# First Quarter 2022 Earnings Presentation

May 5, 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, now ADT 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 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 ADT Solar business, the Company's ability to 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, for example, 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. Non-GAAP measures should not be considered a substitute, or superior to, our reported GAAP results.

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:** Operating metrics such as Gross Customer Revenue Attrition, Ending Subscriber Count, RMR, Gross RMR Additions, Interactive Customers, Solar Installations, 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. Metrics referencing record performance reflect measurements made since the formation of ADT Inc. in 2015.

# We are a Mission-Driven Company

Our mission has expanded beyond the traditional definition of security

## Safe

We protect
what matters most

## Smart

We deliver innovative,
customer-focused products,
technologies, and services

## Sustainable

We make life better for the
customers and communities
we serve

**Empowering people to protect and connect what matters most**

# We Have a Clear Strategy to Drive Customer Preference and Long-term Shareholder Value

**Strategic Differentiators**

- Innovative Offerings
- Unrivaled Safety
- Premium Experience

**Enablers**

- Trusted Brand
- Optimized Go-to-Market
- Operational Excellence

## Google Partnership

**Our Industry-Leading Businesses**

- Consumer & Small Business
- Commercial
- Solar

# Our Mission Delivers Superior Results For All Stakeholders

Our commitment to respect the environment, promote social responsibility and lead with responsible governance is fundamental to who we are and guides our safe, smart, and sustainable business practices

Product safety and quality

Responsible governance

Climate change risk management

Environmental management

Data privacy and cybersecurity

Inclusive diversity and belonging

Employee well-being and development

Customer and community health and safety

**ADT's first corporate ESG report published in May**

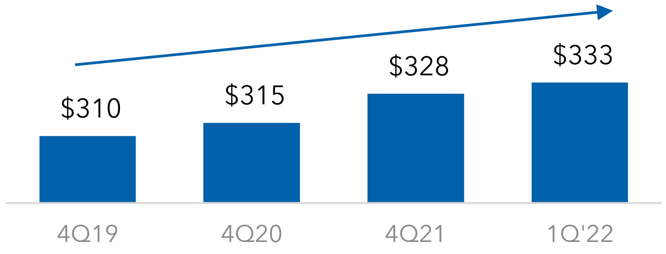
# We Expect Strong Cash Generation and Profitability

## Consumer & Small Business (CSB)

- ✓ Home automation market growing **22%**; Core home security market growing **7%**
- ✓ **Google as catalyst for improvement across the business**, including **customer reach / unit adds** (new products and clients), **attrition** (better customer loyalty), and **revenue payback** (sales and cost efficiencies)
- ✓ Growing **addressable market to 130M households**

### CSB End of Period RMR

$ in Millions

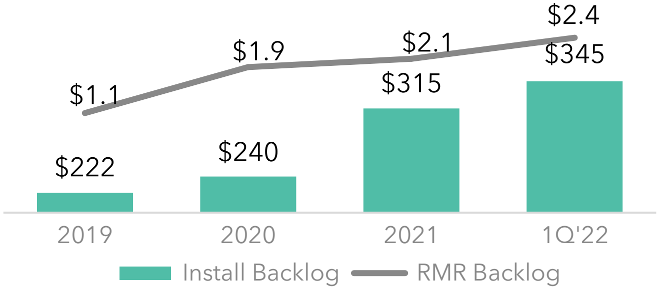



## Commercial

- ✓ Poised to become a **$48B market by 2025** with a **growing need for full-service security** and fire/life safety providers
- ✓ Commercial **market growth** of **6%**
- ✓ **260K customers nationwide**…and growing

### Commercial Backlog

$ in Millions

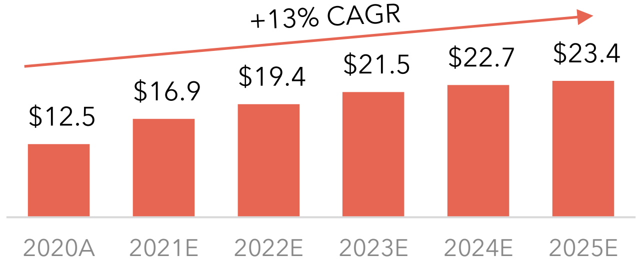



## Solar

- ✓ **Market leading position** with the market positioned for **13% growth**
- ✓ **Industry tailwinds** supportive of the switch to Solar
- ✓ Significant **cross selling opportunity**, which can **capture ~5% market share by converting just 0.5%** of existing customer base

### Solar Market Size

$ in Billions




**Notes:** 2025 goals do not represent actual guidance or projections. Market growth figures are 2020 – 2025 CAGRs. Household TAM based on 2021 – 2025. Consumer Small Business End of Period RMR includes wholesale of ~$4 million for all periods. Market data source: Omdia, Parks Associates, Citi, ADT analysis.

# Our Partnership with Google is Building Momentum in 2022

**Innovative Offerings** | **Unrivaled Safety** | **Premium Experience** | **Trusted Brand** | **Optimized Go-to-Market** | **Operational Excellence**

***Highlights:***

- **Successful Nest Doorbell launch with more products on the way –** Successful national launch of Google Nest Doorbell in January and Mesh Wi-Fi in April, with indoor/outdoor cameras targeted for 3Q'22
- **SAC Efficient Growth –** Driven by higher attachment rate for Google doorbell sales, resulting in higher installation revenue per unit and increased pull-through of additional products
- **Joint Marketing and Advertising –** Began rollout of ADT + Google branded vans and employee uniforms

# Measurable Progress Against Long-Term Financial Goals

| ***Financial Goals:*** | **2025 Goals** | **1Q'22 Update** |
|---|---|---|
| Total Revenue | $10B+ | Up 18% in 1Q driven by contribution of ADT Solar, larger recurring revenue base, and Commercial revenue growth |
| Adjusted EBITDA | $3B | Up 11% in 1Q driven by CSB M&S revenue, operating efficiency enhancements, and addition of ADT Solar |
| Path to EPS | $0.50+ | Achieved 1Q GAAP profitability, aided by $145 million mark-to-market benefit on interest rates swaps |
| Free Cash Generation | $1.0B Annual AFCF;<br>$3.0B Cumulative AFCF | In line with full-year 2022 guidance, aided by recurring revenue drop-through and lower Net Subscriber Acquisition Costs (SAC) |
| Net Debt | ~$8.7B; $1B+ reduction versus YE21 | Net leverage ratio declined to 4.3x |

***Highlights:***

- **Subscriber Retention –** Record high T3 and T12 retention in 1Q
- **Google Partnership –** Install Revenue / Unit lift with 60K+ doorbells and 100K+ total devices sold as of the end of the first quarter
- **SAC Efficient Growth –** CSB installation revenue per unit up more than 30% compared to prior year
- **CSB Operating Efficiency –** Enhanced by virtual service and SMART monitoring

**On Track to Achieve 2022 Guidance**

**Note:** 2025 goals do not represent actual guidance or projections.

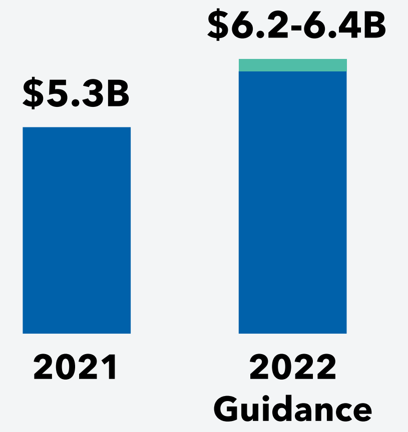
# 1Q 2022 Highlights

# 1Q 2022: Highlights

- Record high customer retention and highest-ever recurring monthly revenue balance
- 18% revenue growth versus prior year with continued growth in subscribers
- Adjusted EBITDA of $601 million, up 11% versus prior year on both better revenue and CSB cost performance
- Driving growth for the full year and affirming 2022 guidance metrics provided at Investor Day

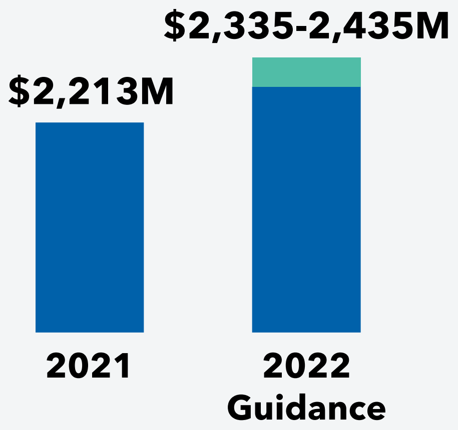
# 2022 Financial Outlook

## Total Revenue



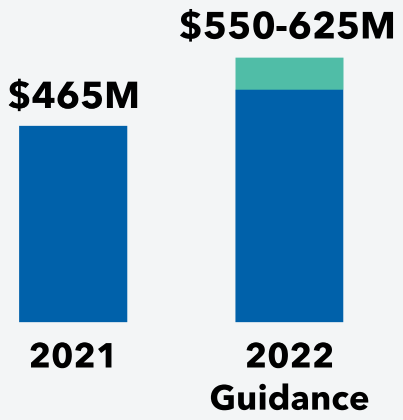

- Total revenue up 18% in 1Q
- On track to achieve full year guidance

## Adjusted EBITDA




- Adjusted EBITDA up 11% in 1Q
- On track to achieve full year guidance

## Adjusted Free Cash Flow




- 1Q year-over-year performance reflects prior year incentive compensation payments, interest payments, and working capital timing; impact isolated to 1Q
- On track to achieve full year guidance

**Affirming 2022 Guidance Metrics Provided at Investor Day**

TOTAL COMPANY

# Key Financial and Operating Metrics

| ($ in Millions) | For the three months ended Mar 31, 2022 | Mar 31, 2021 | Y/Y Change | |
|---|---|---|---|---|
| M&S Revenue | $1,121 | $1,063 | $59 | 6% |
| Total Revenue | $1,545 | $1,305 | $240 | 18% |
| Net Income (Loss) | $52 | ($48) | $100 | 208% |
| Adjusted EBITDA | $601 | $542 | $59 | 11% |
| Adjusted Free Cash Flow | ($42) | $64 | ($106) | (166%) |
| Net SAC | $425 | $447 | ($22) | (5%) |
| Gross RMR Additions | $15.8 | $16.0 | ($0.2) | (1%) |
| End of Period RMR | $365 | $349 | $16 | 5% |
| LTM Revenue Payback | 2.3x | 2.2x | 0.1x | |
| Gross Revenue Attrition | 12.9% | 13.1% | (20bps) | |

## Key Highlights

- **M&S revenue:** Larger recurring revenue base from increase in average pricing and subscriber growth initiatives
- **Total revenue:** Driven by contribution of ADT Solar, larger recurring revenue base, and Commercial revenue growth
- **Adjusted EBITDA:** Higher M&S revenue and efficiency enhancements in CSB and contribution of ADT Solar
- **Gross RMR additions:** Growth initiatives and improvements in average pricing on new and existing customer transactions; Moderate growth excluding prior year initial Ackerman account purchases
- **Adjusted FCF:** Timing of working capital and incentive compensation payments, partially offset by higher recurring revenue flow-through and lower net subscriber investments
- **Net SAC/Revenue Payback:** Improved trailing three-month efficiency versus prior year, driven by higher CSB installation revenue per unit
- **Gross Revenue Attrition:** Retention initiatives driving fewer voluntary and non-pay disconnects



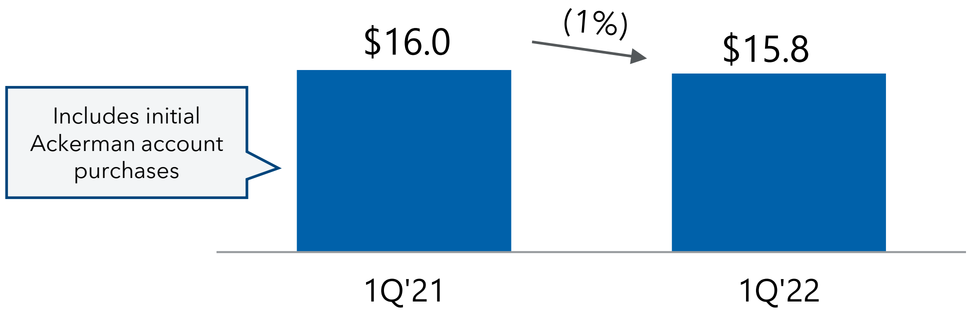
**Note:** Net Subscriber Acquisition Costs (SAC) represents the estimated cash expenditures for sales and installation, net of inflows received, in our CSB and Commercial segments.

TOTAL COMPANY

# Key Financial and Operating Metrics

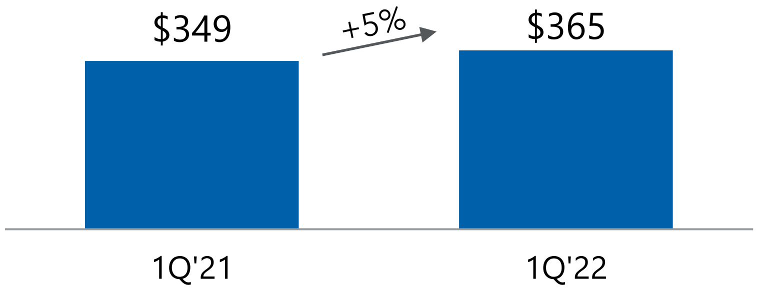
## Gross RMR Additions

$ in Millions




## End of Period RMR

$ in Millions




## Total Company Statistics

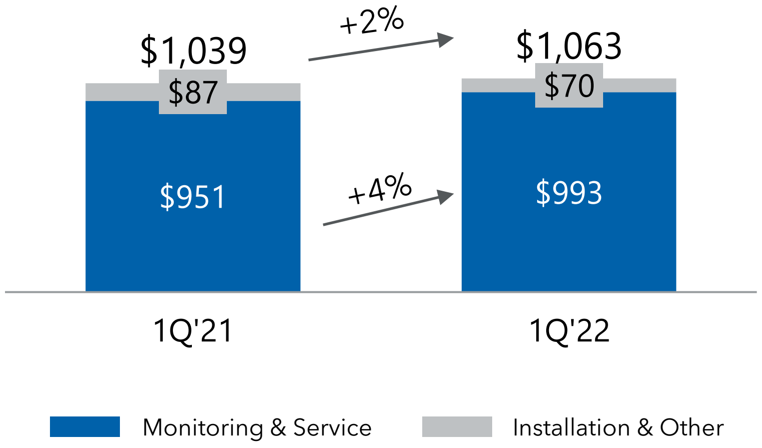
| | Total | |
|---|---|---|
| | **1Q'22** | **Y/Y Change** |
| **Ending Subscriber Count** | 6.7M | 1% |
| **M&S Revenue** | $1,121M | 6% |
| **Installation Revenue** | $423M | 75% |
| **LTM Revenue Payback** | 2.3x | 0.1x |

CONSUMER AND SMALL BUSINESS

# Segment Financials and Key Metrics

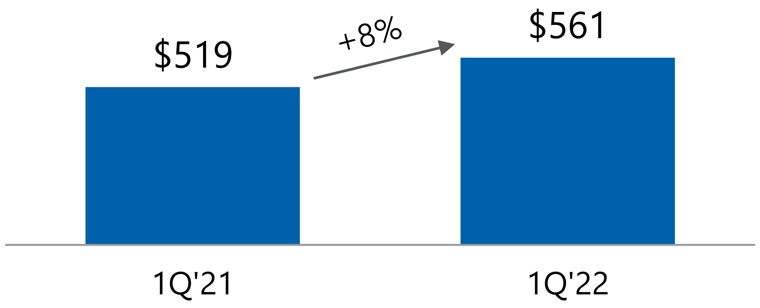
## Revenue

$ in Millions




## Adjusted EBITDA

$ in Millions




## Segment Statistics

| | Consumer and Small Business | |
|---|---|---|
| | **1Q'22** | **Y/Y Change** |
| **Ending Subscriber Count** | 6.4M | 1% |
| **Interactive Customers** as a % of Total Residential and Small Business | ~60% | 500bps |
| **End of Period RMR** (including wholesale) | $333M | 4% |
| **Gross RMR Additions** | $14.5M | 3% |
| **Gross Unit Additions** | 247K | (9%) |
| **LTM Revenue Payback** | 2.4x | 0.1x |

1Q'21 Gross RMR Additions and Gross Unit Additions include initial Ackerman account purchases

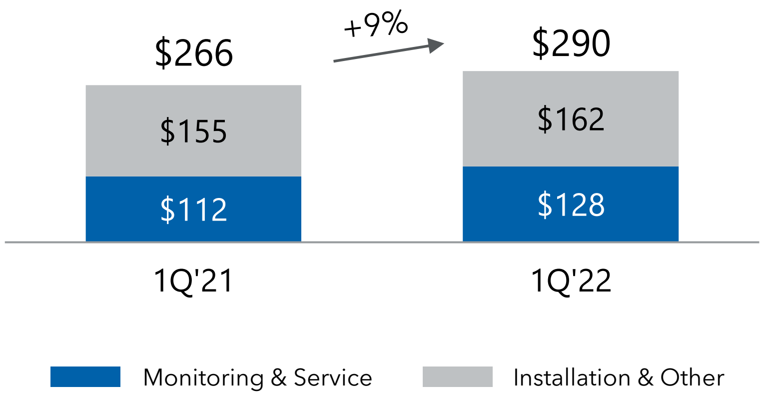
**Notes:** Operating metrics presented exclude wholesale customers who outsource their monitoring to ADT unless otherwise noted. Gross Unit Additions represent Residential and Small Business only and exclude our Health, Cyber, and Mobile businesses. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm systems to full home automation.

COMMERCIAL

# Segment Financials and Key Metrics

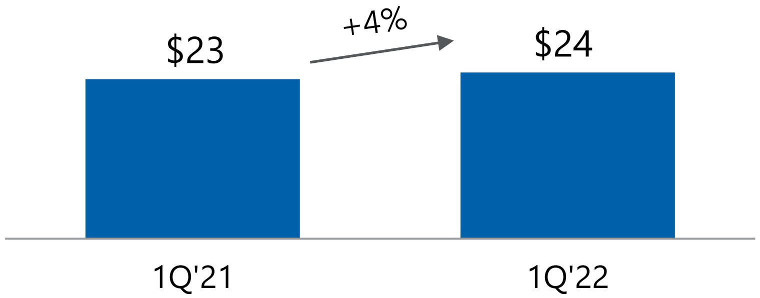
## Revenue

$ in Millions




## Adjusted EBITDA

$ in Millions




## Segment Statistics

| | Commercial | |
|---|---|---|
| | 1Q'22 | Y/Y Change |
| **Ending Subscriber Count** | 260K | 2% |
| **End of Period RMR** | $32M | 9% |
| **Gross RMR Additions** | $1.3M | (33%) |
| **LTM Revenue Payback** | 1.3x | (0.2x) |

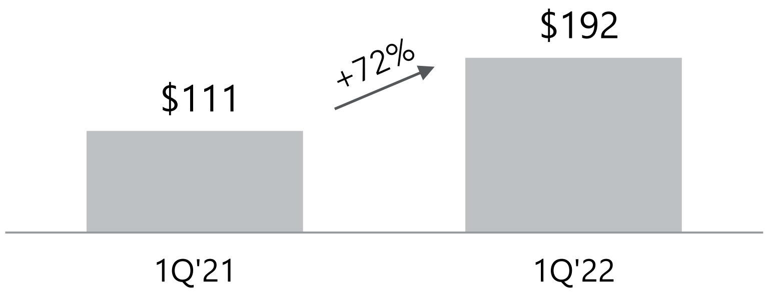
1Q'21 includes initial Ackerman account purchases

SOLAR

# Segment Financials and Key Metrics

## Revenue

$ in Millions




## Adjusted EBITDA

$ in Millions


## Segment Statistics

| | Solar | |
|---|---|---|
| | 1Q'22 | Y/Y Change |
| **Solar Installations** | 5.5K | 79% |
| **Revenue per installation** | ~$35K | (4%) |
| **Financing Fees** (~15% of gross revenue) | $38M | 39% |
| **Battery Attachment Rate** | ~23% | 600bps |

**Notes:** 2021 data is presented as prior to Sunpro acquisition on December 8, 2021. Revenue and revenue per installation are presented net of financing fees. 1Q'22 Revenue and Revenue per installation includes approximately $30 million negative impact from amortization of purchase accounting adjustments related to the Sunpro acquisition.

# Capital Structure Overview

## Recent Highlights

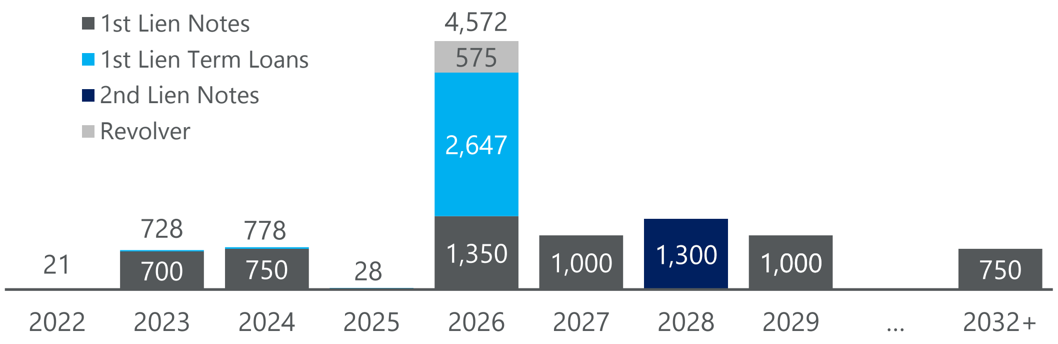
- Paid out 1Q dividend of $0.035 per share in April
- Declared 2Q dividend of $0.035 per share payable on July 5, 2022
- Net leverage ratio of 4.3x, down versus year-end 2021
- Net debt of $9.85B, up slightly versus year-end 2021
- Goal of $1B net debt reduction by year-end 2025

## Capital Structure

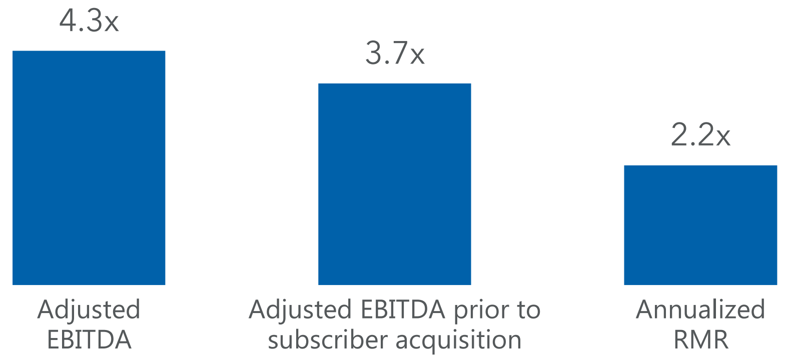
| $ in Millions | 12/31/21 Actual | 3/31/22 Actual |
|---|---|---|
| Revolver | 25 | 170 |
| First Lien Term Loan | 2,758 | 2,751 |
| First Lien Notes | 5,550 | 5,550 |
| Finance Leases and Other | 98 | 94 |
| **Total First Lien Debt** | **$ 8,431** | **$ 8,565** |
| Second Lien Notes | 1,300 | 1,300 |
| **Total Debt** | **$ 9,731** | **$ 9,865** |
| Cash and Cash Equivalents | (24) | (17) |
| **Net Debt** | **$ 9,706** | **$ 9,848** |
| **LTM Adjusted EBITDA** | **2,213** | **2,271** |
| **Net Leverage Ratio** | **4.4x** | **4.3x** |
| Fixed vs. variable ratio | 95%/5% | 97%/3% |

## Debt Maturity Profile

$ in Millions




## Net Debt Ratios




**Notes:** Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments. Capital Structure table excludes receivables facility balance, which was $199 million as of 12/31/2021 and $225 million as of 3/31/22. Fixed vs. variable ratio includes the impact of interest rate swaps. Debt Maturity Profile graph excludes receivables facility and finance leases, while revolver is indicative of total revolver capacity, not current drawn balances. Net debt excludes the receivables facility.

# Appendix

# Adjusted Free Cash Flow

| | For the three months ended | | |
|---|---|---|---|
| ($ in Millions) | Mar 31, 2022 | Mar 31, 2021 | Y/Y Change |
| **Adjusted EBITDA** | **$601** | **$542** | **$59** |
| Net Expensed SAC (1) | 90 | 106 | (15) |
| Net SAC (2) | (425) | (447) | 22 |
| Cash Taxes | (0) | 4 | (4) |
| Cash Interest | (156) | (167) | 11 |
| Capital Expenditures (3) | (44) | (37) | (7) |
| Working Capital & Other | (108) | 63 | (171) |
| **Adjusted Free Cash Flow** | **($42)** | **$64** | **($106)** |

**Notes:**
1. Prior to 1Q'22, Net Expensed SAC included the estimated cash expenditures for sales and installation, net of inflows received, in our Solar segment.
2. Net SAC includes net proceeds from our consumer receivables facility of $26 million and $22 million in 1Q'22 and 1Q'21, respectively.
3. Capital expenditures exclude special items primarily related to integration activities.

# Net SAC Calculation

| Cost Components | For the three months ended March 31, 2022 Capitalized | Non-capitalized | Total |
|---|---|---|---|
| Selling, Advertising, & Commissions | $93 | $130 | **$223** |
| Installation Cost | | $139 | **$139** |
| Capitalized Direct SAC | $182 | | **$182** |
| Capitalized Dealer SAC | $185 | | **$185** |
| Installation Revenue [1] | ($81) | ($222) | **($303)** |
| **Net Subscriber Acquisition Cost** | **$379** | **$46** | **$425** |

**Note:**
1. Non-capitalized installation revenue of $222 million excludes the non-cash effects of ASC 606, timing of receipts associated with our consumer financing program, and other non-cash adjustments.

# Additional Historical Quarterly Data

| *(in millions)* | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 |
| *Operating and Financial Measures* | | | | | |
| Monitoring and Service Revenue | $1,121 | $1,103 | $1,098 | $1,084 | $1,063 |
| Total Revenue | $1,545 | $1,381 | $1,317 | $1,304 | $1,305 |
| Net Loss | $52 | ($58) | ($109) | ($126) | ($48) |
| Adjusted EBITDA | $601 | $574 | $554 | $542 | $542 |
| Adjusted EBITDA Margin (% Total Revenue) | 38.9% | 41.6% | 42.1% | 41.5% | 41.6% |
| LTM Gross Customer Revenue Attrition[1] | 12.9% | 13.1% | 13.4% | 13.3% | 13.1% |
| LTM Revenue Payback (in years)[1][2] | 2.3x | 2.3x | 2.3x | 2.2x | 2.2x |
| *Net Subscriber Acquisition Costs (SAC)* | | | | | |
| Non-capitalized[3] | $46 | $50 | $71 | $68 | $95 |
| Capitalized | $379 | $352 | $368 | $341 | $352 |
| Total | $425 | $402 | $438 | $409 | $447 |
| *memo: Expensed SAC[4]* | *$90* | *$96* | *$117* | *$108* | *$106* |
| *Adjusted Free Cash Flow* | | | | | |
| Adjusted EBITDA | $601 | $574 | $554 | $542 | $542 |
| Net Expensed SAC | $90 | $96 | $117 | $108 | $106 |
| Net SAC | ($425) | $(402) | ($438) | ($409) | ($447) |
| Cash Taxes | ($0) | ($3) | ($0) | ($3) | $4 |
| Cash Interest | ($156) | ($60) | ($169) | ($61) | ($167) |
| Capital Expenditures[5] | ($44) | ($40) | ($41) | ($40) | ($37) |
| Working Capital & Other | ($108) | $10 | $38 | $26 | $63 |
| Adjusted Free Cash Flow | $(42) | $176 | $62 | $164 | $64 |
| *Recurring Monthly Revenue (RMR)* | | | | | |
| End of Period RMR (excluding Wholesale) | $361 | $355 | $352 | $348 | $345 |
| Wholesale RMR | $4 | $4 | $4 | $4 | $4 |
| End of Period RMR (including Wholesale) | $365 | $359 | $356 | $352 | $349 |
| Gross RMR Additions[1] | $15.8 | $14.9 | $15.5 | $14.5 | $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. Excludes the non-cash effects of ASC 606, timing of receipts associated with our consumer financing program, and other non-cash adjustments.
4. Prior to 1Q'22, Net Expensed SAC included the estimated cash expenditures for sales and installation, net of inflows received, in our Solar segment, which were ($16 million) in 4Q'21.
5. Capital expenditures exclude special items primarily related to integration activities.

# Selected Statement of Operations Components

| ($ in millions) | GAAP Line Items For the three months ended March 31, 2022 Total Revenue | Cost of Revenue | SG&A and Other | D&A | Total | GAAP Line Items For the three months ended March 31, 2021 Total Revenue | Cost of Revenue | SG&A and Other | D&A | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Monitoring & Service (M&S) Revenue | $1,113 | - | - | - | $1,113 | $1,052 | - | - | - | $1,052 |
| M&S Costs, G&A, and Other | - | (236) | (242) | - | ($477) | - | (221) | (183) | - | ($404) |
| Net Customer Acquisition Costs | 221 | (130) | (36) | | $56 | - | | - | - | - |
| **subtotal: Adjusted EBITDA prior to subscriber acqusition** | **$1,335** | **($366)** | **($277)** | **-** | **$691** | **$1,052** | **($221)** | **($183)** | **-** | **$648** |
| Net Expensed SAC | 178 | (139) | (130) | - | ($90) | 205 | (160) | (150) | - | ($106) |
| **subtotal: Adjusted EBITDA** | **$1,513** | **($505)** | **($407)** | **-** | **$601** | **$1,257** | **($381)** | **($333)** | **-** | **$542** |
| Depreciation and Amortization | 53 | - | (37) | (476) | ($460) | 37 | - | (29) | (470) | ($461) |
| Special Items | (21) | (5) | (37) | - | ($64) | 11 | - | (86) | - | ($76) |
| **Total** | **$1,545** | **($510)** | **($481)** | **($476)** | | **$1,305** | **($381)** | **($448)** | **($470)** | |

| | GAAP Line Items Total Revenue | Cost of Revenue | SG&A and Other | D&A |
|---|---|---|---|---|
| Monitoring & Service (M&S) Revenue | Monitoring & Service Revenue | - | - | - |
| M&S Costs, G&A, and Other | - | Field Service and Customer Care Expenses | General & Administrative and Other Expense (Income) | - |
| Net Customer Acquisition Costs (Solar) | Installation Revenue | Installation Costs | Selling and Advertising | - |
| Net Expensed SAC (CSB and Commercial) | | | | - |
| 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.

# Income Statement

| *(in millions, except per share data)* | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Monitoring and related services | $ 1,121 | $ 1,063 |
| Installation, product, and other | 423 | 242 |
| **Total revenue** | 1,545 | 1,305 |
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | 510 | 381 |
| Selling, general, and administrative expenses | 482 | 450 |
| Depreciation and intangible asset amortization | 476 | 470 |
| Merger, restructuring, integration, and other | 1 | 21 |
| **Operating income (loss)** | 76 | (16) |
| Interest expense, net | (6) | (48) |
| Other income (expense) | 1 | 2 |
| **Income (loss) before income taxes** | 71 | (62) |
| Income tax benefit (expense) | (20) | 15 |
| **Net income (loss)** | $ 52 | $ (48) |
| **Net income (loss) per share - basic:** | | |
| Common stock | $ 0.06 | $ (0.06) |
| Class B common stock | $ 0.06 | $ (0.06) |
| **Weighted-average shares outstanding - basic:** | | |
| Common stock | 844 | 763 |
| Class B common stock | 55 | 55 |
| **Net income (loss) per share - diluted:** | | |
| Common stock | $ 0.06 | $ (0.06) |
| Class B common stock | $ 0.06 | $ (0.06) |
| **Weighted-average shares outstanding - diluted:** | | |
| Common stock | 911 | 763 |
| Class B common stock | 55 | 55 |

**Note:** Amounts may not sum due to rounding.

# Balance Sheet

| *(in millions)* | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 17 | $ 24 |
| Accounts receivable, net | 454 | 442 |
| Inventories, net | 305 | 277 |
| Work-in-progress | 76 | 71 |
| Prepaid expenses and other current assets | 215 | 178 |
| Total current assets | 1,067 | 993 |
| Property and equipment, net | 362 | 364 |
| Subscriber system assets, net | 2,919 | 2,868 |
| Intangible assets, net | 5,286 | 5,413 |
| Goodwill | 5,941 | 5,943 |
| Deferred subscriber acquisition costs, net | 905 | 850 |
| Other assets | 534 | 463 |
| **Total assets** | $ 17,015 | $ 16,894 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 126 | $ 118 |
| Accounts payable | 450 | 475 |
| Deferred revenue | 374 | 374 |
| Accrued expenses and other current liabilities | 629 | 737 |
| Total current liabilities | 1,579 | 1,703 |
| Long-term debt | 9,735 | 9,575 |
| Deferred subscriber acquisition revenue | 1,308 | 1,199 |
| Deferred tax liabilities | 888 | 867 |
| Other liabilities | 224 | 301 |
| **Total liabilities** | 13,735 | 13,646 |
| | | |
| **Total stockholders' equity** | 3,280 | 3,249 |
| **Total liabilities and stockholders' equity** | $ 17,015 | $ 16,894 |

**Note:** Amounts may not sum due to rounding.

# Cash Flow Statement

| (in millions) | Three Months Ended March 31, 2022 | 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 52 | $ (48) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and intangible asset amortization | 476 | 470 |
| Amortization of deferred subscriber acquisition costs | 37 | 29 |
| Amortization of deferred subscriber acquisition revenue | (53) | (37) |
| Share-based compensation expense | 16 | 16 |
| Deferred income taxes | 16 | (22) |
| Provision for losses on receivables and inventory | 19 | 14 |
| Intangible asset impairments | — | 18 |
| Unrealized (gain) loss on interest rate swap contracts | (145) | (107) |
| Other non-cash items, net | 65 | 39 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Deferred subscriber acquisition costs | (93) | (67) |
| Deferred subscriber acquisition revenue | 81 | 58 |
| Other, net | (163) | (4) |
| Net cash provided by (used in) operating activities | 308 | 359 |
| **Cash flows from investing activities:** | | |
| Dealer generated customer accounts and bulk account purchases | (185) | (199) |
| Subscriber system asset expenditures | (182) | (144) |
| Purchases of property and equipment | (38) | (42) |
| Acquisition of businesses, net of cash acquired | — | (16) |
| Other investing, net | — | 1 |
| Net cash provided by (used in) investing activities | (405) | (399) |
| **Cash flows from financing activities:** | | |
| Proceeds from long-term borrowings | 280 | 11 |
| Proceeds from receivables facility | 47 | 30 |
| Repayment of long-term borrowings, including call premiums | (153) | (18) |
| Repayment of receivables facility | (21) | (7) |
| Dividends on common stock | (32) | (29) |
| Other financing, net | (29) | (27) |
| Net cash provided by (used in) financing activities | 92 | (41) |
| **Cash and cash equivalents and restricted cash and restricted cash equivalents:** | | |
| Net increase (decrease) during the period | (5) | (80) |
| Beginning balance | 33 | 208 |
| Ending balance | $ 28 | $ 127 |

**Note:** Amounts may not sum due to rounding.

# Segment Information

| *(in millions)* | Three Months Ended | | | | | Twelve Months Ended | |
|---|---|---|---|---|---|---|---|
| | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 | March 31, 2022 | December 31, 2021 |
| **Total revenue** | | | | | | | |
| Monitoring and related services | $ 1,121 | $ 1,103 | $ 1,098 | $ 1,084 | $ 1,063 | $ 4,406 | $ 4,348 |
| Installation, product, and other | 423 | 278 | 219 | 221 | 242 | 1,141 | 959 |
| **Total** | $ 1,545 | $ 1,381 | $ 1,317 | $ 1,304 | $ 1,305 | $ 5,547 | $ 5,307 |
| **Total revenue - CSB** | | | | | | | |
| Monitoring and related services | $ 993 | $ 981 | $ 976 | $ 965 | $ 951 | $ 3,915 | $ 3,873 |
| Installation, product, and other | 70 | 68 | 60 | 57 | 87 | 255 | 273 |
| **Total** | $ 1,063 | $ 1,049 | $ 1,036 | $ 1,023 | $ 1,039 | $ 4,170 | $ 4,146 |
| **Total revenue - Commercial** | | | | | | | |
| Monitoring and related services | $ 128 | $ 122 | $ 123 | $ 118 | $ 112 | $ 491 | $ 474 |
| Installation, product, and other | 162 | 162 | 159 | 163 | 155 | 646 | 639 |
| **Total** | $ 290 | $ 284 | $ 281 | $ 282 | $ 266 | $ 1,137 | $ 1,114 |
| **Total revenue - Solar** (1)(2) | | | | | | | |
| Installation, product, and other | $ 192 | $ 47 | $ — | $ — | $ — | $ 239 | $ 47 |
| **Total** | $ 192 | $ 47 | $ — | $ — | $ — | $ 239 | $ 47 |
| **Adjusted EBITDA by segment** | | | | | | | |
| CSB | $ 561 | $ 553 | $ 529 | $ 510 | $ 519 | $ 2,152 | $ 2,111 |
| Commercial | 24 | 16 | 26 | 32 | 23 | 97 | 96 |
| Solar (2) | 17 | 6 | — | — | — | 23 | 6 |
| **Total** | $ 601 | $ 574 | $ 554 | $ 542 | $ 542 | $ 2,271 | $ 2,213 |

**Notes:** Amounts may not sum due to rounding.
1. M&S revenue is not applicable to the Solar segment.
2. Sunpro was acquired on December 8, 2021.

# 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.

# GAAP to Non-GAAP Reconciliations

***Adjusted EBITDA, Adjusted EBITDA prior to subscriber acquisition, 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 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 prior to subscriber acquisition, which is defined as Adjusted EBITDA prior to sales and installation costs, net of installation revenue, in our CSB and Commercial segments, as well as Adjusted EBITDA margin, which is calculated as Adjusted EBITDA as a percentage of total revenue.

| *(in millions)* | Three Months Ended | | | | | Twelve Months Ended | |
|---|---|---|---|---|---|---|---|
| | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 | March 31, 2022 | December 31, 2021 |
| **Net income (loss)** | $ 52 | $ (58) | $ (109) | $ (126) | $ (48) | $ (241) | $ (341) |
| Interest expense, net | 6 | 110 | 133 | 167 | 48 | 416 | 458 |
| Income tax expense (benefit) | 20 | (38) | (36) | (41) | (15) | (96) | (130) |
| Depreciation and intangible asset amortization | 476 | 491 | 480 | 474 | 470 | 1,921 | 1,915 |
| Amortization of deferred subscriber acquisition costs | 37 | 35 | 33 | 30 | 29 | 134 | 126 |
| Amortization of deferred subscriber acquisition revenue | (53) | (49) | (45) | (41) | (37) | (188) | (172) |
| Share-based compensation expense | 16 | 15 | 16 | 14 | 16 | 61 | 61 |
| Merger, restructuring, integration and other | 1 | 19 | (7) | 5 | 21 | 18 | 38 |
| Loss on extinguishment of debt | — | — | 37 | — | — | 37 | 37 |
| Radio conversion costs, net[1] | 10 | 40 | 52 | 61 | 59 | 163 | 211 |
| Acquisition related adjustments[2] | 36 | 12 | 2 | — | — | 50 | 13 |
| Other | 1 | (2) | (2) | — | — | (3) | (3) |
| **Adjusted EBITDA** | $ 601 | $ 574 | $ 554 | $ 542 | $ 542 | $ 2,271 | $ 2,213 |
| | | | | | | | |
| Selling (incl. Commissions) and Advertising | 130 | | | | 150 | 545 | 565 |
| Installations costs | 139 | | | | 160 | 581 | 602 |
| Installation revenue | (178) | | | | (205) | (714) | (740) |
| **Adjusted EBITDA prior to subscriber acquisition[3]** | $ 692 | | | | $ 648 | $ 2,684 | $ 2,640 |
| | | | | | | | |
| *Net loss to total revenue ratio* | *3.3%* | *(4.2)%* | *(8.3)%* | *(9.6)%* | *(3.7)%* | *(4.3)%* | *(6.4)%* |
| *Adjusted EBITDA Margin (as percentage of total revenue)* | *38.9%* | *41.6%* | *42.1%* | *41.5%* | *41.6%* | *41.0%* | *41.7%* |
| Total revenue | 1,545 | 1,381 | 1,317 | 1,304 | 1,305 | 5,547 | 5,307 |

**Notes:** Amounts may not sum due to rounding.

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. 2021 and 2022 primarily related to the acquisition of ADT Solar.
3. Prior to 1Q 2022, Adjusted EBITDA prior to subscriber acquisition excluded sales and installation costs, net of installation revenue, related to Solar of ($16 million).

# GAAP to Non-GAAP Reconciliations

***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.

| *(in millions)* | Three Months Ended | | | | | Twelve Months Ended | |
|---|---|---|---|---|---|---|---|
| | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** | **June 30, 2021** | **March 31, 2021** | **March 31, 2022** | **December 31, 2021** |
| Net cash provided by (used in) operating activities | $ 308 | $ 494 | $ 370 | $ 426 | $ 359 | $ 1,598 | $ 1,650 |
| Net cash provided by (used in) investing activities | $ (405) | $ (525) | $ (393) | $ (378) | $ (399) | $ (1,702) | $ (1,696) |
| Net cash provided by (used in) financing activities | $ 92 | $ (4) | $ (64) | $ (19) | $ (41) | $ 4 | $ (128) |
| | | | | | | | |
| **Net cash provided by (used in) operating activities** | $ 308 | $ 494 | $ 370 | $ 426 | $ 359 | $ 1,598 | $ 1,650 |
| Dealer generated customer accounts and bulk account purchases | (185) | (163) | (173) | (141) | (199) | (661) | (675) |
| Subscriber system asset expenditures | (182) | (176) | (180) | (195) | (144) | (732) | (695) |
| Purchases of property and equipment | (38) | (42) | (43) | (42) | (42) | (165) | (168) |
| **Free Cash Flow** | $ (97) | $ 114 | $ (25) | $ 48 | $ (25) | $ 40 | $ 112 |
| Net proceeds from receivables facility | 26 | 33 | 35 | 32 | 22 | 127 | 123 |
| Financing and consent fees | — | — | — | — | 3 | — | 4 |
| Restructuring and integration payments | 3 | 2 | 2 | 6 | 1 | 13 | 11 |
| Integration related capital expenditures | 1 | 1 | 2 | 3 | 5 | 6 | 10 |
| Radio conversion costs, net | 12 | 25 | 50 | 72 | 51 | 160 | 198 |
| Other, net | 13 | — | (2) | 3 | 6 | 14 | 7 |
| **Adjusted Free Cash Flow** | $ (42) | $ 176 | $ 62 | $ 164 | $ 64 | $ 360 | $ 465 |
| | | | | | | | |
| *Amounts may not sum due to rounding* | | | | | | | |
| Memo: Cash interest included above | $ 156 | $ 60 | $ 169 | $ 61 | $ 167 | $ 446 | $ 457 |

**Note:** Amounts may not sum due to rounding.

# GAAP to Non-GAAP Reconciliations

***Leverage Ratios and Net Debt:***

Net Leverage Ratio is calculated as the ratio of net debt to Adjusted EBITDA. Net Leverage Ratio prior to subscriber acquisition is calculated as the ratio of net debt to Adjusted EBITDA prior to subscriber acquisition. 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 and Adjusted EBITDA prior to subscriber acquisition for descriptions of the differences between the most comparable GAAP measure. Net Leverage Ratio and Net Leverage Ratio prior to subscriber acquisition are useful measures of the Company's credit position and progress towards leverage targets. The calculations are limited in that the Company may not always be able to use cash to repay debt on a dollar-for-dollar basis.

***Debt to Net Income (Loss) Ratio:***

| *(in millions)* | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Total debt (book value) | $ | 9,862 | $ | 9,693 |
| LTM net income (loss) | $ | (241) | $ | (341) |
| **Debt to net income (loss) ratio** | | **(40.9x)** | | **(28.4x)** |

***Leverage Ratios:***

| *(in millions)* | | March 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Revolver | $ | 170 | $ | 25 |
| First lien term loan | | 2,751 | | 2,758 |
| First lien notes | | 5,550 | | 5,550 |
| Receivables facility | | 225 | | 199 |
| Finance leases | | 90 | | 93 |
| Other | | 4 | | 5 |
| **Total first lien debt** | **$** | **8,790** | **$** | **8,630** |
| Second lien notes | | 1,300 | | 1,300 |
| **Total debt[(1)]** | **$** | **10,090** | **$** | **9,930** |
| | | | | |
| Less: | | | | |
| Cash and cash equivalents | | (17) | | (24) |
| Receivables Facility | | (225) | | (199) |
| **Net debt** | **$** | **9,848** | **$** | **9,706** |
| | | | | |
| LTM Adjusted EBITDA | $ | 2,271 | $ | 2,213 |
| **Net leverage ratio[(2)]** | | **4.3x** | | **4.4x** |
| | | | | |
| LTM Adjusted EBITDA prior to subscriber acquisition[(3)] | $ | 2,684 | $ | 2,640 |
| **Net leverage ratio prior to subscriber acquisition** | | **3.7x** | | **3.7x** |
| | | | | |
| Annualized RMR | $ | 4,380 | $ | 4,308 |
| **RMR Ratio** | | **2.2x** | | **2.3x** |

**Notes:** Amounts may not sum due to rounding.

1. Debt instruments are stated at face value.
2. During 4Q 2021, we began presenting net leverage ratio excluding Receivables Facility.
3. Prior to 1Q 2022, Adjusted EBITDA prior to subscriber acquisition excluded sales and installation costs, net of installation revenue, related to Solar of ($16 million). There was no impact to net leverage ratio prior to subscriber acquisition as of 12/31/21.