



frontdoor™

First-Quarter 2020
Earnings Webcast

MAY 6, 2020

Today's Speakers



Rex Tibbens
President &
Chief Executive Officer



Brian Turcotte
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, prospects, and the impact of COVID-19 on Frontdoor's business. 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: the impact of the global COVID-19 pandemic; weather conditions and seasonality; weakening general economic conditions; lawsuits, enforcement actions and other claims by third parties or governmental authorities; the effects of our substantial indebtedness; the success of our business strategies; and failure to achieve some or all of the expected benefits of our separation from ServiceMaster Global Holdings, Inc. 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, you should refer to the risks and uncertainties detailed from time to time in Frontdoor's periodic reports filed with the SEC as well as the disclosure contained in Item 1A. Risk Factors in our 2019 Annual Report on Form 10-K filed with the SEC, as such factors may be further 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 these 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 Securities and Exchange Commission, which are available from the SEC's EDGAR database at 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 ("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: provision for income taxes; interest expense; depreciation and amortization expense; non-cash stock-based compensation expense; restructuring charges; Spin-off charges; secondary offering costs; and other non-operating expenses. We believe Adjusted EBITDA is useful for investors, analysts and other interested parties as it facilitates company-to-company operating performance comparisons by excluding potential differences caused by variations in capital structures, taxation, the age and book depreciation of facilities and equipment, restructuring initiatives, Spin-off charges and equity-based, long-term incentive plans.

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 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 GAAP. Free Cash Flow is useful as a supplemental measure of our liquidity. Management uses Free Cash Flow to facilitate company-to-company cash flow comparisons, which may vary from company to company for reasons unrelated to operating performance.

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 2019 Annual Report on Form 10-K filed with the SEC.

See the schedules 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 GAAP. In addition, these non-GAAP financial measures may not be the same as similarly entitled measures reported by other companies.

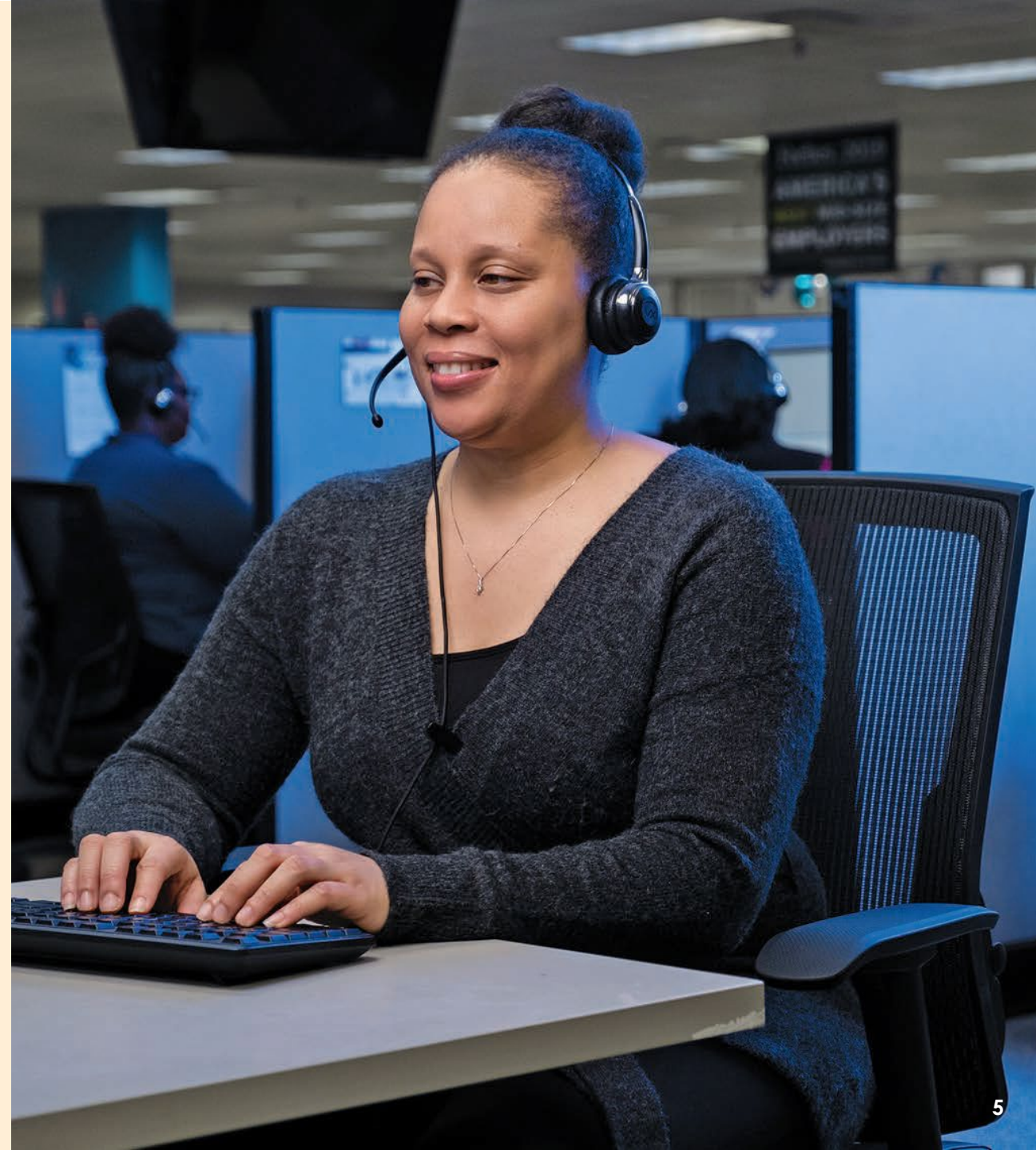
First-Quarter 2020 Summary

- Strong Operational and Financial Execution
- Early and Decisive COVID-19 Response
- Hired Chief Marketing Officer
- Deployed Stroom to our Contractor and Real Estate Partners

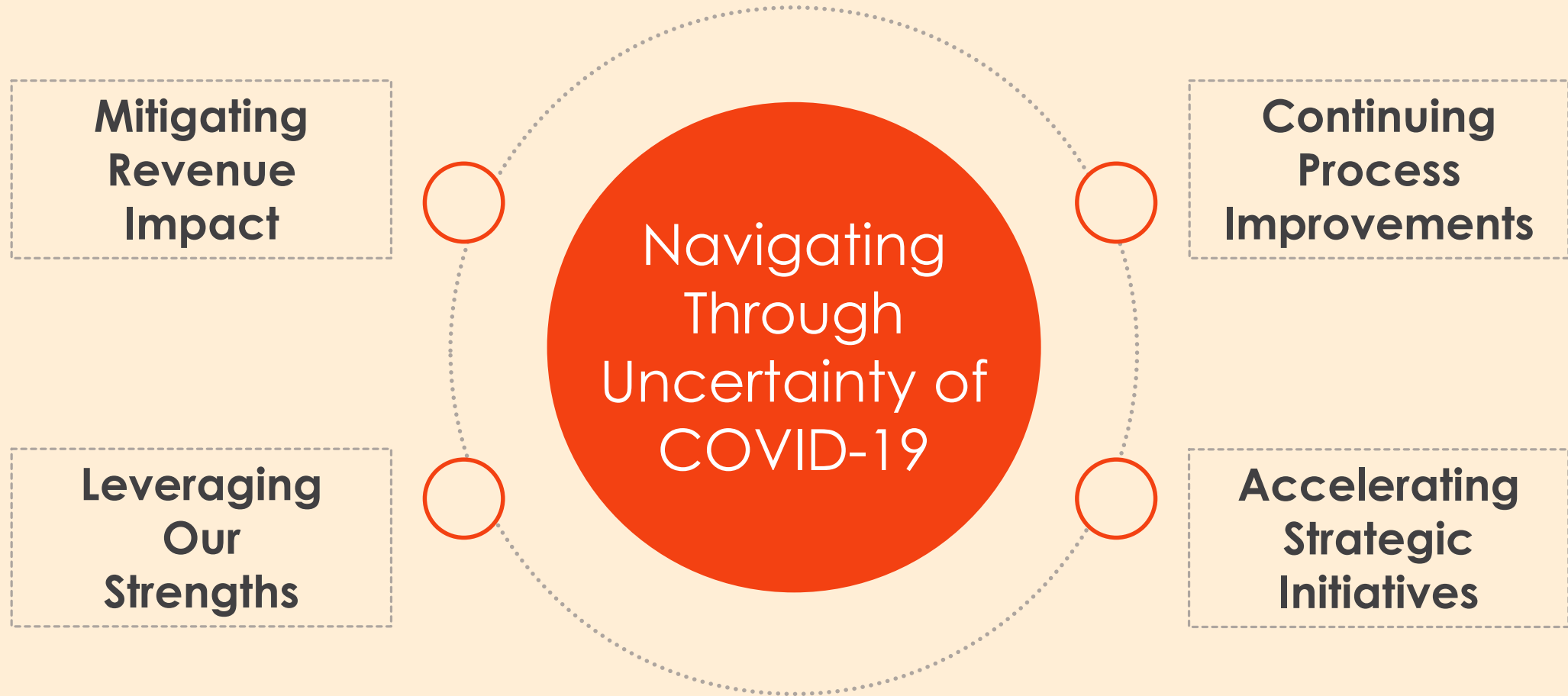


Response to COVID-19 Crisis

- Deemed “Essential” Service
- Maintaining Normal Operations
- Actions Taken
 - Employees
 - Contractors
 - Customers
- Responding in Real Time



Current Business Focus

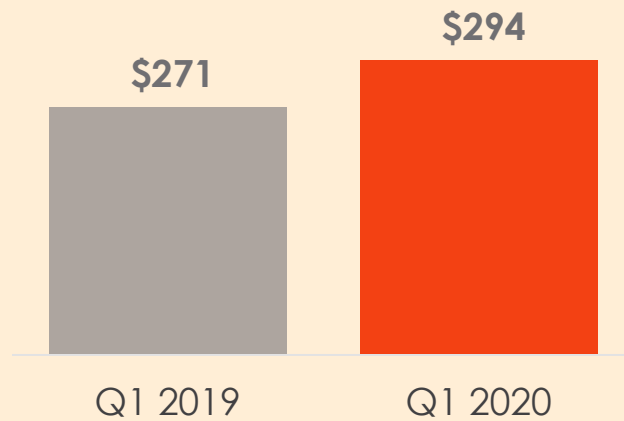


Q1 2020 Financial Summary

\$ millions

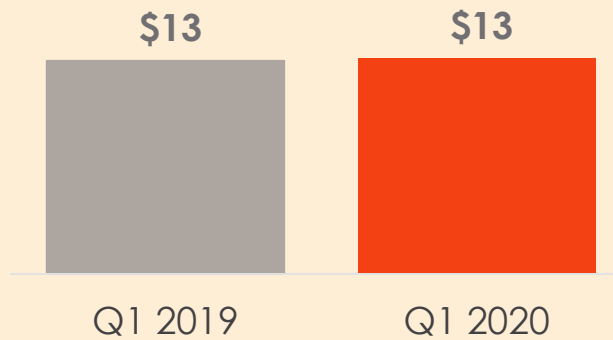
Revenue

+8%



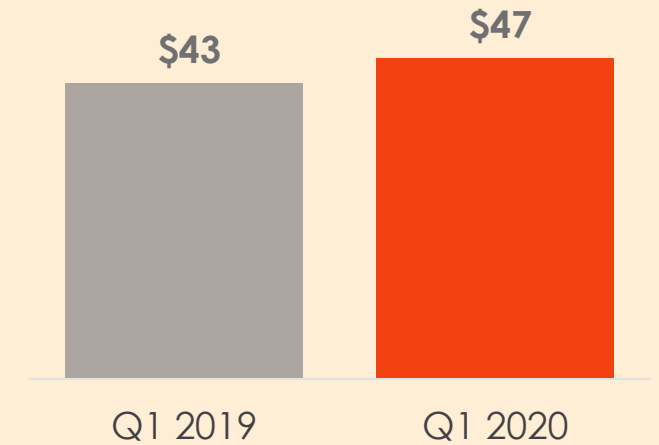
Net Income

+1%



Adjusted EBITDA⁽¹⁾

+9%



⁽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 a description of the calculation for this measure.

Q1 2020 Adjusted EBITDA⁽¹⁾ Bridge

\$ millions

Three Months Ended March 31, 2019	\$43
Impact of change in revenue ⁽²⁾	18
Contract claims costs	--
Sales and marketing costs	(7)
Customer service costs	(4)
General and administrative costs	(5)
Three Months Ended March 31, 2020	\$47

Note: Revenue and expense items are year-over-year increases/(decreases); amounts presented in table may not sum due to rounding.

⁽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 a description of the calculation for this measure.

⁽²⁾ Revenue conversion is calculated using the estimated gross margin impact of new home service plan revenue along with the impact of price changes.



Q1 2020 Cash Flow

\$ millions

	Three Months Ended March 31,	
Net cash provided from (used for):	2020	2019
Operating Activities	\$60	\$52
Investing Activities	(3)	(5)
Financing Activities	(3)	(2)
Cash increase during the period	\$54	\$45

\$ millions

**Free Cash
Flow⁽¹⁾**

\$52

**Available
Liquidity**

\$565

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



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Q&A

For more information please visit our website:
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APPENDIX

Q1 2020 Consolidated Results

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

\$ millions, except per share amounts

	Three Months Ended		
	March 31,		
	2020	2019	Better / (Worse)
Revenue	\$ 294	\$ 271	\$ 23
<i>YoY Growth</i>			8%
Gross Profit	147	128	19
<i>% of revenue</i>	49.9%	47.2%	2.7 pts
Selling and administrative expenses	105	89	(16)
<i>% of revenue</i>	35.6%	32.8%	(2.8) pts
Depreciation and amortization expense	8	6	(2)
Restructuring charges	3	—	(3)
Spin-off charges	—	1	1
Interest expense	15	16	1
Interest and net investment income	(2)	(1)	—
Income before Income Taxes	17	18	—
Provision for income taxes	4	5	—
Net Income	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ —</u>
Other Comprehensive Loss, Net of Income Taxes:			
Net unrealized loss on derivative instruments	(15)	(5)	(10)
Total Comprehensive (Loss) Income	<u>\$ (2)</u>	<u>\$ 8</u>	<u>\$ (10)</u>
Earnings per Share:			
Basic	\$ 0.15	\$ 0.15	\$ —
Diluted	\$ 0.15	\$ 0.15	\$ —
Weighted-average Common Shares Outstanding:			
Basic	85.1	84.6	0.5
Diluted	85.4	84.7	0.7
Adjusted EBITDA	\$ 47	\$ 43	\$ 4

Net Income to Adjusted EBITDA Reconciliations

\$ millions

	Three Months Ended	
	March 31,	
	2020	2019
Net Income	\$ 13	\$ 13
Depreciation and amortization expense	8	6
Restructuring charges	3	—
Spin-off charges	—	1
Provision for income taxes	4	5
Non-cash stock-based compensation expense	3	2
Interest expense	15	16
Secondary offering costs	—	1
Adjusted EBITDA	\$ 47	\$ 43

Net Cash Provided from Operating Activities to Free Cash Flow Reconciliations

\$ millions

	Three Months Ended March 31,	
	2020	2019
Net Cash Provided from Operating Activities	\$ 60	\$ 52
Property Additions	(8)	(4)
Free Cash Flow	\$ 52	\$ 47

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