Q4 2020 Earnings Presentation
February 25, 2021

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 2021 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, our strategic partnership and ongoing relationship with Google, the expected timing of product commercialization with Google or any changes thereto, the successful internal development, commercialization and timing of our next generation platform 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, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein.

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States (“GAAP”), we disclose Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Adjusted Free Cash Flow, Net Income (Loss) before special items, Diluted Net Income (Loss) per share before special items, U.S. Commercial Organic Revenue, U.S. Commercial Inorganic Revenue, 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 financial outlook for Adjusted EBITDA and Adjusted Free Cash Flow 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—Adjusted Free Cash Flow.” 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. Record performance on metrics reflect measurements made since the formation of ADT Inc. in 2015.

Key Takeaways

- Q4 and full-year growth in net subscribers, driven by addition of new interactive customers and improved attrition
- 15% Q4 increase in U.S. RMR additions; Record low revenue payback of 2.2 years
- Expansion of distribution channels and new strategic partnerships continuing into 2021
- Google Partnership and ADT’s next generation platform development off to a strong start and on-track
- **Accelerating growth in 2021 while investing to position ADT for long-term capital efficient growth**

2020 In-Review Highlights

- Focused on the long-term – navigated through the pandemic while caring for our colleagues, safely continuing to serve our 6+ million customers, and investing in our business
- Demonstrated the resilience of ADT and our business model as we delivered results in-line with, or better than, pre-pandemic outlook
- Achieved record performance on customer retention and revenue payback
- Established ADT | Google long-term strategic partnership
- Expanded distribution channels, developing additional relationships with home builders and insurance companies
- Completed Defenders acquisition; Greater control of our go-to-market heading into 2021
- Extended debt maturities and lowered borrowing costs

Exited 2020 uniquely positioned to capture macro growth trends

2020 ADT Subscriber Engagement

200+ Billion
System events per year

3+ Million
Monthly average app users

2+ Million
In-home technician visits

300+ Million
Lights

10.8+ Billion
Captured video clips

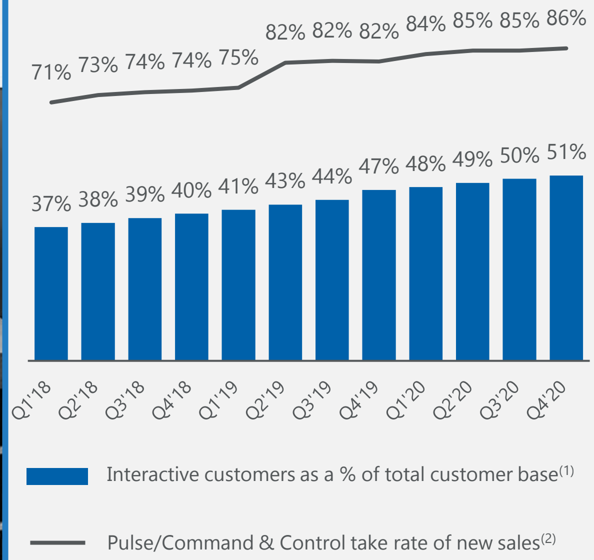
1+ Billion
Thermostats

14+
Devices per home

2+ Billion
Arm & Disarm

500+ Million
Door locks

Over 1M Command and Control Installations Since Launch



ADT is at the Center of the Smart and Secure Home

Notes: Metrics in bubbles represent ADT's 2020 home automaton and security events statistics.

1. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation; Canada is excluded starting from Q4'19.
2. Take rate represents sales by ADT or its authorized dealer network, and excludes large/multi-site, health, wholesale, and DIY customers; Canada is excluded starting from Q4'19.

Accelerating Growth Drivers Entering 2021

Macro Dynamics

Increasing **de-urbanization**, particularly following COVID-19 pandemic, is expected to drive new demand

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

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

Continuing acceleration of **smart home adoption**

DISH, Hippo, and Ackerman expand ADT's reach and add incremental capacity

ADT Initiatives

Continued execution of additive **partnerships** such as D.R. Horton; healthy pipeline of opportunities

Improving **marketing efficiency** and sales close rates, due to internal investments in **analytics** and benefits from Defenders acquisition

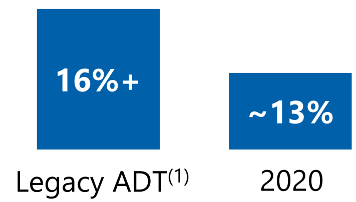
DIY expansion with Blue by ADT experiencing strong growth with co-branded Google offering to come

Google partnership expected to attract a broader set of buyers due to new products, improved technologies, expanded routes to market, and co-branding

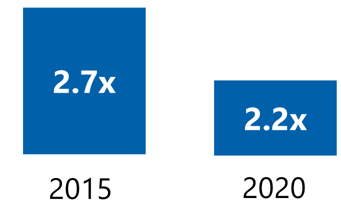
Sustained Operational Improvements Enable Transition To Stronger Growth Focus

Attrition and revenue payback improved substantially since 2015…

Attrition

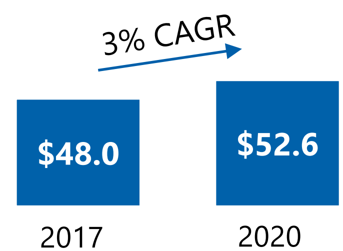


Revenue Payback

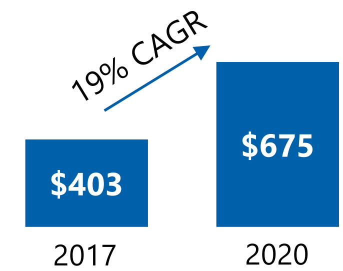


…with focus on cash generation and modest RMR growth since 2018 IPO…

US RMR Adds ($M)

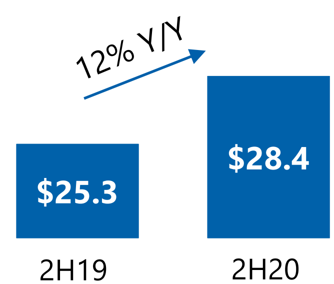


Adjusted FCF ($M)



…enabling stronger growth focus going forward, with early progress during 2H 2020

US RMR Adds ($M)



Recent Focus Areas

- **Improvements Above**
- **Pricing/Financing Model**
- **Defenders Acquisition**
- **Advertising and Conversion**
- **Sales Effectiveness**
- **Strategic Partnerships**

Note:
1. Legacy ADT represents attrition from the Legacy ADT business in periods prior to the combination with Protection One in Q2'16.

Preview: ADT's Next Chapter

Accelerated Growth

Consumer & Commercial

Smart home driven sustainable growth in subscribers

Innovation Leader

Ambient Smart Home & Security

Google differentiation ADT platform & experience

Consumer Centricity

Frictionless Journeys

Omni-channel & digitally enabled

Shareholder Returns

Capital Efficiency

Targets for efficiency & capital structure

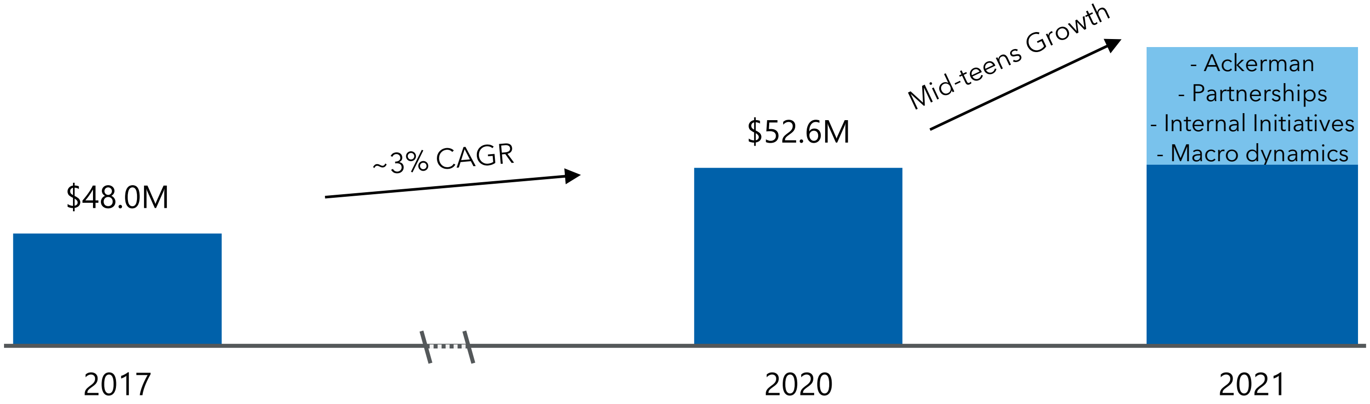
INVESTOR DAY – 2H 2021

2021 Objectives

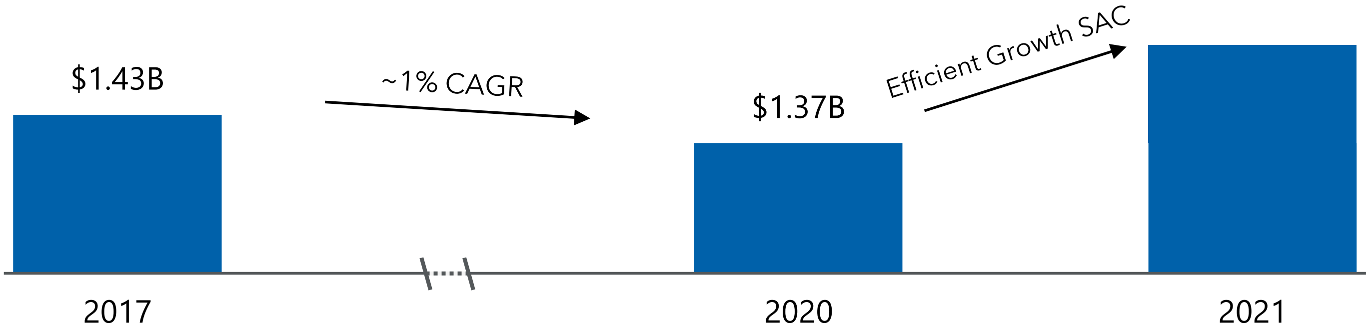
1. Accelerate new subscriber additions and return to commercial growth
2. Expand partnerships & distribution in rapidly growing smart home market
3. Launch ADT | Google first generation offering
4. Invest in and build the platform of the future
5. Substantially complete our 3G customer conversion

2021: Accelerating Efficient Subscriber Growth

Gross RMR Additions



Net Subscriber Acquisition Costs



Revenue Payback	**2.5x**	**2.2x**

Note:
1. Historical metrics are presented for the US only and exclude wholesale customers who outsource their monitoring to ADT.

2021 Financial Outlook

Total Revenue

$5,050M - $5,250M

Non-cash impact from residential customer-owned transactions [(1)]

Increase related to return to growth in commercial business

Adjusted Free Cash Flow

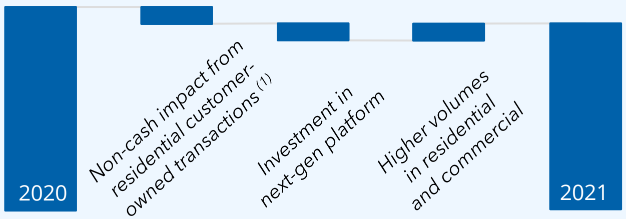
$450M - $550M

~$150M - $250M incremental investment in SAC to drive growth

~$50M investment related to next-gen technology platform

Adjusted EBITDA

$2.1B - $2.2B



Note:

1. Due to the Company's residential equipment ownership model transition, the Company's guidance includes estimated non-cash reductions in reported revenue ($350 million to $400 million) and Adjusted EBITDA ($80 million to $100 million). Please refer to slide 25 in the Appendix and the Annual Report on Form 10-K for additional details.

Financial Review

Strength Across Key Financial and Operating Metrics

	For the twelve months ended			
($ in millions)	**Dec 31, 2020**	**Dec 31, 2019[1]**	**Y/Y Change**	**Y/Y Change %**
Monitoring and Service Revenue	$4,187	$4,308	($121)	(3%)
Total Revenue	$5,315	$5,126	$189	4%
Net Loss	($632)	($424)	($208)	(49%)
Adjusted EBITDA	$2,199	$2,483	($284)	(11%)
Adjusted Free Cash Flow	$675	$590	$84	14%
LTM Gross Revenue Attrition	13.1%	13.4%	(30 bps)	
LTM Revenue Payback (in years)	2.2x	2.3x	(0.1x)	
End of Period RMR	$343	$336	$7	2%

Note:
1. 2019 figures except for End of Period RMR include ADT Canada, which was divested in November 2019.

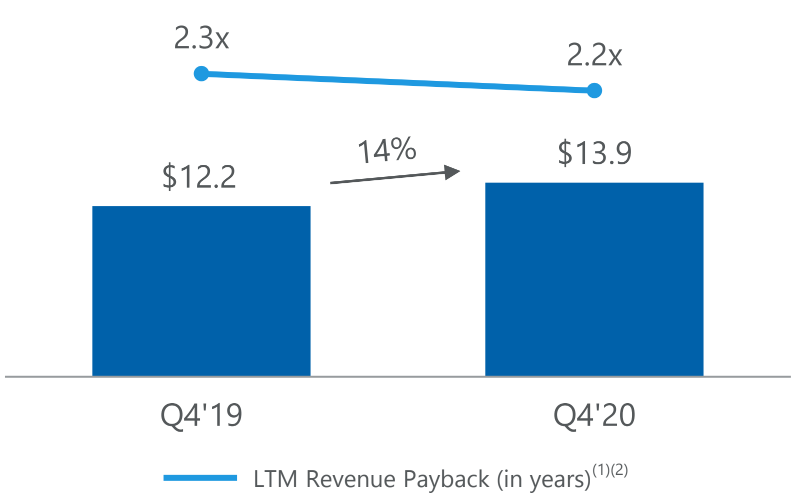
Strong Cash Flow Generation

	For the three months ended			For the twelve months ended		
($ in millions)	Dec 31, 2020	Dec 31, 2019	Y/Y Change	Dec 31, 2020	Dec 31, 2019	Y/Y Change
Adjusted EBITDA	**$533**	**$607**	**($74)**	**$2,199**	**$2,483**	**($284)**
Less: Capitalized SAC	(273)	(251)	(22)	(863)	(1,142)	279
Plus: Net Proceeds from Consumer Receivables Facility	34	-	34	76	-	76
Less: Cash Taxes	(10)	9	(18)	(26)	1	(27)
Less: Cash Interest	(63)	(138)	75	(510)	(545)	35
Less: Capital Expenditures[1]	(37)	(30)	(7)	(135)	(143)	9
Less: Working Capital & Other[2]	(41)	(64)	23	(67)	(63)	(3)
Adjusted Free Cash Flow	**$143**	**$132**	**$11**	**$675**	**$590**	**$84**

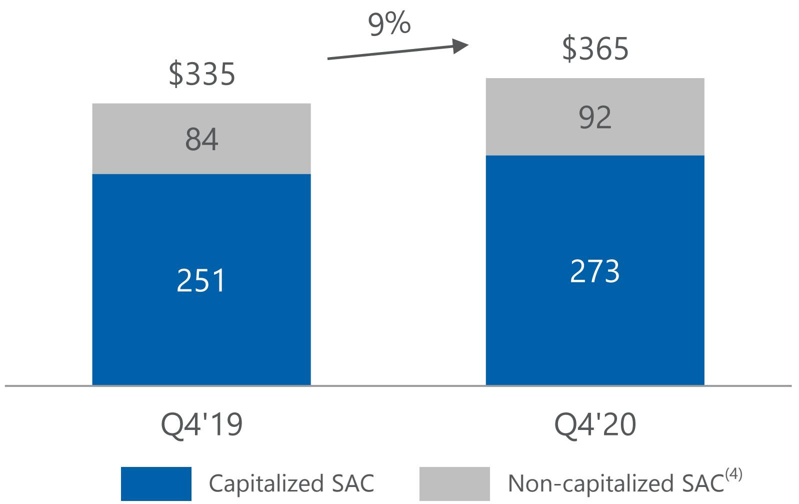
Notes:
1. Capital expenditures exclude special items primarily related to integration activities.
2. Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees; includes net reductions related to revenue recognized in excess of contractually stated amounts under ASC606 of $25M and $17M in Q4’20 and Q4’19, respectively, and $183M and $27M in YTD Q4’20 and YTD Q4’19, respectively.

Improving Customer Acquisition Efficiency

Recurring Monthly Revenue (RMR) Additions[1]
$MM



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



US RMR additions up 15% (total ADT up 14%)

- Higher year-over-year RMR additions driven by greater volume of sales to new residential customers
- Revenue payback efficiency supported by the acquisition of Defenders and new pricing and consumer financing program

Higher SAC spend driven by increase in volume

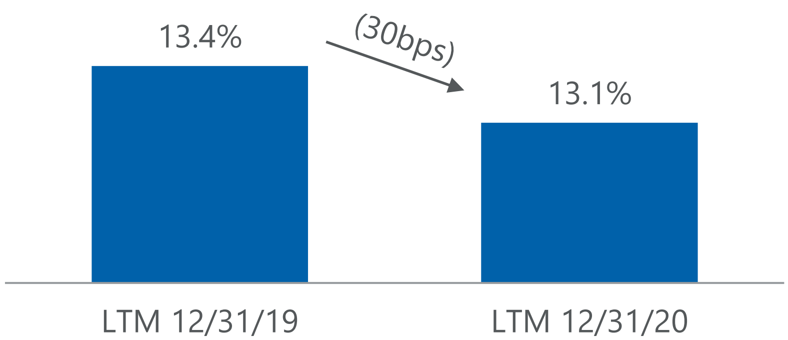
- Net SAC up 9% on 14% increase in RMR additions
- Continued SAC efficiency driven by higher installation revenue, efficient installation spend, and other productivity actions

Notes:

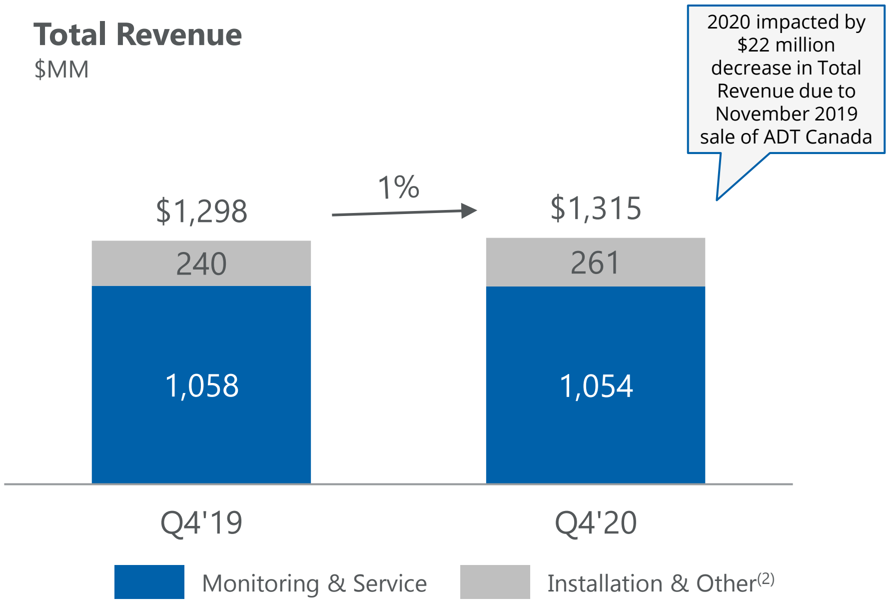
1. Excludes wholesale customers who outsource their monitoring to ADT.
2. Revenue payback measures the net SAC incurred in the period divided by the recurring monthly revenue added during the period, and represents the approximate time, in years, required to recover our net SAC through contractual monthly recurring fees.
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues.
4. Amounts exclude net additions of $9M in Q4'20 and net reductions of $17M in Q4'19, respectively, related to revenue recognized in excess of contractually stated amounts under ASC 606 ($25M and $17M, respectively), gross proceeds from our consumer receivables facility ($39M and $0M, respectively), and other non-cash adjustments to SAC ($4M and <$1M, respectively).

Significant Reduction in Attrition

Gross Customer Revenue Attrition[1]
%



Total Revenue
$MM



Attrition improved 30 basis points YoY

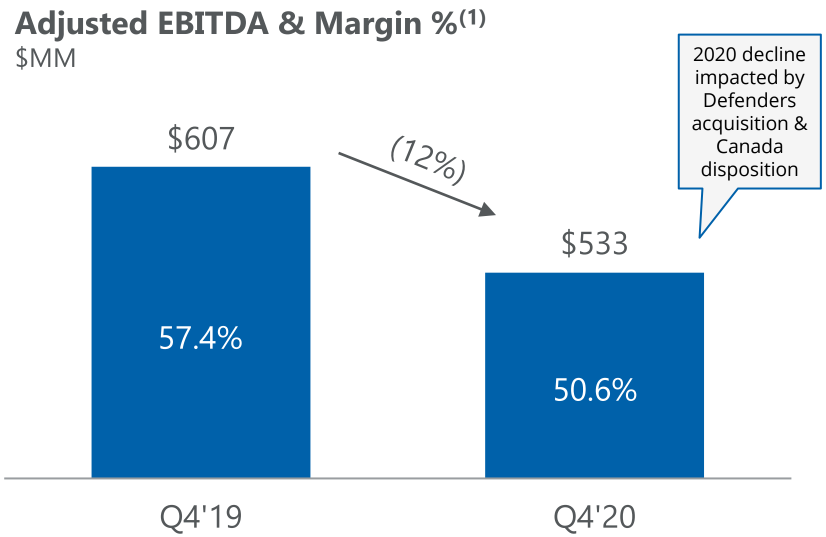
- Lower rate of disconnects due to fewer relocations, strong customer service during COVID-19 challenges, and focus on retention initiatives

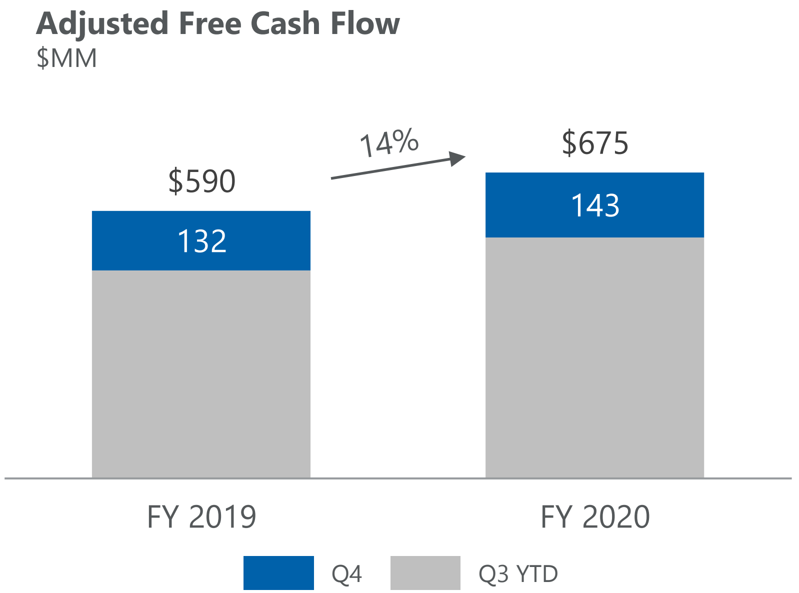
Total reported revenue up 1%

- Lower M&S revenue related to sale of Canada, largely offset by an increase in recurring monthly revenue in the U.S. as a result of an improvement in average prices
- Increase in installation revenue primarily due to higher volume of residential outright sale transactions arising through Defenders, offset by lower volume of commercial transactions

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 revenue recognized in excess of contractually stated amounts under ASC 606 of $25M and $17M for Q4'20 and Q4'19, respectively; also includes amortization of deferred installation revenue of $34M and $29M for Q4'20 and Q4'19, respectively.

Strong Cash Flow Generation





Adjusted EBITDA decrease of 12%

- Year over year decline driven primarily by the previously disclosed effects of the Defenders acquisition and Canada disposition
- Lower revenue from sales to commercial customers was partially offset by higher residential M&S revenue

Continued strong, positive cash flow generation

- Full year performance driven by improvement in net SAC spend, favorable operating expenditure trends, and the timing of other items
- $675 million represents a 19% CAGR since 2017

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

Capital Structure Well-Positioned to Support Growth

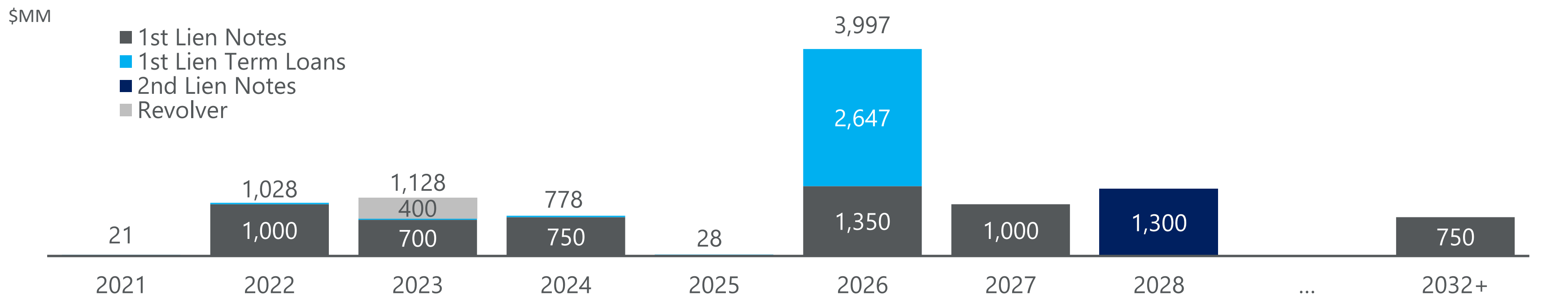
Capital Structure[1]

$MM	12/31/19 Actual	12/31/20 Actual
Revolver	-	-
First Lien Term Loan	3,102	2,779
First Lien Notes	5,550	5,550
Receivables Facility	-	76
Finance Leases	75	61
Total First Lien Debt	**$ 8,727**	**$ 8,466**
Second Lien Notes	1,246	1,300
Total Debt	**$ 9,973**	**$ 9,766**
Cash and Cash Equivalents	(49)	(205)
Net Debt	**$ 9,924**	**$ 9,561**
LTM Adjusted EBITDA	**2,483**	**2,199**
Net Leverage Ratio	**4.0x**	**4.3x**
Fixed vs. variable ratio[2]	99%/1%	96%/4%

Recent Highlights

- Prepaid $300M of First Lien Term Loan in December 2020
- Completed First Lien Term Loan repricing transaction in January 2021
  - Reduced spread by 50 bps and LIBOR floor by 25 bps
  - Reduces annual interest by ~$20M
- Paid out Q4 quarterly dividend of $0.035 per share on January 4, 2021
- Declared Q1 quarterly dividend of $0.035 per share payable on April 1, 2021

Pro Forma Debt Maturity Profile[3][4][5]



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. Shown pro forma to reflect quarterly First Lien Term Loan amortization due as a result of the January 2021 repricing transaction.
4. Excludes Receivables Facility and Finance Leases.
5. Revolver is indicative of total revolver capacity, not current drawn balances.

Q&A


Scott Home
Your ADT system is
Disarmed
Armed Stay
Armed Stay
System
Disarm
Hallway
On
Front Door
Locked
Garage Door
Closed
Thermostat
Heating
Family Room
Group
Back Door
Locked
Foyer
On
Bedroom
Off

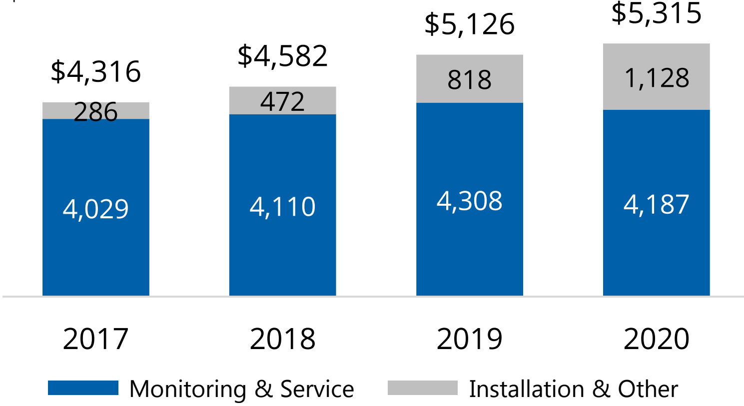
10:00

Appendix

Consistent Track Record of Performance

Total Revenue

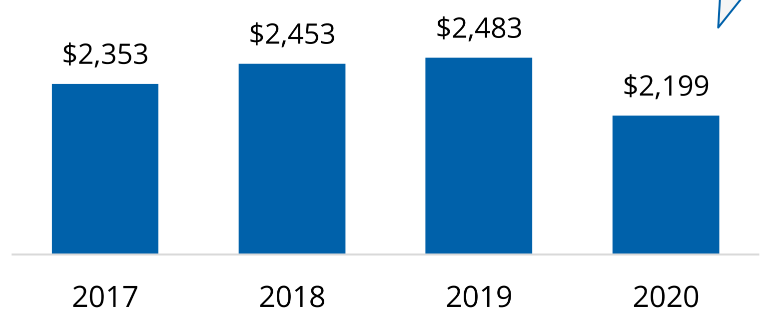
$MM



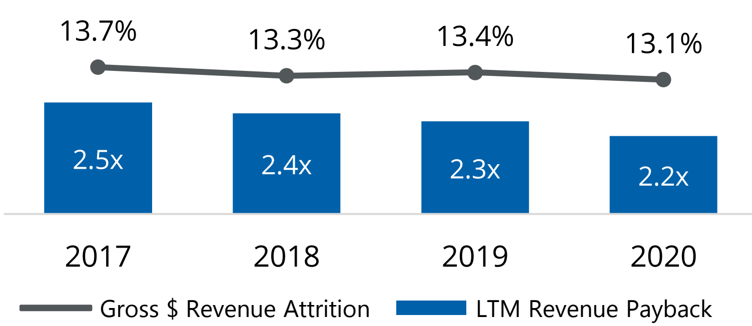
Adjusted EBITDA

$MM

2020 decline driven by Canada disposition & Defenders acquisition (1)

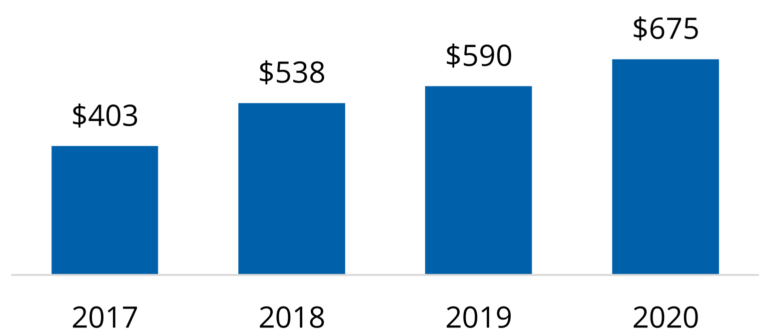


LTM Revenue Payback and Attrition(2)(3)



Adjusted Free Cash Flow(4)

$MM



Notes:

1. Results adversely impacted by November 2019 divestiture of ADT Canada and January 2020 acquisition of Defenders.
2. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements.
3. 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.
4. Prior to 6/30/20, Adjusted Free Cash Flow was reported as Free Cash Flow before special items.

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 12/31/20)

	Residential	Small Business	Large / Multi-Site	Total
Unit Count	~5,800K	~500K	~250K	~6,500K
Ending RMR	$282M	$30M	$27M	$339M
M&S Revenue	$3,374M	$394M	$419M	$4,187M
Installation Revenue[1]	$532M	$33M	$563M	$1,128M
New RMR Additions	$44M	$5M	$4M	$53M
Revenue Payback	~2.3x	~2.0x	~1.4x	~2.2x
Gross Attrition	~13%	~15%	~10%	~13%
Typical Revenue / Site	$40-$55	$50-$65	$50-$120+	$45-$55

Unit Count

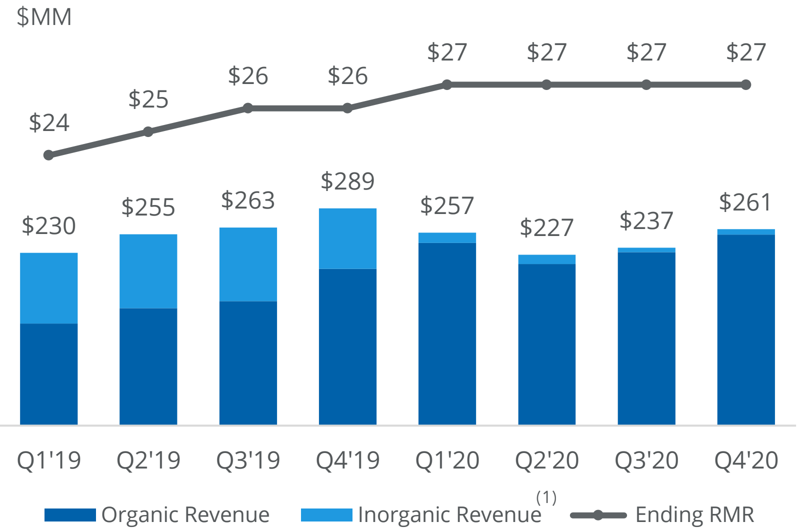
Units in millions	Q4'20	Q4'19	Y/Y %	Q3'20	Q/Q %
Interactive	3.1	2.9	9%	3.1	2%
Traditional	2.6	2.8	(8%)	2.7	(3%)
U.S. Residential	**5.7**	**5.7**	**0%**	**5.7**	**(0%)**
U.S. Commercial & Small Business	0.7	0.7	0%	0.7	2% [3]
Other	0.1	0.1	(2%)	0.1	1%
Total EoP Units	**6.5**	**6.5**	**0%**	**6.5**	**0%**
Memo: Total Residential	5.8	5.8	0%	5.8	(0%)
Memo: Total Commercial & Small Business	0.7	0.7	0%	0.7	2% [3]

Notes:

1. Includes amortization of deferred installation revenue of $90M for residential. $28M for small business, and $7M for large/multi-site.
2. Operating metrics presented exclude wholesale customers who outsource their monitoring to ADT.
3. Corrected from original presentation, which showed a value of (2%).

Commercial Platform: Revenue Rebound Continues

U.S. Commercial Total Revenue



- RMR stable for 2020 up from year end 2019
- Q4 Revenue up 15% from trough level in Q2
- Service & Installation activities remain impacted by COVID-19

Recent Highlights

- Completed majority of work on our largest National Account ever, Family Dollar / Dollar Tree
- Launched Operation Warp Speed related contracts
- Year-end backlogs greater than 2019
- Q4 Revenue increased from Q3 (down 10% YoY)
- Technology advances – Percepta AI

Opportunities

- Diverse vertical markets – Investing in Healthcare, Energy, controlled substance and Fire Life Safety
- Low dependence on new construction
- Solutions to assist customer return to work
- Tuck-in acquisitions at value prices
- Technology / analytics to augment service

Note:
1. Incremental revenue from acquisitions until there is a 12-month overlap.

2020 Financial Trend Review

Following are selected trend considerations when reviewing ADT’s 2020 results

- Strong Residential RMR additions were up on a full year basis, despite challenges from COVID-19 during the first half
- Commercial volumes were adversely impacted by the COVID-19 pandemic throughout the year but stabilized and showed sequential progress in the third and fourth quarters
- Nov ‘19 Divestiture of ADT Canada which represented approximately 4% of historic results (lower Revenue and EBITDA) impacts year over year comparisons
- Jan. ‘20 Acquisition of Defenders, our largest independent dealer, resulted in improved cash flow and acquisition efficiency, and also resulted in higher reported expenses that had been capitalized under the prior dealer arrangement
- Outright sales model for ADT Direct (first half) and Defenders (full year) resulted in higher residential installation revenue and related EBITDA margin

ADT delivered full year financial results in-line with Pre-Pandemic Outlook

Installation Revenue and Adjusted EBITDA

Installation Revenue:

Installation & Other Revenue ($M)								
Period	Residential	Y/Y Change	Small Business	Y/Y Change	Large / Multi-Site	Y/Y Change	Total	Y/Y Change
Q4 2020	$97	$50	$9	$1	$155	($30)	$261	$21
Q3 2020	112	73	8	-	133	(27)	253	46
Q2 2020	158	125	8	-	124	(33)	290	92
Q1 2020	165	135	8	1	151	15	324	151

The increase in residential installation and other revenue during 2020 was primarily due to higher volume of revenue from equipment sold outright to residential customers as a result of the Defenders acquisition and a temporary change in ownership model for residential transactions to support ADT's pricing and financing rollout. This outright sales model reverted to the traditional ADT owned model during the second quarter, except for Defenders. These residential revenue increases were partially offset by a decrease in the volume of revenue from equipment sold outright to large / multi-site commercial customers as a result of the COVID-19 pandemic and due to the sale of ADT Canada.

In connection with these matters, we expect non-cash reductions in 2021 reported revenue of $350M - $400M. We expect the completion of our transition to a predominantly Company-owned model for our residential transactions to negatively impact revenue during 2021 due to different revenue recognition policies applicable to each ownership model.

Adjusted EBITDA:

In connection with the completion of our transition back to a predominantly Company-owned model for our residential transactions, we expect to experience a non-cash decrease in Adjusted EBITDA in 2021 of $80M - $100M, of which approximately $45M - $55M is related to a lower mix of outright sale transactions in 2021 and approximately $35M - $45M is related to lower M&S revenue associated with outright sale transactions that occurred in 2019 and 2020.

Additional Historical Quarterly Data

(in millions)	For the Three Months Ended December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Key Performance Indicators					
Monitoring and Service Revenue	$1,058	$1,046	$1,041	$1,046	$1,054
Total Revenue	$1,298	$1,370	$1,331	$1,299	$1,315
Net Loss	$(72)	$(300)	$(107)	$(113)	$(112)
Adjusted EBITDA	$607	$539	$563	$564	$533
Adjusted EBITDA Margin (as % of M&S revenue)	57.4%	51.6%	54.1%	53.9%	50.6%
LTM Gross Customer Revenue Attrition[1]	13.4%	13.5%	13.1%	12.9%	13.1%
Revenue Payback (in years)[1]	2.3x	2.3x	2.3x	2.2x	2.2x
Net Subscriber Acquisition Costs [2]					
Non-capitalized	$84	$171	$145	$103	$92
Capitalized[3]	$251	$160	$160	$270	$273
Total	$335	$331	$305	$373	$365
Free Cash Flow					
Adjusted EBITDA	$607	$539	$563	$564	$533
Less: Capitalized SAC[3]	$(251)	$(160)	$(160)	$(270)	$(273)
Plus: Net proceeds from consumer receivables facility	-	-	$19	$22	$34
Less: Cash taxes	$9	$(1)	$(3)	$(12)	$(10)
Less: Cash interest	$(138)	$(165)	$(85)	$(197)	$(63)
Less: Capital expenditures[4]	$(30)	$(30)	$(35)	$(33)	$(37)
Less: Working capital and other[5]	$(64)	$(10)	$(67)	$52	$(41)
Adjusted Free Cash Flow	$132	$173	$232	$127	$143
RMR					
Ending RMR (excluding Wholesale)	$332	$335	$335	$337	$339
Wholesale RMR	$4	$4	$4	$4	$4
Ending RMR (including Wholesale)	$336	$339	$339	$341	$343
RMR Additions[1]	$12.2	$12.9	$11.4	$14.5	$13.9

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 non-cash effects of ASC 606, retail installment contract receivables, and other non-cash adjustments. Beginning in Q2 2020, includes the gross proceeds from our consumer receivables facility.
3. Includes reductions of $14M, $11M, $7M and $3M in realized charge backs in Q1'20 – Q4'20, respectively, associated with a $39M advance payment received in Q1'20 for estimated future dealer charge backs related to accounts purchased from Defenders prior to the Defenders Acquisition.
4. Capital expenditures exclude special items primarily related to integration activities.
5. Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees; includes net reductions related to ASC606.

Selected Statement of Operations Components

($ in millions)	GAAP Line Items — For the three months ended December 31, 2020					GAAP Line Items — For the three months ended December 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	1,043	-	-	-	**$1,043**	1,058	-	-	-	**$1,058**
Monitoring & Service Costs and G&A	-	210	200	-	**$411**	-	201	181	-	**$382**
Net Expensed SAC	226	164	163	-	**$101**	211	169	109	-	**$67**
Depreciation and Amortization	34	-	27	474	**$466**	29	-	22	487	**$479**
Special Items	11	-	54	-	**$44**	-	-	47[1]	-	**$47**
Total	**$1,315**	**$374**	**$445**	**$474**		**$1,298**	**$370**	**$359**	**$487**	

	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	Radio Conversion Revenue	-	Special Items	-

Notes:
1. Excludes loss on sale of business.
2. 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 December 31, 2020	For the Three Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2020	For the Twelve Months Ended December 31, 2019
Monitoring and related services	$ 1,054	$ 1,058	$ 4,187	$ 4,308
Installation and other	261	240	1,128	818
Total revenue	1,315	1,298	5,315	5,126
Cost of revenue (exclusive of depreciation and amortization shown separately below)	374	370	1,517	1,390
Selling, general and administrative expenses	445	359	1,723	1,407
Depreciation and intangible asset amortization	474	487	1,914	1,989
Merger, restructuring, integration, and other	5	13	120	36
Goodwill impairment	-	-	-	45
Loss on sale of business	-	6	1	62
Operating income	17	64	41	196
Interest expense, net	(139)	(154)	(708)	(620)
Loss on extinguishment of debt	(5)	(1)	(120)	(104)
Other income	2	2	8	5
Loss before income taxes	(125)	(88)	(779)	(522)
Income tax benefit	13	16	147	98
Net loss	$ (112)	$ (72)	$ (632)	$ (424)
Net loss per share - basic:				
Common stock	$ (0.14)	$ (0.10)	$ (0.82)	$ (0.57)
Class B common stock	$ (0.14)	$ -	$ (0.72)	$ -
Weighted-average shares outstanding - basic:				
Common stock	761	743	760	747
Class B common stock	55	-	16	-
Net loss per share - diluted:				
Common stock	$ (0.14)	$ (0.10)	$ (0.82)	$ (0.57)
Class B common stock	$ (0.14)	$ -	$ (0.74)	$ -
Weighted-average shares outstanding - diluted:				
Common stock	761	743	760	747
Class B common stock	55	-	18	-

GAAP to Non-GAAP Reconciliations

Net Loss Before Special Items and Diluted Net Loss Per Share Before Special Items:

(in millions, except per share data)	For the Three Months Ended December 31, 2020	For the Three Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2020	For the Twelve Months Ended December 31, 2019
Net loss	$ (112)	$ (72)	$ (632)	$ (424)
Share-based compensation expense	21	21	96	86
Merger, restructuring, integration, and other	5	13	120	36
Goodwill impairment	-	-	-	45
Loss on sale of business	-	6	1	62
Loss on extinguishment of debt	5	1	120	104
Interest rate swaps, net(1)	(29)	-	60	8
Radio conversion costs, net(2)	28	12	52	25
Financing and consent fees(3)	-	-	5	23
Foreign currency gains(4)	-	(1)	-	(1)
Acquisition related adjustments(5)	(1)	6	-	22
Other(6)	(5)	5	(10)	22
Tax adjustments(7)	(6)	(14)	(86)	(74)
Net loss before special items	$ (93)	$ (24)	$ (274)	$ (66)
Weighted-average shares outstanding - diluted:				
Common stock	761	743	760	747
Class B common stock	55	-	18	-
Net loss per share - diluted:				
Common stock	$ (0.14)	$ (0.10)	$ (0.82)	$ (0.57)
Class B common stock	$ (0.14)	$ -	$ (0.74)	$ -
Net loss per share before special items - diluted:(8)	$ (0.12)	$ (0.03)	$ (0.36)	$ (0.09)

Notes:

1. Primarily represents unrealized losses on interest rate swap contracts not designated as hedges.
2. 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.
3. Represents fees expensed associated with financing transactions.
4. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
5. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
6. Represents other charges and non-cash items. The three and twelve months ended December 31, 2020 included recoveries of $3 million and $10 million, respectively, associated with notes receivable from a former strategic investment. The three and twelve months ended December 31, 2019 included losses of $5 million and $10 million, respectively, associated with notes receivable from a former strategic investment. The twelve months ended December 31, 2019 included $6 million associated with an estimated legal settlement, net of insurance.
7. Represents tax impact on special items.
8. Represents net loss before special items divided by diluted weighted-average shares outstanding of common stock.

GAAP to Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin:

(in millions)	For the Three Months Ended December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	For the Twelve Months Ended December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Net (loss) Income	$ (112)	$ (113)	$ (107)	$ (300)	$ (72)	$ (632)	$ (424)	$ (609)	$ 343
Interest expense, net	139	157	187	225	154	708	620	663	733
Income tax benefit	(13)	(28)	(28)	(78)	(16)	(147)	(98)	(23)	(764)
Depreciation and intangible asset amortization	474	473	478	489	487	1,914	1,989	1,931	1,863
Amortization of deferred subscriber acquisition costs	27	25	23	23	22	97	80	60	51
Amortization of deferred subscriber acquisition revenue	(34)	(31)	(30)	(29)	(29)	(125)	(107)	(79)	(46)
Share-based compensation expense	21	26	25	23	21	96	86	135	11
Merger, restructuring, integration and other	5	(6)	12	109	13	120	36	(3)	65
Goodwill impairment	-	-	-	-	-	-	45	88	-
Loss on sale of business	-	-	1	-	6	1	62	-	-
Loss on extinguishment of debt	5	49	-	66	1	120	104	275	4
Radio conversion costs, net[1]	28	13	5	7	12	52	25	5	12
Financing and consent fees[2]	-	-	-	5	-	5	23	9	64
Foreign currency (gains) / losses[3]	-	-	-	-	(1)	-	(1)	3	(24)
Acquisition related adjustments[4]	(1)	-	-	1	6	-	22	16	3
Licensing fees[5]	-	-	-	-	-	-	-	(22)	-
Other[6]	(5)	(1)	(3)	(1)	5	(10)	22	5	38
Adjusted EBITDA	$ 533	$ 564	$ 563	$ 539	$ 607	$ 2,199	$ 2,483	$ 2,453	$ 2,353
Net loss to total revenue ratio	*-8.5%*	*-8.7%*	*-8.0%*	*-21.9%*	*-5.5%*	*-11.9%*	*-8.3%*	*-13.3%*	*7.9%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*50.6%*	*53.9%*	*54.1%*	*51.6%*	*57.4%*	*52.5%*	*57.6%*	*59.7%*	*58.4%*
Total revenue	$ 1,315	$ 1,299	$ 1,331	$ 1,370	$ 1,298	$ 5,315	$ 5,126	$ 4,582	$ 4,316
Monitoring and related services revenue	$ 1,054	$ 1,046	$ 1,041	$ 1,046	$ 1,058	$ 4,187	$ 4,308	$ 4,110	$ 4,029

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.

GAAP to Non-GAAP Reconciliations

Free Cash Flow and Adjusted Free Cash Flow:

	For the Three Months Ended					For the Twelve Months Ended			
(in millions)	December 30, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	December 30, 2020	December 30, 2019	December 30, 2018	December 30, 2017
Net cash provided by operating activities	$ 373	$ 364	$ 379	$ 250	$ 414	$ 1,367	$ 1,873	$ 1,788	$ 1,592
Net cash (used in) provided by investing activities	(337)	(265)	(197)	(338)	179	(1,137)	(978)	(1,738)	(1,413)
Net cash (used in) provided by financing activities	(319)	345	(254)	158	(704)	(70)	(1,214)	193	(143)
Net cash provided by operating activities	373	364	379	250	414	1,367	1,873	1,788	1,592
Dealer generated customer accounts and bulk account purchases	(116)	(121)	(82)	(62)	(155)	(381)	(670)	(694)	(653)
Subscriber system asset expenditures	(146)	(135)	(72)	(65)	(112)	(418)	(542)	(576)	(583)
Purchases of property and equipment	(45)	(36)	(42)	(35)	(39)	(157)	(159)	(127)	(131)
Free Cash Flow	67	72	182	89	108	410	502	391	225
Net proceeds from receivables facility	34	22	19	-	-	76	-	-	-
Financing and consent fees	-	-	-	5	3	5	23	8	64
Restructuring and integration payments	2	6	6	7	5	20	14	18	46
Integration related capital expenditures	8	4	7	5	8	23	16	7	25
Radio conversion costs, net	25	11	4	3	12	43	25	6	13
Redemption of mandatorily redeemable preferred securities[1]	-	-	-	-	-	-	-	96	-
Other, net[2]	7	12	13	65	(5)	97	10	12	30
Adjusted Free Cash Flow	$ 143	$ 127	$ 232	$ 173	$ 132	$ 675	$ 590	$ 538	$ 403
Memo: Cash interest included above									
Cash interest[1]	$ 63	$ 197	$ 85	$ 165	$ 138	$ 510	$ 545	$ 592	$ 661

Notes:

1. Excludes the payment of $96 million in accumulated dividend obligations in connection with the redemption of mandatorily redeemable preferred securities.
2. The three months ended March 31, 2020 and the twelve months ended December 31, 2020 included $81 million related to the settlement of a pre-existing relationship in connection with the Defenders acquisition. This was partially offset by $4 million related to the unrealized portion of a $39 million advance payment received for estimated charge-backs in connection with the Defenders acquisition during the three months ended March 31, 2020, of which $14 million was realized during the three months ended March 31, 2020, $11 million was realized during the three months ended June 30, 2020, $7 million was realized during the three months ended September 30, 2020, and $3 million was realized during the three months ended December 31, 2020. The twelve months ended December 31, 2017 include $20 million associated with management fees.

GAAP to Non-GAAP Reconciliations

Debt to Net Income Ratio:

(in millions)	December 31, 2020		December 31, 2019	
Total debt (book value)	$	9,493	$	9,692
LTM net loss	$	(632)	$	(424)
Debt to net loss ratio		**(15.0x)**		**(22.9x)**

Net Leverage Ratio:

(in millions)	December 31, 2020		December 31, 2019	
Revolver	$	-	$	-
First lien term loan		2,779		3,102
First lien notes		5,550		5,550
Receivables facility		76		-
Finance leases		61		75
Total first lien debt		**8,466**		**8,727**
Second lien notes		1,300		1,246
Total debt(1)		**9,766**		**9,973**
Cash and cash equivalents		(205)		(49)
Net debt		**9,561**		**9,924**
LTM adjusted EBITDA	**$**	**2,199**	**$**	**2,483**
Net leverage ratio		**4.3x**		**4.0x**

Note:

1. Debt instruments are stated at face value.

GAAP to Non-GAAP Reconciliations

U.S. Commercial Organic Revenue:

(in millions)	For the Three Months Ended December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Monitoring and related services - U.S.	$ 1,054	$ 1,046	$ 1,041	$ 1,046	$ 1,040	$ 1,043	$ 1,037	$ 1,021
Monitoring and related services - Canada[1]	-	-	-	-	18	50	49	49
Monitoring and related services	1,054	1,046	1,041	1,046	1,058	1,094	1,085	1,070
Installation and other - U.S.	261	253	290	324	237	200	191	167
Installation and other - Canada[1]	-	-	-	-	3	7	7	6
Installation and other	261	253	290	324	240	207	198	173
Total revenue - U.S.	1,315	1,299	1,331	1,370	1,277	1,244	1,228	1,188
Total revenue - Canada[1]	-	-	-	-	22	57	56	55
Total revenue	1,315	1,299	1,331	1,370	1,298	1,301	1,284	1,243
Commercial revenue - U.S.	261	237	227	257	289	263	255	230
Commercial revenue - Canada[1]	-	-	-	-	4	8	8	8
Total commercial revenue[2]	261	237	227	257	293	272	263	237
Commercial revenue - U.S.	261	237	227	257	289	263	255	230
Acquisition-related commercial revenue - U.S.[3]	(8)	(6)	(12)	(14)	(80)	(98)	(98)	(94)
Commercial organic revenue - U.S.	253	231	215	243	209	165	157	136
Monitoring and related services - Commercial U.S.	106	103	104	106	105	106	101	97
Installation and other - Commercial U.S.	155	133	124	151	184	157	153	133
Commercial revenue - U.S.	$ 261	$ 237	$ 227	$ 257	$ 289	$ 263	$ 255	$ 230

Notes:
1. ADT Canada was disposed of in November 2019.
2. Represents total revenue associated with commercial and national accounts.
3. Represents incremental total revenue associated with U.S. commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition.

Non-GAAP Measures

To provide investors with additional information in connection with our results, as determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Adjusted Free Cash Flow, Net Income (Loss) before special items, Diluted Net Income (Loss) per share before special items, U.S. Commercial Organic Revenue, U.S. Commercial Inorganic Revenue, 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 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 to reflect the net cash flow associated with our consumer receivables facility, which supports our consumer financing program that launched nationally in 2020. The inclusion of the net cash flow associated with our consumer receivables facility represents the only revision to Free Cash Flow before special items.

Net Income (Loss) before special items and Diluted Net Income (Loss) per share before special items

Net Income (Loss) before special items is defined as net income (loss) adjusted for (i) share-based compensation expense, (ii) merger, restructuring, integration, and other, (iii) losses on extinguishment of debt, (iv) unrealized gains and losses on interest rate swap contracts not designated as hedges, (v) radio conversion costs, (vi) financing and consent fees, (vii) foreign currency gains/losses, (viii) acquisition related adjustments, (ix) other charges and non-cash items, and (x) the impact these adjusted items have on taxes. Diluted Net Income (Loss) per share before special items is Net Income (Loss) before special items divided by diluted weighted-average shares outstanding of common stock. In periods of net loss, diluted weighted-average shares outstanding of common stock does not include the assumed conversion of Class B common stock to shares of common stock as the results would be anti-dilutive. We believe that Net Income (Loss) before special items and Diluted Net Income (Loss) per share 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 (loss), and diluted net income (loss) per share of common stock and Class B common stock. 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. Refer to the Company's Annual Report on Form 10-K for further discussion regarding the computation of diluted weighted-average shares outstanding of common stock.

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.

U.S. Commercial Organic Revenue / U.S. Commercial Inorganic Revenue

We believe that the presentation of U.S. commercial organic revenue and U.S. commercial inorganic revenue is appropriate to provide additional information to investors about the periodic growth of our business on a consistent basis. We define U.S. commercial organic revenue as revenue associated with U.S. commercial and national accounts adjusted for U.S. commercial inorganic revenue, which represents incremental total revenue associated with U.S. commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition. There are material limitations to using U.S. commercial organic revenue as it does 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 U.S. commercial organic revenue and U.S. commercial inorganic revenue in conjunction with revenue determined in accordance with GAAP.