

Q1 2020 Earnings Presentation

May 7, 2020

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 2020 Updated Financial Outlook. 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, our ability to successfully respond to the challenges posed by the COVID-19 pandemic, 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 Quarterly Report on Form 10-Q 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 in accordance with 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, Revenue Excluding Canada, Revenue Growth Excluding Canada, Commercial Organic Revenue, Commercial Inorganic Revenue, Commercial Organic Revenue Growth, and Net Leverage Ratio as non-GAAP measures. Reconciliations from GAAP to non-GAAP financial measures for reported results can be found in the appendix.

The Company is not providing a quantitative reconciliation of its updated 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 respective corresponding GAAP measures, because these GAAP measures that are excluded from the Company's 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 "Non-GAAP Measures—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.

Amounts on subsequent pages may not add due to rounding.

Note: The operating metrics Gross Customer 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.

Key Takeaways

- Free Cash Flow before special items of $173 million, up from $171 million, despite $66 million increase in cash interest due to quarterly timing of payments
  - Unit growth and revenue payback reduction demonstrate improved capital efficiency
- ADT had momentum heading into the COVID-19 crisis
  - Commercial organic growth of 10% through February, 6% for the first quarter
  - Significant new additions of residential customers
- Current environment highlights resiliency of our business model
  - Recurring contractual revenue model
  - Strong cash flow generation
  - Flexibility in expenditures
  - Ample liquidity and no significant near-term debt maturities
- Successfully navigating COVID-19 crisis, while positioning the business for 2021 and beyond

Q1 Results & Recent Highlights

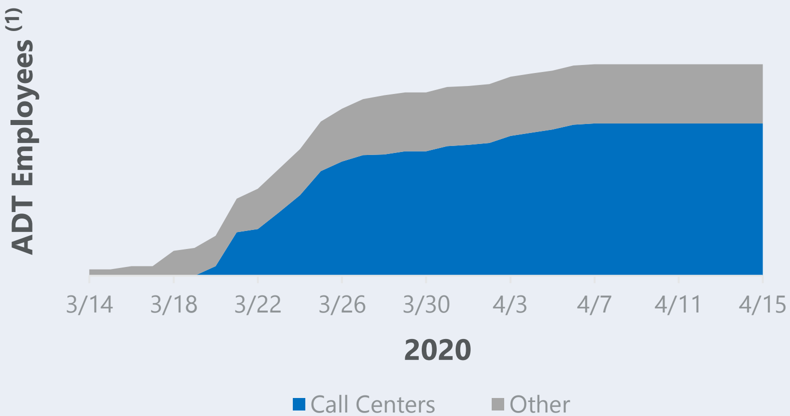
Strong Revenue Growth	▪ Total revenue increase of 10% year-over-year ▪ Higher mix of outright sales to residential customers due to revenue model changes and Defenders acquisition ▪ Continued Commercial growth
Robust Cash Generation	▪ Free Cash Flow before special items of $173M, up year-over-year, despite higher cash interest of $66M due to quarterly timing of annual interest ▪ Adjusted EBITDA of $539M, down year-over-year primarily due to the acquisition of Defenders and sale of ADT Canada
Commercial Growth	▪ Commercial organic revenue growth of 6% for the full quarter; strong start with growth of 10% for the first two months of the year before March COVID-19 impact ▪ Continued integration progress; tuck-in acquisition of Alliant
Enhancing our Residential Platform	▪ Completed acquisition of Defenders, our largest dealer, enabling significant enhancements to our sales, customer experience, and customer acquisition efficiencies ▪ Pilot in select markets testing a pro-installation solution for e-commerce
Acquire New Customers More Efficiently	▪ Improved revenue payback from 2.4x to 2.3x ▪ National launch in February 2020 of pricing and consumer financing program

Immediate & Comprehensive Response to COVID-19 Pandemic

Top Priority: Health & Welfare of Our Employees & Customers

- Transitioned to working remotely in call centers and headquarters
- Health checklist for ADT employees, who interact with customers in-person
- Equipped techs and sales reps with enhanced PPE and sanitization products
- Partnered with key vendors to ensure continuity of supply chain
- Temporary salary / pay guarantees for hourly and commissioned workforce
- Voluntary unpaid furloughs offered
- Temporary suspension of door-to-door sales
- Supporting local communities

Successful "Work from Home" Execution



- ~90% of call center employees are currently working remotely

Note:
1. Data presented is estimated and reflects a concurrent peak of active work from home users in our call centers, corporate, and other selected employees

Managing 2020 with Focus on Long-Term Value Creation

COVID-19 Dynamics & Potential Near-Term Impacts

Broader economic uncertainty interacts differently with ADT's contractual recurring revenue, recession resilient model

- Heightened awareness of security needs
- Shelter in place, lower housing starts, and reduced relocations slow residential velocity
  - Likely fewer new additions partially offset by fewer relocations, the primary cause of attrition
  - Potential for high quality, lower cost bulk acquisitions to offset near term reductions in new customer sales
- Commercial demand for new installations and service likely to experience near term pressure
- Some small businesses have been negatively impacted
- Cash flow generation supported by highly variable acquisition costs, lower volumes of residential service calls, and targeted cost savings

Long-Term Focus to Position for a Post-COVID-19 Environment

- Retention of best-in-industry labor force and expertise
- Enhance monitoring capability with added efficiency capture created through working remotely
- Continue to drive new partnerships
- Leverage both Defenders and e-Commerce to improve go-to-market approach and segmentation
- Maintain investment in key potential new revenue streams
  - DIY expansion with Blue by ADT
  - Next Gen monitoring
  - Mobile and SoSecure by ADT
  - Commercial tuck-in M&A
  - Attractive residential bulk account purchases

Defense → *Offense*

Leader in Residential & Commercial Security & Automation with Resilient Business Model

Highlights

- Recurring Monthly Revenue of $339M
- Diverse base of ~6.5M customers
- Redundant capability
- Market leader
- Well-trusted brand
- Discretionary CapEx
- Strong, dependable cash flow generation
- Significant covenant headroom
- No debt maturities until Oct. 2021

Residential & Small Business

~$4B

Total revenue, TTM

- In-the-field smart home and security experts
- National direct & dealer network
- Comprehensive DIY offering
- Growing end-to-end consumer platform

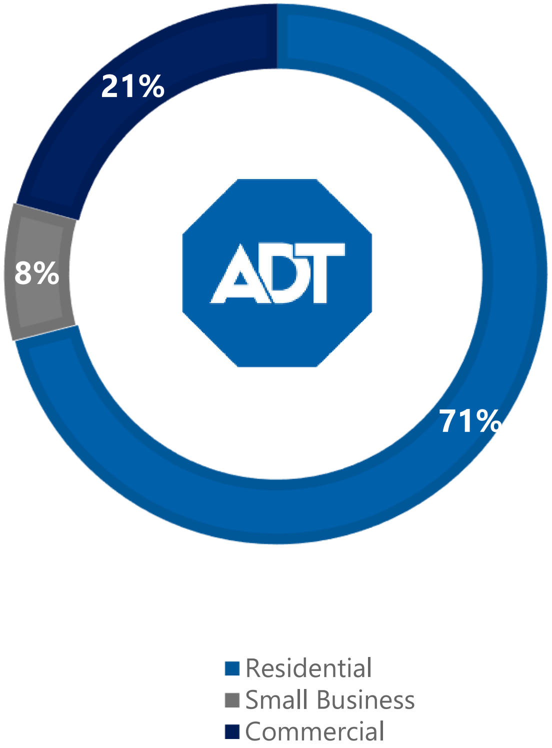
Commercial[1]

~$1B

Total revenue, TTM

- Enterprise solutions
- Risk management services
- Dedicated technical resources
- Customer service excellence

Revenue by Customer Type[2]

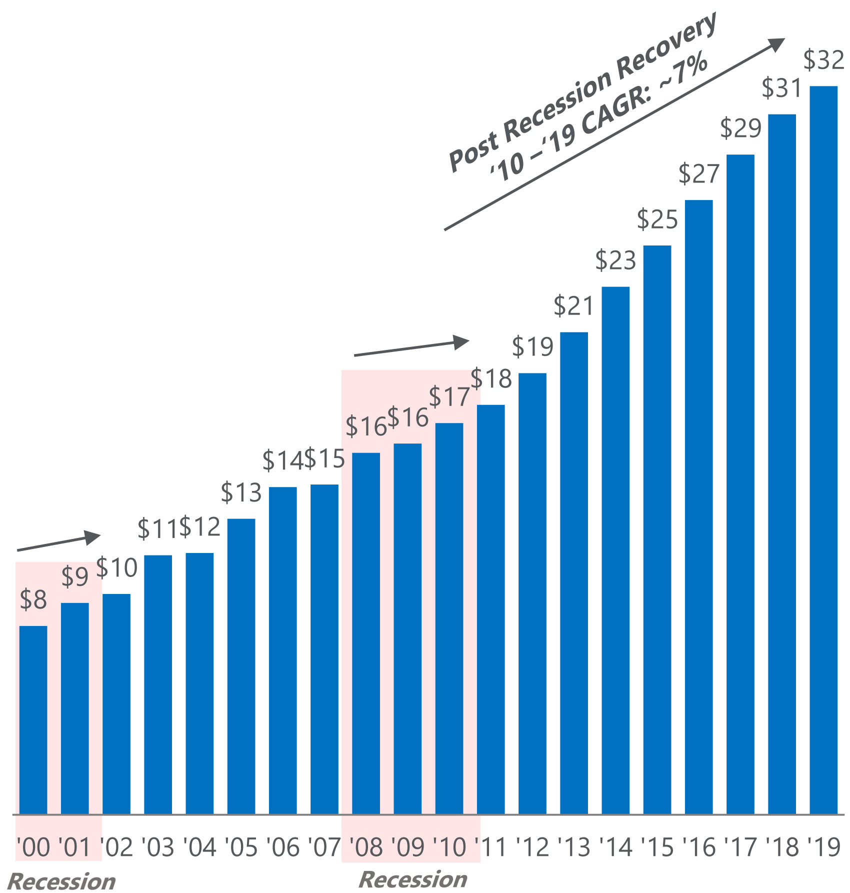


Notes:
1. Commercial includes Commercial and National accounts as presented in this presentation.
2. Presented on a trailing 12 months basis for the U.S. only as of March 31, 2020

Historic Attrition & Security Industry Performance in Downturns

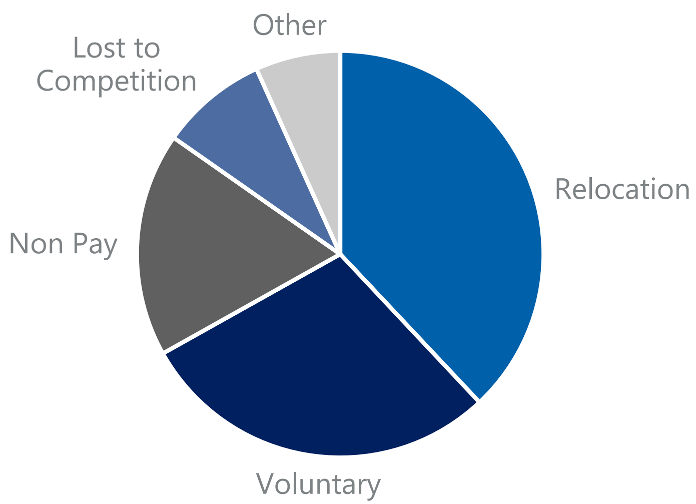
Industry has Grown Every Year, Including During Recessionary Periods[1]

Monitoring & Service Revenue ($Bn)



Customer Retention Improves when Relocations Decrease

Customer Attrition by Reason



- ~75% of residential customers are enrolled in automated payment plans
- Fewer customer relocations support retention

Note:

1. Total Industry Monitoring and Service Revenue based on Barnes Associates February 2020 Security Alarm Industry Overview

Residential Well-Positioned for Growth

Pricing & Consumer Financing Recent Developments

- Successfully completed Q1 national rollout(1) of consumer financing program
  - Deployed a retail-installment contract model that improves customer experience and economics relative to a 3rd-party consumer loan
- Benefits accruing as expected, or better (prior to COVID-19)
  - Higher installation revenue per unit
- Executed first securitization with Mizuho in April

Defenders Acquisition & Integration Update

- Key Attributes:
  - Enhances customer experience
  - Simplifies operating ecosystem
  - Improves marketing prowess
  - Increases go-to-market efficiency
  - Drives capital efficiency
- Strong Q1 production and efficiency (prior to COVID-19)
- Direct marketing engine valuable in current market
- Culture meshing well with strong collaboration across legacy stakeholder groups
- Growth focus as economy re-opens

Note:
1. National rollout of consumer financing program excludes historical Defenders in direct residential business

Commercial Market Pressured – Growth Deferred, Not Diminished

Commercial Market Opportunity and Momentum

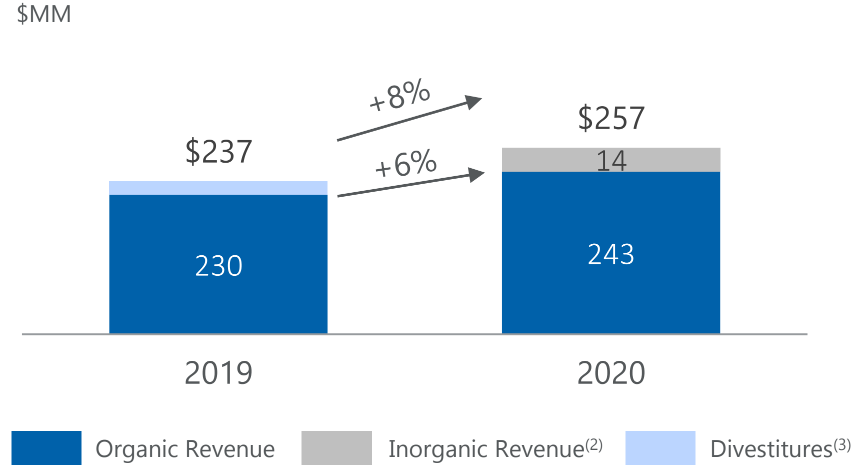
Highly Attractive Long-Term Market

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

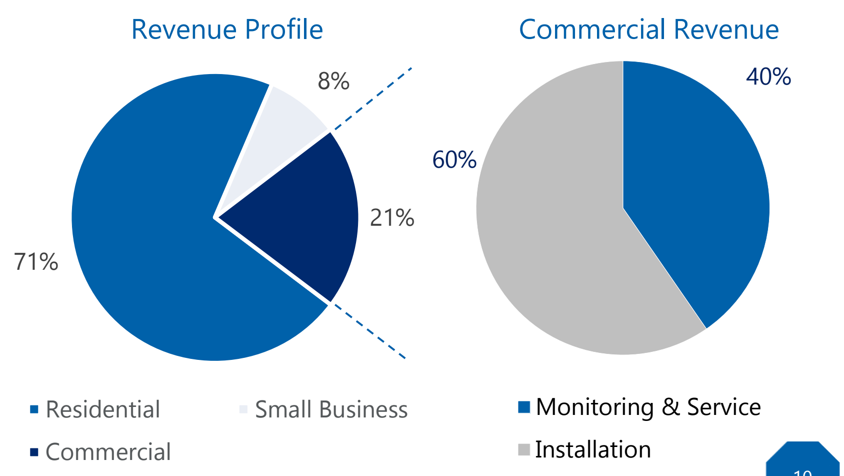
Recent Highlights

- Acquired Alliant Integrators, Inc. in early 2020
- Significant reduction in activity due to COVID-19; expecting some recovery as year progresses
- Red Hawk integration on track

Q1 Commercial Total Revenue and Growth



ADT Total Revenue[4]



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 12 months overlap; Q1 inorganic revenue was $14M, which reflects organic revenue growth of $13M or 6%
3. Represents total revenue from divested operations associated with commercial and national accounts
4. Presented trailing twelve months ended 3/31/2020

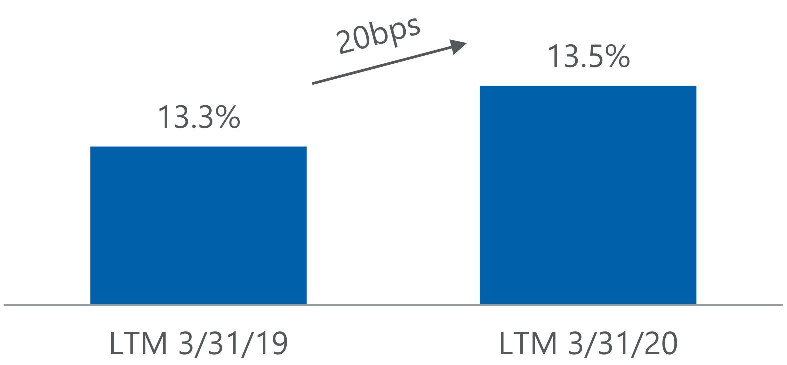
Strength Across Key Financial and Operating Metrics

($ in millions)	For the three months ended			
	Mar 31, 2020	**Mar 31, 2019[1]**	**Y/Y Change**	**Y/Y Change %**
Monitoring and Service Revenue	$1,046	$1,070	($24)	(2%)
Total Revenue	$1,370	$1,243	$127	10%
Net Loss	($300)	($66)	($234)	(352%)
Adjusted EBITDA	$539	$621	($82)	(13%)
Free Cash Flow (before special items)	$173	$171	$1	1%
LTM Gross Revenue Attrition	13.5%	13.3%		20 bps
LTM Revenue Payback (in years)	2.3x	2.4x	(0.1x)	
End of Period RMR	$339	$349	($10)	(3%)
End of Period RMR (US only)	$339	$333	$6	2%

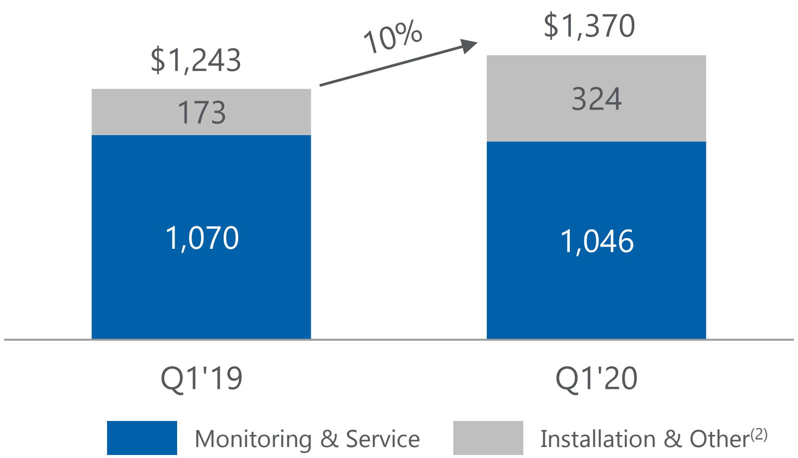
Note:
1. 2019 figures include ADT Canada, which was divested in November 2019

Total Revenue Up 10% Year-over-Year

Gross Customer Revenue Attrition[1]
%



Total Revenue
$MM



Attrition increased 20 basis points

- Higher attrition among a portion of our dealer-acquired accounts, partially offset by a lower number of direct residential disconnects

Total reported revenue increase of 10%

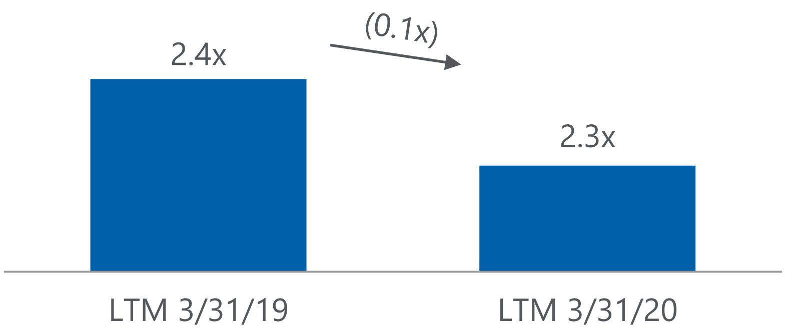
- Adjusting for the sale of ADT Canada, total revenue and M&S revenue were up 15% and 2%, respectively
- Increase in commercial installation revenue of $15M, remainder primarily due to a change in our ownership model in conjunction with the launch of our consumer financing program and the addition of Defenders

Notes:

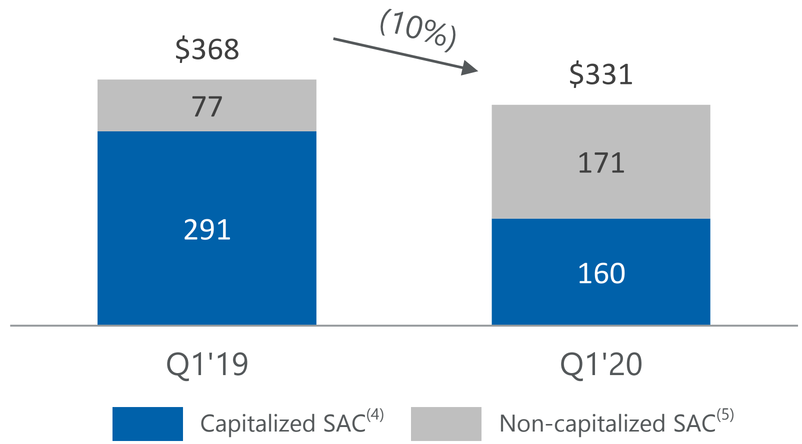
1. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements; excludes wholesale customers who outsource their monitoring to ADT and DIY customers; Calculated on a trailing 12 months basis
2. Includes increases related to revenue recognized in excess of contractually stated amounts under ASC606 of $65M and $2M for Q1’20 and Q1’19, respectively; also includes amortization of deferred installation revenue of $29M and $24M for Q1’20 and Q1’19, respectively

Continuing to Acquire Customers Efficiently

Customer Revenue Payback[(1)(2)]
Years



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



Continued to strengthen SAC efficiency

- Driven by higher installation revenue, efficient sales and installation spend, and other productivity actions
- Efficiency supported by the acquisition of Defenders and the national launch of consumer financing program

Net SAC down 10% with RMR additions up 4%

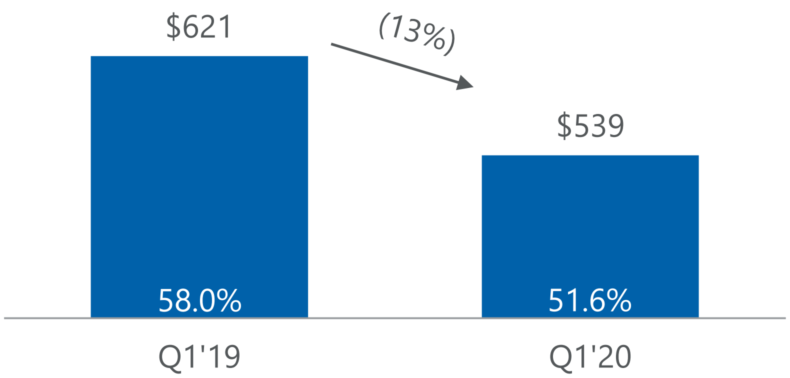
- Excl. Canada Net SAC down 6% and RMR adds up 7%
- Drivers include vendor rebate timing, dealer credits, installation revenue, and other efficiency actions
- Mix shift to non-capitalized SAC, driven by Defenders Acquisition and higher outright sales
- RMR additions supported by a bulk purchase

Notes:

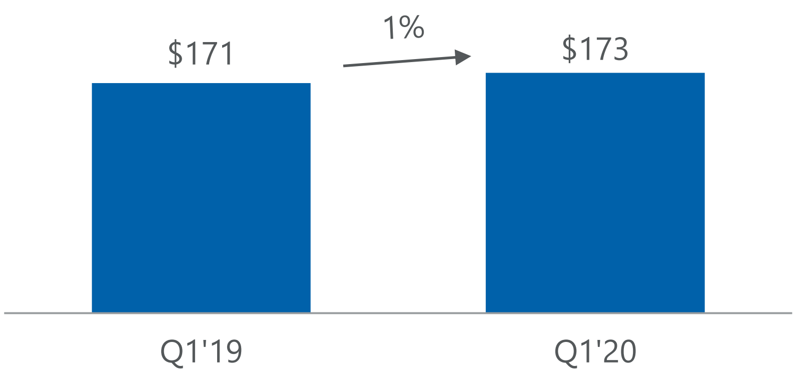
1. Excludes wholesale customers who outsource their monitoring to ADT
2. Revenue payback period measures the net SAC incurred in the period divided by the recurring monthly revenue added during the period, and represents the approximate time, in years, required to recover our net SAC through contractual monthly recurring fees
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues
4. Q1'20 includes a reduction of $14M in realized charge-backs associated with a $39M advance payment for estimated future dealer charge-backs related to accounts purchased from Defenders prior to the Defenders Acquisition
5. Amounts exclude net reductions related to ASC606 of $65M and $2M for Q1'20 and Q1'19, respectively, retail installment contracts of $20M in Q1'20, and other non-cash adjustments to SAC

Robust FCF Generation

Adjusted EBITDA & Margin %[1]
$MM



Free Cash Flow before special items
$MM



Adjusted EBITDA decrease of 13%

- Decrease was driven by previously disclosed impact from the acquisition of Defenders, the elimination of financial contribution from ADT Canada, and increase in bad debt provision related to COVID-19, partially offset by higher revenue and operating cost efficiencies

Continued strong, positive Free Cash Flow

- Free Cash Flow before special items increase, despite $66 million higher cash interest expense due primarily to cadence of quarterly cash interest payments
- Improvement driven by lower Net SAC spend, lower CapEx, and timing of certain working capital items

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

Strong Cash Flow Generation

($ in millions)	For the three months ended Mar 31, 2020	Mar 31, 2019	Y/Y Change
Adjusted EBITDA	**$539**	**$621**	**($82)**
Less: Capitalized SAC[1]	(160)	(291)	131
Less: Cash Taxes	(1)	2	(3)
Less: Cash Interest	(165)	(99)	(66)
Less: Capital Expenditures[2]	(30)	(37)	8
Less: Working Capital & Other[2]	(10)	(24)	14
Free Cash Flow before special items	**$173**	**$171**	**$1**

Notes:
1. Q1'20 includes a reduction of $14M in realized charge-backs associated with a $39M advance payment for estimated future dealer charge-backs related to accounts purchased from Defenders prior to the Defenders Acquisition
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

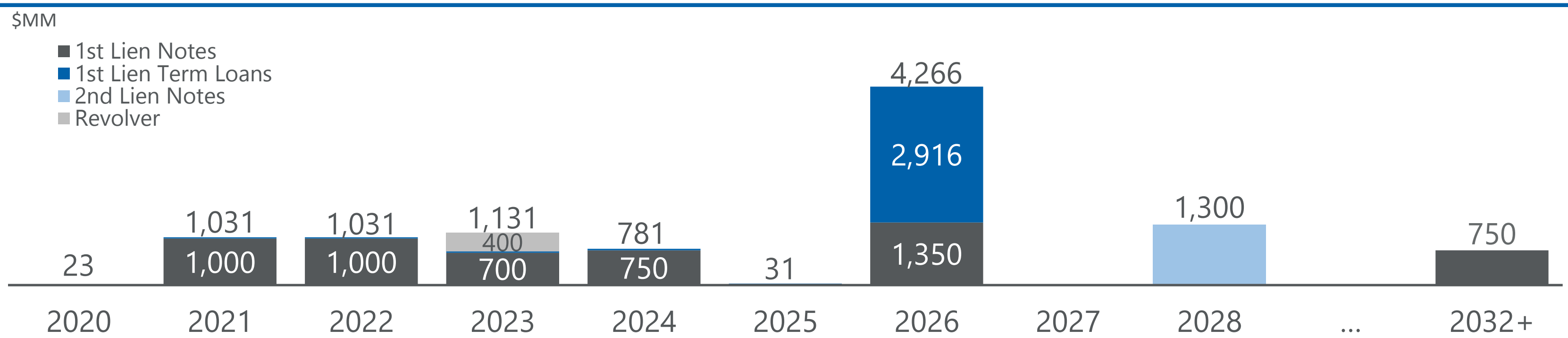
Capital Structure[1]

$MM	12/31/19 Actual	3/31/20 Actual
Revolver	-	220
First Lien Term Loan	3,102	3,094
First Lien Notes	5,550	5,550
Finance Leases	75	72
Total First Lien Debt	**$ 8,727**	**$ 8,937**
Second Lien Notes	1,246	1,300
Total Debt	**$ 9,973**	**$ 10,237**
Cash and Cash Equivalents	(49)	(118)
Net Debt	**$ 9,924**	**$ 10,119**
LTM Adjusted EBITDA	**2,483**	**2,401**
Net Leverage Ratio	**4.0x**	**4.2x**
Fixed vs. variable ratio[2]	99%/1%	99%/1%

Recent Highlights

- Completed 2L refinancing during first quarter
  - Lowered coupon by 300 bps
  - Extended maturity by 5 years
- Finalized $200M securitization facility with Mizuho to support customer financing; first funding received in April
- Paid out Q1 quarterly dividend of $0.035 per share in April
- Declared Q2 quarterly dividend of $0.035 per share to be paid on July 2, 2020
- Authorized additional ~$75M for share repurchases

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 $72M finance leases
4. Revolver is indicative of total revolver capacity, not current drawn balances

2020 Updated Financial Outlook

Total Revenue	**Total Revenue of $5,000M - $5,300M, unchanged** ▪ Lower commercial installation revenues, offset by higher reported residential installation revenues due to higher mix of outright sales ▪ Recurring revenues down slightly vs. prior expectations due to near term sales disruption
Adjusted EBITDA	**Adjusted EBITDA of $2,075M - $2,175M, previously $2,175 - $2,250** ▪ Reduction vs. original outlook primarily due to reduced contribution from commercial revenues ▪ Focus on the long-term health of the company versus short-term optimization
Free Cash Flow before special items	**Free Cash Flow of $600M - $700M, previously $630 - $670** ▪ Increasing high end of range due to potentially lower SAC and cost actions ▪ Decreasing low end of range due to potentially lower EBITDA and / or investment actions

Notes on 2020 Updated Financial Outlook:

(1) Updated Financial Outlook assumes disruption to the Company's operations, primarily new sales, during the second quarter due to stay at home restrictions and related COVID-19 impacts, followed by a return to normal activity but in a moderately recessionary environment in the third and fourth quarters of 2020.

(2) The Company is continuing to integrate the January 2020 acquisition of Defenders and is assessing the progress of a successful February 2020 national launch of a new consumer financing program. Both initiatives require further evaluation, decisions, and actions that may impact our 2020 operating results and financial presentation, as well as the accounting treatment of the above metrics. In conjunction with both initiatives, the Company is planning to convert the majority of residential transactions to the Company's historical ADT ownership model during the course of 2020.

(3) Guidance excludes 3G and Code-Division Multiple Access ("CDMA") radio conversion costs.

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 3/31/20)

	Residential	Small Business	Large / Multi-Site	Total
Unit Count	~5,800K	~500K	~300K	~6,500K
Ending RMR	$278M	$29M	$28M	$335M
M&S Revenue	$3,441M	$399M	$443M	$4,283M
Installation Revenue(1)	$282M	$32M	$655M	$969M
New RMR Additions	$42M	$5M	$5M	$52M
Revenue Payback	~2.5x	~2.1x	<1.0x	~2.3x
Gross Attrition	~14%	~15%	~11%	~14%
Typical Revenue / Site	$40-$55	$50-$65	$50-$120+	$45-$55

Unit Count

Units in millions	Q1'20	Q1'19	Y/Y %	Q4'19	Q/Q %
Interactive	2.9	2.7	10%	2.9	2%
Traditional	2.8	3.1	(11%)	2.8	(1%)
U.S. Residential	**5.7**	**5.8**	**(1%)**	**5.7**	**0%**
U.S. Commercial	0.7	0.7	3%	0.7	0%
Other	0.1	0.1	5%	0.1	1%
Total EoP Units	**6.5**	**6.6**	**(1%)**	**6.5**	**0%**
Memo: Total Residential	5.8	5.9	(1%)	5.8	0%
Memo: Total Commercial	0.7	0.7	3%	0.7	0%

Notes: Market profile and unit count exclude wholesale customers who outsource their monitoring to ADT; unit count, ending RMR, and typical revenue/site exclude Canada, all other metrics include Canada through the date of disposition on November 6, 2019

1. Includes amortization of deferred installation revenue of $81M for residential. $25M for small business, and $7M for large/multi-site

Q&A


Armed Stay
Armed Stay
Disarm
Quick Exit
System
Automation
Zones
Scenes
11:02 AM April 10, 2018

Appendix

Growing Portfolio of Smart Home & Safety Devices

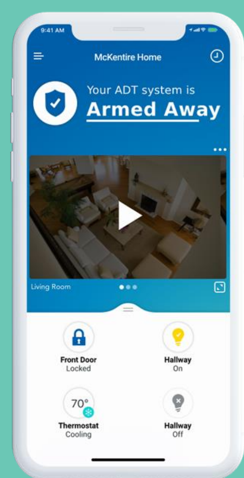
At the center of the connected home

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

ADT Command Panel

Security + home automation accessible anywhere from one app

ADT Control



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

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

200,000,000,000+
System Events in 2019[(1)]

2 Billion+ Arm & Disarm

330 Million+ Door Locks

10.8 Billion+ Captured Video Clips

840 Million+ Thermostat

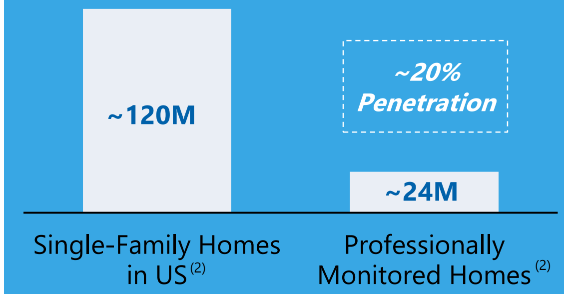
280 Million+ Lights

Note:

1. Figures are annual estimates unless otherwise noted and are expressed solely to illustrate system activity and engagement through our interactive platforms, including Pulse and Control. System Events refer to all smart home, security and life safety interactions made by or on behalf of the user.

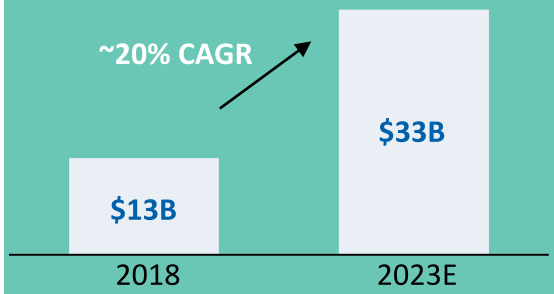
America's #1 Smart Home Security Provider(1)

A large and growing market for security…



- The professionally designed and installed Do-It-For-Me market (DIFM) remains strong and is expected to continue to grow at a steady pace
- The fast growing, smaller DIY market represents an opportunity for ADT to service the remaining 80% of households without a security system

…and dramatically growing smart home market…



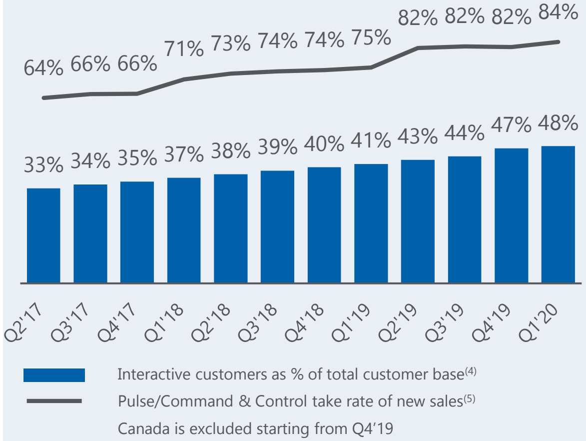
North American Smart Home Market (2018-2023E)[3]

Over the next 5 years, pro-monitored solutions are

45% more likely

to include network cameras.[2]

…that ADT has demonstrated the ability to capture.



Over 500,000 Command and Control Installations Since National Launch

- High interactive take rate and higher video mix is driving increases in both upfront revenue and recurring revenue per unit
- Technician installation productivity gains vs. Pulse

Notes:
1. Strategy Analytics, "US Interactive Security: Self-installed, Professionally-Monitored Solutions Gaining Momentum," April 2019
2. Parks Associates Digital Living Forecast Q3 2019
3. Research on Global Markets, Insights by Netscribes: Global Smart Home Market (2018-2023)
4. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation
5. Take rate represents sales by ADT or its authorized dealer network, and excludes large/multi-site, health, wholesale, and DIY customers

Additional Historical Quarterly Data

(in millions)	For the Three Months Ended March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Key Performance Indicators					
Monitoring and Service Revenue	$1,070	$1,085	$1,094	$1,058	$1,046
Total Revenue	1,243	1,284	1,301	1,298	1,370
Net Loss	(66)	(104)	(182)	(72)	(300)
Adjusted EBITDA	621	630	624	607	539
Adjusted EBITDA Margin (as % of M&S revenue)	58.0%	58.1%	57.1%	57.4%	51.6%
LTM Gross Customer Revenue Attrition[(1)]	13.3%	13.3%	13.5%	13.4%	13.5%
Revenue Payback (in years)[(1)]	2.4x	2.4x	2.4x	2.3x	2.3x
Net Subscriber Acquisition Costs [(2)]					
Non-capitalized [(3)]	$77	$76	$77	$84	$171
Capitalized[(4)]	291	299	300	251	$160
Total	$368	$375	$377	$335	$331
Free Cash Flow					
Adjusted EBITDA	$621	$630	$624	$607	$539
Less: Cash interest	(99)	(186)	(123)	(138)	(165)
Less: Cash taxes	2	(6)	(3)	9	(1)
Less: Changes in net working capital and other[(5)]	(24)	27	(2)	(64)	(10)
Less: Capitalized SAC[(4)]	(291)	(299)	(300)	(251)	(160)
Less: Capital expenditures[(5)]	(37)	(45)	(30)	(30)	(30)
Free Cash Flow (before special items)	$171	$121	$167	$132	$173
RMR					
Ending RMR (excluding Wholesale)	$345	$347	$347	$332	$335
Wholesale RMR	4	4	4	4	4
Ending RMR (including Wholesale)	349	351	351	336	339
RMR Additions[(1)]	12.4	13.2	13.5	12.2	12.9

Notes:

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted
2. Net Subscriber Acquisition Cost (SAC) represents the costs of acquiring new customers and installation expenditures, net of installation revenues. Effective Q1 2020, our presentation of SAC excludes the non-cash effects of ASC 606 and 842
3. Amounts exclude net reductions related to ASC606, retail installment contracts originated in the period, and other non-cash adjustments to SAC
4. Q1'20 includes a reduction of $14M in realized charge-backs associated with a $39M advance payment for estimated future dealer charge-backs related to accounts purchased from Defenders prior to the Defenders Acquisition
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 March 31, 2020					GAAP Line Items For the quarter ended March 31, 2019				
	Total Revenue	Cost of Revenue	SG&A	D&A	Total	Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,037	-	-	-	**$1,037**	1,070	-	-	-	**$1,070**
Monitoring & Service Costs and G&A	-	196	219	-	**$415**	-	201	175	-	**$376**
Net Expensed SAC	294	212	167	-	**$84**	151	122	103	-	**$74**
Depreciation and Amortization	29	-	23	489	**$482**	24	-	18	496	**$490**
Special Items	9	-	45	-	**$36**	(3)	3	28	-	**$35**
Total	**$1,370**	**$408**	**$453**	**$489**		**$1,243**	**$326**	**$325**	**$496**	

	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 and Radio Conversion Revenue	Inventory Step up Amortization	Special Items	-

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

Statements of Operations

Statements of Operations:

(in millions, except per share data)	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Monitoring and related services	$ 1,046	$ 1,070
Installation and other	324	173
Total revenue	1,370	1,243
Cost of revenue (exclusive of depreciation and amortization shown separately below)	408	326
Selling, general and administrative expenses	453	325
Depreciation and intangible asset amortization	489	496
Merger, restructuring, integration, and other	109	6
Operating (loss) income	(89)	90
Interest expense, net	(225)	(159)
Loss on extinguishment of debt	(66)	(22)
Other income	2	1
Loss before income taxes	(378)	(89)
Income tax benefit	78	22
Net loss	$ (300)	$ (66)
Net loss per share:		
Basic and diluted	$ (0.40)	$ (0.09)
Weighted-average number of shares:		
Basic and diluted	759	756

GAAP to Non-GAAP Reconciliations

Net Loss Before Special Items:

(in millions, except per share data)	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Net loss	$ (300)	$ (66)
Merger, restructuring, integration, and other	109	6
Financing and consent fees[(1)]	5	1
Foreign currency gains[(2)]	-	(1)
Loss on extinguishment of debt	66	22
Radio conversion costs, net[(3)]	7	-
Share-based compensation expense	23	24
Interest rate swaps, net[(4)]	70	3
Acquisition related adjustments[(5)]	1	8
Other[(6)]	(1)	2
Tax adjustments[(7)]	(47)	(14)
Net loss before special items	$ (67)	$ (16)

Diluted EPS Before Special Items:

(in millions, except per share data)	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Diluted EPS (GAAP)	$ (0.40)	$ (0.09)
Impact of special items	0.37	0.09
Impact of tax adjustments	(0.06)	(0.02)
Diluted EPS before special items	$ (0.09)	$ (0.02)
Diluted weighted-average number of shares outstanding	759	756

Notes:

1. Represents fees expensed associated with financing transactions
2. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars
3. Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program
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. Represents other charges and non-cash items
7. Represents tax impact on special items

GAAP to Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin:

(in millions)	For the Three Months Ended March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	For the Twelve Months Ended March 31, 2020	December 31, 2019
Net loss	$ (300)	$ (72)	$ (182)	$ (104)	(66)	$ (658)	$ (424)
Interest expense, net	225	154	152	155	159	686	620
Income tax benefit	(78)	(16)	(36)	(23)	(22)	(154)	(98)
Depreciation and intangible asset amortization	489	487	506	501	496	1,982	1,989
Amortization of deferred subscriber acquisition costs	23	22	21	20	18	85	80
Amortization of deferred subscriber acquisition revenue	(29)	(29)	(28)	(26)	(24)	(112)	(107)
Share-based compensation expense	23	21	19	23	24	85	86
Merger, restructuring, integration and other	109	13	10	7	6	138	36
Goodwill impairment	-	-	45	-	-	45	45
Loss on sale of business	-	6	55	-	-	62	62
Loss on extinguishment of debt	66	1	15	67	22	148	104
Radio conversion costs, net[(1)]	7	12	12	1	-	32	25
Financing and consent fees[(2)]	5	-	22	-	1	27	23
Foreign currency gains[(3)]	-	(1)	-	-	(1)	(1)	(1)
Acquisition related adjustments[(4)]	1	6	4	5	8	16	22
Other[(5)]	(1)	5	9	5	2	18	22
Adjusted EBITDA	$ 539	$ 607	$ 624	$ 630	$ 621	$ 2,401	$ 2,483
Net loss to total revenue ratio	*-21.9%*	*-5.5%*	*-14.0%*	*-8.1%*	*-5.3%*	*-12.5%*	*-8.3%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*51.6%*	*57.4%*	*57.1%*	*58.1%*	*58.0%*	*56.1%*	*57.6%*
Total Revenue	$ 1,370	$ 1,298	$ 1,301	$ 1,284	$ 1,243	$ 5,252	$ 5,126
Monitoring and related services revenue	$ 1,046	$ 1,058	$ 1,094	$ 1,085	$ 1,070	$ 4,283	$ 4,308

Notes:

1. Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program
2. Represents fees expensed associated with financing transactions
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. Represents other charges and non-cash items

GAAP to Non-GAAP Reconciliations

Free Cash Flow, Free Cash Flow before special items:

(in millions)	For the Three Months Ended March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Net cash provided by operating activities	$ 250	$ 414	$ 480	$ 470	$ 509
Net cash (used in) provided by investing activities	(338)	179	(369)	(388)	(400)
Net cash provided by (used in) financing activities	158	(704)	6	(135)	(380)
Net cash provided by operating activities	250	414	480	470	509
Dealer generated customer accounts and bulk account purchases	(62)	(155)	(181)	(171)	(163)
Subscriber system assets	(65)	(112)	(137)	(149)	(145)
Capital expenditures	(35)	(39)	(36)	(47)	(38)
Free Cash Flow	89	108	127	104	163
Financing and consent fees	5	3	18	1	-
Restructuring and integration payments	7	5	1	5	3
Integration related capital expenditures	5	8	6	1	-
Radio conversion costs, net	3	12	10	3	-
Other[1]	65	(5)	5	6	4
Free Cash Flow before special items	$ 173	$ 132	$ 167	$ 121	$ 171
Memo: Cash interest included above					
Cash interest	$ 165	$ 138	$ 123	$ 186	$ 99

Note:

1. The three months ended March 31, 2020 included $81 million related to the settlement of a pre-existing relationship, partially offset by $25 million related to an unrealized advance payment received for estimated charge-backs, both of which were in connection with the Defenders Acquisition

GAAP to Non-GAAP Reconciliations

Debt to Net Income Ratio:

(in millions)	March 31, 2020	December 31, 2019
Total debt (book value)	$ 9,958	$ 9,692
LTM net loss	(658)	(424)
Debt to net loss ratio	**(15.1x)**	**(22.9x)**

Net Leverage Ratio:

(in millions)	March 31, 2020	December 31, 2019
Revolver	$ 220	$ -
First lien term loan	3,094	3,102
First lien notes	5,550	5,550
Finance leases	72	75
Total first lien debt	**8,937**	**8,727**
Second lien notes	1,300	1,246
Total debt[1]	**10,237**	**9,973**
Cash and cash equivalents	(118)	(49)
Net debt	**10,119**	**9,924**
LTM adjusted EBITDA	**$ 2,401**	**$ 2,483**
Net leverage ratio	**4.2x**	**4.0x**

Note:

1. Debt instruments are stated at face value

GAAP to Non-GAAP Reconciliations

Commercial Organic Revenue and Commercial Organic Revenue Growth:

(in millions)	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	For the Two Months Ended February 29, 2020	For the Two Months Ended February 28, 2019
Total revenue	$ 1,370	$ 1,243	$ 879	$ 821
Revenue growth	10%		7%	
Commercial revenue[1]	$ 257	$ 237	$ 171	$ 152
Commercial revenue growth	8%		12%	
Acquisition-related commercial revenue[2]	(14)	-	(9)	-
Divestiture-related commercial revenue[3]	-	(8)	-	(5)
Commercial organic revenue	$ 243	$ 230	$ 162	$ 147
Commercial organic revenue growth	6%		10%	

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
3. Represents total revenue from divested operations associated with commercial and national accounts

GAAP to Non-GAAP Reconciliations

Revenue Excluding Canada; and Revenue Growth Excluding Canada:

(in millions)	For the Three Months Ended March 31, 2020	March 31, 2019	Canada[1] March 31, 2019	Excl. Canada March 31, 2019
Monitoring and related services	1,046	1,070	(49)	1,021
Installation and other	324	173	(6)	167
Total revenue	$ 1,370	$ 1,243	$ (55)	$ 1,188
Monitoring and related services growth	-2%			2%
Installation and other growth	88%			94%
Total revenue growth	10%			15%

Note:
1. Represents total revenue from ADT Canada as a result of the sale of ADT Canada

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with 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, Commercial Inorganic Revenue, Commercial Organic Revenue Growth, Revenue Excluding Canada, Revenue Growth Excluding Canada, 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 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) before special items 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 / Inorganic Revenue, Commercial Organic Revenue Growth, Revenue Excluding Canada, and Revenue Growth Excluding Canada

We believe that the presentation of commercial organic revenue, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Canada, and revenue growth excluding Canada is appropriate to provide additional information to investors about the periodic growth of our business on a consistent basis. We define commercial organic revenue as revenue associated with commercial and national accounts adjusted for commercial inorganic revenue, which 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. In addition, commercial organic revenue excludes prior period total revenue from divested operations associated with commercial and national accounts. We define revenue excluding Canada as total revenue adjusted for the removal of total revenue for prior periods related to ADT Canada as a result of the sale of ADT Canada. We define commercial organic revenue growth and revenue growth excluding Canada as the increase in commercial organic revenue and revenue excluding Canada over a stated period, respectively. There are material limitations to using commercial organic revenue, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Canada, and revenue growth excluding Canada as they do not take into account all revenue 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, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Canada, and revenue growth excluding Canada in conjunction with revenue determined in accordance with GAAP.