
ADT
Investor Presentation
September 2020

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 our recently executed long-term strategic partnership with Google and any stated or implied outcomes with respect thereto, our future growth prospects, our success with respect to product innovation and the market acceptance thereof, the current or future market size for our products, our ability to meet the milestones we have established with respect to our strategic partnership with Google, our ability to effectively utilize any of the amounts invested in us by Google, our 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 Annual Report on Form 10-K, Quarterly Reports 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, Free Cash Flow, Adjusted Free Cash Flow, Unlevered Adjusted Free Cash Flow, Historical Combined Free Cash Flow, Unlevered Historical Combined Adjusted Free Cash Flow, Supplemental Pro Forma Financial Information, Commercial Organic Revenue, and Commercial Inorganic Revenue as non-GAAP measures. Reconciliations from GAAP to non-GAAP financial measures for reported results can be found in the appendix.

Amounts on subsequent pages may not add due to rounding.

Investment Highlights

- **Mission-driven** company, with passion for protecting and serving our customers
- **Leading brand** in growing industry, serving traditional security and emerging smart home markets
- **Durable, recession resilient model,** with ~80% recurring revenue and exposure to favorable macro trends
- **Diverse and growing portfolio** of offerings, routes to market, and customer profiles
- **Solid track record** of operational execution, with meaningful and sustainable cash flow generation
- **Flexible capital deployment** model, focused on optimization of returns to shareholders
- **Accelerating innovative growth posture,** underpinned by long-term strategic ADT + Google partnership

Home Automation and Security for What Matters Most

We are what we protect.

Staying home or venturing out, nobody has more ways to help keep you safe than ADT, with 9 company-owned monitoring centers watching out for you and your business 24/7.



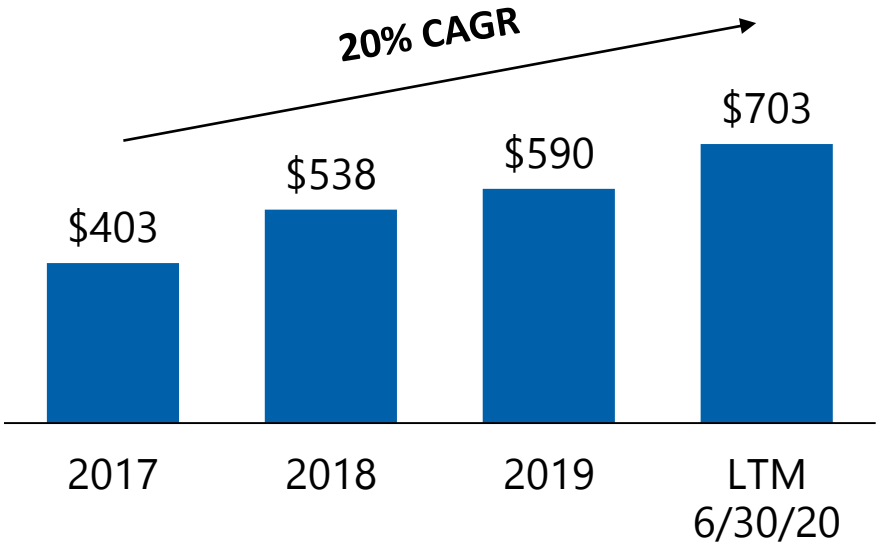
Our mission is to help our customers protect and connect to what matters most—their families, homes, and businesses.

Financial Snapshot
As of June 30, 2020

$5.3B Revenue	**$2.3B** Adj. EBITDA
~80% Contractually Recurring Revenue	**2.3x** Revenue Payback [1]
$4.2B Monitoring & Service Revenue	**$1.1B** Installation & Other Revenue

Adjusted Free Cash Flow [2]

$MM



Notes: Above figures are presented on a trailing 12 months basis as of June 30, 2020 and include ADT Canada, which was sold in November 2019.

1. Excludes wholesale customers who outsource their monitoring to ADT; Revenue payback period measures the net subscriber acquisition costs ("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.
2. Prior to 6/30/20, Adjusted Free Cash Flow was reported as Free Cash Flow before special items.

ADT is the Leader in Security & Automation

For **6.5 Million** Total Customers with Over **3 Million** Interactive Customers

Providing Professional Service **24** Hours/Day **365** Days/Year

From approximately **20,000** Employees, including **5,000** Installation & Service Professionals

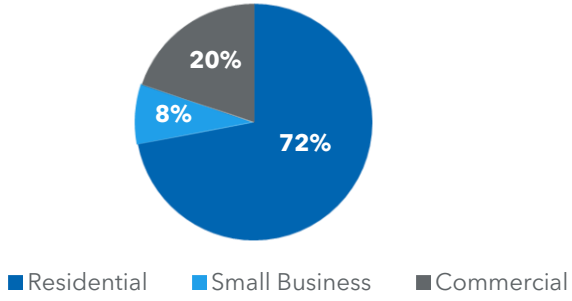
RESIDENTIAL & SMALL BUSINESS

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

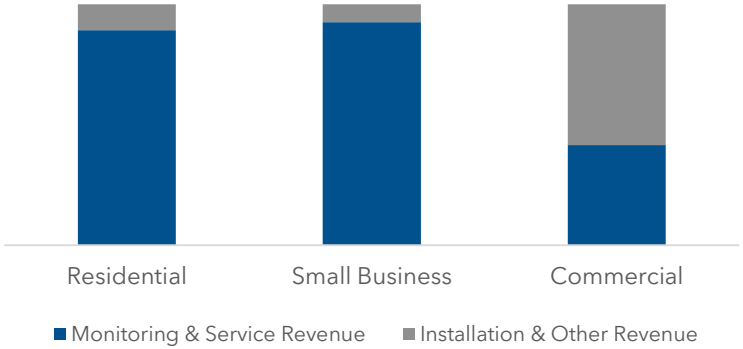
COMMERCIAL

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

Revenue by Customer Type



Revenue Breakout



Note: Above figures are presented as of June 30, 2020; Revenue is presented on a trailing 12 months basis as of June 30, 2020.

Unmatched Professional Home Automation & Security Platform….

Complete home automation & security

200+ Billion System events captured annually

8 Years Expected average customer life [1]

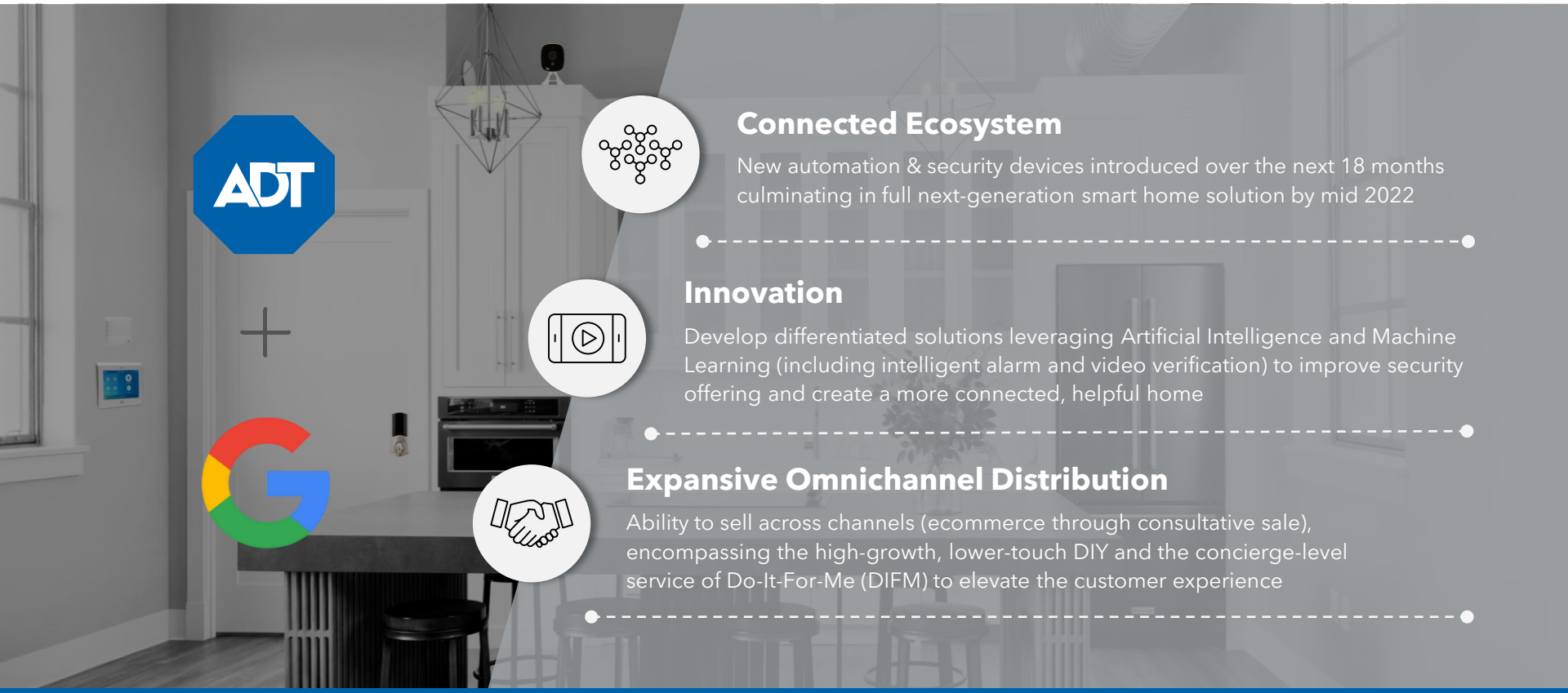


Consultative Sale	Professional Install	24/7 Technology & Service Platform			
		Monitoring	Customer Service	Service Support	Add-on Sales
▪ Customer needs vary ▪ 4,500 sales professionals ▪ Flexible Financing Options	▪ Trusted in the home ▪ 14+ devices per install ▪ 4+ hours per install	▪ 9 UL certified centers ▪ I-View Now expected to enable prioritized response	Customer Choice: ▪ Speak with a real person promptly - prioritized service and resolution ▪ AI-enabled chat	▪ 5,000+ installation and service professionals ▪ Same-day / next-day service ▪ Most visits covered under contract	▪ "I'd like to add a video camera and sign-up for monthly video service."

Note:

1. Represents the approximate average customer life based on trailing twelve-month attrition as of June 30, 2020.

.....Designed to Power the Smart and Secure Home of the Future



Connected Ecosystem

New automation & security devices introduced over the next 18 months culminating in full next-generation smart home solution by mid 2022

Innovation

Develop differentiated solutions leveraging Artificial Intelligence and Machine Learning (including intelligent alarm and video verification) to improve security offering and create a more connected, helpful home

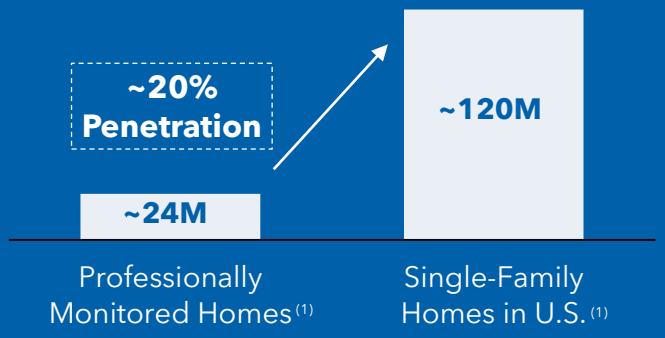
Expansive Omnichannel Distribution

Ability to sell across channels (ecommerce through consultative sale), encompassing the high-growth, lower-touch DIY and the concierge-level service of Do-It-For-Me (DIFM) to elevate the customer experience

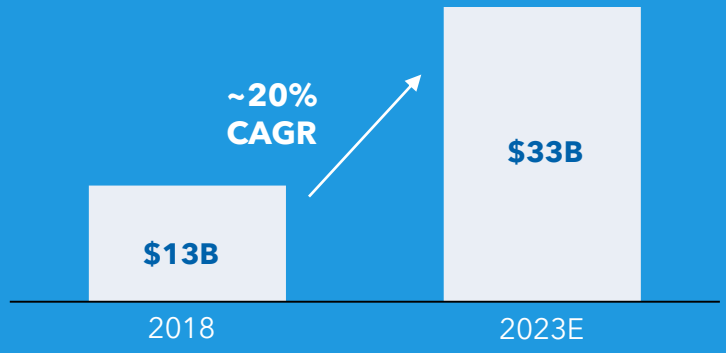
ADT + Google Smart Home Partnership Enables Long-Term Growth

Rapidly Expanding Residential Home Automation & Security Markets

A large, growing, and underpenetrated market for security…



…and dramatically growing smart home market



North American Smart Home Market (2018-2023E)(2)

Notes:
1. Parks Associates Digital Living Forecast as of Q3 2019.
2. Research on Global Markets, Insights by Netscribes: Global Smart Home Market (2018-2023).

Numerous Macro Tailwinds to Support Market Expansion

Increasing **suburbanization**, particularly following COVID-19 pandemic, will drive new demand

Increased **demand for security** driven by recent national events heightening awareness for home monitoring offerings

THE WALL STREET JOURNAL.

Escape to the Country: Why City Living Is Losing Its Appeal During the Pandemic

By Ruth Bender | Photographs by Guillaume Binet/MYOP for The Wall Street Journal

June 21, 2020 11:00 am ET



ADT Named Premier Provider of Smart Home Security and Automation Services for New Home Construction by National Homebuilder D.R. Horton

Household formation increasing with **millennials** powering housing market rebound

Fewer relocations given softer economic backdrop, lowering attrition

Continuing acceleration of **smart home adoption**

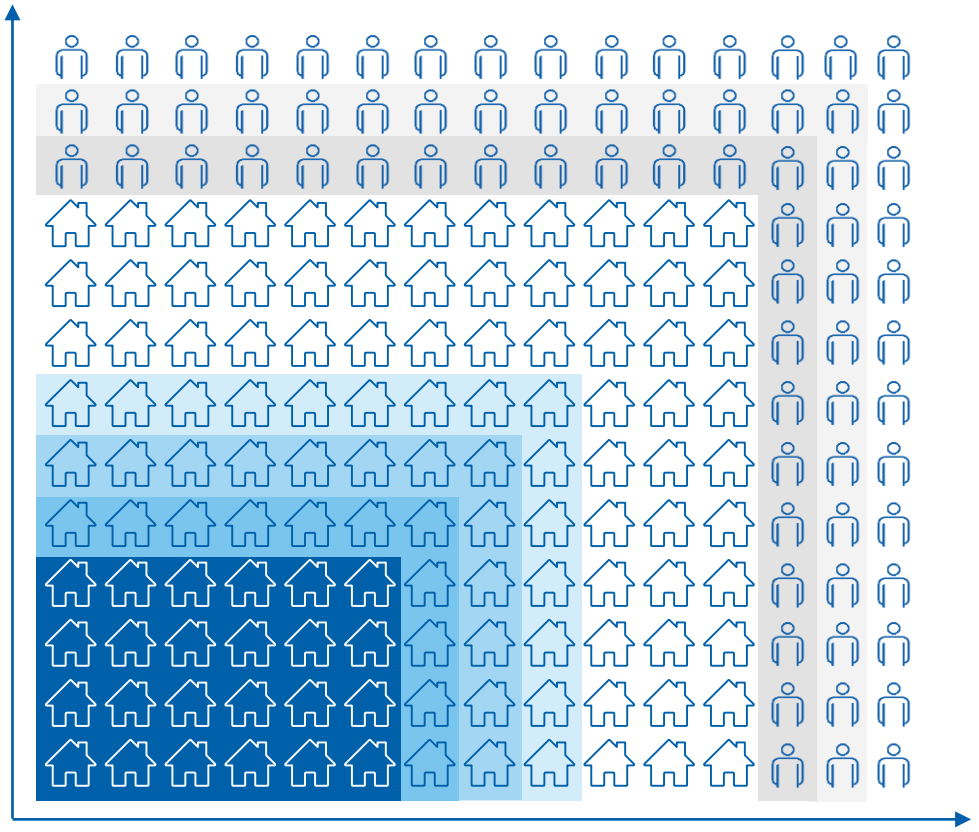
Growing Consumer Platform Broadens Addressable Market

Expanding ADT's addressable market now and for the future

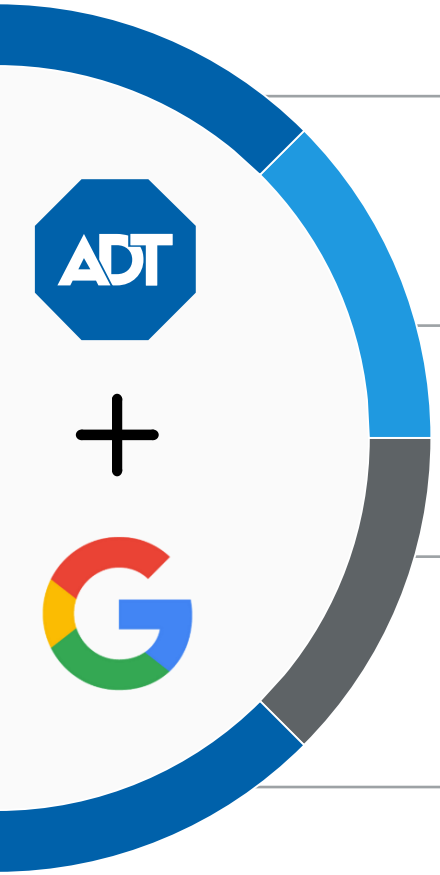
- Trusted DIFM security at the core; historic 20%+ market penetration

- Expanding DIY offering with Blue by ADT, and ADT + Google in 2021
- New channels with homebuilders and multi-family dwellings
- Attract 'smart home first' buyers with Google

- Adding peace of mind beyond the home with mobile security



ADT + Google Partnership to Build Next-Generation Smart and Helpful Home



Best-in-Class Hardware
next-generation features, easier to install, higher quality, modern aesthetics

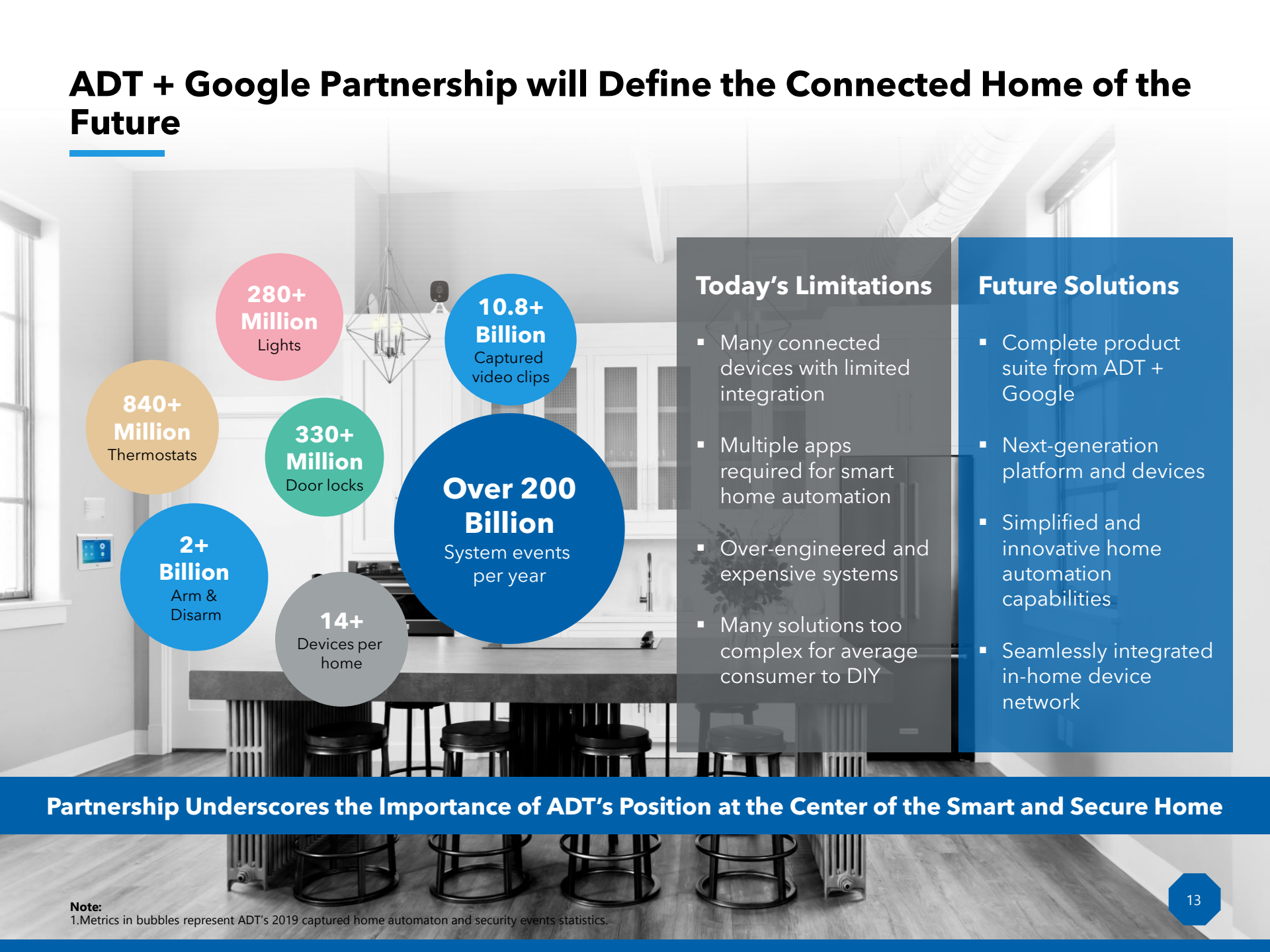
Optimal Technology Partner
video analytics, data analytics, complementary strength to facilitate growth in smart and helpful home and broadens DIY offering

Joint ADT + Google Branding
#1 in security brand meets #1 data and technology brand

Committed Joint Investments
marketing, product development, training [1]

Note:
1. Mutual commitment ($150M from Google, $150M from ADT), subject to the achievement of certain milestones.

ADT + Google Partnership will Define the Connected Home of the Future



Today's Limitations

- Many connected devices with limited integration
- Multiple apps required for smart home automation
- Over-engineered and expensive systems
- Many solutions too complex for average consumer to DIY

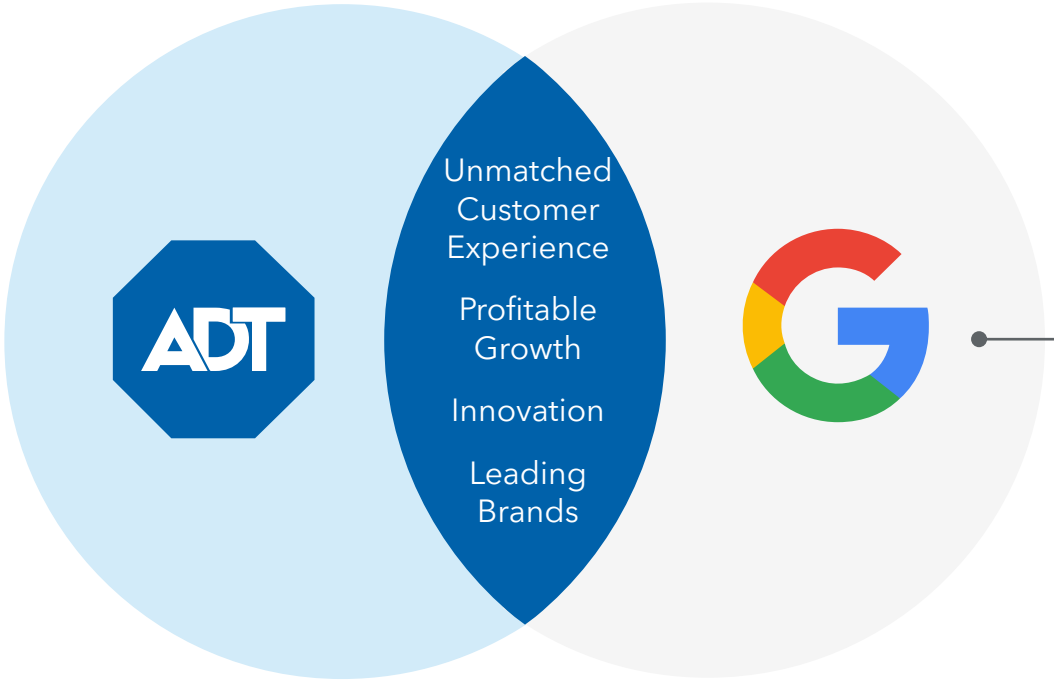
Future Solutions

- Complete product suite from ADT + Google
- Next-generation platform and devices
- Simplified and innovative home automation capabilities
- Seamlessly integrated in-home device network

Partnership Underscores the Importance of ADT's Position at the Center of the Smart and Secure Home

Note:
1.Metrics in bubbles represent ADT's 2019 captured home automaton and security events statistics.

ADT + Google Nest Have Committed to a Long-Term Strategic Partnership – Advancing Leadership in Smart Home, Security, & Safety Solutions



Google investments in the partnership

$450M investment in ADT common equity

$150M[(1)] commitment in training, marketing, and technology solutions

Long-term partnership agreement

Complementary Strengths & Aligned Incentives Position the Partnership to Elevate Customer Experience

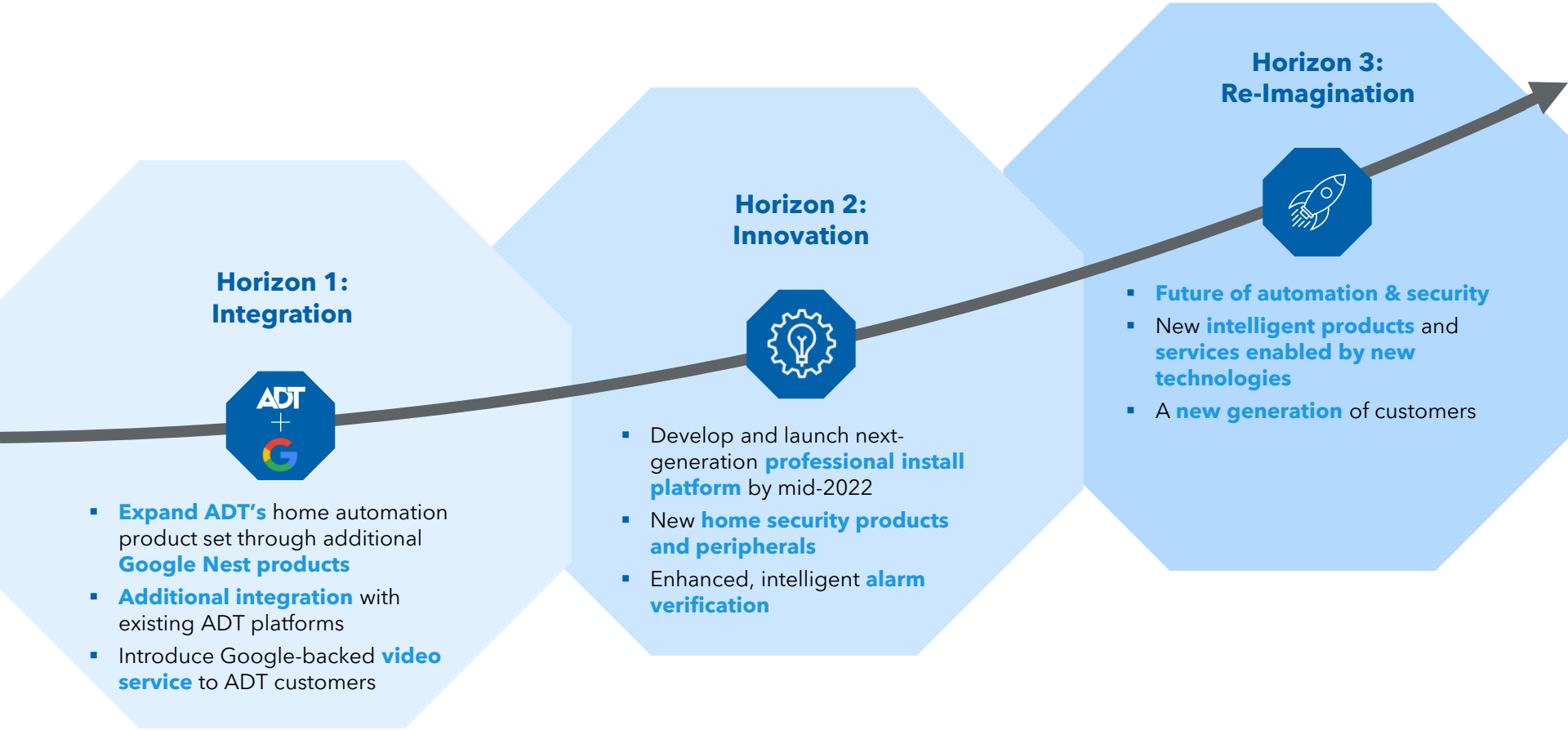
Note:
1. Mutual commitment ($150M from Google, $150M from ADT), subject to the achievement of certain milestones.

Uniting Two Market Leading and Highly Complementary Platforms

ADT	Google
America's most trusted security brand	Highly recognized consumer technology brand
Largest security system installed base of 6.5 million customers	Leading smart home platform with Google Assistant
National technician / customer service force	Leading A.I. and machine learning capabilities
Best-in-class omnichannel sales and distribution capabilities	Helpful home solutions: Security, Connectivity, Entertainment, and Energy

ADT + Google Nest delivers a fully integrated smart home automation solution to the market

Key Indicative Partnership Milestones



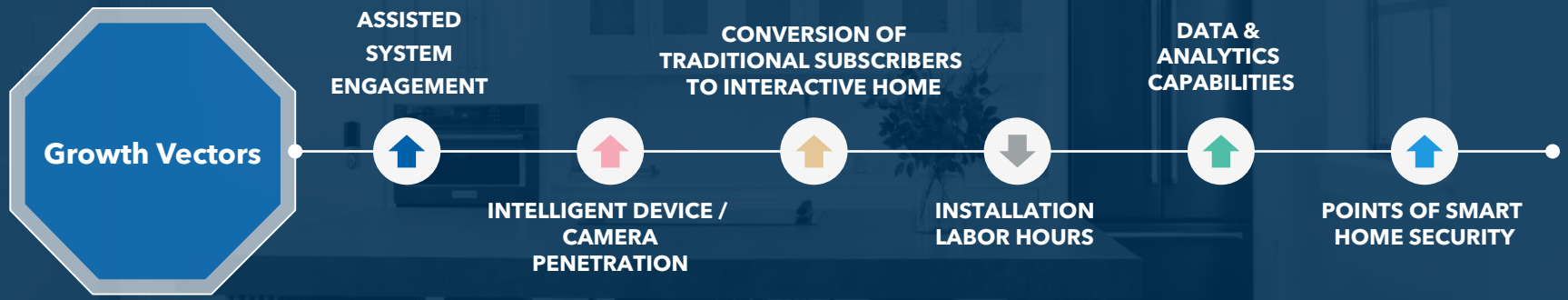
Collaborative Effort to Drive Innovation and Enhance the Partnership Over Time

Next Generation Platform Objectives (Horizon 2)

Improves subscriber engagement

Increases effectiveness of investment in new subscribers (including more efficient installation)

Opportunity to shift traditional subscribers to interactive offering



Smart Home Evolution to Drive Efficient Subscriber Growth Over the Next Several Years

Current Partnership Activities

ADT + Google

Technology	Marketing	Business
Collaboration on customer experience and ensuring native device connections provide backbone for connected home	Powerful combined capital and talent investment devoted to marketing	Creation of a new generation of smart home security products, providing even more flexibility in customization
Create a more helpful smart home ecosystem powered by applying machine learning to system events	Co-branded marketing efforts expected to provide tailwind for demand generation and capital efficient growth	Go-to-market across high-growth DIY and DIFM channels expected to leverage differentiated ADT distribution network

Significant Current Cross-functional Collaboration Between Organizations to Drive Success

Accelerate Capital Efficient Growth



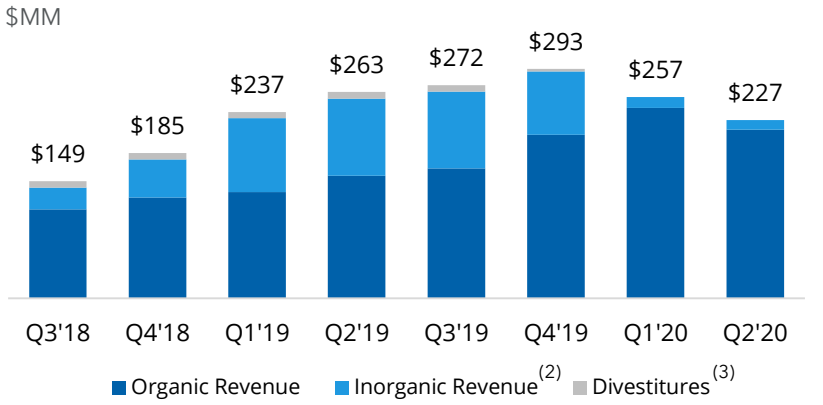
Larger and Highly Engaged Subscriber Base Leads to Capital Efficient Growth

Commercial Platform: Near-Term Pressures & Long-Term Opportunities

Commercial Market Characteristics

- Large and historically 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
- Higher percentage of installation revenue

Commercial Total Revenue



Opportunities

- Diverse vertical markets; low dependence on new construction
- Providing solutions to assist customer return to work
- Tuck-in acquisitions at value prices
- Technology / analytics to augment service

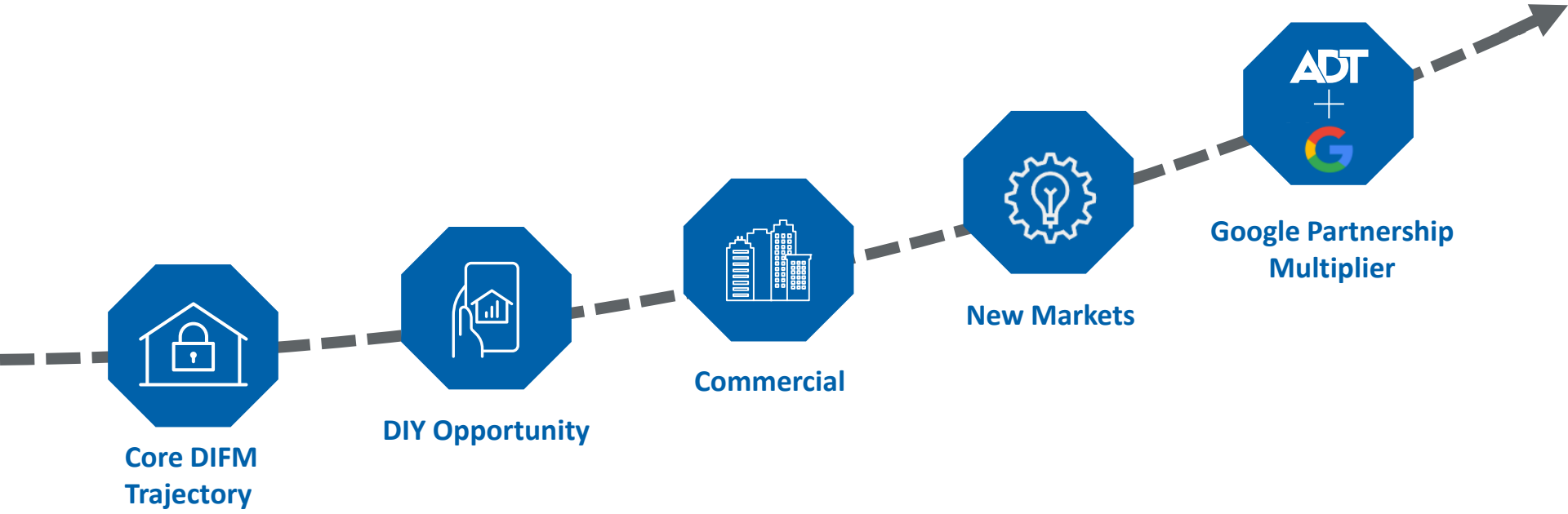
COVID-19 Challenges

- Limited / no access to certain customers (i.e. K-12 schools, acute care hospitals, senior living facilities)
- Retail shops and commercial real estate (i.e. corporate headquarters) verticals

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

Powerful Long-Term Growth Engine

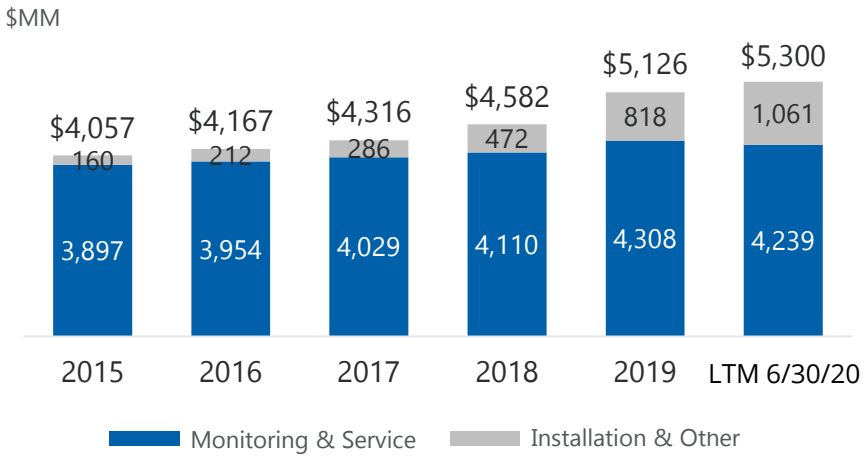


Powerful Long-Term Growth Engine

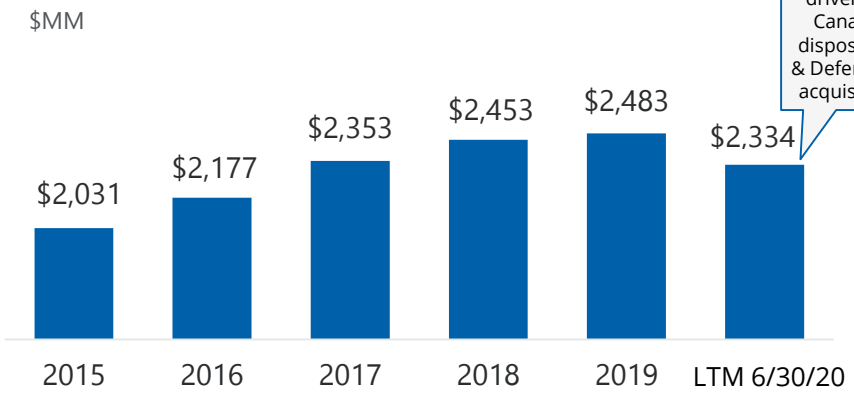
	Recent Momentum	Next Phases of Growth
Core Pro-Install "DIFM"	▪ Year-to-date subscriber growth ▪ Climbing interactive take rate (85%) ▪ Consumer financing 2020 launch providing consumer choice and larger system sizes ▪ New partnership with largest U.S. homebuilder, D.R. Horton	▪ Expand distribution channels including e-commerce & retail ▪ Continue driving new partnerships ▪ Begin deployment of go-to-market funds ($150M from ADT, $150M from Google) ▪ Launch next-gen integrated DIFM solution with Google by mid-2022
DIY Opportunity	▪ High double-digit growth rate in '20 ▪ Q3 launch of new Blue by ADT platform (compatible with future Google products)	▪ Launch co-branded ADT + Google DIY solution in 2021 with new distribution channels
Commercial	▪ Signed largest ever National Accounts agreement with Dollar Tree/Family Dollar ▪ Red Hawk integration on track	▪ Return post-COVID-19 to growth in several high performing verticals ▪ Continue successful tuck-in M&A strategy
New Markets	▪ Launched SoSecure by ADT and mobile safety partnerships with Lyft, Instacart	▪ Continue to drive new partnerships and become the mobile security partner of choice for businesses and consumers

Consistent Track Record of Performance

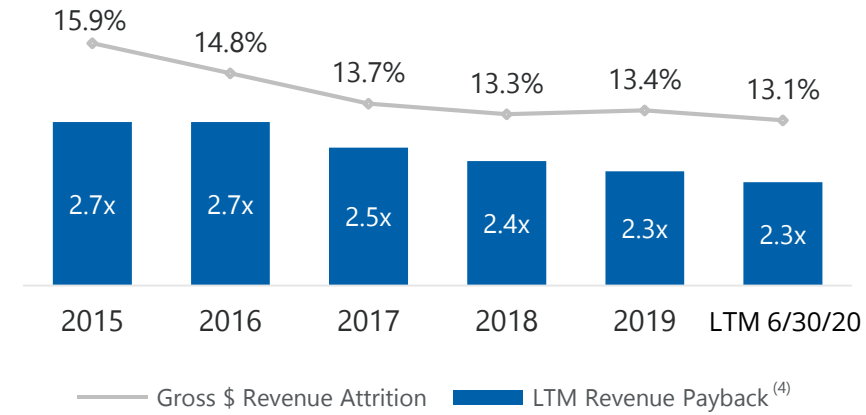
Total Revenue[1]



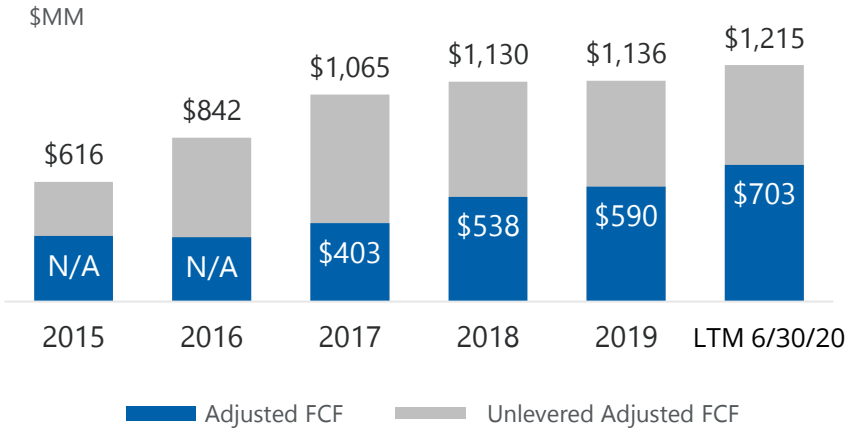
Adjusted EBITDA[1]



LTM Revenue Payback and Attrition[3][4][5]



Adjusted Free Cash Flow[6]



Notes:

1. 2015 and 2016 are presented on a supplemental pro forma basis up to the acquisition date.
2. Results adversely impacted by November 2019 divestiture of ADT Canada and January 2020 acquisition of Defenders.
3. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements.
4. Excludes wholesale customers who outsource their monitoring to ADT; Revenue payback period measures the net subscriber acquisition costs ("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.
5. 2015 is Legacy ADT as of LTM 9/25/15.
6. 2015 and 2016 presented on a historical combined basis; Prior to 6/30/20, Adjusted Free Cash Flow was reported as Free Cash Flow before special items.

Cash Generation and Efficient Capital Deployment

Flexible Capital Deployment

	Invest In Efficient Organic Growth	Selectively Pursue Accretive Acquisitions	Optimize Capital Structure/Debt Level	Return Capital To Shareholders
2019/2020 Progress	• On-going RMR adds • Command/Control • New pricing/consumer financing model • Service improvements • Marketing/branding	• Red Hawk • LifeShield • Defenders • I-View Now • Commercial tuck-ins	• 4 refinancing events • Weighted average cost of debt down ~100 bps • Extended average maturity to ~2026	• >$600M cash dividends distributed • ~$150M share buyback at average of $6.27
Future Focus	• Google implementation and re-imagination • New partnerships • Next gen technology • Commercial growth	• Continued commercial tuck-ins • Opportunistic bulk account acquisitions	• Leverage and debt reduction • On-going cost of capital optimization	• On-going dividend • Stock price appreciation

Managing 2020 with Focus on Long-Term Value Creation

ADT's Durable Business Model is Performing Well During COVID-19

ADT's contractual recurring revenue and recession resilient model is durable amid economic uncertainty

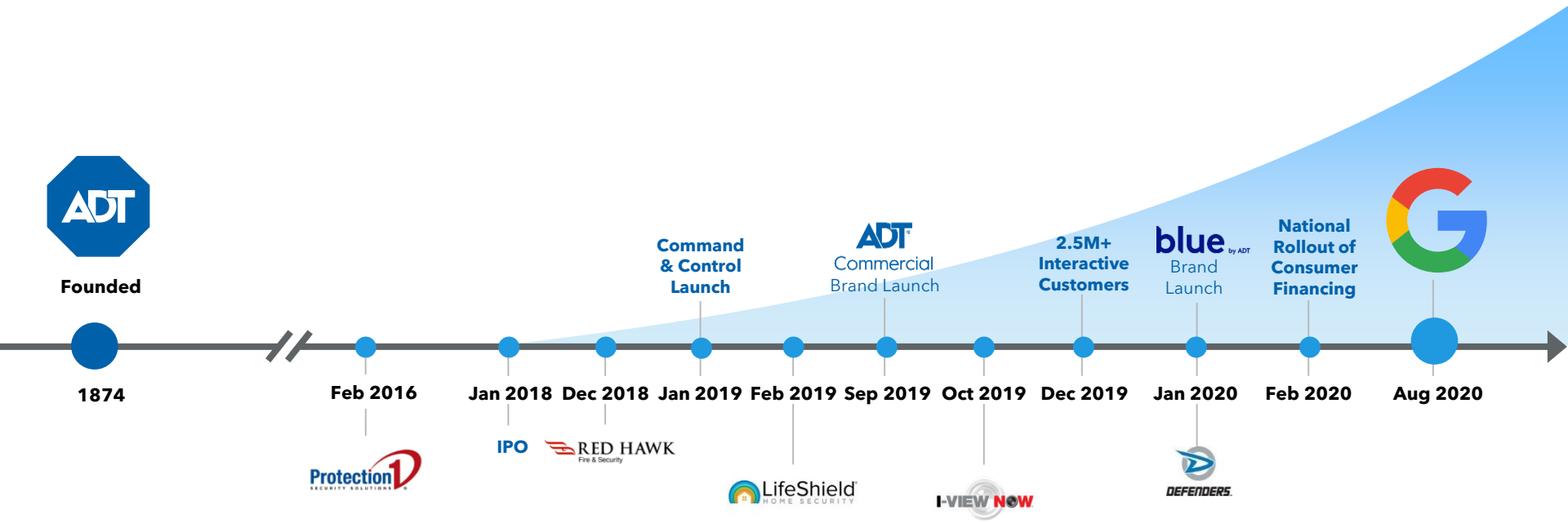
- Heightened awareness of security needs
- Shelter in place, lower housing starts, and reduced relocations slowed residential velocity
  - Likely fewer new additions partially offset by fewer relocations, the primary cause of attrition
  - Potential for high quality, lower cost bulk acquisitions to offset near term reductions in new customer sales
- Commercial demand for new installations and service under near term pressure
- Some small businesses have been negatively impacted
- Adjusted Free Cash Flow generation remained robust ($405 million 1H 2020)

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

- Signed and announced comprehensive, long-term partnership with Google
  - Integrate Google products into ADT ecosystem
  - Continue work on next gen platform
- Retain best-in-industry labor force and enhance monitoring capability with added efficiency captured through transition to remote work capability
- 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 Google and Blue by ADT
  - Next Gen monitoring
  - Mobile and SoSecure by ADT
  - Commercial tuck-in M&A
  - Attractive residential bulk account purchases


ADT
Appendix

Google Partnership is an Accelerator on ADT's Journey of Capital Efficient Growth and Innovation



Continued Focus on Strategic Initiatives Underpins ADT's Capital Efficient Growth

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 6/30/20)

	Residential	Small Business	Large / Multi-Site	Total
Unit Count	~5,800K	~500K	~300K	~6,500K
Ending RMR	$277M	$29M	$28M	$335M
M&S Revenue	$3,401M	$396M	$442M	$4,239M
Installation Revenue[1]	$407M	$32M	$622M	$1,061M
New RMR Additions	$41M	$5M	$5M	$50M
Revenue Payback	~2.4x	~2.1x	<1.0x	~2.3x
Gross Attrition	~13%	~15%	~11%	~13%
Typical Revenue / Site	$40-$55	$50-$65	$50-$120+	$45-$55

Unit Count

Units in millions	Q2'20	Q2'19	Y/Y %	Q1'20	Q/Q %
Interactive	3.0	2.7	10%	2.9	2%
Traditional	2.7	3.0	(10%)	2.8	(2%)
U.S. Residential	**5.7**	**5.7**	**(1%)**	**5.7**	**0%**
U.S. Commercial	0.7	0.7	1%	0.7	(1%)
Other	0.1	0.1	4%	0.1	1%
Total EoP Units	**6.5**	**6.6**	**(0%)**	**6.5**	**0%**
Memo: Total Residential	5.8	5.8	(1%)	5.8	0%
Memo: Total Commercial	0.7	0.7	1%	0.7	(1%)

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 $83M for residential. $26M for small business, and $7M for large/multi-site.

GAAP to Non-GAAP Reconciliations

Adjusted EBITDA:

(in millions)	Six Months Ended		Twelve Months Ended			
	June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Net (loss) / income	$ (407)	$ (171)	$ (661)	$ (424)	$ (609)	$ 343
Interest expense, net	413	314	719	620	663	733
Income tax benefit	(106)	(45)	(159)	(98)	(23)	(764)
Depreciation and intangible asset amortization	967	997	1,959	1,989	1,931	1,863
Amortization of deferred subscriber acquisition costs	45	38	88	80	60	51
Amortization of deferred subscriber acquisition revenue	(59)	(50)	(116)	(107)	(79)	(46)
Share-based compensation expense	48	46	88	86	135	11
Merger, restructuring, integration and other	121	13	143	36	(3)	65
Goodwill impairment	-	-	45	45	88	-
Loss on sale of business	1	-	63	62	-	-
Loss on extinguishment of debt	66	88	81	104	275	4
Radio conversion costs, net[1]	12	1	36	25	5	12
Financing and consent fees[2]	5	1	27	23	9	64
Foreign currency (gains) / losses[3]	-	(1)	(1)	(1)	3	(24)
Acquisition related adjustments[4]	1	13	11	22	16	3
Licensing fees[5]	-	-	-	-	(22)	-
Other[6]	(5)	7	10	22	5	38
Adjusted EBITDA	$ 1,103	$ 1,252	$ 2,334	$ 2,483	$ 2,453	$ 2,353
Total revenue	$ 2,701	$ 2,527	$ 5,300	$ 5,126	$ 4,582	$ 4,316
Monitoring and related services revenue	$ 2,087	$ 2,156	$ 4,239	$ 4,308	$ 4,110	$ 4,029
Installation and other	$ 614	$ 371	$ 1,061	$ 818	$ 472	$ 286

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 income related to $22 million of one-time licensing fees.
6. Represents other charges and non-cash items as well as certain advisory and other costs associated with our transition to a public company. During 2019, includes a $10 million write-off of notes receivable from a strategic investment. During 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. During 2017, includes fees of $20 million related to a management consulting agreement, which was terminated in connection with the consummation of the initial public offering.

GAAP to Non-GAAP Reconciliations

Supplemental Pro Forma Financial Information:

(in millions)	ADT Inc. Historical Year Ended 12/31/2016	The ADT Corporation Historical Three Months Ended 3/31/2016	The ADT Corporation Historical 4/1/2016 to 5/1/2016	Pro Forma Adjustments	Supplemental Pro Forma Year Ended 12/31/2016
Net (loss) / income	$ (537)	$ 62	$ 4	$ 185	$ (285)
Interest expense, net	521	53	18	157	750
Income tax benefit	(266)	28	4	115	(119)
Depreciation and intangible asset amortization	1,233	293	102	(54)	1,574
Merger, restructuring, integration and other	394	10	36	(354)	86
Financing and consent fees	5	-	-	-	5
Foreign currency losses	16	-	-	-	16
Loss on extinguishment of debt	28	-	-	-	28
Other non-cash items	16	-	-	-	16
Radio conversion costs	34	26	7	-	68
Purchase accounting deferred revenue fair value adjustment	63	-	-	(63)	-
Amortization of deferred subscriber acquisition costs	17	38	14	(52)	17
Amortization of deferred subscriber acquisition revenue	(11)	(43)	(15)	58	(11)
Share-based compensation expense	5	6	(1)	-	10
Management fees and other charges	14	-	-	7	20
Supplemental Pro Forma Adjusted EBITDA	$ 1,533	$ 475	$ 169	$ -	$ 2,177
Total revenue	$ 2,950	$ 900	$ 313	$ 4	$ 4,167
Monitoring and related services revenue	$ 2,748	$ 848	$ 295	$ 63	$ 3,954
Installation and other	$ 202	$ 51	$ 18	$ (58)	$ 212

Note:
Adjustments in 2016 follow their original presentation and have not been updated to conform to the presentation in subsequent periods.

GAAP to Non-GAAP Reconciliations

Supplemental Pro Forma Financial Information:

(in millions)	Predeccessor Period from 1/1/2015 through 6/30/2015	Successor From Inception through 12/31/2015	ASG Six Months Historical Ended 6/30/2015	Other Pro Forma Adjustments	Subtotal	The ADT Corporation Twelve Months Ended 12/31/2015	ADT Acquisition Adjustments	Supplemental Pro Forma Year Ended 12/31/2015
Net (loss) / income	$ (19)	$ (54)	$ (23)	$ 23	$ (73)	$ 287	$ (496)	$ (281)
Interest expense, net	29	45	11	6	91	207	471	769
Income tax benefit	1	(30)	1	14	(15)	134	(309)	(189)
Depreciation and intangible asset amortization	42	84	26	8	160	1,139	293	1,591
Merger, restructuring, integration and other	9	35	1	(24)	21	12	-	33
Radio conversion costs	1	4	-	-	5	55	-	60
Purchase accounting deferred revenue fair value adjustment	-	19	-	(19)	-	-	-	-
Amortization of deferred subscriber acquisition costs	11	1	3	(14)	1	145	(145)	1
Amortization of deferred subscriber acquisition revenue	(4)	-	(4)	7	-	(166)	166	-
Share-based compensation expense	1	2	(2)	3	5	24	-	28
Management fees and other charges	-	-	-	(1)	-	(1)	20	19
Supplemental Pro Forma Adjusted EBITDA	$ 72	$ 105	$ 14	$ 4	$ 195	$ 1,836	$ -	$ 2,031
Total revenue	$ 238	$ 312	$ 72	$ 16	$ 637	$ 3,587	$ (166)	$ 4,057
Monitoring and related services revenue	$ 189	$ 238	$ 60	$ 19	$ 506	$ 3,392	$ -	$ 3,897
Installation and other	$ 49	$ 73	$ 12	$ (3)	$ 131	$ 195	$ (166)	$ 160

Note:
Adjustments in 2015 follow their original presentation and have not been updated to conform to the presentation in subsequent periods.

GAAP to Non-GAAP Reconciliations

Free Cash Flow, Adjusted Free Cash Flow, and Unlevered Adjusted Free Cash Flow:

(in millions)	For the Six Months Ended		For the Twelve Months Ended			
	June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Net cash provided by operating activities	$ 629	$ 979	$ 1,523	$ 1,873	$ 1,788	$ 1,592
Net cash used in investing activities	(536)	(788)	(726)	(978)	(1,738)	(1,413)
Net cash (used in) provided by financing activities	(96)	(515)	(795)	(1,214)	193	(143)
Net cash provided by operating activities	629	979	1,523	1,873	1,788	1,592
Dealer generated customer accounts and bulk account purchases	(144)	(334)	(480)	(670)	(694)	(653)
Subscriber system asset expenditures	(137)	(294)	(386)	(542)	(576)	(583)
Purchases of property and equipment	(76)	(84)	(151)	(159)	(127)	(131)
Free Cash Flow	271	267	506	502	391	225
Net proceeds from receivables facility	19	-	19	-		-
Financing and consent fees	5	1	26	23	8	64
Restructuring and integration payments	13	8	19	14	18	46
Integration related capital expenditures	12	2	25	16	7	25
Radio conversion costs, net	7	3	29	25	6	13
Redemption of mandatorily redeemable preferred securities[1]	-	-	-	-	96	-
Other[2]	78	10	78	10	12	30
Adjusted Free Cash Flow	$ 405	$ 292	$ 703	$ 590	$ 538	$ 403
Cash interest	$ 251	$ 285	$ 511	$ 545	$ 592	$ 661
Unlevered Adjusted Free Cash Flow	$ 656	$ 576	$ 1,215	$ 1,136	$ 1,130	$ 1,065

Notes:

1. On July 2, 2018, the Company redeemed mandatorily redeemable preferred securities in full, which included the payment of accumulated dividend obligation of $96 million ($51 million related to 2018 and $45 million related to 2017), which is excluded from Adjusted Free Cash Flow.
2. The six months ended June 30, 2020 included $81 million related to the settlement of a pre-existing relationship in connection with the Defenders acquisition. This was partially offset by $14M related to the unrealized portion of a $39 million advance payment received for estimated charge-backs in connection with the Defenders Acquisition.

GAAP to Non-GAAP Reconciliations

Free Cash Flow, Historical Combined Free Cash Flow, and Unlevered Historical Combined Adjusted Free Cash Flow:

(in millions)	Successor ADT Inc. Historical Year Ended 12/31/2016	The ADT Corporation Historical for the period 1/1/2016 through 5/1/2016	Successor From Inception through 6/30/2015	Predeccesor Period from 1/1/2015 through 6/30/2015	The ADT Corporation Twelve Months Ended 12/31/2015
Net cash provided by operating activities	$ 618	$ 525	$ 2	$ 35	$ 1,611
Net cash used in investing activities	(9,412)	(411)	(2,020)	(40)	(1,354)
Net cash provided by (used in) financing activities	8,829	(152)	2,076	(6)	(250)
Net cash provided by operating activities	618	525	2	35	1,611
Dealer generated customer accounts and bulk account purchases	(407)	(176)	-	-	(563)
Subscriber system asset expenditures	(469)	(222)	(30)	(25)	(697)
Purchases of property and equipment	(78)	(23)	(4)	(6)	(95)
Free Cash Flow	$ (337)	$ 106	$ (32)	$ 4	$ 257

(in millions)	ASG Six Months Ended 6/30/2015
Net cash provided by operating activities	$ 12
Net cash used in investing activities	(19)
Net cash provided by financing activities	8
Net cash provided by operating activities	12
Payments for acquisitions of purchased accounts	(10)
Deferred customer acquisition costs	(15)
Deferred customer acquisition revenue	7
Purchases of property and equipment	(1)
Free Cash Flow	$ (7)

	For the Twelve Months Ended December 31,2016	 December 31,2015
Successor Free Cash Flow	$ (337)	$ (32)
Predeccessor Free Cash Flow	N/A	4
The ADT Corporation Free Cash Flow	106	257
ASG Free Cash Flow	N/A	(7)
Historical Combined Free Cash Flow	(231)	221
Plus: Cash Interest	511	280
Plus: Special items		
Merger Costs	354	41
Radio Conversion Costs[(1)]	78	59
Management Fees, Financing Fees and Other	43	1
Restructuring and Integration Activities	70	14
Integration Related Capital Expenditures	17	-
Other Items	-	-
Unlevered Historical Combined Adjusted Free Cash Flow	$ 842	$ 616

Note:
Adjustments in 2015 and 2016 follow their original presentation and have not been updated to conform to the presentation in subsequent periods.

GAAP to Non-GAAP Reconciliations

Commercial Organic Revenue and Commercial Inorganic Revenue:

(in millions)	For the Three Months Ended							
	June 30, 2020	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**
Total revenue	$ 1,331	$ 1,370	$ 1,298	$ 1,301	$ 1,284	$ 1,243	$ 1,185	$ 1,148
Commercial revenue[1]	$ 227	$ 257	$ 293	$ 272	$ 263	$ 237	$ 185	$ 149
Acquisition-related commercial revenue[2]	(12)	(14)	(80)	(98)	(98)	(95)	(48)	(28)
Divestiture-related commercial revenue[3]	-	-	(4)	(8)	(8)	(8)	(8)	(8)
Commercial organic revenue	$ 215	$ 243	$ 209	$ 166	$ 156	$ 136	$ 129	$ 113

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.

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, Free Cash Flow, Adjusted Free Cash Flow, Unlevered Adjusted Free Cash Flow, Historical Combined Free Cash Flow, Unlevered Historical Combined Adjusted Free Cash Flow, Supplemental Pro Forma Financial Information, Commercial Organic Revenue, and Commercial Inorganic Revenue 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.

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 accounts purchased through our network of authorized dealers or third parties outside of our authorized dealer network; subscriber system asset expenditures; and purchases of property and equipment. These items are subtracted from cash flows from operating activities because they represent long-term investments that are required for normal business activities. Free Cash Flow adjusts for cash items that are ultimately within management's discretion to direct, and therefore, may imply that there is less or more cash that is available than the most comparable GAAP measure. Free Cash Flow is not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Free Cash Flow in combination with the cash flows as calculated in accordance with GAAP.

Adjusted Free Cash Flow

We define Adjusted Free Cash Flow as Free Cash Flow adjusted for payments related to (i) net cash flow associated with our consumer receivables facility, (ii) financing and consent fees, (iii) restructuring and integration, (iv) integration related capital expenditures, (v) radio conversion costs, and (vi) other payments or receipts that may mask our operating results or business trends. As a result, subject to the limitations described below, Adjusted Free Cash Flow is a useful measure of our cash flow attributable to our normal business activities, inclusive of the net cash flows associated with the acquisition of subscribers, as well as our ability to repay other debt, make other investments, and pay dividends. Adjusted 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. Adjusted 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 Adjusted Free Cash Flow in combination with the GAAP cash flow numbers. During the second quarter of 2020, Free Cash Flow before special items was renamed Adjusted Free Cash Flow and now includes the net cash flow associated with our consumer receivables facility, which supports our consumer financing program. The inclusion of the net cash flow associated with our consumer receivables facility represents the only revision to Free Cash Flow before special items.

Unlevered Adjusted Free Cash Flow

We define Unlevered Adjusted Free Cash as Adjusted Free Cash Flow adjusted for cash interest paid. As a result, subject to the limitations described below, Unlevered Adjusted Free Cash Flow is a useful measure of our cash available to service other debt, make other investments, and pay dividends. Unlevered Adjusted Free Cash Flow adjusts for contractual interest payments as well as 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. Unlevered Adjusted Free Cash Flow is not intended to represent residual cash flow for discretionary expenditures since debt service requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Unlevered Adjusted Free Cash Flow in combination with the GAAP cash flow numbers.

Historical Combined Free Cash Flow and Unlevered Historical Combined Adjusted Free Cash Flow

We have presented Free Cash Flow and Unlevered Adjusted Free Cash Flow on a Historical Combined basis for the 2015 and 2016 periods presented in this appendix, which represents the mathematical additions of Free Cash Flow and Unlevered Adjusted Free Cash Flow of the Company, The ADT Corporation, Protection One, and ASG. Historical Combined Free Cash Flow and Unlevered Historical Combined Adjusted Free Cash Flow adjust 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. Historical Combined Free Cash Flow and Unlevered Adjusted Free Cash Flow are not intended to represent residual cash flow for discretionary expenditures since debt service requirements and other non-discretionary expenditures are not deducted. These limitations are best address by using Historical Combined Free Cash Flow and Unlevered Adjusted Free Cash Flow in combination with the GAAP cash flow numbers.

Supplemental Pro Forma Financial Information

We have presented supplemental pro forma financial information for the 2015 and 2016 periods presented in this appendix, which includes pro forma adjustments necessary to reflect the ADT Acquisition and the Formation Transactions as if they had occurred on January 1, 2015. We believe that Supplemental Pro Forma Financial Information is appropriate to illustrate the effect that the ADT Acquisition and the Formation Transaction had on our financial performance, assuming that such transactions took place on January 1, 2015.

Commercial Organic / Inorganic Revenue

We believe that the presentation of commercial organic revenue and commercial inorganic revenue 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. There are material limitations to using commercial organic revenue and commercial inorganic revenue 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 and commercial inorganic revenue in conjunction with revenue determined in accordance with GAAP.