

# Fourth Quarter and Full Year 2023 Earnings Presentation

February 28, 2024



# Forward Looking Statements and Non-GAAP Measures

ADT has made statements in this presentation that are forward-looking and therefore subject to risks and uncertainties, including those described below. 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 the applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to, among other things, the Company’s planned exit of the residential solar business and the expected costs and benefits of such exit (the “ADT Solar Exit”); the repurchase of shares of the Company’s common stock under the authorized share repurchase program; the Company’s ability to reduce debt or improve leverage ratios, or to achieve or maintain its long-term leverage goals; the integration of the December 2023 strategic bulk purchase of customer accounts; the Company’s outlook and/or guidance, which includes total revenue and Adjusted EBITDA for the Consumer and Small Business (“CSB”) segment and Adjusted Diluted Income (Loss) per Share (“Adjusted EPS”) and Adjusted Free Cash Flow (including interest rate swaps) for total company; any stated or implied outcomes with regards to the foregoing; and other matters. Without limiting the generality of the preceding sentences, any time we use the words “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and, in each case, their negative or other various or comparable terminology, and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements are based on management’s current beliefs and assumptions and on information currently available to management. We caution that these statements are subject to risks and uncertainties, many of which are outside of our control and could cause future events or results to be materially different from those stated or implied in this presentation, including, among others, factors relating to uncertainties as to any difficulties with respect to the effect of the Commercial Divestiture and ADT Solar Exit on our ability to retain and hire key personnel and to maintain relationships with customers, suppliers and other business partners; risks related to the Commercial Divestiture and ADT Solar Exit, including ADT’s business becoming less diversified and the possible diversion of management’s attention from ADT’s core CSB business operations; uncertainties as to our ability and the amount of time necessary to realize the expected benefits of the Commercial Divestiture and ADT Solar Exit, including the risk that the ADT Solar Exit may not be completed in a timely manner or at all; our ability to maintain and grow our existing customer base and to integrate the December 2023 strategic bulk purchase of customer accounts; activity in repurchasing shares of ADT’s common stock under the authorized share repurchase program; dividend rates or yields for any future quarter; and risks that are described in the Company’s Annual Report and its Quarterly Reports on Form 10-Q, including the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in those reports, and in our other filings with the SEC. 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.

## Note

Results of the commercial business are presented as a discontinued operation. Except for Free Cash Flow, Adjusted Free Cash Flow, and Adjusted Free Cash Flow (including interest rate swaps) and unless otherwise noted, non-GAAP and other measures herein have been recast to reflect the results of the Company’s continuing operations.

## 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 Diluted Income (Loss) per Share (“Adjusted EPS”), Adjusted EBITDA margin, Free Cash Flow, Adjusted Free Cash Flow, Adjusted Free Cash Flow including interest rate swaps, 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 for, or superior to, our reported GAAP results.

The Company is not providing a quantitative reconciliation of its financial outlook for CSB Adjusted EBITDA and Adjusted EPS to income (loss) from Continuing Operations or Adjusted Free Cash Flow and Adjusted Free Cash Flow (including interest rate swaps) to net cash provided by operating activities, which are the 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 in the appendix relating to these non-GAAP measures 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.

## Operating Metrics

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.

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# Company Overview



# ADT: Safe, Smart and Sustainable Solutions for Customers



ADT provides safe, smart and sustainable solutions for people, homes and small businesses. Through innovative offerings, unrivaled safety and a premium customer experience, all delivered by the largest network of smart home security professionals in the U.S., we empower people to protect and connect to what matters most.

<b>#1</b>	Smart Home Security Provider <sup>1</sup>	<b>6.4M</b>	Subscribers	<b>3.2x</b>	Net Leverage Ratio
<b>150</b>	Years of Innovative Protection	<b>85%+</b>	Recurring Revenue	<b>~3%</b>	Dividend Yield
<b>~\$6B</b>	Market Cap NYSE: ADT	<b>~\$4.2B</b>	Annualized Recurring Monthly Revenue	<b>\$350M</b>	Share Repurchase Authorization

**History of serving long-tenured customers, generating predictable and steady recurring revenue**

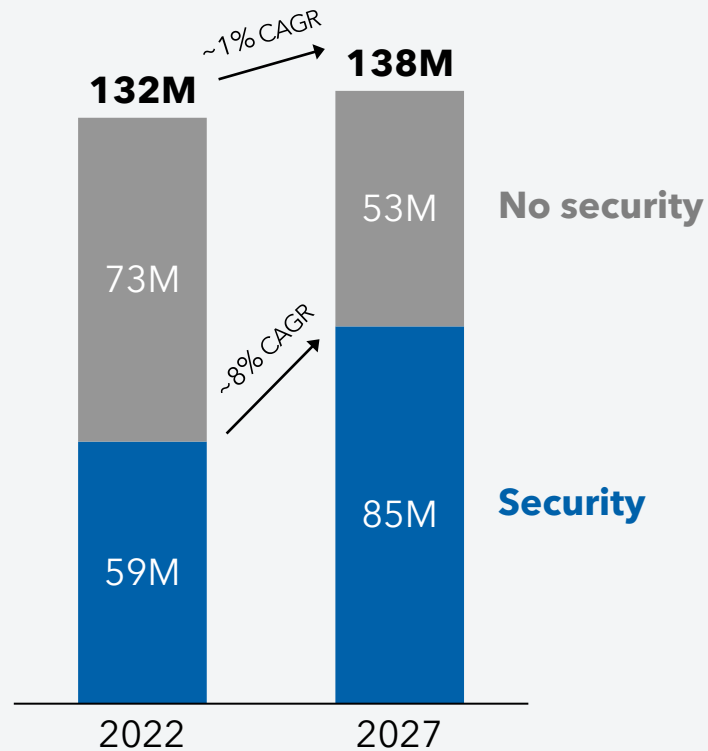
**Notes:** Subscribers and recurring revenue measures are for the CSB segment. Subscribers, recurring revenue, annualized Recurring Monthly Revenue and Net Leverage Ratio presented as of 12/31/2023. All other measures as of 2/26/2024.

1. TechInsights. Top 10 US Interactive Security Providers. May 2023.

# Well Positioned to Capture Growing Consumer Demand and Spend

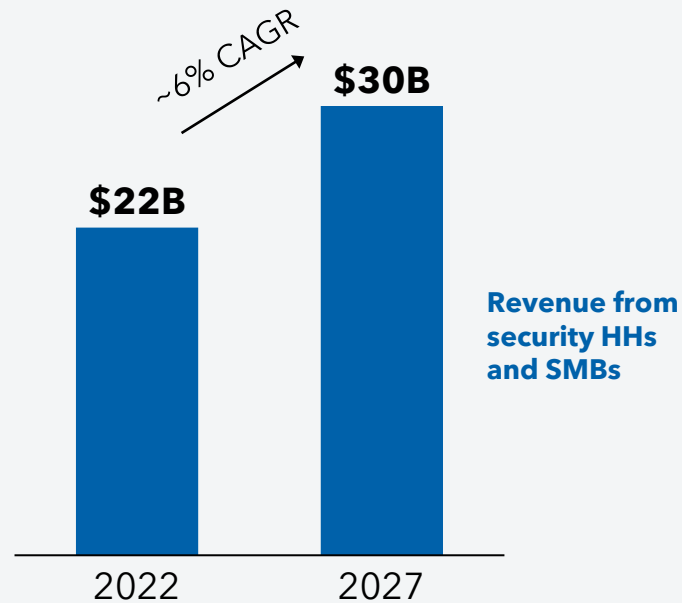
## Increasing Security Demand

### U.S. Households<sup>1</sup>



## Growing Consumer Spend

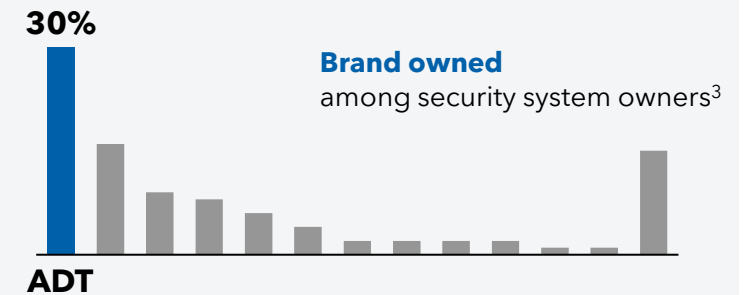
### U.S. Security Market<sup>2</sup>



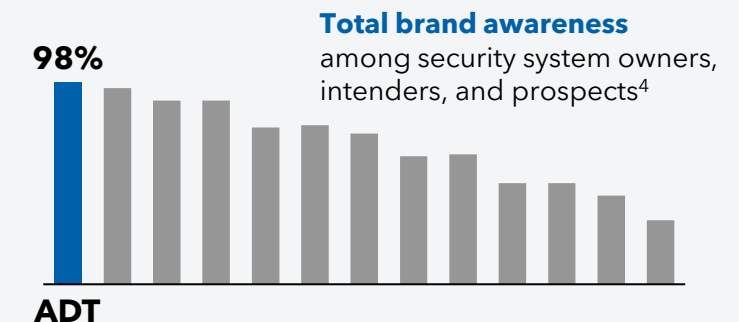
Additional upside from adjacent smart home device categories (~\$40B in 2027)

## ADT - Most Trusted Choice

### Clear market leader, 2x closest competitor



### Highest brand awareness and preference



**Notes:**

1. U.S. Census Bureau, Interpret, ADT analysis. Security households defined as those with security system or device-based professional monitoring or self monitoring.
2. Interpret, TechInsights, Omdia, ADT analysis
3. Parks Associates; "Demand for Security Solutions: Devices, Systems, and Services", December 2023
4. SightX, ADT analysis

## Business is Durable, Resilient, and Flexible

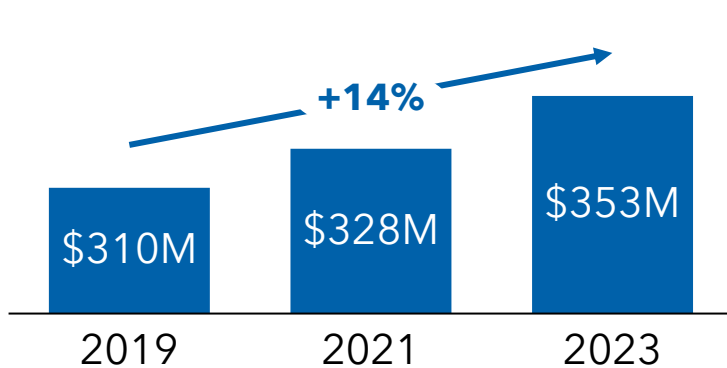
### Durable Recurring Revenue Base

- Large existing subscriber base generates **~\$4.2B** in annualized recurring monthly revenue
- Demand for home security and personal safety increases during uncertain times
- Retention remains near record high; implies **average subscriber life of ~8 years**

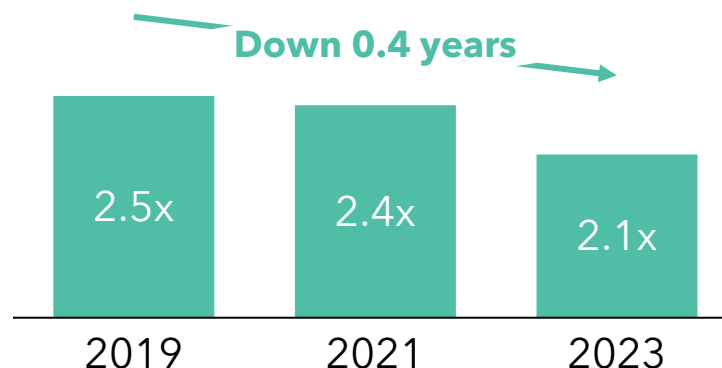
### Capital Flexibility

- Lower attrition leads to less replacement Subscriber Acquisition Costs (SAC)
- **Efficient customer adds** through new channels (State Farm, eComm), and **higher installation revenue**
- **Well-laddered maturities** and **lower interest payments** allow allocation of remaining capital to generate highest shareholder returns

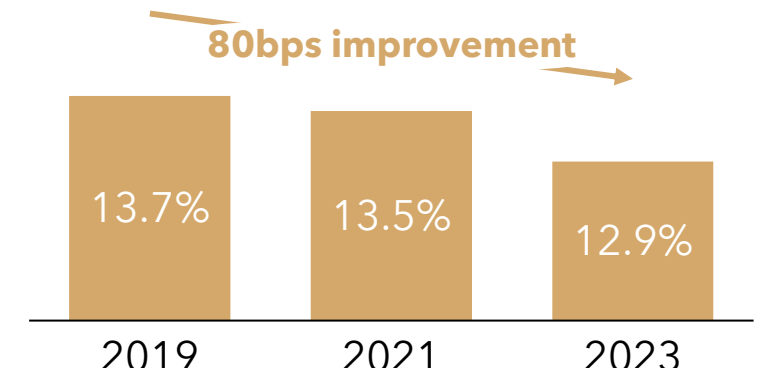
### Recurring Monthly Revenue



### Revenue Payback



### Attrition



**Investments targeting long-term strategic value have driven significant improvements across the business**

# Blue-chip Partnerships Support Innovation and Customer Experience, Accelerating Evolution as the #1 Smart Home Solutions Provider



- Google products have increased the number of smart home devices, correlated with higher retention, higher RMR, and higher install revenue per unit (IRPU)
  - New customers report **18 NPS points higher satisfaction** when Google products are included
  - Residential IRPU **~\$1,400, nearly doubling in last three years**
- Recently **extended and expanded partnership** to include Cloud and AI partnership, accelerating initiatives to drive efficiency and service improvements over the next few years



- Offer for State Farm homeowners is available in 13 states; **expect to launch in 4 additional states in 1H24**
  - Positive trends and high customer satisfaction with early customers
  - ~2/3 of system installs include purchase of additional ADT products and services resulting in higher IRPU
  - Potential future opportunity to protect 13.7 million State Farm homeowner policyholders

## Current Innovation Rollout

- Launched **ADT+ app** and **ADT Self Setup** in early 2023
- **Professional installation** pilots are underway
- Expect to expand penetration and add new features during 2024



# Driving Increased Shareholder Value With Disciplined and Balanced Capital Allocation Framework

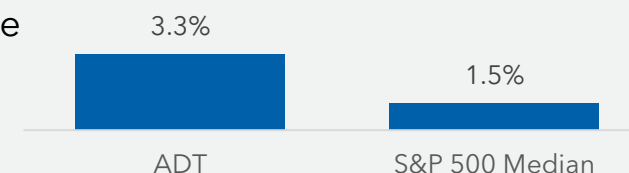
## Fund Growth and Capex to Yield Attractive Returns

- **Capital-efficient subscriber acquisition** through innovative and customer-centric offerings to optimize customer lifetime value
- Investing in innovation and product development to advance ecosystem
- Capacity for **opportunistic bulk account** purchases or tuck-in M&A
- Targeting ~20%+ IRR per New CSB Subscriber

## Return Capital to Shareholders

- **Raised quarterly dividend by 57%** to \$0.055 / share
- Authorized **\$350M share repurchase program**

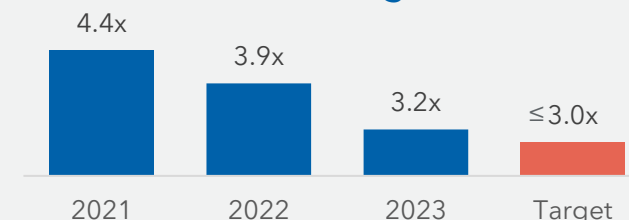
### Dividend Yield<sup>1</sup>



## Continue to Reduce Leverage

- **Repaid \$2.1B in debt** in 2023
- Improved net leverage ratio by 1.2x since 2021
- Targeting **net leverage ratio 3.0x or lower**

### Net Leverage Ratio



**Significant FCF of core business will focus on capital efficient growth and return of capital to shareholders**

**Note:**

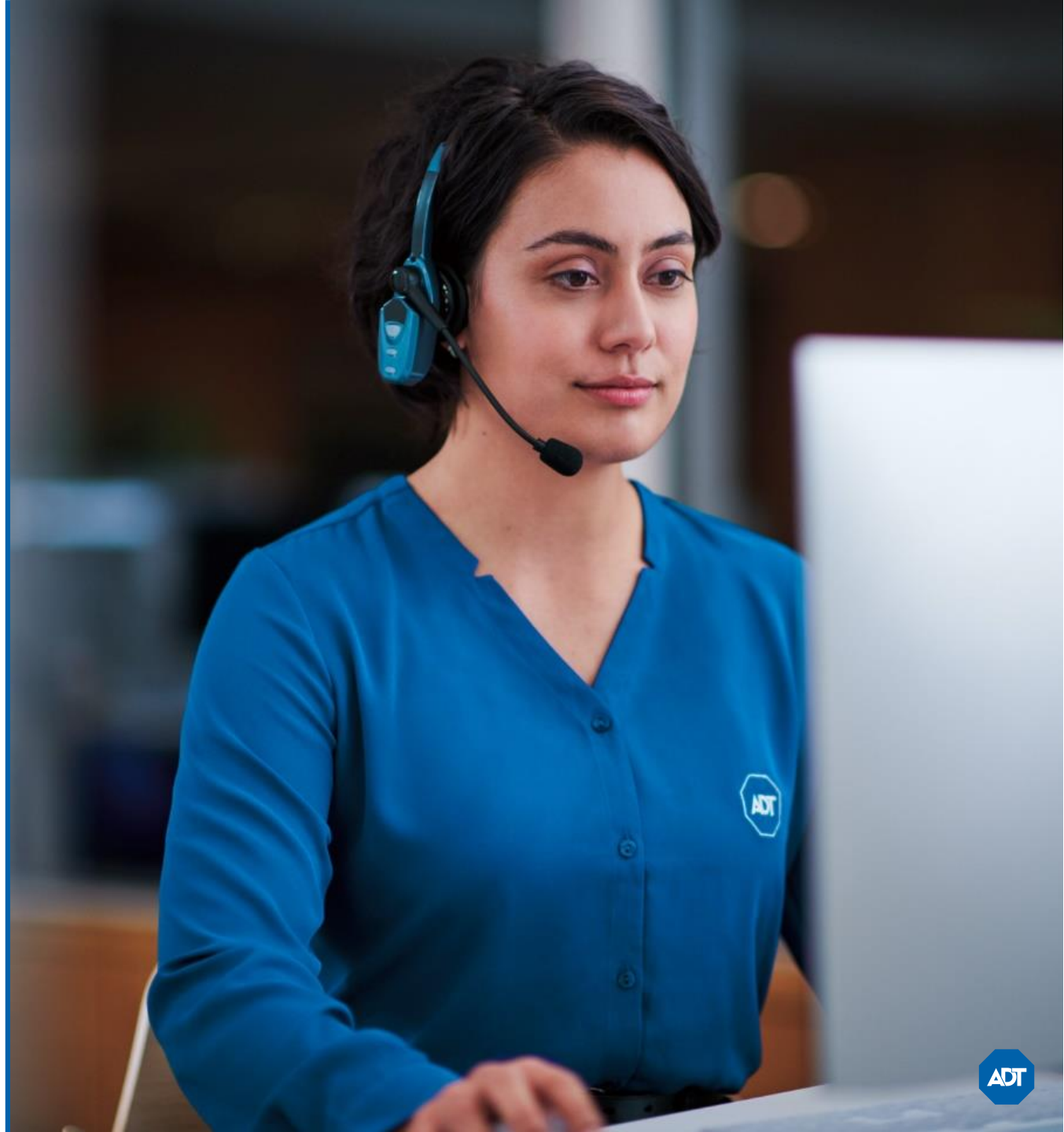
1. Dividend yield based on closing stock price as of 2/26/2024.

## Investment Thesis for ADT Remains Strong

- 1 Large, growing, and highly resilient market underpinned by secular tailwinds with opportunity to meaningfully increase share
- 2 #1 brand in security combined with industry-leading scale and a national footprint
- 3 Stable recurring revenue base with compelling unit economics and resilient cash flows
- 4 Industry's only nationwide network of experienced professionals, complemented by long-term strategic partners
- 5 Attractive debt profile with disciplined capital allocation framework expected to drive long-term value for shareholders



## Financial Results & Outlook



## Recent Progress

- 1 Completed commercial divestiture and commenced solar exit; **streamlined business** will **focus on innovation and growth** in core consumer security and smart home markets
- 2 Strong performance from core CSB segment with **record high recurring monthly revenue balance** and strong retention
- 3 **Enhanced flexibility** and **improved capital efficiency** with revenue payback of 2.1 years
- 4 **Strengthened balance sheet** with \$2.1 billion debt reduction and improvement in net leverage ratio to 3.2x
- 5 Recently announced 57% dividend increase and \$350M share repurchase authorization, driven by **confidence in cash generation** and **highly attractive stock price**

**Streamlined business with strong performance; well-positioned for consumer-focused growth**

## FY 2023: Highlights for Continuing Operations



### +3%

M&S Revenue Growth

*vs. prior year*

### \$2.5B

CSB Adjusted EBITDA

*up 8% vs. prior year*

### \$0.51

Adjusted EPS

*Adjusted Net Income of \$439M,  
up \$263M vs. prior year*

### 2.1 years

Revenue Payback

*down 5% vs. prior year*

### \$353M

End of Period RMR

*up 4% vs. prior year*

### 3.2x

Net Leverage Ratio

*down 0.7x vs. prior year*

## Key Financial Metrics

### CSB

- Continued growth in recurring revenue base
- Near-record customer retention
- Increased efficiency in acquiring and serving customers
- Strong Adjusted EBITDA and cash generation

### Solar

- Continued pressure in sales and installation volumes
- Announced plans to exit solar business

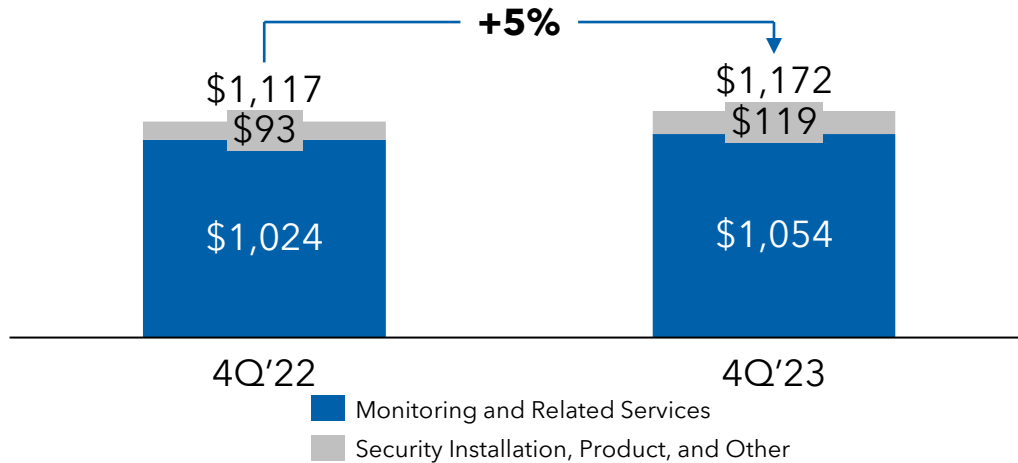
(\$ in millions)	For the three months ended				For the twelve months ended			
	Dec. 31, 2023	Dec. 31, 2022	Y/Y Change		Dec. 31, 2023	Dec. 31, 2022	Y/Y Change	
M&S Revenue	\$1,054	\$1,024	\$30	3%	\$4,179	\$4,053	\$126	3%
Total Revenue	\$1,222	\$1,317	(\$95)	(7%)	\$4,983	\$5,168	(\$186)	(4%)
Adjusted Income (Loss)	\$226	\$77	\$148	192%	\$439	\$176	\$263	149%
Adjusted EPS	\$0.25	\$0.08	\$0.17	213%	\$0.51	\$0.21	\$0.30	143%
Adjusted EBITDA	\$599	\$591	\$8	1%	\$2,365	\$2,310	\$55	2%
Adjusted Free Cash Flow (including interest rate swaps)	\$117	\$277	(\$160)	(58%)	\$525	\$539	(\$14)	(3%)
Adjusted Free Cash Flow	\$94	\$269	(\$175)	(65%)	\$442	\$558	(\$115)	(21%)

## CONSUMER AND SMALL BUSINESS

## Segment Financials and Key Metrics

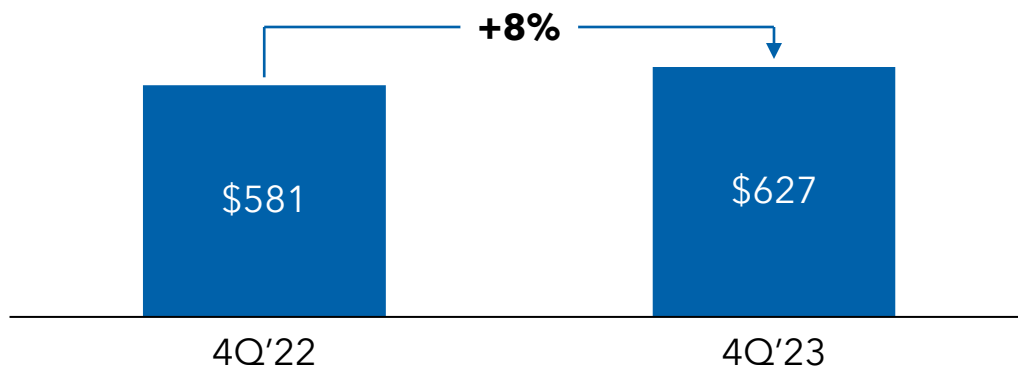
## Revenue

\$ in Millions



## Adjusted EBITDA

\$ in Millions



**Note:** Operating metrics presented exclude wholesale customers who outsource their monitoring to ADT unless otherwise noted. Gross Unit Additions represent Residential and Small Business only. 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. Net Subscriber Acquisition Costs (SAC) represents the estimated cash expenditures for sales and installation, net of inflows received, in our CSB segment.

## Segment Statistics



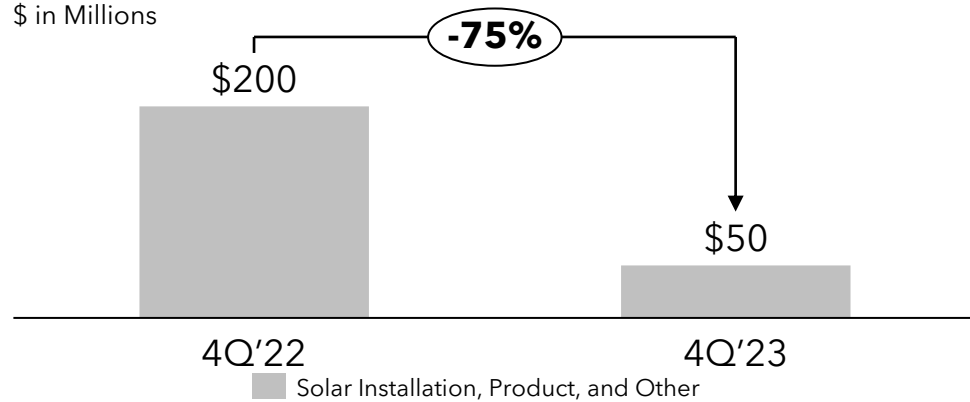
	4Q'23	Y/Y Change
Ending Subscriber Count	6.4M	0%
Interactive Customers as a % of Total Residential and Small Business	68%	400 bps
End of Period RMR including wholesale	\$353M	4%
Gross RMR Additions excluding bulk purchases	\$14.3M	20% (3%)
Gross Unit Additions excluding bulk purchases	243K	24% (4%)
Gross Revenue Attrition	12.9%	10 bps
LTM Revenue Payback	2.1x	(5%)
Net SAC	\$404M	30%

S O L A R

# Segment Financials and Key Metrics

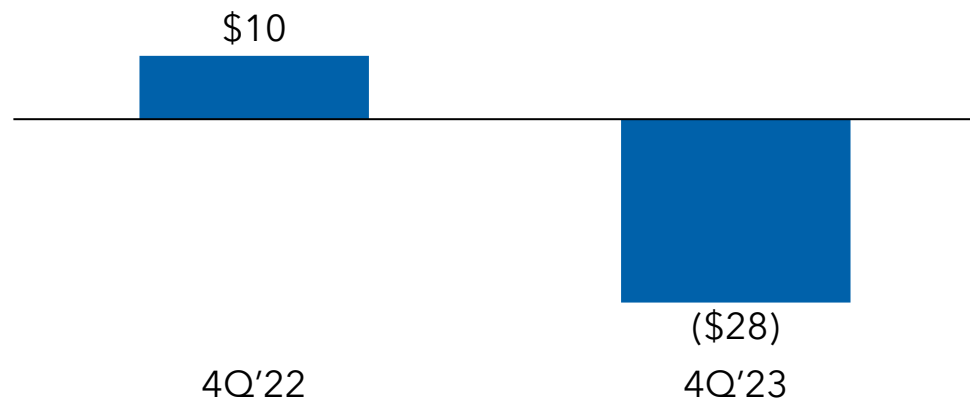
## Revenue

\$ in Millions



## Adjusted EBITDA

\$ in Millions



## Exiting Residential Solar Business

- Following restructuring in 4Q'23 and a detailed strategic review, the Company announced in 1Q'24 that it will exit the residential solar business

## Segment Statistics



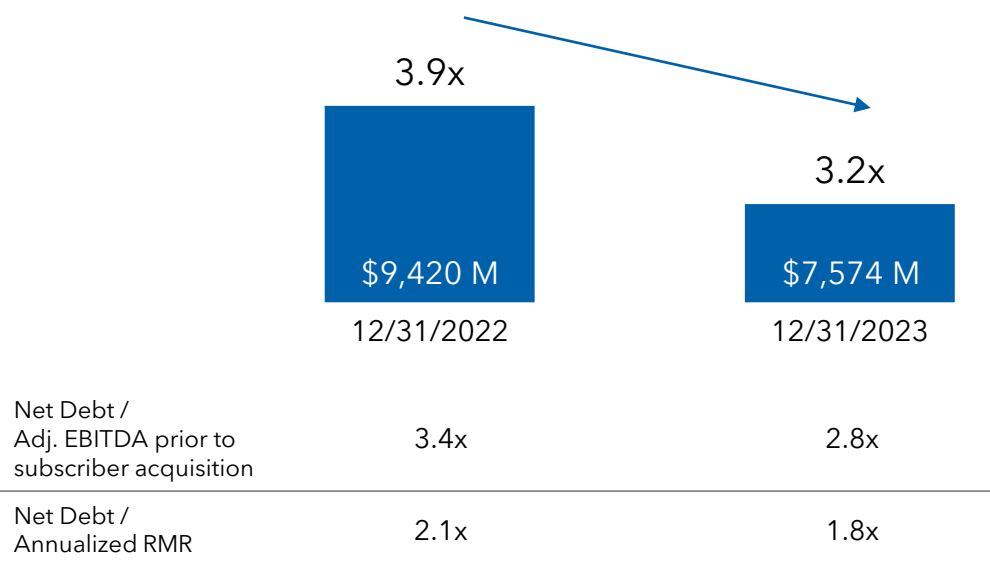
	4Q'23	Y/Y Change
Solar Installations	1.3K	(74%)
Revenue per Installation	~\$39K	(3%)
Battery Attachment Rate	23.7%	550 bps

**Note:** Revenue and revenue per installation are presented net of financing fees, which were \$34 million and \$12 million for 4Q'22 and 4Q'23, respectively.

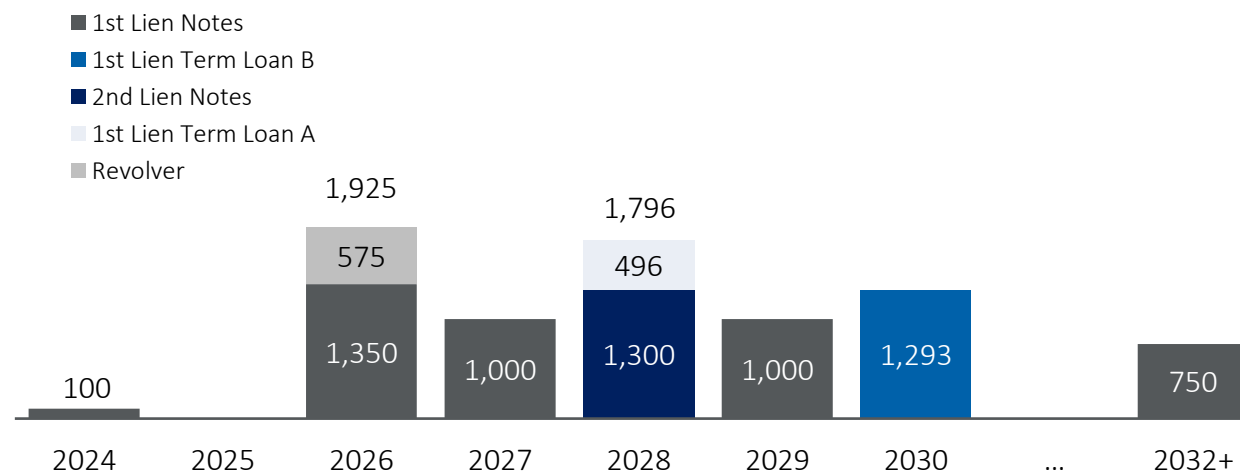
# Significantly Improved Capital Structure with Balanced Maturity Profile

- In 2023, repaid \$2.1B in debt and improved Net Leverage Ratio by 0.7x
- Credit rating upgrades from both S&P (BB-) and Moody's (Ba3) in 2023
- Expect to repay remaining ~\$100M of ADT notes due 2024 at maturity in April 2024
- Effective cash cost of debt of ~4.5% is highly efficient in current high interest macro environment

## Net Debt and Leverage Ratios



## Debt Maturity Profile



**Notes:** Debt Maturity Profile graph excludes \$46 million in amortization payments per year for First Lien Term Loans, receivables facility and finance leases, while the revolver is indicative of total capacity, not current drawn balances. LTM Adjusted EBITDA used in 12/31/2022 leverage ratio calculation is historical and is before commercial divestiture, 12/31/2023 is continuing operations post commercial divestiture.

# 2024 Guidance

## Key Drivers

- Durable and growing RMR base
- Customer service and retention focus
- Continued cost controls
- Growth and infrastructure investments
- Approximately flat SAC
- Elimination of negative Solar cash flow
- Reduced interest expense
- Commercial divestiture

*\$ in millions,  
except per share data*

### **CSB Segment**

	2023 Actual	2024 Guidance	Midpoint Year-over-year
Total Revenue	\$4,653	\$4,800 - \$5,000	+5%
Adjusted EBITDA	\$2,481	\$2,525 - \$2,625	+4%

### **Total Company**

Adjusted EPS	\$0.51	\$0.60 - \$0.70	+25%
Adj. FCF w/ swaps	\$525	\$700 - \$800	+40%

#### Notes:

The above measurements do not include restructuring or similar expenditures associated with winding down and exiting the solar business. Adjusted EPS assumes a tax rate of 26% and share count of 922 million.

# Additional Financial Information & Non-GAAP Reconciliations



# Adjusted Free Cash Flow Bridge <sup>(1)</sup>

(\$ in millions)	For the three months ended			For the twelve months ended		
	Dec. 31, 2023	Dec. 31, 2022	Y/Y Change	Dec. 31, 2023	Dec. 31, 2022	Y/Y Change
<b>Historical Adjusted EBITDA <sup>(1)(2)</sup></b>	<b>\$600</b>	<b>\$629</b>	<b>(\$29)</b>	<b>\$2,510</b>	<b>\$2,447</b>	<b>\$64</b>
<i>Memo: Adjusted EBITDA from continuing operations</i>	\$599	\$591	\$8	\$2,365	\$2,310	\$55
Net Expensed SAC	\$83	\$77	\$6	\$270	\$335	(\$65)
Net SAC	(\$404)	(\$314)	(\$90)	(\$1,395)	(\$1,499)	\$104
<i>Memo: Net SAC from continuing operations</i>	(\$404)	(\$312)	(\$93)	(\$1,399)	(\$1,453)	\$54
Cash Taxes <sup>(3)</sup>	(\$11)	(\$6)	(\$5)	(\$36)	(\$23)	(\$13)
Cash Interest	(\$78)	(\$48)	(\$30)	(\$606)	(\$452)	(\$153)
Capital Expenditures <sup>(4)</sup>	(\$45)	(\$41)	(\$5)	(\$175)	(\$175)	\$0
Working Capital & Other	(\$50)	(\$27)	(\$23)	(\$127)	(\$75)	(\$52)
<b>Adjusted Free Cash Flow <sup>(1)(2)</sup></b>	<b>\$94</b>	<b>\$269</b>	<b>(\$175)</b>	<b>\$442</b>	<b>\$558</b>	<b>(\$115)</b>
Interest Rate Swaps	\$24	\$8	\$15	\$83	(\$19)	\$102
<b>Adjusted Free Cash Flow (including interest rate swaps) <sup>(2)</sup></b>	<b>\$117</b>	<b>\$277</b>	<b>(\$160)</b>	<b>\$525</b>	<b>\$539</b>	<b>(\$14)</b>

## Notes:

- Adjusted Free Cash Flow includes results of continuing and discontinued operations to align with the GAAP presentation on the Statements of Cash Flows. For purposes of this bridge, Historical Adjusted EBITDA also includes the results of discontinued operations related to the commercial business.
- Adjusted Free Cash Flow is a liquidity measure and Adjusted EBITDA is a performance measure; GAAP to Non-GAAP reconciliations for these two measures are available in the following section of this presentation.
- Cash taxes exclude special items related to cash tax payments associated primarily with the divestiture of the commercial business.
- Capital expenditures exclude special items primarily related to integration activities.

# Net Subscriber Acquisition Cost Calculation

(\$ in millions)	For the three months ended Dec. 31, 2023			For the twelve months ended Dec. 31, 2023		
	Capitalized	Non-capitalized	Total	Capitalized	Non-capitalized	Total
Selling, Advertising, and Commissions	\$91	\$87	\$178	\$378	\$326	\$704
Security Installation, Product, and Other Cost	-	\$33	\$33	-	\$146	\$146
Capitalized Direct SAC	\$150	-	\$150	\$622	-	\$622
Capitalized Dealer SAC	\$203	-	\$203	\$589	-	\$589
Upfront Cash Proceeds	(\$68)	(\$93)	(\$160)	(\$284)	(\$377)	(\$661)
<b>Net SAC for Continuing Operations</b>	<b>\$376</b>	<b>\$28</b>	<b>\$404</b>	<b>\$1,304</b>	<b>\$95</b>	<b>\$1,399</b>
<i>memo: Net SAC including Commercial</i>	\$376	\$28	\$404	\$1,316	\$79	\$1,395

**Note:** Net SAC represents the estimated cash costs associated with the sale and installation of security and smart home systems to new and existing customers, net of any cash received at the time of installation. Upfront cash proceeds differ from contractual amounts due to the timing of cash receipts related to our consumer financing program in the amount of \$77 million in 4Q'23.

# Selected Statement of Operations Components

(\$ in millions)	For the three months ended December 31, 2023					For the three months ended December 31, 2022				
	Total Revenue	Cost of Revenue	SG&A and Other <sup>(1)</sup>	D&A	Total	Total Revenue	Cost of Revenue	SG&A and Other <sup>(1)</sup>	D&A	Total
Monitoring & Related Services Revenue (M&S)	\$1,053	-	-	-	\$1,053	\$1,019	-	-	-	\$1,019
M&S Costs, G&A, and Other	-	(\$152)	(\$204)	-	(\$355)	-	(\$151)	(\$236)	-	(\$387)
Net Customer Acquisition Costs	\$50	(\$44)	(\$21)	-	(\$15)	\$200	(\$119)	(\$39)	-	\$42
<b>subtotal: Adjusted EBITDA prior to subscriber acquisition</b>	<b>\$1,103</b>	<b>(\$196)</b>	<b>(\$225)</b>	-	<b>\$682</b>	<b>\$1,219</b>	<b>(\$270)</b>	<b>(\$276)</b>	-	<b>\$673</b>
Net Expensed SAC	\$38	(\$33)	(\$87)	-	(\$83)	\$27	(\$35)	(\$74)	-	(\$82)
<b>subtotal: Adjusted EBITDA</b>	<b>\$1,141</b>	<b>(\$229)</b>	<b>(\$312)</b>	-	<b>\$599</b>	<b>\$1,246</b>	<b>(\$305)</b>	<b>(\$350)</b>	-	<b>\$591</b>
Depreciation and Amortization	\$81	-	(\$50)	(\$330)	(\$299)	\$66	-	(\$42)	(\$392)	(\$368)
Special Items	\$0	-	\$6	-	\$6	\$5	\$0	\$78	-	\$83
<b>Total</b>	<b>\$1,222</b>	<b>(\$229)</b>	<b>(\$357)</b>	<b>(\$330)</b>		<b>\$1,317</b>	<b>(\$305)</b>	<b>(\$315)</b>	<b>(\$392)</b>	

	Total Revenue	Cost of Revenue	SG&A and Other	D&A
Monitoring & Related Services Revenue	Monitoring & Related Services Revenue	-	-	-
M&S Costs, G&A, and Other	-	Monitoring & Related Services Costs	General & Administrative and Other	-
Net Customer Acquisition Costs (Solar)	Solar Installation, Product, and Other Revenue	Solar Installation, Product, and Other Costs	Selling and Advertising	-
Net Expensed SAC (CSB and Commercial)	Security Installation, Product, and Other Revenue	Security Installation, Product, and Other Costs	-	-
Depreciation and Amortization	Amortization of Deferred Subscriber Acquisition Revenue	-	Amortization of Deferred Subscriber Acquisition Costs (Commissions)	Depreciation and Amortization
Special Items	Radio Conversion Revenue	-	Special Items	-

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

1. Other includes Other expense (income) and Equity in net earnings (losses) of equity method investee; excludes change in fair value of a contingent forward purchase contract related to the State Farm transaction during 4Q'22.

# Additional Historical Data

(\$ in millions)	For the Three Months Ended					For the Twelve Months Ended
	Dec. 31, 2023	Sep. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Dec. 31, 2023
<b><u>Operating and Financial Measures</u></b>						
Monitoring & Related Services Revenue (M&S)	\$1,054	\$1,053	\$1,043	\$1,029	\$1,024	\$4,179
Total Revenue	\$1,222	\$1,237	\$1,246	\$1,277	\$1,317	\$4,983
Adjusted Income (Loss)	\$226	\$69	\$49	\$95	\$77	\$439
GAAP Net Income (Loss) from continuing operations	\$85	(\$21)	(\$2)	(\$127)	\$142	(\$65)
Adjusted EBITDA (from continuing operations)	\$599	\$583	\$603	\$579	\$591	\$2,365
Adjusted EBITDA Margin (% Total Revenue)	49.0%	47.1%	48.4%	45.4%	44.9%	47.5%
LTM Gross Customer Revenue Attrition <sup>(1)</sup>	12.9%	12.9%	12.9%	12.9%	12.8%	12.9%
LTM Revenue Payback (in years) <sup>(1)(2)</sup>	2.1x	2.0x	2.1x	2.1x	2.2x	2.1x
<b><u>Net Subscriber Acquisition Costs (SAC)</u></b>						
Non-capitalized <sup>(3)</sup>	\$28	\$26	\$17	\$23	\$17	\$95
Capitalized	\$376	\$327	\$317	\$284	\$295	\$1,304
<b>Total</b>	<b>\$404</b>	<b>\$354</b>	<b>\$334</b>	<b>\$307</b>	<b>\$312</b>	<b>\$1,399</b>
<i>memo: Net Expensed SAC</i>	\$83	\$72	\$72	\$75	\$82	\$303
<b><u>Adjusted Free Cash Flow (presented including discontinued operations)</u></b>						
Historical Adjusted EBITDA <sup>(4)(5)</sup>	\$600	\$634	\$651	\$625	\$629	\$2,510
Net Expensed SAC	\$83	\$59	\$61	\$67	\$77	\$270
Net SAC	(\$404)	(\$350)	(\$331)	(\$310)	(\$314)	(\$1,395)
Cash Taxes <sup>(6)</sup>	(\$11)	(\$7)	(\$16)	(\$2)	(\$6)	(\$36)
Cash Interest	(\$78)	(\$213)	(\$119)	(\$195)	(\$48)	(\$606)
Capital Expenditures <sup>(7)</sup>	(\$45)	(\$41)	(\$30)	(\$59)	(\$41)	(\$175)
Working Capital & Other	(\$50)	\$66	(\$16)	(\$126)	(\$27)	(\$127)
<b>Adjusted Free Cash Flow<sup>(4)(5)</sup></b>	<b>\$94</b>	<b>\$148</b>	<b>\$201</b>	<b>(\$0)</b>	<b>\$269</b>	<b>\$442</b>
Interest Rate Swaps	\$24	\$23	\$20	\$16	\$8	\$83
<b>Adjusted Free Cash Flow Incl. Swaps<sup>(4)(5)</sup></b>	<b>\$117</b>	<b>\$171</b>	<b>\$221</b>	<b>\$16</b>	<b>\$277</b>	<b>\$525</b>
<b><u>Recurring Monthly Revenue (RMR)</u></b>						
End of Period RMR (excluding Wholesale)	\$349	\$346	\$343	\$340	\$337	\$349
Wholesale RMR	\$5	\$4	\$4	\$4	\$4	\$5
<b>End of Period RMR (including Wholesale)</b>	<b>\$353</b>	<b>\$350</b>	<b>\$348</b>	<b>\$344</b>	<b>\$341</b>	<b>\$353</b>
Gross RMR Additions <sup>(1)</sup>	\$14.3	\$13.1	\$13.1	\$11.5	\$11.9	\$52.0

## Notes:

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted.
2. LTM Revenue Payback measures the net SAC incurred / RMR 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. Adjusted Free Cash Flow (AFCF) is a liquidity measure and Adjusted EBITDA is a performance measure; GAAP to Non-GAAP reconciliations for these two measures are available in the following section of this presentation.
5. AFCF includes results of continuing and discontinued operations to align with GAAP Statements of Cash Flows. Historical Adjusted EBITDA also includes commercial business discontinued operations.
6. Cash taxes exclude special items related to cash tax payments associated primarily with the divestiture of the commercial business.
7. Capital expenditures exclude special items primarily related to integration activities.

# Capital Structure Overview

<i>(\$ in millions)</i>	12/31/2022	12/31/2023
Revolver	-	-
First Lien Term Loans	2,730	2,001
First Lien Notes	5,550	4,200
Finance Leases and Other	97	88
<b>Total First Lien Debt</b>	<b>\$8,378</b>	<b>\$6,288</b>
Second Lien Notes	1,300	1,300
<b>Total First and Second Lien Debt</b>	<b>\$9,678</b>	<b>\$7,588</b>
Cash and Cash Equivalents	(257)	(15)
<b>Net Debt</b>	<b>\$9,420</b>	<b>\$7,574</b>
<b>LTM Historical Adjusted EBITDA</b>	<b>2,447</b>	
<b>LTM Adjusted EBITDA from Continuing Operations</b>		<b>2,365</b>
<b>Net Leverage Ratio</b>	<b>3.9x</b>	<b>3.2x</b>
Fixed vs. variable ratio	99%/1%	100%/0%

**Notes:** Capital Structure table excludes receivables facility balance, which was \$355 million as of 12/31/2022 and \$436 million as of 12/31/23. Fixed vs. variable ratio includes the impact of interest rate swaps.

# Statements of Operations

(in millions, except per share data)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
<b>Revenue:</b>								
Monitoring and related services	\$ 1,054	\$ 1,024	\$ 30	3%	\$ 4,179	\$ 4,053	\$ 126	3%
Security installation, product, and other	119	93	25	27%	474	329	145	44%
Solar installation, product, and other	50	200	(150)	(75)%	330	786	(457)	(58)%
<b>Total revenue</b>	<b>1,222</b>	<b>1,317</b>	<b>(95)</b>	<b>(7)%</b>	<b>4,983</b>	<b>5,168</b>	<b>(186)</b>	<b>(4)%</b>
<b>Cost of revenue (exclusive of depreciation and amortization shown separately below):</b>								
Monitoring and related services	152	151	1	—%	604	597	8	1%
Security installation, product, and other	33	35	(2)	(5)%	147	102	45	44%
Solar installation, product, and other	44	119	(75)	(63)%	257	502	(245)	(49)%
<b>Total cost of revenue</b>	<b>229</b>	<b>305</b>	<b>(76)</b>	<b>(25)%</b>	<b>1,008</b>	<b>1,200</b>	<b>(192)</b>	<b>(16)%</b>
Selling, general, and administrative expenses	380	408	(28)	(7)%	1,540	1,663	(123)	(7)%
Depreciation and intangible asset amortization	330	392	(62)	(16)%	1,351	1,616	(265)	(16)%
Merger, restructuring, integration, and other	20	16	4	23%	62	17	45	N/M
Goodwill impairment	—	—	—	N/M	511	201	310	N/M
<b>Operating income (loss)</b>	<b>263</b>	<b>195</b>	<b>68</b>	<b>35%</b>	<b>510</b>	<b>471</b>	<b>39</b>	<b>8%</b>
Interest expense, net	(170)	(147)	(23)	16%	(572)	(264)	(308)	N/M
Loss on extinguishment of debt	(14)	—	(14)	N/M	(17)	—	(17)	N/M
Other income (expense)	10	96	(86)	(90)%	12	(58)	70	N/M
<b>Income (loss) from continuing operations before income taxes and equity in net earnings (losses) of equity method investee</b>	<b>89</b>	<b>144</b>	<b>(56)</b>	<b>(39)%</b>	<b>(67)</b>	<b>149</b>	<b>(216)</b>	<b>N/M</b>
Income tax benefit (expense)	(17)	—	(17)	N/M	(5)	(38)	33	(88)%
<b>Income (loss) from continuing operations before equity in net earnings (losses) of equity method investee</b>	<b>72</b>	<b>144</b>	<b>(73)</b>	<b>(50)%</b>	<b>(71)</b>	<b>111</b>	<b>(183)</b>	<b>N/M</b>
Equity in net earnings (losses) of equity method investee	14	(2)	16	N/M	7	(5)	11	N/M
<b>Income (loss) from continuing operations</b>	<b>85</b>	<b>142</b>	<b>(57)</b>	<b>(40)%</b>	<b>(65)</b>	<b>107</b>	<b>(171)</b>	<b>N/M</b>
Income (loss) from discontinued operations, net of tax	491	9	482	N/M	528	26	502	N/M
<b>Net income (loss)</b>	<b>\$ 576</b>	<b>\$ 151</b>	<b>\$ 425</b>	<b>N/M</b>	<b>\$ 463</b>	<b>\$ 133</b>	<b>\$ 330</b>	<b>N/M</b>
<b>Common Stock:</b>								
Income (loss) from continuing operations per share - basic	\$ 0.09	\$ 0.16			\$ (0.07)	\$ 0.12		
Income (loss) from continuing operations per share - diluted	\$ 0.09	\$ 0.15			\$ (0.07)	\$ 0.12		
Net income (loss) per share - basic	\$ 0.62	\$ 0.17			\$ 0.51	\$ 0.15		
Net income (loss) per share - diluted	\$ 0.59	\$ 0.16			\$ 0.51	\$ 0.15		
Weighted-average shares outstanding - basic	858	851			857	848		
Weighted-average shares outstanding - diluted	919	922			857	848		
<b>Class B Common Stock:</b>								
Income (loss) from continuing operations per share - basic	\$ 0.09	\$ 0.16			\$ (0.07)	\$ 0.12		
Income (loss) from continuing operations per share - diluted	\$ 0.09	\$ 0.15			\$ (0.07)	\$ 0.12		
Net income (loss) per share - basic	\$ 0.62	\$ 0.17			\$ 0.51	\$ 0.15		
Net income (loss) per share - diluted	\$ 0.59	\$ 0.16			\$ 0.51	\$ 0.15		
Weighted-average shares outstanding - basic	55	55			55	55		
Weighted-average shares outstanding - diluted	55	55			55	55		

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

# Balance Sheets

	December 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15	\$ 257
Restricted cash and restricted cash equivalents	115	116
Accounts receivable, net	390	335
Inventories, net	224	225
Work-in-progress	6	12
Prepaid expenses and other current assets	254	307
Current assets held for sale	—	470
<b>Total current assets</b>	<b>1,005</b>	<b>1,722</b>
Property and equipment, net	283	306
Subscriber system assets, net	3,006	2,919
Intangible assets, net	4,877	4,927
Goodwill	4,904	5,430
Deferred subscriber acquisition costs, net	1,176	991
Other assets	713	641
Noncurrent assets held for sale	—	886
<b>Total assets</b>	<b>\$ 15,964</b>	<b>\$ 17,821</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 321	\$ 858
Accounts payable	294	418
Deferred revenue	264	310
Accrued expenses and other current liabilities	601	777
Current liabilities held for sale	—	299
<b>Total current liabilities</b>	<b>1,480</b>	<b>2,661</b>
Long-term debt	7,523	8,947
Deferred subscriber acquisition revenue	1,915	1,581
Deferred tax liabilities	1,027	893
Other liabilities	230	240
Noncurrent liabilities held for sale	—	106
<b>Total liabilities</b>	<b>12,175</b>	<b>14,428</b>
<b>Total stockholders' equity</b>	<b>3,789</b>	<b>3,393</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 15,964</b>	<b>\$ 17,821</b>

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

# Statements of Cash Flows

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Cash flows from operating activities:</b>				
Net income (loss)	\$ 576	\$ 151	\$ 463	\$ 133
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and intangible asset amortization	330	412	1,389	1,694
Amortization of deferred subscriber acquisition costs	50	45	196	163
Amortization of deferred subscriber acquisition revenue	(81)	(68)	(309)	(244)
Share-based compensation expense	8	17	51	67
Deferred income taxes	118	(16)	125	20
Provision for losses on receivables and inventory	47	45	151	114
Loss on extinguishment of debt	14	—	17	—
Goodwill, intangible, and other asset impairments	7	5	529	206
(Gain) loss on sales of businesses	(649)	—	(649)	(10)
Unrealized (gain) loss on interest rate swap contracts	77	11	38	(302)
Change in fair value of other financial instruments	—	(94)	—	63
Other non-cash items, net	(1)	20	100	135
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:				
Deferred subscriber acquisition costs	(91)	(89)	(387)	(394)
Deferred subscriber acquisition revenue	68	73	290	329
Other, net	(61)	56	(346)	(85)
Net cash provided by (used in) operating activities	412	567	1,658	1,888
<b>Cash flows from investing activities:</b>				
Dealer generated customer accounts and bulk account purchases	(203)	(121)	(589)	(622)
Subscriber system asset expenditures	(150)	(162)	(631)	(735)
Purchases of property and equipment	(46)	(41)	(176)	(177)
Acquisition of businesses, net of cash acquired	—	—	—	(13)
Sales of businesses, net of cash sold	1,609	—	1,609	27
Other investing, net	20	—	29	(13)
Net cash provided by (used in) investing activities	1,231	(324)	242	(1,533)
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of common stock, net of expenses	—	1,180	—	1,180
Proceeds from long-term borrowings	217	70	867	550
Proceeds from receivables facility	69	65	282	277
Repurchases of common stock	—	(1,200)	—	(1,200)
Repayment of long-term borrowings, including call premiums	(2,073)	(77)	(2,962)	(605)
Repayment of receivables facility	(56)	(40)	(200)	(121)
Dividends on common stock	(32)	(32)	(129)	(127)
Payments on finance leases	(11)	(11)	(44)	(45)
Proceeds (payments) from opportunity fund	(9)	101	(9)	101
Proceeds (payments) from interest rate swaps	24	8	83	(19)
Other financing, net	2	8	(32)	(5)
Net cash provided by (used in) financing activities	(1,869)	71	(2,144)	(15)
<b>Cash and cash equivalents and restricted cash and restricted cash equivalents:</b>				
Net increase (decrease)	(226)	314	(244)	340
Beginning balance	356	60	374	33
Ending balance	\$ 130	\$ 374	\$ 130	\$ 374

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

# Segment Information

(in millions)

	Three Months Ended				Twelve Months Ended		
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Total revenue - CSB</b>							
Monitoring and related services	\$ 1,054	\$ 1,053	\$ 1,043	\$ 1,029	\$ 1,024	\$ 4,179	\$ 4,053
Security installation, product, and other	119	126	125	104	93	474	329
<b>Total</b>	<b>\$ 1,172</b>	<b>\$ 1,180</b>	<b>\$ 1,168</b>	<b>\$ 1,132</b>	<b>\$ 1,117</b>	<b>\$ 4,653</b>	<b>\$ 4,382</b>
<b>Total revenue - Solar<sup>(1)</sup></b>							
Solar installation, product, and other	\$ 50	\$ 58	\$ 78	\$ 145	\$ 200	\$ 330	\$ 786
<b>Total</b>	<b>\$ 50</b>	<b>\$ 58</b>	<b>\$ 78</b>	<b>\$ 145</b>	<b>\$ 200</b>	<b>\$ 330</b>	<b>\$ 786</b>
<b>Total revenue</b>	<b>\$ 1,222</b>	<b>\$ 1,237</b>	<b>\$ 1,246</b>	<b>\$ 1,277</b>	<b>\$ 1,317</b>	<b>\$ 4,983</b>	<b>\$ 5,168</b>
<b>Adjusted EBITDA by segment</b>							
CSB	\$ 627	\$ 623	\$ 641	\$ 590	\$ 581	\$ 2,481	\$ 2,305
Solar	(28)	(41)	(37)	(11)	10	(117)	5
<b>Total</b>	<b>\$ 599</b>	<b>\$ 583</b>	<b>\$ 603</b>	<b>\$ 579</b>	<b>\$ 591</b>	<b>\$ 2,365</b>	<b>\$ 2,310</b>
<b>Adjusted EBITDA Margin by segment (as a percentage of segment revenue)</b>							
CSB	53 %	53 %	55 %	52 %	52 %	53 %	53 %
Solar	(56) %	(71) %	(48) %	(7) %	5 %	(35) %	1 %
<b>Total</b>	<b>49 %</b>	<b>47 %</b>	<b>48 %</b>	<b>45 %</b>	<b>45 %</b>	<b>47 %</b>	<b>45 %</b>

**Note:** Amounts may not sum due to rounding.  
1. M&S revenue is not applicable to the Solar segment.

## Non-GAAP Measures

ADT sometimes uses information (“non-GAAP financial measures”) that is derived from the 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. The following information includes definitions of the Company's non-GAAP financial measures used in this presentation, reasons management believes these measures are useful to investors regarding the Company's financial condition and results of operations, additional purposes, if any, for which management uses the non-GAAP financial measures, and limitations to using these non-GAAP financial measures, as well as reconciliations of these non-GAAP financial measures to the most comparable GAAP measures. The limitations of non-GAAP financial measures are best addressed by considering these measures in conjunction with the appropriate GAAP measures. In addition, computations of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

With regard to the Company's financial guidance for 2024, the Company is not providing a quantitative reconciliation for forward-looking CSB Adjusted EBITDA and Adjusted EPS to income (loss) from continuing operations, and Adjusted Free Cash Flow (including interest rate swaps) to net cash provided by operating activities, which are the most directly comparable respective GAAP measures. These GAAP measures cannot be reliably predicted or estimated without unreasonable effort due to their dependence on future uncertainties, such as the adjustment of items used in the following reconciliations. Additionally, information about other adjusting items that is currently not available to the Company could have a potentially unpredictable and potentially significant impact on its future GAAP financial results.

The results of the commercial business are presented as a discontinued operation (with the exception of certain costs previously reflected in the Commercial segment that do not qualify to be presented as discontinued operations and are now reflected in the CSB segment). Except for Free Cash Flow, Adjusted Free Cash Flow, and Adjusted Free Cash Flow (including interest rate swaps) which, consistent with the presentation of the GAAP measure net cash provided by (used in) operating activities, continue to reflect the results of both continuing and discontinued operations (through the date of sale), and unless otherwise noted, non-GAAP measures herein have been recast for prior periods to reflect the results of only the Company's continuing operations and to exclude the results of discontinued operations related to the commercial business to conform with the current period presentation.

# GAAP to Non-GAAP Reconciliations

## Adjusted EBITDA from continuing operations ("Adjusted EBITDA") and Adjusted EBITDA Margin from continuing operations ("Adjusted EBITDA Margin")

The Company believes the presentation of Adjusted EBITDA provides useful information to investors about the Company's operating profitability adjusted for certain non-cash items, non-routine items that the Company does not expect to continue at the same level in the future, as well as other items that are not core to the Company's operations. Further, the Company believes Adjusted EBITDA provides a meaningful measure of operating profitability because the Company uses it for evaluating business performance, making budgeting decisions, and comparing company performance against that of other peer companies using similar measures. The Company defines Adjusted EBITDA as income or loss from continuing operations 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 items such as separation costs; (vii) losses on extinguishment of debt; (viii) radio conversion costs net of any related incremental revenue earned; (ix) adjustments related to acquisitions, such as contingent consideration and purchase accounting adjustments, or dispositions; (x) impairment charges; and (xi) other income/gain or expense/loss items such as changes in fair value of certain financial instruments or financing and consent fees. There are material limitations to using Adjusted EBITDA as it does not reflect certain significant items, which directly affect income or loss from continuing operations (the most comparable GAAP measure). The Adjusted EBITDA discussion above is also applicable to Adjusted EBITDA margin, which is calculated as Adjusted EBITDA as a percentage of total revenue.

(in millions)

	Three Months Ended				Twelve Months Ended		
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Income (loss) from continuing operations</b>	\$ 85	\$ (21)	\$ (2)	\$ (127)	\$ 142	\$ (65)	\$ 107
Interest expense, net	170	147	84	171	147	572	264
Income tax expense (benefit)	17	39	23	(74)	—	5	38
Depreciation and intangible asset amortization	330	333	326	362	392	1,351	1,616
Amortization of deferred subscriber acquisition costs	50	48	46	44	42	188	154
Amortization of deferred subscriber acquisition revenue	(81)	(77)	(74)	(70)	(66)	(302)	(235)
Share-based compensation expense	8	10	9	13	14	39	53
Merger, restructuring, integration, and other <sup>(1)</sup>	20	16	11	16	16	62	17
Goodwill impairment <sup>(2)</sup>	—	88	181	242	—	511	201
Change in fair value of other financial instruments <sup>(3)</sup>	—	—	—	—	(94)	—	63
Loss on extinguishment of debt	14	—	—	2	—	17	—
Non-cash acquisition-related adjustments and other, net <sup>(4)</sup>	(14)	(1)	—	—	(2)	(14)	31
<b>Adjusted EBITDA (from continuing operations)</b>	<b>\$ 599</b>	<b>\$ 583</b>	<b>\$ 603</b>	<b>\$ 579</b>	<b>\$ 591</b>	<b>\$ 2,365</b>	<b>\$ 2,310</b>
Selling (incl. Commissions) and Advertising	87				74	326	337
Installations costs	33				35	146	102
Installation revenue	(38)				(27)	(170)	(94)
<b>Adjusted EBITDA (from continuing operations) prior to subscriber acquisition</b>	<b>\$ 682</b>				<b>\$ 673</b>	<b>\$ 2,667</b>	<b>\$ 2,655</b>
<i>Income (loss) from continuing operations to total revenue ratio</i>	7%	(2)%	—%	(10)%	11%	(1)%	2%
<i>Adjusted EBITDA Margin (as percentage of total revenue)</i>	49%	47%	48%	45%	45%	47%	45%
Total revenue	1,222	1,237	1,246	1,277	1,317	4,983	5,168

**Note:** Amounts may not sum due to rounding. Amounts are recast to reflect the presentation of the commercial business as discontinued operations.

1. During 2023, includes integration and third-party costs related to the strategic optimization of the Solar business operations following the ADT Solar acquisition as well as restructuring costs.

2. Represents goodwill impairment charges related to the Solar reporting unit.

3. In connection with the State Farm investment, amounts represent the change in fair value of a contingent forward purchase contract related to the tender offer during 2022.

4. During 2023, primarily includes the gain on sale of a business and other investment, as well as net radio conversion costs, partially offset by financing fees and interest rate swaps. During 2022, primarily includes amortization of the customer backlog intangible asset during Q1 2022 related to the ADT Solar Acquisition and other non-cash purchase accounting adjustments, partially offset by gain on sale of a business of \$10 million during Q2 2022.

# GAAP to Non-GAAP Reconciliations

## Historical Adjusted EBITDA (as reported)

The Company believes the presentation of historical Adjusted EBITDA provides useful information to investors about the Company's operating profitability adjusted for certain non-cash items, non-routine items that the Company does not expect to continue at the same level in the future, as well as other items that are not core to the Company's operations. Further, the Company believes historical Adjusted EBITDA provides a meaningful measure of operating profitability because the Company uses it for evaluating business performance, making budgeting decisions, and comparing company performance against that of other peer companies using similar measures. The Company defines historical 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; (ix) adjustments related to acquisitions, such as contingent consideration and purchase accounting adjustments, or dispositions; (x) impairment charges; and (xi) other income/gain or expense/loss items such as changes in fair value of certain financial instruments or financing and consent fees. There are material limitations to using historical Adjusted EBITDA as it does not reflect certain significant items, which directly affect net income or loss (the most comparable GAAP measure).

Historical Adjusted EBITDA includes results of the Company's continuing and discontinued operations. Amounts are as reported prior to the presentation of the commercial business as a discontinued operation.

	Three Months Ended					Twelve Months Ended		
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2021
<b>Net income (loss)</b>	\$ 576	\$ (86)	\$ 92	\$ (119)	\$ 151	\$ 463	\$ 133	\$ (341)
Interest expense, net	170	148	84	172	147	573	265	458
Income tax expense (benefit)	157	144	(55)	(63)	2	183	49	(130)
Depreciation and intangible asset amortization	330	330	346	383	412	1,389	1,694	1,915
Amortization of deferred subscriber acquisition costs	50	51	48	47	45	196	163	126
Amortization of deferred subscriber acquisition revenue	(81)	(80)	(76)	(72)	(68)	(309)	(244)	(172)
Share-based compensation expense	8	16	12	16	17	51	67	61
Merger, restructuring, integration, and other	20	25	18	18	19	80	22	38
Goodwill impairment	—	88	181	242	—	511	201	—
Gain on sale of business	(630)	—	—	—	—	(630)	—	—
Change in fair value of other financial instruments	—	—	—	—	(94)	—	63	—
Loss on extinguishment of debt	14	—	—	2	—	17	—	37
Radio conversion costs, net	—	(1)	(1)	(1)	(3)	(5)	3	211
Non-cash acquisition-related adjustments and other, net	(14)	1	2	2	2	(10)	31	10
<b>Historical Adjusted EBITDA (as reported)</b>	<b>\$ 600</b>	<b>\$ 634</b>	<b>\$ 651</b>	<b>\$ 625</b>	<b>\$ 629</b>	<b>\$ 2,510</b>	<b>\$ 2,447</b>	<b>\$ 2,213</b>
Selling (incl. Commissions) and Advertising							490	
Installations costs							620	
Installation revenue							(776)	
<b>Adjusted EBITDA (as reported) prior to subscriber acquisition</b>							<b>\$ 2,782</b>	

**Note:** Amounts may not sum due to rounding. Amounts presented include the results of the commercial business. Prior periods agree to amounts that have been previously reported. See previous slide for further details on line items.

# GAAP to Non-GAAP Reconciliations

## Free Cash Flow, Adjusted Free Cash Flow, Adjusted Free Cash Flow including interest rate swaps

The Company defines Free Cash Flow as cash flows from operating activities less cash outlays related to capital expenditures. The Company defines capital expenditures to include accounts purchased through the Company's network of authorized dealers or third parties outside of the 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.

The Company defines Adjusted Free Cash Flow as Free Cash Flow adjusted for net cash flows related to (i) net proceeds from the Company's 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 the Company's operating results or business trends. Adjusted Free Cash Flow including interest rate swaps reflects Adjusted Free Cash Flow plus net cash settlements on interest rate swaps presented outside of net cash provided by (used in) operating activities.

The Company believes the presentations of these non-GAAP measures are appropriate to provide investors with useful information about the Company's ability to repay debt, make other investments, and pay dividends. The Company believes the presentation of Adjusted Free Cash Flow is also a useful measure of cash flow attributable to normal business activities, inclusive of the net cash flows associated with the acquisition of subscribers, as well as the Company's ability to repay other debt, make other investments, and pay dividends. Further, Adjusted Free Cash Flow including interest rate swaps is a useful measure of Adjusted Free Cash Flow inclusive of all cash interest.

There are material limitations to using these non-GAAP measures. These non-GAAP measures 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. These non-GAAP measures are not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted.

The non-GAAP measures in the table below include cash flows associated with both continuing and discontinued operations consistent with the applicable GAAP presentation on the Statement of Cash Flows.

(in millions)

	Three Months Ended						Twelve Months Ended	
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	
Net cash provided by (used in):								
Operating activities	\$ 412	\$ 446	\$ 493	\$ 307	\$ 567	\$ 1,658	\$ 1,888	
Investing activities	\$ 1,231	\$ (333)	\$ (319)	\$ (336)	\$ (324)	\$ 242	\$ (1,533)	
Financing activities	\$ (1,869)	\$ (18)	\$ (217)	\$ (41)	\$ 71	\$ (2,144)	\$ (15)	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 412</b>	<b>\$ 446</b>	<b>\$ 493</b>	<b>\$ 307</b>	<b>\$ 567</b>	<b>\$ 1,658</b>	<b>\$ 1,888</b>	
Dealer generated customer accounts and bulk account purchases	(203)	(133)	(136)	(116)	(121)	(589)	(622)	
Subscriber system asset expenditures	(150)	(161)	(161)	(159)	(162)	(631)	(735)	
Purchases of property and equipment	(46)	(41)	(30)	(59)	(41)	(176)	(177)	
<b>Free Cash Flow</b>	<b>\$ 13</b>	<b>\$ 111</b>	<b>\$ 165</b>	<b>\$ (28)</b>	<b>\$ 243</b>	<b>\$ 262</b>	<b>\$ 355</b>	
Net proceeds from receivables facility	14	20	28	19	25	81	156	
Restructuring and integration payments <sup>(1)</sup>	16	13	7	7	4	43	17	
Integration-related capital expenditures	—	1	—	—	—	2	1	
Radio conversion costs, net	—	(1)	(1)	(1)	(6)	(5)	4	
Tax payments associated with gain on divestitures	25	—	—	—	—	25	—	
Transaction costs and other, net <sup>(2)</sup>	25	5	1	2	3	33	24	
<b>Adjusted Free Cash Flow</b>	<b>\$ 94</b>	<b>\$ 148</b>	<b>\$ 201</b>	<b>\$ —</b>	<b>\$ 269</b>	<b>\$ 442</b>	<b>\$ 558</b>	
Interest rate swaps presented outside operating activities <sup>(3)</sup>	24	23	20	16	8	83	(19)	
<b>Adjusted Free Cash Flow (including interest rate swaps)</b>	<b>\$ 117</b>	<b>\$ 171</b>	<b>\$ 221</b>	<b>\$ 16</b>	<b>\$ 277</b>	<b>\$ 525</b>	<b>\$ 539</b>	

**Note:** Amounts may not sum due to rounding. The non-GAAP measures in the table above include cash flows associated with both continuing and discontinued operations consistent with the applicable GAAP presentation on the Statement of Cash Flows.

1. During 2023, primarily represents ADT Solar integration costs and restructuring activities.

2. During the three months ended December 2023, primarily represents transaction costs related to the Commercial Divestiture. During the twelve months ended December 2022, primarily represents costs related to the ADT Solar acquisition.

3. Includes net settlements related to interest rate swaps presented outside net cash provided by (used in) operating activities.

# GAAP to Non-GAAP Reconciliations

## Adjusted Income (Loss) from Continuing Operations ("Adjusted Income (Loss)") and Adjusted Diluted Income (Loss) per Share (or, Adjusted EPS)

The Company defines Adjusted Income (Loss) as income (loss) from continuing operations adjusted for (i) merger, restructuring, integration, and other; (ii) losses on extinguishment of debt; (iii) radio conversion costs net of any related incremental revenue earned; (iv) share-based compensation expense; (v) unrealized gains and losses on interest rate swap contracts not designated as hedges; (vi) other income/gain or expense/loss items such as changes in fair value of certain financial instruments, impairment charges, financing and consent fees, or acquisition-related adjustments; and (vii) the impact these adjusted items have on taxes.

Adjusted Diluted Income (Loss) per share is Adjusted Income (Loss) divided by diluted weighted-average shares outstanding of common stock. When the control number for the GAAP calculation is negative, diluted weighted-average shares outstanding of common stock does not include the assumed conversion of Class B Common Stock and other potential shares, such as share-based compensation awards, to shares of Common Stock.

The Company believes Adjusted Income (Loss) and Adjusted Diluted Income (Loss) per share are benchmarks used by analysts and investors who follow the industry for comparison of its performance with other companies in the industry, although these measures may not be directly comparable to similar measures reported by other companies.

There are material limitations to using these measures, as they do not reflect certain significant items which directly affect income (loss) from continuing operations and related per share amounts (the most comparable GAAP measures).

Prior to the third quarter of 2023, the Company presented Adjusted Net Income along with a reconciliation to GAAP net income and Adjusted Diluted Net Income (Loss) per share along with a reconciliation to GAAP Diluted Net Income (Loss) per share. As the Company did not report discontinued operations prior to the third quarter of 2023, net income (loss) reflected all of the Company's operations, including the commercial business. Since the beginning of the third quarter of 2023, results of the commercial business are presented in accordance with GAAP as discontinued operations. Therefore, the Company now presents Adjusted Income (Loss) and Adjusted Diluted Income (Loss) per share along with reconciliations to GAAP income (loss) from continuing operations and GAAP Diluted income (loss) from continuing operations per share, respectively, as the most directly comparable GAAP measures.

(in millions, except per share data)

	Three Months Ended					Twelve Months Ended	
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>Income (loss) from continuing operations</b>	\$ 85	\$ (21)	\$ (2)	\$ (127)	\$ 142	\$ (65)	\$ 107
Merger, restructuring, integration, and other	20	16	11	16	16	62	17
Goodwill impairment <sup>(1)</sup>	—	88	181	242	—	511	201
Loss on extinguishment of debt	14	—	—	2	—	17	—
Change in fair value of other financial instruments <sup>(2)</sup>	—	—	—	—	(94)	—	63
Share-based compensation expense	8	10	9	13	14	39	53
Interest rate swaps, net <sup>(3)</sup>	70	9	(55)	33	11	57	(302)
Non-cash acquisition-related adjustments and other, net <sup>(4)</sup>	(24)	(1)	—	—	(2)	(24)	32
Tax impact on adjustments <sup>(5)</sup>	51	(33)	(95)	(83)	(9)	(159)	5
<b>Adjusted Income (Loss)</b>	<b>\$ 226</b>	<b>\$ 69</b>	<b>\$ 49</b>	<b>\$ 95</b>	<b>\$ 77</b>	<b>\$ 439</b>	<b>\$ 176</b>
<b>Weighted-average shares outstanding - diluted<sup>(6)</sup>:</b>							
Common Stock	919	857	858	854	922	857	848
Class B Common Stock	55	55	55	55	55	55	55
<b>Income (loss) per share from continuing operations - diluted:</b>							
Common Stock	\$ 0.09	\$ (0.02)	\$ —	\$ (0.14)	\$ 0.15	\$ (0.07)	\$ 0.12
Class B Common Stock	\$ 0.09	\$ (0.02)	\$ —	\$ (0.14)	\$ 0.15	\$ (0.07)	\$ 0.12
<b>Adjusted Diluted Income (Loss) per share<sup>(7)</sup></b>	<b>\$ 0.25</b>	<b>\$ 0.08</b>	<b>\$ 0.05</b>	<b>\$ 0.11</b>	<b>\$ 0.08</b>	<b>\$ 0.51</b>	<b>\$ 0.21</b>

**Note:** Amounts may not sum due to rounding. Amounts are recast to reflect the presentation of the commercial business as discontinued operations.

- Represents goodwill impairment charges related to the Solar reporting unit.
- In connection with the State Farm investment, amounts represent the change in fair value of a contingent forward purchase contract related to the tender offer during 2022.
- Primarily includes the unrealized (gain) or loss on interest rate swaps not designated as cash flow hedges. During Q3 2023, includes \$25 million associated with the reclassification to interest expense, net from AOCI of historical losses related to certain interest rate swaps for which the Company previously applied hedge accounting but for which the cash flows are probable of not occurring as a result of the partial redemption of the Company's First Lien Term Loan due 2026.
- During 2023, primarily includes the gain on sale of a business and other investment, partially offset by financing fees and interest rate swaps included in other income (expense). During 2022, primarily includes amortization of the customer backlog intangible asset related to the ADT Solar Acquisition and other non-cash purchase accounting adjustments, partially offset by gain on sale of a business of \$10 million.
- Represents the statutory rate, inclusive of the federal statutory rate, which reflects the tax impact of the Company's filing posture in combined, unitary, and separate reporting states. The Company's state tax profile varies by state.
- Refer to the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K for further discussion regarding the computation of diluted weighted-average shares outstanding of common stock.
- Calculated as Adjusted Income (Loss) divided by diluted weighted-average shares outstanding of Common Stock.

# GAAP to Non-GAAP Reconciliations

## Leverage Ratios

Net Leverage Ratio and Net Leverage Ratio (as adjusted) are calculated as the ratio of net debt or net debt (as adjusted) to last twelve months ("LTM") Adjusted EBITDA. Net debt is calculated as total debt excluding the Receivables Facility, including capital leases, minus cash and cash equivalents. Net debt (as adjusted) is calculated as net debt excluding the estimated total debt paydown using the proceeds from the divestiture of the commercial business. Refer to the discussion on Adjusted EBITDA for descriptions of the differences between Adjusted EBITDA and income (loss) from continuing operations, which is the most comparable GAAP measure. The Company believes these measures are useful measure of the Company's credit position and progress towards leverage targets. There are material limitations to using these measures as the Company may not always be able to use cash to repay debt on a dollar-for-dollar basis.

<i>(in millions)</i>	<u>December 31, 2023</u>
Total debt (book value)	\$ 7,844
LTM Income (loss) from continuing operations	\$ (65)
<b>Debt to income (loss) from continuing operations ratio</b>	<b><u>(121.5x)</u></b>

<i>(in millions)</i>	<u>December 31, 2023</u>
Revolver	\$ —
First lien term loans	2,001
First lien and ADT notes	4,200
Receivables facility	436
Finance leases	87
Other	1
<b>Total first lien debt</b>	<b>\$ 6,724</b>
Second lien notes	1,300
<b>Total debt<sup>(1)</sup></b>	<b>\$ 8,024</b>
Less: Cash and cash equivalents	(15)
Less: Receivables Facility	(436)
<b>Net debt</b>	<b>\$ 7,574</b>
LTM Adjusted EBITDA from continuing operations	\$ 2,365
<b>Net leverage ratio</b>	<b><u>3.2x</u></b>
LTM Adjusted EBITDA from continuing operations prior to subscriber acquisition	\$ 2,667
<b>Net leverage ratio prior to subscriber acquisition</b>	<b><u>2.8x</u></b>
Annualized RMR	\$ 4,237
<b>Net leverage ratio</b>	<b><u>1.8x</u></b>

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

1. Debt instruments are stated at face value.

# GAAP to Non-GAAP Reconciliations

## Historical Leverage Ratios (As previously reported)

Net Leverage Ratio (as reported) is calculated as the ratio of net debt to last twelve months ("LTM") Historical 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 Historical Adjusted EBITDA for descriptions of the differences between Historical Adjusted EBITDA and net income (loss), which is the most comparable GAAP measure. The Company believes Net Leverage Ratio is a useful measure of the Company's credit position and progress towards leverage targets. There are material limitations to using Net Leverage Ratio as the Company may not always be able to use cash to repay debt on a dollar-for-dollar basis.

<i>(in millions)</i>	December 31, 2022	December 31, 2021
Total debt (book value)	\$ 9,829	\$ 9,693
LTM net income (loss)	\$ 133	\$ (341)
<b>Debt to net income (loss) ratio</b>	<b>74.1x</b>	<b>(28.4x)</b>
<i>(in millions)</i>	December 31, 2022	December 31, 2021
Revolver	\$ —	\$ 25
First lien term loans	2,730	2,758
First lien and ADT notes	5,550	5,550
Receivables facility	355	199
Finance leases and other	97	98
<b>Total first lien debt</b>	<b>\$ 8,732</b>	<b>\$ 8,630</b>
Second lien notes	1,300	1,300
<b>Total debt<sup>(1)</sup></b>	<b>\$ 10,032</b>	<b>\$ 9,930</b>
Less: Cash and cash equivalents	(257)	(24)
Less: Receivables Facility	(355)	(199)
<b>Net debt</b>	<b>\$ 9,420</b>	<b>\$ 9,706</b>
LTM Historical Adjusted EBITDA (as reported)	\$ 2,447	\$ 2,213
<b>Net leverage ratio (as reported)</b>	<b>3.9x</b>	<b>4.4x</b>
LTM Adjusted EBITDA prior to subscriber acquisition	\$ 2,782	
<b>Net leverage ratio prior to subscriber acquisition</b>	<b>3.4x</b>	
Annualized RMR	\$ 4,490	
<b>RMR Ratio</b>	<b>2.1x</b>	

**Note:** Amounts may not sum due to rounding.  
1. Debt instruments are stated at face value.