

**frontdoor**™

**Second-Quarter 2019  
Earnings Webcast**

August 7, 2019



# 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: 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 the Spin-off. 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 2018 Annual Report on Form 10-K filed 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](http://sec.gov), and via Frontdoor's website at [frontdoorhome.com](http://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, Adjusted EBITDA Margin, Free Cash Flow, Adjusted Net Income, and Adjusted Diluted Earnings per Share.

We define "Adjusted EBITDA" as net income before: provision for income taxes; interest expense; interest income from affiliate; depreciation and amortization expense; non-cash stock-based compensation expense; restructuring charges; Spin-off charges; secondary offering costs; affiliate royalty expense; (gain) loss on insured home service plan claims; 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, arrangements with affiliates and equity-based, long-term incentive plans.

We define "Adjusted EBITDA Margin" as Adjusted EBITDA divided by revenue. We believe Adjusted EBITDA Margin 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, arrangements with affiliates 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 "Adjusted Net Income" as net income before: amortization expense; restructuring charges; Spin-off charges; secondary offering costs; affiliate royalty expense; interest income from affiliate; (gain) loss on insured home service plan claims; and the tax impact of the aforementioned adjustments. We believe Adjusted Net Income is useful for investors, analysts and other interested parties as it facilitates company-to-company operating performance comparisons by excluding potential differences caused by items listed in this definition.

We define "Adjusted Diluted Earnings per Share" as Adjusted Net Income divided by the weighted-average diluted common shares outstanding.

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.



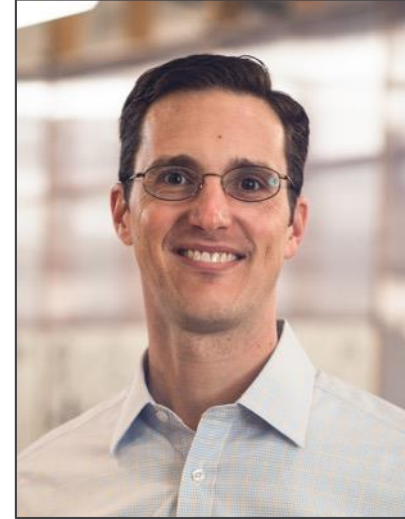
**Rex Tibbens**

President & Chief  
Executive Officer



**Brian Turcotte**

Senior Vice President & Chief  
Financial Officer



**Matt Davis**

VP, Investor Relations and  
Treasurer

## Agenda

- Q2 2019 Summary
- Business Update
- 2019 Strategic Objectives
- Q2 2019 Financials
- FY 2019 Outlook

# Q2 2019 Summary

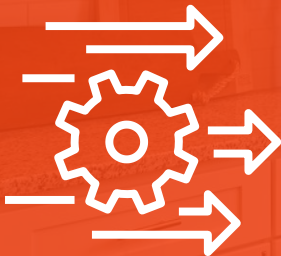


Revenue increased 9% to \$388 million

Gross Profit Margin increased 800 bps to 53%

Adjusted EBITDA increased 44% to \$105 million

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Home Service Plans increased 4%

Customer Retention Rate of 75%

Technology and process changes driving results

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Opened technology center in Denver, CO

Launched electronics coverage partnership

"House Rules" are driving a culture of change

# Business Update



## Direct-to-Consumer

- Made operational improvements to support increased lead volume
- Continued to invest in marketing spend to drive top line growth



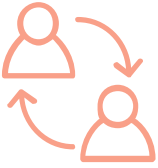
- Expanded brokerage relationships with the addition of HomeServices of America, Inc.
- Implemented new technology and data focused sales culture to improve effectiveness



## Renewals

- Enhanced customer value proposition by adding electronics coverage partnership
- Focused on improving customer retention and the overall customer experience

# 2019 Strategic Objectives



## **Customer Experience**

Enhancing the Customer Experience



## **Pricing**

Optimizing Pricing /  
Launching Dynamic Pricing



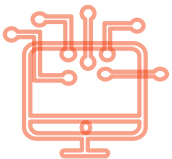
## **Business Processes/ Cost Containment**

Managing to the Inputs  
of the Business



## **People**

Building a Fast-Moving Culture /  
Enabling Frontline Employees



## **Technology**

Advancing Systems and Platforms



## **On-Demand**

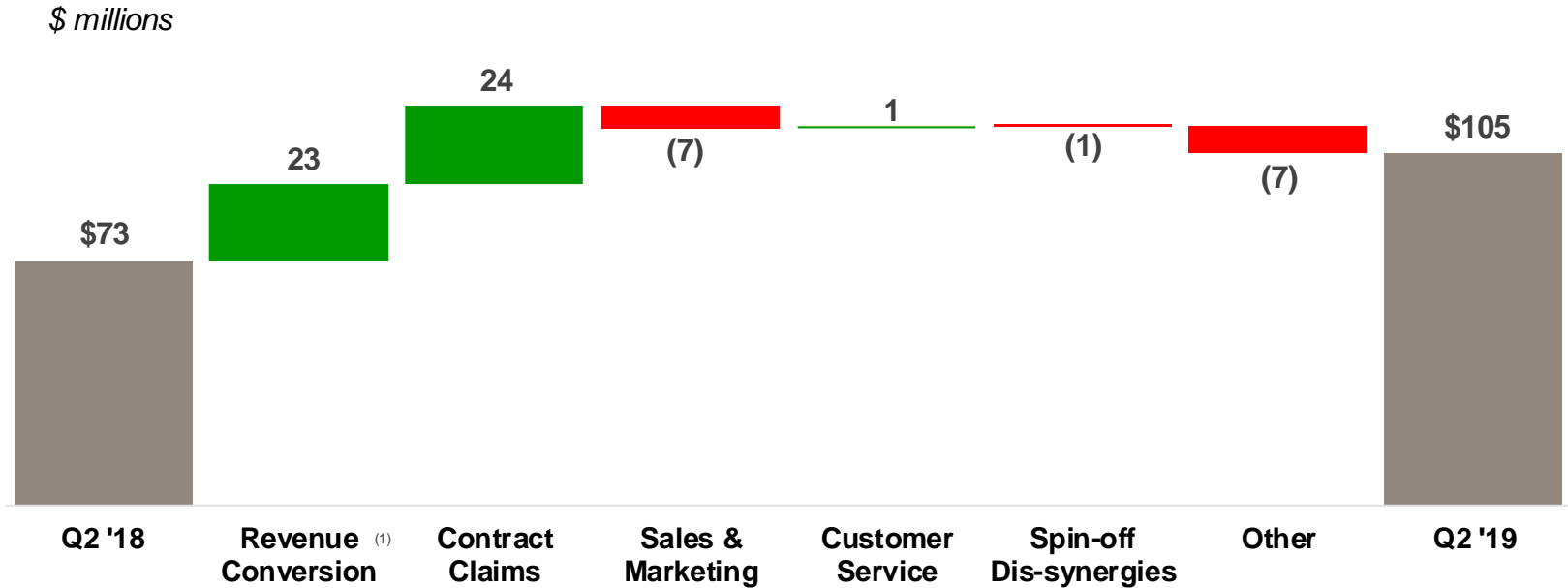
Establishing Playbook  
for the Future

# Financial Summary

<i>\$ millions, except per share amounts</i>	Three Months Ended June 30,		
	2019	2018	Change
<b>Revenue</b>	388	355	9 %
<b>Gross Profit</b>	205	159	29 %
<b>Net Income</b>	60	45	34 %
<b>Diluted Earnings per Share</b>	0.71	0.53	34 %
<b>Adjusted Net Income<sup>(1)</sup></b>	62	53	18 %
<b>Adjusted Diluted Earnings per Share<sup>(1)</sup></b>	0.73	0.62	17 %
<b>Adjusted EBITDA<sup>(1)</sup></b>	105	73	44 %
<b>Home Service Plans (number in millions)</b>	2.1	2.0	4 %

<sup>(1)</sup> See the Appendix accompanying this presentation for a reconciliation of Adjusted Net Income, Adjusted Diluted Earnings per Share, and Adjusted EBITDA, each 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.

# Adjusted EBITDA Bridge



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

- \$23 million increase from revenue conversion, which includes price increases and volume growth
- \$24 million decline in contract claims costs due to business process improvements, adjustments related to contract claims cost development, and seasonally mild weather that was partly offset by higher inflation and tariffs

<sup>(1)</sup> Revenue conversion is calculated using the estimated gross margin impact of new home service plan revenue along with the impact of price changes.



# Cash Flow and Cash Position

<i>\$ millions</i>	Six Months Ended June 30,	
	2019	2018
<b>Net cash provided from (used for):</b>		
Operating Activities	\$ 140	\$ 122
Investing Activities	(12)	(16)
Financing Activities	(4)	(74)
<b>Cash increase during the period</b>	<b>\$ 124</b>	<b>\$ 32</b>

Note: Amounts presented in table may not sum due to rounding.

- Net cash used for financing activities decreased as net cash transfers to ServiceMaster ceased after the Spin-off
- Free Cash Flow<sup>(1)</sup> of \$130 million for the six months ended June 30, 2019
- Cash and marketable securities totaled \$425 million at June 30, 2019, a \$120 million increase from December 31, 2018

<sup>(1)</sup> 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 of this measure.

# Updated Full-Year 2019 Outlook

	2019 Outlook	
	Low	High
<b>Revenue (billions)</b>	\$ 1.36	\$ 1.38
<b>Gross Profit Margin</b>	~49%	
<b>Adjusted EBITDA (millions)<sup>(1)</sup></b>	\$ 290	\$ 300
<b>Capital Expenditures (millions)*</b>	\$ 30	\$ 40
<b>Annual Effective Tax Rate*</b>	~25%	

\*Remained the same from last earnings release.

<sup>(1)</sup> A reconciliation of the forward-looking full-year 2019 Adjusted EBITDA outlook to net income cannot be provided without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusting items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted. For the same reasons, the company is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.

A man and a woman are in a kitchen, looking at a laptop on a counter. The man is leaning over the counter, smiling broadly, while the woman sits at the counter, also smiling. The kitchen has white subway tile backsplash, a stainless steel stove, and a sink with a white pitcher and lemons on the counter.

frontdoor™

Q&A

For more information  
please visit our website:  
[www.frontdoorhome.com](http://www.frontdoorhome.com)

A kitchen with white cabinets, a granite countertop, and a central island. The word "Appendix" is overlaid in white text. The kitchen features a large arched window above the sink, a stainless steel oven and dishwasher, and a central island with a granite countertop. The floor is made of light-colored wood. The word "Appendix" is centered in the middle of the image in a large, white, sans-serif font.

# Appendix

# Consolidated and Combined Results

\$ millions, except per share amounts

	Three Months Ended		
	June 30,		
	2019	2018	Better / (Worse)
Revenue	\$ 388	\$ 355	\$ 33
YoY Growth			9%
Gross Profit	205	159	46
% of revenue	52.9%	44.9%	8 pts
Selling and administrative expenses	104	87	(17)
% of revenue	26.9%	24.6%	(2.3) pts
Depreciation and amortization expense	6	5	(1)
Spin-off charges	—	8	7
Interest expense	16	—	(15)
Interest income from affiliate	—	(1)	(1)
Interest and net investment income	(2)	(1)	1
Income before Income Taxes	81	60	21
Provision for income taxes	20	15	(5)
Net Income	\$ 60	\$ 45	\$ 15
Earnings per Share:			
Basic	\$ 0.71	\$ 0.53	\$ 0.18
Diluted	\$ 0.71	\$ 0.53	\$ 0.18
Weighted-average common shares outstanding <sup>(1)</sup> :			
Basic	84.6	84.5	0.1
Diluted	84.8	84.5	0.3
Adjusted EBITDA	\$ 105	\$ 73	\$ 32
Adjusted Net Income	\$ 62	\$ 53	\$ 9
Adjusted Diluted Earnings per Share	\$ 0.73	\$ 0.62	\$ 0.11

Note: See elsewhere in this Appendix for a reconciliation of Adjusted Net Income, Adjusted EBITDA and Adjusted Diluted Earnings per Share, non-GAAP measures, to the nearest GAAP measure; amounts presented in table may not sum due to rounding.

# Consolidated and Combined Results

\$ millions, except per share amounts

	Six Months Ended		
	June 30,		
	2019	2018	Better / (Worse)
Revenue	\$ 658	\$ 602	\$ 57
YoY Growth			9%
Gross Profit	333	272	61
% of revenue	50.6%	45.2%	5.3 pts
Selling and administrative expenses	193	169	(24)
% of revenue	29.3%	28.0%	(1.3) pts
Depreciation and amortization expense	12	9	(3)
Restructuring charges	—	3	3
Spin-off charges	1	15	14
Affiliate royalty expense	—	1	1
Interest expense	31	—	(31)
Interest income from affiliate	—	(1)	(1)
Interest and net investment income	(3)	(1)	2
Income before Income Taxes	98	78	20
Provision for income taxes	25	20	(5)
Net Income	\$ 73	\$ 58	\$ 15
Earnings per Share:			
Basic	\$ 0.87	\$ 0.69	\$ 0.18
Diluted	\$ 0.87	\$ 0.69	\$ 0.18
Weighted-average common shares outstanding <sup>(1)</sup> :			
Basic	84.6	84.5	0.1
Diluted	84.7	84.5	0.2
Adjusted EBITDA	\$ 149	\$ 105	\$ 43
Adjusted Net Income	\$ 78	\$ 74	\$ 4
Adjusted Diluted Earnings per Share	\$ 0.92	\$ 0.88	\$ 0.05

Note: See elsewhere in this Appendix for a reconciliation of Adjusted Net Income, Adjusted EBITDA and Adjusted Diluted Earnings per Share, non-GAAP measures, to the nearest GAAP measure; amounts presented in table may not sum due to rounding.

# Net Income to Adjusted EBITDA Reconciliation

\$ millions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net Income</b>	<b>\$ 60</b>	<b>\$ 45</b>	<b>\$ 73</b>	<b>\$ 58</b>
Depreciation and amortization expense	6	5	12	9
Restructuring charges	—	—	—	3
Spin-off charges	—	8	1	15
Provision for income taxes	20	15	25	20
Non-cash stock-based compensation expense	3	1	4	2
Affiliate royalty expense	—	—	—	1
Interest expense	16	—	31	—
Secondary offering costs	—	—	2	—
Interest income from affiliate	—	(1)	—	(1)
Gain on insured home service plan claims	—	—	—	(1)
<b>Adjusted EBITDA</b>	<b>\$ 105</b>	<b>\$ 73</b>	<b>\$ 149</b>	<b>\$ 105</b>
<b>Revenue</b>	<b>\$ 388</b>	<b>\$ 355</b>	<b>\$ 658</b>	<b>\$ 602</b>
<b>Net Income Margin</b>	<b>16%</b>	<b>13%</b>	<b>11%</b>	<b>10%</b>
<b>Adjusted EBITDA Margin</b>	<b>27%</b>	<b>21%</b>	<b>23%</b>	<b>18%</b>

Amounts presented in table may not sum due to rounding.

# Net Income to Adjusted Net Income Reconciliations

\$ millions, except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net Income</b>	<b>\$ 60</b>	<b>\$ 45</b>	<b>\$ 73</b>	<b>\$ 58</b>
Amortization expense	1	2	3	4
Restructuring charges	—	—	—	3
Spin-off charges	—	8	1	15
Affiliate royalty expense	—	—	—	1
Interest income from affiliate	—	(1)	—	(1)
Gain on insured home service plan claims	—	—	—	(1)
Secondary offering costs	—	—	2	—
Tax impact of adjustments	—	(2)	(1)	(4)
<b>Adjusted Net Income</b>	<b>\$ 62</b>	<b>\$ 53</b>	<b>\$ 78</b>	<b>\$ 74</b>

## Adjusted Earnings per Share:

Basic	\$ 0.73	\$ 0.62	\$ 0.93	\$ 0.88
Diluted	\$ 0.73	\$ 0.62	\$ 0.92	\$ 0.88
<b>Weighted-average common shares outstanding<sup>(1)</sup>:</b>				
Basic	84.6	84.5	84.6	84.5
Diluted	84.8	84.5	84.7	84.5

<sup>(1)</sup> For the three and six months ended June 30, 2018, earnings per share was calculated based on the 84,515,619 shares of Frontdoor stock that were outstanding at the date of the Spin-off.

# Net Cash Provided from Operating Activities to Free Cash Flow Reconciliations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<i>\$ millions</i>				
Net Cash Provided from Operating Activities	\$ 88	\$ 72	\$ 140	\$ 122
Property Additions	(6)	(12)	(10)	(17)
Free Cash Flow	\$ 82	\$ 61	\$ 130	\$ 105

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