Q2 2021 Earnings Presentation

August 4, 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. 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 does not provide 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, Gross RMR Additions, Interactive Take Rate, 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.

Q2 2021: Strong Quarter, Progressing Against 2021 Objectives

- Strong Gross RMR additions – Q2 increase of 28% represents fourth consecutive quarter of double-digit growth in the U.S.
- End of period RMR up 4% year over year – ~80% of total revenue from recurring sources
- Continued strong customer satisfaction and retention, with attrition at 13.3%
- Commercial recovery continues with revenue increasing 23% and EBITDA margins expanding to 11.3%
- Strong RMR growth funds increased investments in subscriber acquisition, technology, and customer service
- Continued capital structure improvements, including $1 billion refinancing of 2022 notes

The ADT Value Proposition: An Ecosystem Supporting Growth

ADT Smart Initiatives

Technology & Innovation

Distribution Partnerships

ACKERMAN THE SIGN OF REAL SECURITY

D·R·HORTON America's Builder

Hippo

dish

TAM Expansion

blue by ADT

SoSecure by ADT

#1 Smart Home Security Provider [1]

ADT

3.5 Million+ Interactive Customers

Smart Home Adoption

- De-urbanization
- Increased Demand for Security
- Greater Household Formation

Note:

1. Strategy Analytics, Top 10 U.S. Interactive Security Providers, April 2021.

Strength Across Key Financial and Operating Metrics

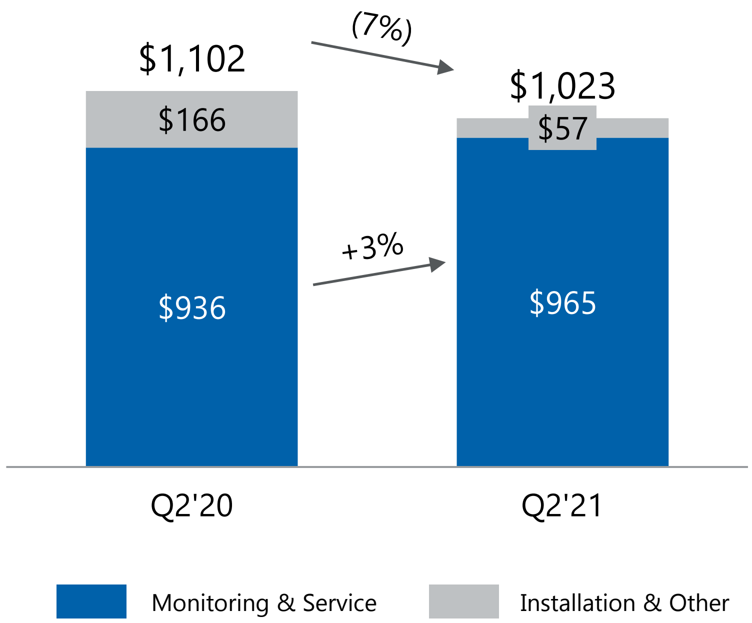
($ in Millions)	For the three months ended			
	Jun 30, 2021	Jun 30, 2020	Y/Y Change	
M&S Revenue	$1,084	$1,041	$42	4%
Total Revenue	$1,304	$1,331	($27)	(2%)
Net Loss	($126)	($107)	($19)	(18%)
Adjusted EBITDA	$542	$563	($21)	(4%)
Adjusted Free Cash Flow	$164	$232	($69)	(30%)
Net SAC	$409	$305	$104	34%
Gross RMR Additions	$14.5	$11.4	$3.2	28%
End of Period RMR	$352	$339	$14	4%
LTM Revenue Payback	2.2x	2.3x		
Gross Revenue Attrition	13.3%	13.1%		

Key Highlights

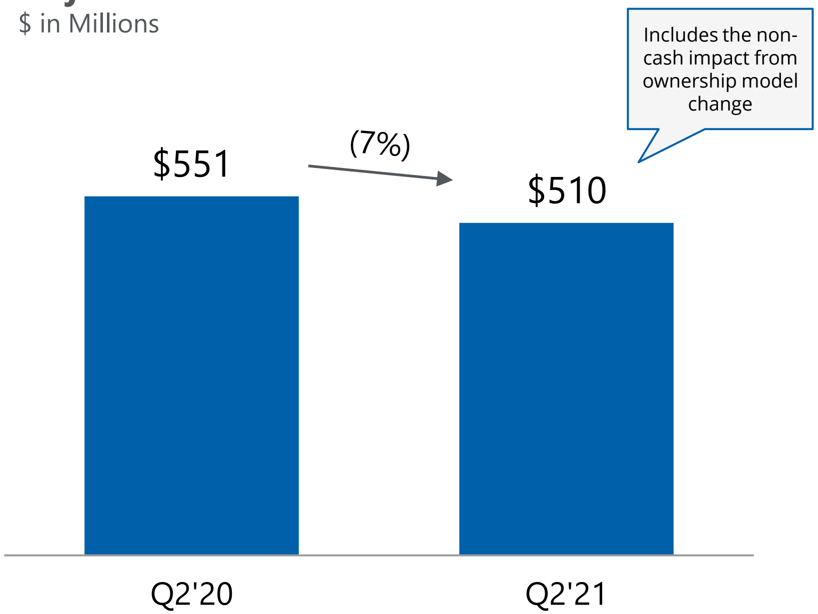
- **M&S revenue:** Increase in average pricing + net unit additions resulting in higher RMR
- **Total revenue:** Decline in residential outright sales due to ownership model change
- **Adjusted EBITDA:** Decrease in CSB due to ownership model change. Higher M&S revenue and Commercial improvement more than offset increased service costs and investment in IT infrastructure / next generation technology
- **Adjusted FCF and Net SAC:** Investments to drive growth in RMR additions and build next generation technology
- **Gross RMR additions:** Growth initiatives + favorable macro dynamics; strong dealer channel performance
- **Gross Revenue Attrition:** Lower dealer chargebacks from the Defenders acquisition + higher volume of relocations, offset by fewer non-pays and retention initiatives

Consumer & Small Business Segment Growing M&S Revenue

Revenue
$ in Millions

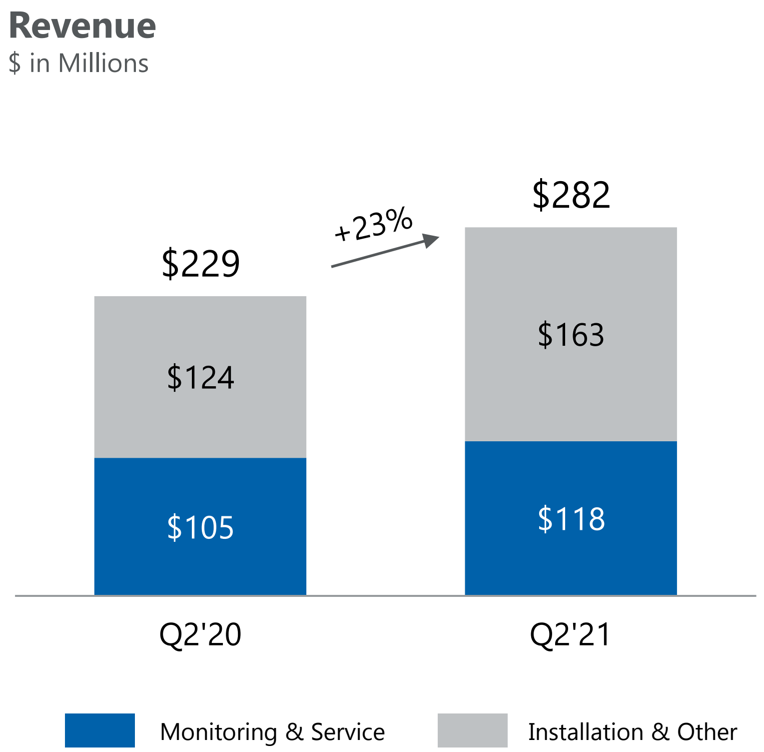


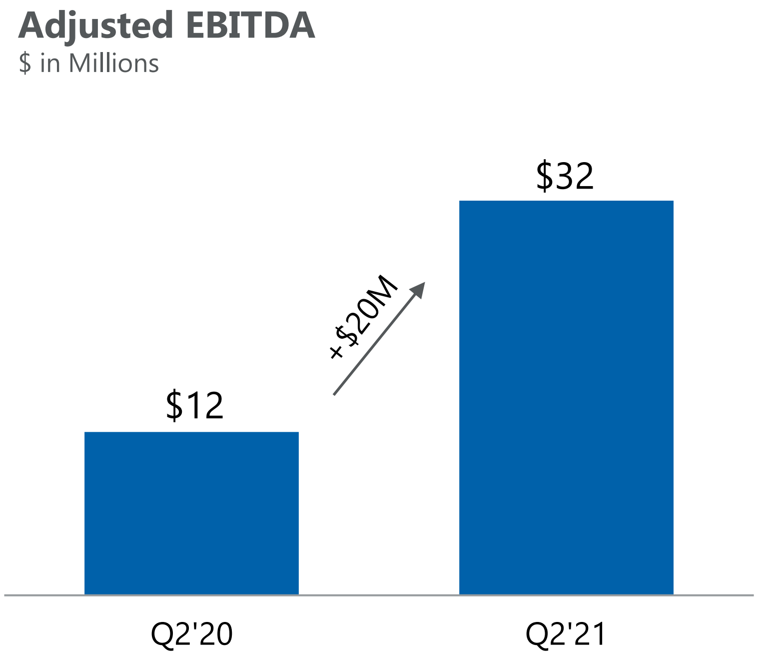
Adjusted EBITDA
$ in Millions



M&S growth offset by lower volume of residential outright sales due to ownership model change

Commercial Segment Seeing Rapid Growth from Expansion Efforts

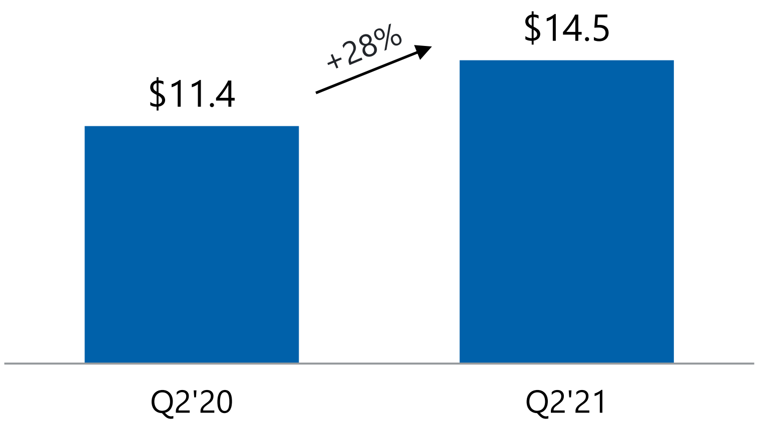




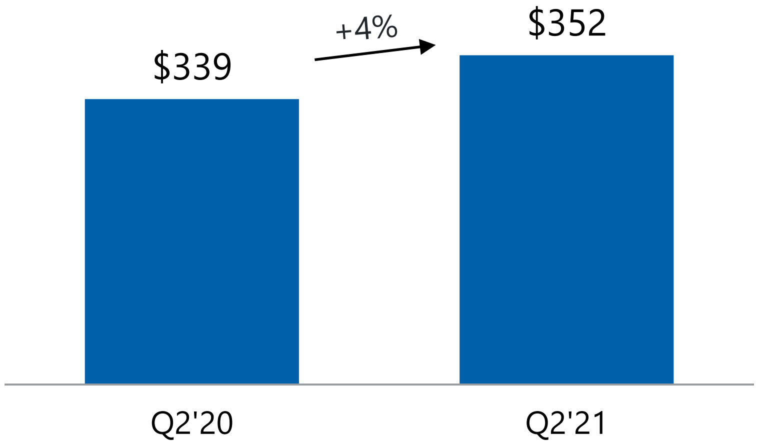
Continuing Commercial rebound with significant runway ahead

Continued Subscriber Additions Translating into Higher RMR

Gross RMR Additions
$ in Millions



End of Period RMR
$ in Millions



Fourth consecutive quarter of double-digit growth in Gross RMR Additions in the U.S.

Capital Structure Well Positioned to Support Growth

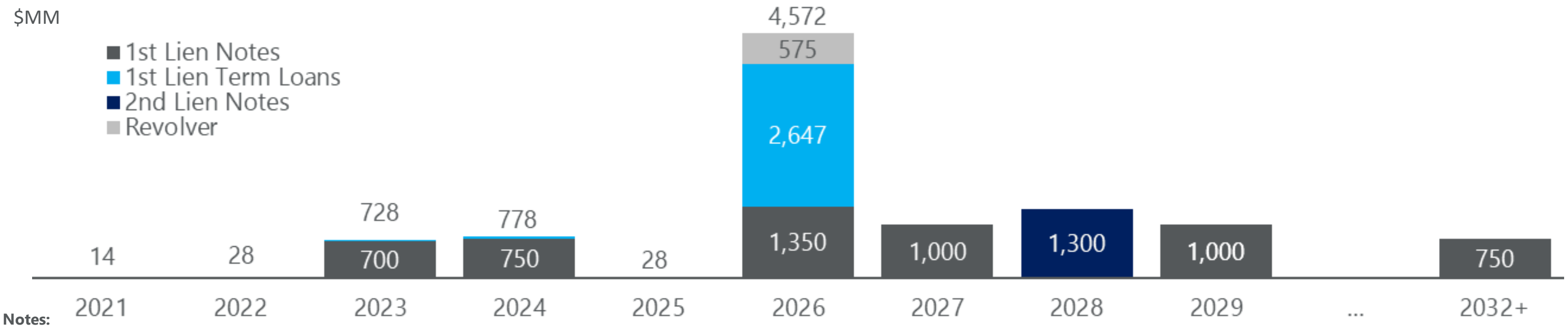
Capital Structure[1]

$MM	12/31/20 Actual	6/30/21 Actual
Revolver	-	-
First Lien Term Loan	2,779	2,772
First Lien Notes	5,550	5,550
Receivables Facility	76	130
Finance Leases	61	64
Total First Lien Debt	**$ 8,466**	**$ 8,516**
Second Lien Notes	1,300	1,300
Total Debt	**$ 9,766**	**$ 9,816**
Cash and Cash Equivalents	(205)	(150)
Net Debt	**$ 9,561**	**$ 9,666**
LTM Adjusted EBITDA	**2,199**	**2,181**
Net Leverage Ratio	**4.3x**	**4.4x**
Fixed vs. variable ratio[2]	96%/4%	97%/3%

Recent Highlights

- Refinanced $1B of 2022 first lien Notes, extending maturity to 2029
- Upsized Revolver by $175M and extended maturity to June 2026
- Paid out Q2 dividend of $0.035 per share in July
- Declared Q3 dividend of $0.035 per share payable on October 5, 2021
- Extended the weighted average maturity of debt from 5.1 years to 5.8 years

Pro Forma Debt Maturity Profile[3][4][5][6]



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 Revolver capacity upsize and maturity extension.
4. Shown pro forma to reflect refinancing of first lien notes due 2022 with first lien notes due 2029.
5. Excludes Receivables Facility and Finance Leases.
6. Revolver is indicative of total revolver capacity, not current drawn balances.

Durable Model & Recurring Revenue Base Generate Significant Cash Flow

Flexible Capital Deployment

Invest In Efficient Organic Growth	Selectively Pursue Accretive Acquisitions	Optimize Capital Structure/Debt Level	Return Capital To Shareholders

Reduced annual cash interest expense by $100+ million since 2018; Continue to ladder & extend maturities


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


10:00

Appendix

Snapshot of Business by Customer Type and Unit Count

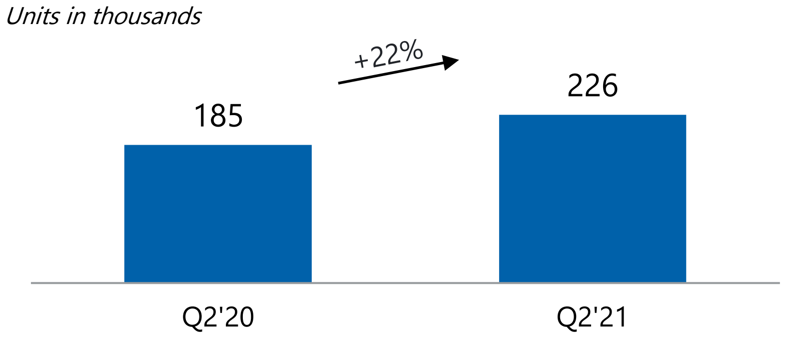
Market Profile (LTM 6/30/21)

	Consumer and Small Business	Commercial	Total
Unit Count	~6,350K	~250K	~6,600K
End of Period RMR	$318M	$30M	$348M
M&S Revenue	$3,803M	$443M	$4,246M
Installation Revenue[1]	$370M	$607M	$977M
Gross RMR Additions	$53M	$6M	$59M
LTM Revenue Payback	~2.3x	~1.3x	~2.2x

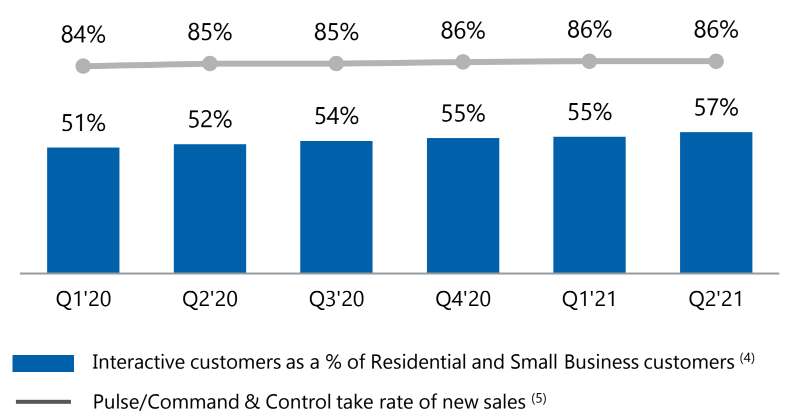
Consumer and Small Business Unit Count [2]

Units in Millions	Q2'21	Q2'20	Y/Y %	Q1'21	Q/Q %
Interactive	3.6	3.2	11%	3.5	3%
Traditional	2.7	2.9	(9%)	2.8	(4%)
subtotal: Residential and Small Business	**6.3**	**6.2**	**1%**	**6.3**	**0%**

Consumer and Small Business Gross Unit Additions [3]



Interactive Subscriber Profile



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

1. Includes amortization of deferred installation revenue of $136M for Consumer and Small Business and $7M for Commercial.
2. Unit Count represents Residential and Small Business only; excludes ~100K in Q2'21, Q1'21, and Q2'20, related to our Health, Cyber and Mobile businesses.
3. Gross Unit Additions represents Residential and Small Business only; excludes 7K additions in Q2'21 and Q2'20, 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.

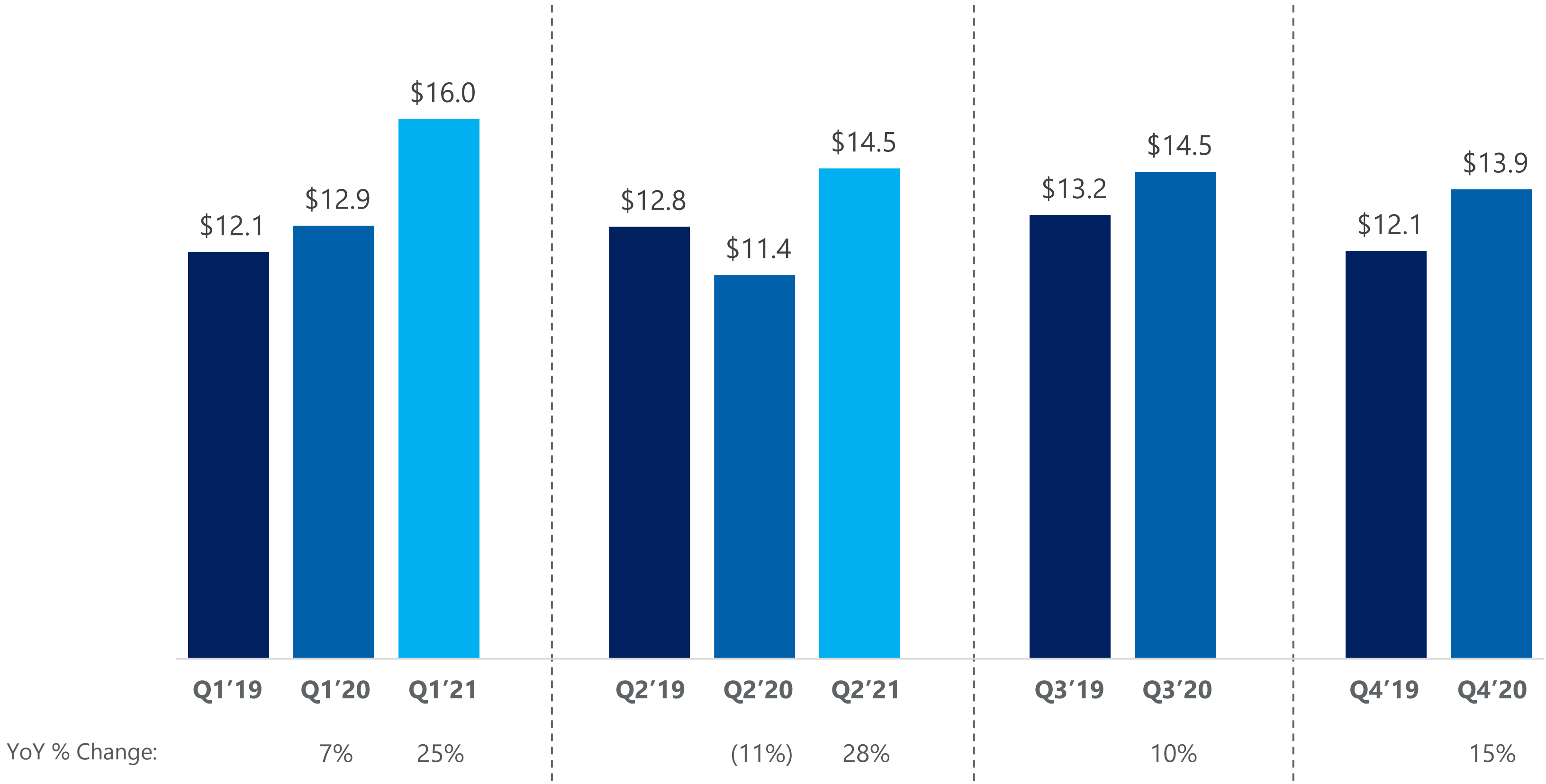
Adjusted Free Cash Flow

($ in Millions)	For the three months ended			For the six months ended		
	June 30, 2021	June 30, 2020	Y/Y Change	June 30, 2021	June 30, 2020	Y/Y Change
Adjusted EBITDA	**$542**	**$563**	**($21)**	**$1,084**	**$1,103**	**($19)**
Capitalized SAC	(341)	(160)	(181)	(693)	(320)	(373)
Net Proceeds from Consumer Receivables Facility	32	19	13	55	19	35
Cash Taxes	(3)	(3)	0	1	(4)	5
Cash Interest	(61)	(85)	25	(228)	(251)	23
Capital Expenditures [(1)]	(40)	(35)	(5)	(77)	(65)	(12)
Working Capital & Other [(2)]	34	(67)	101	85	(77)	162
Adjusted Free Cash Flow	**$164**	**$232**	**($69)**	**$227**	**$405**	**($178)**

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 $3M and $60M in Q2’21 and Q2’20, respectively, and $22M and $125M in YTD Q2’21 and YTD Q2’20, respectively.

U.S. Gross RMR Additions by Quarter

$ in Millions



Installation Revenue and Adjusted EBITDA

	Installation & Other Revenue ($M)					
Period	Consumer and Small Business	Y/Y Change	Commercial	Y/Y Change	Total	Y/Y Change
Q2'21	$57	($109)	$163	$40	$221	($69)
Q1'21	87	(86)	155	4	242	(82)
Q4'20	105	49	155	(28)	261	21
Q3'20	120	70	133	(24)	253	46
Q2'20	166	122	124	(30)	290	92
Q1'20	173	134	151	17	324	151

The year over year increase in CSB installation and other revenue during 2020 was primarily due to higher volume of revenue from equipment sold outright to CSB customers as a result of the Defenders acquisition and a temporary change in ownership model for CSB 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 which adopted the ADT owned model in April 2021.

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 CSB transactions to negatively impact revenue during 2021 due to different revenue recognition policies applicable to each ownership model.

In connection with the completion of our transition back to a predominantly Company-owned model for our CSB 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 June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Key Performance Indicators					
Monitoring and Service Revenue	$1,084	$1,063	$1,054	$1,046	$1,041
Total Revenue	$1,304	$1,305	$1,315	$1,299	$1,331
Net Loss	($126)	($48)	($112)	($113)	($107)
Adjusted EBITDA	$542	$542	$533	$564	$563
Adjusted EBITDA Margin (as % of M&S revenue)	50.0%	51.0%	50.6%	53.9%	54.1%
LTM Gross Customer Revenue Attrition[1]	13.3%	13.1%	13.1%	12.9%	13.1%
LTM Revenue Payback (in years)[1][2]	2.2x	2.2x	2.2x	2.2x	2.3x
Net Subscriber Acquisition Costs (SAC)[3]					
Non-capitalized[4]	$68	$95	$92	$103	$145
Capitalized[5]	$341	$352	$273	$270	$160
Total	$409	$447	$365	$373	$305
memo: Expensed SAC	*$108*	*$106*	*$101*	*$90*	*$84*
Adjusted Free Cash Flow					
Adjusted EBITDA	$542	$542	$533	$564	$563
Capitalized SAC[5]	($341)	($352)	($273)	($270)	($160)
Net proceeds from consumer receivables facility	$32	$22	$34	$22	$19
Cash taxes	($3)	$4	($10)	($12)	($3)
Cash interest	($61)	($167)	($63)	($197)	($85)
Capital expenditures[6]	($40)	($37)	($37)	($33)	($35)
Working capital and other[7]	$34	$51	($41)	$52	($67)
Adjusted Free Cash Flow	$164	$64	$143	$127	$232
Recurring Monthly Revenue (RMR)					
End of Period RMR (excluding Wholesale)	$348	$345	$339	$337	$335
Wholesale RMR	$4	$4	$4	$4	$4
End of Period RMR (including Wholesale)	$352	$349	$343	$341	$339
Gross RMR Additions[1]	$14.5	$16.0	$13.9	$14.5	$11.4

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 $11M, $7M and $3M in realized charge backs in Q2'20 – 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 June 30, 2021 Total Revenue	Cost of Revenue	SG&A	D&A	Total	GAAP Line Items For the three months ended June 30, 2020 Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,073	-	-	-	**$1,073**	1,033	-	-	-	**$1,033**
Monitoring & Service Costs and G&A	-	234	190	-	**$424**	-	186	200	-	**$386**
Net Expensed SAC	180	147	141	-	**$108**	260	191	153	-	**$84**
Depreciation and Amortization	41	-	30	474	**$464**	30	-	23	478	**$471**
Special Items	10	-	84	-	**$74**	9	(1)	39 (1)	-	**$29**
Total	**$1,304**	**$382**	**$446**	**$474**		**$1,331**	**$376**	**$414**	**$478**	

	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	Inventory Step up Amortization	Special Items	-

Notes:
1. Excludes loss on sale of business.
2. Excludes special items not applicable to the GAAP measures presented.

Statements of Operations

(in millions, except per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Monitoring and related services	$ 1,084	$ 1,041	$ 2,146	$ 2,087
Installation and other	221	290	463	614
Total revenue	1,304	1,331	2,609	2,701
Cost of revenue (exclusive of depreciation and amortization shown separately below)	382	376	763	784
Selling, general, and administrative expenses	446	415	895	868
Depreciation and intangible asset amortization	474	478	944	967
Merger, restructuring, integration, and other	5	12	25	121
Operating (loss) income	(2)	50	(18)	(39)
Interest expense, net	(167)	(187)	(214)	(413)
Loss on extinguishment of debt	-	-	(0)	(66)
Other income	2	2	3	5
Loss before income taxes	(167)	(135)	(229)	(513)
Income tax benefit	41	28	56	106
Net loss	$ (126)	$ (107)	$ (174)	$ (407)
Net loss per share - basic and diluted:				
Common stock	$ (0.15)	$ (0.14)	$ (0.21)	$ (0.54)
Class B common stock	$ (0.15)	$ -	$ (0.21)	$ -
Weighted-average shares outstanding - basic and diluted:				
Common stock	766	761	764	760
Class B common stock	55	-	55	-

Segment Information

(in millions)	Three Months Ended June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	Six Months Ended June 30, 2021	June 30, 2020
Total revenue							
Monitoring and related services	$ 1,084	$ 1,063	$ 1,054	$ 1,046	$ 1,041	$ 2,146	$ 2,087
Installation and other	221	242	261	253	290	463	614
Total	$ 1,304	$ 1,305	$ 1,315	$ 1,299	$ 1,331	$ 2,609	$ 2,701
Total revenue - CSB							
Monitoring and related services	$ 965	$ 951	$ 946	$ 940	$ 936	$ 1,916	$ 1,874
Installation and other	57	87	105	120	166	145	339
Total	$ 1,023	$ 1,039	$ 1,051	$ 1,060	$ 1,102	$ 2,061	$ 2,213
Total revenue - Commercial							
Monitoring and related services	$ 118	$ 112	$ 108	$ 105	$ 105	$ 230	$ 213
Installation and other	163	155	155	133	124	318	274
Total	$ 282	$ 266	$ 263	$ 239	$ 229	$ 548	$ 488
Adjusted EBITDA by segment							
CSB	$ 510	$ 519	$ 517	$ 549	$ 551	$ 1,029	$ 1,088
Commercial	32	23	16	15	12	55	15
Total	$ 542	$ 542	$ 533	$ 564	$ 563	$ 1,084	$ 1,103
Commercial Adjusted EBITDA as percentage of Commercial total revenue	11.3%	8.5%	5.9%	6.2%	5.4%	10.0%	3.0%

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 June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net loss	$ (126)	$ (107)	$ (174)	$ (407)
Merger, restructuring, integration, and other	5	12	25	121
Financing and consent fees[(1)]	0	0	4	5
Loss on extinguishment of debt	-	-	0	66
Radio conversion costs, net[(2)]	61	5	119	12
Share-based compensation expense	14	25	30	48
Interest rate swaps, net[(3)]	14	28	(92)	98
Other[(4)]	(1)	(3)	(4)	(2)
Tax adjustments[(5)]	(22)	(16)	(20)	(63)
Net loss before special items	$ (55)	$ (55)	$ (112)	$ (123)
Weighted-average shares outstanding - diluted:				
Common stock	766	761	764	760
Class B common stock	55	0	55	0
Net loss per share - diluted:				
Common stock	$ (0.15)	$ (0.14)	$ (0.21)	$ (0.54)
Class B common stock	$ (0.15)	$ -	$ (0.21)	$ -
Net loss per share before special items - diluted:[(6)]	$ (0.07)	$ (0.07)	$ (0.15)	$ (0.16)
Diluted weighted-average number of shares outstanding	766	761	764	760

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 other charges and non-cash items.
5. Represents tax impact on special items.
6. 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					Six Months Ended		Twelve Months Ended	
	June 30, 2021	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**December 31, 2020**
Net loss	$ (126)	$ (48)	$ (112)	$ (113)	$ (107)	$ (174)	$ (407)	$ (399)	$ (632)
Interest expense, net	167	48	139	157	187	214	413	510	708
Income tax benefit	(41)	(15)	(13)	(28)	(28)	(56)	(106)	(97)	(147)
Depreciation and intangible asset amortization	474	470	474	473	478	944	967	1,891	1,914
Amortization of deferred subscriber acquisition costs	30	29	27	25	23	59	45	110	97
Amortization of deferred subscriber acquisition revenue	(41)	(37)	(34)	(31)	(30)	(78)	(59)	(144)	(125)
Share-based compensation expense	14	16	21	26	25	30	48	77	96
Merger, restructuring, integration and other	5	21	5	(6)	12	25	121	25	120
Loss on extinguishment of debt	-	-	5	49	-	0	66	54	120
Radio conversion costs, net[1]	61	59	28	13	5	119	12	160	52
Financing and consent fees[2]	0	3	-	-	0	4	5	4	5
Other[3]	(1)	(3)	(6)	(1)	(3)	(4)	(2)	(10)	(9)
Adjusted EBITDA	$ 542	$ 542	$ 533	$ 564	$ 563	$ 1,084	$ 1,103	$ 2,181	$ 2,199
Net loss to total revenue ratio	*-9.6%*	*-3.7%*	*-8.5%*	*-8.7%*	*-8.0%*	*-6.7%*	*-15.1%*	*-7.6%*	*-11.9%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*50.0%*	*51.0%*	*50.6%*	*53.9%*	*54.1%*	*50.5%*	*52.8%*	*51.4%*	*52.5%*
Total revenue	$ 1,304	$ 1,305	$ 1,315	$ 1,299	$ 1,331	$ 2,609	$ 2,701	$ 5,223	$ 5,315
Monitoring and related services revenue	$ 1,084	$ 1,063	$ 1,054	$ 1,046	$ 1,041	$ 2,146	$ 2,087	$ 4,246	$ 4,187

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 other charges and non-cash items.

GAAP to Non-GAAP Reconciliations

Free Cash Flow and Adjusted Free Cash Flow:

(in millions)	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net cash provided by operating activities	$ 426	$ 359	$ 373	$ 364	$ 379	$ 786	$ 629
Net cash used in provided by investing activities	$ (378)	$ (399)	$ (337)	$ (265)	$ (197)	$ (777)	$ (536)
Net cash (used in) provided by financing activities	$ (19)	$ (41)	$ (319)	$ 345	$ (254)	$ (60)	$ (96)
Net cash provided by operating activities	$ 426	$ 359	$ 373	$ 364	$ 379	$ 786	$ 629
Dealer generated customer accounts and bulk account purchases	(141)	(199)	(116)	(121)	(82)	(340)	(144)
Subscriber system asset expenditures	(195)	(144)	(146)	(135)	(72)	(339)	(137)
Purchases of property and equipment	(42)	(42)	(45)	(36)	(42)	(84)	(76)
Free Cash Flow	48	(25)	67	72	182	23	271
Net proceeds from receivables facility	32	22	34	22	19	55	19
Financing and consent fees	0	3	-	-	-	3	5
Restructuring and integration payments	6	1	2	6	6	7	13
Integration related capital expenditures	3	5	8	4	7	7	12
Radio conversion costs, net	72	51	25	11	4	123	7
Other, net[1]	3	6	7	12	13	9	78
Adjusted Free Cash Flow	$ 164	$ 64	$ 143	$ 127	$ 232	$ 227	$ 405
Memo: Cash interest included above							
Cash interest	$ 61	$ 167	$ 63	$ 197	$ 85	$ 228	$ 251

Notes:

1. 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 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, and $11 million was realized during the three months ended June 30, 2020.

GAAP to Non-GAAP Reconciliations

Debt to Net Income Ratio:

(in millions)	June 30, 2021	December 31, 2020
Total debt (book value)	$ 9,562	$ 9,493
LTM net loss	$ (399)	$ (632)
Debt to net loss ratio	**(24.0x)**	**(15.0x)**

Net Leverage Ratio:

(in millions)	June 30, 2021	December 31, 2020
First lien term loan	$ 2,772	$ 2,779
First lien notes	5,550	5,550
Receivables facility	130	76
Finance leases	64	61
Total first lien debt	**8,516**	**8,466**
Second lien notes	1,300	1,300
Total debt[(1)]	**9,816**	**9,766**
Cash and cash equivalents	(150)	(205)
Net debt	**9,666**	**9,561**
LTM Adjusted EBITDA	**$ 2,181**	**$ 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, 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 net cash flows related to (i) net proceeds from 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.