



ADT Inc. Investment Review

Presentation to the Investment Committee
March 2024



- Transaction & Company Overview

- Thesis Points

- Summary

- Appendix



Transaction & Company Overview

Transaction Overview

- On March 20, 2024, Clayton Dubilier & Rice initiated preliminary takeover negotiations with ADT Inc.
- The key financial terms of the transaction include:

Key Items	Description
Price:	<ul style="list-style-type: none"> • \$8.41 per share of common stock for cash implying an equity value and enterprise value of approximately \$7.6 billion and \$16.5 billion, respectively
Financing:	<ul style="list-style-type: none"> • \$11.4 billion of debt representing 5 tranches of financing and a leverage ratio of 4.8x • \$5.0 billion equity contribution from the participating syndicate, CD&R will contribute approximately \$2.5 billion from Fund XII
Deal Type:	<ul style="list-style-type: none"> • Take-private control acquisition
Expected Close Date:	<ul style="list-style-type: none"> • Q3 2024 (pending required approvals)
Approvals:	<ul style="list-style-type: none"> • Shareholder vote <ul style="list-style-type: none"> • Apollo Global Management, Inc controls approximately 49% of all shares
Fees:	<ul style="list-style-type: none"> • Total fees estimated to be \$262 million

- **The transaction is pending CD&R Investment Committee and stockholder approval**
 - On Wednesday, March 27, 2024, ADT stock closed at \$6.73 per share, representing an enterprise value of \$13,661 billion



Transaction & Company Overview

ADT Inc. Overview

Summary

Headquarters	Boca Raton, Florida
Founding	Founded in May 2016 (Apollo Global Management merged ADT and Protection One Inc.)
IPO	January 2018 at a price of \$14.00 per share
Employees	14,300
Customers	Residential Homes, Apartments, and Small Businesses
Strategic Partnerships	Google Partnership, State Farm Insurance
Competition	Vivint Smart Home, Ring Smart Security Systems, HomeKit, Xfinity Home Security
Product Overview	Provides a variety of products and services for security, automation, and home solutions.

Security and Automation Offerings – Burglar and life safety alarms, security cameras, home automation, and video surveillance products

- Installation, monitoring, and maintenance

Monitoring Centers – six monitoring centers in the U.S. that provide 24/7 monitoring services to customers

Solar Offerings – Design, install, and sell custom residential solar system and energy storage solutions

Field and Call Center Operations – Provides online customer support for repairs and training

Financial Overview

(\$MM, except per share amounts)

	Fiscal Year End December 31, 2023				
	2021A	2022A	2023A	2024E	2025E
Revenue	\$4,203	\$5,168	\$4,983	\$5,058	\$5,281
Annual Growth	N/A	23%	(4%)	2%	4%
Gross Profit	3,430	3,968	3,975	3,628	3,796
Gross Margin	82%	77%	80%	72%	72%
EBITDA	1,849	2,288	2,372	2,550	2,683
EBITDA Margin	44%	44%	48%	50%	51%
Free Cash Flow	787	977	851	928	1,025
Free Cash Flow Margin	19%	19%	17%	18%	19%
Net Income	(341)	133	463	548	752
Net Income Margin	(8%)	3%	9%	11%	14%
Diluted EPS	(0.41)	0.15	0.51	0.65	0.79
Annual Growth	N/A	137%	240%	27%	22%

Source: Company filings, Bloomberg LP, FactSet Consensus Analyst Estimates.

Trading Overview

(\$MM, except per share amounts)

Share Price	\$6.73
Fully-Diluted Equity Value (1)	\$5,939
Plus: Debt (1)	7,852
Less: Cash (1)	130
Fully-Diluted Enterprise Value	13,661

CY24E	Statistic (2)	
Revenue	\$5,058	2.7x
EBITDA	2,550	5.4x
Earnings Per Share	0.65	10.4x

CY25E		
Revenue	\$5,281	2.6x
EBITDA	2,683	5.1x
Earnings Per Share	0.79	8.5x

Note: Current market prices as of March 27, 2024

(1) Net Debt based on ADT 10-K filing dated 12/31/2023. Debt value includes \$87mn of capital leases and \$8mn of pension liabilities.

(2) Projections based on consensus analyst reports per FactSet Database.

Source: Company filings.



Transaction & Company Overview

ADT's consumer & small business segment has attractive features

Segments Overview

Item Description	Consumer & Small Business	Solar
Market Growth (2023-2028 CAGR)	~8.6%	~13%
Concentration	ADT market leader, fragmented overall	No clear market leader, highly fragmented
Segment as % of Total Combined Revenue	93%	7%
Recurring Revenue (as a % of Segment Total Revenue)	~90%	0%
Equipment Ownership Model	Primarily ADT Owned	Outright Sale
Indicative Cash Revenue Per Sale	~\$1,000 Non-refundable upfront fee + ~\$50 recurring monthly revenue	~\$37K
Installation Method	Professional Install + DIY	Professional Install
Consumer Financing (as a % of Eligible Transactions)	Yes ~55% take rate	Available through third parties ~90% take rate
Time Between Signing and Install	Same day / next day	2-3 months
Customer Life	~8 years	Multiple revenue opportunities over life of system
Revenue Payback	~2.4 years	Immediate at sale
Indicative Adj. EBITDA Margins	~50%	<10%
Capital Intensity	Higher	Lower



Transaction & Company Overview

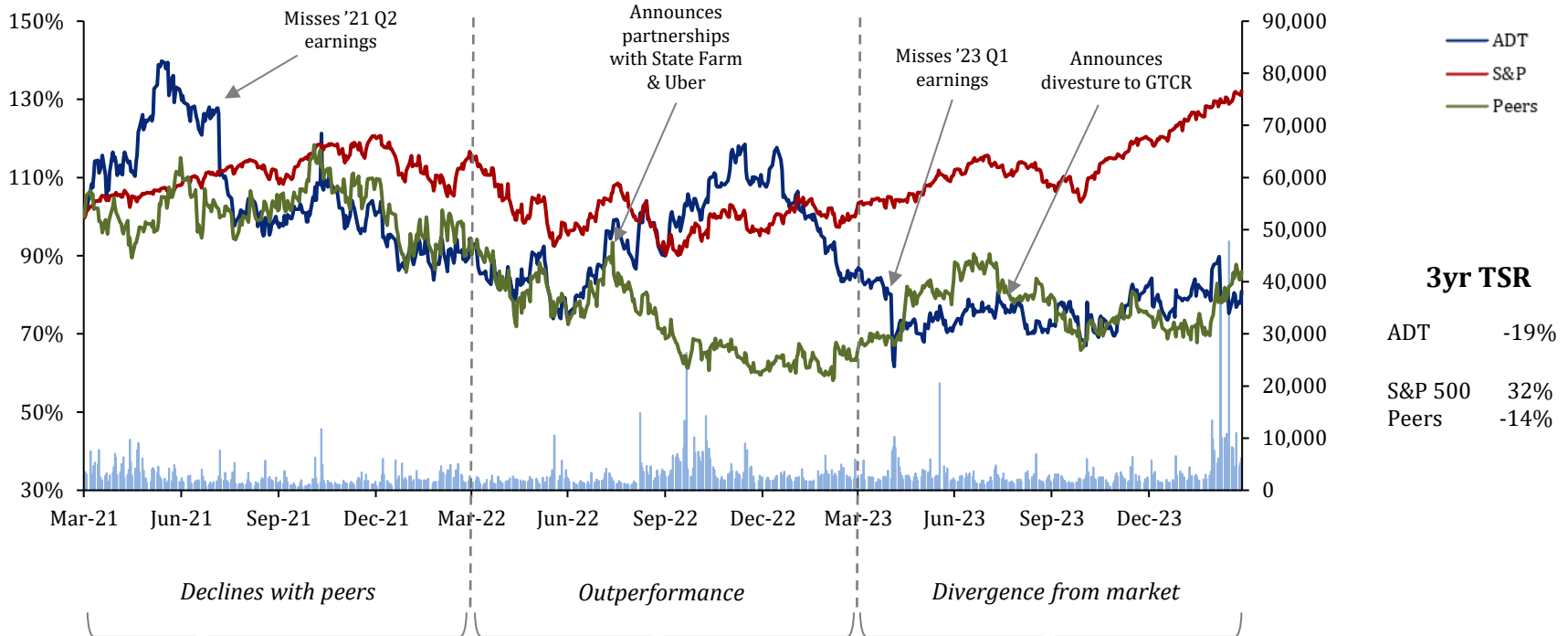
Stock Performance

ADT has significantly underperformed over the last 3 years, presenting a compelling entry point

3-Year Stock Price Performance

(%, Indexed Stock Price)

(Daily Trading Volume)



Performance (\$BN)

- Revenue
- EBITDA
- EBITDA Margin
- CF Yield
- TSR (Annual Avg.%)

Note: Current market prices as of March 27, 2024

Peer group includes Arlo Technologies (ARLO), Sun Power (SPWR), SmartRent A (SMRT), and Snap One Holdings (SNPO).



Transaction & Company Overview

Investment Overview

Opportunity

Strong
Fundamentals &
Industry Trends

- ADT's premier brand and differentiated partnerships provide a strong moat against competitors
- High recurring revenue and a track record of successfully deleveraging post Apollo's 2016 LBO
- Significant capital available to invest in strategic initiatives; Capex % of EBITDA 9%
- Operates in a highly fragmented market with no single company representing over 20%; top 4 firms control 24% of the total addressable market
- Economic and inflation outlook indicates a softening in the P&C underwriting cycle, resulting in an increase in policies written and opportunities for ADT's insurance partners to sell ADT services
- Growth in multifamily housing developments favor large security installers like ADT

What We Like About ADT

Ample
Opportunities for
Growth

- Currently at an attractive entry point; ADT has declined 40% and continues to underperform its peer group
- New strategic partnerships should increase ADT's value proposition to customers; new partnerships with insurance companies, homebuilders, and new brands
- Significant opportunity to create value by expanding ADT's Do-it-Yourself sales to consumers
- Opportunities to create relationships with local security installers to increase ADT's subscriber base

Risks

Economic, Industry,
and Idiosyncratic
Risks

- Continued high inflation, interest rates, and a sluggish housing market may result in slow subscriber growth
- Multiple contractarian resulting from a lack of additional growth opportunities at time of sale
- A high debt burden is required to take ADT private; leverage levels will be elevated for several years
- The ability to create new strategic partnerships is dependent counterparties willingness to work with ADT

What You Need to Get Comfortable With



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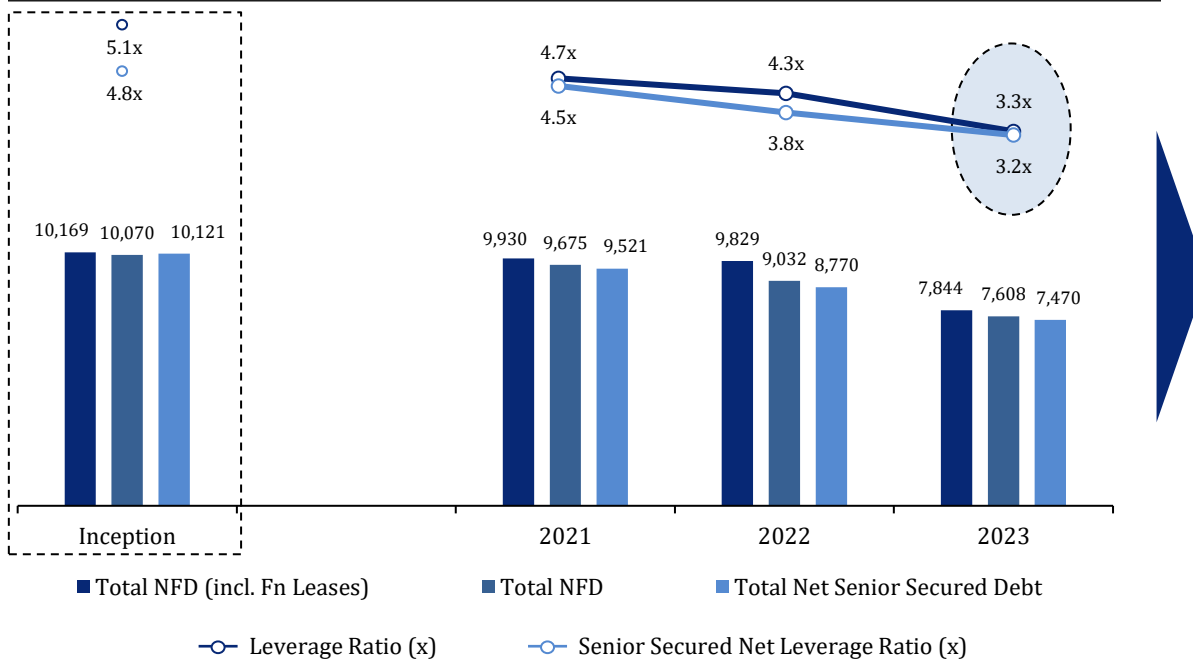
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A proven track recorded of deleveraging and strong business fundamentals provides downside protection

Strong Fundamentals

Historical Leverage Evolution



Key Highlights

- Since Apollo's acquisition in 2016, ADT has reduced leverage from 5.1x to 3.3x
- EBITDA margin expansion coupled with revenue growth has allowed for significant debt reduction
 - Margin Expansion ('21-'24): +6%
- Capex as a % of revenue remains low (9%)
 - Significant cash flow available to reduce debt burden
- Stable outlook despite high debt levels post-LBO
 - Continued divestitures of low margin segments will allow for further debt reduction

ADT's Strategic Fundamentals

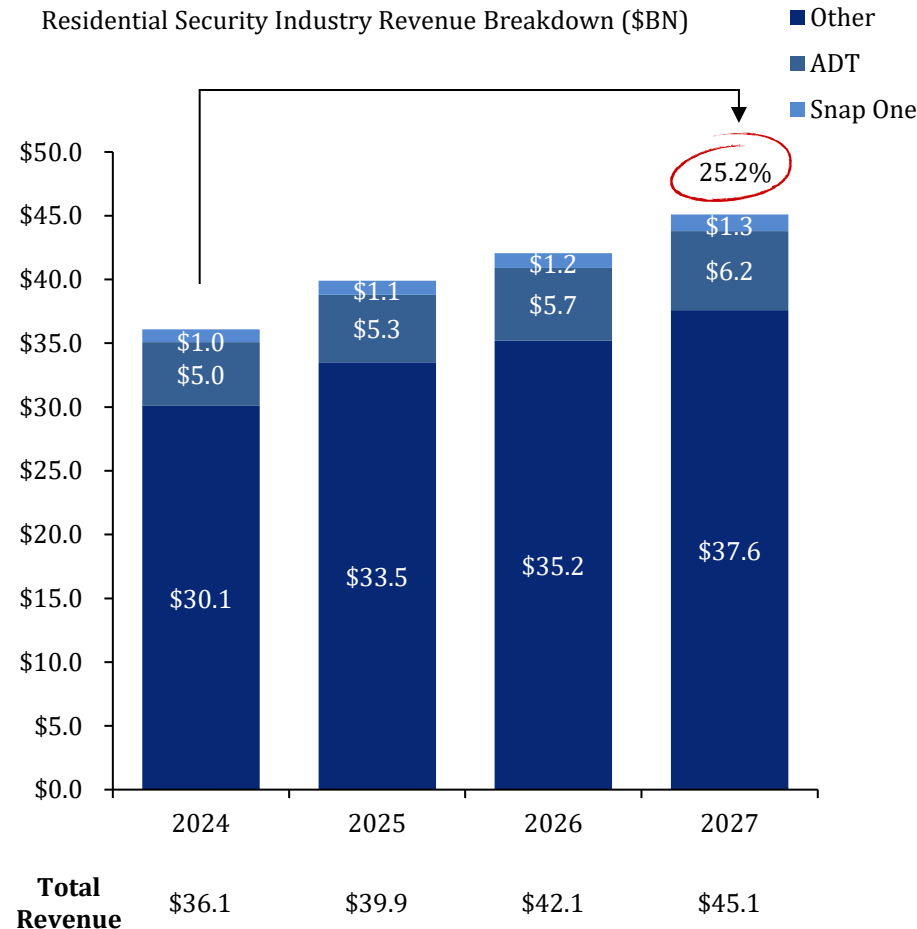
- ADT's premier brand recognition in the security market is a significant edge compared to lesser name competitors
- Has a network of over 14,000 dealers and employees to service virtually any market in the United States
- Revenue is highly predictable and recurring; over 90% of revenue is recurring on a monthly basis
 - Average customer lifetime is 8 years
- High EBITDA and cash flow margins provide a significant cushion if top line growth declines



ADT is better positioned to capitalize on positive industry trends compared to peers

Positive Industry Trends

Industry Revenue is Trending Upward



Macroeconomic Trends

- Lower interest rates and stabilizing inflation position ADT well to capitalize on industry growth
 - Market projects a 100% chance for rate cut by 2025
 - Inflation has eased to 2.9%

Residential Security Industry Tailwinds

- Highly fragmented market; ample opportunities to capture market share
 - No single company represents over 5% of industry sales (Excluding ADT)
 - ADT's 20% market share is far better than any competitor
- Softening in the P&C underwriting cycle positions ADT's insurance partners well to cross-sell services as more policies are written
 - **Current State:** Hard market
 - High inflation has increased claims and slowed growth
 - **Projected State:** Softening over the next 5 years
 - Lower inflation and interest rates decrease competition and loosen underwriting practices
- Growth in multi-family housing favors ADT's market positioning
 - Increased urbanization and elevated housing costs favor new developments in multi-family units
 - ADT's large network is better suited to service multi-family units compared to smaller security installers



ADT is currently underappreciating an attractive part of its business: Do-it-Yourself installations

Expand DIY Sales

Potential Advantages of DIY Market

Current State

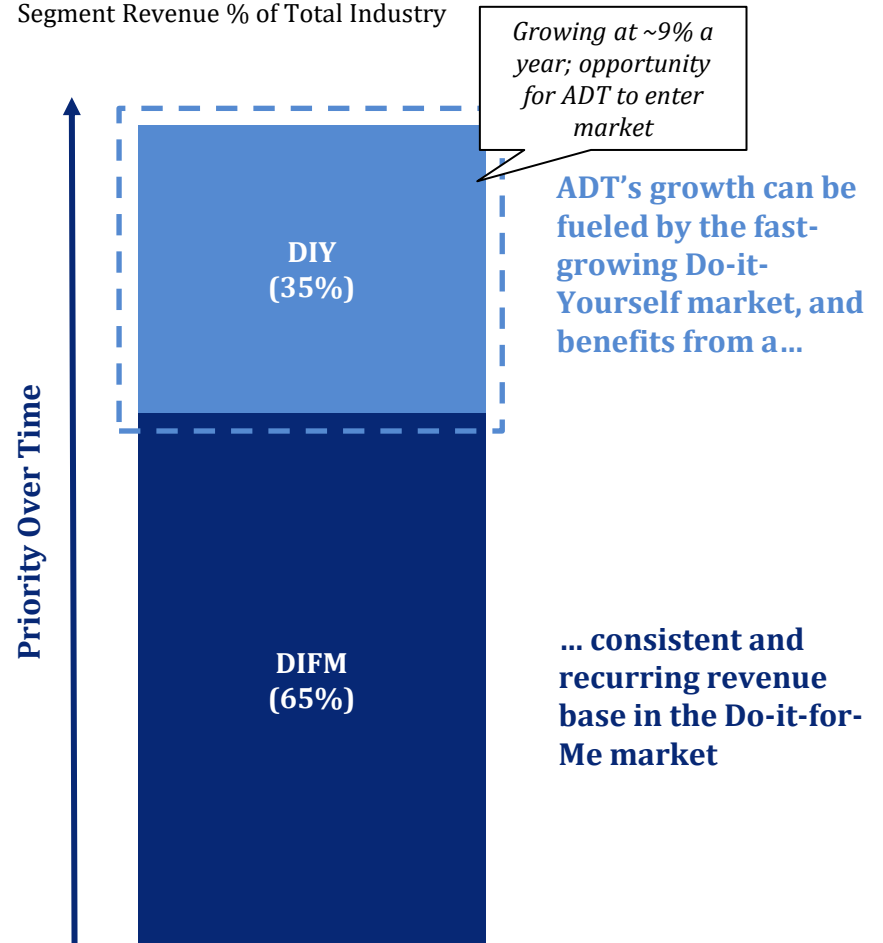
- Outgrowing the DIFM market at a rate of ~9% a year
 - Will become a large portion of overall sales going to security systems and home electronics in the future
- DIY market is well-positioned to capitalize on continued use of machine learning to monitor security systems
- Can expand ADT's customer base and access lower-income households who cannot afford professional installation
- Low capital intensity for seller of products due to customer paying the total equipment cost at time of sale

Value Creation Opportunities

- A transition of ADT's business to DIY and advanced security analytics will make it a more attractive asset at the time of sale
 - A failure to convert may leave ADT ill-positioned in a competitive market
- Opportunities to offer to security monitoring to a new market
 - ADT can sell subscriptions to monitoring services for DIY customers

Home Electronics Market Breakdown

Segment Revenue % of Total Industry





An expansion of existing and new strategic partnerships is a compelling lever for value creation

Expand Strategic Initiatives

Strategic Benefits

Must Believes

Expand Insurance Partnerships

- **ADT's partnership with State Farm has been vital to subscriber growth over the past 3 years**
 - State Farm provides ADT with \$150M of marketing capital
- **Expand partnerships with insurance companies to access cost-free marketing and subscriber growth**
 - Top homeowners' insurance carries have grown the number of policies written at 8% a year over the last 5 years
 - A mutually beneficial relationship; insurance partners benefit from lower loss ratios due to secured homes
- **Equity investments from insurance partners align interests and create long-term relationships**

- **ADT can secure new partners**
- **Carries loss ratios continue to benefit from home security systems**
- **New partners are open to a long-term relationship with ADT**
- **New partners have available resources to sell ADT services to customers**

Partner With Local Security Installers

- **Access smaller markets through local installers**
 - Market is highly fragmented; potential partnerships allow ADT to access new customers
- **Small installers can improve their offerings to customers through ADT's mobile app and monitoring services**
 - Installers also gain access to ADT's premier brand name
- **Improve market efficiency by offering marketing and value-add services to local installers**
- **No required capital investment compared to traditional roll-up strategies**

- **ADT can convince local installers to partner with a large competitor**
- **Upfront investment into infrastructure is worth the gain from local installers**
- **Strategy is more efficient than rolling-up smaller installers**
- **Customers will purchase ADT services from local installers**



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The deal team believes there are compelling reasons for CD&R to acquire ADT Inc. through Fund XII. Positive industry tailwinds, strong fundamentals, and ample growth opportunities position CD&R well to meet targeted return metrics

- **Current state of ADT Inc:**

- Publicly traded company since 2018; most recently closed at a price of \$6.73
- ADT's share price has declined 19% over the last three years; underperforming the market and its peer group
- Apollo Global Management continues to be a substantial shareholder (49%) and control the company

- **Our current view of ADT Inc:**

- Industry tailwinds favor ADT; declining inflation, interest rates, P&C cycle softening, and multi-family housing growth
- Possess a very strong financial profile positioning the business well for a potential buyout
 - ▶ High recurring revenue (90%), high EBITDA margin (50%) and CF margin (19%), long customer life (8 years)
- Strategically ADT has attractive features that limit downside risk and allow for unique growth opportunities
 - ▶ Network of 14,000 installers and employees across the United States, partnerships with State Farm, Google, etc.

- **Where we think CD&R can create value:**

- Increase ADT's presence in the Do-it-Yourself security market
 - ▶ Faster growing and will continue to benefit from technological automation
- Create new partnerships with P&C insurance companies to access cost-free subscriber growth and marketing spend
- Introduce a program for local installers to partner with ADT
 - ▶ Installers can offer a broader range of products and monitoring services to their customers, as well as gain access to marketing and promotional support from ADT
 - ▶ ADT accesses new markets and gains subscribers at a low cost through local installers relationships



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- The potential returns to CD&R and co-investors will be dependent on a wide range of variables, including, but not limited to, the purchase price, the sources and quantum of funding, ADT's go-forward tax-rate, and the transaction structure and the exit opportunities available

Illustrative Sources and Uses (Assumes a \$8.41 Purchase Price)

Illustrative Sources				Illustrative Uses		
	Amount	% of Total	PF % Own.		Amount	% of Total
Rollover Debt	\$ 4,403	27%		Equity Purchase Price	\$ 7,571	46%
				Assumed Debt	4,403	27%
New Debt	7,000	43%		Refinanced Debt	3,441	21%
				Total Purchase Price (excl. Cash)	\$ 15,415	94%
SH Rollover	1,000	6%	20%	Minimum Cash	770	5%
New Sponsor Equity	4,044	25%	80%	Fees and OID	262	2%
Total	\$ 16,447	100%	100%	Total	\$ 16,447	100%

Illustrative Returns Analysis to New Sponsors

	Purchase Price Per Share	\$ 7.40	\$ 7.91	\$ 8.41	\$ 8.92	\$ 9.42
	Implied Premium	10%	18%	25%	33%	40%
	Implied EBITDA Entry Multiple	6.0 x	6.2 x	6.4 x	6.6 x	6.8 x
Illustrative Returns Assuming Same Exit Multiple		28.1%	24.8%	22.4%	20.5%	19.0%



Fund Strategy

- The fund aims to generate value through organic growth, driven by operational improvement, and inorganic growth driven by mergers and acquisitions
- Investment strategies fall within four categories: businesses at an inflection point, businesses positioned to capitalize on industry consolidation, complex divestitures, and transformational growth businesses

Summary of Fund XII

Size	\$26.0 Billion
Vintage	2022
Industries	Consumer, Business Services, Healthcare, Industrials, Technology
Target EV Range	\$1bn - \$15bn
Geography	North America & Western Europe



Illustrative Financing Key Terms

Type	Term Loan B Facilities ("TLB Issuance")	Amended Asset-Based Loan Facility ("Amended ABL")
Borrowers	Prime Security Service Borrower (same as existing)	
Ranking	Senior Secured (same as existing)	
Security	Security Package: security over shares in ADT Security Corporation and structural intercompany receivables in ADT Finance LLC	
Guarantors	Parent guarantor provision from ADT Inc. (NYSE: ADT) and all material subsidiaries including ADT Solar, ADT LLC, Secure Designs, LifeShield LLC, MSA System Integration, IOTAS Inc, Red Hawk Fire & Security	
Amount	\$ 2.5 billion commitment	\$ 530 million borrowing base: (i) US\$ 90% A/R Balance (ii) US\$ 80% Inventories Balance
Maturity	August 1, 2032	August 1, 2030
Repayment	Quarterly Amortization	Revolving
Indicative margin	S + 350 (5.00% floor)	S + 150 (3.00% floor)
Commitment fee	None	0.25% (annual)
Call protection	6 months soft call 102	None
Covenants	(i) Senior secured net leverage ratio covenant (ii) Change of control premium 101	(i) Senior secured net leverage ratio covenant (ii) Change of control premium 101
Syndication structure	Fully underwritten (i) Flex adjustment cap S + 450	None



Pre-Transaction Capital Structure

Description	Maturity	Coupon	Face		Market		Corporate Structure
			Amount	Leverage (1)	Price	Value	
A/R Securitization Facility	5/2028	N/A	436	0.2x	N/A	N/A	ADT Finance LLC
1st Lien Term Loan-A	3/2028	S + 275	626	0.2x	99.67	624	Prime Security Borrower
1st Lien Term Loan-B	10/2030	S + 250	1,375	0.6x	100.16	1,377	Prime Security Borrower
Total Term Loans & Facilities			2,437	1.0x		2,001	
1st Lien Notes – 1	4/2024	5.250%	100	0.0x	99.81	100	Prime Security Borrower
1st Lien Notes – 2	4/2026	5.750%	1,350	0.6x	99.59	1,344	Prime Security Borrower
1st Lien Notes – 3	8/2027	3.375%	1,000	0.4x	91.83	918	Prime Security Borrower
1st Lien Notes – 4	8/2029	4.125%	1,000	0.4x	91.53	915	ADT SC
1st Lien Notes – 5	7/2032	4.875%	728	0.3x	90.63	660	ADT SC
2nd Lien Notes	1/2028	6.250%	1,300	0.6x	98.10	1,275	Prime Security Borrower
Unsecured Notes	7/2042	4.875%	22	0.0x	72.42	16	ADT SC
Total Notes/Bonds			5,500	2.3x		5,228	
Less: Adjustments (2)			(93)			(93)	
Total Debt			7,844	3.3x		7,136	

Covenants

- Pursuant to the 1st Lien Term-Loan B indentures ADT must maintain a First-Lien Leverage ratio of 3.2x – 1.0x
- Pursuant to the 1st Lien Term-Loan B indentures ADT must maintain a Secured Leverage ratio of 3.6x – 1.0x
- Pursuant to the 1st Lien Note issuances the following negative covenants exist: (i) incur certain liens; (ii) enter into sale leaseback transactions; and (iii) consolidate, merge or sell all or substantially all of its assets
- Pursuant to all note issuances, excluding unsecured notes, a change of control transaction requires the repayment of all outstanding notes at 101% of principal balance

(1) Leverage ratio based on FY2023 EBIDA of \$2,372 billion.

(2) Adjustments include finance leases, fair value of debt adjustments, unamortized deferred financing, and unamortized discounts.



Current Situation

Situation Overview	<ul style="list-style-type: none">▪ Clayton Dubilier & Rice has entered into letter of intent agreement with ADT Inc.'s majority shareholders with the proposal to purchase all of ADT Inc.'s outstanding common stock▪ Relevant shareholders include Apollo Global Management and State Farm Insurance
Consideration	<ul style="list-style-type: none">▪ CD&R will purchase ADT Inc. for an equity value and enterprise value of \$7.6 billion and \$16.5 billion respectively▪ ADT Inc. shareholders will receive \$8.41 dollars per share
Voting Agreement	<ul style="list-style-type: none">▪ Transaction close is pending official shareholder approval▪ CD&R expects vote to pass given the agreement with controlling shareholders▪ CD&R is in the final steps of reviewing the transaction. Awaits investment committee approval
Change of Control	<ul style="list-style-type: none">▪ Pursuant to various outstanding note indentures, a change of control transaction must purchase debt at 101% of principal▪ Apollo Global Management and State Farm Insurance will retain ownership in ADT Inc. post-transaction close. CD&R will be the majority shareholder with an 80.2% stake
Board Appointments	<ul style="list-style-type: none">▪ Transaction close is pending official shareholder approval▪ CD&R expects vote to pass given the agreement with controlling shareholders
Management Considerations	<ul style="list-style-type: none">▪ Current management will be retained post-transaction close▪ Senior executives' compensation package includes a 5-year earn out pursuant to the achievement of various benchmarks
Proposed Timing	<ul style="list-style-type: none">▪ If approved, the transaction has an expected close of 8/1/2024
Termination Fee	<ul style="list-style-type: none">▪ CD&R to pay ADT Inc. a termination fee of 3% of the minority equity value if there is another recommendation or failure to achieve the required approvals