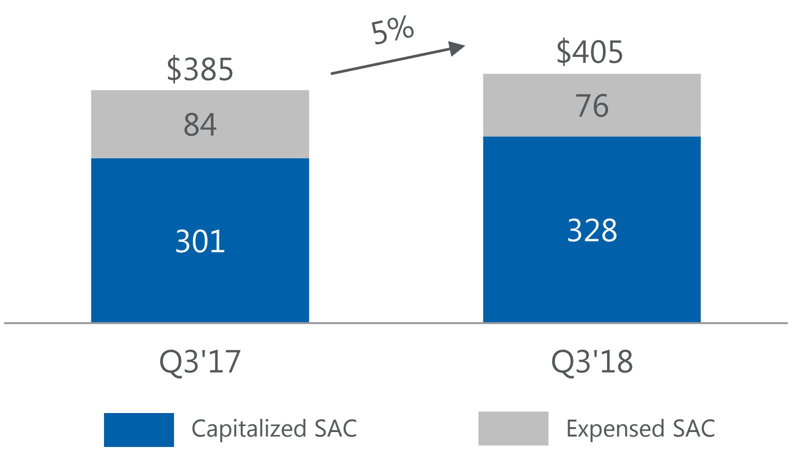
Notes:
1. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements; Excludes wholesale customers who outsource their monitoring to ADT; Calculated on a trailing 12 months basis
2. Includes impact of newly adopted revenue recognition standard (ASC 606); excluding the impact, Q3'18 monitoring & service revenue is $1,031M and installation & other revenue is $117M
3. Includes amortization of deferred installation revenue of $21M and $13M for Q3'18 and Q3'17, respectively

Acquiring New Customers More Efficiently

Customer Revenue Payback[1][2]
Years



Net Subscriber Acquisition Costs[3]
$MM



Revenue Payback improves 0.1x (years)

- Improvement driven by higher installation revenue, efficient sales and installation 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

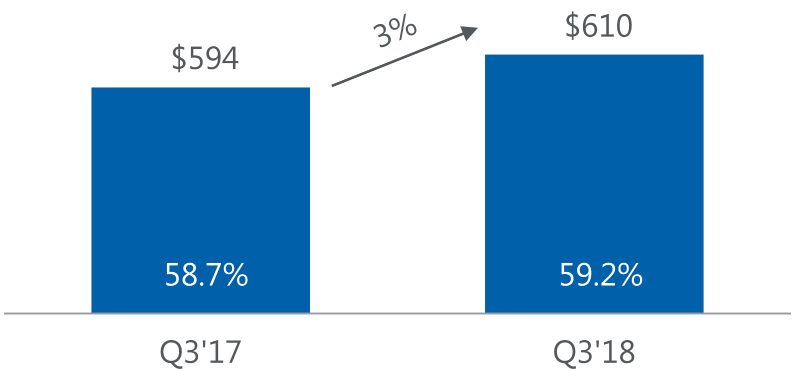
Grew RMR adds 7% YoY

- RMR additions of $14M[1], up 7% vs. prior year; 4th consecutive quarter of year over year growth
- Continuing to generate net SAC efficiency with higher SAC spend in the quarter (up 5%)

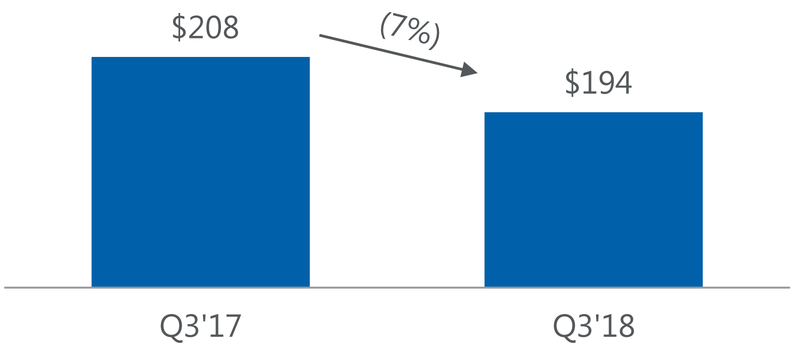
Notes:
1. Excludes wholesale customers who outsource their monitoring to ADT
2. Revenue Payback period measures the approximate time, in years, required to recover our initial investment through contractual monthly recurring fees
3. Costs of acquiring new revenue and installation expenditures, net of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

Strong Adjusted EBITDA and Adjusted Net Income

Adjusted EBITDA & Margin %[1]
$MM



Adjusted Net Income[2]
$MM



Adjusted EBITDA increase of 3%

- Growth is primarily driven by 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 down 7%

- Growth in Adjusted EBITDA, offset by an increase in subscriber acquisition costs spend, primarily due to an increase in volume from our dealer channel
- YTD $556M, up $114M or 26% vs. prior year

Note:
1. Adjusted EBITDA margin is calculated as a percentage of monitoring and service revenue
2. On July 2, 2018, the Company redeemed the Koch Preferred Securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items and Adjusted Net Income. Additionally, Free Cash Flow before special items and Adjusted Net Income for 2017 include a total of $41 million of dividend obligation payments on the Koch Preferred Securities in Q1 and Q2 2017.

Continued Strong Cash Flow Generation

	For the quarters ended			For the nine months ended		
(in millions)	Sep 30, 2018	Sep 30, 2017	Y/Y Change	Sep 30, 2018	Sep 30, 2017	Y/Y Change
Adjusted EBITDA	**$610**	**$594**	**$15**	**$1,840**	**$1,754**	**$86**
Less: Capitalized SAC	(328)	(301)	(27)	(897)	(865)	(32)
Less: Cash Taxes	(1)	(4)	3	(4)	(14)	10
Less: Cash Interest	(87)	(81)	(6)	(383)	(392)	9
Less: Preferred Interest[1]	-	-	-	-	(41)	41
Adjusted Net Income	**$194**	**$208**	**($14)**	**$556**	**$442**	**$114**
Less: Capital Expenditures[2]	(28)	(26)	(3)	(88)	(82)	(6)
Less: Working Capital & Other[2]	4	8	(5)	11	21	(10)
Free Cash Flow (before special items)[1]	**$169**	**$190**	**($21)**	**$479**	**$381**	**$98**

Notes:

1. On July 2, 2018, the Company redeemed the Koch Preferred Securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items and Adjusted Net Income. Additionally, Free Cash Flow before special items and Adjusted Net Income for 2017 include a total of $41 million of dividend obligation payments on the Koch Preferred Securities in Q1 and Q2 2017.
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

Capital Structure Well-Positioned to Support Growth

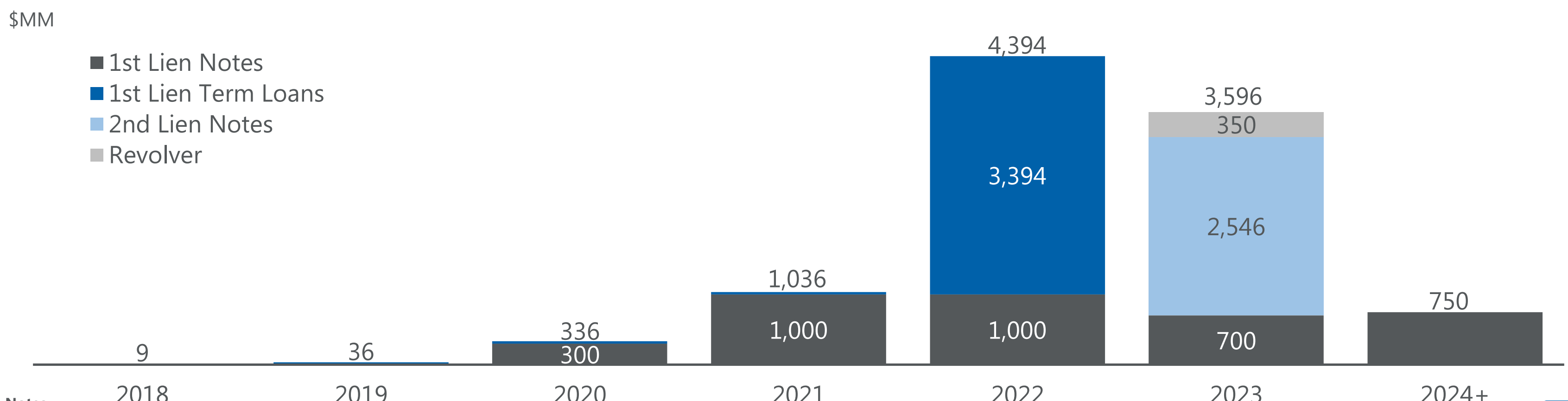
Capital Structure[1]

$MM	12/31/17	9/30/18
Revolver	-	-
First Lien Term Loan	3,536	3,509
First Lien Notes	3,750	3,750
Capital Leases	41	35
Total First Lien Debt	**$ 7,327**	**$ 7,294**
Second Lien Notes	3,140	2,546
Preferred Securities	795	-
Total Debt + Preferred Securities	**$ 11,262**	**$ 9,840**
Cash and Cash Equivalents	123	257
Net Debt + Preferred Securities	**$ 11,139**	**$ 9,583**
LTM Adjusted EBITDA (Post-SAC)	**2,353**	**2,438**
Net Leverage Ratio	**4.7x**	**3.9x**
Fixed / Floating Ratio [2]	70%/30%	90%/10%

Third Quarter Highlights

- Redeemed Preferred Securities on 7/2/2018
- Entered into agreement to acquire Red Hawk in October
- Paid Q3 dividends of $0.035 per share in October
- Declared Q4 dividend of $0.035 per share in November, payable January 4, 2019

Debt Maturity Profile[3]



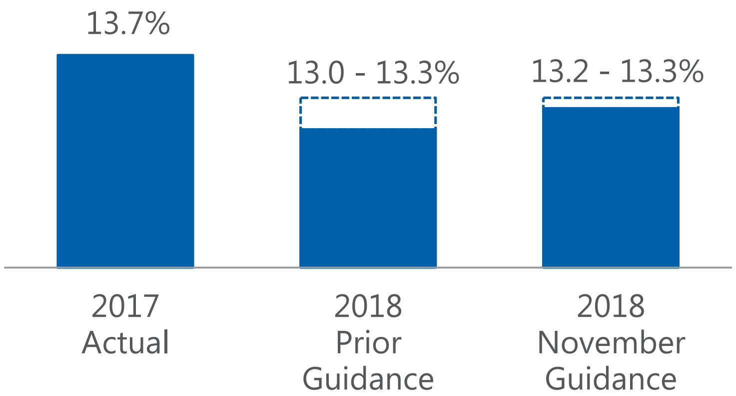
Notes:

1. Debt instruments are stated at face value. Preferred securities are stated at face value plus accumulated dividends.
2. Inclusive of the impact of interest rate swaps
3. Excludes capital leases. We may, from time to time, seek to retire or purchase our outstanding debt securities through cash purchases in the open market or through privately negotiated transactions.

Raising FY 2018 Financial Guidance

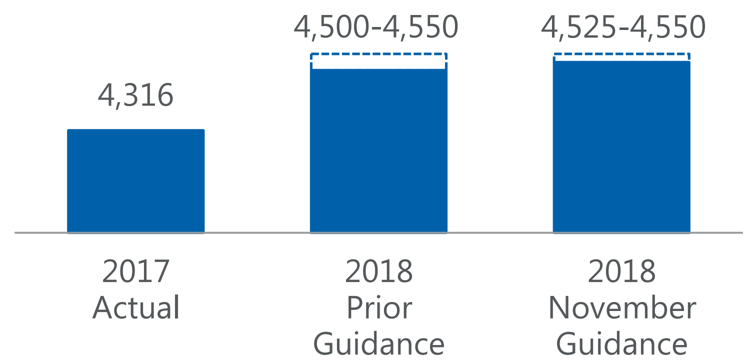
Gross Customer Revenue Attrition[1]

%



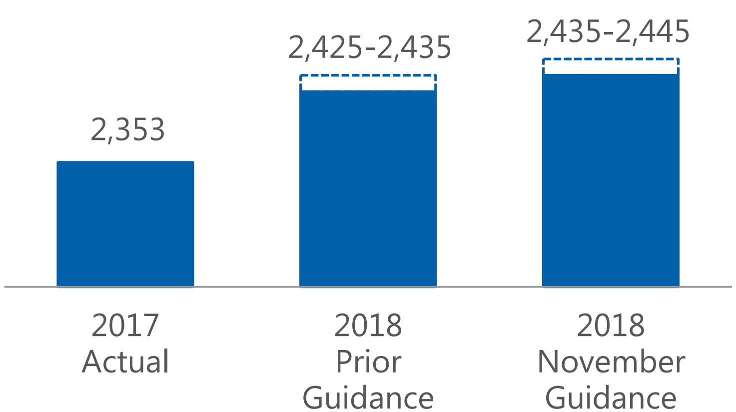
Total Revenue

$MM



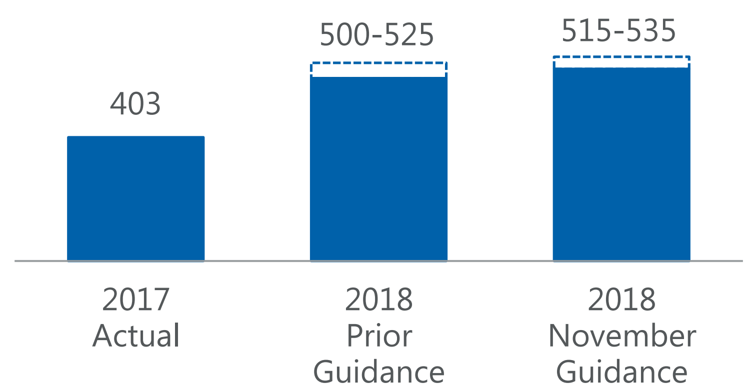
Adjusted EBITDA

$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; On July 2, 2018, the Company redeemed the Koch Preferred Securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items and Adjusted Net Income. Additionally, Free Cash Flow before special items and Adjusted Net Income for 2017 include a total of $41 million of dividend obligation payments on the Koch Preferred Securities in Q1 and Q2 2017.

Q&A

Appendix

Additional Historical Quarterly Trend Data

$ in millions	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Key Performance Indicators								
Monitoring and Service Revenue	$990	$998	$1,007	$1,012	$1,012	$1,017	$1,023	$1,029
Total Revenue	1,051	1,059	1,068	1,083	1,106	1,116	1,131	1,148
Net (Loss) / Income	(85)	(141)	(93)	(62)	638	(157)	(67)	(236)
Adjusted EBITDA	553	577	583	594	598	620	610	610
Adjusted Net Income(1)	11	197	37	208	76	249	113	194
Adjusted EBITDA Margin (as % of M&S revenue)	55.9%	57.8%	57.9%	58.7%	59.1%	60.9%	59.7%	59.2%
LTM Gross Revenue Attrition(2)	14.8%	14.5%	14.1%	13.8%	13.7%	13.6%	13.6%	13.4%
Revenue Payback (in years)(2)	2.7x	2.6x	2.6x	2.5x	2.5x	2.5x	2.4x	2.4x
Net Subscriber Acquisition Costs								
Expensed	$95	$86	$91	$84	$75	$75	$76	$76
Capitalized	284	278	286	301	288	279	290	328
Total	$379	$363	$377	$385	$363	$354	$367	$405
Free Cash Flow								
Adjusted EBITDA	$553	$577	$583	$594	$598	$620	$610	$610
Less: Cash interest(1)	(257)	(100)	(251)	(81)	(229)	(94)	(201)	(87)
Less: Cash taxes	(2)	(2)	(8)	(4)	(5)	2	(5)	(1)
Less: Changes in net working capital and other(3)	(33)	5	8	8	(31)	(32)	39	4
Less: Capitalized SAC	(284)	(278)	(286)	(301)	(288)	(279)	(290)	(328)
Less: Capital expenditures(3)	(19)	(28)	(28)	(26)	(24)	(29)	(30)	(28)
Free Cash Flow (before special items)(1)	($42)	$175	$17	$190	$22	$187	$123	$169
RMR								
Ending RMR (excluding Wholesale)	$324	$326	$328	$330	$331	$332	$334	$336
Wholesale RMR	4	4	4	4	4	4	4	4
Ending RMR (including Wholesale)	328	330	332	334	335	337	338	340
Additions(2)	12.2	11.8	12.4	12.9	12.4	12.4	12.8	13.8

Notes:

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2. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted
3. 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 September 30, 2018 Total Revenue	Cost of Revenue	SG&A	D&A	Total	GAAP Line Items For the quarter ended September 30, 2017 Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,029	-	-	-	**$1,029**	1,012	-	-	-	**$1,012**
Monitoring & Service Costs and G&A	-	184	160	-	**$343**	-	176	158	-	**$334**
Net Expensed SAC	98	80	94	-	**$76**	58	48	93	-	**$84**
Depreciation and Amortization	21	-	16	475	**$470**	13	-	14	468	**$469**
Special Items	0	-	25	-	**$25**	-	-	19	-	**$19**
Total	**$1,148**	**$263**	**$295**	**$475**		**$1,083**	**$224**	**$284**	**$468**	

	For the quarter ended June 30, 2018 Total Revenue	Cost of Revenue	SG&A	D&A	Total	For the quarter ended June 30, 2017 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**	

	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

Improvement Across Key Financial and Operating Metrics

	For the nine months ended			
($ in millions)	Sep 30, 2018	Sep 30, 2017	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$3,070	$3,017	$53	2%
Total Revenue	3,396	3,210	186	6%
Net Loss	(460)	(296)	(164)	(56%)
Adjusted EBITDA	1,840	1,754	86	5%
Adjusted Net Income[1]	556	442	114	26%
Free Cash Flow (before special items)[1]	$479	$381	$98	26%
LTM Gross Revenue Attrition	13.4%	13.8%		(40bps)
LTM Revenue Payback (in years)	2.4x	2.5x	(0.1x)	
End of Period RMR	$340	$334	6	2%

Note:

1. On July 2, 2018, the Company redeemed the Koch Preferred Securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items and Adjusted Net Income. Additionally, Free Cash Flow before special items and Adjusted Net Income for 2017 include a total of $41 million of dividend obligation payments on the Koch Preferred Securities in Q1 and Q2 2017.

Statements of Operations

(in millions, except per share data)	For the Quarters Ended September 30, 2018	For the Quarters Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Monitoring and related services	$ 1,029	$ 1,012	$ 3,070	$ 3,017
Installation and other	119	71	326	193
Total revenue	1,148	1,083	3,396	3,210
Cost of revenue (exclusive of depreciation and amortization shown separately below)	263	224	758	658
Selling, general and administrative expenses	295	284	923	923
Depreciation and intangible asset amortization	475	468	1,447	1,387
Merger, restructuring, integration, and other	(7)	15	2	54
Operating income	122	92	267	187
Interest expense, net	(152)	(184)	(501)	(554)
Loss on extinguishment of debt	(213)	—	(275)	(4)
Other income	1	23	29	36
Loss before income taxes	(243)	(69)	(480)	(334)
Income tax benefit	8	7	20	39
Net loss	$ (236)	$ (62)	$ (460)	$ (296)
Net loss per share:				
Basic and diluted	$ (0.31)	$ (0.10)	$ (0.62)	$ (0.46)
Weighted-average number of shares:				
Basic and diluted	755	641	745	641

GAAP to Non-GAAP Reconciliations

Net Loss Before Special Items:

(in millions, except per share data)	For the Quarters Ended September 30, 2018	For the Quarters Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Net loss	$ (236)	$ (62)	$ (460)	$ (296)
Merger, restructuring, integration, and other	(7)	15	2	54
Financing and consent fees	—	—	—	64
Foreign currency (gains)/losses	(1)	(14)	1	(27)
Loss on extinguishment of debt	213	—	275	4
Radio conversion costs	2	3	5	10
Share-based compensation expense	18	4	113	8
Other(1)	5	3	(19)	33
Tax adjustments(2)	(7)	(6)	(5)	(35)
Net loss before special items	(13)	(58)	(88)	(185)

Diluted EPS Before Special Items:

(in millions, except per share data)	For the Quarters Ended September 30, 2018	For the Quarters Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Diluted EPS (GAAP)	$ (0.31)	$ (0.10)	$ (0.62)	$ (0.46)
Impact of special items	0.30	0.02	0.51	0.23
Impact of tax adjustments	(0.01)	(0.01)	(0.01)	(0.05)
Diluted EPS before special items	$ (0.02)	$ (0.09)	$ (0.12)	$ (0.29)
Diluted weighted-average number of shares outstanding	755	641	745	641

Notes:

1. 2018 primarily includes income from one-time licensing fees and gains on our strategic investments, as well as a gain from the sale of equity in a third party, which was received as part of a settlement. 2017 primarily includes management fees and other, and charges associated with our strategic investments.
2. Represents tax impact on special items. Additionally, for the nine months ended September 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 Nine Months Ended		For the Twelve Months Ended	
	December 31, 2016	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**September 30, 2018**	**September 30, 2017**	**December 31, 2017**	**September 30, 2018**
Net (loss) income	$ (85)	$ (141)	$ (93)	$ (62)	$ 638	$ (157)	$ (67)	$ (236)	$ (460)	$ (296)	$ 343	$ 179
Interest expense, net	184	181	188	184	179	174	174	152	501	554	733	681
Income tax benefit	(36)	(32)	(0)	(7)	(725)	(8)	(5)	(8)	(20)	(39)	(764)	(745)
Depreciation and intangible asset amortization	428	461	458	468	476	484	488	475	1,447	1,387	1,863	1,923
Merger, restructuring, integration and other	23	21	19	15	11	8	0	(7)	2	54	65	12
Financing and consent fees	2	62	2	—	—	0	—	—	-	64	64	-
Foreign currency (gains)/losses	(0)	(3)	(9)	(14)	3	1	1	(1)	1	(27)	(24)	4
Loss on extinguishment of debt	12	1	3	—	—	62	—	213	275	4	4	275
Other non-cash items	4	13	1	(4)	3	0	0	0	1	10	13	4
Radio conversion costs	8	4	3	3	3	1	2	2	5	10	12	7
Purchase accounting deferred revenue fair value adjustment	3	—	—	—	—	—	—	—	-	-	-	-
Amortization of deferred subscriber acquisition costs	9	10	12	14	16	13	14	16	43	35	51	59
Amortization of deferred subscriber acquisition revenue	(6)	(9)	(10)	(13)	(15)	(17)	(19)	(21)	(56)	(31)	(46)	(71)
Share-based compensation expense	2	2	2	4	3	49	46	18	113	8	11	116
Management fees and other charges	5	7	6	7	7	9	(26)	5	(11)	21	28	(4)
Adjusted EBITDA	$ 553	$ 577	$ 583	$ 594	$ 598	$ 620	$ 610	$ 610	$ 1,840	$ 1,754	$ 2,353	$ 2,438
Net (loss) income to total revenue ratio	*-8.1%*	*-13.3%*	*-8.7%*	*-5.7%*	*57.7%*	*-14.1%*	*-5.9%*	*-20.5%*	*-13.5%*	*-9.2%*	*7.9%*	*4.0%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*55.9%*	*57.8%*	*57.9%*	*58.7%*	*59.1%*	*60.9%*	*59.7%*	*59.2%*	*59.9%*	*58.1%*	*58.4%*	*59.7%*
Total Revenue	$ 1,051	$ 1,059	$ 1,068	$ 1,083	$ 1,106	$ 1,116	$ 1,131	$ 1,148	$ 3,396	$ 3,210	$ 4,316	$ 4,502
Monitoring and related services revenue	$ 990	$ 998	$ 1,007	$ 1,012	$ 1,012	$ 1,017	$ 1,023	$ 1,029	$ 3,070	$ 3,017	$ 4,029	$ 4,082

Adjusted Net Income:

(in millions)	For the Quarters Ended								For the Nine Months Ended	
	December 31, 2016	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**September 30, 2018**	**September 30, 2017**
Adjusted EBITDA	$ 553	$ 577	$ 583	$ 594	$ 598	$ 620	$ 610	$ 610	$ 1,840	$ 1,754
Capitalized SAC	(284)	(278)	(286)	(301)	(288)	(279)	(290)	(328)	(897)	(865)
Cash taxes	(2)	(2)	(8)	(4)	(5)	2	(5)	(1)	(4)	(14)
Cash interest	(237)	(80)	(231)	(81)	(229)	(94)	(201)	(87)	(383)	(392)
Preferred Interest(1)	(20)	(21)	(20)	-	-	-	-	-	-	(41)
Adjusted net income	$ 11	$ 197	$ 37	$ 208	$ 76	$ 249	$ 113	$ 194	$ 556	$ 442

Note:

1. Excludes outflows in connection with the redemption of the Koch Preferred Securities including the accumulated dividend obligation of $96 million ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017). Additionally, $41 million of dividend obligation payments on the Koch Preferred Securities are included in Q1 and Q2 of 2017.

GAAP to Non-GAAP Reconciliations

Free Cash Flow Before Special Items:

(in millions)	For the Quarters Ended								For the Nine Months Ended		For the Year Ended
	December 31, 2016	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**	**September 30, 2018**	**September 30, 2017**	**December 31, 2017**
Net cash provided by operating activities	$ 236	$ 412	$ 331	$ 519	$ 330	$ 505	$ 458	$ 443	$ 1,406	$ 1,262	$ 1,592
Net cash used in investing activities	(322)	(308)	(341)	(400)	(364)	(367)	(329)	(388)	(1,084)	(1,049)	(1,413)
Net cash provided by (used in) financing activities	(0)	97	(204)	(22)	(13)	748	(43)	(893)	(187)	(130)	(143)
Free Cash Flow	(87)	82	(14)	160	(3)	174	116	68	357	228	225
Net cash provided by operating activities	236	412	331	519	330	505	458	443	1,406	1,262	1,592
Dealer generated customer accounts and bulk account purchases	(148)	(144)	(163)	(180)	(167)	(160)	(168)	(199)	(527)	(486)	(653)
Subscriber system assets	(148)	(152)	(147)	(146)	(138)	(138)	(143)	(148)	(428)	(445)	(583)
Capital expenditures	(27)	(34)	(36)	(33)	(28)	(33)	(32)	(29)	(94)	(103)	(131)
Free Cash Flow	(87)	82	(14)	160	(3)	174	116	68	357	228	225
Financing and consent fees	2	62	2	-	-	-	-	-	-	64	64
Restructuring and integration payments	20	12	13	10	11	6	5	4	15	35	46
Integration related capital expenditures	9	6	7	8	4	4	2	1	6	21	25
Management fees and other	4	7	6	10	7	2	(1)	(1)	0	23	30
Koch Redemption	-	-	-	-	-	-	-	96	96	-	-
Radio conversion costs	9	5	2	3	3	2	2	2	5	11	13
Free Cash Flow before special items(1)	$ (42)	$ 175	$ 17	$ 190	$ 22	$ 187	$ 123	$ 169	$ 479	$ 381	$ 403

Note:

1. Excludes outflows in connection with the redemption of the Koch Preferred Securities including the accumulated dividend obligation of $96 million ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017). Additionally, $41 million of dividend obligation payments on the Koch Preferred Securities are included in Q1 and Q2 of 2017.

GAAP to Non-GAAP Reconciliations

Debt to Net Income Ratio:

(in millions)	September 30, 2018	December 31, 2017
Total debt + Preferred securities (book value)	$ 9,568	$ 10,852
LTM net income	179	343
Debt to net income ratio	**53.5x**	**31.7x**

Net Leverage Ratio:

(in millions)	September 30, 2018	December 31, 2017
Revolver	$ -	$ -
First lien term loan	3,509	3,536
First lien notes	3,750	3,750
Capital leases	35	41
Total first lien debt	**7,294**	**7,327**
Second lien notes	2,546	3,140
Preferred securities	—	795
Total debt + Preferred securities(1)	**9,840**	**11,262**
Cash and cash equivalents	(257)	(123)
Net debt + Preferred securities	**9,583**	**11,139**
LTM adjusted EBITDA	**$ 2,438**	**$ 2,353**
Net leverage ratio	**3.9x**	**4.7x**

Notes:

1. Debt instruments are stated at face value. Preferred securities are stated at face value plus accumulated dividends

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, and Diluted Earnings Per Share ("EPS") before special items. 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 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, (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, 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 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 a useful measure of our cash available to repay debt, make other investments, and pay dividends.

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

Free Cash Flow before special items

We define Free Cash Flow before special items as Free Cash Flow adjusted for (i) acquisitions, (ii) integrations, (iii) restructuring, (iv) Koch Redemption, and (v) other payments or receipts 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 a 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 (i) capitalized subscriber acquisition costs, (ii) cash taxes, and (iii) cash interest, including interest on our preferred securities and excluding outflows in connection with the Koch Redemption. 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 fully 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 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, (iv) financing and consent fees, (v) foreign currency gains/losses, (vi) losses 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 taxes. Diluted EPS before special items is diluted EPS 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 below 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.