
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2018

Alarm.com Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37461
(Commission
File Number)

26-4247032
(IRS Employer
Identification No.)

**8281 Greensboro Drive, Suite 100, Tysons,
Virginia**
(Address of principal executive offices)

22102
(Zip Code)

Registrant's telephone number, including area code: (877) 389-4033

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 7, 2018, Alarm.com Holdings, Inc. issued a press release announcing its financial results for the quarter ended June 30, 2018. The press release is furnished hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report, including the exhibit attached hereto, is furnished under Item 2.02 of this report and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|----------------------|--|
| 99.1 | Press Release Dated August 7, 2018 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Alarm.com Holdings, Inc.

Date: August 7, 2018

By: /s/ Steve Valenzuela

Steve Valenzuela

Chief Financial Officer

Alarm.com Reports Second Quarter 2018 Results

- Second Quarter SaaS and License Revenue Increased 20.4% to \$71.0 million Year-Over-Year --
- Second Quarter Total Revenue Increased 21.5% to \$104.5 million Year-Over-Year --
- Second Quarter GAAP Net Income Increased to \$10.7 million, Compared to \$9.9 million for the Second Quarter of 2017 --
- Second Quarter Non-GAAP Adjusted EBITDA Increased to \$23.4 million, Compared to \$15.9 million for the Second Quarter of 2017 --

TYSONS, VA., August 7, 2018 -- Alarm.com Holdings, Inc. (Nasdaq: ALRM), the leading platform for the intelligently connected property, today reported financial results for its second quarter ended June 30, 2018. Alarm.com also provided its financial outlook for SaaS and license revenue for the third quarter of 2018 and increased its guidance for the full year 2018.

"We are pleased to report another quarter of solid financial performance," said Steve Trundle, President and CEO of Alarm.com. "Our service provider partners continued to grow their subscriber bases and are increasingly deploying a full range of connected property solutions. During the quarter, we also expanded the Alarm.com platform ecosystem to give our service provider partners more opportunities to acquire customers using our solutions."

Second Quarter 2018 Financial Results as Compared to Second Quarter 2017

- SaaS and license revenue increased 20.4% to \$71.0 million, compared to \$58.9 million. SaaS and license revenue includes software license revenue of \$10.2 million, compared to \$8.5 million.
- Total revenue increased 21.5% to \$104.5 million, compared to \$86.0 million.
- GAAP net income increased to \$10.7 million, or \$0.22 per diluted share, compared to \$9.9 million or \$0.20 per diluted share.
- Non-GAAP adjusted EBITDA increased to \$23.4 million, compared to \$15.9 million.
- Non-GAAP adjusted net income increased to \$16.8 million, or \$0.34 per diluted share, compared to \$10.7 million or \$0.22 per diluted share.

Balance Sheet and Cash Flow

- Total cash and cash equivalents increased to \$106.0 million as of June 30, 2018, compared to \$96.3 million as of December 31, 2017.
- For the quarter ended June 30, 2018, cash flows from operations were \$11.7 million, compared to \$11.8 million for the quarter ended June 30, 2017.

Recent Business Highlights

- **Introduced the Alarm.com Builder Program:** Alarm.com announced a comprehensive program designed to facilitate partnerships between home builders and Alarm.com's service provider partners. The program offers a turn-key solution for rapidly and efficiently deploying a full-range of smart home solutions in new home communities. Alarm.com's ecosystem of best-in-class hardware products enables builders to tailor solutions for their targeted homebuyers. Builders can also minimize risks and costs by working with Alarm.com's service provider partners who manage system installation and configuration as well as the long-term customer relationship.
- **Expanded Hardware Ecosystem:** Integrating new connected devices into Alarm.com's curated ecosystem of hardware products provides greater convenience and intelligence to subscribers and gives Alarm.com's service provider partners an expanded range of services to market. The newly integrated devices include the DSC iotega security panel and a range of smart locks from leading brands August Home, Kwikset and Yale. A new Smarter Heating Control solution integrates a series of new devices to provide an easy retrofit for boiler systems popular in European markets. The new hardware includes a European version of the Alarm.com Smart Thermostat, a heating control switch and smart thermostats from Climax and Qubino that control hot water cylinders and individual radiators.
- **Announced Partnership with Aviva:** Aviva, the largest insurance provider in the United Kingdom, has partnered with Alarm.com to introduce Aviva Smart Home. By offering an integrated smart home solution tailored for its policy holders, Aviva Smart Home is a first of its kind application of Internet of Things services. Aviva Smart Home includes security, automation and energy management solutions that will help increase customer engagement, generate new growth and reduce the frequency and impact of home insurance claims. Aviva serves more than 33 million customers globally, and will launch Aviva Smart Home in Ireland this fall.

- **EnergyHub Selected by National Grid to Manage Demand Response Program.** Alarm.com's subsidiary, EnergyHub, will use EnergyHub's Mercury DERMS platform to manage all aspects of National Grid's Bring Your Own Device (BYOD) demand response program. National Grid is one of the largest investor-owned utilities in the world.

Financial Outlook

Alarm.com is providing its outlook for SaaS and license revenue for the third quarter of 2018 and is increasing its guidance for the full year 2018.

For the third quarter of 2018:

- SaaS and license revenue is expected to be in the range of \$72.2 million to \$72.4 million.

For the full year 2018:

- SaaS and license revenue is expected to be in the range of \$286.0 million to \$286.5 million.
- Total revenue is expected to be in the range of \$388.0 million to \$390.5 million, which includes anticipated hardware and other revenue in the range of \$102.0 million to \$104.0 million.
- Non-GAAP adjusted EBITDA is expected to be in the range of \$85.1 million to \$85.9 million.
- Non-GAAP adjusted net income is expected to be in the range of \$59.4 million to \$59.9 million, based on an estimated tax rate of 21.0%.
- Based on an expected 50.0 million weighted average shares outstanding (diluted), non-GAAP adjusted net income is expected to be in the range of \$1.19 to \$1.20 per diluted share.

Conference Call and Webcast Information

Alarm.com will host a conference call to discuss its second quarter 2018 financial results and its outlook for the third quarter and full year 2018. A live audio webcast is scheduled to begin at 4:30 p.m. ET on August 7, 2018. To participate on the live call, analysts and investors should dial 877.445.1593 (U.S./Canada) or 267.753.2138 (International) at least ten minutes prior to the start time of the call. A telephonic replay of the call will be available through August 15, 2018 by dialing 855.859.2056 (U.S./Canada) or 404.537.3406 (International) and providing Conference ID: 9272399. Alarm.com will also offer a live and archived webcast of the conference call accessible via Alarm.com's Investor Relations website at <http://investors.alarm.com>.

About Alarm.com Holdings, Inc.

Alarm.com is the leading platform for the intelligently connected property. Millions of people use Alarm.com's technology to monitor and control their property from anywhere. Centered on security and remote monitoring, our platform addresses a wide range of market needs and enables application-based control for a growing variety of Internet of Things (IoT) devices. Our security, video monitoring, intelligent automation and energy management solutions are available through our network of thousands of professional service providers in North America and around the globe. Alarm.com's common stock is traded on Nasdaq under the ticker symbol ALRM. For more information, please visit www.alarm.com.

Non-GAAP Financial Measures

To supplement our consolidated selected financial data presented on a basis consistent with GAAP, this press release contains certain non-GAAP financial measures, including adjusted EBITDA, non-GAAP adjusted income before income taxes, non-GAAP adjusted net income, non-GAAP adjusted income attributable to common stockholders before income taxes, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income per share. We have included non-GAAP measures in this press release because they are financial and operating measures used by our management to understand and evaluate our core operating performance and trends and generate future operating plans, make strategic decisions regarding the allocation of capital, and investments in initiatives that are focused on cultivating new markets for our solutions. We also use certain non-GAAP financial measures, including adjusted EBITDA, as performance measures under our executive bonus plan. Further, we believe that these non-GAAP measures of our financial results provide useful information to investors and others in understanding and evaluating our results of operations, business trends and financial condition. While we believe the use of these non-GAAP measures provides useful information to investors and management in analyzing our financial performance, non-GAAP measures have inherent limitations in that they do not reflect all of the amounts and transactions that are included in our financial statements prepared in accordance with GAAP. Non-GAAP measures do not serve as an alternative to GAAP nor do we consider our non-GAAP measures in isolation, accordingly we present non-GAAP financial measures only in connection with GAAP results. We urge investors to consider non-GAAP measures only in conjunction with our GAAP financials and to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures, which are included in this press release.

With respect to our expectations under “Financial Outlook” above, reconciliation of adjusted EBITDA and adjusted net income guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP measures, in particular, non-ordinary course litigation expense, acquisition-related expense and tax windfall adjustments can have unpredictable fluctuations based on unforeseen activity that is out of our control and/or cannot reasonably be predicted. We expect the above charges to have a significant and potentially highly variable impact on our future GAAP financial results. The litigation expense we exclude from this calculation relates to non-ordinary course litigation expenses, including those expenses resulting from ongoing intellectual property litigation. Notably, we do not adjust for ordinary course legal expenses, including those expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

We exclude one or more of the following items from non-GAAP financial measures:

Stock-based compensation expense: We exclude stock-based compensation expense, which relates to stock options and other forms of equity incentives primarily awarded to employees of Alarm.com, because they are non-cash charges that we do not consider when assessing the operating performance of our business. Additionally, the determination of stock-based compensation expense can be calculated using various methodologies and is dependent upon subjective assumptions and other factors that vary on a company by company basis. Therefore, we believe that excluding stock-based compensation from our non-GAAP financial measures improves the comparability of our results to the results of other companies in our industry.

Litigation expense: We exclude non-ordinary course litigation expense because we do not consider legal costs and settlement fees incurred in litigation and litigation-related matters of non-ordinary course lawsuits and other disputes, particularly costs incurred in ongoing intellectual property litigation, to be indicative of our core operating performance. We do not adjust for ordinary course legal expenses, including those expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

Acquisition-related expense: Included in operating expenses are external incremental costs directly related to completing the acquisition and integration of the Connect and Piper business units from Icontrol Networks, Inc. We exclude acquisition-related expense from our non-GAAP financial measures because we believe it is useful for investors to understand the effects of this transaction and its integration costs on our total operating expenses.

Depreciation expense: We record depreciation primarily for investments in property and equipment. We exclude depreciation in calculating adjusted EBITDA because we do not consider depreciation when we evaluate our ongoing business operations. For non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income per share, basic and diluted, we do not exclude depreciation.

Amortization expense: GAAP requires that operating expenses include the amortization of acquired intangible assets, which principally include acquired customer relationships, developed technology and trade names. We exclude amortization of intangibles from our non-GAAP financial measures because we do not consider amortization expense when we evaluate our ongoing business operations, nor do we factor amortization expense into our evaluation of potential acquisitions, or our measurement of the performance of those acquisitions. We believe that the exclusion of amortization expense enables the comparison of our performance to other companies in our industry as other companies may be more or less acquisitive than us and therefore, amortization expense may vary significantly by company based on their acquisition history.

Interest expense: We record interest expense primarily related to our debt facility. We exclude interest expense in calculating our adjusted EBITDA calculation. For non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income per share, basic and diluted, we do not exclude interest expense.

Other income, net: We exclude other income, net from our non-GAAP financial measures because we do not consider it part of our ongoing results of operations.

Income taxes: We exclude the impact related to our provision for income taxes from our adjusted EBITDA calculation. We also exclude the impact related to the adoption of the accounting standard for employee share-based transactions from our provision for income taxes within our non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income per share, basic and diluted. We do not consider these tax adjustments to be part of our ongoing results of operations.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by their use of terms and phrases such as “anticipate,” “expect,” “will,” “believe,” “continue,” “enable” and other similar terms and phrases, and such forward-looking statements include, but are not limited to, the statements regarding the Company’s continued enhancements of its platform and new partnerships and product offerings and the Company’s future financial performance for the third quarter and full-year 2018. The events described in these forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements, including, but not limited to: the Company’s

ability to retain service provider partners and residential and commercial subscribers and grow sales, the Company's ability to manage growth and execute on its business strategies, the effects of increased competition and evolving technologies, the Company's ability to integrate acquired assets and businesses and to manage service provider partners, customers and employees, consumer demand for interactive security, video monitoring, intelligent automation, energy management and wellness solutions, the reliability of the Company's network operations centers, the Company's reliance on its service provider network to attract new customers and retain existing customers, the reliability of the Company's hardware and wireless network suppliers, future financial prospects, as well as other risks and uncertainties discussed in the "Risk Factors" section of the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2018 and other subsequent filings the Company makes with the Securities and Exchange Commission from time to time. In addition, the forward-looking statements included in this press release represent the Company's views and expectations as of the date hereof and are based on information currently available to the Company. The Company anticipates that subsequent events and developments may cause the Company's views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so except as required by law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date hereof.

Investor Relations:

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ALARM.COM HOLDINGS, INC.
Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| SaaS and license revenue | \$ 70,968 | \$ 58,928 | \$ 138,956 | \$ 109,154 |
| Hardware and other revenue | 33,520 | 27,060 | 58,288 | 51,028 |
| Total revenue | <u>104,488</u> | <u>85,988</u> | <u>197,244</u> | <u>160,182</u> |
| Cost of revenue: | | | | |
| Cost of SaaS and license revenue | 11,027 | 8,500 | 21,833 | 16,592 |
| Cost of hardware and other revenue | 25,461 | 21,335 | 43,032 | 39,878 |
| Total cost of revenue | <u>36,488</u> | <u>29,835</u> | <u>64,865</u> | <u>56,470</u> |
| Operating expenses: | | | | |
| Sales and marketing | 14,612 | 11,899 | 25,434 | 22,213 |
| General and administrative | 18,119 | 13,450 | 34,281 | 28,825 |
| Research and development | 21,521 | 20,062 | 41,898 | 34,583 |
| Amortization and depreciation | 5,238 | 4,846 | 10,263 | 7,710 |
| Total operating expenses | <u>59,490</u> | <u>50,257</u> | <u>111,876</u> | <u>93,331</u> |
| Operating income | 8,510 | 5,896 | 20,503 | 10,381 |
| Interest expense | (751) | (674) | (1,423) | (890) |
| Other income, net | 420 | 137 | 816 | 374 |
| Income before income taxes | 8,179 | 5,359 | 19,896 | 9,865 |
| Benefit from income taxes | (2,554) | (4,506) | (1,352) | (3,963) |
| Net income | 10,733 | 9,865 | 21,248 | 13,828 |
| Income allocated to participating securities | (1) | (5) | (4) | (8) |
| Net income attributable to common stockholders | <u>\$ 10,732</u> | <u>\$ 9,860</u> | <u>\$ 21,244</u> | <u>\$ 13,820</u> |

Per share information attributable to common stockholders:

Net income per share:

| | | | | |
|---------|---------|---------|---------|---------|
| Basic | \$ 0.23 | \$ 0.21 | \$ 0.45 | \$ 0.30 |
| Diluted | \$ 0.22 | \$ 0.20 | \$ 0.43 | \$ 0.28 |

Weighted average common shares outstanding:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 47,439,311 | 46,442,327 | 47,333,435 | 46,334,499 |
| Diluted | 49,497,088 | 49,000,553 | 49,406,444 | 48,906,812 |

Stock-based compensation expense included in operating expenses:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Sales and marketing | \$ 319 | \$ 65 | \$ 554 | \$ 178 |
| General and administrative | 1,481 | 755 | 2,509 | 1,324 |
| Research and development | 1,744 | 1,095 | 3,150 | 1,726 |
| Total stock-based compensation expense | <u>\$ 3,544</u> | <u>\$ 1,915</u> | <u>\$ 6,213</u> | <u>\$ 3,228</u> |

ALARM.COM HOLDINGS, INC.
Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

| | June 30, 2018 | December 31, 2017 |
|---|--------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 105,959 | \$ 96,329 |
| Accounts receivable, net | 52,553 | 40,634 |
| Inventory, net | 14,718 | 14,177 |
| Other current assets | 20,681 | 12,796 |
| Total current assets | 193,911 | 163,936 |
| Property and equipment, net | 26,587 | 23,459 |
| Intangible assets, net | 86,669 | 94,286 |
| Goodwill | 63,591 | 63,591 |
| Deferred tax assets | 18,826 | 18,444 |
| Other assets | 13,212 | 7,925 |
| Total assets | \$ 402,796 | \$ 371,641 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable, accrued expenses and other current liabilities | \$ 32,130 | \$ 29,084 |
| Accrued compensation | 10,056 | 12,127 |
| Deferred revenue | 3,460 | 3,292 |
| Total current liabilities | 45,646 | 44,503 |
| Deferred revenue | 8,511 | 9,386 |
| Long-term debt | 69,000 | 71,000 |
| Other liabilities | 13,441 | 13,925 |
| Total liabilities | 136,598 | 138,814 |
| Stockholders' equity | | |
| Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of June 30, 2018 and December 31, 2017. | — | — |
| Common stock, \$0.01 par value, 300,000,000 shares authorized; 47,698,797 and 47,215,720 shares issued; and 47,691,722 and 47,202,310 shares outstanding as of June 30, 2018 and December 31, 2017, respectively. | 477 | 472 |
| Additional paid-in capital | 330,028 | 321,032 |
| Accumulated deficit | (64,307) | (88,677) |
| Total stockholders' equity | 266,198 | 232,827 |
| Total liabilities and stockholders' equity | \$ 402,796 | \$ 371,641 |

ALARM.COM HOLDINGS, INC.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 21,248 | \$ 13,828 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Provision for doubtful accounts | 57 | 20 |
| Reserve for product returns | 174 | 1,144 |
| Amortization on patents and tooling | 512 | 574 |
| Amortization and depreciation | 10,263 | 7,710 |
| Amortization of debt issuance costs | 54 | 47 |
| Deferred income taxes | (1,338) | (2,833) |
| Undistributed losses from equity investees | — | 120 |
| Stock-based compensation | 6,213 | 3,228 |
| Disposal of property and equipment | 285 | — |
| Changes in operating assets and liabilities (net of business acquisitions): | | |
| Accounts receivable | (12,150) | (1,998) |
| Inventory | (541) | 579 |
| Other assets | (9,492) | (5,425) |
| Accounts payable, accrued expenses and other current liabilities | 1,110 | 7,602 |
| Deferred revenue | (707) | (495) |
| Other liabilities | (484) | 635 |
| Cash flows from operating activities | 15,204 | 24,736 |
| Cash flows used in investing activities: | | |
| Business acquisitions, net of cash acquired | — | (154,289) |
| Additions to property and equipment | (6,131) | (5,714) |
| Issuances of notes receivable | — | (4,000) |
| Cash flows used in investing activities | (6,131) | (164,003) |
| Cash flows from financing activities: | | |
| Proceeds from credit facility | — | 67,000 |
| Repayments of credit facility | (2,000) | (1,000) |
| Repurchases of common stock | (1) | (2) |
| Issuances of common stock from equity based plans | 2,558 | 1,551 |
| Cash flows from financing activities | 557 | 67,549 |
| Net increase / (decrease) in cash and cash equivalents | 9,630 | (71,718) |
| Cash and cash equivalents at beginning of the period | 96,329 | 140,634 |
| Cash and cash equivalents at end of the period | \$ 105,959 | \$ 68,916 |

ALARM.COM HOLDINGS, INC.
Reconciliation of Non-GAAP Measures
(in thousands)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------------|------------------------------|-------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Adjusted EBITDA: | | | | |
| Net income | \$ 10,733 | \$ 9,865 | \$ 21,248 | \$ 13,828 |
| Adjustments: | | | | |
| Interest expense and other income, net | 331 | 537 | 607 | 516 |
| Benefit from income taxes | (2,554) | (4,506) | (1,352) | (3,963) |
| Amortization and depreciation expense | 5,238 | 4,846 | 10,263 | 7,710 |
| Stock-based compensation expense | 3,544 | 1,915 | 6,213 | 3,228 |
| Acquisition-related expense | — | 1,973 | — | 5,621 |
| Litigation expense | 6,117 | 1,251 | 9,388 | 3,044 |
| Total adjustments | <u>12,676</u> | <u>6,016</u> | <u>25,119</u> | <u>16,156</u> |
| Adjusted EBITDA | <u>\$ 23,409</u> | <u>\$ 15,881</u> | <u>\$ 46,367</u> | <u>\$ 29,984</u> |
| Adjusted net income: | | | | |
| Net income, as reported | \$ 10,733 | \$ 9,865 | \$ 21,248 | \$ 13,828 |
| Benefit from income taxes | (2,554) | (4,506) | (1,352) | (3,963) |
| Income before income taxes | <u>8,179</u> | <u>5,359</u> | <u>19,896</u> | <u>9,865</u> |
| Adjustments: | | | | |
| Less: Other income, net | (420) | (137) | (816) | (374) |
| Amortization expense | 3,797 | 3,530 | 7,617 | 5,023 |
| Stock-based compensation expense | 3,544 | 1,915 | 6,213 | 3,228 |
| Acquisition-related expense | — | 1,973 | — | 5,621 |
| Litigation expense | 6,117 | 1,251 | 9,388 | 3,044 |
| Non-GAAP adjusted income before income taxes | <u>21,217</u> | <u>13,891</u> | <u>42,298</u> | <u>26,407</u> |
| Income taxes ¹ | (4,456) | (3,234) | (8,883) | (7,927) |
| Non-GAAP adjusted net income | <u>\$ 16,761</u> | <u>\$ 10,657</u> | <u>\$ 33,415</u> | <u>\$ 18,480</u> |

¹ Income taxes are calculated using a rate of 21.0% for each of the three and six months ended June 30, 2018, as compared to 23.3% and 30.0% for the same periods in the prior year. The effective tax rate excludes the impact of the accounting standard for employee share-based payments (ASU 2016-09). The 21.0% rate for the three and six months ended June 30, 2018 reflects the estimated long-term corporate tax rate which incorporates the impact of the Tax Cuts and Jobs Act signed into law in December 2017.

ALARM.COM HOLDINGS, INC.
Reconciliation of Non-GAAP Measures - continued
(in thousands, except share and per share data)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Adjusted net income attributable to common stockholders: | | | | |
| Net income attributable to common stockholders, as reported | \$ 10,732 | \$ 9,860 | \$ 21,244 | \$ 13,820 |
| Benefit from income taxes | (2,554) | (4,506) | (1,352) | (3,963) |
| Income attributable to common stockholders before income taxes | 8,178 | 5,354 | 19,892 | 9,857 |
| Adjustments: | | | | |
| Less: Other income, net | (420) | (137) | (816) | (374) |
| Amortization expense | 3,797 | 3,530 | 7,617 | 5,023 |
| Stock-based compensation expense | 3,544 | 1,915 | 6,213 | 3,228 |
| Acquisition-related expense | — | 1,973 | — | 5,621 |
| Litigation expense | 6,117 | 1,251 | 9,388 | 3,044 |
| Non-GAAP adjusted income attributable to common stockholders before income taxes | 21,216 | 13,886 | 42,294 | 26,399 |
| Income taxes ¹ | (4,456) | (3,233) | (8,882) | (7,925) |
| Non-GAAP adjusted net income attributable to common stockholders | \$ 16,760 | \$ 10,653 | \$ 33,412 | \$ 18,474 |
| | | | | |
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Adjusted net income per share: | | | | |
| Net income per share - basic, as reported | \$ 0.23 | \$ 0.21 | \$ 0.45 | \$ 0.30 |
| Benefit from income taxes | (0.05) | (0.10) | (0.02) | (0.09) |
| Income before income taxes | 0.18 | 0.11 | 0.43 | 0.21 |
| Adjustments: | | | | |
| Less: Other income, net | (0.01) | — | (0.02) | (0.01) |
| Amortization expense | 0.08 | 0.08 | 0.16 | 0.11 |
| Stock-based compensation expense | 0.07 | 0.04 | 0.13 | 0.07 |
| Acquisition-related expense | — | 0.04 | — | 0.12 |
| Litigation expense | 0.13 | 0.03 | 0.20 | 0.07 |
| Non-GAAP adjusted income before income taxes | 0.45 | 0.30 | 0.90 | 0.57 |
| Income taxes ¹ | (0.09) | (0.07) | (0.19) | (0.17) |
| Non-GAAP adjusted net income per share - basic | \$ 0.36 | \$ 0.23 | \$ 0.71 | \$ 0.40 |
| Non-GAAP adjusted net income per share - diluted | \$ 0.34 | \$ 0.22 | \$ 0.68 | \$ 0.38 |
| | | | | |
| Weighted average common shares outstanding: | | | | |
| Basic, as reported | 47,439,311 | 46,442,327 | 47,333,435 | 46,334,499 |
| Diluted, as reported | 49,497,088 | 49,000,553 | 49,406,444 | 48,906,812 |

¹ Income taxes are calculated using a rate of 21.0% for each of the three and six months ended June 30, 2018, as compared to 23.3% and 30.0% for the same periods in the prior year. The effective tax rate excludes the impact of the accounting standard for employee share-based payments (ASU 2016-09). The 21.0% rate for the three and six months ended June 30, 2018 reflects the estimated long-term corporate tax rate which incorporates the impact of the Tax Cuts and Jobs Act signed into law in December 2017.