



Third-Quarter 2018 Earnings Webcast

November 5, 2018



Forward Looking Statements

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," "may," "will," "shall," "should," "would," "could," "anticipate," "estimate," "intend," "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: lawsuits, enforcement actions and other claims by third parties or governmental authorities; the effects of our substantial indebtedness; weakening general economic conditions; weather conditions and seasonality; the success of our business strategies; and failure to achieve some or all of the expected benefits of the separation from ServiceMaster. 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 under the heading "Risk Factors" in our registration statement on Form 10 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 www.sec.gov and via Frontdoor's website at www.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, Adjusted Net Income, and Pro Forma Adjusted 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; spinoff charges; 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, spinoff 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; spinoff charges; affiliate royalty expense; interest income from affiliate, (gain) loss on insured home service plan claims, and the tax impact of the aforementioned adjustments.

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

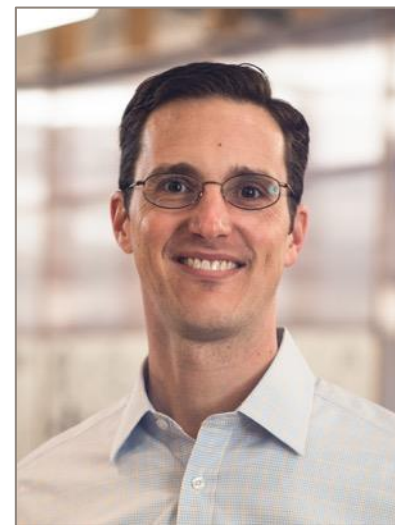
See the schedules to this presentation for additional information and reconciliations of such non-GAAP financial measures. Management believes these non-GAAP financial measures provide useful supplemental information for its and investors' evaluation of Frontdoor's business performance and are useful 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
Chief Executive Officer



Brian Turcotte
SVP & Chief Financial Officer



Matt Davis
VP IR and Treasury

Agenda

- Q3 2018 Highlights
- Business Update
- Q3 2018 Financial Summary
- Full-Year 2018 Outlook

Third-Quarter 2018 Highlights

Spinoff Completed

Successfully completed spinoff on October 1, 2018

Adding Leadership Talent

Jeff Fiarman – SVP & General Counsel

Brett Worthington – SVP of Business Development

Scott Brown – SVP of Customer Experience

Brian McAndrews joined Board of Directors

Increased Revenue

Revenue increase 9% to \$377 million

Increased Customer Retention

Retention rate increased to 76%

Net Income / EPS

Net Income of \$49 million





Pro Forma Earnings per Share of \$0.58

Adjusted Net Income of \$57 million

Pro Forma Adjusted Earnings per Share of \$0.67

Note: See the Appendix accompanying this presentation for a description of our calculation of Pro Forma Earnings per Share and a reconciliation of Adjusted Net Income and Pro Forma Adjusted Earnings per Share, non-GAAP measures, to the nearest GAAP measure.

Significantly Strengthening Core Business to Enable Continued Growth & Claims Costs Containment

Initiatives	Actions
 <p data-bbox="454 392 627 449">Pricing</p>	<ul data-bbox="830 378 1729 464" style="list-style-type: none">• Strategically raising prices across all channels• Implementing dynamic pricing
 <p data-bbox="454 649 705 692">Processes</p>	<ul data-bbox="830 564 1806 778" style="list-style-type: none">• Improving models used to estimate claims costs• Managing to the inputs will provide more visibility / transparency to costs• Increased visibility allows proactive response to industry trends / mix shifts
 <p data-bbox="454 906 763 999">Cost Containment</p>	<ul data-bbox="830 863 1613 1035" style="list-style-type: none">• Renegotiating contractor agreements• Optimizing mix of preferred contractors• Direct sourcing of parts• Enhancing parts network spend
 <p data-bbox="454 1170 627 1213">People</p>	<ul data-bbox="830 1128 1777 1249" style="list-style-type: none">• Adding to strong leadership base• Experts in process, customer service and scaling businesses

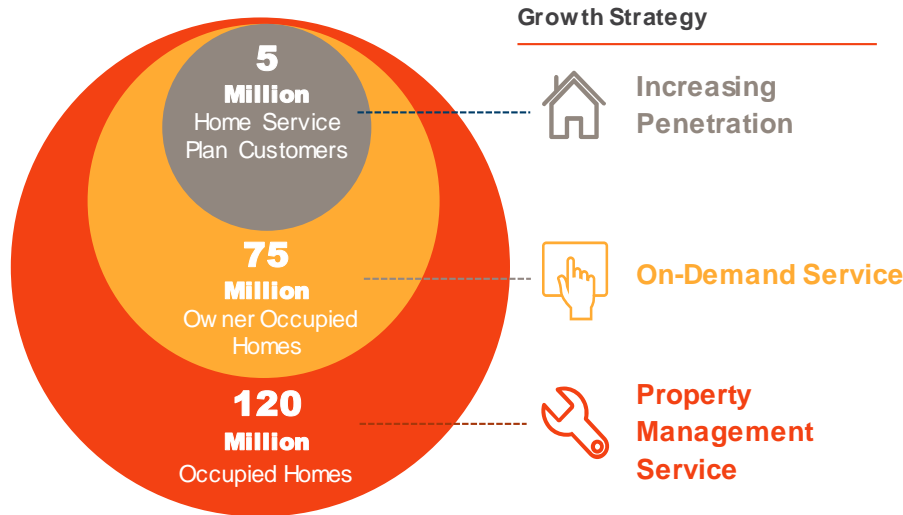
Continue to Execute Core Business Strategy

- Investing in Direct-to-Consumer
 - Driving organic revenue growth
 - Implementing dynamic pricing
- Growing Share in Real Estate
 - Increasing penetration
 - Strengthening partnerships with top real estate firms to drive incremental sales
- Improving Customer Experience
 - Piloting new services
 - Reducing cycle times for customers
 - Improving average speed to answer

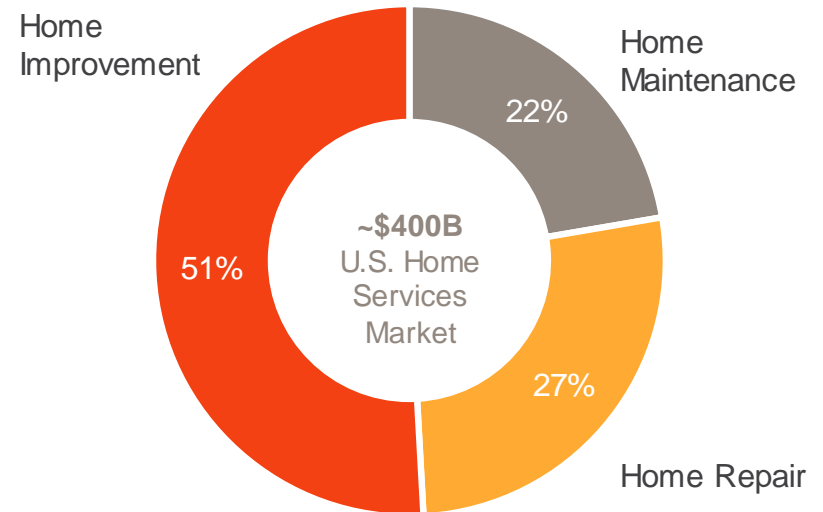


Large Total Addressable Market for Core Home Service Plan Business and On-Demand Opportunity

View by homes



View by services



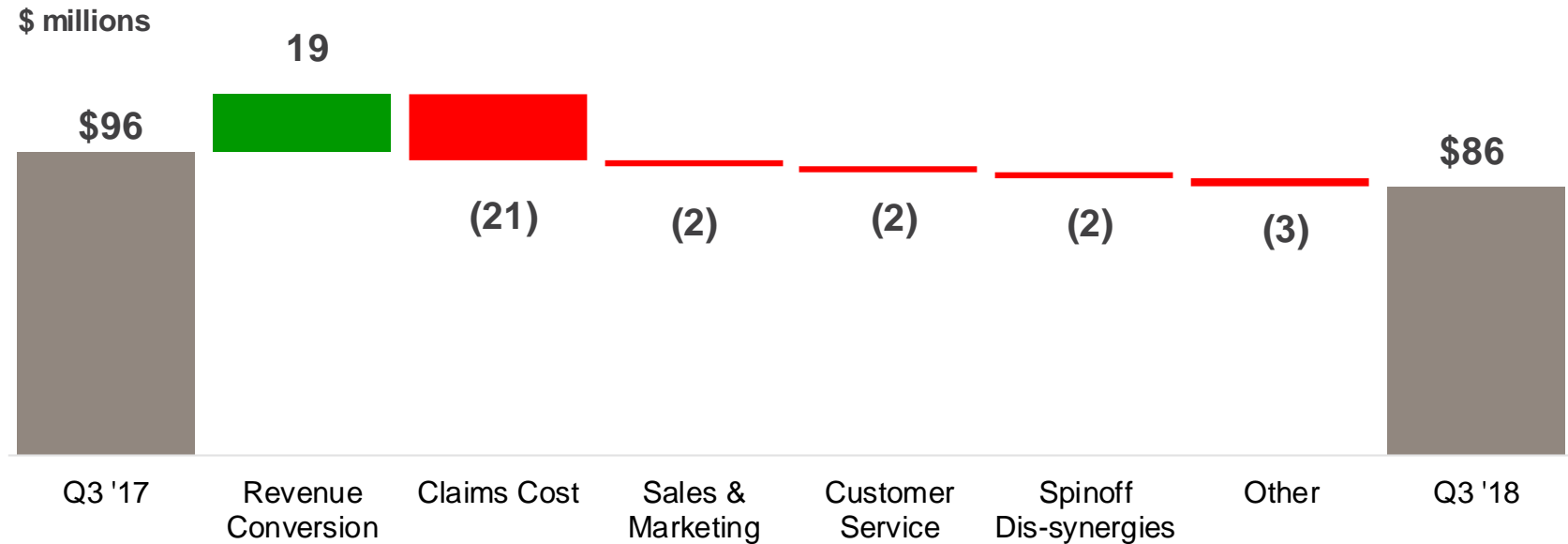
Source: 2018 Management estimates

Q3 2018 Financial Summary

Financial Results				
\$ millions, except per share amounts	Three Months Ended September 30,			
	2018	2017	Change	
Revenue	\$ 377	\$ 346	9 %	
Gross Profit	176	179	(2) %	
Net Income	49	53	(7) %	
Pro Forma Earnings per Share	0.58	0.63	(8) %	
Adjusted EBITDA	86	96	(10) %	
Home Service Plans (number in millions)	2.1	2.0	7 %	

Note: See the Appendix accompanying this presentation for a description of our calculation of Pro Forma Earnings per Share and a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the nearest GAAP measure.

Q3 2018 vs. Q3 2017 Adjusted EBITDA Bridge



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

- Revenue conversion of \$19 million is net of related claims costs
- Claims costs of \$21 million relate to inflation, adverse claims development, weather and appliance replacements
- Sales and marketing incremental investment of \$2 million drove new unit sales
- Incremental investment in customer care centers improved average speed to answer time by 50% versus prior year period

September YTD Cash Flow and Cash Position

\$ millions	Nine Months Ended	
	September 30,	
	2018	2017
Net cash provided from (used for):		
Operating Activities	\$ 126	\$ 136
Investing Activities	(4)	5
Financing Activities	(98)	(53)
Cash increase during the period	\$ 23	\$ 88

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

- Free Cash Flow was \$104 million, down from \$127 million in prior year period due to increases in property additions related to the spinoff and lower net cash from operating activities
- Cash and marketable securities totaled \$314 million as of September 30, 2018
- After certain adjustments from the spinoff, cash and marketable securities totaled \$251 million as of October 1, 2018

Note: See the Appendix accompanying this presentation for a reconciliation of Free Cash Flow, a non-GAAP measure, to the nearest GAAP measure.

Full-Year 2018 Outlook

	Low	High
Revenue (\$ billions)	\$ 1.25	\$ 1.26
Gross Profit Margin	43%	44%
Adjusted EBITDA (\$ millions)	215	225
Capital Expenditures (\$ millions)	25	30
Effective Tax Rate	~25%	

Note: A reconciliation of the forward-looking full-year 2018 Adjusted EBITDA outlook to net income cannot be provided without un reasonable 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, in particular the amounts attributable to restructuring charges. 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.



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Q&A

For more information
please visit our website:
www.frontdoorhome.com



Appendix

Q3 Consolidated Results

\$ millions, except per share amounts

	Three Months Ended September, 30		
	2018	2017	Better / (Worse)
Revenue	\$ 377	\$ 346	\$ 31
<i>YoY Growth</i>			9%
Gross Profit	176	179	(3)
<i>% of revenue</i>	46.5%	51.6%	(5.1) pts
Selling and administrative expenses	90	82	(8)
<i>% of revenue</i>	23.8%	23.8%	0 pts
Depreciation expense	3	2	(1)
Amortization expense	2	2	—
Restructuring charges	—	4	4
Spinoff charges	8	6	(2)
Affiliate royalty expense	1	1	—
Interest expense	7	—	(7)
Interest income from affiliate	—	(1)	—
Interest and net investment income	—	(1)	—
Income from Operations before Income Taxes	65	83	(17)
Provision for income taxes	16	29	13
Net Income	\$ 49	\$ 53	\$ (4)
Weighted-average common shares outstanding	84.5	84.5	
Pro Forma Earnings Per Share	\$ 0.58	\$ 0.63	\$ (0.05)
Adjusted Net Income	\$ 57	\$ 62	\$ (5)
Adjusted EBITDA	\$ 86	\$ 96	\$ (10)
Pro Forma Adjusted Earnings per Share	\$ 0.67	\$ 0.73	\$ (0.06)

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

September YTD Consolidated Results

\$ millions, except per share amounts

	Nine Months Ended		
	September 30,		
	2018	2017	Better / (Worse)
Revenue	\$ 979	\$ 899	\$ 80
<i>YoY Growth</i>			9%
Gross Profit	448	447	1
<i>% of revenue</i>	45.7%	49.7%	(3.9) pts
Selling and administrative expenses	259	241	(18)
<i>% of revenue</i>	26.4%	26.8%	0.4 pts
Depreciation expense	8	7	(1)
Amortization expense	6	6	—
Restructuring charges	3	6	2
Spinoff charges	23	6	(17)
Affiliate royalty expense	1	1	—
Interest expense	7	1	(7)
Interest income from affiliate	(2)	(2)	—
Interest and net investment income	(1)	(1)	—
Income from Operations before Income Taxes	143	183	(38)
Provision for income taxes	36	67	31
Net Income	\$ 108	\$ 116	\$ (7)
Weighted-average common shares outstanding	84.5	84.5	
Pro Forma Earnings Per Share	\$ 1.28	\$ 1.37	\$ (0.09)
Adjusted Net Income	\$ 131	\$ 127	\$ 4
Adjusted EBITDA	\$ 191	\$ 209	\$ (18)
Pro Forma Adjusted Earnings per Share	\$ 1.55	\$ 1.50	\$ 0.05

Note: See elsewhere in this Appendix for a reconciliation of Adjusted Net Income, Adjusted EBITDA and Pro Forma Adjusted 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 and Adjusted Net Income Reconciliations

\$ millions, except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	\$ 49	\$ 53	\$ 108	\$ 116
Depreciation and amortization expense	5	4	14	13
Restructuring charges	—	4	3	6
Spinoff charges	8	6	23	6
Provision for income taxes	16	29	36	67
Non-cash stock-based compensation expense	1	—	3	3
Affiliate royalty expense	1	1	1	1
Interest expense	7	—	7	1
Interest income from affiliate	—	(1)	(2)	(2)
Gain on insured home service plan claims	(1)	(1)	(2)	(1)
Adjusted EBITDA	\$ 86	\$ 96	\$ 191	\$ 209
Net Income	\$ 49	\$ 53	\$ 108	\$ 116
Amortization expense	2	2	6	6
Restructuring charges	—	4	3	6
Spinoff charges	8	6	23	6
Affiliate royalty expense	1	1	1	1
Interest income from affiliate	—	(1)	(2)	(2)
Gain on insured home service plan claims	(1)	(1)	(2)	(1)
Tax impact of adjustments	(2)	(2)	(6)	(5)
Adjusted Net Income	\$ 57	\$ 62	\$ 131	\$ 127
Weighted-average common shares outstanding	84.5	84.5	84.5	84.5
Pro Forma Adjusted Earnings Per Share	\$ 0.67	\$ 0.73	\$ 1.55	\$ 1.50

Note: See "Pro Forma Earnings per Share Calculation" elsewhere in this appendix for an explanation of the calculation of weighted-average common shares outstanding; amounts presented in table may not sum due to rounding.

Net Cash Provided from Operating Activities to Free Cash Flow Reconciliations

(\$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Cash Provided from Operating Activities	\$ 4	\$ 24	\$ 126	\$ 136
Property additions	(4)	(3)	(21)	(9)
Free Cash Flow	\$ —	\$ 22	\$ 104	\$ 127

Pro Forma Earnings per Share Calculation

(\$ millions except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	\$ 49	\$ 53	\$ 108	\$ 116
Weighted-average common shares outstanding	84.5	84.5	84.5	84.5
Pro Forma Earnings per Share	0.58	0.63	1.28	1.37

At the date of spinoff, Frontdoor had 84,515,619 common shares outstanding. The calculation of both basic and diluted Pro Forma Earnings per Share for the three and nine months ended September 30, 2018 and 2017 utilizes the common shares at the date of distribution as the basis for the calculation of weighted-average common shares outstanding for periods prior to the spinoff, because at that time, Frontdoor did not operate as a separate, stand-alone entity, and no equity-based awards were outstanding prior to the date of distribution.