



Basis of Presentation

Monitronics International, Inc. and its subsidiaries (collectively, "Monitronics" or the "Company", doing business as "Brinks Home™") provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services, in the United States, Canada and Puerto Rico. Monitronics customers are obtained through our direct-to-consumer sales channel (the "Direct to Consumer Channel"), which offers both Do-It-Yourself and professional installation security solutions and our exclusive authorized dealer network (the "Network Sales Channel"), which provides product and installation services, as well as support to customers. We also periodically acquire alarm monitoring accounts from the other alarm companies in bulk on a negotiated basis.

The unaudited interim financial information of the Company has been prepared in accordance with the Company's Articles of Incorporation. Accordingly, it does not include all of the information required by generally accepted accounting principles in the United States ("GAAP") for complete financial statements. The Company's unaudited condensed consolidated balance sheet as of March 31, 2021, and the unaudited condensed statements of operations and cash flows for the three months ended March 31, 2021 and March 31, 2020, include the results of Monitronics and all of its direct and indirect subsidiaries. The accompanying interim condensed consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the Monitronics Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 19, 2021.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses for each reporting period. The significant estimates made in preparation of the Company's condensed consolidated financial statements primarily relate to valuation of subscriber accounts, deferred tax assets, goodwill and other indefinite-lived intangible assets. These estimates are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the potential impacts of the COVID-19 pandemic, and adjusts them when facts and circumstances change. Given the severity and the duration the COVID-19 pandemic is unknown, the potential impacts of the pandemic on Management's estimates is uncertain. Furthermore, as the effects of any future events cannot be determined with any certainty, actual results could differ from the estimates upon which the carrying values were based.

The Company has reclassified certain prior period amounts on the condensed consolidated statement of cash flows to conform to current period presentation.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
Amounts in thousands, except share amounts
(unaudited)

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 9,320	\$ 6,123
Restricted cash	—	171
Trade receivables, net of allowance for doubtful accounts of \$3,311 in 2021 and \$3,096 in 2020.....	11,019	13,360
Inventories, net	9,724	7,612
Prepaid and other current assets.....	23,934	22,612
Total current assets	<u>53,997</u>	<u>49,878</u>
Property and equipment, net of accumulated depreciation of \$21,622 in 2021 and \$17,621 in 2020	42,397	41,943
Subscriber accounts and deferred contract acquisition costs, net of accumulated amortization of \$303,252 in 2021 and \$254,928 in 2020.....	1,066,398	1,102,977
Dealer network and other intangible assets, net of accumulated amortization of \$38,060 in 2021 and \$32,118 in 2020	107,081	113,010
Deferred income tax asset, net.....	584	584
Operating lease right-of-use asset.....	18,813	17,962
Other assets.....	22,388	20,309
Total assets.....	<u>\$ 1,311,658</u>	<u>\$ 1,346,663</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable.....	\$ 18,794	\$ 20,728
Other accrued liabilities	54,815	58,721
Deferred revenue	13,890	13,300
Holdback liability	7,468	8,536
Current portion of long-term debt.....	8,225	8,225
Total current liabilities.....	<u>103,192</u>	<u>109,510</u>
Non-current liabilities:		
Long-term debt	980,938	970,994
Long-term holdback liability	1,301	1,223
Operating lease liabilities.....	15,911	15,305
Other liabilities	80,319	89,038
Total liabilities	<u>1,181,661</u>	<u>1,186,070</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 5,000,000 shares; no shares issued	—	—
Common stock, \$0.01 par value. Authorized 45,000,000 shares; issued and outstanding 22,500,000 shares at both March 31, 2021 and December 31, 2020	225	225
Additional paid-in capital	379,175	379,175
Accumulated deficit.....	(247,991)	(216,714)
Accumulated other comprehensive (loss) income, net.....	(1,412)	(2,093)
Total stockholders' equity	<u>129,997</u>	<u>160,593</u>
Total liabilities and stockholders' equity.....	<u>\$ 1,311,658</u>	<u>\$ 1,346,663</u>

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
Amounts in thousands
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Net revenue.....	\$ 133,692	\$ 122,575
Operating expenses:		
Cost of services.....	35,737	28,010
Selling, general and administrative, including stock-based and long-term incentive compensation	40,906	44,453
Radio conversion costs	8,971	4,824
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	54,334	53,281
Depreciation.....	4,001	3,109
Goodwill impairment.....	—	81,943
	<u>143,949</u>	<u>215,620</u>
Operating loss.....	(10,257)	(93,045)
Other expense:		
Interest expense	19,964	20,342
Refinancing expense	443	—
	<u>20,407</u>	<u>20,342</u>
Loss before income taxes	(30,664)	(113,387)
Income tax expense	613	618
Net loss.....	<u>(31,277)</u>	<u>(114,005)</u>
Other comprehensive loss:		
Unrealized gain (loss) on derivative contracts, net of tax	681	(1,813)
Total other comprehensive income (loss), net of tax	681	(1,813)
Comprehensive loss.....	<u>\$ (30,596)</u>	<u>\$ (115,818)</u>
Basic and diluted income per share:		
Net loss.....	\$ (1.39)	\$ (5.07)

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Amounts in thousands
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss.....	\$ (31,277)	\$ (114,005)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	54,334	53,281
Depreciation.....	4,001	3,109
Stock-based and long-term incentive compensation.....	59	263
Refinancing expense.....	443	—
Trade bad debt expense.....	2,321	2,788
Goodwill impairment.....	—	81,943
Other non-cash activity, net.....	2,384	1,585
Changes in assets and liabilities:		
Trade receivables	20	(1,513)
Inventories	(2,201)	(993)
Prepaid expenses and other assets.....	(2,635)	(2,705)
Subscriber accounts - deferred contract acquisition costs.....	(590)	(702)
Payables and other liabilities	(6,066)	4,769
Net cash provided by operating activities	<u>20,793</u>	<u>27,820</u>
Cash flows from investing activities:		
Capital expenditures.....	(4,646)	(4,223)
Cost of subscriber accounts and other intangible assets acquired	(16,618)	(20,937)
Net cash used in investing activities.....	<u>(21,264)</u>	<u>(25,160)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	15,000	65,000
Payments on long-term debt.....	(5,056)	(19,556)
Contingent bonus payments on dealer acquired accounts	(990)	(1,009)
Earnout Payments.....	(5,457)	—
Net cash provided by financing activities	<u>3,497</u>	<u>44,435</u>
Net increase in cash, cash equivalents and restricted cash	3,026	47,095
Cash, cash equivalents and restricted cash at beginning of period	<u>6,294</u>	<u>15,001</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 9,320</u>	<u>\$ 62,096</u>
Supplemental cash flow information:		
State taxes paid, net	\$ —	\$ —
Interest paid	18,881	20,054
Accrued capital expenditures.....	381	1,201
Earnout Payments liability.....	106,841	—
Accrued subscriber accounts acquired.....	—	6,487

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
Amounts in thousands, except share amounts
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance as of December 31, 2020	22,500,000	\$ 225	\$ 379,175	\$ (216,714)	\$ (2,093)	\$ 160,593
Net loss	—	—	—	(31,277)	—	(31,277)
Other comprehensive income ..	—	—	—	—	681	681
Balance at March 31, 2021	<u>22,500,000</u>	<u>\$ 225</u>	<u>\$ 379,175</u>	<u>\$ (247,991)</u>	<u>\$ (1,412)</u>	<u>\$ 129,997</u>

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2019	22,500,000	\$ 225	\$ 379,175	\$ (33,331)	\$ 9	\$ 346,078
Adoption of ASU 2016-13	—	—	—	(1,627)	—	(1,627)
Adjusted balance at January 1, 2020	22,500,000	\$ 225	\$ 379,175	\$ (34,958)	\$ 9	\$ 344,451
Net loss	—	—	—	(114,005)	—	(114,005)
Other comprehensive loss	—	—	—	—	(1,813)	(1,813)
Balance at March 31, 2020	<u>22,500,000</u>	<u>\$ 225</u>	<u>\$ 379,175</u>	<u>\$ (148,963)</u>	<u>\$ (1,804)</u>	<u>\$ 228,633</u>