

Q4 2019 Earnings Presentation

March 5, 2020

Forward Looking Statements and Non-GAAP Measures

ADT has made statements in this presentation and other reports, filings, and other public written and verbal announcements that are forward-looking and therefore subject to risks and uncertainties, including under the heading 2020 Preliminary Outlook. All statements, other than statements of historical fact, included in this document are, or could be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are made in reliance on the safe harbor protections provided thereunder. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. Any forward-looking statement made in this presentation speaks only as of the date on which it is made. ADT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Forward-looking statements can be identified by various words such as "expects," "intends," "will," "anticipates," "believes," "confident," "continue," "propose," "seeks," "could," "may," "should," "estimates," "forecasts," "might," "goals," "objectives," "targets," "planned," "projects," and similar expressions. These forward-looking statements are based on management's current beliefs and assumptions and on information currently available to management. ADT cautions that these statements are subject to risks and uncertainties, many of which are outside of ADT's control, and could cause future events or results to be materially different from those stated or implied in this document, including among others, risk factors that are described in the Company's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein.

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before special items, Net Income (Loss) before special items, Diluted Earnings Per Share ("EPS") before special items, Commercial Organic Revenue, Commercial Inorganic Revenue, Commercial Organic Revenue Growth, Revenue Excluding Red Hawk and Canada, Revenue Growth Excluding Red Hawk and Canada, and Net Leverage Ratio as non-GAAP measures. Reconciliations from GAAP to non-GAAP financial measures for reported results can be found in the appendix.

The Company is not providing a quantitative reconciliation of its preliminary financial outlook for Adjusted EBITDA and Free Cash Flow before special items 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 preliminary financial outlook are difficult to reliably predict or estimate without unreasonable effort due to their dependence on future uncertainties, such as special items discussed below under the heading — "Non-GAAP Measures—Adjusted EBITDA" and "Non-GAAP Measures—Free Cash Flow before special items." Additionally, information that is currently not available to the Company could have a potentially unpredictable and potentially significant impact on its future GAAP financial results.

Amounts on subsequent pages may not add due to rounding.

Note: The operating metrics Gross Revenue Attrition, Unit Count, RMR, RMR additions, and Revenue Payback are approximated as there may be variations to reported results in each period due to certain adjustments we might make in connection with the integration over several periods of acquired companies that calculated these metrics differently, or otherwise, including periodic reassessments and refinements in the ordinary course of business. These refinements, for example, may include changes due to systems conversion or historical methodology differences in legacy systems.

Q4 Results & Recent Highlights

Strong Revenue Growth	▪ Total revenue increase of 10% year-over-year, 6% adjusting for Red Hawk and ADT Canada ▪ Commercial growth combined with strong residential interactive penetration
Adjusted EBITDA and FCF Generation Remains Robust	▪ Adjusted EBITDA decrease of 1% year-over-year (including -2% impact from sale of ADT Canada) ▪ Free Cash Flow before special items of $132M and $590M year-to-date
Commercial Growth	▪ Strong Q4 [(1)] contributed to commercial organic revenue growth of 16% for the full year ▪ Continued progress integrating Red Hawk and tuck-in acquisition strategy
Enhancing our Residential Platform	▪ Acquired Defenders [(2)], our leading dealer, an opportunistic, accretive transaction that enables significant enhancements to our sales and customer experience ▪ Established new partnership with leading multifamily housing provider HHHunt
Acquire New Customers More Efficiently	▪ Improved revenue payback from 2.4x to 2.3x ▪ National launch in February of pricing and consumer financing program ▪ Acquisition of Defenders and sale of Canada

Notes:
1. Q4 commercial organic revenue growth was $32M or 18%
2. Signed in Q4 2019; closed in Q1 2020

Pricing & Consumer Financing

National Launch of new Consumer Financing Program in February 2020

	Residential Baseline Illustration	Early Program Results
Automation and Security Devices per system	~13	↑
Video/Automation Take Rate (% of interactive)	~60%	↑
Installation Revenue per system	~$400	↑
Recurring Revenue per unit	~$50	≈
Unlevered IRR	20 - 25%	↑

Program Benefits

- Facilitates more install revenue and more devices per new system, leading to higher customer engagement
- Flexibility to choose 3 or 5 year financing
  - 5 year option lengthens current 3 year monitoring & service contract to 5 years
  - Customer upgrade financing available
- Option to pay for equipment/install upfront

Recent Developments

- Changed pilot model by moving to a retail-installment contract model rather than a 3rd party consumer loan
  - Improved customer experience and expected economics
  - One credit check & invoice
- Refining approach to optimize price, volume, and mix trade-offs

Defenders Overview

Business Highlights

Largest ADT dealer and the only dealer to be designated as an *Authorized Premier Provider*

Direct marketing engine – over 1.5 million customer inquiries per year

Headquartered in Indianapolis, Indiana with 130+ locations

~2.9K+ team members

Represented more than 50% of ADT's indirect channel

Track record of growth; 5 year CAGR of 6% new unit additions

Strategic Advantages

- Enhances customer experience
- Simplifies operating ecosystem
- Improves marketing prowess
- Increases go to market efficiency
- Drives capital efficiency

Early Progress

- Jim Boyce joining ADT as President, Chief Business Development Officer after 8+ years as CEO of Defenders
- Strong early collaboration among teams with integration on track
- Initial focus on near-term value and structural foundation to accelerate long term growth

Key Financial Impacts

Reported Adj. EBITDA

- All dealer account acquisition costs capitalized; direct advertising and certain selling costs now expensed

Free Cash Flow before special items

- Cash flow accretive in year one due to reduction in net Subscriber Acquisition Cost (SAC) and elimination of ongoing revenue share

Revenue Payback

- Longer term, helps drive down Revenue Payback through elimination of dealer margin on account purchases and more efficient marketing

Reported Attrition

- Historical metric excludes accounts subject to year 1 dealer chargebacks

Continuing Strong Growth in Commercial Market

Commercial Security Opportunity and Momentum

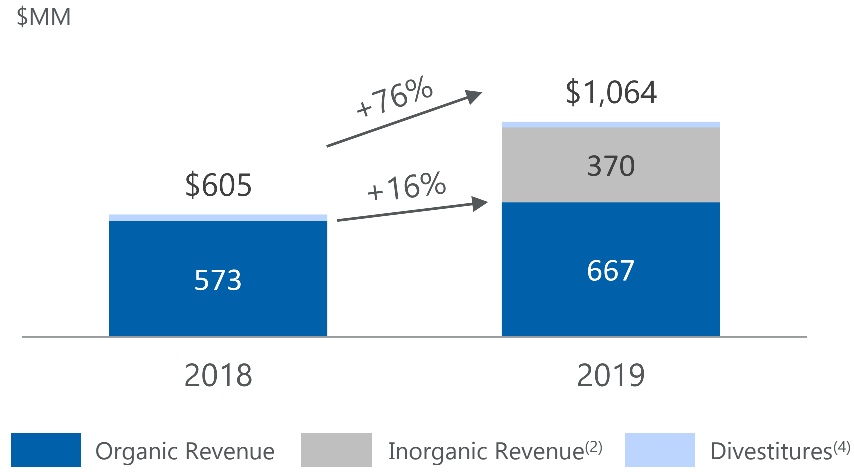
Highly Attractive Market

- Large and growing ~$15 to 20 Billion market(1)
- High structural penetration rates
- Significant barriers to entry
- Quality of service drives market share
- Attractive revenue payback and retention characteristics

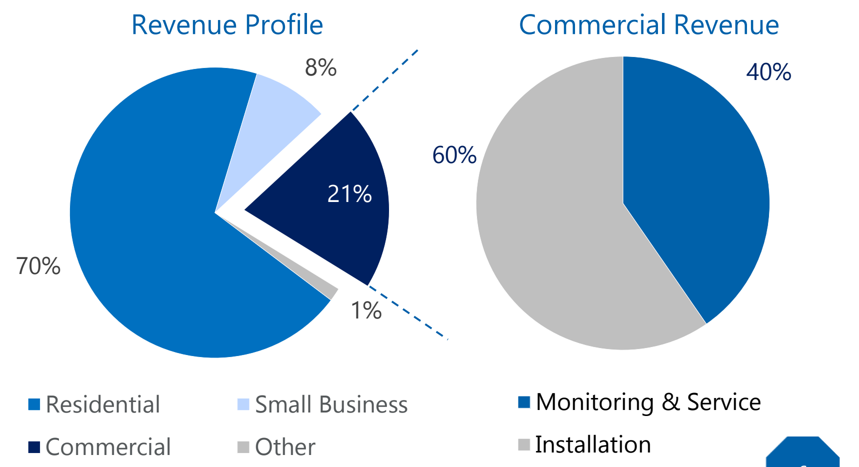
Recent Highlights

- Sales momentum continued across many verticals, including wins in financial institutions
- Acquired Critical Systems during Q4
- Acquired Alliant Tech in early 2020
- Red Hawk integration on track

FY2019 Commercial Total Revenue and Growth



ADT Total Revenue(3)



Notes:

1. U.S. commercial market size based on data from Freedonia, IHS, and company estimates, and includes system installation, integration and monitoring services
2. Incremental revenue from acquisitions until there is a 12 months overlap; Q4 inorganic revenue was $80M, which reflects organic revenue growth of $32M or 18%
3. Presented for the twelve months ended 12/31/19
4. Represents total revenue from divested operations associated with commercial and national accounts

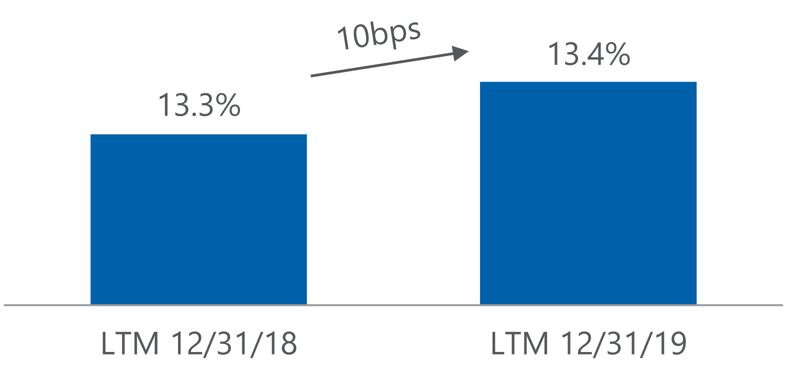
Strength Across Key Financial and Operating Metrics

	For the three months ended			
($ in millions)	Dec 31, 2019	Dec 31, 2018	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$1,058	$1,040	$18	2%
Total Revenue	$1,298	$1,185	$113	10%
Net Loss	($72)	($149)	$77	52%
Adjusted EBITDA	$607	$614	($6)	(1%)
Free Cash Flow before special items	$132	$59	$73	124%
LTM Gross Revenue Attrition[1]	13.4%	13.3%		10 bps
LTM Revenue Payback (in years)	2.3x	2.4x	(0.1x)	
End of Period RMR	$336	$347	($11)	(3%)
End of Period RMR (US only)	$336	$331	$5	2%

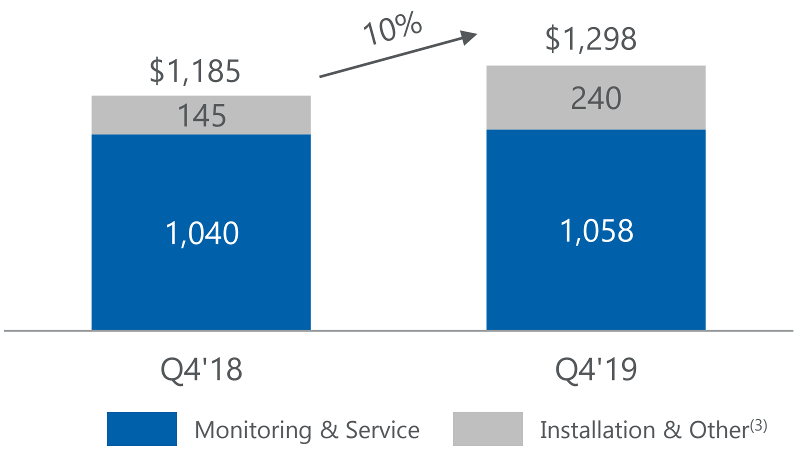
Note:
1. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 rounds to the same percentage as presented in this report.

Total Revenue Up 10% Year-over-Year

Gross Customer Revenue Attrition[1][2]
%



Total Revenue
$MM



Attrition increased 10 basis points

- Higher attrition among a portion of our dealer-acquired accounts drove 10 basis points increase in attrition year-over-year, partially offset by a lower number of direct disconnects

Total revenue increase of 10%

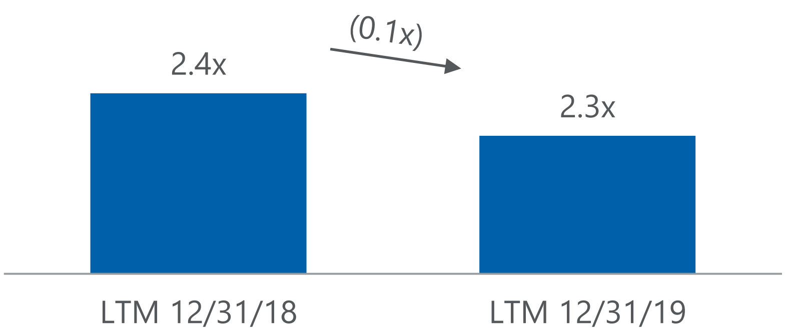
- M&S Revenue grew 2%
- Growth in M&S revenue attributable to acquisitions and higher average prices driven by increased interactive penetration, partially offset by lower volume of additions, attrition, and the sale of Canada
- Higher installation revenue reflects continued successful execution of our commercial growth strategy

Notes:

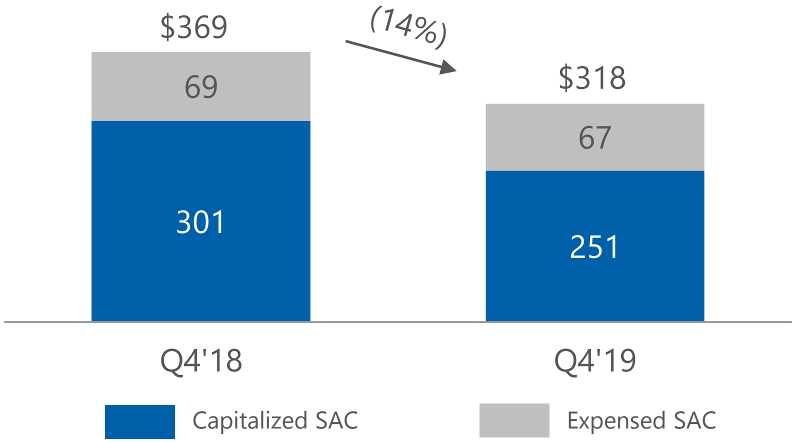
1. Recurring revenue lost as a result of customer attrition net of dealer charge-backs and reinstatements; excludes wholesale customers who outsource their monitoring to ADT and DIY customers; Calculated on a trailing 12 months basis
2. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 rounds to the same percentage as presented in this report.
3. Includes incremental revenue from Red Hawk of $51M; also includes amortization of deferred installation revenue of $29M and $23M for Q4'19 and Q4'18, respectively

Continuing to Acquire Customers Efficiently

Customer Revenue Payback[1][2]
Years



Net Subscriber Acquisition Costs (SAC)[3]
$MM



Continued to strengthen SAC efficiency

- Driven by higher installation revenue (partially due to the expansion of consumer financing pilot), equipment cost benefits, and efficient sales and installation spend

Reduced Net SAC spend 14%

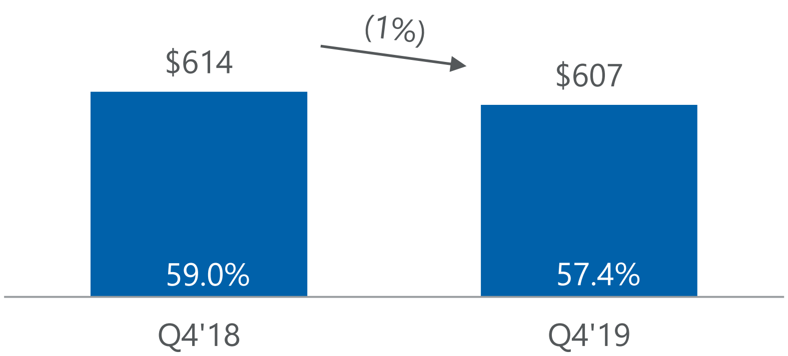
- Net SAC spend is down 14% driven by higher installation revenues on outright sales, other efficiencies, and the sale of our Canadian operations
- RMR additions of $12M[1] down 3% vs. prior year (1% excluding Canada)

Notes:

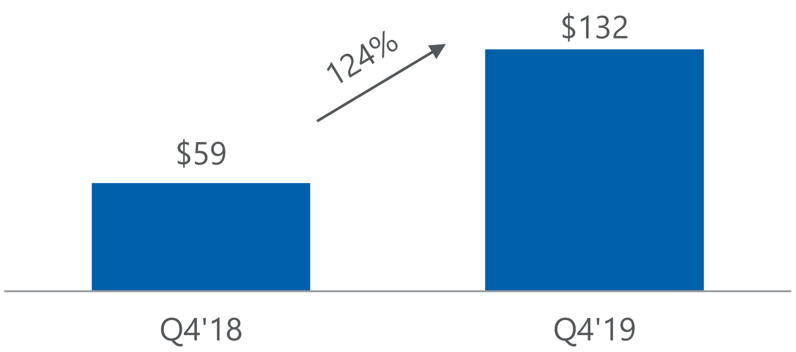
1. Excludes wholesale customers who outsource their monitoring to ADT
2. Revenue payback period measures the net SAC incurred in the period divided by the recurring monthly revenue added during the period, and represents the approximate time, in years, required to recover our net SAC through contractual monthly recurring fees.
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues; amounts include the net reductions related to ASC606 and ASC842 of $19M and $1M for Q4'19 and Q4'18, respectively

Adjusted EBITDA and Continued Robust FCF Generation

Adjusted EBITDA & Margin %[1]
$MM



Free Cash Flow before special items
$MM



Adjusted EBITDA decrease of 1%

- Higher revenue and operating cost efficiencies were offset by the elimination of financial contribution from ADT Canada
- Margin % decline as expected resulting from higher mix of commercial business in 2019 from Red Hawk

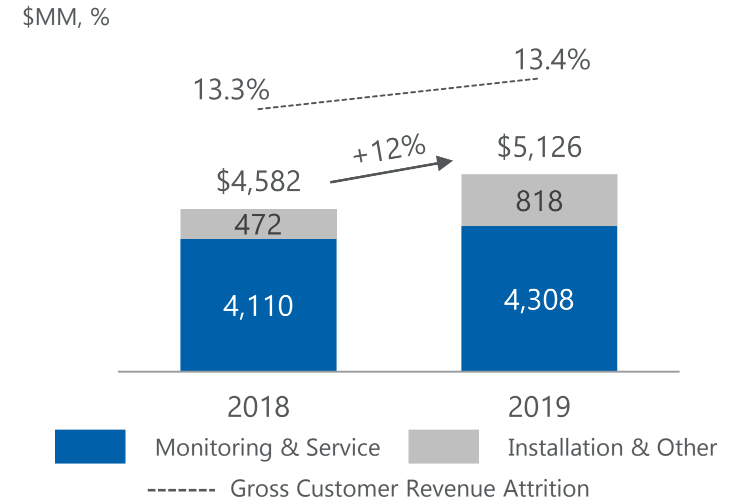
Continued Strong, Positive Free Cash Flow

- Year-to-date cash performance is driven by decrease in capitalized SAC spend, lower cash interest, and higher Adjusted EBITDA, partially offset by an increased level of capital expenditures and negative impact associated with timing of certain working capital items

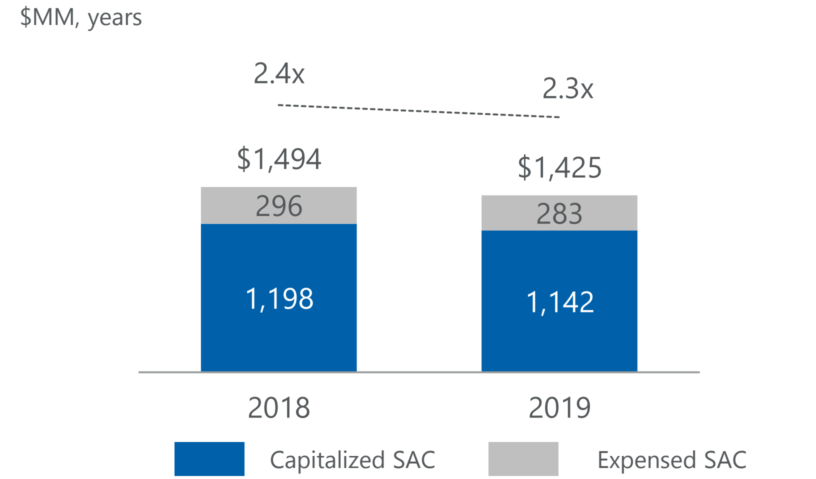
Note:
1. Adjusted EBITDA margin is calculated as a percentage of monitoring and service revenue

2019 Full Year Summary

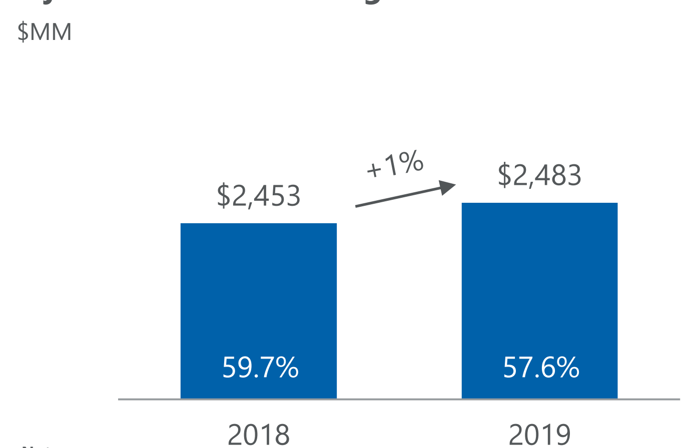
Revenue & Attrition[1]



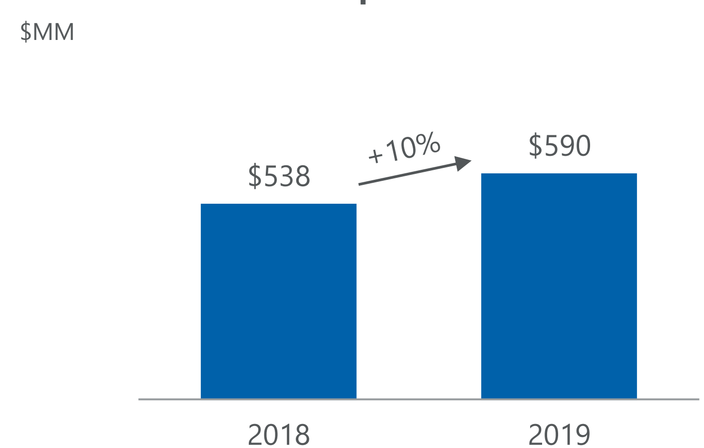
Net Subscriber Acquisition Costs & Revenue Payback[2]



Adjusted EBITDA & Margin[3]



Free Cash Flow before special items[4]



Notes:

1. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 rounds to the same percentage as presented in this report..
2. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues; amounts include the net reductions related to ASC606 and ASC842 of $38M and $7M for 2019 and 2018, respectively
3. Adjusted EBITDA margin is calculated as a percentage of monitoring and service revenue
4. On July 2, 2018, the Company redeemed mandatorily redeemable preferred securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from Free Cash Flow before special items

Strong Cash Flow Generation

($ in millions)	For the three months ended Dec 31, 2019	For the three months ended Dec 31, 2018	For the three months ended Y/Y Change	For the twelve months ended Dec 31, 2019	For the twelve months ended Dec 31, 2018	For the twelve months ended Y/Y Change
Adjusted EBITDA	**$607**	**$614**	**($6)**	**$2,483**	**$2,453**	**$30**
Less: Capitalized SAC	(251)	(301)	50	(1,142)	(1,198)	56
Less: Cash Taxes	9	(2)	11	1	(6)	7
Less: Cash Interest[1]	(138)	(209)	71	(545)	(592)	47
Less: Capital Expenditures[2]	(30)	(32)	2	(143)	(120)	(23)
Less: Working Capital & Other[2]	(64)	(10)	(54)	(63)	1	(64)
Free Cash Flow before special items	**$132**	**$59**	**$73**	**$590**	**$538**	**$53**

Notes:

1. On July 2, 2018, the Company redeemed mandatorily redeemable preferred securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to Q1 and Q2 of 2018 and $45 million related to Q3 and Q4 of 2017), which is excluded from cash interest and Free Cash Flow before special items.
2. Capital expenditures exclude special items primarily related to integration activities; Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees

Capital Structure Well-Positioned to Support Growth

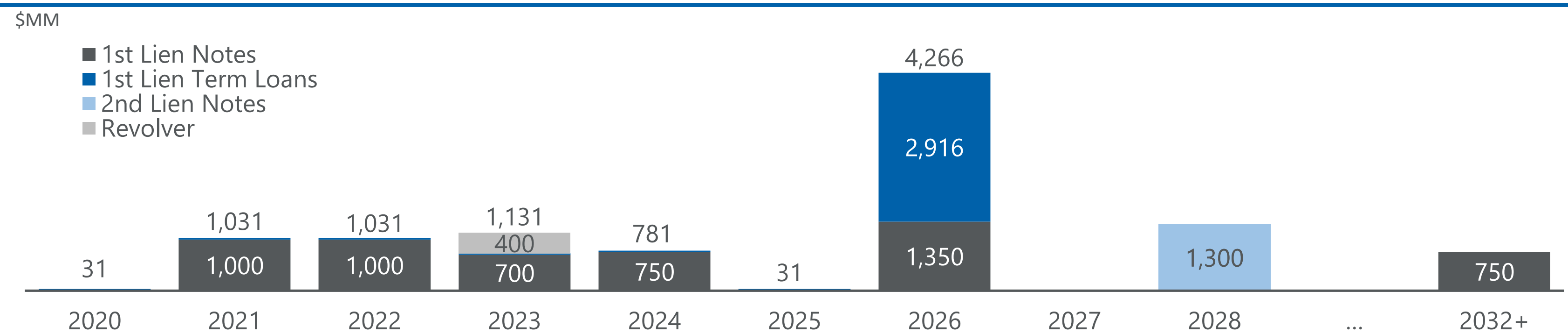
Capital Structure[1]

$MM	12/31/18 Actual	12/31/19 Actual	12/31/19 Pro Forma[2]
Revolver	-	-	220
First Lien Term Loan	3,924	3,102	3,102
First Lien Notes	3,750	5,550	5,550
Finance Leases	50	75	75
Total First Lien Debt	**$ 7,724**	**$ 8,727**	**$ 8,947**
Second Lien Notes	2,546	1,246	1,300
Total Debt	**$ 10,270**	**$ 9,973**	**$ 10,247**
Cash and Cash Equivalents	(363)	(49)	(30)
Net Debt	**$ 9,907**	**$ 9,924**	**$ 10,217**
LTM Adjusted EBITDA	**2,453**	**2,483**	**2,483**
Net Leverage Ratio	**4.0x**	**4.0x**	**4.1x**
Fixed vs. variable ratio[3]	86%/14%	99%/1%	99%/1%

Recent Highlights

- Completed 2L refinancing transaction in January 2020
  - Lowered coupon by 300 bps
  - Extended maturity by 5 years
  - Enhanced certain restricted payment and issuance capacities
- Completed disposition of Canadian business for CAD $683M
- Acquired Defenders for approximately 16 million shares and $260M cash
- Paid out special dividend of $0.70 per share in December and Q4 regular dividend of $0.035 per share in January
- Declared Q1 dividend of $0.035 per share payable on April 2, 2020

Pro Forma Debt Maturity Profile[2][4][5]



Notes:

1. Debt instruments are stated at face value excluding debt issuance discount, deferred financing costs, and fair value adjustments
2. Debt balances and maturities presented pro forma to reflect the refinancing of the second lien notes due 2023, including associated call premium and new debt issuance costs, as well as a revolver draw of $220M to partially fund the acquisition of Defenders in January 2020
3. Includes the impact of interest rate swaps which mature in 2022 while the underlying term loan matures in 2026
4. Excludes $75M finance leases
5. Revolver is indicative of total revolver capacity, not current drawn balances

2020 Preliminary Outlook[1][2]

Continued Focus on Driving Strong, Efficient Cash Flow Growth

Total Revenue	**Total Revenue of $5,000M - $5,300M** ▪ Midpoint represents ~5% growth vs. 2019, adjusted for November Canada sale (Canada ~4% of 2019 Revenue) ▪ Reflects anticipated strong installation revenue growth, led by commercial organic growth of ~10% ▪ Reflects anticipated modest M&S revenue driven by growth in RMR additions, partially offset by carryover of dealer attrition headwind from 2019
Adjusted EBITDA[3]	**Adjusted EBITDA of $2,175M - $2,250M** ▪ 2019 Baseline $2,483M has two previously disclosed offsets estimated at ~$330 million – Canadian operations represented ~4% or ~$80M of EBITDA through sale in November 2019 – Defenders acquisition expected to shift a net ~$250M of capitalized SAC into expensed SAC
Free Cash Flow before special items	**Free Cash Flow of $630M - $670M** ▪ Range represents growth of ~7 to 14% year over year ▪ Reflects anticipated growth in EBITDA and continued improvements in new customer acquisition efficiency including benefits from Defenders acquisition and net cash flow benefits from pricing and consumer financing securitization program with Mizuho signed in March 2020 ▪ Cash interest improvement of $10 to 20M, offset by increases in cash taxes

Notes on 2020 Preliminary Outlook:

(1) The Company is in the early stages of integrating the January 2020 acquisition of Defenders and implementing the February 2020 national launch of a new consumer financing program. Both require further evaluation, decisions, and actions that may impact our 2020 operating results and financial presentation, as well as the accounting treatment of the above metrics. We plan to update our 2020 preliminary Total Revenue and Adjusted EBITDA outlook following the release of our first quarter results, when we anticipate that these evaluations, decisions, and actions will be largely completed.

(2) Guidance excludes 3G and Code-Division Multiple Access ("CDMA") radio conversion costs. Outlook also assumes no material impact to our business from the coronavirus COVID-19 disease currently affecting parts of the United States and a variety of other countries.

(3) Preliminary outlook reflects Adjusted EBITDA phasing to be lowest in Q1 with sequential growth of approximately 3% per quarter.

Snapshot of Business by Customer Type and Unit Count

Market Profile (LTM 12/31/19)

	Residential	Small Business	Large / Multi-Site	Total
Unit Count	~5,800K	~500K	~300K	~6,500K
Ending RMR	$276M	$29M	$27M	$332M
M&S Revenue	$3,469M	$401M	$438M	$4,308M
Installation Revenue[1]	$145M	$31M	$641M	$818M
New RMR Additions	$41M[2]	$5M	$5M	$51M
Revenue Payback	~2.6x	~2.2x	<1.0x	~2.3x
Gross Attrition	~14%	~15%	~11%	~13%
Typical Revenue / Site	$40-$55	$50-$65	$50-$120+	$45-$55

Unit Count

Units in millions	Q4'19	Q4'18	Y/Y %	Q3'19	Q/Q %
Interactive	2.9	2.6	11%	2.8	2%
Traditional	2.8	3.2	(12%)	2.9	(3%)
U.S. Residential	**5.7**	**5.8**	**(1%)**	**5.7**	**0%**
U.S. Commercial	0.7	0.7	2%	0.7	1%
Other	0.1	0.1	7%	0.1	1%
Total EoP Units	**6.5**	**6.6**	**(1%)**	**6.5**	**0%**
Memo: Total Residential	5.8	5.8	(1%)	5.8	0%
Memo: Total Commercial	0.7	0.7	2%	0.7	1%

Notes: Market profile and unit count exclude wholesale customers who outsource their monitoring to ADT; unit count, ending RMR, and typical revenue/site exclude Canada, all other metrics include Canada through the date of disposition on November 6th, 2019

1. Includes amortization of deferred installation revenue of $77M for residential. $24M for small business, and $7M for large/multi-site
2. Dealer additions represent approximately 60% of residential new RMR additions

Q&A


Armed Stay
Armed Stay
System
Automation
Disarm
Quick Exit
Zones
Scenes
11:02 AM April 10, 2018
ADT

Appendix

Growing Portfolio of Smart Home & Safety Devices

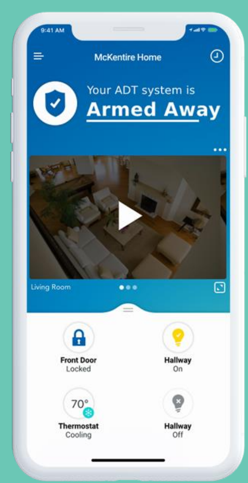
At the center of the connected home

- Touchscreen Keypad
- Smart Home Capabilities
- Six™ Wireless Technology
- All-Inclusive Solutions

ADT Command Panel

Security + home automation accessible anywhere from one app

ADT Control



LIVE

Home Automation | Home Security | Security Cameras | Fire, Home & Safety | Monitoring Services

- Lights
- Garage Door
- Electric
- Sensors
- Alerts
- Thermostat
- Doorbell
- Locks
- Water Leaks
- Video Clips
- Voice Integration
- Geofencing

200,000,000,000+
System Events in 2019[1]

2 Billion+ Arm & Disarm

330 Million+ Door Locks

10.8 Billion+ Captured Video Clips

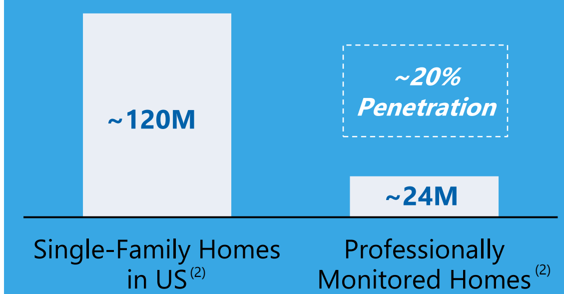
840 Million+ Thermostat

280 Million+ Lights

Note:
1. Figures are annual estimates unless otherwise noted and are expressed solely to illustrate system activity and engagement through our interactive platforms, including Pulse and Control. System Events refer to all smart home, security and life safety interactions made by or on behalf of the user.

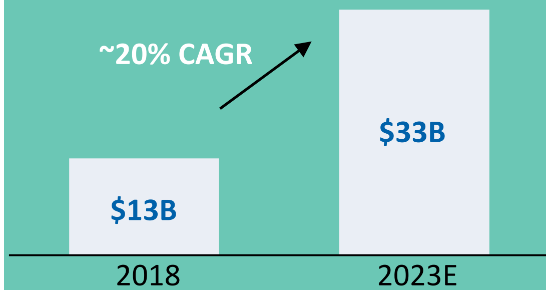
America's #1 Smart Home Security Provider(1)

A large and growing market for security…



- The professionally designed and installed Do-It-For-Me market (DIFM) remains strong and is expected to continue to grow at a steady pace
- The fast growing, smaller DIY market represents an opportunity for ADT to service the remaining 80% of households without a security system

…and dramatically growing smart home market…



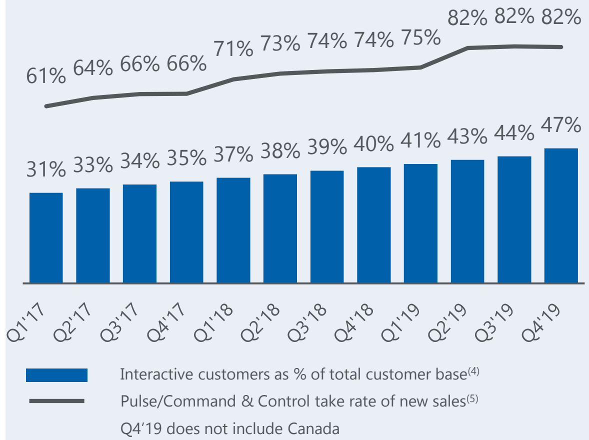
North American Smart Home Market (2018-2023E)(3)

Over the next 5 years, pro-monitored solutions are

45% more likely

to include network cameras.(2)

…that ADT has demonstrated the ability to capture.



Over 435,000 Command and Control Installations Since National Launch in late March(6)

- High interactive take rate and higher video mix is driving increases in both upfront revenue and recurring revenue per unit
- Technician installation productivity gains vs. Pulse

Notes:

1. Strategy Analytics, "US Interactive Security: Self-installed, Professionally-Monitored Solutions Gaining Momentum," April 2019
2. Parks Associates Digital Living Forecast Q3 2019
3. Research on Global Markets, Insights by Netscribes: Global Smart Home Market (2018-2023)
4. Interactive services include Pulse, Control, and similar ADT platforms, and are inclusive of services ranging from remote arm and disarm to full home automation
5. Take rate represents sales by ADT or its authorized dealer network, and excludes large/multi-site, health, wholesale, and DIY customers
6. Command Panel pilot launched in January 2019 in the Southeast region, followed by national launch in late March 2019

Key Financial and Operating Metrics for FY2019

	For the twelve months ended			
($ in millions)	Dec 31, 2019	Dec 31, 2018	Y/Y Change	Y/Y Change %
Monitoring and Service Revenue	$4,308	$4,110	$198	5%
Total Revenue	$5,126	$4,582	$544	12%
Net Loss	($424)	($609)	$185	30%
Adjusted EBITDA	$2,483	$2,453	$30	1%
Free Cash Flow before special items[1]	$590	$538	$53	10%
LTM Gross Revenue Attrition[2]	13.4%	13.3%		10 bps
LTM Revenue Payback (in years)	2.3x	2.4x	(0.1x)	
End of Period RMR	$336	$347	($11)	(3%)
End of Period RMR (US only)	$336	$331	$5	2%

Notes:

1. On July 2, 2018, the Company redeemed mandatorily redeemable preferred securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to 2018 and $45 million related to 2017), which is excluded from Free Cash Flow before special items.
2. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 rounds to the same percentage as presented in this report

Additional Historical Quarterly Data

(in millions)	For the Three Months Ended December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Key Performance Indicators					
Monitoring and Service Revenue	$1,040	$1,070	$1,085	$1,094	$1,058
Total Revenue	1,185	1,243	1,284	1,301	1,298
Net Loss	(149)	(66)	(104)	(182)	(72)
Adjusted EBITDA	614	621	630	624	607
Adjusted EBITDA Margin (as % of M&S revenue)	59.0%	58.0%	58.1%	57.1%	57.4%
LTM Gross Customer Revenue Attrition(1)(2)	13.3%	13.3%	13.3%	13.5%	13.4%
Revenue Payback (in years)(1)	2.4x	2.4x	2.4x	2.4x	2.3x
Net Subscriber Acquisition Costs (3)					
Expensed	$69	$74	$71	$71	$67
Capitalized	301	291	299	300	251
Total	$369	$365	$370	$372	$318
Free Cash Flow					
Adjusted EBITDA	$614	$621	$630	$624	$607
Less: Cash interest	(209)	(99)	(186)	(123)	(138)
Less: Cash taxes	(2)	2	(6)	(3)	9
Less: Changes in net working capital and other(4)	(10)	(24)	27	(2)	(64)
Less: Capitalized SAC	(301)	(291)	(299)	(300)	(251)
Less: Capital expenditures(4)	(32)	(37)	(45)	(30)	(30)
Free Cash Flow (before special items)	$59	$171	$121	$167	$132
RMR					
Ending RMR (excluding Wholesale)	$343	$345	$347	$347	$332
Wholesale RMR	4	4	4	4	4
Ending RMR (including Wholesale)	347	349	351	351	336
RMR Additions(1)	12.6	12.4	13.2	13.5	12.2

Notes:

1. Excludes wholesale customers who outsource their monitoring to ADT, unless otherwise noted.
2. Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 rounds to the same percentage as presented in this report.
3. Net subscriber acquisition cost represents the costs of acquiring new customers and installation expenditures, net of installation revenues; amounts include net reductions related to ASC606 and ASC842
4. Capital expenditures exclude special items primarily related to integration activities; Working capital & other excludes special items related to restructuring, integration, management fees, radio conversions, and financing & consent fees.

Selected Statement of Operations Components

(in millions)	GAAP Line Items — For the quarter ended December 31, 2019: Total Revenue	Cost of Revenue	SG&A	D&A	Total	GAAP Line Items — For the quarter ended December 31, 2018: Total Revenue	Cost of Revenue	SG&A	D&A	Total
Monitoring & Service Revenue	1,058	-	-	-	**$1,058**	1,040	-	-	-	**$1,040**
Monitoring & Service Costs and G&A	-	201	181	-	**$382**	-	184	176	-	**$360**
Net Expensed SAC	211	169	109	-	**$67**	123	98	94	-	**$69**
Depreciation and Amortization	29	-	22	487	**$480**	23	-	17	484	**$478**
Special Items	(0)	-	53	-	**$53**	(1)	1	126	-	**$127**
Total	**$1,298**	**$370**	**$365**	**$487**		**$1,185**	**$283**	**$412**	**$484**	

	GAAP Line Items: Total Revenue	Cost of Revenue	SG&A	D&A
Monitoring & Service Revenue	Monitoring & Service Revenue	-	-	-
Monitoring & Service Costs and G&A	-	Field Service and Customer Care Expenses	General and Administrative	-
Net Expensed SAC	Installation Revenue	Installation Costs	Selling and Advertising	-
Depreciation and Amortization	Amortization of deferred subscriber acquisition revenue	-	Amortization of deferred subscriber acquisition costs (commissions)	Depreciation and Amortization
Special Items	Purchase Accounting Adjustments and Radio Conversion Revenue	Inventory Step up Amortization	Special Items	-

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

Statements of Operations

Statements of Operations:

(in millions, except per share data)	For the Three Months Ended December 31, 2019	For the Three Months Ended December 31, 2018	For the Twelve Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2018
Monitoring and related services	$ 1,058	$ 1,040	$ 4,308	$ 4,110
Installation and other	240	145	818	472
Total revenue	1,298	1,185	5,126	4,582
Cost of revenue (exclusive of depreciation and amortization shown separately below)	370	283	1,390	1,041
Selling, general and administrative expenses	359	324	1,407	1,247
Depreciation and intangible asset amortization	487	484	1,989	1,931
Merger, restructuring, integration, and other	13	(5)	36	(3)
Goodwill impairment	-	88	45	88
Loss on sale of business	6	-	62	-
Operating income	64	11	196	278
Interest expense, net	(154)	(162)	(620)	(663)
Loss on extinguishment of debt	(1)	-	(104)	(275)
Other income (expense)	2	(2)	5	28
Loss before income taxes	(88)	(153)	(522)	(633)
Income tax benefit	16	4	98	23
Net Loss	$ (72)	$ (149)	$ (424)	$ (609)
Net loss per share:				
Basic and diluted	$ (0.10)	$ (0.20)	$ (0.57)	$ (0.81)
Weighted-average number of shares:				
Basic and diluted	743	757	747	748

GAAP to Non-GAAP Reconciliations

Net Loss Before Special Items:

(in millions, except per share data)	For the Three Months Ended December 31, 2019	For the Three Months Ended December 31, 2018	For the Twelve Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2018
Net loss	$ (72)	$ (149)	$ (424)	$ (609)
Merger, restructuring, integration, and other	13	(5)	36	(3)
Financing and consent fees[(1)]	-	9	23	9
Foreign currency (gains)/losses[(2)]	(1)	2	(1)	3
Loss on extinguishment of debt	1	-	104	275
Radio conversion costs, net[(3)]	12	-	25	5
Share-based compensation expense	21	22	86	135
Interest rate swaps, net[(4)]	-	5	8	(4)
Acquisition related adjustments[(5)]	6	5	22	16
Licensing fees[(6)]	-	-	-	(22)
Other[(7)]	5	5	22	5
Goodwill impairment	-	88	45	88
Loss on sale of business	6	-	62	-
Tax adjustments[(8)]	(14)	(10)	(74)	(15)
Net loss before special items	$ (24)	$ (28)	$ (66)	$ (116)

Diluted EPS Before Special Items:

(in millions, except per share data)	For the Three Months Ended December 31, 2019	For the Three Months Ended December 31, 2018	For the Twelve Months Ended December 31, 2019	For the Twelve Months Ended December 31, 2018
Diluted EPS (GAAP)	$ (0.10)	$ (0.20)	$ (0.57)	$ (0.81)
Impact of special items	0.08	0.17	0.58	0.68
Impact of tax adjustments	(0.02)	(0.01)	(0.10)	(0.02)
Diluted EPS before special items	$ (0.03)	$ (0.04)	$ (0.09)	$ (0.16)
Diluted weighted-average number of shares outstanding	743	757	747	748

Notes:

1. Represents fees expensed associated with financing transactions.
2. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
3. Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program.
4. Primarily represents the change in the fair value of interest rate swaps not designated as hedges.
5. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
6. Represents other income related to $22 million of one-time licensing fees.
7. Represents other charges and non-cash items as well as certain advisory and other costs associated with our transition to a public company. During 2019, includes a $10 million write-off of notes receivable from a strategic investment. During 2018, includes a gain of $7.5 million from the sale of equity in a third-party that we received as part of a settlement.
8. Represents tax impact on special items. In 2018, includes a one-time non-deductible tax impact on share-based compensation expense related to certain awards.

GAAP to Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin:

(in millions)	For the Three Months Ended December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	For the Twelve Months Ended December 31, 2019	December 31, 2018
Net loss	$ (72)	$ (182)	$ (104)	(66)	$ (149)	$ (424)	$ (609)
Interest expense, net	154	152	155	159	162	620	663
Income tax benefit	(16)	(36)	(23)	(22)	(4)	(98)	(23)
Depreciation and intangible asset amortization	487	506	501	496	484	1,989	1,931
Amortization of deferred subscriber acquisition costs	22	21	20	18	17	80	60
Amortization of deferred subscriber acquisition revenue	(29)	(28)	(26)	(24)	(23)	(107)	(79)
Share-based compensation expense	21	19	23	24	22	86	135
Merger, restructuring, integration and other	13	10	7	6	(5)	36	(3)
Goodwill impairment	-	45	-	-	88	45	88
Loss on sale of business	6	55	-	-	-	62	-
Loss on extinguishment of debt	1	15	67	22	-	104	275
Radio conversion costs, net[1]	12	12	1	-	-	25	5
Financing and consent fees[2]	-	22	-	1	9	23	9
Foreign currency losses/(gains)[3]	(1)	-	-	(1)	2	(1)	3
Acquisition related adjustments[4]	6	4	5	8	5	22	16
Licensing fees[5]	-	-	-	-	-	-	(22)
Other[6]	5	9	5	2	5	22	5
Adjusted EBITDA	$ 607	$ 624	$ 630	$ 621	$ 614	$ 2,483	$ 2,453
Net loss to total revenue ratio	*-5.5%*	*-14.0%*	*-8.1%*	*-5.3%*	*-12.6%*	*-8.3%*	*-13.3%*
Adjusted EBITDA Margin (as percentage of M&S Revenue)	*57.4%*	*57.1%*	*58.1%*	*58.0%*	*59.0%*	*57.6%*	*59.7%*
Total Revenue	$ 1,298	$ 1,301	$ 1,284	$ 1,243	$ 1,185	$ 5,126	$ 4,582
Monitoring and related services revenue	$ 1,058	$ 1,094	$ 1,085	$ 1,070	$ 1,040	$ 4,308	$ 4,110

Notes:

1. Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program.
2. Represents fees expensed associated with financing transactions.
3. Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
4. Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
5. Represents other income related to $22 million of one-time licensing fees.
6. Represents other charges and non-cash items as well as certain advisory and other costs associated with our transition to a public company. During 2019, includes a $10 million write-off of notes receivable from a strategic investment. During 2018, includes a gain of $7.5 million from the sale of equity in a third-party that we received as part of a settlement.

GAAP to Non-GAAP Reconciliations

Free Cash Flow, Free Cash Flow before special items:

(in millions)	For the Three Months Ended					For the Twelve Months Ended	
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net cash provided by operating activities	$ 414	$ 480	$ 470	$ 509	$ 382	$ 1,873	$ 1,788
Net cash provided by (used in) investing activities	179	(369)	(388)	(400)	(654)	(978)	(1,738)
Net cash (used in) provided by financing activities	(704)	6	(135)	(380)	380	(1,214)	193
Net cash provided by operating activities	414	480	470	509	382	1,873	1,788
Dealer generated customer accounts and bulk account purchases	(155)	(181)	(171)	(163)	(167)	(670)	(694)
Subscriber system assets	(112)	(137)	(149)	(145)	(148)	(542)	(576)
Capital expenditures	(39)	(36)	(47)	(38)	(33)	(159)	(127)
Free Cash Flow	108	127	104	163	34	502	391
Financing and consent fees	3	18	1	-	8	23	8
Restructuring and integration payments	5	1	5	3	4	14	18
Integration related capital expenditures	8	6	1	-	1	16	7
Radio conversion costs	12	10	3	-	1	25	6
Redemption of mandatorily redeemable preferred securities[1]	-	-	-	-	-	-	96
Other	(5)	5	6	4	11	10	12
Free Cash Flow before special items	$ 132	$ 167	$ 121	$ 171	$ 59	$ 590	$ 538

Note:
1. On July 2, 2018, the Company redeemed mandatorily redeemable preferred securities in full, which included the payment of accumulated dividend obligation of $96M ($51 million related to 2018 and $45 million related to 2017), which is excluded from Free Cash Flow before special items.

GAAP to Non-GAAP Reconciliations

Debt to Net Income Ratio:

(in millions)	Actual December 31, 2019	Pro forma[2][3] December 31, 2019	December 31, 2018
Total debt (book value)	$ 9,692	$ 9,960	$ 10,002
LTM net loss	(424)	(424)	(609)
Debt to net loss ratio	**(22.9x)**	**(23.5x)**	**(16.4x)**

Net Leverage Ratio:

(in millions)	Actual December 31, 2019	Pro forma[2][3] December 31, 2019	December 31, 2018
Revolver	$ -	$ 220	$ -
First lien term loan	3,102	3,102	3,924
First lien notes	5,550	5,550	3,750
Finance leases	75	75	50
Total first lien debt	**8,727**	**8,947**	**7,724**
Second lien notes	1,246	1,300	2,546
Total debt[1]	**9,973**	**10,247**	**10,270**
Cash and cash equivalents	(49)	(30)	(363)
Net debt	**9,924**	**10,217**	**9,907**
LTM adjusted EBITDA	**$ 2,483**	**$ 2,483**	**$ 2,453**
Net leverage ratio	**4.0x**	**4.1x**	**4.0x**

Notes:
1. Debt instruments are stated at face value.
2. Presented pro forma to reflect a revolver draw of $220M to partially fund the acquisition of Defenders in January 2020.
3. Presented pro forma to reflect the January 2020 refinancing of second lien notes due 2023 with associated costs.

GAAP to Non-GAAP Reconciliations

Commercial Organic Revenue and Commercial Organic Revenue Growth:

(in millions)	For the Three Months Ended				For the Twelve Months Ended			
	December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
Total revenue	$	1,298	$	1,185	$	5,126	$	4,582
Revenue growth		10%				12%		
Commercial revenue[1]	$	293	$	185	$	1,064	$	605
Commercial revenue growth		58%				76%		
Acquisition-related commercial revenue[2]		(80)	$	-		(370)	$	-
Divestiture-related commercial revenue[3]		(4)		(8)		(28)		(32)
Commercial organic revenue	$	209	$	177	$	667	$	573
Commercial organic revenue growth		18%				16%		

Notes:

1. Represents total revenue associated with commercial and national accounts.
2. Represents incremental total revenue associated with commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition.
3. Represents total revenue from divested operations associated with commercial and national accounts.

GAAP to Non-GAAP Reconciliations

Revenue Excluding Red Hawk and Canada; and Revenue Growth Excluding Red Hawk and Canada:

(in millions)	For the Three Months Ended December 31, 2019	Red Hawk[1] December 31, 2019	Canada[2] December 31, 2019	Excl. Red Hawk and Canada December 31, 2019	December 31, 2018	Canada[2] December 31, 2018	Excl. Canada December 31, 2018
Monitoring and related services	1,058	(30)	(18)	1,010	1,040	(51)	990
Installation and other	240	(51)	(3)	186	145	(5)	140
Total revenue	$ 1,298	$ (80)	$ (22)	$ 1,196	$ 1,185	$ (56)	$ 1,130
Monitoring and related services growth	2%			2%			
Installation and other growth	65%			33%			
Total revenue growth	10%			6%			

(in millions)	For the Twelve Months Ended December 31, 2019	Red Hawk[1] December 31, 2019	Canada[2] December 31, 2019	Excl. Red Hawk and Canada December 31, 2019	December 31, 2018	Canada[2] December 31, 2018	Excl. Canada December 31, 2018
Monitoring and related services	4,308	(150)	(167)	3,991	4,110	(211)	3,899
Installation and other	818	(199)	(23)	596	472	(18)	453
Total revenue	$ 5,126	$ (350)	$ (190)	$ 4,587	$ 4,582	$ (229)	$ 4,353
Monitoring and related services growth	5%			2%			
Installation and other growth	73%			31%			
Total revenue growth	12%			5%			

Notes:
1. Represents incremental revenue from Red Hawk until there is a full twelve-month overlap from the date of acquisition.
2. Represents total revenue from ADT Canada as a result of the sale of ADT Canada.

Non-GAAP Measures

To provide investors with additional information in connection with our results as determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow, Free Cash Flow before special items, Net Income (Loss) before special items, Diluted Earnings Per Share ("EPS") before special items, Commercial Organic Revenue, Commercial Inorganic Revenue, Commercial Organic Revenue Growth, Revenue Excluding Red Hawk and Canada, Revenue Growth Excluding Red Hawk and Canada, and Net Leverage Ratio as non-GAAP measures. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, operating income, cash flows, or any other measure calculated in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies.

Adjusted EBITDA

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, including depreciation of subscriber system assets and other fixed assets and amortization of dealer and other intangible assets, (iv) amortization of deferred costs and deferred revenue associated with subscriber acquisitions, (v) share-based compensation expense, (vi) merger, restructuring, integration, and other, (vii) losses on extinguishment of debt, (viii) radio conversion costs, (ix) financing and consent fees, (x) foreign currency gains/losses, (xi) acquisition related adjustments, and (xii) other charges and non-cash items. There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering Adjusted EBITDA in conjunction with net income or loss as calculated in accordance with GAAP. The Adjusted EBITDA discussion above is also applicable to its margin measure, which is calculated as Adjusted EBITDA as a percentage of monitoring and related services revenue.

Free Cash Flow

We believe that the presentation of Free Cash Flow is appropriate to provide additional information to investors about our ability to repay debt, make other investments, and pay dividends. We define Free Cash Flow as cash flows from operating activities less cash outlays related to capital expenditures. We define capital expenditures to include purchases of property, plant, and equipment; subscriber system asset additions; and accounts purchased through our network of authorized dealers or third parties outside of our authorized dealer network. These items are subtracted from cash flows from operating activities because they represent long-term investments that are required for normal business activities. Free Cash Flow adjusts for cash items that are ultimately within management's discretion to direct, and therefore, may imply that there is less or more cash that is available than the most comparable GAAP measure. Free Cash Flow is not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Free Cash Flow in combination with the cash flows as calculated in accordance with GAAP.

Free Cash Flow before special items

We define Free Cash Flow before special items as Free Cash Flow adjusted for payments related to (i) financing and consent fees, (ii) restructuring and integration, (iii) integration related capital expenditures, (iv) radio conversion costs, and (v) other payments or receipts that may mask the operating results or business trends of the Company. As a result, subject to the limitations described below, Free Cash Flow before special items is a useful measure of our cash available to repay debt, make other investments, and pay dividends. Free Cash Flow before special items adjusts for cash items that are ultimately within management's discretion to direct, and therefore, may imply that there is less or more cash that is available than the most comparable GAAP measure. Free Cash Flow before special items is not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Free Cash Flow before special items in combination with the GAAP cash flow numbers.

Net Income (Loss) and Diluted EPS before special items

Net Income (Loss) before special items is defined as net income (loss) adjusted for (i) merger, restructuring, integration, and other, (ii) financing and consent fees, (iii) foreign currency gains/losses, (iv) losses on extinguishment of debt, (v) radio conversion costs, (vi) share-based compensation expense, (vii) the change in the fair value of interest rate swaps not designated as hedges, (viii) acquisition related adjustments, (ix) other charges and non-cash items, and (x) the impact these adjusted items have on taxes. Diluted EPS before special items is diluted EPS adjusted for the items above. The difference between Net Income (Loss) before special items and Diluted EPS before special items, and net income (loss) and diluted EPS (the most comparable GAAP measures) consists of the impact of the special items noted above on the applicable GAAP measure. The Company believes that Net Income (Loss) and Diluted EPS both before special items are benchmarks used by analysts and investors who follow the industry for comparison of its performance with other companies in the industry, although our measures may not be directly comparable to similar measures reported by other companies. The limitation of these measures is that they exclude the impact (which may be material) of items that increase or decrease our reported operating income, operating margin, net income or loss, and EPS. This limitation is best addressed by using the non-GAAP measures in combination with the most comparable GAAP measures in order to better understand the amounts, character, and impact of any increase or decrease on reported results.

Net Leverage Ratio

Net Leverage Ratio is calculated as the ratio of net debt to Adjusted EBITDA. Net debt is calculated as total debt, including capital leases, minus cash and cash equivalents. Refer to the discussion on Adjusted EBITDA for a description of the differences between the most comparable GAAP measure. Net Leverage Ratio is a useful measure of the Company's credit position and progress towards leverage targets. The calculation is limited in that the Company may not always be able to use cash to repay debt on a dollar-for-dollar basis. Finally, Net Leverage Ratio discussed herein may be presented on a pro forma basis.

Commercial Organic / Inorganic Revenue, Commercial Organic Revenue Growth, Revenue Excluding Red Hawk and Canada, and Revenue Growth Excluding Red Hawk and Canada

We believe that the presentation of commercial organic revenue, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Red Hawk and Canada, and revenue growth excluding Red Hawk and Canada is appropriate to provide additional information to investors about the periodic growth of our business on a consistent basis. We define commercial organic revenue as revenue associated with commercial and national accounts adjusted for commercial inorganic revenue, which represents incremental total revenue associated with commercial and national accounts from acquisitions until there is a full twelve-month overlap from the date of acquisition. In addition, commercial organic revenue excludes current and prior period total revenue from divested operations associated with commercial and national accounts. We define revenue excluding Red Hawk and Canada as total revenue adjusted for the removal of (a) incremental total revenue associated with the Red Hawk acquisition until there is a full twelve-month overlap from the date of acquisition and (b) total revenue for current and prior periods related to ADT Canada as a result of the sale of ADT Canada. We define commercial organic revenue growth and revenue growth excluding Red Hawk and Canada as the increase in commercial organic revenue and revenue excluding Red Hawk and Canada over a stated period, respectively. There are material limitations to using commercial organic revenue, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Red Hawk and Canada, and revenue growth excluding Red Hawk and Canada as they do not take into account all revenue in a given period. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering commercial organic revenue, commercial inorganic revenue, commercial organic revenue growth, revenue excluding Red Hawk and Canada, and revenue growth excluding Red Hawk and Canada in conjunction with revenue determined in accordance with GAAP.