BRINKS HOME™

# Shareholder Report

## 2nd Quarter, 2021

PUBLIC

August 2021

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**Forward Looking Statements**

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, market potential and expansion, the success of new products and services, the launch of Brinks Home's consumer financing solution; the anticipated benefits of the Brinks Home's rebranding; customer retention; account creation and related cost; anticipated account generation; future financial performance; debt refinancing; recovery of insurance proceeds and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, possible changes in market acceptance of our services, technological innovations in the alarm monitoring industry, competitive issues, continued access to capital on terms acceptable to us, our ability to capitalize on acquisition opportunities, general market and economic conditions, including global economic concerns due to the COVID-19 outbreak, and changes in law and government regulations. These forward-looking statements speak only as of the date of this presentation, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**Non-GAAP Measures**

Adjusted EBITDA is a non-GAAP financial measure. See the Appendix of this presentation for related disclosures and calculations.

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1. Financial Statements

2. Management Discussion & Analysis

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# Financial Statements

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## 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 June 30, 2021, and the unaudited condensed statements of operations and cash flows for the three and six months ended June 30, 2021 and 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)**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 7,294 | $ 6,123 |
| Restricted cash | 133 | 171 |
| Trade receivables, net of allowance for doubtful accounts of $2,675 in 2021 and $3,096 in 2020 | 10,795 | 13,360 |
| Inventories, net | 13,414 | 7,612 |
| Prepaid and other current assets | 25,739 | 22,612 |
| Total current assets | 57,375 | 49,878 |
| Property and equipment, net of accumulated depreciation of $25,669 in 2021 and $17,621 in 2020 | 44,547 | 41,943 |
| Subscriber accounts and deferred contract acquisition costs, net of accumulated amortization of $352,307 in 2021 and $254,928 in 2020 | 1,034,596 | 1,102,977 |
| Dealer network and other intangible assets, net of accumulated amortization of $44,658 in 2021 and $32,118 in 2020 | 108,833 | 113,010 |
| Deferred income tax asset, net | 584 | 584 |
| Operating lease right-of-use asset | 19,802 | 17,962 |
| Other assets | 25,072 | 20,309 |
| Total assets | $ 1,290,809 | $ 1,346,663 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 16,040 | $ 20,728 |
| Other accrued liabilities | 59,182 | 58,721 |
| Deferred revenue | 13,564 | 13,300 |
| Holdback liability | 6,170 | 8,536 |
| Current portion of long-term debt | 8,225 | 8,225 |
| Total current liabilities | 103,181 | 109,510 |
| Non-current liabilities: | | |
| Long-term debt | 1,003,137 | 970,994 |
| Long-term holdback liability | 1,124 | 1,223 |
| Operating lease liabilities | 16,163 | 15,305 |
| Other liabilities | 71,783 | 89,038 |
| Total liabilities | 1,195,388 | 1,186,070 |
| 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 June 30, 2021 and December 31, 2020 | 225 | 225 |
| Additional paid-in capital | 379,175 | 379,175 |
| Accumulated deficit | (282,726) | (216,714) |
| Accumulated other comprehensive (loss) income, net | (1,253) | (2,093) |
| Total stockholders' equity | 95,421 | 160,593 |
| Total liabilities and stockholders' equity | $ 1,290,809 | $ 1,346,663 |

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net revenue | $ 132,823 | $ 120,808 |
| Operating expenses: | | |
| Cost of services | 37,426 | 27,624 |
| Selling, general and administrative, including long-term incentive compensation | 39,352 | 32,541 |
| Radio conversion costs | 9,658 | 3,667 |
| Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets | 55,562 | 54,368 |
| Depreciation | 4,075 | 3,451 |
| | 146,073 | 121,651 |
| Operating loss | (13,250) | (843) |
| Other expense: | | |
| Interest expense | 20,536 | 20,207 |
| Refinancing expense | 267 | — |
| | 20,803 | 20,207 |
| Loss before income taxes | (34,053) | (21,050) |
| Income tax expense | 682 | 602 |
| Net loss | (34,735) | (21,652) |
| Other comprehensive loss: | | |
| Unrealized gain (loss) on derivative contracts, net of tax | 159 | 19 |
| Total other comprehensive income (loss), net of tax | 159 | 19 |
| Comprehensive loss | $ (34,576) | $ (21,633) |
| Basic and diluted income per share: | | |
| Net loss | $ (1.54) | $ (0.96) |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| Net revenue | $ 266,515 | $ 243,383 |
| Operating expenses: | | |
| Cost of services | 73,163 | 55,634 |
| Selling, general and administrative, including long-term incentive compensation | 80,258 | 76,994 |
| Radio conversion costs | 18,629 | 8,491 |
| Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets | 109,896 | 107,649 |
| Depreciation | 8,076 | 6,560 |
| Goodwill Impairment | — | 81,943 |
| | 290,022 | 337,271 |
| Operating loss | (23,507) | (93,888) |
| Other expense: | | |
| Interest expense | 40,500 | 40,549 |
| Refinancing expense | 710 | — |
| | 41,210 | 40,549 |
| Loss before income taxes | (64,717) | (134,437) |
| Income tax expense | 1,295 | 1,220 |
| Net loss | (66,012) | (135,657) |
| Other comprehensive loss: | | |
| Unrealized gain (loss) on derivative contracts, net of tax | 840 | (1,794) |
| Total other comprehensive income (loss), net of tax | 840 | (1,794) |
| Comprehensive loss | $ (65,172) | $ (137,451) |
| | | |
| Basic and diluted income per share: | | |
| Net loss | $ (2.93) | $ (6.03) |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| Cash flows from operating activities: | | |
| Net loss | $ (66,012) | $ (135,657) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets | 109,896 | 107,649 |
| Depreciation | 8,076 | 6,560 |
| Stock-based and long-term incentive compensation | 129 | 536 |
| Trade bad debt expense | 3,620 | 4,720 |
| Goodwill impairment | — | 81,943 |
| Other non-cash activity, net | 3,134 | 2,091 |
| Changes in assets and liabilities: | | |
| Trade receivables | (1,055) | (3,047) |
| Inventories | (5,860) | (764) |
| Prepaid expenses and other assets | (7,110) | (4,058) |
| Subscriber accounts - deferred contract acquisition costs | (2,529) | (1,223) |
| Payables and other liabilities | (8,179) | (3,139) |
| Net cash provided by operating activities | 34,110 | 55,611 |
| Cash flows from investing activities: | | |
| Capital expenditures | (10,317) | (7,781) |
| Cost of subscriber accounts acquired, net of holdback payments | (33,354) | (58,072) |
| Cost of intangible assets acquired | (8,363) | (428) |
| Net cash used in investing activities | (52,034) | (66,281) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 56,500 | 65,000 |
| Payments on long-term debt | (19,113) | (21,613) |
| Payment of refinancing costs | (5,380) | — |
| Contingent bonus payments on dealer acquired accounts | (1,975) | (2,086) |
| Earnout Payments | (10,975) | — |
| Net cash provided by financing activities | 19,057 | 41,301 |
| Net increase in cash, cash equivalents and restricted cash | 1,133 | 30,631 |
| Cash, cash equivalents and restricted cash at beginning of period | 6,294 | 15,001 |
| Cash, cash equivalents and restricted cash at end of period | $ 7,427 | $ 45,632 |
| Supplemental cash flow information: | | |
| State taxes paid, net | $ 2,150 | $ 2,532 |
| Interest paid | 38,047 | 39,973 |
| Accrued capital expenditures | 994 | 806 |
| Earnout Payments liability | 102,123 | 85,852 |

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

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| 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 | 22,500,000 | $ 225 | $ 379,175 | $ (247,991) | $ (1,412) | $ 129,997 |
| Net loss | — | — | — | (34,735) | — | (34,735) |
| Other comprehensive income | — | — | — | — | 159 | 159 |
| Balance at June 30, 2021 | 22,500,000 | $ 225 | $ 379,175 | $ (282,726) | $ (1,253) | $ 95,421 |

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| 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 | 22,500,000 | $ 225 | $ 379,175 | $ (148,963) | $ (1,804) | $ 228,633 |
| Net loss | — | — | — | (21,652) | — | (21,652) |
| Other comprehensive income | — | — | — | — | 19 | 19 |
| Balance at June 30, 2020 | 22,500,000 | $ 225 | $ 379,175 | $ (170,615) | $ (1,785) | $ 207,000 |

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# Management Discussion & Analysis

# Accounts Acquired

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*For the Three Months Ended June 30, 2021*

During the three months ended June 30, 2021 and 2020, the Company acquired 13,754 and 13,768 subscriber accounts, respectively, through our Network Sales and Direct to Consumer Channel[1]. A bulk buy of 113,013 accounts was also completed in the three months ended June 30, 2020, with no bulk buys being completed during the three months ended June 30, 2021. Excluding Nest customers who acquired their system from third parties ("Nest Free"), new customer activations in the Direct to Consumer Channel increased by approximately 1,800 accounts from the corresponding prior year period through our field sales function which now operates in six markets, and our phone sales team which has been bolstered with a new enterprise partner for marketing. This increased production was offset by lower Nest Free customer activations due to Nest's decision to retire its security product and slightly lower volume in the Network Sales Channel.

RMR acquired during the three months ended June 30, 2021 and 2020 was $753,000 and $5,272,000, respectively. RMR acquired during the three months ended June 30, 2020 related to bulk buys was $4,612,000.

*For the Six Months Ended June 30, 2021*

During the six months ended June 30, 2021 and 2020, the Company acquired 25,523 and 30,222 subscriber accounts, respectively, through our Network Sales Channel and Direct to Consumer Channel. The decrease in accounts acquired for the six months ended June 30, 2021 is primarily due to lower production in the Network Sales Channel, primarily related to two dealers, and in "Nest Free" customer activations. These decreases were offset by new customer activations from our phone and field sales functions within the Direct to Consumer Channel. Additionally, the six months ended June 30, 2020 includes two bulk buy transactions of 10,960 accounts in March 2020 and 113,013 accounts in June 2020 with no bulk buys being completed during the six months ended June 30, 2021.

RMR acquired during the six months ended June 30, 2021 and 2020 was $1,365,000 and $6,346,000, respectively. RMR acquired during the six months ended June 30, 2020 related to bulk buys was $4,866,000.

[1] *The Network Sales Channel includes our authorized dealer and authorized representative programs while the Direct to Consumer Channel includes our phone and field sales divisions. The Direct to Consumer Channel also included Nest sales, which have been discontinued in 2021.*

# Attrition

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The table below presents subscriber data for the twelve months ended June 30, 2021 and 2020:

| | Twelve Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance of accounts not subject to Earnout Payments | 823,655 | 885,436 |
| Accounts acquired | 56,510 | 79,822 |
| Accounts cancelled | (113,341) | (134,489) |
| Cancelled accounts guaranteed by dealer and other adjustments (a) | (3,010) | (7,114) |
| Ending balance of accounts not subject to Earnout Payments | 763,814 | 823,655 |
| Ending balance of bulk accounts subject to Earnout Payments | 128,631 | 113,013 |
| Ending balance of accounts | 892,445 | 936,668 |
| Attrition rate - Core Unit (c) | 14.3 % | 16.0 % |
| Attrition rate - Core RMR (b) (c) | 14.0 % | 18.0 % |

(a) Includes cancelled accounts that are contractually guaranteed to be refunded from holdback.

(b) The RMR of cancelled accounts follows the same definition as subscriber unit attrition as noted above. RMR attrition is defined as the RMR of cancelled accounts in a given period, adjusted for the impact of price increases or decreases in that period, divided by the weighted average of RMR for that period.

- Consolidated core unit attrition at 14.3%, 170bps favorable to PY
  - Improvement from pool curve dynamics and benefit of “at risk” retention efforts
- RMR core attrition of 14.0%, 400bps favorable to PY
  - Improvements now following unit attrition as “at risk” program matures and rate adjustments implemented

## Results of Operations – Three Months Ended June 30, 2021 vs June 30, 2020

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| | Three Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net revenue | $ 132,823 | $ 120,808 |
| Cost of services | 37,426 | 27,624 |
| Selling, general and administrative, including stock-based and long-term incentive compensation | 39,352 | 32,541 |
| Net loss | (34,735) | (21,652) |
| | | |
| Adjusted EBITDA (a) | $ 57,632 | $ 64,101 |
| Adjusted EBITDA as a percentage of Net revenue | 43.4 % | 53.1 % |
| | | |
| *Expensed Subscriber acquisition costs, net* | | |
| Gross subscriber acquisition costs | $ 9,201 | $ 3,723 |
| Revenue associated with subscriber acquisition costs | (1,329) | (1,444) |
| Expensed Subscriber acquisition costs, net | $ 7,872 | $ 2,279 |

(a) See reconciliation of Net income (loss) to Adjusted EBITDA below.

## Results of Operations – Three Months Ended June 30, 2021 vs. June 30, 2020

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- Consolidated Q2 Net Revenue of $132.8m, 9.9% or $12.0m above PY
  - Increase in monitoring revenue $6.2m driven by impact of Protect America and Select bulks closed in 2020
  - Increase in product, installation and service revenues $5.7m due to increased DTC sales and extension volume and higher revenue per transaction due to more sales having add-on equipment
  - Average RMR per subscriber increased from $43.95 to $44.57 as of June 30, 2021
- Consolidated Q2 Cost of Service of $37.4m, 35.5% or $9.8m above PY
  - Increase driven by the impact of Protect America and Select bulks on the monitoring and field service operations
  - Subscriber acquisition cost increased from $1.5m to $3.6m in 2021 due to higher sales volume in the Direct to Consumer Channel
  - Partially offset by $800k of 2020 TSA costs from Protect America that did not recur
- Consolidated Q2 SG&A of $39.4m, 20.9% or $6.8m above PY
  - Increase partially driven by operational initiative investments include funding platform, increased retention efforts and in-sourcing customer service operations not fully reflected in Q2'20
  - Subscriber acquisition cost increased from $2.2m to $5.6m in 2021 due to increased marketing efforts with a new enterprise partner RV
- Consolidated Q2 Adj. EBITDA $57.6m, 10.1% or $6.5m below PY
  - Revenue increase offset by higher Adjusted OpEx, including $5.5m increase in subscriber acquisition costs
- Consolidated creation multiple, ex-bulk, at 36.6x versus 34.4x in PY
  - Indirect Channel at 34.3x versus 36.2x PY, due to decreasing multiples in new Dealer contracts
  - Inside Sales (excluding Nest and RV) at 25.5x versus 24.3x PY, due to modest targeted marketing spend
  - RV pilot and Field Sales multiples elevated as programs scale

## Results of Operations – Six Months Ended June 30, 2021 vs June 30, 2020

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| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net revenue | $ 266,515 | $ 243,383 |
| Cost of services | 73,163 | 55,634 |
| Selling, general and administrative, including stock-based and long-term incentive compensation | 80,258 | 76,994 |
| Net loss | (66,012) | (135,657) |
| | | |
| Adjusted EBITDA (a) | $ 116,152 | $ 122,842 |
| Adjusted EBITDA as a percentage of Net revenue | 43.6 % | 50.5 % |
| | | |
| *Expensed Subscriber acquisition costs, net* | | |
| Gross subscriber acquisition costs | $ 14,874 | $ 11,591 |
| Revenue associated with subscriber acquisition costs | (2,625) | (3,304) |
| Expensed Subscriber acquisition costs, net | $ 12,249 | $ 8,287 |

(a) See reconciliation of Net income (loss) to Adjusted EBITDA below.

## Results of Operations – Six Months Ended June 30, 2021 vs. June 30, 2020

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- Consolidated Q2 Net Revenue of $266.5m, 9.5% or $23.1m above PY
  - Increase in monitoring revenue $14.8m driven by impact of Protect America and Select bulks closed in 2020
  - Increase in product, installation and service revenues $9.0m due to increased DTC sales and extension volume and higher revenue per transaction due to more sales having add-on equipment
  - Average RMR per subscriber increased from $43.95 as of June 30, 2020 to $44.57 as of June 30, 2021
- Consolidated Q2 Cost of Service of $73.2m, 31.5% or $17.5m above PY
  - Increase driven by the impact of Protect America and Select bulks on the monitoring and field service operations
  - Subscriber acquisition cost increased from $3.4m to $5.7m in 2021 due to higher sales volume in the Direct to Consumer Channel
  - TSA costs increased from $800k in 2020 for Protect America bulk to $4.0m in 2021 for Select bulk
- Consolidated Q2 SG&A of $80.3m, 4.2% or $3.3m above PY
  - Increase partially driven by operational initiative investments include funding platform, increased retention efforts and in-sourcing customer service operations not fully reflected in 2020
  - Subscriber acquisition cost increased from $8.2m to $9.2m in 2021. Marketing costs were scaled back beginning in late Q1'20 with rapid reset, until the current quarter with the roll out the new enterprise partner RV.
- Consolidated Q2 Adj. EBITDA $116.2m, 5.4% or $6.7m below PY
  - Revenue increase offset by higher Adjusted OpEx, including $4.0m increase in subscriber acquisition costs
- Consolidated creation multiple, ex-bulk, at 36.0x versus 37.1x in PY
  - Indirect Channel at 34.6x versus 36.3x PY, due to decreasing multiples in new Dealer contracts
  - Inside Sales (excluding Nest and RV) at 21.9x versus 42.1x PY, lower due to reliance on organic leads
  - RV pilot and Field Sales multiples elevated as programs scale

**Measures and Reconciliations**

We evaluate the performance of our operations based on financial measures such as revenue and "Adjusted EBITDA." Adjusted EBITDA is a non-GAAP financial measure and is defined as net income (loss) before interest expense, (net of interest income), income taxes, depreciation, amortization (including the amortization of subscriber accounts, dealer network and other intangible assets), gain on restructuring, stock-based compensation, and other non-cash or non-recurring charges. We believe that Adjusted EBITDA is an important indicator of the operational strength and performance of our business. In addition, this measure is used by management to evaluate operating results and perform analytical comparisons and identify strategies to improve performance. Adjusted EBITDA is also a measure that is customarily used by financial analysts to evaluate the financial performance of companies in the security alarm monitoring industry and is one of the financial measures, subject to certain adjustments, by which our covenants are calculated under the agreements governing our debt obligations. Adjusted EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles in the United States ("GAAP"), should not be construed as an alternative to net income or loss and is indicative neither of our results of operations nor of cash flows available to fund all of our cash needs. It is, however, a measurement that we believe is useful to investors in analyzing our operating performance. Accordingly, Adjusted EBITDA should be considered in addition to, but not as a substitute for, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. As companies often define non-GAAP financial measures differently, Adjusted EBITDA as calculated by Monitronics should not be compared to any similarly titled measures reported by other companies.

# Adjusted EBITDA Reconciliations

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| | Three Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net loss | $ (34,735) | $ (21,652) |
| Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets | 55,562 | 54,368 |
| Depreciation | 4,075 | 3,451 |
| Radio conversion costs | 9,658 | 3,667 |
| Deferred revenue fair value adjustment | 86 | — |
| Long-term incentive compensation | — | 238 |
| Legal settlement insurance recovery | — | (700) |
| Severance expense (a) | 556 | 1,352 |
| Integration / implementation of company initiatives | 663 | 2,568 |
| Select Security acquisition costs | 37 | — |
| Select Security integration costs | 185 | — |
| COVID-19 Costs | — | — |
| Impairment of capitalized software | 59 | — |
| Interest expense | 20,536 | 20,207 |
| Refinancing expense | 267 | — |
| Income tax expense | 682 | 602 |
| Adjusted EBITDA | $ 57,632 | $ 64,101 |

(a) Severance expense related to transitioning executive leadership.

# Adjusted EBITDA Reconciliations

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| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net loss | $ (66,012) | $ (135,657) |
| Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets | 109,896 | 107,649 |
| Depreciation | 8,076 | 6,560 |
| Radio conversion costs | 18,629 | 8,491 |
| Deferred revenue fair value adjustment | 476 | — |
| Long-term incentive compensation | — | 401 |
| Legal settlement insurance recovery | — | (700) |
| Severance expense (a) | 684 | 4,242 |
| Integration / implementation of company initiatives | 1,133 | 8,144 |
| Select Security acquisition costs | 37 | — |
| Select Security integration costs | 407 | — |
| COVID-19 Costs | 303 | — |
| Loss on revaluation of acquisition dealer liabilities | (42) | — |
| Impairment of capitalized software | 59 | — |
| Goodwill impairment | — | 81,943 |
| Interest expense | 40,500 | 40,549 |
| Refinancing expense | 710 | — |
| Income tax expense | 1,295 | 1,220 |
| Adjusted EBITDA | $ 116,152 | $ 122,842 |

(a) Severance expense related to transitioning executive leadership.

# Liquidity Information – June 30, 2021

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| Debt Balances<br>$ in millions | Principal Balance | Int Rate |
|---|---|---|
| Term Loan - Takeback Facility | $ 808.1 | 7.75% |
| Term Loan - Exit Facility | $ 150.0 | 6.50% |
| Revolver | $ 58.5 | 6.50% |
| **Total** | **$ 1,016.6** | |

*As of 6/30/2021 the Company was in compliance with all required covenants.*

| Earnout Payments Liability Balances - Undiscounted<br>$ in millions | |
|---|---|
| Protect America | $ 70.3 |
| Select Security | $ 38.5 |
| **Total Earnout Liability - Undiscounted** | **$ 108.8** |

| Liquidity<br>$ in millions | |
|---|---|
| Total Availability Under Revolver | $ 145.0 |
| Revolver Balance | $ (58.5) |
| Letter of Credit | $ (0.6) |
| **Remaining Availability Under Revolver** | **$ 85.9** |
| Cash And Cash Equivalents | $ 7.3 |
| **Total Short Term Liquidity** | **$ 93.2** |

| Radio Conversion Program<br>$ in millions, except units | |
|---|---|
| Total Cumulative Estimated Costs | $80.0 to $90.0 |
| 2021 YTD Costs Incurred | $ 18.6 |
| Cumulative Costs Incurred | $ 44.3 |
| 2G/3G Accounts Remaining | 224,765 |