



**Frontdoor Announces First-Quarter 2023 Revenue Increased 4% to \$367 Million;  
Cost Pressures Continue to Moderate, Driving Improved First-Quarter Earnings;  
Launched New Frontdoor Mobile App in April;  
Company Expects to Repurchase approximately \$80 Million in Stock in 2023**

**MEMPHIS, TENN. — May 4, 2023 —** [Frontdoor, Inc.](#) (NASDAQ: FTDR), the nation's leading provider of home service plans, today announced first-quarter 2023 results.

**Financial Results**

\$ millions (except as noted)	Three Months Ended March 31,		
	2023	2022	Change
Revenue	\$ 367	\$ 351	4 %
Gross Profit	170	144	18%
Net Income	22	2	*%
Diluted Earnings per Share	0.27	0.02	*%
Adjusted Net Income <sup>(1)</sup>	23	3	*%
Adjusted Diluted Earnings per Share <sup>(1)</sup>	0.29	0.04	*%
Adjusted EBITDA <sup>(1)</sup>	54	25	116%
Home Service Plans (number in millions)	2.09	2.19	(4)%

\* Not meaningful

**First-Quarter 2023 Summary**

- Revenue increased 4% to \$367 million and was comprised of a 10% increase from price, partly offset by a 5% decline from lower volume
- Gross profit margin increased 540 basis points to 46%, primarily due to higher realized price, a lower number of service requests and a moderation of inflationary cost pressures versus the prior year period
- Process improvement initiatives beginning to take hold; preferred contractor utilization increased 270 basis points to a 10-year high of 84% in the first quarter
- Net income increased \$20 million to \$22 million
- Adjusted EBITDA<sup>(1)</sup> increased \$29 million to \$54 million
- Improved Direct-to-Consumer demand in March and April through a refreshed marketing campaign and testing of more aggressive pricing and discounting strategies

**Full-Year 2023 Outlook**

- Revenue range of \$1.70 billion to \$1.74 billion
- Gross profit margin range increased to 43.5% to 46.0%
- Adjusted EBITDA<sup>(2)</sup> range of \$220 million to \$240 million

"Our first-quarter financial results were significantly better than expected as macroeconomic conditions continue to improve and our prior pricing actions and process improvement initiatives begin to take hold," said Chairman and Chief Executive Officer Bill Cobb. "Additionally, I am extremely excited about the launch of the new Frontdoor mobile app in April. I truly believe that our key differentiator, the live video chat feature with one of our experts, will change how homeowners maintain and repair their homes. Although it is still early in the year, we are delivering on our strategic objectives and look forward to progressing our business transformation throughout the rest of 2023."

"We delivered strong first-quarter financial performance that was driven by a double-digit increase in realized price, fewer service requests driven by favorable weather conditions and a lower rate of inflation," said Chief Financial Officer Jessica Ross. "Our cash generation continues to improve, and we are targeting to return approximately \$80 million to shareholders through share repurchases."

## First-Quarter 2023 Results

### Revenue by Customer Channel

\$ millions	Three Months Ended March 31,		
	2023	2022	Change
Renewals	\$ 278	\$ 247	13 %
Real estate (First-Year)	33	45	(28)%
Direct-to-consumer (First-Year)	44	46	(5)%
Other	11	13	(11)%
<b>Total</b>	<b>\$ 367</b>	<b>\$ 351</b>	<b>4 %</b>

First-quarter 2023 revenue of \$367 million increased 4% compared to prior year period results. Renewals revenue increased 13% due to improved price realization. Real estate revenue decreased 28%, reflecting a continued decline in the number of home service plans resulting from the challenging home seller's market. Direct-to-consumer revenue decreased 5% due to a decline in the number of home service plans which we believe resulted from the impact of inflation on consumer sentiment, higher cost home service plan offerings and a changing competitive landscape, that was partially offset by higher pricing. The decline in other revenue was primarily driven by lower Stream revenue.

First-quarter 2023 net income was \$22 million, or diluted earnings per share of \$0.27.

### Period-over-Period Adjusted EBITDA<sup>(1)</sup> Bridge

\$ millions	
<b>Three Months Ended March 31, 2022</b>	<b>\$ 25</b>
Impact of change in revenue <sup>(3)</sup>	22
Contract claims costs <sup>(4)</sup>	4
Sales and marketing costs	(3)
Customer service costs	2
Interest and net investment income	3
<b>Three Months Ended March 31, 2023</b>	<b>\$ 54</b>

First-quarter 2023 Adjusted EBITDA<sup>(1)</sup> of \$54 million increased 116% versus the prior year period as a result of the following factors:

- \$22 million benefit from higher revenue conversion<sup>(3)</sup>;
- \$4 million of lower contract claims costs<sup>(4)</sup>, excluding the impact of claims costs related to the change in revenue. The decrease in contract claims costs reflects a \$6 million favorable adjustment related to the development of prior period claims and a favorable weather impact of \$6 million, offset, in part, by inflationary cost pressures.
- \$3 million of higher sales and marketing costs to drive sales growth in the Direct-to-Consumer channel;
- \$2 million of lower customer service costs as a result of a lower number of service requests; and
- \$3 million of higher interest income as a result of rising interest rates on cash deposits.

## Cash Flow

\$ millions	Three Months Ended March 31,	
	2023	2022
<b>Net cash provided from (used for):</b>		
Operating activities	\$ 60	\$ 47
Investing activities	(8)	(8)
Financing activities	(7)	(47)
<b>Cash increase (decrease) during the period</b>	<b>\$ 45</b>	<b>\$ (8)</b>

Net cash provided from operating activities was \$60 million for the three months ended March 31, 2023 and was comprised of \$34 million in earnings adjusted for non-cash charges and \$26 million in cash provided from working capital driven by seasonality.

Net cash used for investing activities was \$8 million for the three months ended March 31, 2023 and was primarily comprised of capital expenditures related to investments in technology.

Net cash used for financing activities was \$7 million for the three months ended March 31, 2023 and was primarily comprised of debt payments.

Free Cash Flow was \$52 million for the three months ended March 31, 2023.

Cash as of March 31, 2023 was \$337 million and was comprised of \$150 million of restricted net assets and \$187 million of Unrestricted Cash.

## Second-Quarter 2023 Outlook

- Revenue of \$505 million to \$520 million, a 5% increase over the prior year period, reflecting a nearly 15% growth in the renewals channel, partially offset by an approximately 25% decline in the first-year real estate channel and a low double-digit decline in the first year direct to consumer channel.
- Adjusted EBITDA<sup>(2)</sup> of \$80 million to \$90 million, a 10% increase over the prior year period, reflecting improved gross margin and an increase in SG&A to launch the new Frontdoor brand.

## Full-Year 2023 Outlook

- Revenue of \$1.70 billion to \$1.74 billion, or approximately 4% higher than the prior year. Some of the key revenue assumptions include:
  - Approximately 10% revenue growth in the renewals channel;
  - Low double-digit revenue decline in the direct-to-consumer channel;
  - Nearly 20% revenue decline in the real estate channel; and
  - Number of home service plans is expected to decline in the mid to upper single digits.
- Gross profit margin of 43.5% to 46.0%. The increase from the prior outlook is primarily due to a moderation of inflation.
- SG&A of \$570 million to \$595 million. The \$10 million increase from the prior outlook is due to additional investments in the American Home Shield brand to drive sales in the Direct-to-Consumer channel.
- Adjusted EBITDA<sup>(2)</sup> of \$220 million to \$240 million.
- Capital expenditures of approximately \$35 to \$45 million, primarily consisting of technology investments.
- Annual effective tax rate of approximately 26%.

## First-Quarter 2023 Earnings Conference Call

Frontdoor has scheduled a conference call today, May 4, 2023, at 7:30 a.m. Central time (8:30 a.m. Eastern time). During the call, Bill Cobb, Chairman and Chief Executive Officer, and Jessica Ross, Chief Financial Officer, will discuss the company's operational performance and financial results for first-quarter 2023 and respond to questions from the investment community. To participate on the conference call, interested parties should call 1-833-470-1428 (or international participants, 1-929-526-1599) and enter conference ID 265563. Additionally, the conference call will be available via webcast which will include a slide presentation highlighting the company's results. To participate via webcast and view the slide presentation, visit Frontdoor's [investor relations home page](#). The call will be available for replay for approximately 60 days. To access the replay of this call, please call 1-866-813-9403 and enter conference ID 878541 (international participants: +44-204-525-0658, conference ID 878541).

## About Frontdoor, Inc.

Frontdoor is reimagining how homeowners maintain and repair their most valuable asset – their home. As the parent company of two leading brands, we bring over 50 years of experience in providing our members with comprehensive options to protect their homes from costly and unexpected breakdowns through our extensive network of pre-qualified professional contractors. American Home Shield, the category leader in home service plans with approximately two million members, gives homeowners budget protection and convenience, covering up to 23 essential home systems and appliances. Frontdoor is a cutting edge, one-stop app for home repair and maintenance. Enabled by our Stream technology, the app empowers homeowners by connecting them in real time through video chat with pre-qualified experts to diagnose and solve their problems. The Frontdoor app also offers homeowners a range of other benefits including DIY tips, discounts and more. For more information about American Home Shield and Frontdoor, please visit [frontdoorhome.com](https://frontdoorhome.com).

## Forward-Looking Statements

This news release 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, global supply chain challenges, the persistence of the COVID-19 pandemic and instability in the banking system as a result of several recent regional bank failures, especially as they may affect existing home sales, interest rates, consumer confidence or labor availability; increases in parts, appliance and home system prices, and other operating costs; changes in the source and intensity of competition in our market; the success of our business strategies; the ability of our marketing efforts to be successful or cost-effective; our ability to attract, retain and maintain positive relations with third-party contractors and vendors; our dependence on our real estate and direct-to-consumer customer acquisition channels and our renewals channel; 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; evolving corporate governance and disclosure regulations and expectations related to environmental, social and governance matters; risks related to the COVID-19 pandemic; lawsuits, enforcement actions and other claims by third parties or governmental authorities; increases in tariffs or changes to import/export regulations; physical effects of climate change, adverse weather conditions and Acts of God, along with the increased focus on sustainability; 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; a return on investment in our common stock is dependent on appreciation in the price; 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; and 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 news release. 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 2022 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 news release 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](https://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, Adjusted Net Income, Adjusted Diluted Earnings Per Share, and Unrestricted Cash.

We define "Adjusted EBITDA" as net income before depreciation and amortization expense; restructuring charges; provision for income taxes; non-cash stock-based compensation expense; interest expense; 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 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 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. 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; other non-operating expenses; 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.

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 2022 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 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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<sup>(1)</sup> See "Reconciliations of Non-GAAP Financial Measures" accompanying this release for a reconciliation of Adjusted EBITDA, Free Cash Flow, Adjusted Net Income and Adjusted Diluted Earnings per Share, each a non-GAAP measure, to the nearest GAAP measure. See "Non-GAAP Financial Measures" included in this release for descriptions of calculations of these measures. Amounts presented in the reconciliations and other tables presented herein may not sum due to rounding.

<sup>(2)</sup> A reconciliation of the forward-looking second-quarter and full-year 2023 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.

- <sup>(3)</sup> Revenue conversion includes the impact of the change in the number of home service plans as well as the impact of year-over-year price changes. The impact of the change in the number of home service plans considers the associated revenue on those plans less an estimate of contract claims costs based on margin experience in the prior year period.
- <sup>(4)</sup> Contracts claims costs includes the impact of changes in service request incidence, inflation and other drivers associated with the number of home service plans in the prior year period. The impact on contract claims costs resulting from year-over-year changes in the number of home service plans is included in revenue conversion above.

Frontdoor, Inc.

Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(In millions, except per share data)

	Three Months Ended March 31,	
	2023	2022
<b>Revenue</b>	\$ 367	\$ 351
Cost of services rendered	197	207
<b>Gross Profit</b>	170	144
Selling and administrative expenses	125	125
Depreciation and amortization expense	9	8
Restructuring charges	1	—
Interest expense	10	7
Interest and net investment income	(3)	—
<b>Income before Income Taxes</b>	29	3
Provision for income taxes	7	2
<b>Net Income</b>	<u>\$ 22</u>	<u>\$ 2</u>
<b>Other Comprehensive (Loss) Income, Net of Income Taxes:</b>		
Unrealized (loss) gain on derivative instruments, net of income taxes	(2)	13
<b>Total Other Comprehensive (Loss) Income, Net of Income Taxes</b>	(2)	13
<b>Comprehensive Income</b>	<u>\$ 20</u>	<u>\$ 15</u>
<b>Earnings per Share:</b>		
Basic	<u>\$ 0.27</u>	<u>\$ 0.02</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.02</u>
<b>Weighted-average Common Shares Outstanding:</b>		
Basic	81.5	82.3
Diluted	81.9	82.6

**Frontdoor, Inc.**  
**Condensed Consolidated Statements of Financial Position (Unaudited)**  
*(In millions, except share data)*

	As of	
	March 31, 2023	December 31, 2022
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 337	\$ 292
Receivables, less allowance of \$3 and \$4, respectively	6	5
Prepaid expenses and other current assets	38	33
Total Current Assets	381	330
<b>Other Assets:</b>		
Property and equipment, net	66	66
Goodwill	503	503
Intangible assets, net	146	148
Operating lease right-of-use assets	10	11
Deferred customer acquisition costs	17	16
Other assets	6	8
<b>Total Assets</b>	<b>\$ 1,128</b>	<b>\$ 1,082</b>
<b>Liabilities and Shareholders' Equity:</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 82	\$ 80
Accrued liabilities:		
Payroll and related expenses	19	22
Home service plan claims	81	103
Other	29	21
Deferred revenue	167	121
Current portion of long-term debt	17	17
Total Current Liabilities	396	364
<b>Long-Term Debt</b>	<b>588</b>	<b>592</b>
<b>Other Long-Term Liabilities:</b>		
Deferred tax liabilities, net	37	39
Operating lease liabilities	17	18
Other long-term liabilities	8	8
Total Other Long-Term Liabilities	62	65
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity:</b>		
Common stock, \$0.01 par value; 2,000,000,000 shares authorized; 86,294,094 shares issued and 81,723,843 shares outstanding as of March 31, 2023 and 86,079,773 shares issued and 81,517,243 shares outstanding as of December 31, 2022	1	1
Additional paid-in capital	92	90
Retained earnings	146	124
Accumulated other comprehensive income	6	8
Less treasury stock, at cost; 4,570,251 shares as of March 31, 2023 and 4,562,530 shares as of December 31, 2022	(162)	(162)
Total Shareholders' Equity	83	61
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,128</b>	<b>\$ 1,082</b>

**Frontdoor, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
*(In millions)*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	\$ 292	\$ 262
<b>Cash Flows from Operating Activities:</b>		
<b>Net Income</b>	22	2
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization expense	9	8
Deferred income tax benefit	(2)	—
Stock-based compensation expense	5	6
Restructuring charges	1	—
Payments for restructuring charges	(1)	—
Other	—	(2)
Changes in working capital:		
Receivables	(1)	2
Prepaid expenses and other current assets	(6)	1
Accounts payable	2	7
Deferred revenue	46	35
Accrued liabilities	(24)	(13)
Current income taxes	9	1
<b>Net Cash Provided from Operating Activities</b>	<u>60</u>	<u>47</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(8)	(9)
<b>Net Cash Used for Investing Activities</b>	<u>(8)</u>	<u>(8)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayments of debt	(4)	(4)
Repurchase of common stock	—	(40)
Other financing activities	(3)	(3)
<b>Net Cash Used for Financing Activities</b>	<u>(7)</u>	<u>(47)</u>
<b>Cash Increase (Decrease) During the Period</b>	45	(8)
<b>Cash and Cash Equivalents at End of Period</b>	<u><u>\$ 337</u></u>	<u><u>\$ 255</u></u>

## Reconciliations of Non-GAAP Financial Measures

The following table presents reconciliations of net income to Adjusted Net Income.

(\$ millions, except per share amounts)	Three Months Ended March 31,	
	2023	2022
<b>Net Income</b>	\$ 22	\$ 2
Amortization expense	1	2
Restructuring charges	1	—
Tax impact of adjustments	(1)	(1)
<b>Adjusted Net Income</b>	<b>\$ 23</b>	<b>\$ 3</b>
<b>Adjusted Earnings per Share:</b>		
Basic	\$ 0.29	\$ 0.04
Diluted	\$ 0.29	\$ 0.04
<b>Weighted-average common shares outstanding:</b>		
Basic	81.5	82.3
Diluted	81.9	82.6

The following table presents reconciliations of net cash provided from operating activities to Free Cash Flow.

(In millions)	Three Months Ended March 31,	
	2023	2022
Net cash provided from operating activities	\$ 60	\$ 47
Property additions	(8)	(9)
<b>Free Cash Flow</b>	<b>\$ 52</b>	<b>\$ 39</b>

The following table presents reconciliations of net income to Adjusted EBITDA.

(In millions)	Three Months Ended March 31,	
	2023	2022
<b>Net Income</b>	\$ 22	\$ 2
Depreciation and amortization expense	9	8
Restructuring charges	1	—
Provision for income taxes	7	2
Non-cash stock-based compensation expense	5	6
Interest expense	10	7
<b>Adjusted EBITDA</b>	<b>\$ 54</b>	<b>\$ 25</b>

## Key Business Metrics

	As of March 31,	
	2023	2022
Number of home service plans (in millions)	2.09	2.19
Renewals	1.56	1.51
First-Year Direct-To-Consumer	0.30	0.33
First-Year Real Estate	0.24	0.34
Reduction in number of home service plans	(4) %	(3) %
Customer retention rate <sup>(1)</sup>	75.9 %	74.1 %

<sup>(1)</sup> Customer retention rate is presented on a rolling 12-month basis in order to avoid seasonal anomalies.

Source: Frontdoor, Inc.  
FTDR-Financial