



First-Quarter 2024 Earnings Webcast

May 2, 2024



Today's Speakers



Bill Cobb

**Chairman &
Chief Executive Officer**



Jessica Ross

**Senior Vice President &
Chief Financial Officer**



Matt Davis

**Vice President
Investor Relations & Treasurer**

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, projected future performance and any statements about Frontdoor's plans, strategies and prospects. Forward-looking statements can be identified by the use of forward-looking terms such as "believe," "expect," "estimate," "could," "should," "intend," "may," "plan," "seek," "anticipate," "project," "will," "shall," "would," "aim," or other comparable terms. These forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. Such risks and uncertainties include, but are not limited to: changes in macroeconomic conditions, including inflation and global supply chain challenges, especially as they may affect existing home sales, interest rates, consumer confidence or labor availability; the success of our business strategies; the ability of our marketing efforts to be successful or cost-effective; our dependence on our real estate and direct-to-consumer customer acquisition channels and our renewal channel; changes in the source and intensity of competition in our market; our ability to attract, retain and maintain positive relations with third-party contractors and vendors; increases in parts, appliance and home system prices, and other operating costs; our ability to attract and retain qualified key employees and labor availability in our customer service operations; our dependence on third-party vendors, including business process outsourcers, and third-party component suppliers; cybersecurity breaches, disruptions or failures in our technology systems; our ability to protect the security of personal information about our customers; lawsuits, enforcement actions and other claims by third parties or governmental authorities; evolving corporate governance and disclosure regulations and expectations related to environmental, social and governance matters; physical effects of climate change, including adverse weather conditions and Acts of God, along with the increased focus on sustainability; increases in tariffs or changes to import/export regulations; our ability to protect our intellectual property and other material proprietary rights; negative reputational and financial impacts resulting from acquisitions or strategic transactions; requirement to recognize impairment charges; third-party use of our trademarks as search engine keywords to direct our potential customers to their own websites; inappropriate use of social media by us or other parties to harm our reputation; special risks applicable to operations outside the United States by us or our business process outsource providers; dependence on appreciation in our stock price for a return on investment in our common stock; restrictions in our certificate of incorporation related to an acquisition of us or to our lawsuits against us or our directors or officers; the effects of our significant indebtedness; increases in interest rates increasing the cost of servicing our indebtedness; increased borrowing costs due to lowering or withdrawal of the credit ratings, outlook or watch assigned to us, our debt securities or our credit facilities; and our ability to generate significant cash needed to fund our operations and service our debt. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes, including, without limitation, our actual results of operations, financial condition and liquidity, and the development of new markets or market segments in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. For a discussion of other important factors that could cause Frontdoor's results to differ materially from those expressed in, or implied by, the forward-looking statements included in this document, refer to the risks and uncertainties detailed from time to time in Frontdoor's periodic reports filed with the SEC, including the disclosure contained in Item 1A. Risk Factors in our 2023 Annual Report on Form 10-K filed with the SEC, as such factors may be updated from time to time in Frontdoor's periodic filings with the SEC. Except as required by law, Frontdoor does not undertake any obligation to update or revise the forward-looking statements to reflect new information or events or circumstances that occur after the date of this presentation or to reflect the occurrence of unanticipated events or otherwise. Readers are advised to review Frontdoor's filings with the SEC, which are available from the SEC's EDGAR database at [sec.gov](https://www.sec.gov), and via Frontdoor's website at frontdoorhome.com.

Non-GAAP Financial Measures

To supplement Frontdoor's results presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), Frontdoor has disclosed the non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow, and Unrestricted Cash.

We define "Adjusted EBITDA" as net income before: depreciation and amortization expense; goodwill and intangibles impairment; restructuring charges; provision for income taxes; non-cash stock-based compensation expense; interest expense; loss on extinguishment of debt; and other non-operating expenses.

We define "Free Cash Flow" as net cash provided from operating activities less property additions. Free Cash Flow is not a measurement of our financial performance or liquidity under U.S. GAAP and does not purport to be an alternative to net cash provided from operating activities or any other performance or liquidity measures derived in accordance with U.S. GAAP.

We define "Unrestricted Cash" as cash not subject to third-party restrictions. For additional information related to our third-party restrictions, see "Liquidity and Capital Resources — Liquidity" under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Annual Report on Form 10-K filed with the SEC.

See the Appendix attached hereto for additional information and reconciliations of such non-GAAP financial measures. Management believes these non-GAAP financial measures provide useful supplemental information for its and investors' evaluation of Frontdoor's business performance and are useful for period-over-period comparisons of the performance of Frontdoor's business. While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, these non-GAAP financial measures may not be the same as similarly entitled measures reported by other companies.

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Strong Q1 2024 Financial Performance

- ↑ Revenue increased 3% to \$378M
- ↑ Gross margin expanded 510 bps to 51%
- ↑ Adjusted EBITDA⁽¹⁾ rose 33% to \$71M
- ↑ Increasing full-year gross profit margin and Adjusted EBITDA outlook

⁽¹⁾ See the Appendix accompanying this presentation for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the nearest GAAP measure. See "Reconciliations of Non-GAAP Financial Measures" included in this presentation for descriptions of calculations of these measures.

Note: All comparisons versus the prior year period (Q1 2023)

Channel Performance Remains Mixed



- Lower home sales, tight inventory & seller's market



Direct-to-Consumer

- Temporary reset in category demand



Renewals

- Retention rates continue to perform well

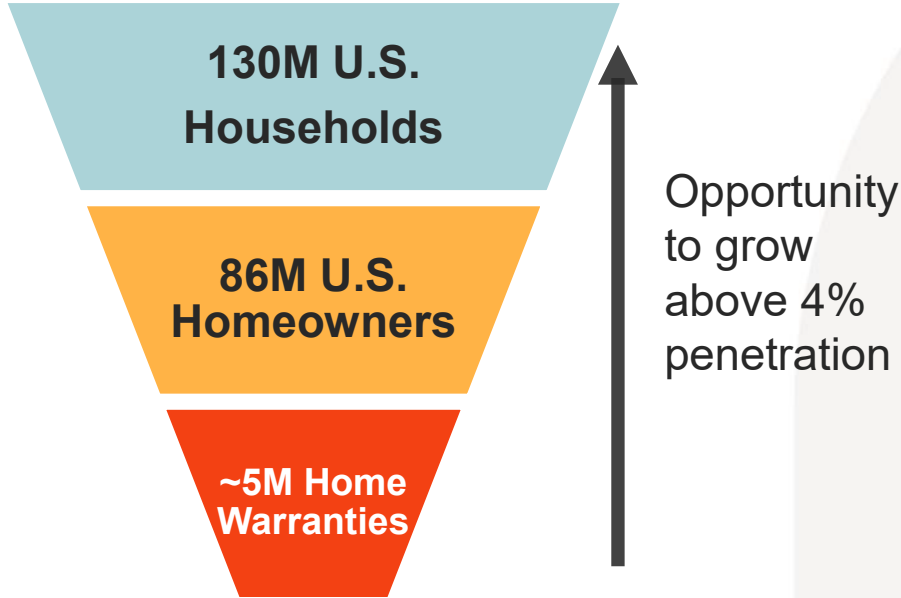


Other

- New HVAC sales remain strong

Long-Term Opportunity Remains Strong

Sizable Category Growth Potential



Relevant Value Proposition

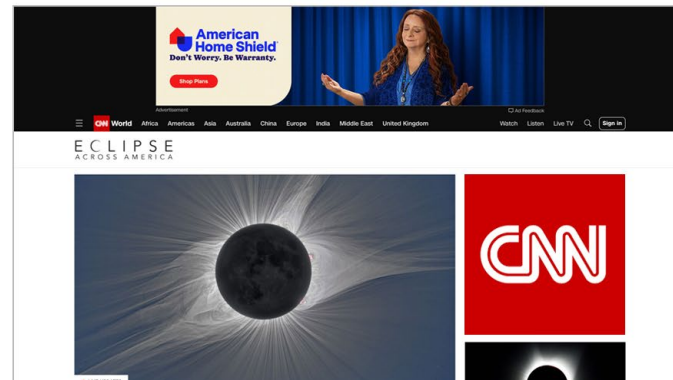
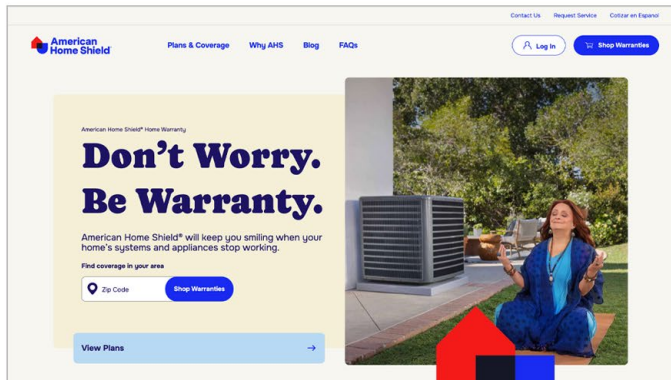
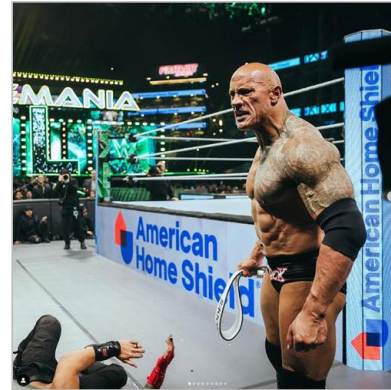
- 1 Financial protection
- 2 Convenience
- 3 Peace of mind

Relaunched American Home Shield Brand in April



- Top priority is to grow our customer base
- The brand relaunch is a major component of this strategy and includes:
 - Break-through ad campaign
 - Catchy, recognizable tagline “Don’t Worry. Be Warranty.”
 - New logo with brighter, bolder colors and more modern look
 - A new spokesperson (Rachel Dratch as ‘Warrantina’)
- We believe the relaunch will improve our growth trajectory for home warranties over time

Omni-Channel Campaign with New Marketing Partners

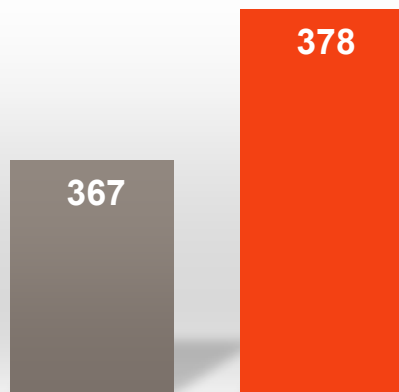


First Quarter 2024 Financial Summary

(\$ millions)

Revenue

+3%

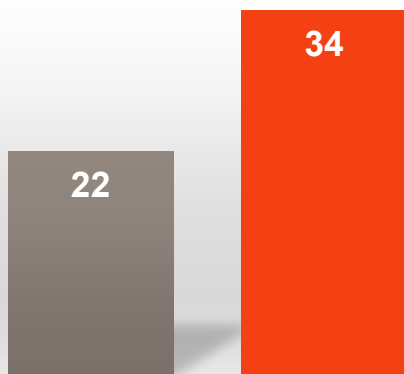


Q1 2023

Q1 2024

Net Income

+56%

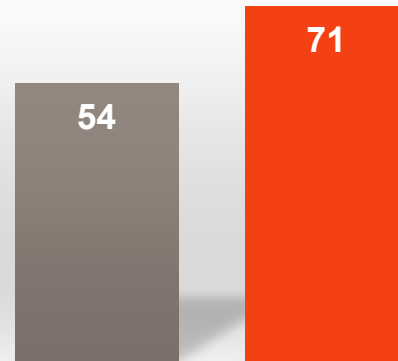


Q1 2023

Q1 2024

Adjusted EBITDA⁽¹⁾

+33%



Q1 2023

Q1 2024

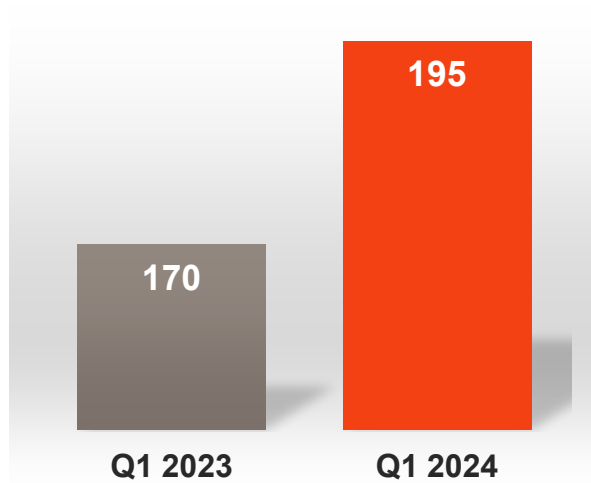
⁽¹⁾ See the Appendix accompanying this presentation for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the nearest U.S. GAAP measure. See "Reconciliations of Non-GAAP Financial Measures" included in this presentation for a description of the calculation for this measure.

Note: All comparisons versus the prior year period (Q1 2023)

First Quarter 2024 Gross Profit Improved 14%

(\$ millions)

Gross Profit
+14%



Gross Profit
Margin
+510bps
to 51%

First Quarter 2024 Adjusted EBITDA

(\$ millions)

Three Months Ended March 31, 2023	\$54
Impact of change in revenue ⁽²⁾	14
Contract claims costs ⁽³⁾	10
Sales and marketing costs	(7)
General and administrative costs	(3)
Customer service costs	1
Interest and net investment income	1
Three Months Ended March 31, 2024	\$71

**Q1 Adjusted
EBITDA⁽¹⁾
+33%**

Note: Revenue and expense items are year-over-year increases/(decreases); amounts presented in table may not sum due to rounding; all comparisons versus prior year period (Q1 2023)

⁽¹⁾ See the Appendix accompanying this presentation for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the nearest GAAP measure. See "Reconciliations of Non-GAAP Financial Measures" included in this presentation for descriptions of calculations of these measures.

⁽²⁾ Revenue conversion includes the impact of the change in the number of home warranties as well as the impact of year-over-year price changes. The impact of the change in the number of home warranties considers the associated revenue on those plans less an estimate of contract claims costs based on margin experience in the prior year period.

⁽³⁾ Contract claims costs includes the impact of changes in service request incidence, inflation and other drivers associated with the number of home warranties in the prior year period. The impact on contract claims costs resulting from year-over-year changes in the number of home warranties is included in revenue conversion above.

First Quarter 2024 Free Cash Flow

(\$ millions)

	Three Months Ended March 31,	
	2024	2023
Net cash provided from (used for):		
Operating Activities	84	60
Investing Activities	(10)	(8)
Financing Activities	(21)	(7)
Cash increase/(decrease) during the period	53	45

**Restricted
Cash**

\$165M

**Unrestricted
Cash**

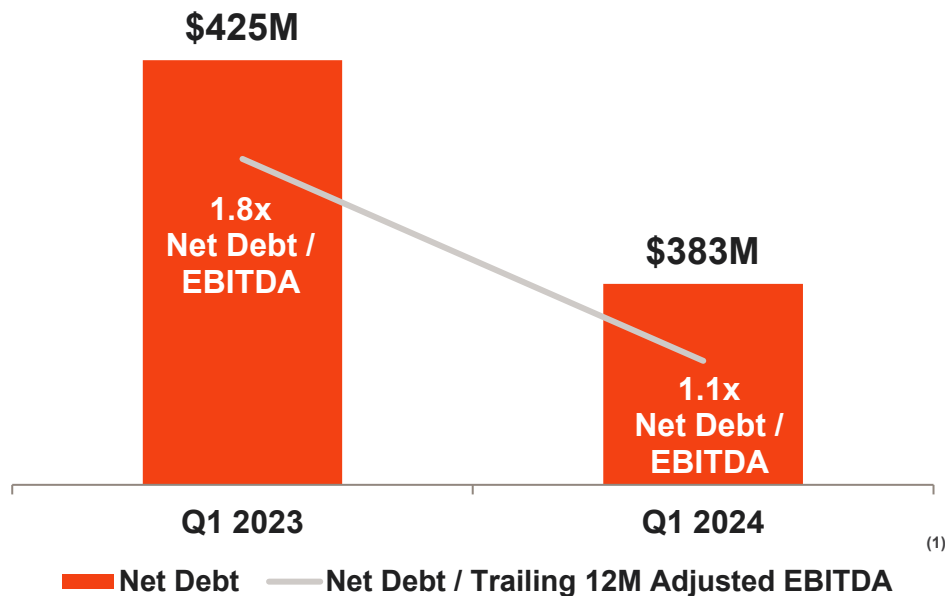
\$213M

**Free Cash
Flow⁽¹⁾**

\$73M

Strong Capital Structure Provides Financial Flexibility

- **#1:** Growth through organic and M&A opportunities
- **#2:** Maintain a strong financial profile
- **#3:** Return excess cash to shareholders through share repurchases



Q2 2024 and FY 2024 Outlook

	Q2 2023 Results	Q2 2024 Outlook	
		Low	High
Revenue (\$ millions)	523	530	540
Adjusted EBITDA (\$ millions) ⁽¹⁾⁽²⁾	121	130	140

	FY 2023 Results	FY 2024 Outlook	
Revenue (\$ billions)	1.78	1.81	1.84
Gross Profit Margin (%)	50	50	
SG&A (\$ millions)	581	580	595
Adjusted EBITDA (\$ millions) ⁽¹⁾⁽²⁾	346	360	370
Capital Expenditures (\$ millions)	32	35 – 45	
Annual Effective Tax Rate (%)	25	25	

Investor Day | November 7, 2024, New York



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Appendix



Q1 2024 Consolidated Results

Note: See elsewhere in this Appendix for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the nearest U.S. GAAP measure; amounts presented in table may not sum due to rounding.

	Three Months Ended		
	March 31,		
	2024	2023	Better /(Worse)
<i>\$ millions, except per share amounts</i>			
Revenue	\$ 378	\$ 367	\$ 11
YOY Growth			3%
Gross Profit	195	170	25
% of revenue	51.5%	46.4%	510 pts
Selling and administrative expenses	135	125	(11)
% of revenue	35.8%	34.0%	(180) pts
Depreciation and amortization expense	9	9	-
Restructuring charges	0	1	1
Interest expense	10	10	-
Interest and net investment income	(5)	(3)	1
Income before Income Taxes	45	29	16
Provision for income taxes	11	7	(4)
Net Income	\$ 34	\$ 22	\$ 12
Other comprehensive income, net of tax	2	(2)	4
Total Comprehensive Income	\$ 35	\$ 20	\$ 16
Earnings Per Share:			
Basic	\$ 0.43	\$ 0.27	\$ 0.17
Diluted	\$ 0.43	\$ 0.27	\$ 0.16
Weighted average common shares outstanding:			
Basic	78.3	81.5	(3.2)
Diluted	79.0	81.9	(2.9)
Adjusted EBITDA	\$ 71	\$ 54	\$ 18

Net Income to Adjusted EBITDA Reconciliations

(\$ millions)	Three Months Ended	
	March 31,	
	2024	2023
Net Income	\$ 34	\$ 22
Depreciation and amortization expense	9	9
Restructuring charges	—	1
Provision for income taxes	11	7
Non-cash stock-based compensation expense	7	5
Interest expense	10	10
Adjusted EBITDA	\$ 71	\$ 54

Note: Amounts presented in the above tables may not sum due to rounding.

Net Income to Adjusted EBITDA Reconciliations (Cont.)

	Three Months Ended		Year Ended	
	June 30,		December 31,	
	2023		2023	
<i>(\$ millions)</i>				
Net Income	\$	70	\$	171
Depreciation and amortization expense		9		37
Goodwill and intangibles impairment		—		—
Restructuring charges		—		16
Provision for income taxes		23		57
Non-cash stock-based compensation expense		8		26
Interest expense		10		40
Adjusted EBITDA	\$	<u>121</u>	\$	<u>346</u>

Net Cash Provided from Operating Activities to Free Cash Flow Reconciliations

(\$ millions)	Three Months Ended March 31,	
	2024	2023
Net Cash Provided from Operating Activities	\$ 84	\$ 60
Property additions	(10)	(8)
Free Cash Flow	\$ 73	\$ 52

Note: Amounts presented in the above tables may not sum due to rounding.

Net Debt and TTM Adjusted EBITDA Reconciliation

		Three Months Ended March 31,	
<i>(in millions)</i>		2024	2023
Term Loan A		\$ 224	\$ 237
Term Loan B		370	373
Total Debt - Face Value	(A)	594	611
Discounts and issuance costs		(4)	(6)
Total Debt - Book Value		589	605
LCs Outstanding	(B)	2	2
Available cash	(C)	213	187
Restricted net assets		165	150
Total cash		378	337
Net Debt	(A+B-C)	\$ 383	\$ 425
Leverage Ratio:			
Net Debt		\$ 383	\$ 425
TTM Adjusted EBITDA		364	243
Net Debt/Adjusted EBITDA		1.05	1.75

Note: Amounts presented in the above tables may not sum due to rounding.