

The ADT logo is a white octagon with the letters 'ADT' in a bold, sans-serif font. It is centered on a blue background that features a collage of ADT mobile app screens and a security camera. The app screens show various status indicators like 'Disarmed', 'Armed Stay', 'Front Door Locked', 'Thermostat Heating', and 'Garage Door Closed'.

**ADT**

A collection of smart home devices is shown on a white surface. From left to right, there is a white smart speaker (Google Home), a white smart display (Google Home Hub) showing a nature scene and the time 10:00 AM, a white ceramic bird-shaped diffuser, and a white smart speaker (Amazon Echo).

Q4 2021 Earnings Presentation  
March 1, 2022

# Forward Looking Statements and Non-GAAP Measures

ADT has made statements in this presentation and in 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 — “2022 Financial Outlook”. All statements, other than statements of historical fact, included in such documents are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and the applicable rules and regulations of the Securities and Exchange Commission 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, our acquisition of Sunpro Solar and its anticipated impact on our business and financial condition, business prospects, 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 innovative offerings, the successful closing and commercialization of our joint venture with Ford, the successful conversion of customers who continue to utilize 3G services, and other matters. 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, risks and uncertainties related to the Company’s ability to successfully integrate and operate the Sunpro Solar business, the Company’s ability to close and commercialize its joint venture with Ford, the Company’s ability to successfully generate profitable revenue from new partnerships, the Company’s ability to successfully convert all remaining customers away from the use of a 3G platform, and 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. 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.

## 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 certain non-GAAP measures including, in this presentation, Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Adjusted Free Cash Flow, and Net Leverage Ratio. Reconciliations from GAAP to these 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 the adjustments or items discussed below relating to Adjusted EBITDA and Adjusted Free Cash Flow under the heading “Non-GAAP Measures.” 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 sum 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.

# **Solid Q4 and Full Year 2021 Results: Good Momentum into 2022**

Strong year-end revenue performance, subscriber acquisition, and customer retention accelerate momentum for 2022 growth

Investing in foundation for long-term growth – RMR growth, Sunpro acquisition, and development of Google partnership

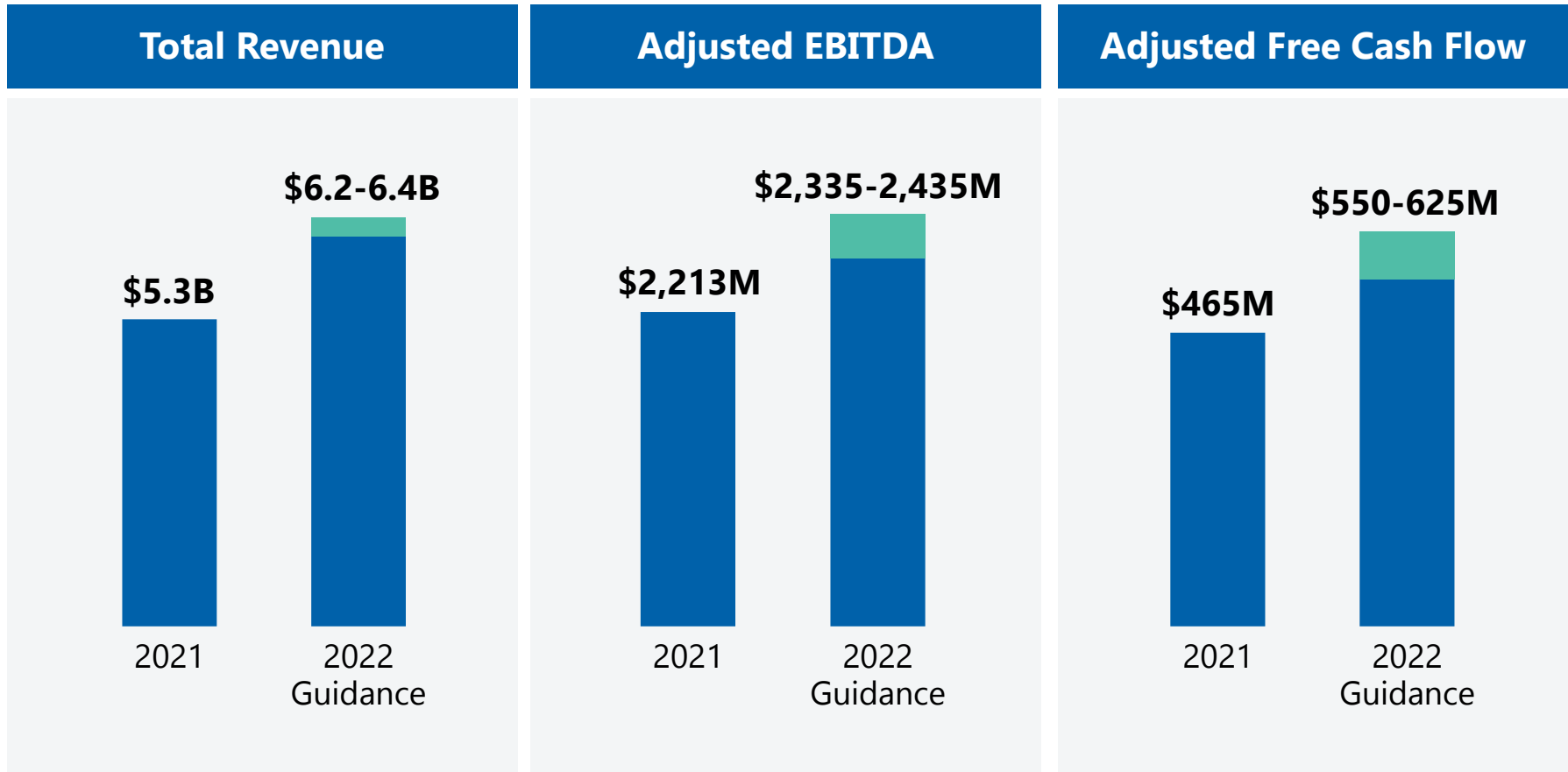
Solid Gross RMR additions – Q4 increase of 7% year over year and up 16% for the full year 2021

Continued Q4 Monitoring and service revenue growth of 5% year over year

Adj. EBITDA growth in the fourth quarter of 8% year over year, mostly attributable to strong CSB performance

Improved attrition of 13.1% in a high relocation market with focus on premium customer experience

# 2022 Financial Outlook



The ADT logo is a white, bold, sans-serif font centered within a dark blue octagonal shape. The background of the slide is a collage of blue-tinted images showing mobile app screens with various security status indicators like 'Disarmed', 'Armed Stay', and 'Disarm', along with physical security devices such as a camera and a smart display.

**ADT**

Q4 2021 Highlights

# Strength Across Key Financial and Operating Metrics

(\$ in Millions)	For the three months ended			
	Dec 31, 2021	Dec 31, 2020	Y/Y Change	
M&S Revenue	\$1,103	\$1,054	\$49	5%
Total Revenue	\$1,381	\$1,315	\$66	5%
Net Loss	(\$58)	(\$112)	\$54	48%
Adjusted EBITDA	\$574	\$533	\$42	8%
Adjusted Free Cash Flow	\$176	\$143	\$33	23%
Net SAC <sup>(1)</sup>	\$402	\$365	\$37	10%
Gross RMR Additions	\$14.9	\$13.9	\$0.9	7%
End of Period RMR	\$359	\$343	\$16	5%
LTM Revenue Payback	2.3x	2.2x	0.1x	
Gross Revenue Attrition	13.1%	13.1%	0bps	

**Note:**

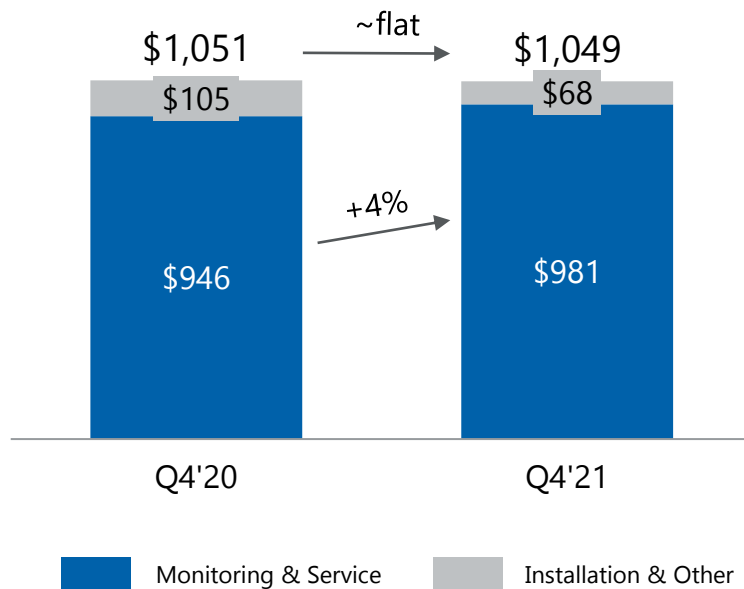
1. Net SAC as presented excludes acquisition costs related to Solar.

## Key Highlights

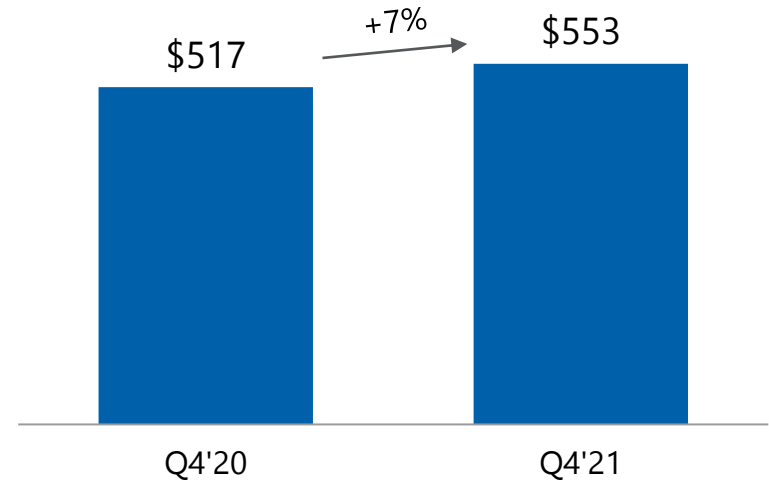
- **M&S revenue:** Increase in average pricing and net unit additions resulting in higher RMR
- **Total revenue:** Higher M&S revenue in CSB and install revenue in Commercial and Solar, partially offset by decline in residential outright sales due to ownership model change
- **Adjusted EBITDA:** Increase driven primarily by margin on higher M&S revenue
- **Gross RMR additions:** Growth initiatives; strong dealer channel performance
- **Adjusted FCF:** Higher Adjusted EBITDA and working capital timing offset higher SAC investment
- **Net SAC/Revenue Payback:** Investments to drive high return RMR additions
- **Gross Revenue Attrition:** Retention initiatives and fewer non-pays, partially offset by higher volume of relocations and lower dealer chargebacks

# Consumer & Small Business Segment Growing Adjusted EBITDA

## Revenue \$ in Millions



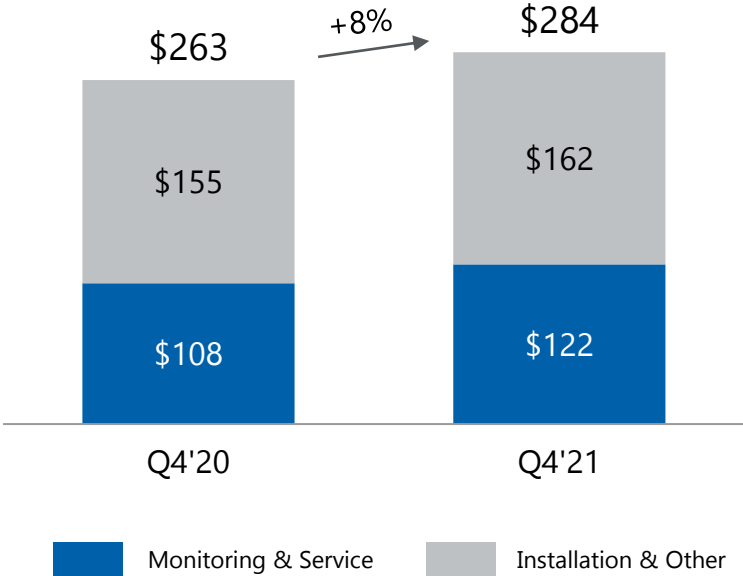
## Adjusted EBITDA \$ in Millions



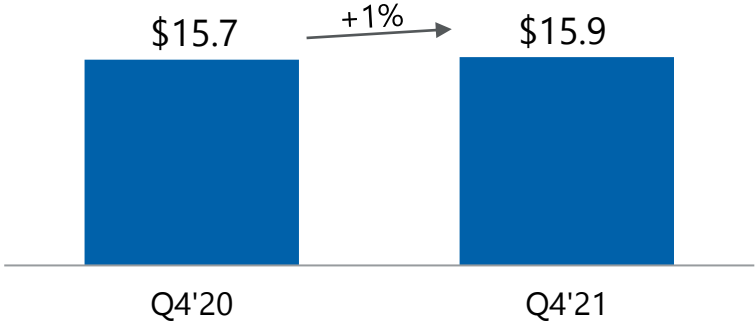
Higher M&S revenue and Adjusted EBITDA, driven by growth in recurring revenue base

# Commercial Segment Seeing Continued Revenue Growth

**Revenue**  
\$ in Millions



**Adjusted EBITDA**  
\$ in Millions

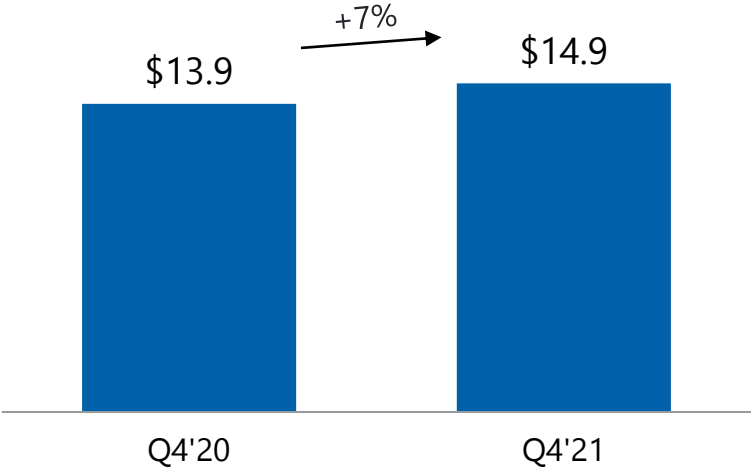


Continuing revenue growth through footprint expansion and pandemic recovery efforts

# Continued Growth in Subscriber Base and Total Company RMR

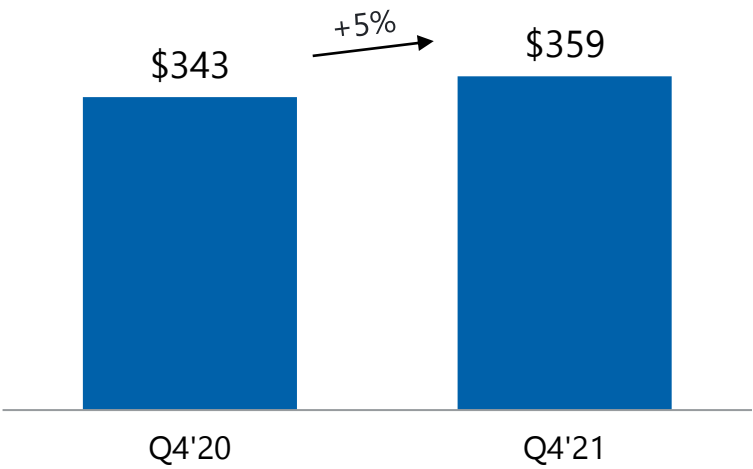
## Gross RMR Additions

\$ in Millions



## End of Period RMR

\$ in Millions



Highly durable and growing RMR base generating over \$4B in annual recurring revenue

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Appendix

## Strength Across Key Financial and Operating Metrics

(\$ in Millions)	For the twelve months ended			
	Dec 31, 2021	Dec 31, 2020	Y/Y Change	
M&S Revenue	\$4,348	\$4,187	\$161	4%
Total Revenue	\$5,307	\$5,315	(\$8)	(0%)
Net Loss	(\$341)	(\$632)	\$291	46%
Adjusted EBITDA	\$2,213	\$2,199	\$13	1%
Adjusted Free Cash Flow	\$465	\$675	(\$210)	(31%)
Net SAC <sup>(1)</sup>	\$1,697	\$1,374	\$322	23%
Gross RMR Additions	\$60.9	\$52.6	\$8.3	16%
End of Period RMR	\$359	\$343	\$16	5%
LTM Revenue Payback	2.3x	2.2x	0.1x	
Gross Revenue Attrition	13.1%	13.1%	0bps	

**Note:**

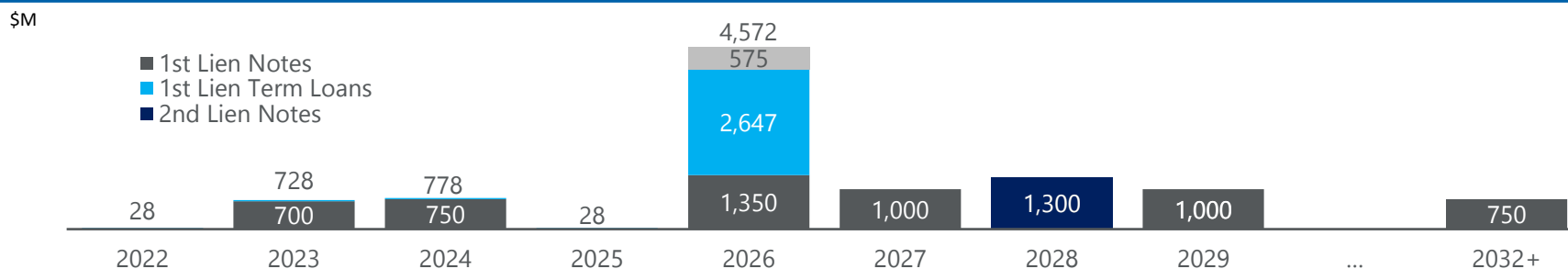
1. Net SAC as presented excludes acquisition costs related to Solar.

# Capital Structure Well-Positioned to Support Growth

## Capital Structure<sup>(1)</sup>

\$M	12/31/20 Actual	12/31/21 Actual
Revolver	-	25
First Lien Term Loan	2,779	2,758
First Lien Notes	5,550	5,550
Finance Leases and Other	61	98
<b>Total First Lien Debt<sup>(2)</sup></b>	<b>\$ 8,390</b>	<b>\$ 8,431</b>
Second Lien Notes	1,300	1,300
<b>Total Debt<sup>(2)</sup></b>	<b>\$ 9,690</b>	<b>\$ 9,731</b>
Cash and Cash Equivalents	(205)	(24)
<b>Net Debt<sup>(2)</sup></b>	<b>\$ 9,485</b>	<b>\$ 9,706</b>
<b>LTM Adjusted EBITDA</b>	<b>2,199</b>	<b>2,213</b>
<b>Net Leverage Ratio<sup>(2)(3)</sup></b>	<b>4.3x</b>	<b>4.4x</b>
Fixed vs. variable ratio <sup>(2)(4)</sup>	95%/5%	95%/5%

## Debt Maturity Profile<sup>(5)(6)</sup>



### Notes:

- Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments.
- Excludes Receivables Facility balance, which was \$76M as of 12/31/20 and \$199M as of 12/31/21.
- Leverage Ratio definition changed as of 12/31/21 to exclude Receivables Facility. No impact to leverage ratio presented as of 12/31/20.
- Includes the impact of interest rate swaps.
- Excludes Receivables Facility and Finance Leases.
- Revolver is indicative of total revolver capacity, not current drawn balances.

## Recent Highlights

- Refinanced \$1B of 2022 first lien Notes in June 2021, extending maturity to 2029
- Increased uncommitted capacity of Receivables Facility by \$200M to total of \$400M
- Paid out Q4 dividend of \$0.035 per share in January 2022
- Declared Q1 dividend of \$0.035 per share payable on April 4, 2022
- Weighted average maturity of debt is 5.3 years

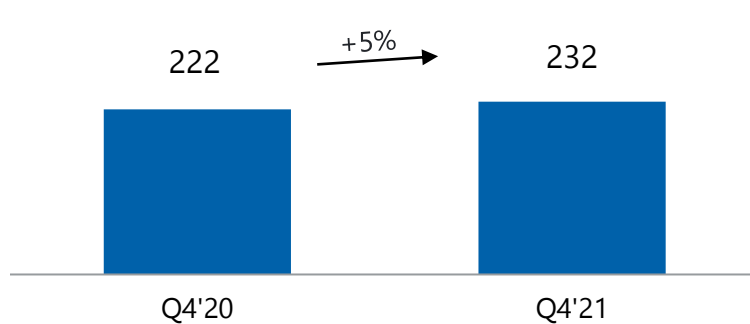
# Snapshot of Business by Customer Type and Unit Count

## Market Profile (LTM 12/31/21)

	Consumer and Small Business	Commercial	Solar	Total
Unit Count	~6,400K	~250K	N/A	~6,650K
End of Period RMR (including wholesale)	\$328M	\$31M	N/A	\$359M
M&S Revenue	\$3,873M	\$474M	N/A	\$4,348M
Installation Revenue <sup>(1)</sup>	\$273M	\$639M	\$47M	\$959M
Gross RMR Additions	\$55M	\$6M	N/A	\$61M
LTM Revenue Payback	~2.4x	~1.4x	N/A	~2.3x

## Consumer and Small Business Gross Unit Additions <sup>(3)</sup>

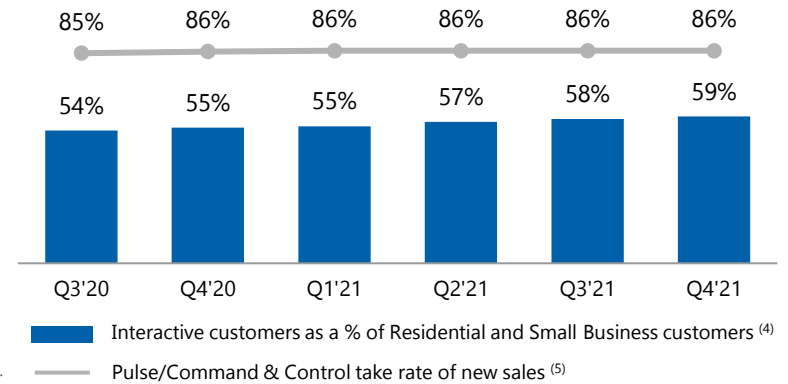
Units in thousands



## Consumer and Small Business Unit Count <sup>(2)</sup>

Units in Millions	Q4'21	Q4'20	Y/Y %	Q3'21	Q/Q %
Interactive	3.7	3.4	10%	3.7	2%
Traditional	2.6	2.8	(9%)	2.6	(2%)
<b>subtotal: Consumer and Small Business</b>	<b>6.3</b>	<b>6.2</b>	<b>2%</b>	<b>6.3</b>	<b>0%</b>

## Interactive Subscriber Profile



**Notes:** Operating metrics presented exclude wholesale customers who outsource their monitoring to ADT unless otherwise noted.

1. Includes amortization of deferred installation revenue of \$164M for Consumer and Small Business and \$8M for Commercial.

2. Unit Count represents Residential and Small Business only; excludes ~100K in Q4'21, Q3'21, and Q4'20, related to our Health, Cyber and Mobile businesses.

3. Gross Unit Additions represents Residential and Small Business only; excludes 8K and 6k additions in Q4'21 and Q4'20, 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

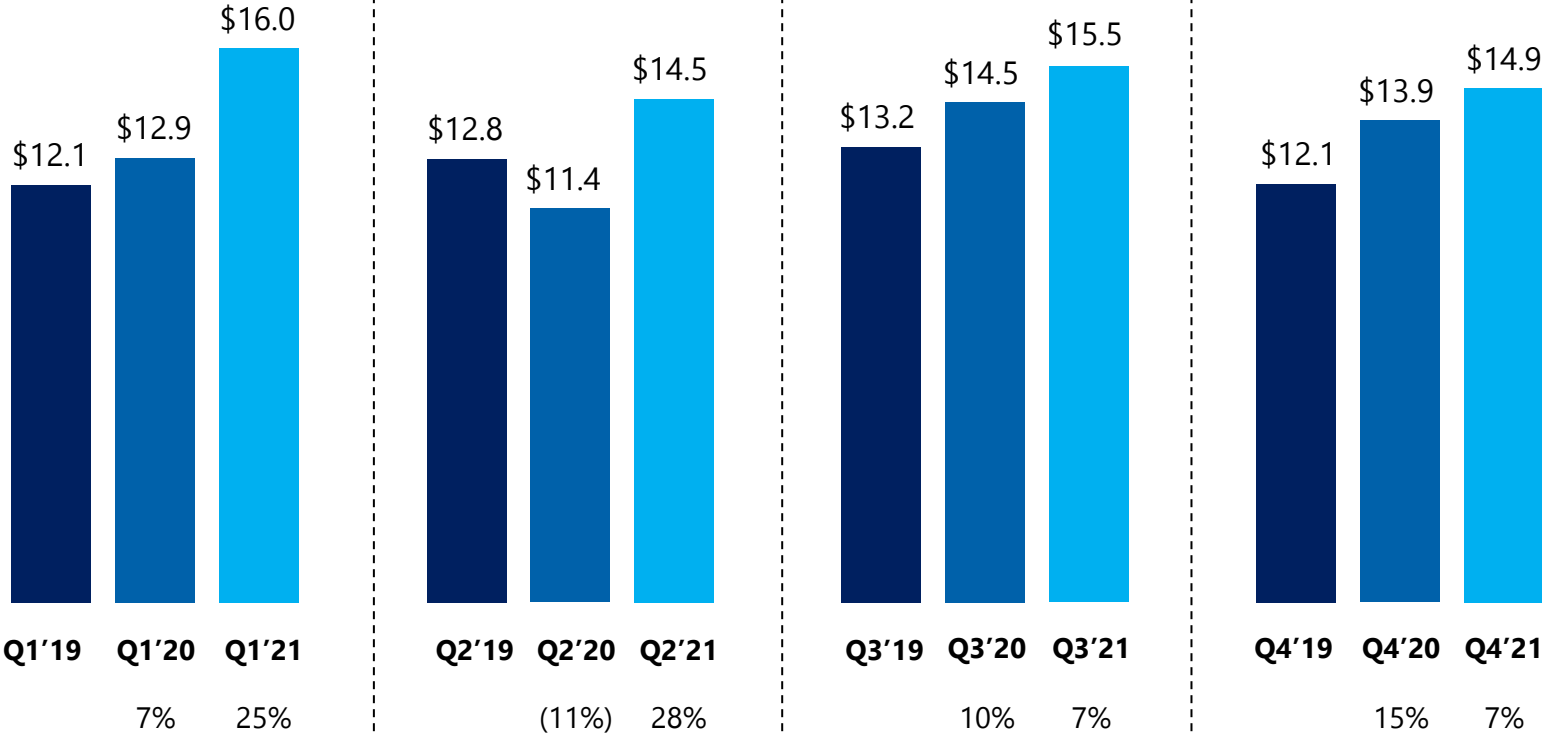
	For the three months ended			For the twelve months ended		
(\$ in Millions)	Dec 31, 2021	Dec 31, 2020	Y/Y Change	Dec 31, 2021	Dec 31, 2020	Y/Y Change
<b>Adjusted EBITDA</b>	<b>\$574</b>	<b>\$533</b>	<b>\$42</b>	<b>\$2,213</b>	<b>\$2,199</b>	<b>\$13</b>
Net Expensed SAC	80	101	(21)	411	359	52
Net SAC	(402)	(365)	(37)	(1,697)	(1,374)	(322)
Solar Net Acquisition Costs	16	-	16	16	-	16
Cash Taxes	(3)	(10)	7	(2)	(26)	24
Cash Interest	(60)	(63)	3	(457)	(510)	54
Capital Expenditures <sup>(2)</sup>	(40)	(37)	(3)	(158)	(135)	(23)
Working Capital & Other	10	(16)	27	138	162	(24)
<b>Adjusted Free Cash Flow</b>	<b>\$176</b>	<b>\$143</b>	<b>\$33</b>	<b>\$465</b>	<b>\$675</b>	<b>(\$210)</b>

**Notes:**

1. Net SAC includes net proceeds from our consumer receivables facility of \$33M and \$34M in Q4'21 and Q4'20, respectively, and \$123M and \$76M in YTD Q4'21 and YTD Q4'20, respectively.
2. Capital expenditures exclude special items primarily related to integration activities.

# U.S. Gross RMR Additions by Quarter

\$ in Millions



## Installation and Other Revenue

Installation & Other Revenue (\$M)								
Period	Consumer and Small Business	Y/Y Change	Commercial	Y/Y Change	Solar	Y/Y Change	Total	Y/Y Change
Q4'21	\$68	(\$37)	\$162	\$7	\$47	\$47	\$278	\$17
Q3'21	60	(60)	159	25			219	(35)
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 decrease in CSB installation and other revenue during 2021 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 in 2020. 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 by April 2021.

Our full year 2021 results included impacts on revenue and Adjusted EBITDA at the mid-point of previously provided ranges of \$350 – 400 million and \$80 – 100 million, respectively.

# Additional Historical Quarterly Data

(in millions)	For the Three Months Ended				
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
<u>Operating and Financial Measures</u>					
Monitoring and Service Revenue	\$1,103	\$1,098	\$1,084	\$1,063	\$1,054
Total Revenue	\$1,381	\$1,317	\$1,304	\$1,305	\$1,315
Net Loss	(\$58)	(\$109)	(\$126)	(\$48)	(\$112)
Adjusted EBITDA	\$574	\$554	\$542	\$542	\$533
Adjusted EBITDA Margin (as % of M&S revenue)	52.1%	50.5%	50.0%	51.0%	50.6%
LTM Gross Customer Revenue Attrition <sup>(1)</sup>	13.1%	13.4%	13.3%	13.1%	13.1%
LTM Revenue Payback (in years) <sup>(1)(2)</sup>	2.3x	2.3x	2.2x	2.2x	2.2x
<u>Net Subscriber Acquisition Costs (SAC)<sup>(3)</sup></u>					
Non-capitalized <sup>(4)</sup>	\$50	\$71	\$68	\$95	\$92
Capitalized	\$352	\$368	\$341	\$352	\$273
Total	\$402	\$438	\$409	\$447	\$365
<i>memo: Expensed SAC</i>	\$80	\$117	\$108	\$106	\$101
<u>Adjusted Free Cash Flow</u>					
Adjusted EBITDA	\$574	\$554	\$542	\$542	\$533
Net Expensed SAC	\$80	\$117	\$108	\$106	\$101
Net SAC <sup>(3)</sup>	(\$402)	(\$438)	(\$409)	(\$447)	(\$365)
Solar Net Acquisition Costs	\$16	-	-	-	-
Cash Taxes	(\$3)	(\$0)	(\$3)	\$4	(\$10)
Cash Interest	(\$60)	(\$169)	(\$61)	(\$167)	(\$63)
Capital Expenditures <sup>(5)</sup>	(\$40)	(\$41)	(\$40)	(\$37)	(\$37)
Working Capital & Other	\$10	\$38	\$26	\$63	(\$16)
Adjusted Free Cash Flow	\$176	\$62	\$164	\$64	\$143
<u>Recurring Monthly Revenue (RMR)</u>					
End of Period RMR (excluding Wholesale)	\$355	\$352	\$348	\$345	\$339
Wholesale RMR	\$4	\$4	\$4	\$4	\$4
End of Period RMR (including Wholesale)	\$359	\$356	\$352	\$349	\$343
Gross RMR Additions <sup>(1)</sup>	\$14.9	\$15.5	\$14.5	\$16.0	\$13.9

## 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. Capital expenditures exclude special items primarily related to integration activities.

# Selected Statement of Operations Components

(\$ in millions)	GAAP Line Items					GAAP Line Items				
	For the three months ended December 31, 2021					For the three months ended December 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	1,094	-	-	-	\$1,094	1,043	-	-	-	\$1,043
Monitoring & Service Costs and G&A	-	231	210	-	\$441	-	210	200	-	\$411
Net Expensed SAC	239	183	136	-	\$80	226	164	163	-	\$101
Depreciation and Amortization	49	-	35	491	\$476	34	-	27	474	\$466
Special Items	(1)	2	64	-	\$67	11	-	54	-	\$44
<b>Total</b>	<b>\$1,381</b>	<b>\$415</b>	<b>\$445</b>	<b>\$491</b>		<b>\$1,315</b>	<b>\$374</b>	<b>\$445</b>	<b>\$474</b>	

	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 and Purchase Accounting Adjustments	Purchase Accounting Adjustments	Special Items	-

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

# Statements of Operations

(in millions, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Monitoring and related services	\$ 1,103	\$ 1,054	\$ 4,348	\$ 4,187
Installation and other	278	261	959	1,128
<b>Total revenue</b>	<b>1,381</b>	<b>1,315</b>	<b>5,307</b>	<b>5,315</b>
Cost of revenue (exclusive of depreciation and amortization shown separately below)	415	374	1,550	1,517
Selling, general, and administrative expenses	445	445	1,789	1,723
Depreciation and intangible asset amortization	491	474	1,915	1,914
Merger, restructuring, integration, and other	19	5	38	120
Loss on sale of business	-	-	-	1
<b>Operating income</b>	<b>10</b>	<b>17</b>	<b>15</b>	<b>41</b>
Interest expense, net	(110)	(139)	(458)	(708)
Loss on extinguishment of debt	-	(5)	(37)	(120)
Other income	3	2	8	8
Loss before income taxes	(96)	(125)	(471)	(779)
Income tax benefit	38	13	130	147
<b>Net loss</b>	<b>\$ (58)</b>	<b>\$ (112)</b>	<b>\$ (341)</b>	<b>\$ (632)</b>
<b>Net income (loss) per share - basic:</b>				
Common stock	\$ (0.07)	\$ (0.14)	\$ (0.41)	\$ (0.82)
Class B common stock	\$ (0.07)	\$ (0.14)	\$ (0.41)	\$ (0.72)
<b>Weighted-average shares outstanding - basic:</b>				
Common stock	787	761	771	760
Class B common stock	55	55	55	16
<b>Net income (loss) per share - diluted:</b>				
Common stock	\$ (0.07)	\$ (0.14)	\$ (0.41)	\$ (0.82)
Class B common stock	\$ (0.07)	\$ (0.14)	\$ (0.41)	\$ (0.74)
<b>Weighted-average shares outstanding - diluted:</b>				
Common stock	787	761	771	760
Class B common stock	55	55	55	18

# Non-GAAP Measures

We sometimes use information (“non-GAAP financial measures”) that is derived from the condensed consolidated financial statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Under SEC rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

This presentation includes definitions of our non-GAAP financial measures, reasons we believe these measures are useful, and limitations to using these non-GAAP financial measures, as well as reconciliations of the non-GAAP financial measures used in this presentation to the most comparable GAAP measures. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The limitations of non-GAAP financial measures are best addressed by considering these measures in conjunction with the appropriate GAAP measures.

## *Adjusted EBITDA and Adjusted EBITDA Margin*

We believe the presentation of Adjusted EBITDA provides useful 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 net of any related incremental revenue earned; and (ix) other income/gain or expense/loss items such as impairment charges, financing and consent fees, or acquisition-related adjustments. There are material limitations to using Adjusted EBITDA as it does not reflect certain significant items, which directly affect our net income or loss (the most comparable GAAP measure). This discussion is also applicable to Adjusted EBITDA margin, which is calculated as Adjusted EBITDA as a percentage of monitoring and related services revenue.

## *Free Cash Flow and Adjusted Free Cash Flow*

We believe the presentation of Free Cash Flow and Adjusted Free Cash Flow are appropriate to provide useful information to investors about our ability to repay debt, make other investments, and pay dividends. In addition, we believe the presentation of Adjusted Free Cash Flow is also 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.

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.

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 net of any related incremental revenue collected; and (vi) other payments or receipts that may mask our operating results or business trends.

Free Cash Flow and Adjusted Free Cash Flow adjust for cash items that are ultimately within management’s discretion to direct, and therefore, may imply that there is less or more cash available than the most comparable GAAP measure. Free Cash Flow and Adjusted Free Cash Flow are not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted.

## *Net Leverage Ratio*

Net Leverage Ratio is calculated as the ratio of net debt to Adjusted EBITDA. Net debt is calculated as total debt excluding the Receivables Facility, 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.

The Company is not providing a quantitative reconciliation of the impact that the acquisition of SunPro Solar will have on the Company’s EBITDA and free cash flow to net income (loss) and net cash provided by operating activities, which are their respective corresponding GAAP measures, because the impact of the acquisition of SunPro Solar on these GAAP measures is difficult to reliably predict or estimate without unreasonable effort due to their dependence on future uncertainties, such as special items. Additionally, information that is currently not available to the Company could have a potentially unpredictable and potentially significant impact on its future GAAP financial results.

# Segment Information

(in millions)

	Three Months Ended					Twelve Months Ended	
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Total revenue</b>							
Monitoring and related services	\$ 1,103	\$ 1,098	\$ 1,084	\$ 1,063	\$ 1,054	\$ 4,348	\$ 4,187
Installation and other	278	219	221	242	261	959	1,128
<b>Total</b>	<u>\$ 1,381</u>	<u>\$ 1,317</u>	<u>\$ 1,304</u>	<u>\$ 1,305</u>	<u>\$ 1,315</u>	<u>\$ 5,307</u>	<u>\$ 5,315</u>
<b>Total revenue - CSB</b>							
Monitoring and related services	\$ 981	\$ 976	\$ 965	\$ 951	\$ 946	\$ 3,873	\$ 3,761
Installation and other	68	60	57	87	105	273	565
<b>Total</b>	<u>\$ 1,049</u>	<u>\$ 1,036</u>	<u>\$ 1,023</u>	<u>\$ 1,039</u>	<u>\$ 1,051</u>	<u>\$ 4,146</u>	<u>\$ 4,325</u>
<b>Total revenue - Commercial</b>							
Monitoring and related services	\$ 122	\$ 123	\$ 118	\$ 112	\$ 108	\$ 474	\$ 426
Installation and other	162	159	163	155	155	639	563
<b>Total</b>	<u>\$ 284</u>	<u>\$ 281</u>	<u>\$ 282</u>	<u>\$ 266</u>	<u>\$ 263</u>	<u>\$ 1,114</u>	<u>\$ 990</u>
<b>Total revenue - Solar<sup>(1)</sup></b>							
Installation and other	\$ 47	\$ -	\$ -	\$ -	\$ -	\$ 47	\$ -
<b>Total</b>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ -</u>
<b>Adjusted EBITDA by segment</b>							
CSB	\$ 553	\$ 529	\$ 510	\$ 519	\$ 517	\$ 2,111	\$ 2,154
Commercial	16	26	32	23	16	96	45
Solar	6	-	-	-	-	6	-
<b>Total</b>	<u>\$ 574</u>	<u>\$ 554</u>	<u>\$ 542</u>	<u>\$ 542</u>	<u>\$ 533</u>	<u>\$ 2,213</u>	<u>\$ 2,199</u>

**Note:**

1. M&S revenue is not applicable to the Solar segment.

# GAAP to Non-GAAP Reconciliations

## Adjusted EBITDA and Adjusted EBITDA Margin:

(in millions)

	Three Months Ended					Twelve Months Ended	
	December 31,	September 30,	June 30,	March 31,	December 31,	December 31,	
	2021	2021	2021	2021	2020	2021	2020
<b>Net loss</b>	\$ (58)	\$ (109)	\$ (126)	\$ (48)	\$ (112)	\$ (341)	\$ (632)
Interest expense, net	110	133	167	48	139	458	708
Income tax benefit	(38)	(36)	(41)	(15)	(13)	(130)	(147)
Depreciation and intangible asset amortization	491	480	474	470	474	1,915	1,914
Amortization of deferred subscriber acquisition costs	35	33	30	29	27	126	97
Amortization of deferred subscriber acquisition revenue	(49)	(45)	(41)	(37)	(34)	(172)	(125)
Share-based compensation expense	15	16	14	16	21	61	96
Merger, restructuring, integration and other	19	(7)	5	21	5	38	120
Loss on extinguishment of debt	-	37	-	-	5	37	120
Radio conversion costs, net <sup>(1)</sup>	40	52	61	59	28	211	52
Acquisition related Adjustments <sup>(2)</sup>	12	2	-	-	(1)	13	-
Other	(2)	(2)	-	-	(5)	(3)	(4)
<b>Adjusted EBITDA</b>	<b>\$ 574</b>	<b>\$ 554</b>	<b>\$ 542</b>	<b>\$ 542</b>	<b>\$ 533</b>	<b>\$ 2,213</b>	<b>\$ 2,199</b>

Note: amounts may not sum due to rounding

### Adjusted EBITDA Margin

(as percentage of M&S Revenue)

	52.1%	50.5%	50.0%	51.0%	50.6%	50.9%	52.5%
Total revenue	\$ 1,381	\$ 1,317	\$ 1,304	\$ 1,305	\$ 1,315	\$ 5,307	\$ 5,315
Monitoring and related services revenue	\$ 1,103	\$ 1,098	\$ 1,084	\$ 1,063	\$ 1,054	\$ 4,348	\$ 4,187

#### Notes:

1. Represents net costs associated with replacing cellular technology used in many of our security systems pursuant to a replacement program.
2. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions. The three months ended December 31, 2021, primarily related to the Sunpro Solar Acquisition.

# GAAP to Non-GAAP Reconciliations

## Free Cash Flow and Adjusted Free Cash Flow:

(in millions)

	Three Months Ended					Twelve Months Ended	
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net cash (used in) provided by operating activities	\$ 494	\$ 370	\$ 426	\$ 359	\$ 373	\$ 1,650	\$ 1,367
Net cash (used in) provided by investing activities	\$ (525)	\$ (393)	\$ (378)	\$ (399)	\$ (337)	\$ (1,696)	\$ (1,137)
Net cash (used in) provided by financing activities	\$ (4)	\$ (64)	\$ (19)	\$ (41)	\$ (319)	\$ (128)	\$ (70)
<b>Net cash provided by operating activities</b>	\$ 494	\$ 370	\$ 426	\$ 359	\$ 373	\$ 1,650	\$ 1,367
Dealer generated customer accounts and bulk account purchases	(163)	(173)	(141)	(199)	(116)	(675)	(381)
Subscriber system asset expenditures	(176)	(180)	(195)	(144)	(146)	(695)	(418)
Purchases of property and equipment	(42)	(43)	(42)	(42)	(45)	(168)	(157)
<b>Free Cash Flow</b>	114	(25)	48	(25)	67	112	410
Net proceeds from receivables facility	33	35	32	22	34	123	76
Financing and consent fees	-	-	-	3	-	4	5
Restructuring and integration payments	2	2	6	1	2	11	20
Integration related capital expenditures	1	2	3	5	8	10	23
Radio conversion costs, net	25	50	72	51	25	198	43
Other, net <sup>(1)</sup>	-	(2)	3	6	7	7	97
<b>Adjusted Free Cash Flow</b>	\$ 176	\$ 62	\$ 164	\$ 64	\$ 143	\$ 465	\$ 675
<i>Memo: Cash interest included above</i>							
Cash interest	\$ 60	\$ 169	\$ 61	\$ 167	\$ 63	\$ 457	\$ 510

Note: amounts may not sum due to rounding

### Note:

1. 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.

# GAAP to Non-GAAP Reconciliations

## Debt to Net Income Ratio:

<i>(in millions)</i>	December 31, 2021	December 31, 2020
Total debt (book value)	\$ 9,693	\$ 9,493
LTM net loss	\$ (341)	\$ (632)
<b>Debt to net loss ratio</b>	<b>(28.4x)</b>	<b>(15.0x)</b>

## Net Leverage Ratio:

<i>(in millions)</i>	December 31, 2021	December 31, 2020
Revolver	\$ 25	\$ -
First lien term loan	2,758	2,779
First lien notes	5,550	5,550
Receivables facility	199	76
Finance leases	93	61
Other (Sunpro vehicle loans)	5	-
<b>Total first lien debt</b>	<b>8,630</b>	<b>8,466</b>
Second lien notes	1,300	1,300
<b>Total debt<sup>(1)</sup></b>	<b>9,930</b>	<b>9,766</b>
Cash and cash equivalents	(24)	(205)
Less: Receivables Facility	(199)	(76)
<b>Net debt</b>	<b>\$ 9,706</b>	<b>\$ 9,485</b>
LTM Adjusted EBITDA	2,213	2,199
<b>Net leverage ratio <sup>(2)</sup></b>	<b>4.4x</b>	<b>4.3x</b>

### Notes:

1. Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments.
2. Excludes Receivables Facility balance, which was \$76M as of 12/31/20 and \$199M as of 12/31/21