


Q2 2019 Earnings Presentation

August 6, 2019

Forward Looking Statements and Non-GAAP Measures

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, including under the heading Updating 2019 Guidance. 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.

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 Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before special items, Net Income (Loss) before special items, Diluted Earnings Per Share ("EPS") before special items, Commercial Organic Revenue Growth, and Net Leverage Ratio as non-GAAP measures. Reconciliations from GAAP to non-GAAP financial measures can be found in appendix. Amounts on subsequent pages may not add due to rounding.

Q2 Performance Highlights

Strong Revenue Growth	▪ Total Revenue increase of 13% year-over-year, 5% excluding Red Hawk ▪ Increased residential interactive penetration coupled with commercial growth
Adjusted EBITDA and Cash Flow Growth	▪ Adjusted EBITDA increase of 3% year-over-year ▪ Free Cash Flow before special items of $121M and $292M year to date
Commercial Business Growth	▪ Accelerated commercial account organic revenue growth of 19% ▪ Continued progress integrating Red Hawk; completed 3 tuck-in acquisitions
Innovate Around Trusted "ADT" Brand	▪ Completed national launch of Command and Control driving an increase in the interactive take rate to over 80%
Continue to Improve YoY Customer Retention	▪ Delivered LTM gross customer revenue attrition of 13.3% excluding DIY,(1) an improvement of approximately 20 basis points year-over-year
Acquire New Customers More Efficiently	▪ Grew gross RMR additions 4% year-over-year ▪ Expanded consumer financing pilot following April launch ▪ Ended the quarter with ~7.1M units(2)

Notes: The operating metrics Gross Revenue Attrition, Unit Count, RMR, RMR additions, and Revenue Payback 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.

1. Consistent with our original 2019 guidance, as of January 1, 2019, in conjunction with the acquisition of LifeShield LLC, we will be presenting gross customer revenue attrition excluding existing and new do-it-yourself ("DIY") customers. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this presentation. For all presentations covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY for those periods rounds to the same percentage presented except for Q2'18, which was 3 basis points higher and rounded to 13.6% with DIY customers included.
2. Excludes wholesale customers who outsource their monitoring to ADT

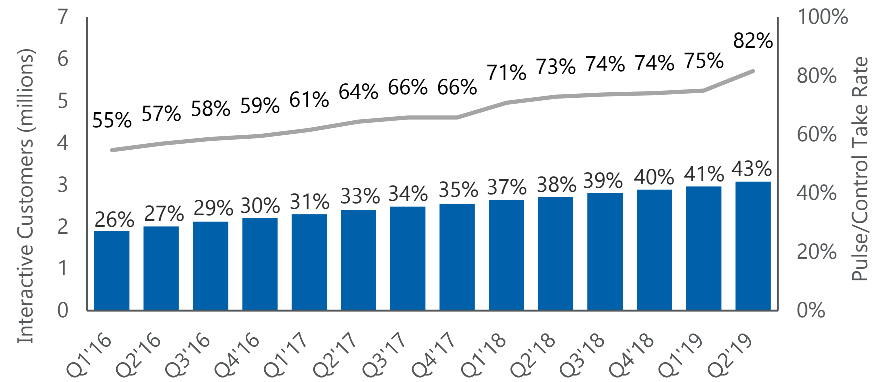
The Next Generation of Security and Home Automation

At the Center of the Connected Home

ADT Command Panel

- Touchscreen Keypad
- Smart Home Capabilities
- SiX™ Wireless Technology
- All-Inclusive Solutions

Driving Increased Interactive Adoption



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

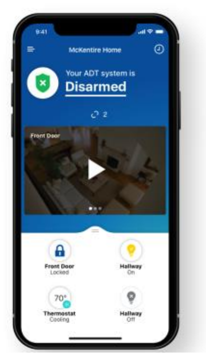
Pulse/Control take rate of new sales[2]

Security + Home Automation Accessible Anywhere from One App

- Home Security
- Home Automation
- Security Cameras
- Fire, Home & Safety
- Monitoring Services

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

ADT Control



Command & Control Launch Highlights[3]

Over 100,000 Command and Control Installations Since National Launch in March

- Record Interactive take rate and higher video mix is driving increases in both upfront revenue and recurring revenue per unit
- Continuing to see technician installation productivity gains vs. Pulse

Notes:

1. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation
2. Take rate represents sales by ADT or its authorized dealer network, and excludes large/multi-site, health, and wholesale customers
3. Command Panel pilot launched in January 2019 in the Southeast region, followed by national launch in late March 2019

Continuing Strong Growth in Commercial Market

Commercial Security Opportunity and Momentum

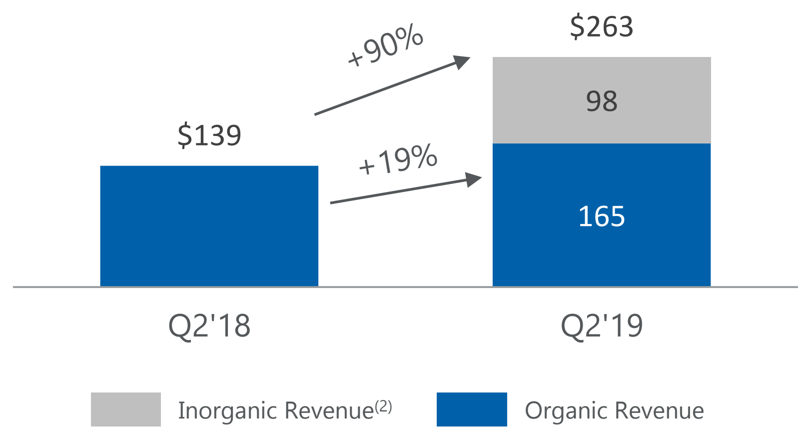
Highly Attractive Market

- Large and growing ~$15 to 20 Billion[1]
- High structural penetration rates
- Significant barriers to entry
- Quality of service drives market share
- Better revenue payback and retention characteristics vs. residential

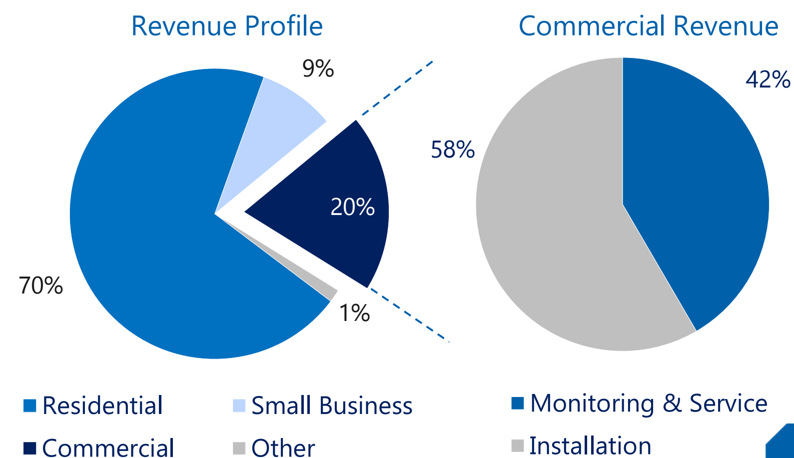
Q2 Highlights

- Continued rollout of ADT Commercial brand, which encompasses strategic acquisitions and includes:
  - Enterprise Solutions
  - Risk Management Services
  - Dedicated Technical Resources
  - Customer Service Excellence
- Sales win for national retailer with over 1,000 locations
- Acquired Security Corporation, a leading regional commercial security integrator
- Red Hawk integration on track

Q2 Commercial Total Revenue and Growth



ADT Total Revenue[3]



Notes:

1. U.S. commercial market size based on data from Freedonia, IHS, and company estimates, and includes system installation, integration and monitoring services
2. Incremental revenue from acquisitions until there is a full 12 months overlap
3. Presented for the six months ended 6/30/19

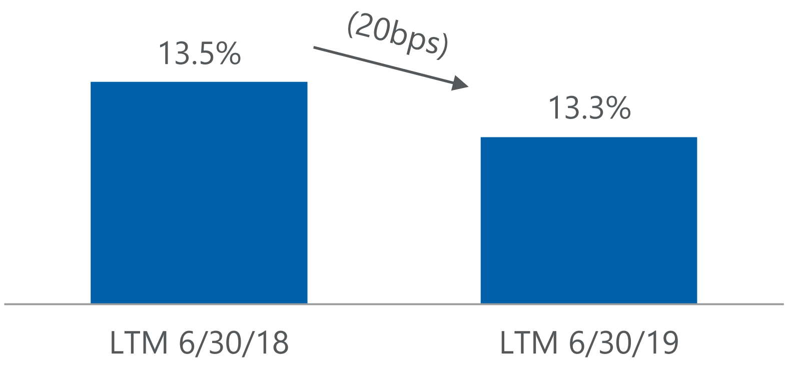
Strength Across Key Financial and Operating Metrics

	For the quarters ended			
($ in millions)	June 30, 2019	June 30, 2018	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$1,085	$1,023	$62	6%
Total Revenue	$1,284	$1,131	$152	13%
Net Loss	($104)	($67)	($37)	(56%)
Adjusted EBITDA	$630	$610	$20	3%
Free Cash Flow (before special items)	$121	$123	($2)	(2%)
LTM Gross Revenue Attrition[1]	13.3%	13.5%		(20bps)
LTM Revenue Payback (in years)	2.4x	2.4x	(0.0x)	
End of Period RMR	$351	$338	$13	4%

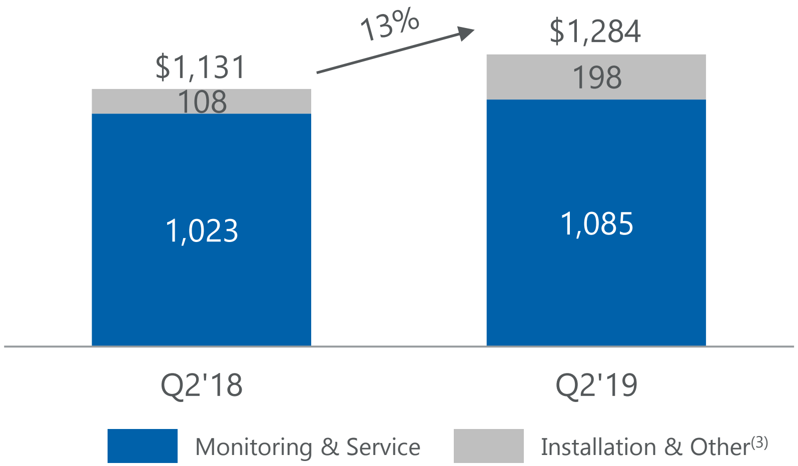
Note:.
1. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this presentation. For all presentations covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers and as of June 30, 2018, was 3 basis points higher and rounded to 13.6% with DIY customers included.

Total Revenue Up 13% Year-over-Year

Gross Customer Revenue Attrition(1)(2)
%



Total Revenue
$MM



Attrition improved 20 basis points

- Continued focus on high quality customer service led to year-over-year improvement of approximately 20 basis points

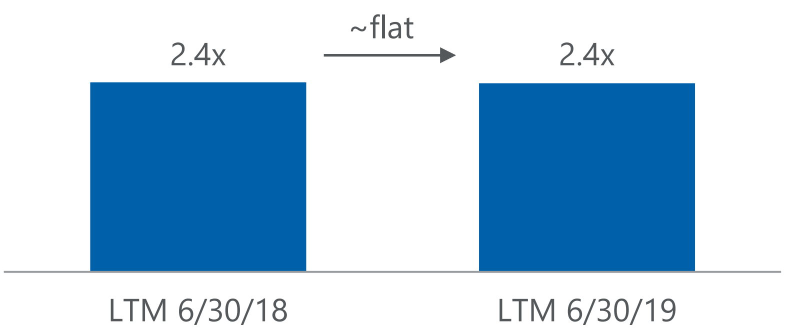
Total revenue increase of 13%

- M&S Revenue grew 6%, or 2% excluding Red Hawk
- Growth in M&S revenue primarily attributable to incremental revenue from acquisitions, higher average prices, partially offset by lower volume of additions
- Higher installation revenue reflects successful execution of our commercial growth strategy

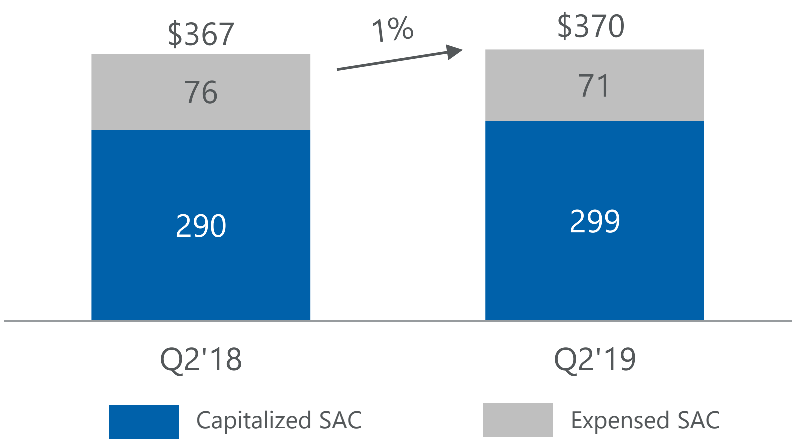
Notes:
1. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements; Excludes wholesale customers who outsource their monitoring to ADT and DIY customers; Calculated on a trailing 12 months basis
2. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this presentation. For all presentations 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.
3. Includes organic growth of $24M and inorganic growth of $59M; also includes amortization of deferred installation revenue of $26M and $19M for Q2'19 and Q2'18, respectively

Continued to Acquire Customers Efficiently

Customer Revenue Payback[1][2]
Years



Net Subscriber Acquisition Costs (SAC)[3]
$MM



Continued to generate SAC efficiency

- SAC efficiency driven by higher installation revenue, efficient sales and installation spend, and other productivity actions
- Higher installation revenue and underlying efficiency gains in installation were offset by increase in upgrades of existing customers

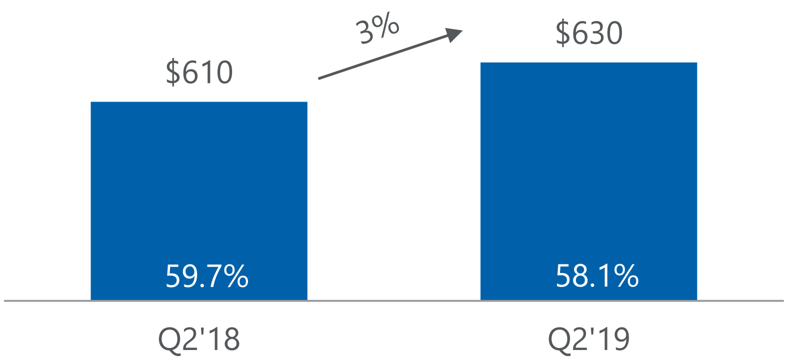
SAC up 1% YoY while RMR adds up 4% YoY

- SAC spend is up approximately 1% primarily due to higher upgrade and add-on volume and advertising investment
- RMR additions of $13M[1] up 4% vs. prior year

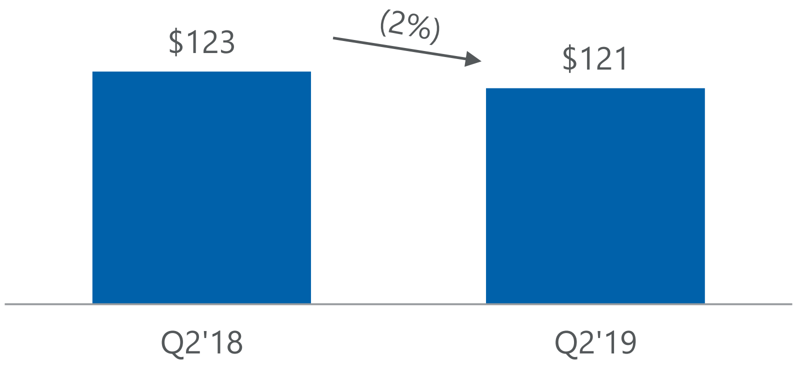
Notes:
1. Excludes wholesale customers who outsource their monitoring to ADT
2. Revenue payback period measures the net SAC incurred in the period divided by the recurring monthly revenue added during the period, and represents the approximate time, in years, required to recover our net SAC through contractual monthly recurring fees.
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues; amounts include the net reductions related to ASC606 and ASC842 of $6M and $2M for Q2'19 and Q2'18, respectively

Adjusted EBITDA and FCF Generation Remains Robust

Adjusted EBITDA & Margin %[1]
$MM



Free Cash Flow (before special items)
$MM



Adjusted EBITDA increase of 3%

- Higher revenue and operating cost discipline drove Adjusted EBITDA growth
- Margin % decline due to commercial business mix in 2019 from Red Hawk

Continued Strong, Positive Free Cash Flow

- Quarterly timing/phasing of infrastructure capex and working capital offset year-over-year improvements in EBITDA and lower interest expense

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

Strong Cash Flow Generation

	For the quarters ended			For the six months ended		
($ in millions)	June 30, 2019	June 30, 2018	Y/Y Change	June 30, 2019	June 30, 2018	Y/Y Change
Adjusted EBITDA	**$630**	**$610**	**$20**	**$1,252**	**$1,230**	**$21**
Less: Capitalized SAC	(299)	(290)	(9)	(591)	(569)	(21)
Less: Cash Taxes	(6)	(5)	(1)	(5)	(3)	(2)
Less: Cash Interest	(186)	(201)	16	(285)	(296)	11
Less: Capital Expenditures[1]	(45)	(30)	(15)	(83)	(60)	(23)
Less: Working Capital & Other[1]	27	39	(13)	3	7	(5)
Free Cash Flow (before special items)	**$121**	**$123**	**($2)**	**$292**	**$310**	**($18)**

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

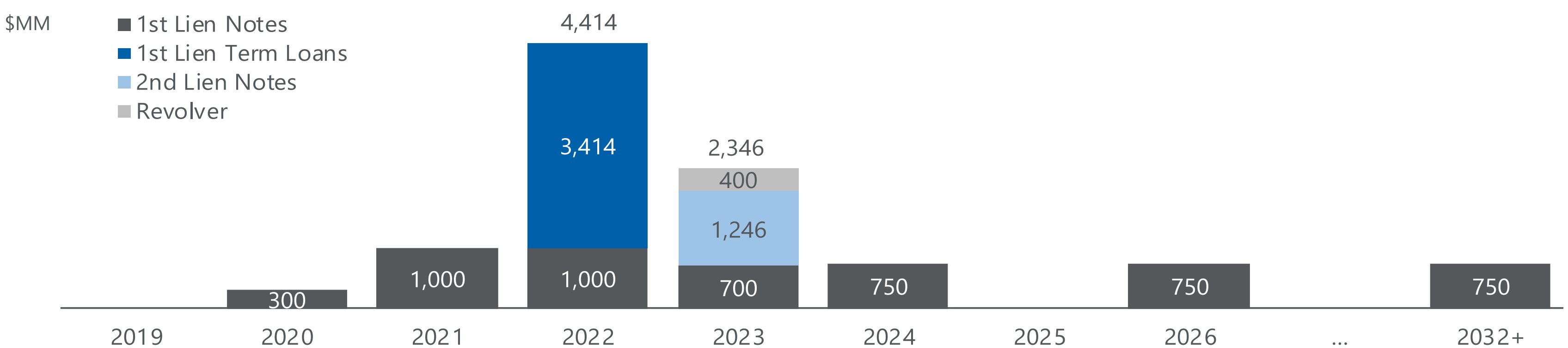
Capital Structure[1]

$MM	12/31/18 Actual	6/30/19 Actual
Revolver	-	99
First Lien Term Loan	3,924	3,414
First Lien Notes	3,750	5,250
Capital Leases	50	81
Total First Lien Debt	**$ 7,724**	**$ 8,845**
Second Lien Notes	2,546	1,246
Total Debt	**$ 10,270**	**$ 10,091**
Cash and Cash Equivalents	(363)	(43)
Net Debt	**$ 9,907**	**$ 10,048**
LTM Adjusted EBITDA	**2,453**	**2,475**
Net Leverage Ratio	**4.0x**	**4.1x**
Fixed vs. variable ratio[2]	86%/14%	97%/3%

Recent Highlights

- Issued $1.5B new 1st lien notes to repay $1B 2nd lien notes and $0.5B 1st lien term loan in April'19
- Executed and substantially completed previously announced $150M share repurchase program with $128M shares repurchased in Q2'19
- Paid out Q2 dividend of $0.035 per share in July, $3M in cash and $23M in shares under DRIP
- Completed Security Corporation acquisition
- Declared Q3 dividend payable on October 2, 2019

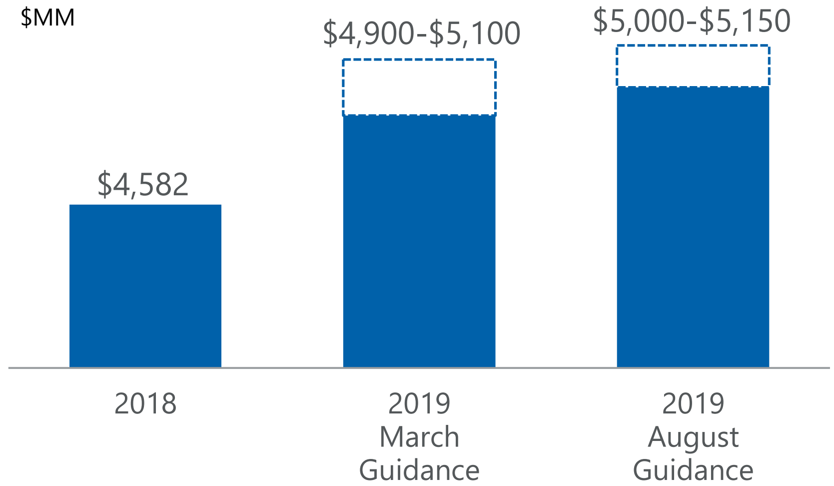
Pro Forma Debt Maturity Profile[3][4]



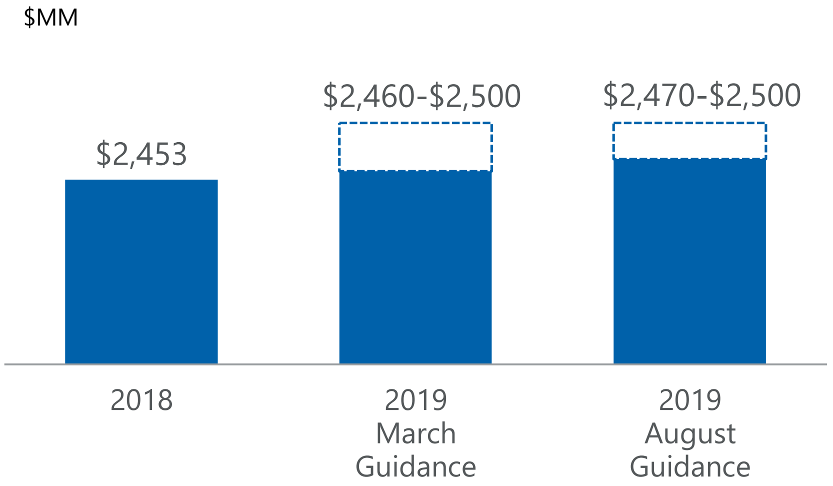
Notes:
1. Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments
2. Includes the impact of interest rate swaps
3. Excludes $81M capital leases; further, as a result of the $500M prepayment, there is no longer a quarterly principal payment obligation on the first lien term loan
4. Revolver balance is indicative of total revolver capacity, not current drawn balances

Updating 2019 Guidance

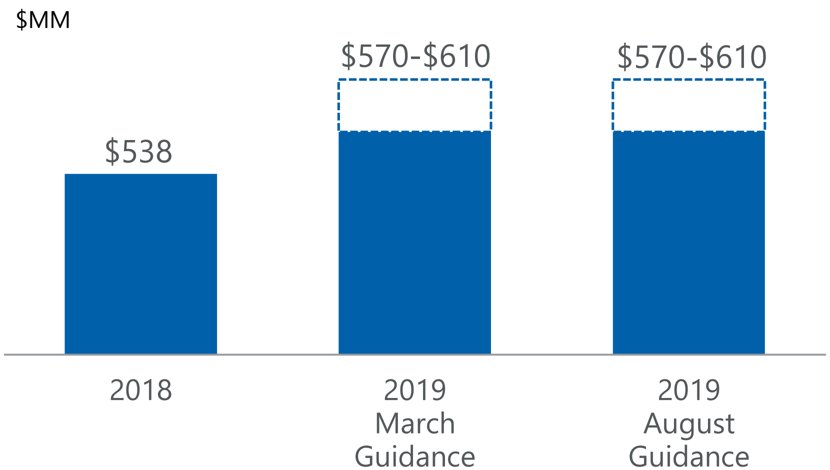
Total Revenue



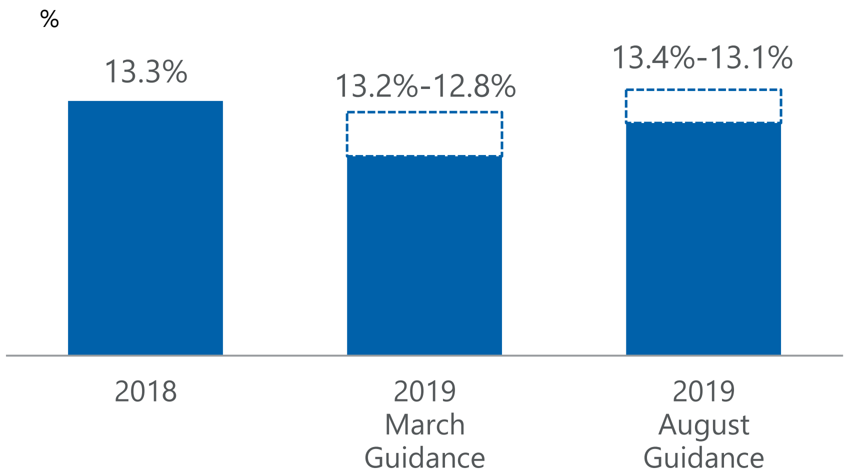
Adjusted EBITDA



Free Cash Flow (before special items)[1]



Gross Customer Revenue Attrition[2]



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 2018 and $45 million related to 2017), which is excluded from Free Cash Flow before special items.
2. Guidance excludes wholesale customers who outsource their monitoring to ADT and impacts from DIY given our 2019 acquisition of LifeShield; calculated on a trailing 12 months basis

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 6/30/19)

	Residential	Small Business	Large / Multi-Site	Total
Unit Count[1]	~6,300K	~500K	~300K	~7,100K
Ending RMR	$291M	$30M	$27M	$347M
M&S Revenue	$3,492M	$376M	$357M	$4,225M
Installation Revenue[2]	$113M	$29M	$493M	$635M
New RMR Additions	$43M[3]	$5M	$4M	$52M
Revenue Payback	~2.6x	~2.3x	<1.0x	~2.4x
Gross Attrition	~13%	~15%	~10%	~13%
Typical Revenue / Site	$40-$55	$50-$65	$50-$120+	$45-$55

Unit Count

Units in millions	Q2'19	Q2'18	Y/Y %	Q1'19	Q/Q %
Interactive	2.7	2.4	12%	2.7	3%
Traditional	3.0	3.4	(10%)	3.1	(4%)
US Residential	**5.7**	**5.8**	**(1%)**	**5.8**	**0%**
US Commercial	0.7	0.7	5%	**0.7**	1%
Canada Residential	0.5	0.6	(8%)	0.5	(2%)
Canada Commercial	0.1	0.1	(2%)	0.1	(1%)
Canada	**0.6**	**0.6**	**(7%)**	**0.6**	**(2%)**
Other	0.1	0.1	9%	0.1	2%
Total EoP Units	**7.1**	**7.2**	**(1%)**	**7.2**	**0%**
Memo: Total Residential	6.3	6.4	(1%)	6.4	(1%)
Memo: Total Commercial	0.8	0.7	5%	0.8	1%

Note: Market profile and unit count exclude wholesale customers who outsource their monitoring to ADT

1. Net change in total units vs. 6/30/18 includes a loss in US residential of (45K) units, a loss in Canada residential (43K) units, offset by gain in commercial and other of ~40K
2. Includes amortization of deferred installation revenue of $67M for residential. $21M for small business, and $6M for large/multi-site
3. Dealer additions represent approximately 55% of residential new RMR additions

Q&A

Appendix

Key Financial and Operating Metrics for 1H 2019

	For the six months ended			
($ in millions)	June 30, 2019	June 30, 2018	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$2,156	$2,040	$115	6%
Total Revenue	$2,527	$2,248	$279	12%
Net Loss	($171)	($224)	$54	24%
Adjusted EBITDA	$1,252	$1,230	$21	2%
Free Cash Flow (before special items)	$292	$310	($18)	(6%)
LTM Gross Revenue Attrition[(1)]	13.3%	13.5%		(20bps)
LTM Revenue Payback (in years)	2.4x	2.4x	(0.0x)	
End of Period RMR	$351	$338	$13	4%

Note:.

1. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this presentation. For all presentations 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.

Additional Historical Quarterly Data

$ in millions	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
Key Performance Indicators					
Monitoring and Service Revenue	$1,023	$1,029	$1,040	$1,070	$1,085
Total Revenue	1,131	1,148	1,185	1,243	1,284
Net Loss	(67)	(236)	(149)	(66)	(104)
Adjusted EBITDA	610	610	614	621	630
Adjusted EBITDA Margin (as % of M&S revenue)	59.7%	59.2%	59.0%	58.0%	58.1%
LTM Gross Customer Revenue Attrition[1][2]	13.5%	13.4%	13.3%	13.3%	13.3%
Revenue Payback (in years)[1]	2.4x	2.4x	2.4x	2.4x	2.4x
Net Subscriber Acquisition Costs[3]					
Expensed	$76	$76	$69	$74	$71
Capitalized	290	328	301	291	$299
Total	$367	$405	$369	$365	$370
Free Cash Flow					
Adjusted EBITDA	$610	$610	$614	$621	$630
Less: Cash interest[4]	(201)	(87)	(209)	(99)	(186)
Less: Cash taxes	(5)	(1)	(2)	2	(6)
Less: Changes in net working capital and other[5]	39	4	(10)	(24)	27
Less: Capitalized SAC	(290)	(328)	(301)	(291)	(299)
Less: Capital expenditures[5]	(30)	(28)	(32)	(37)	(45)
Free Cash Flow (before special items)[4]	$123	$169	$59	$171	$121
RMR					
Ending RMR (excluding Wholesale)	$334	$336	$343	$345	$347
Wholesale RMR	4	4	4	4	4
Ending RMR (including Wholesale)	338	340	347	349	351
RMR Additions[1]	12.8	13.8	12.6	12.4	13.2

Notes:

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted.
2. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this presentation. For all presentations covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY for those periods rounds to the same percentage presented except for Q2'18, which was 3 basis points higher and rounded to 13.6% with DIY customers included
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues; amounts include net reductions related to ASC606 and ASC842
4. 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.
5. 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, 2019 Total Revenue	Cost of Revenue	SG&A	D&A	Total	GAAP Line Items For the quarter ended June 31, 2018 Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,085	-	-	-	**$1,085**	1,023	-	-	-	**$1,023**
Monitoring & Service Costs and G&A	-	199	185	-	**$384**	-	174	163	-	**$337**
Net Expensed SAC	174	139	106	-	**$71**	90	73	93	-	**$76**
Depreciation and Amortization	26	-	20	501	**$494**	19	-	14	488	**$484**
Special Items	(2)	(0)	34	-	**$35**	(1)	-	51	-	**$52**
Total	**$1,284**	**$338**	**$345**	**$501**		**$1,131**	**$246**	**$323**	**$488**	

	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

Statements of Operations

(in millions, except per share data)	For the Quarters Ended June 30, 2019	For the Quarters Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Monitoring and related services	$ 1,085	$ 1,023	$ 2,156	$ 2,040
Installation and other	198	108	371	207
Total revenue	1,284	1,131	2,527	2,248
Cost of revenue (exclusive of depreciation and amortization shown separately below)	338	246	664	495
Selling, general and administrative expenses	345	323	669	628
Depreciation and intangible asset amortization	501	488	997	972
Merger, restructuring, integration, and other	7	—	13	8
Operating income	93	74	184	145
Interest expense, net	(155)	(174)	(314)	(349)
Loss on extinguishment of debt	(67)	—	(88)	(62)
Other income	2	29	3	29
Loss before income taxes	(127)	(71)	(216)	(236)
Income tax benefit	23	5	45	12
Net Loss	$ (104)	$ (67)	$ (171)	$ (224)
Net loss per share:				
Basic and diluted	$ (0.14)	$ (0.09)	$ (0.23)	$ (0.30)
Weighted-average number of shares:				
Basic and diluted	750	750	753	739

GAAP to Non-GAAP Reconciliations

Net Loss Before Special Items:

(in millions, except per share data)	For the Quarters Ended June 30, 2019	For the Quarters Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Net loss	$ (104)	$ (67)	$ (171)	$ (224)
Merger, restructuring, integration, and other	7	—	13	8
Financing and consent fees[1]	0	—	1	—
Foreign currency losses/(gains)[2]	0	1	(1)	2
Loss on extinguishment of debt	67	—	88	62
Radio conversion costs, net[3]	1	2	1	3
Share-based compensation expense	23	46	46	95
Interest rate swaps, net[4]	5	(2)	8	(8)
Acquisition related adjustments[5]	5	4	13	8
Licensing fees[6]	—	(22)	—	(22)
Other[7]	5	(8)	7	(2)
Tax adjustments[8]	(25)	(5)	(39)	3
Net loss before special items	(16)	(50)	(31)	(75)

Diluted EPS Before Special Items:

(in millions, except per share data)	For the Quarters Ended June 30, 2019	For the Quarters Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Diluted EPS (GAAP)	$ (0.14)	$ (0.09)	$ (0.23)	$ (0.30)
Impact of special items	0.15	0.03	0.24	0.20
Impact of tax adjustments	(0.03)	(0.01)	(0.05)	—
Diluted EPS before special items	$ (0.02)	$ (0.07)	$ (0.04)	$ (0.10)
Diluted weighted-average number of shares outstanding	750	750	753	739

Notes:

1. Represents fees incurred associated with the issuance, restatement, and amendment of debt.
2. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
3. Represents costs associated with upgrading cellular technology used in many of our security systems, offset by any incremental revenue earned.
4. Primarily represents the change in the fair value of interest rate swaps not designated as hedges.
5. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
6. The quarter and six months ended June 30, 2018 include other income related to approximately $22 million of one-time licensing fees.
7. Represents certain advisory and other costs associated with our transition to a public company as well as other charges and non-cash items. For the quarter and six months ended June 30, 2018, includes a gain of $7.5 million from the sale of equity in a third party that we received as part of a settlement.
8. Represents tax impact on special items. In 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 Three Months Ended					For the Six Months Ended		For the Twelve Months Ended	
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2019	December 31, 2018
Net loss	$ (67)	$ (236)	$ (149)	(66)	$ (104)	$ (171)	$ (224)	$ (556)	$ (609)
Interest expense, net	174	152	162	159	155	314	349	628	663
Income tax benefit	(5)	(8)	(4)	(22)	(23)	(45)	(12)	(57)	(23)
Depreciation and intangible asset amortization	488	475	484	496	501	997	972	1,956	1,931
Amortization of deferred subscriber acquisition costs	14	16	17	18	20	38	27	71	60
Amortization of deferred subscriber acquisition revenue	(19)	(21)	(23)	(24)	(26)	(50)	(36)	(94)	(79)
Share-based compensation expense	46	18	22	24	23	46	95	86	135
Merger, restructuring, integration and other	0	(7)	(5)	6	7	13	8	1	(3)
Loss on extinguishment of debt	—	213	0	22	67	88	62	302	275
Radio conversion costs, net[(1)]	2	2	0	—	1	1	3	3	5
Financing and consent fees[(2)]	—	—	9	1	0	1	0	10	9
Goodwill impairment	—	—	88	—	—	—	—	88	88
Foreign currency losses/(gains)[(3)]	1	(1)	2	(1)	0	(1)	2	1	3
Acquisition related adjustments[(4)]	4	3	5	8	5	13	8	21	16
Licensing fees[(5)]	(22)	—	—	—	—	—	(22)	—	(22)
Other[(6)]	(8)	2	5	2	5	7	(2)	15	5
Adjusted EBITDA	$ 610	$ 610	$ 614	$ 621	$ 630	$ 1,252	$ 1,230	$ 2,475	$ 2,453
Net (loss) income to total revenue ratio	*-5.9%*	*-20.5%*	*-12.6%*	*-5.3%*	*-8.1%*	*-6.7%*	*-10.0%*	*-11.4%*	*-13.3%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*59.7%*	*59.2%*	*59.0%*	*58.0%*	*58.1%*	*58.1%*	*60.3%*	*58.6%*	*59.7%*
Total Revenue	$ 1,131	$ 1,148	$ 1,185	$ 1,243	$ 1,284	$ 2,527	$ 2,248	$ 4,861	$ 4,582
Monitoring and related services revenue	$ 1,023	$ 1,029	$ 1,040	$ 1,070	$ 1,085	$ 2,156	$ 2,040	$ 4,225	$ 4,110

Notes:

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. For the quarter and six months ended June 30, 2018, includes a gain of $7.5 million from the sale of equity in a third party that we received as part of a settlement.

GAAP to Non-GAAP Reconciliations

Free Cash Flow, Free Cash Flow before special items:

	For the Three Months Ended					For the Six Months Ended		For the Twelve Months Ended
(in millions)	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	June 30, 2019	June 30, 2018	December 31, 2018
Net cash provided by operating activities	$ 458	$ 443	$ 382	$ 509	$ 470	$ 979	$ 963	$ 1,788
Net cash used in investing activities	(329)	(388)	(654)	(400)	(388)	(788)	(696)	(1,738)
Net cash (used in) provided by financing activities	(43)	(893)	380	(380)	(135)	(515)	705	193
Net cash provided by operating activities	458	443	382	509	470	979	963	1,788
Dealer generated customer accounts and bulk account purchases	(168)	(199)	(167)	(163)	(171)	(334)	(328)	(694)
Subscriber system assets	(143)	(148)	(148)	(145)	(149)	(294)	(281)	(576)
Capital expenditures	(32)	(29)	(33)	(38)	(47)	(84)	(65)	(127)
Free Cash Flow	116	68	34	163	104	267	289	391
Financing and consent fees	—	—	8	—	1	1	—	8
Restructuring and integration payments	5	4	4	3	5	8	11	18
Integration related capital expenditures	2	1	1	0	1	2	6	7
Radio conversion costs, net	2	2	1	0	3	3	3	6
Koch Redemption	—	96	—	—	—	—	—	96
Other	(1)	(1)	11	4	6	10	1	12
Free Cash Flow before special items[1]	$ 123	$ 169	$ 59	$ 171	$ 121	$ 292	$ 310	$ 538

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)	June 30, 2019	December 31, 2018
Total debt (book value)	$ 9,811	$ 10,002
LTM net loss	(556)	(609)
Debt to net loss ratio	**(17.7x)**	**(16.4x)**

Net Leverage Ratio:

(in millions)	June 30, 2019	December 31, 2018
Revolver	$ 99	$ -
First lien term loan	3,414	3,924
First lien notes	5,250	3,750
Capital leases	81	50
Total first lien debt	**8,845**	**7,724**
Second lien notes	1,246	2,546
Total debt[1]	**10,091**	**10,270**
Cash and cash equivalents	(43)	(363)
Net debt	**10,048**	**9,907**
LTM adjusted EBITDA	**$ 2,475**	**$ 2,453**
Net leverage ratio	**4.1x**	**4.0x**

Notes:

1. Debt instruments are stated at face value.

GAAP to Non-GAAP Reconciliations

Commercial Organic Revenue Growth:

(in millions)	For the Three Months Ended			
	June 30, 2019		June 30, 2018	
Total revenue	**$**	**1,284**	**$**	**1,131**
Revenue growth		*13%*		
Commercial revenue [(1)]	**$**	**263**	**$**	**139**
Commercial revenue growth		*90%*		
Acquisition-related commercial revenue [(2)]	**$**	**98**	**$**	**-**
Commercial organic revenue		**165**		**139**
Commercial organic revenue growth		*19%*		

Notes:

1. Represents total revenue associated with commercial and national accounts.
2. Represents incremental total revenue associated with commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition.

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 Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before special items, Net Income (Loss) before special items, Diluted Earnings Per Share ("EPS") before special items, Commercial Organic Revenue Growth, and Net Leverage Ratio 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 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 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 GAAP cash flows as calculated in accordance with GAAP.

Free Cash Flow before special items

We define Free Cash Flow before special items as Free Cash Flow adjusted for payments related to (i) financing and consent fees, (ii) restructuring and integration, (iii) integration related capital expenditures, (iv) radio conversion costs, 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.

Net Income (Loss) and Diluted EPS before special items

Net Income (Loss) before special items is defined as net income (loss) adjusted for (i) merger, restructuring, integration, and other, (ii) financing and consent fees, (iii) foreign currency gains/losses, (iv) losses on extinguishment of debt, (v) radio conversion costs, (vi) share-based compensation expense, (vii) the change in the fair value of interest rate swaps not designated as hedges, (viii) acquisition related adjustments, (ix) other charges and 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

Net Leverage Ratio is calculated as the ratio of net debt to Adjusted EBITDA. Net debt is calculated as total debt, including capital leases, minus cash and cash equivalents. Refer to the discussion on Adjusted EBITDA for a description of the differences between the most comparable GAAP measure. Net Leverage Ratio is a useful measure of the Company's credit position and progress towards leverage targets. 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. Finally, Net Leverage Ratio discussed herein may be presented on a pro forma basis.

Commercial Organic Revenue Growth

We believe that the presentation of commercial organic revenue growth is appropriate to provide additional information to investors about the periodic growth of our business on a consistent basis. We define commercial organic growth as total revenue growth associated with commercial and national accounts adjusted for the timing and impact of business acquisitions. Commercial organic revenue growth excludes incremental revenue associated with commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition. There are material limitations to using commercial organic revenue growth. Commercial organic revenue growth does not take into account all revenue from commercial and national accounts in a given period. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering commercial organic revenue growth in conjunction with GAAP revenue numbers.

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. 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.