



ADT Inc.



BB 1 year PD
0.38% to 0.60%

- Strong recurring revenue and Net Income-growth, sector-leading EBITDA margins, solid access to capital markets, and R/C-capacity.
- ~80% of Total Assets being intangibles is a concern. Their focus on residential customers makes them sensitive to demand shifts driven by inflation, high interest rates, etc. A consistently elevate attrition rate, and a tech-dependency on Google can be a concern.

Strengths

- Robust Profitability & Cash Flow:** Achieved nearly 50% EBITDA margin in FY-24 with \$1.27bn FCF, and 1.9x Fixed Cost Coverage Ratio. Net Income grew 2.8x since FY-22 a timeframe during which Total Revenue increase by "just" 11.8%.
- Leading Market Position & Scale:** Serves >6mn residential and SMB customers via a vast direct and dealer network and nine 24/7 monitoring centers, enhancing pricing power and retention.
- Recurring Revenue and Liquidity:** Substantial recurring monthly revnue of \$360mn (\$4.3bn annualized) due to their subscription model. ADT's liquidity is supported by solid access to capital markets (e.g. Moody's 'Ba3' / S&P 'BB-'), as well as \$720mn in unused capacity under an R/C-line.

Challenges

- Intangible-Rich Balance Sheet:** Net Debt/EBITDA stands at 4.5x, with 79% of \$16bn assets in goodwill/intangibles, limiting collateral value and increasing vulnerability to impairment - which, would swiftly reduce their borrowing capacity.
- Industry Challenges:** The industry is dealing with a high customer churn and costly subscriber acquisition costs, leading to high capital intensity and constrained free cash flow generation. Subscriber attrition, a key operating metric, often correlates with home relocations, exposing the company to housing market fluctuations. The latter are being compressed by high inflation rates and interest rates.
- Customer Attrition:** With ~12.8% (average over the past 3 years) ADTs Gross Customer Revenue Attrition ranges at the upper end of the industry, which typically is around 10% - top performers are below that.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
	Ownership	Public			
	Company Stage	Stabilized			
	Financials	Complete			
	Weight	Score	Dimension	Weight	Score
Financial	75%	7.3	Liquidity	15%	4.1
			Leverage	40%	5.5
			Profitability	45%	10.0
Business	25%	6.7	Industry Risk	20%	7.0
			Competitive Position	50%	6.3
			Mgmt / Governance	30%	7.3
			Sponsor / Parent		
Modifiers	-1.1	Trend Analysis			🚩 0.2

Company Overview

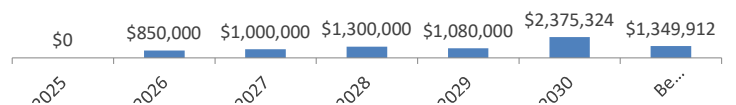
Headquarters	Boca Raton, FL
Type	Public
Employees	~12,800
Year Founded	1874
Website	https://www.adt.com/
Business	Security, monitoring, and smart-home solutions provider.
Revenues	\$4,898.4M

- Company Overview:** ADT is a publicly traded company and a nationwide provider of professionally monitored security, smart home, and automation services with a strong legacy in life safety and recurring revenue business models.
- Product:** Offers integrated security systems, smart home automation, video surveillance, and emergency response solutions tailored for residential and small business use.
- Customers:** Serves >6mn US customers, including homeowners, renters, and small-to-midsize businesses seeking comprehensive protection and remote access control.
- Ownership:** Publicly traded on the NYSE, with major shareholders including Apollo Global Management, State Farm, and Google through strategic equity partnerships.
- Debt Structure:** \$7.9bn of the Total Debt (\$11.3bn) per 3/25 are long term in nature with a fairly well spread out maturity profile. The balance is comprised of deferred revenue from subscriptions (\$2.1bn), and deferred tax liabilities \$1.2bn).
- Basis for Assessment:** Complete set of FY-22/23/24 SEC-filed financials and Q1-25 for added trend considerations.
- Single Event Risks:** Refinancing Risk: high leverage and reliance on debt markets expose ADT to default if capital access tightens. Key Partner Risk: a fallout with Google (heavily involved as tech-partner, driving technological advancements, and therefore ADT's competitiveness and margin) could disrupt product pipeline, customer growth, profitability, and revenue stability. Cyber/Tech Failure: a major breach or system outage may trigger reputational, legal, and financial fallout.
- Tariffs:** ADT Inc. faces minimal direct exposure to recent US tariff changes due to its domestic revenue base and flexible global sourcing. Indirect risks could arise from broader macroeconomic effects, namely higher interest rates and inflation, which may dampen housing activity and consumer spending.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	49	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.06	0.80	34%
	Quick Ratio	0.82	0.64	35%
Leverage	Net Debt / EBITDA	5.23	4.53	55%
	Debt to Assets	50.6%	69.9%	36%
Profitability	EBITDA Margin	16.3%	49.6%	100%
	ROCE %	6.4%	8.2%	67%
	Revenue	\$436M	\$4,898M	
Industry Benchmarks - Primary: Specialized Consumer Services / Secondary: Security and Alarm Service				

Debt Maturities in thousands



Financial Statement Highlights

\$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change	
				(C) to (B)	(B) to (A)
Income Statement					
Total Revenue	4,381,904	4,652,824	4,898,446		5.3%
Gross Profit	3,683,122	3,901,142	4,051,332		3.8%
Adjusted EBITDA	2,337,509	2,454,823	2,431,198		-1.0%
Gross Profit Margin	84.1%	83.8%	82.7%		(114) bps
Net Income	132,663	463,009	501,053		8.2%
Balance Sheet					
Cash And Cash Equivalents	373,580	129,950	204,065		57.0%
Total Current Assets	1,721,996	1,004,694	1,004,920		0.0%
Total Assets	17,821,236	15,964,094	16,050,957		0.5%
Total Current Liabilities	2,661,103	1,480,208	1,263,780		-14.6%
Total Debt	12,923,582	11,086,912	11,213,930		1.1%
Total Equity	3,393,148	3,788,646	3,800,801		0.3%
Key Ratios					
Current Ratio	0.65	0.68	0.80		17.2%
Quick Ratio	0.56	0.54	0.64		17.8%
Net Debt / EBITDA	5.37	4.46	4.53		1.5%
Debt to Assets	72.5%	69.4%	69.9%		+42 bps
EBITDA Margin	53.3%	52.8%	49.6%		(313) bps
ROCE %	4.8%	8.1%	8.2%		+3 bps

- FY-24 EBITDA margin remained strong (~49.6%), despite amortization pressure, driven by scale and recurring revenue.
- FCF rose to \$1.27bn in FY-24, up from \$1.12bn in FY-23, reflecting efficient cost management and stable cash conversion.
- Net income jumped from \$133mn (FY-22) to \$501mn (FY-24), with operating cash flow rising from \$1.30bn to \$1.43bn over the same period, demonstrating earnings stabilization.

Business Risk Highlights

- Industry:** Operates within the subscription-based home security industry, projected to grow at 13.7% CAGR, though facing disruption from DIY entrants and evolving regulations affecting the oligopolistic market.
- Competitive Position:** Strong brand legacy and professional installation provide insulation versus low-cost disruptors; yet margin pressure from innovation and competition remains a risk.
- Management:** ADT's 2024-2025 leadership changes (ADT appointed Fawad Ahmad as EVP & Chief Operating & Customer Officer and Omar Khan as EVP & Chief Business Officer) emphasize digital innovation and governance. New EVP hires (Ahmad, Khan) enhance customer and product focus, while CFO Likosar's return ensures financial continuity. CBO exit and commercial unit sale to GTCR streamline operations but raise transition and revenue concentration risks. Board independence shift post-Apollo boosts oversight. Share repurchases amid high leverage show capital confidence but increase balance sheet tension.
- Ownership:** No majority parent via stock ownership; however sizable equity investments by Apollo, State Farm, and Google may influence strategy, funding access, and operational flexibility.