


ADT

Q1 2021 Earnings Presentation
May 5, 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 Affirming 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, 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, Unit Additions, 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.

Q1 2021: Strong Quarter, Progressing Against 2021 Objectives

- Driving revenue growth through SAC investment, strategic partnerships, and exceptional customer retention
- RMR additions of 25% and net residential subscriber growth, aided by Ackerman
- Continued low attrition of 13.1%; revenue payback of 2.2 years
- Commercial business returned to growth and strengthened margins following COVID-19 impacts
- ADT | Google beginning to deliver with initial product integration; foundation for long-term benefits
- Affirming 2021 Financial Outlook

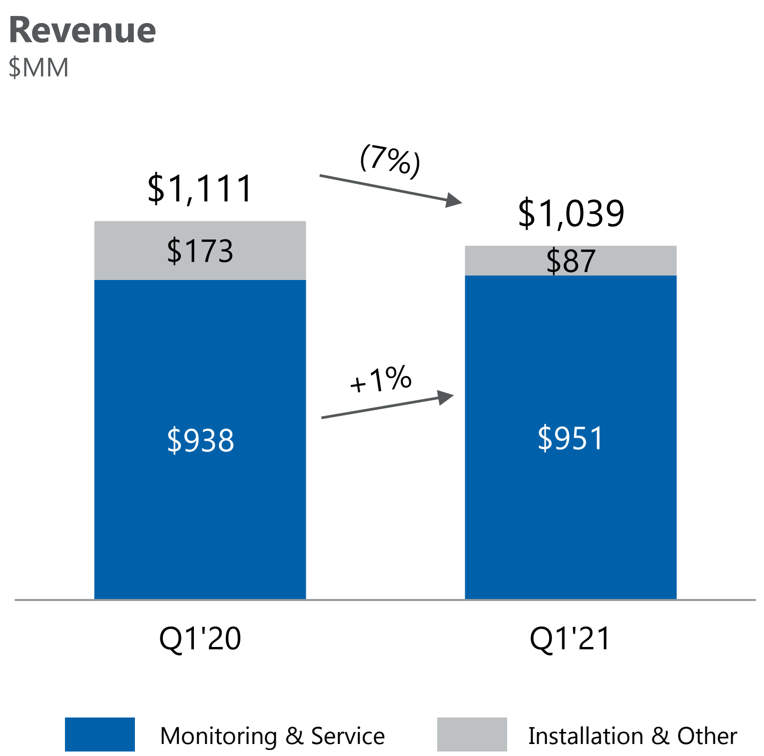
Strength Across Key Financial and Operating Metrics

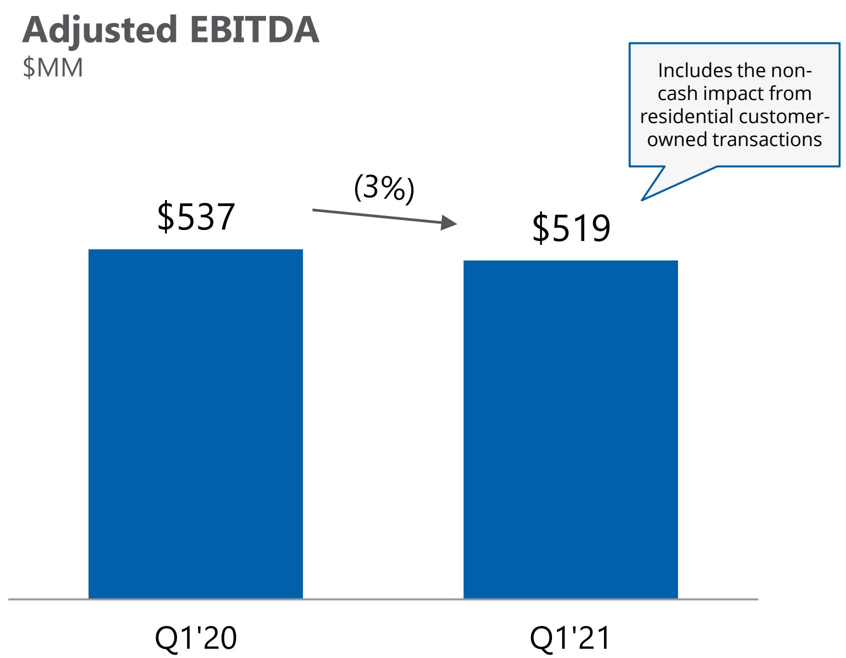
($ in millions)	For the three months ended Mar 31, 2021	Mar 31, 2020	Y/Y Change	
M&S Revenue	$1,063	$1,046	$17	2%
Total Revenue	$1,305	$1,370	($65)	(5%)
Net Loss	($48)	($300)	$252	84%
Adjusted EBITDA	$542	$539	$3	0%
Adjusted Free Cash Flow	$64	$173	($109)	(63%)
Net SAC	$447	$331	$116	35%
Gross RMR Additions	$16.0	$12.9	$3.2	25%
LTM Revenue Payback	2.2x	2.3x	(0.1x)	
Gross Revenue Attrition	13.1%	13.5%	(40 bps)	
End of Period RMR	$349	$339	$10	3%

Key Highlights

- **M&S revenue:** Net unit additions + increase in average pricing resulting in higher RMR, partially offset by residential outright sales from 2019 – 2020
- **Total revenue:** Decline in residential outright sales due to the ownership model change
- **Adjusted EBITDA:** Commercial improvement offset by Consumer Small Business (CSB) ownership model change and investments
- **Adjusted FCF and Net SAC:** Investment to drive growth, including Ackerman
- **Gross RMR additions:** Ackerman + growth initiatives + favorable macro dynamics
- **Gross Revenue Attrition:** Fewer relocations / non-payments + retention initiatives, partially offset by Defenders' chargebacks impact

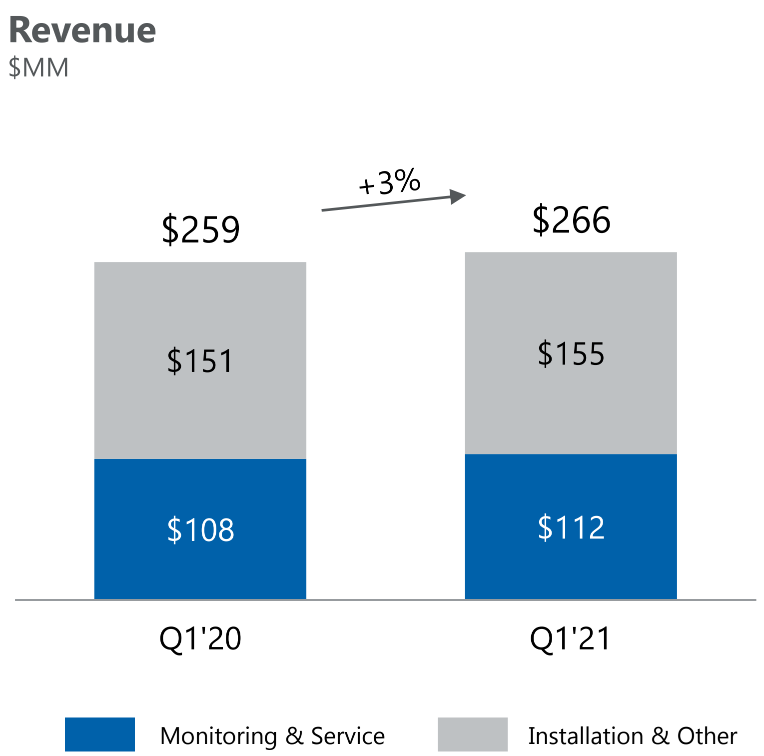
Consumer and Small Business Revenue and Adjusted EBITDA

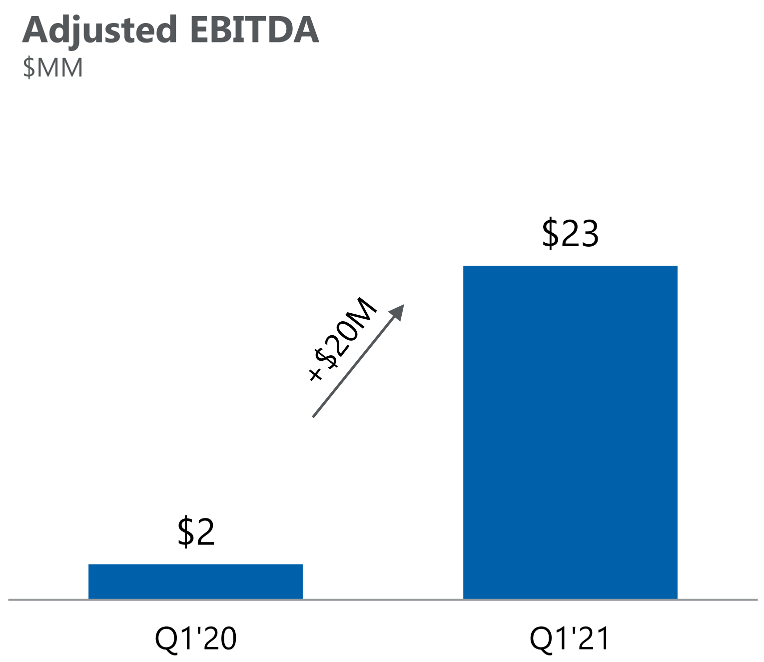




Strong unit and RMR additions; M&S growth offset by lower volume of residential outright sales

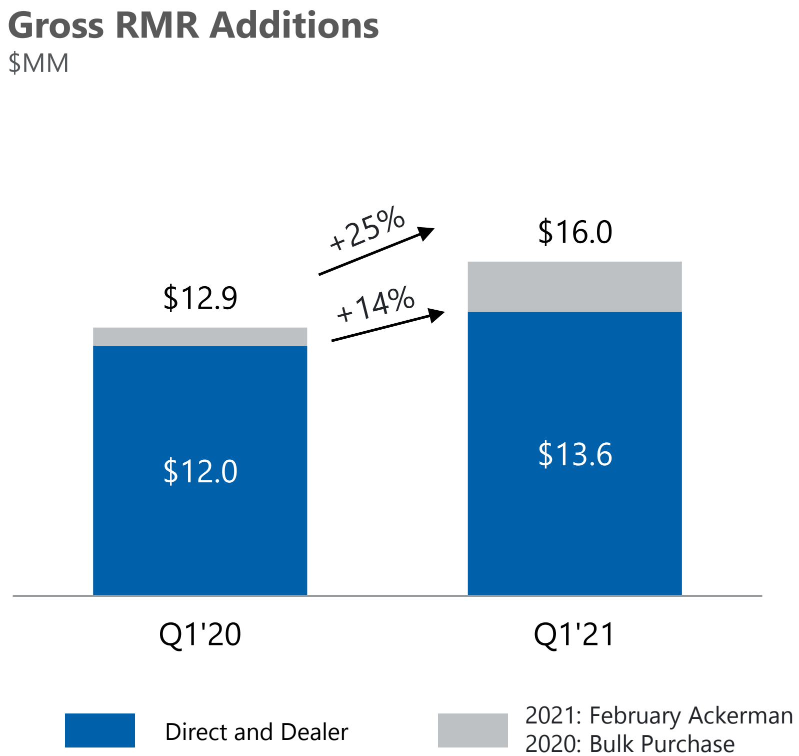
Commercial Revenue and Adjusted EBITDA

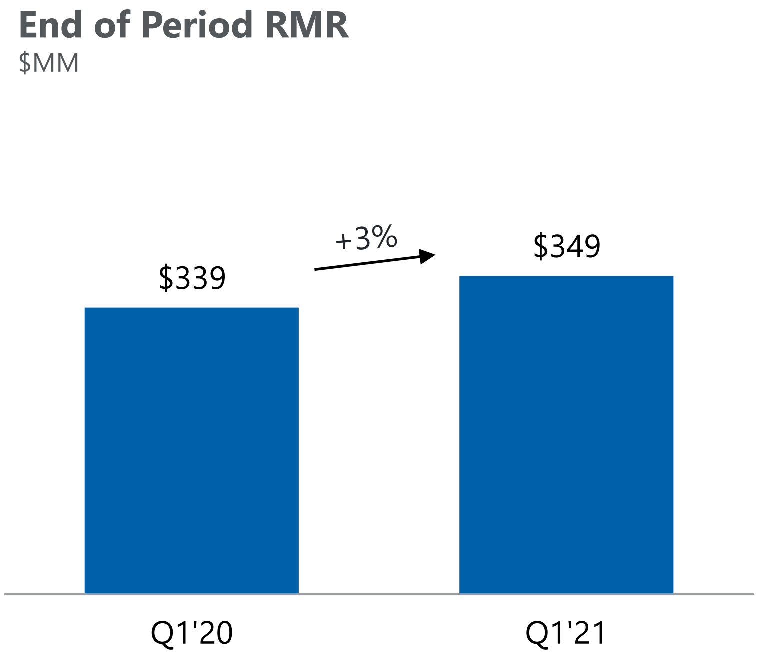




Improving revenue and margins after challenging 2020

Accelerating Subscriber Growth & Total Company RMR





Favorable macro dynamics and continued focus on accelerating RMR growth

Accelerating Growth Drivers Entering 2021

Macro Dynamics

- De-urbanization trends
- Increased demand for security
- Increasing household construction
- Smart home adoption

ADT Initiatives

- Execution of additive partnerships
- Improving marketing efficiency using analytics
- DIY expansion
- Google partnership

DISH, Ackerman, Insurance Partnerships

Google Partnership Beginning to Deliver with Product Integration

ADT customers can now enjoy the control and convenience of Google Nest smart home products (Hub, Hub Max, & Mini) integrated with ADT Security Systems

National Marketing Launch of Above Products on 4/26 → Upcoming WiFi Launch → Video and hardware integration into existing platforms → ADT developed and owned platform for 2023

Focus on Quality & Customer Experience – Setting Foundation for Long-Term Benefits

Capital Structure Well-Positioned to Support Growth

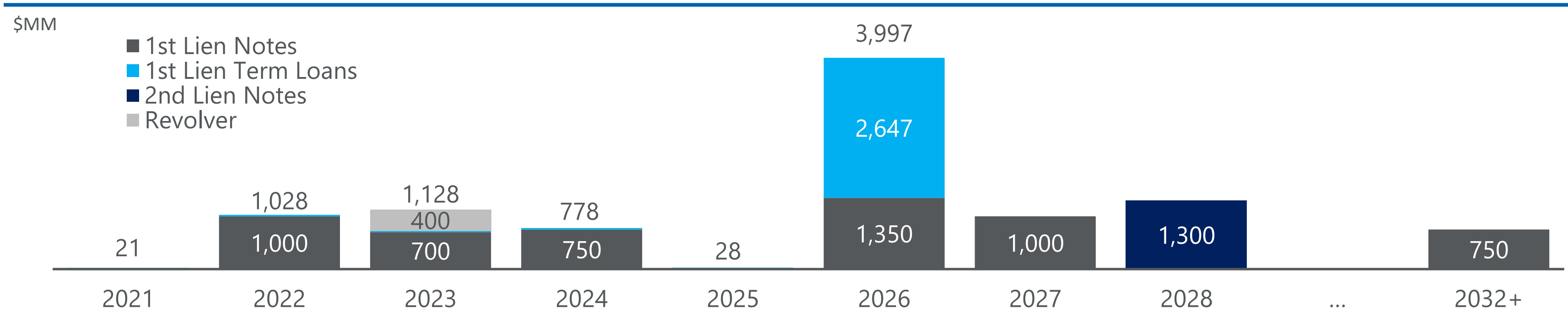
Capital Structure[1]

$MM	12/31/20 Actual	3/31/21 Actual
Revolver	-	-
First Lien Term Loan	2,779	2,779
First Lien Notes	5,550	5,550
Receivables Facility	76	98
Finance Leases	61	62
Total First Lien Debt	**$ 8,466**	**$ 8,489**
Second Lien Notes	1,300	1,300
Total Debt	**$ 9,766**	**$ 9,789**
Cash and Cash Equivalents	(205)	(123)
Net Debt	**$ 9,561**	**$ 9,666**
LTM Adjusted EBITDA	**2,199**	**2,202**
Net Leverage Ratio	**4.3x**	**4.4x**
Fixed vs. variable ratio[2]	96%/4%	96%/4%

Recent Highlights

- 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 Q1 quarterly dividend of $0.035 per share on April 1, 2021
- Q2 quarterly dividend of $0.035 per share to be paid on July 1, 2021

Debt Maturity Profile[3][4]



Notes:

1. Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments.
2. Includes the impact of interest rate swaps.
3. Excludes Receivables Facility and Finance Leases.
4. Revolver is indicative of total revolver capacity, not current drawn balances.

Affirming 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

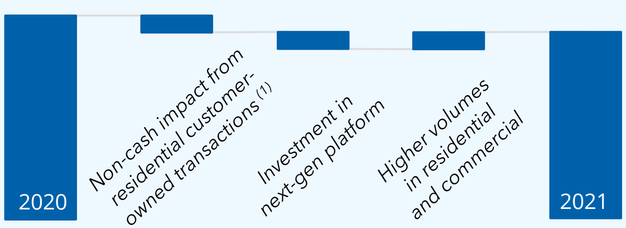
$450M – $550M

~$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 17 in the Appendix and the Annual Report on Form 10-K for additional details.

Preview: ADT's Next Chapter

Strong 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

Introduction of long-term financial targets

INVESTOR DAY – 2H 2021

Q&A


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


Appendix

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 3/31/21)

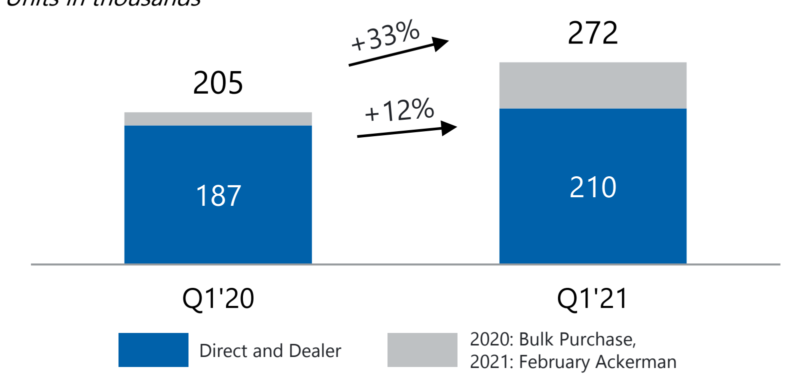
	Consumer and Small Business	Commercial	Total
Unit Count	~6,300K	~250K	~6,600K
End of Period RMR	$316M	$29M	$345M
M&S Revenue	$3,774M	$430M	$4,204M
Installation Revenue[1]	$479M	$567M	$1,046M
Gross RMR Additions	$51M	$5M	$56M
LTM Revenue Payback	~2.3x	~1.5x	~2.2x

Consumer and Small Business Unit Count [2]

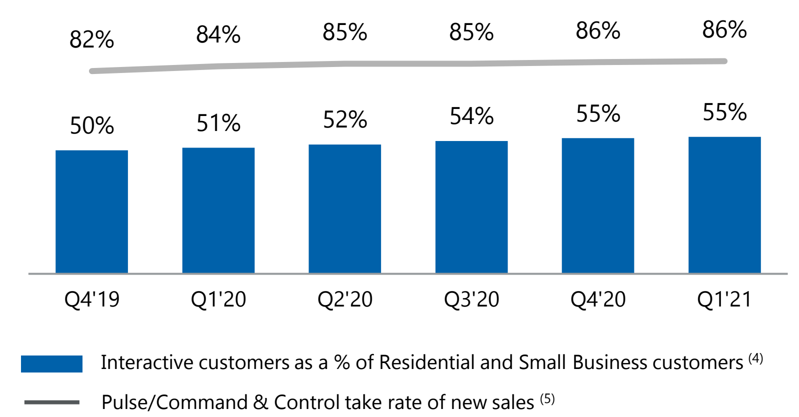
Units in millions	Q1'21	Q1'20	Y/Y %	Q4'20	Q/Q %
Interactive	3.5	3.2	10%	3.4	2%
Traditional	2.8	3.0	(8%)	2.8	0%
subtotal: Residential and Small Business	**6.3**	**6.2**	**1%**	**6.2**	**1%**

Consumer and Small Business Gross Unit Additions [3]

Units in thousands



Interactive Subscriber Profile



Notes: Operating metrics presented exclude wholesale customers who outsource their monitoring to ADT.

1. Includes amortization of deferred installation revenue of $125M for Consumer and Small Business and $7M for Commercial.
2. Unit Count represents Residential and Small Business only; excludes ~100K in Q1'21, Q4'20, and Q1'20, related to our Health, Cyber and Mobile businesses.
3. Gross Unit Additions represents Residential and Small Business only; excludes 6K and 7K additions in Q1'21 and Q1'20, respectively, related to our Health, Cyber and Mobile businesses.
4. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation.
5. Take rate represents Residential and Small Business sales by ADT or its authorized dealer network, and excludes non-dealer bulk purchases.

Adjusted Free Cash Flow

	For the three months ended		
($ in millions)	Mar 31, 2021	Mar 31, 2020	Y/Y Change
Adjusted EBITDA	**$542**	**$539**	**$3**
Capitalized SAC	(352)	(160)	(192)
Net Proceeds from Consumer Receivables Facility	22	-	22
Cash Taxes	4	(1)	5
Cash Interest	(167)	(165)	(1)
Capital Expenditures (1)	(37)	(30)	(7)
Working Capital & Other (2)	51	(10)	61
Adjusted Free Cash Flow	**$64**	**$173**	**($109)**

Notes:
1. Capital expenditures exclude special items primarily related to integration activities.
2. Working capital & other includes net reductions related to revenue recognized in excess of contractually stated amounts under ASC606 of $20M and $65M in Q1'21 and Q1'20, respectively.

Installation Revenue and Adjusted EBITDA

Installation Revenue:

	Installation & Other Revenue ($M)					
Period	Consumer and Small Business	Y/Y Change	Commercial	Y/Y Change	Total	Y/Y Change
Q1 2021	$87	($86)	$155	$4	$242	($82)
Q4 2020	105	49	155	(28)	261	21
Q3 2020	120	70	133	(24)	253	46
Q2 2020	166	122	124	(30)	290	92
Q1 2020	173	134	151	17	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 of 2020, except for Defenders. These residential revenue increases were partially offset by a decrease in the volume of revenue from equipment sold outright to Commercial customers as a result of the COVID-19 pandemic.

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 March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021
Key Performance Indicators					
Monitoring and Service Revenue	$1,046	$1,041	$1,046	$1,054	$1,063
Total Revenue	$1,370	$1,331	$1,299	$1,315	$1,305
Net Loss	$(300)	$(107)	$(113)	$(112)	$(48)
Adjusted EBITDA	$539	$563	$564	$533	$542
Adjusted EBITDA Margin (as % of M&S revenue)	51.6%	54.1%	53.9%	50.6%	51.0%
LTM Gross Customer Revenue Attrition[1]	13.5%	13.1%	12.9%	13.1%	13.1%
LTM Revenue Payback (in years)[1][2]	2.3x	2.3x	2.2x	2.2x	2.2x
Net Subscriber Acquisition Costs (SAC) [3]					
Non-capitalized[4]	$171	$145	$103	$92	$95
Capitalized[5]	$160	$160	$270	$273	$352
Total	$331	$305	$373	$365	$447
memo: Expensed SAC	*$84*	*$84*	*$90*	*$101*	*$106*
Adjusted Free Cash Flow					
Adjusted EBITDA	$539	$563	$564	$533	$542
Capitalized SAC[5]	$(160)	$(160)	$(270)	$(273)	$(352)
Net proceeds from consumer receivables facility	-	$19	$22	$34	$22
Cash taxes	$(1)	$(3)	$(12)	$(10)	$4
Cash interest	$(165)	$(85)	$(197)	$(63)	$(167)
Capital expenditures[6]	$(30)	$(35)	$(33)	$(37)	$(37)
Working capital and other [7]	$(10)	$(67)	$52	$(41)	$51
Adjusted Free Cash Flow	$173	$232	$127	$143	$64
Recurring Monthly Revenue (RMR)					
End of Period RMR (excluding Wholesale)	$335	$335	$337	$339	$345
Wholesale RMR	$4	$4	$4	$4	$4
End of Period RMR (including Wholesale)	$339	$339	$341	$343	$349
Gross RMR Additions[1]	$12.9	$11.4	$14.5	$13.9	$16.0

Notes:

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted.
2. LTM 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 Costs (SAC) represents the estimated cash costs associated with the acquisition and installation of new customers, net of inflows received.
4. Excludes the non-cash effects of ASC 606, timing of receipts associated with our consumer financing program, and other non-cash adjustments.
5. 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.
6. Capital expenditures exclude special items primarily related to integration activities.
7. Working Capital & Other includes net reductions related to revenue recognized in excess of contractually stated amounts under ASC606.

Selected Statement of Operations Components

($ in millions)	GAAP Line Items For the three months ended March 31, 2021					GAAP Line Items For the three months ended March 31, 2020				
	Total Revenue	Cost of Revenue	SG&A	D&A	Total	Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,052	-	-	-	$1,052	1,037	-	-	-	$1,037
Monitoring & Service Costs and G&A	-	221	184	-	$406	-	196	219	-	$415
Net Expensed SAC	205	160	150	-	$106	294	212	167	-	$84
Depreciation and Amortization	37	-	29	470	$461	29	-	23	489	$482
Special Items	11	-	86	-	$76	9	-	45	-	$36
Total	$1,305	$381	$450	$470		$1,370	$408	$453	$489	

	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	-

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

Statements of Operations

(in millions, except per share data)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Monitoring and related services	$ 1,063	$ 1,046
Installation and other	242	324
Total revenue	1,305	1,370
Cost of revenue (exclusive of depreciation and amortization shown separately below)	381	408
Selling, general and administrative expenses	450	453
Depreciation and intangible asset amortization	470	489
Merger, restructuring, integration, and other	21	109
Operating loss	(16)	(89)
Interest expense, net	(48)	(225)
Loss on extinguishment of debt	-	(66)
Other income	2	2
Loss before income taxes	(62)	(378)
Income tax benefit	15	78
Net loss	$ (48)	$ (300)
Net loss per share - basic and diluted:		
Common stock	$ (0.06)	$ (0.40)
Class B common stock	$ (0.06)	$ -
Weighted-average shares outstanding - basic and diluted:		
Common stock	763	759
Class B common stock	55	-

Segment Information

(in millions)	Three Months Ended March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	Twelve Months Ended March 31, 2021	December 31, 2020	December 31, 2019
Total revenue								
Monitoring and related services	$ 1,063	$ 1,054	$ 1,046	$ 1,041	$ 1,046	$ 4,204	$ 4,187	$ 4,308
Installation and other	242	261	253	290	324	1,046	1,128	818
Total	$ 1,305	$ 1,315	$ 1,299	$ 1,331	$ 1,370	$ 5,250	$ 5,315	$ 5,126
Total revenue - CSB								
Monitoring and related services	$ 951	$ 946	$ 940	$ 936	$ 938	$ 3,774	$ 3,761	$ 3,891
Installation and other	87	105	120	166	173	479	565	189
Total	$ 1,039	$ 1,051	$ 1,060	$ 1,102	$ 1,111	$ 4,253	$ 4,325	$ 4,080
Total revenue - Commercial								
Monitoring and related services	$ 112	$ 108	$ 105	$ 105	$ 108	$ 430	$ 426	$ 417
Installation and other	155	155	133	124	151	567	563	629
Total	$ 266	$ 263	$ 239	$ 229	$ 259	$ 997	$ 990	$ 1,045
Adjusted EBITDA by segment								
CSB	$ 519	$ 517	$ 549	$ 551	$ 537	$ 2,136	$ 2,154	$ 2,374
Commercial	23	16	15	12	2	66	45	109
Total	$ 542	$ 533	$ 564	$ 563	$ 539	$ 2,202	$ 2,199	$ 2,483

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)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net loss	$ (48)	$ (300)
Merger, restructuring, integration, and other	21	109
Financing and consent fees[(1)]	3	5
Loss on extinguishment of debt	-	66
Radio conversion costs, net[(2)]	59	7
Share-based compensation expense	16	23
Interest rate swaps, net[(3)]	(107)	70
Acquisition related adjustments[(4)]	-	1
Other[(5)]	(3)	(1)
Tax adjustments[(6)]	2	(47)
Net loss before special items	$ (57)	$ (67)
Weighted-average shares outstanding - diluted:		
Common stock	763	759
Class B common stock	55	-
Net loss per share - diluted:		
Common stock	$ (0.06)	$ (0.40)
Class B common stock	$ (0.06)	$ -
Net loss per share before special items - diluted:[(7)]	$ (0.07)	$ (0.09)
Diluted weighted-average number of shares outstanding	763	759

Notes:

1. Represents fees expensed associated with financing transactions.
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. Primarily represents the change in the fair value of interest rate swaps not designated as hedges.
4. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
5. Represents other charges and non-cash items.
6. Represents tax impact on special items.
7. 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)	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Three Months Ended March 31, 2020	Twelve Months Ended March 31, 2021	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Net loss	$ (48)	$ (112)	$ (113)	$ (107)	$ (300)	$ (380)	$ (632)	$ (424)
Interest expense, net	48	139	157	187	225	531	708	620
Income tax benefit	(15)	(13)	(28)	(28)	(78)	(83)	(147)	(98)
Depreciation and intangible asset amortization	470	474	473	478	489	1,895	1,914	1,989
Amortization of deferred subscriber acquisition costs	29	27	25	23	23	103	97	80
Amortization of deferred subscriber acquisition revenue	(37)	(34)	(31)	(30)	(29)	(132)	(125)	(107)
Share-based compensation expense	16	21	26	25	23	89	96	86
Merger, restructuring, integration and other	21	5	(6)	12	109	32	120	36
Goodwill impairment	-	-	-	-	-	-	-	45
Loss on sale of business	-	-	-	1	-	1	1	62
Loss on extinguishment of debt	-	5	49	-	66	54	120	104
Radio conversion costs, net[(1)]	59	28	13	5	7	104	52	25
Financing and consent fees[(2)]	3	-	-	-	5	3	5	23
Foreign currency gains[(3)]	-	-	-	-	-	-	-	(1)
Acquisition related adjustments[(4)]	-	(1)	-	-	1	(1)	-	22
Other[(5)]	(3)	(5)	(1)	(3)	(1)	(12)	(10)	22
Adjusted EBITDA	$ 542	$ 533	$ 564	$ 563	$ 539	$ 2,202	$ 2,199	$ 2,483
Net loss to total revenue ratio	*-3.7%*	*-8.5%*	*-8.7%*	*-8.0%*	*-21.9%*	*-7.2%*	*-11.9%*	*-8.3%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*51.0%*	*50.6%*	*53.9%*	*54.1%*	*51.6%*	*52.4%*	*52.5%*	*57.6%*
Total revenue	$ 1,305	$ 1,315	$ 1,299	$ 1,331	$ 1,370	$ 5,250	$ 5,315	$ 5,126
Monitoring and related services revenue	$ 1,063	$ 1,054	$ 1,046	$ 1,041	$ 1,046	$ 4,204	$ 4,187	$ 4,308

Notes:

1. Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program.
2. Represents fees expensed associated with financing transactions.
3. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
4. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
5. Represents other charges and non-cash items.

GAAP to Non-GAAP Reconciliations

Free Cash Flow and Adjusted Free Cash Flow:

(in millions)	Three Months Ended March 31, 2021	December 30, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net cash provided by operating activities	$ 359	$ 373	$ 364	$ 379	$ 250
Net cash used in provided by investing activities	$ (399)	$ (337)	$ (265)	$ (197)	$ (338)
Net cash (used in) provided by financing activities	$ (41)	$ (319)	$ 345	$ (254)	$ 158
Net cash provided by operating activities	$ 359	$ 373	$ 364	$ 379	$ 250
Dealer generated customer accounts and bulk account purchases	(199)	(116)	(121)	(82)	(62)
Subscriber system asset expenditures	(144)	(146)	(135)	(72)	(65)
Purchases of property and equipment	(42)	(45)	(36)	(42)	(35)
Free Cash Flow	(25)	67	72	182	89
Net proceeds from receivables facility	22	34	22	19	-
Financing and consent fees	3	-	-	-	5
Restructuring and integration payments	1	2	6	6	7
Integration related capital expenditures	5	8	4	7	5
Radio conversion costs, net	51	25	11	4	3
Other, net[1]	6	7	12	13	65
Adjusted Free Cash Flow	$ 64	$ 143	$ 127	$ 232	$ 173
Memo: Cash interest included above					
Cash interest	$ 167	$ 63	$ 197	$ 85	$ 165

Notes:

1. 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)	March 31, 2021	December 31, 2020
Total debt (book value)	$ 9,526	$ 9,493
LTM net loss	$ (380)	$ (632)
Debt to net loss ratio	**(25.1x)**	**(15.0x)**

Net Leverage Ratio:

(in millions)	March 31, 2021	December 31, 2020
Revolver	$ -	$ -
First lien term loan	2,779	2,779
First lien notes	5,550	5,550
Receivables facility	98	76
Finance leases	62	61
Total first lien debt	**8,489**	**8,466**
Second lien notes	1,300	1,300
Total debt[1]	**9,789**	**9,766**
Cash and cash equivalents	(123)	(205)
Net debt	**9,666**	**9,561**
LTM adjusted EBITDA	**$ 2,202**	**$ 2,199**
Net leverage ratio	**4.4x**	**4.3x**

Note:

1. Debt instruments are stated at face value.

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.