



Vivint Smart Home, Inc.

Third Quarter 2022 Results

November 8, 2022

Forward-looking statements

This presentation includes forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995, including but not limited to, statements of Vivint Smart Home, Inc. (the “Company,” “Vivint,” “we,” “our,” or “us”) related to the performance of our business, our financial results, our liquidity and capital resources, our plans, strategies and prospects, both business and financial, and other non-historical statements, including without limitation the information under the heading “Updating full-year guidance.” Forward-looking statements convey the Company’s current expectations or forecasts of future events. All statements contained in this presentation other than statements of historical fact are forward-looking statements. These statements are based on the beliefs and assumptions of our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. These statements may be preceded by, followed by or include the words “believes,” “estimates,” “expects,” “projects,” “forecasts,” “may,” “will,” “should,” “seeks,” “plans,” “scheduled,” “anticipates,” or “intends” or similar expressions.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements which speak only as of the date hereof. You should understand that the following important factors, in addition to those discussed in “Risk Factors” and elsewhere in the Company’s most recent Annual Report on Form 10-K for the year ended December 31, 2021, which was filed on March 1, 2022, as such factors may be updated from time to time in the Company’s periodic filings with the SEC, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements: (1) the duration and scope of the evolving COVID-19 pandemic; (2) the impact of the COVID-19 pandemic on our liquidity and capital resources, including the impact of the pandemic on our customers and timing of payments, the sufficiency of credit facilities, and the company’s compliance with lender covenants; (3) the ineffectiveness of steps we take to reduce operating costs; (4) risks of the smart home and security industry, including risks of and publicity surrounding the sales, subscriber origination and retention process; (5) the highly competitive nature of the smart home and security industry and product introductions and promotional activity by our competitors; (6) litigation, complaints, product liability claims and/or adverse publicity; (7) the impact of changes in consumer spending patterns, consumer preferences, local, regional, and national economic conditions, crime, geopolitical tensions, weather, and demographic trends; (8) adverse publicity and product liability claims; (9) the impact of changes to prevailing economic conditions, including increasing interest rates, rising inflation and the expiration of federal, state and local economic stimulus programs; (10) increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; (11) cost increases or shortages in smart home and security technology products or components including disruptions in our supply chains; (12) the introduction of unsuccessful new Smart Home Services; (13) privacy and data protection laws, privacy or data breaches, or the loss of data; (14) the impact to our business, results of operations, financial condition, regulatory compliance and customer experience of the Vivint Flex Pay plan; (15) risks related to our exposure to variable rates of interest with respect to our revolving credit facility and term loan facility; (16) our inability to maintain effective internal control over financial reporting; and (17) our inability to attract and retain employees due to labor shortages. In addition, the origination and retention of new subscribers will depend on various factors, including, but not limited to, market availability, subscriber interest, the availability of suitable components, the negotiation of acceptable contract terms with subscribers, local permitting, licensing and regulatory compliance, and our ability to manage anticipated expansion and to hire, train and retain personnel, the financial viability of subscribers and general economic conditions. These risk factors should not be construed as exhaustive. We disclaim any obligations to and do not intend to update the above list or to announce publicly the results of any revisions to any of the forward-looking statements to reflect future events or developments. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether a result of new information, future events, or otherwise.

Non-GAAP financial measures

This presentation includes Adjusted EBITDA, Adjusted EBITDA Margin, Covenant Adjusted EBITDA, and Free Cash Flow which are supplemental measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (“GAAP”).

“Adjusted EBITDA” is defined as net income (loss) before interest, taxes, depreciation, amortization, stock-based compensation (or non-cash compensation), changes in the fair value of the derivative liability associated with our public and private warrants, and certain other non-recurring expenses or gains. Management believes that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors because it is frequently used by securities analysts, investors, and other interested parties in their evaluation of the operating performance of companies in industries similar to Vivint’s. In addition, targets based on Adjusted EBITDA are among the measures Vivint uses to evaluate its management’s performance for purposes of determining their compensation under its incentive plans.

Adjusted EBITDA Margin is defined as Adjusted EBITDA as a percent of revenue.

“Covenant Adjusted EBITDA” is defined as net income (loss) before interest expense (net of interest income), income and franchise taxes and depreciation and amortization (including amortization of capitalized subscriber acquisition costs), further adjusted to exclude the effects of certain contract sales to third parties, non-capitalized subscriber acquisition costs, stock based compensation, changes in the fair value of the derivative liability associated with our public and private warrants and certain unusual, non-cash, non-recurring and other items permitted in certain covenant calculations under the agreements governing our Notes and the Credit Agreement. Management believes that the presentation of Covenant Adjusted EBITDA is appropriate to provide additional information to investors about the calculation of, and compliance with, certain financial covenants contained in the agreements governing the Notes and the Credit Agreement governing the Revolving Credit Facility and the Term Loan Facility.

Free Cash Flow is defined as net cash (used in) provided by operating activities less capital expenditures.

Adjusted EBITDA and other non-GAAP financial measures have important limitations as analytical tools.

Adjusted EBITDA, Covenant Adjusted EBITDA, and Free Cash Flow may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate Adjusted EBITDA, Covenant Adjusted EBITDA, and Free Cash Flow in the same manner.

Adjusted EBITDA, Covenant Adjusted EBITDA, and Free Cash Flow are not measurements of Vivint’s financial performance under GAAP and should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of Vivint’s liquidity.

See Annex A of this presentation for a reconciliation of Adjusted EBITDA and Covenant Adjusted EBITDA, for periods presented, to net loss for Vivint, which management believes is the most closely comparable financial measure calculated in accordance with GAAP. Also included in Annex A is a reconciliation of Free Cash Flow, for periods presented, to net cash provided by operating activities, which management believes is the most closely comparable financial measure calculated in accordance with GAAP.

Reconciliations of Adjusted EBITDA to net loss and Free Cash Flow to net cash provided by operating activities are not available on a forward-looking basis without unreasonable efforts due to the high variability, complexity, and uncertainty with respect to forecasting and quantifying certain amounts that are necessary for such reconciliations, including net loss and adjustments that could be made for impairment charges, restructuring charges and the timing and magnitude of other amounts included in the reconciliations. For the same reasons, we are unable to address the probable significance of the unavailable information, which could have a potentially unpredictable, and potentially significant, impact on our future GAAP financial results.

Presenters

David Bywater
Chief Executive Officer



Dana Russell
Chief Financial Officer





Key highlights for the quarter

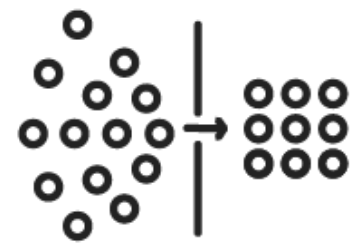
- 🏠. \$439.4M of Revenue, up 13.6% YoY (up 18.1% YoY excluding Canada)⁽¹⁾
- 🏠. \$195.5M of Adjusted EBITDA⁽²⁾, up 23.3% YoY (up 30.9% excluding Canada)
** Note: Using updated definition of Adjusted EBITDA that no longer includes the add back of consumer financing fees⁽³⁾*
- 🏠. 1.92M Total Subscribers, up 9.8% excluding Canada
- 🏠. 11.0% Attrition Rate, down 40 bps YoY and remaining near all-time low
- 🏠. 79.9% Net Service Margin demonstrates benefits of Vivint's fully integrated platform
- 🏠. Raising full-year guidance for Total Subscribers, Revenue, and Adjusted EBITDA

1) In June 2022, the Company sold its Canadian business.
2) Non-GAAP measure – see Annex A for reconciliation
3) Beginning with the quarter ended September 30, 2022, we no longer eliminate the reduction to revenue related to the amortization of consumer financing fees incurred under the Vivint Flex Pay program from Adjusted EBITDA. For purposes of comparability, we have revised Adjusted EBITDA for prior three- and nine-month periods to reflect this approach.

Vivint's Mission
Statement

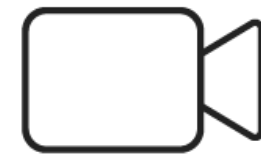
Redefine the home
experience with technology
and services to create a
smarter, greener, safer home
that saves our customers
money every month.

In the time it takes to host this earnings call...⁽¹⁾



71M

events processed in the cloud by the Vivint OS²



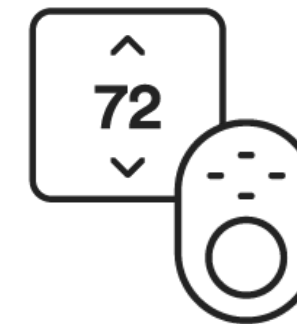
188K

live video views from apps and panels, plus another 96K views of recorded video³



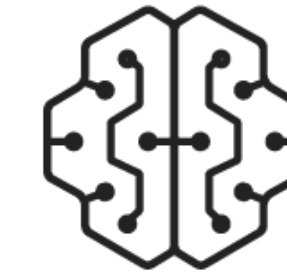
176K

launches of the Vivint app on mobile devices³



16K

changes to locks and thermostats via apps, panels, and voice³



40K

actions performed automatically by the Vivint OS / Vivint Assist²



129K

home state changes to *away* decided by Vivint assist²

1) Data includes US subscribers only

2) Based on the average rate between 6am and 10pm Mountain Time for the last 14 days of the 1-month period ended September 30, 2022

3) Based on the average rate between 6am and 10pm Mountain Time for the 1-month period ended September 30, 2022

🏠.vivint

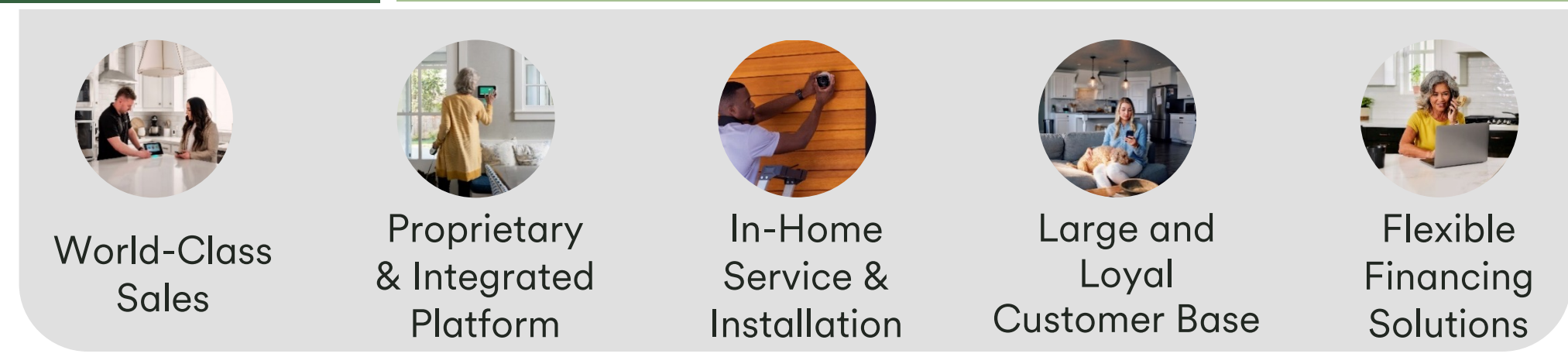
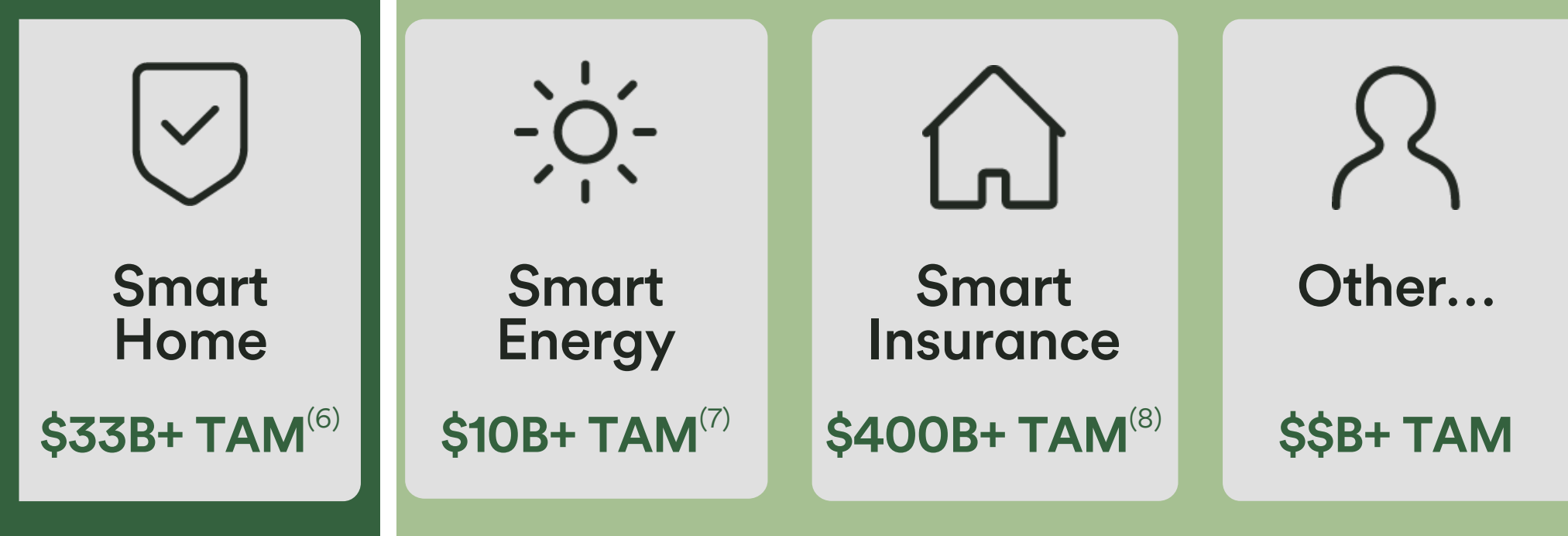
...a Category of One

Smart Home

- 1.9M+ subscribers⁽¹⁾
- ~12 daily interactions per user⁽²⁾
- ~15 devices per home⁽¹⁾
- 14%+ Total MRR growth⁽³⁾
- 11.0% attrition⁽⁴⁾
- ~9-year customer life⁽⁵⁾

+ Adjacencies

- Leverage platform
- Access multiple large TAMs
- Deepen customer relationships
- Accelerate revenue growth
- Extend customer life
- Enhance customer LTV



Vivint's business model provides a platform for growth in Smart Home as well as adjacencies like Smart Energy, Smart Insurance, and more

1) As of September 30, 2022

2) Based on the average interactions (app & panel) between 6am and 10pm Mountain Time for the 1-month period ended September 30, 2022

3) For the three-month period ended September 30, 2022, vs. prior-year period (excluding Canada)

4) For the LTM period ended September 30, 2022

5) Based on management's estimates

6) Source: Research on Global Markets – Insights by Netscribes

7) Source: Grand View Research – 2021 US residential solar market

8) Source: 2020 Market Share Report by IIBA (with data sourced from AM Best)

Smart home subscriber portfolio⁽¹⁾

As of and for the quarters ended September 30,

■ Estimated Canada Impact

Total Subscribers

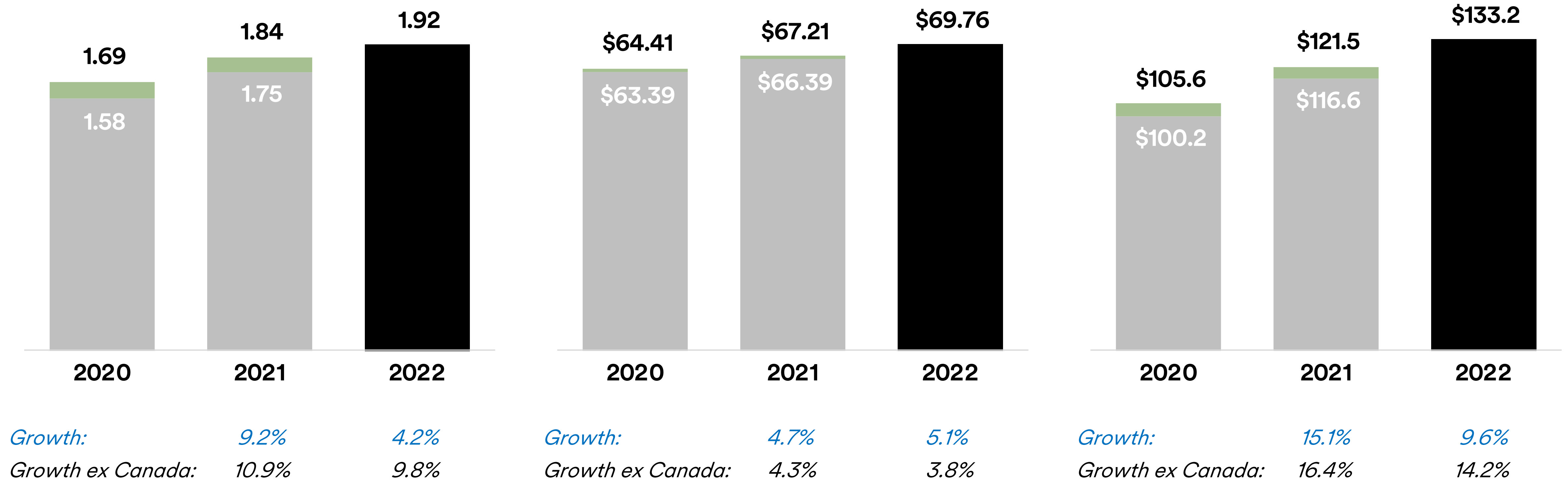
(in Millions)

AMRRU

(Average Monthly Recurring Revenue per User)

Total MRR

(Total Monthly Recurring Revenue | \$ in Millions)



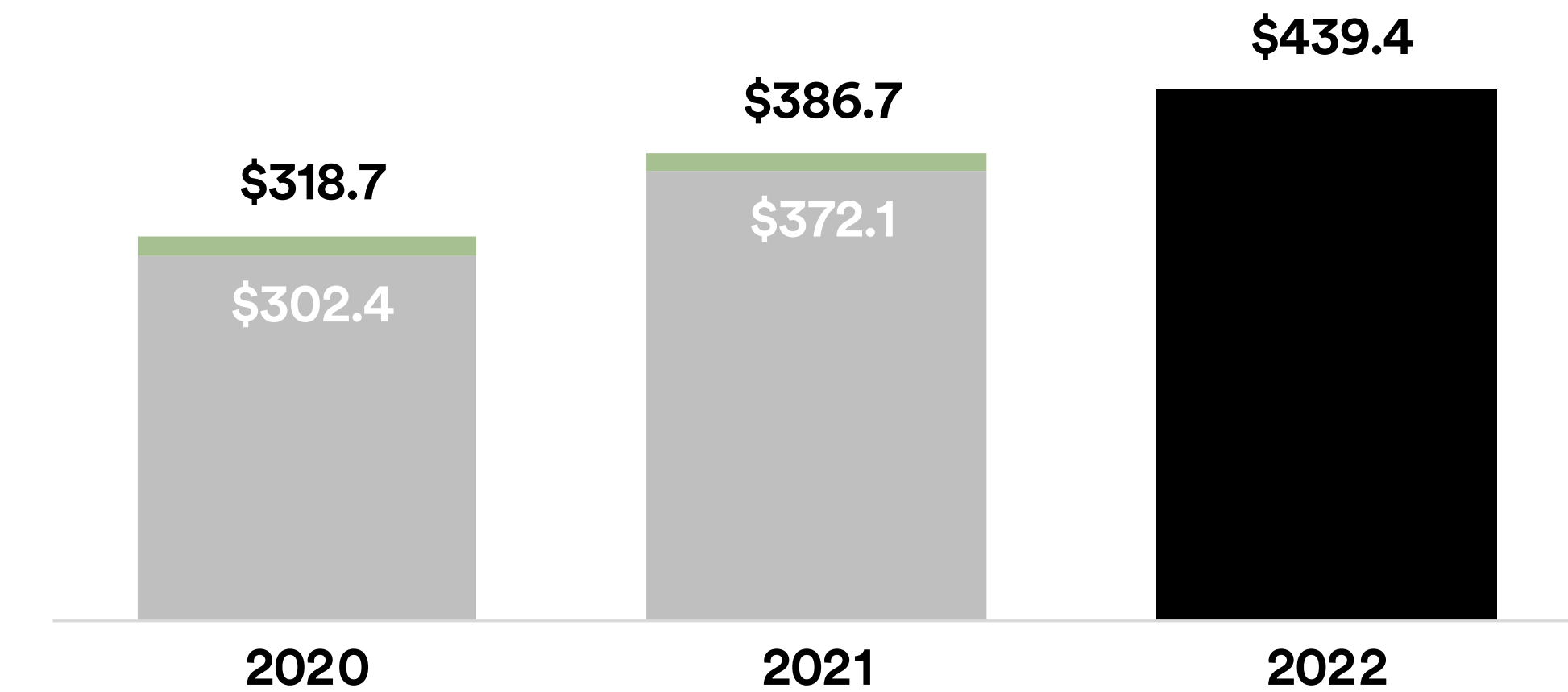
1) Excludes revenue from Smart Energy and Smart Insurance sales

Revenue

Quarters ended September 30,

(\$ in Millions)

■ Estimated Canada Impact



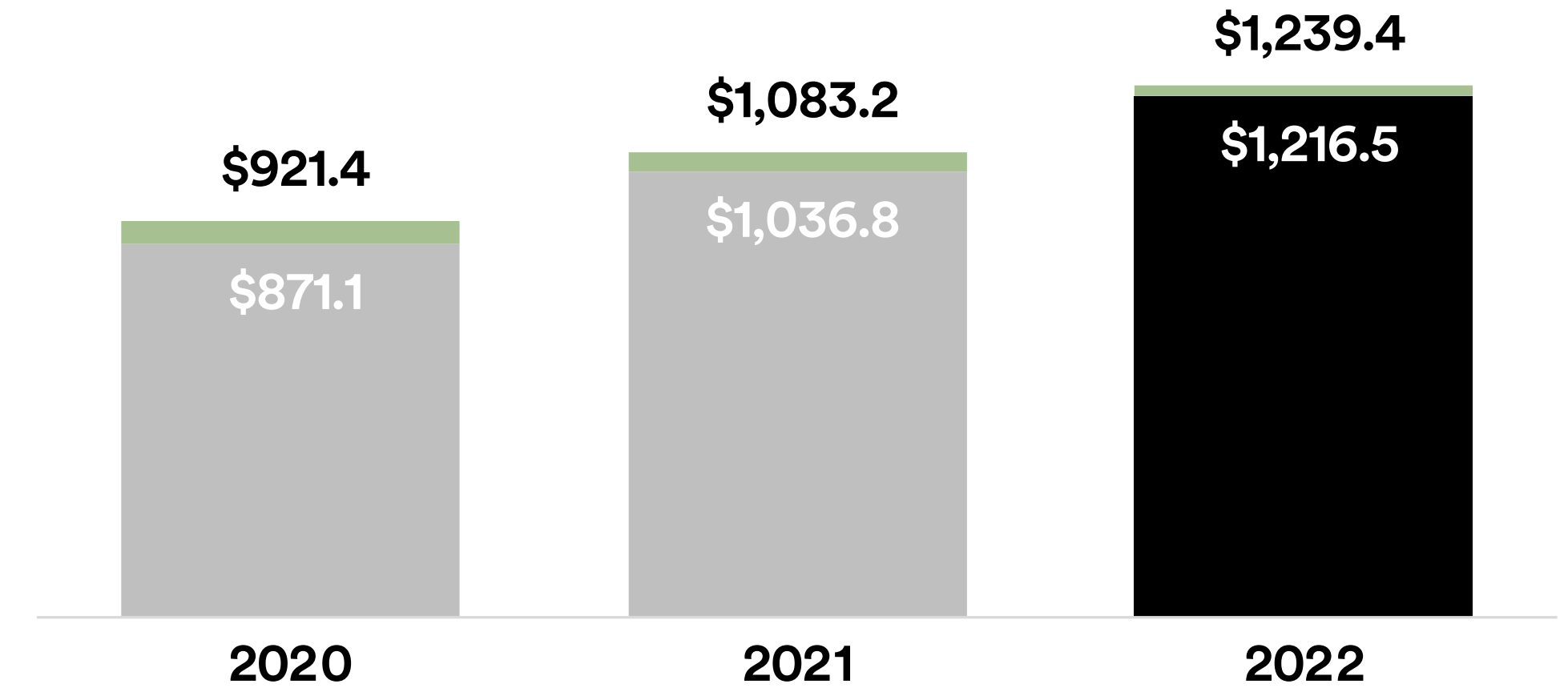
Growth: 21.3% 13.6%

Growth ex Canada: 23.1% 18.1%

Nine months ended September 30,

(\$ in Millions)

■ Estimated Canada Impact



Growth: 17.6% 14.4%

Growth ex Canada: 19.0% 17.3%

Growth in Total Subscribers, AMRRU & Smart Energy continue to drive revenue expansion

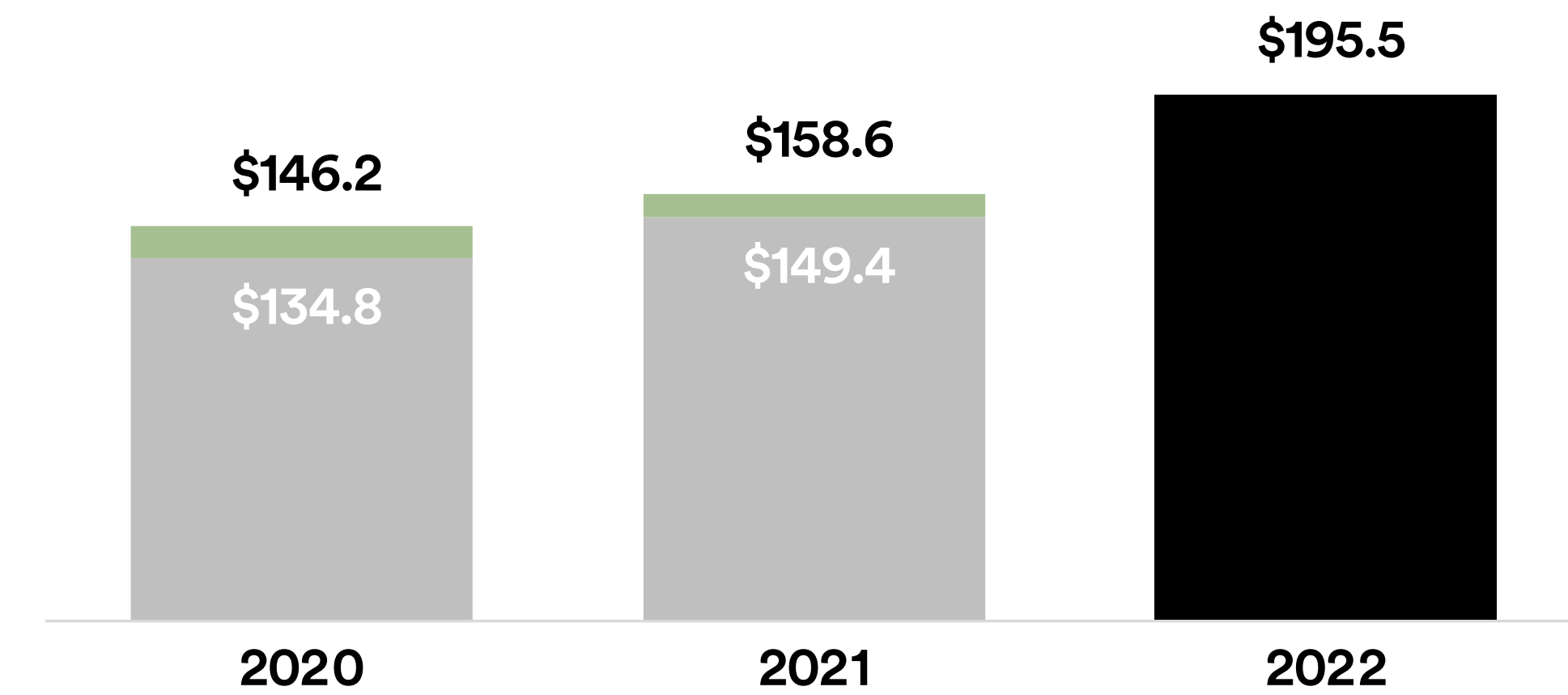
Adjusted EBITDA⁽¹⁾

using updated definition that no longer includes the add back of consumer financing fees⁽²⁾

Quarters ended September 30,

(\$ in Millions)

■ Estimated Canada Impact

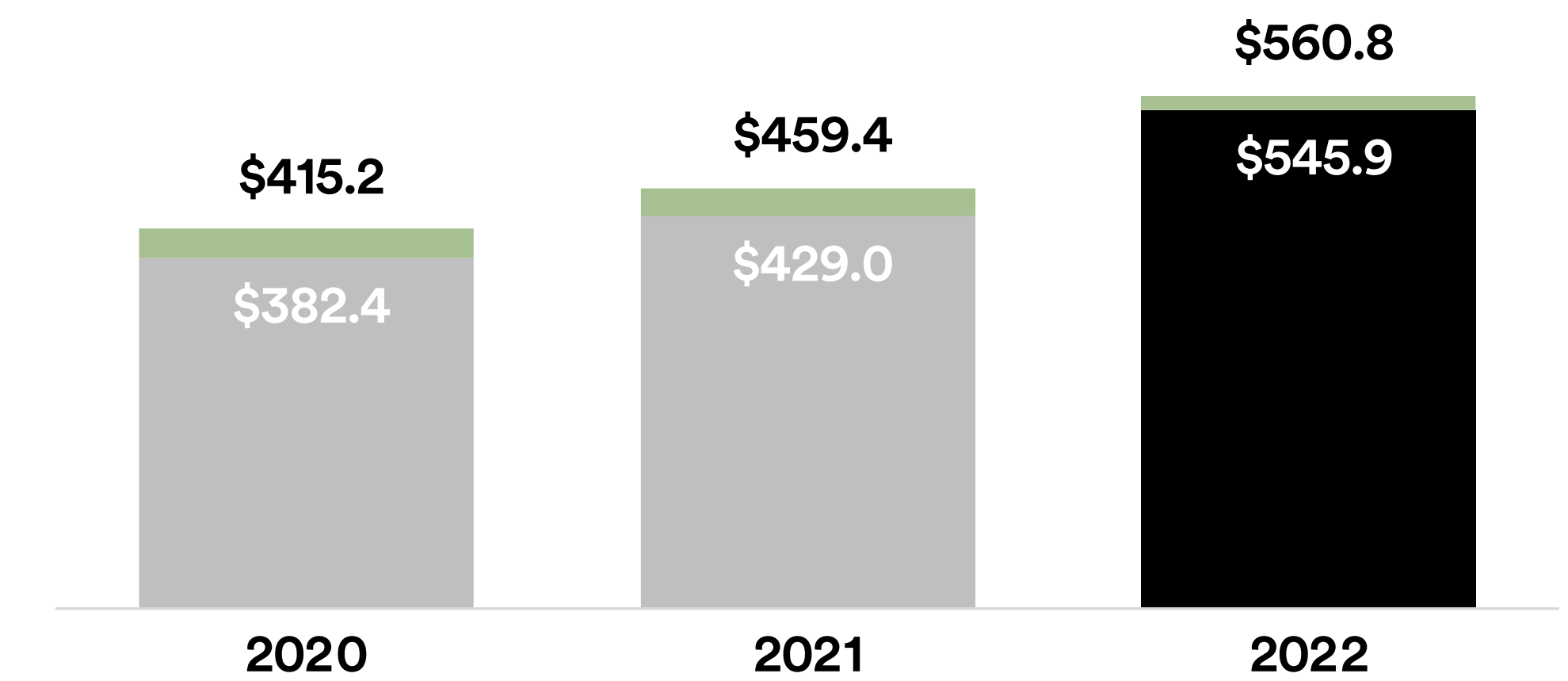


<i>Growth:</i>	8.5%	23.3%
<i>Growth ex Canada:</i>	10.8%	30.9%

Nine months ended September 30,

(\$ in Millions)

■ Estimated Canada Impact



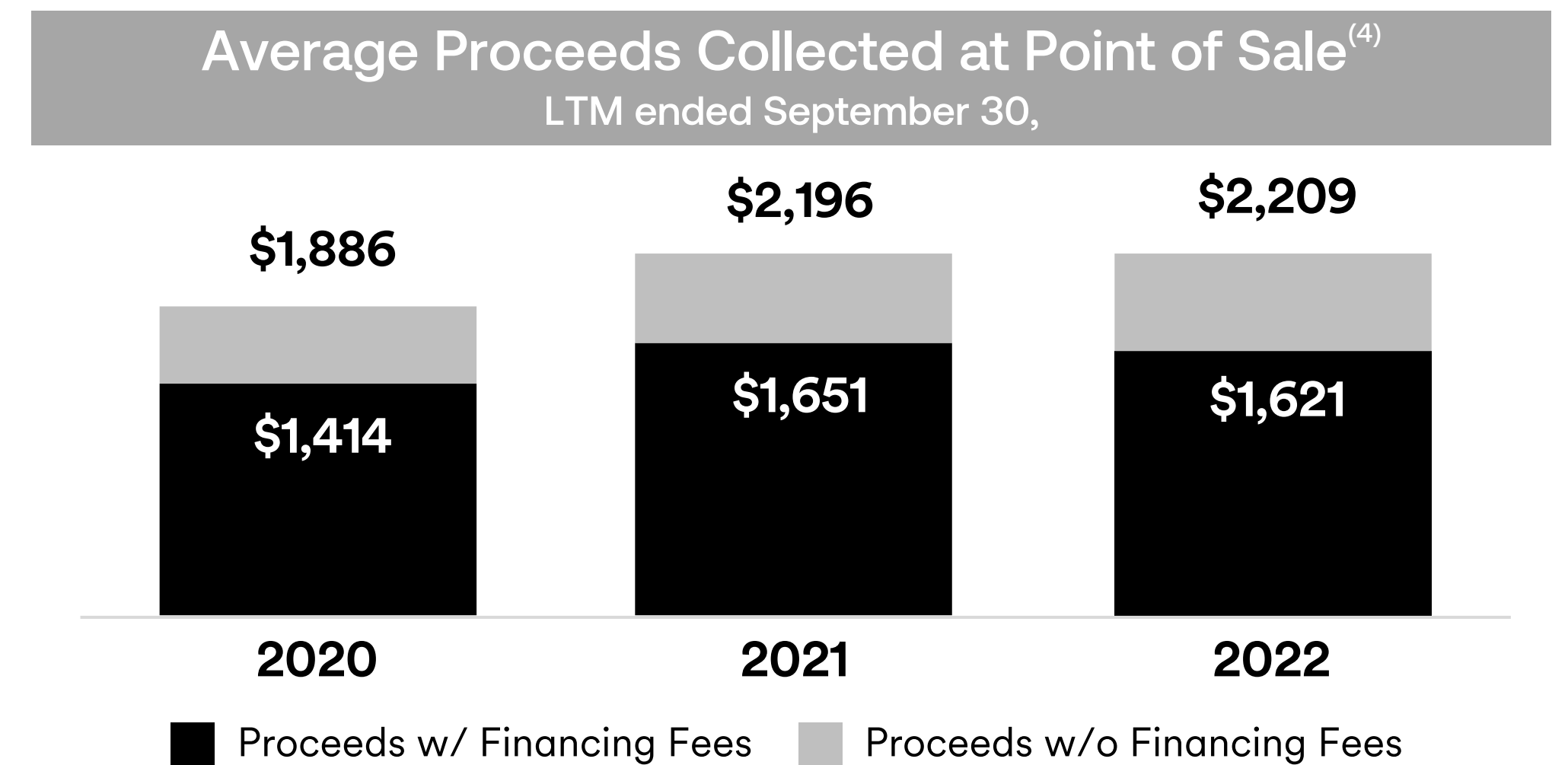
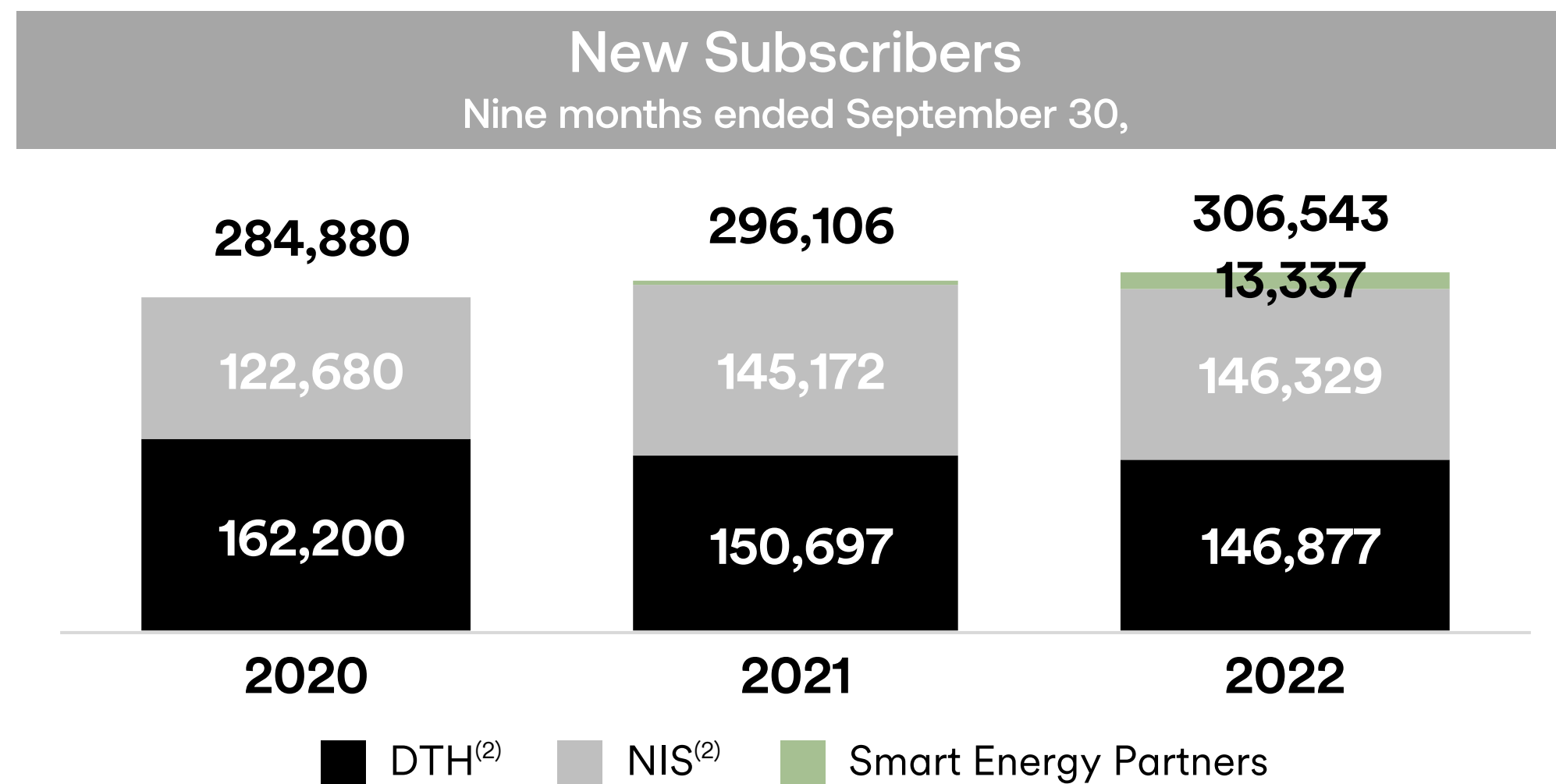
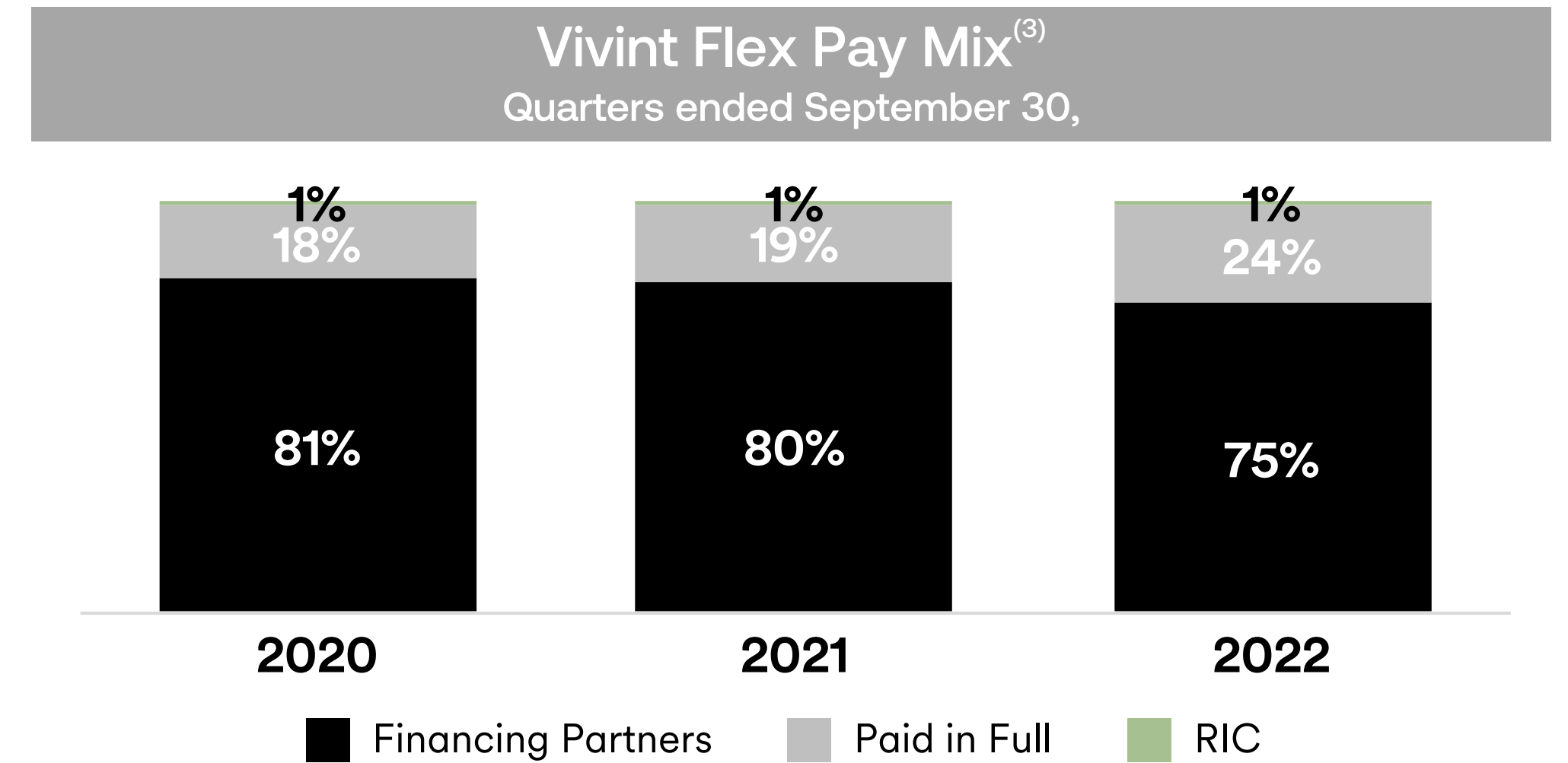
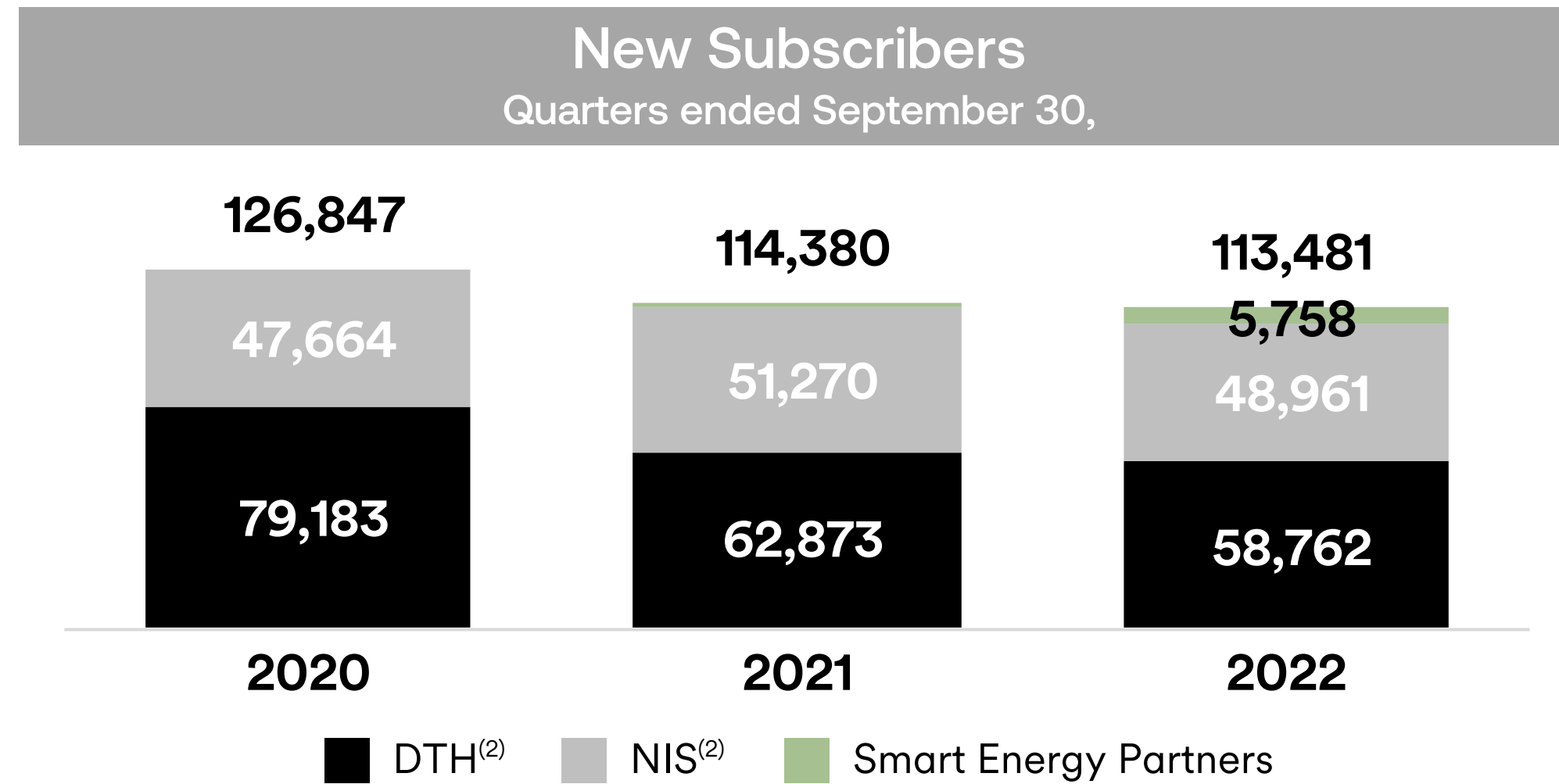
<i>Growth:</i>	10.6%	22.1%
<i>Growth ex Canada:</i>	12.2%	27.3%

Scaling of service costs and lower G&A expenses driving Adj. EBITDA growth

1) Non-GAAP measure – see Annex A for reconciliation

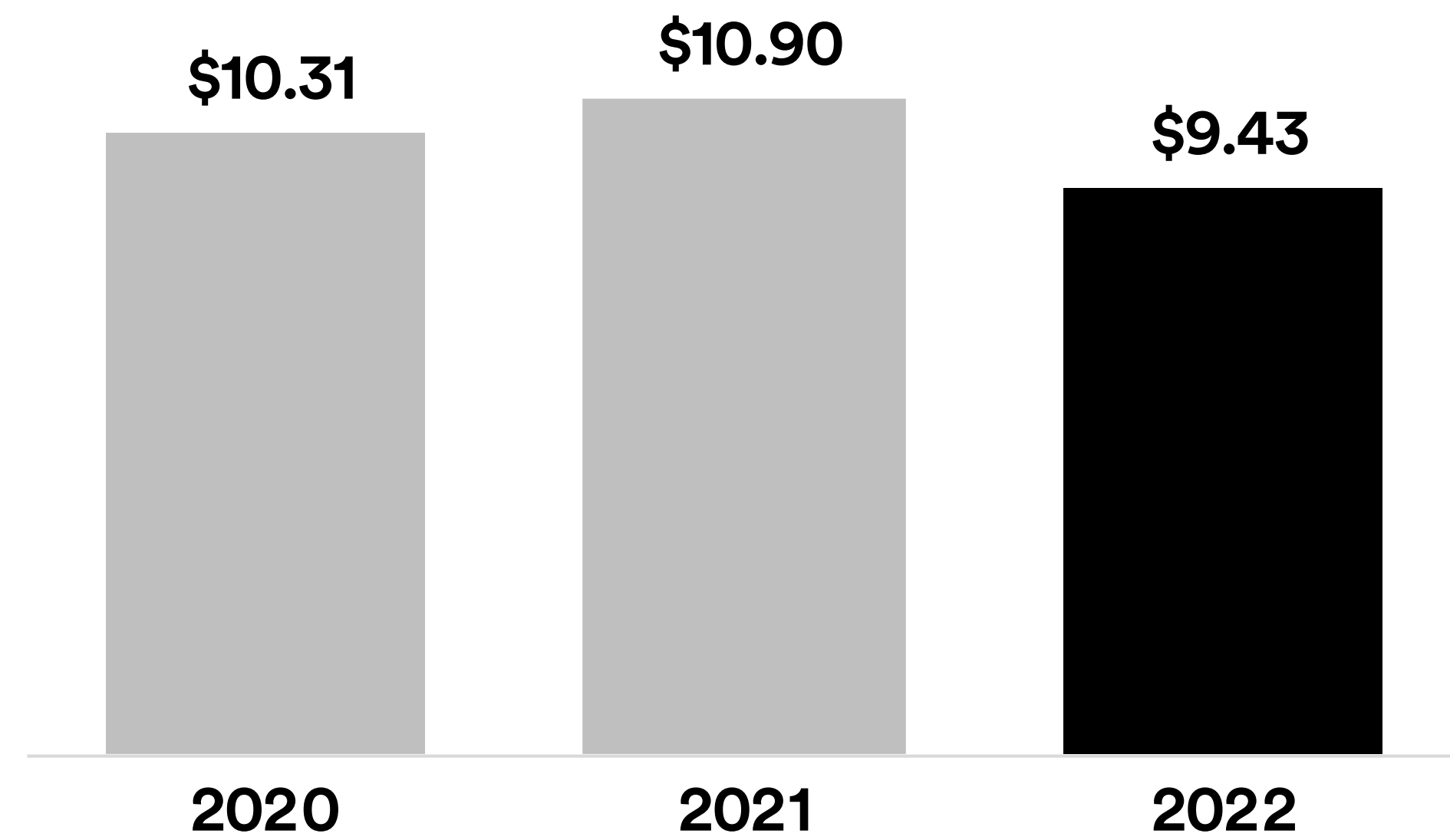
2) Beginning with the quarter ended September 30, 2022, we no longer eliminate the reduction to revenue related to the amortization of consumer financing fees incurred under the Vivint Flex Pay program from Adjusted EBITDA. For purposes of comparability, we have revised Adjusted EBITDA for prior three- and nine-month periods to reflect this approach.

New Subscribers⁽¹⁾



Service and Subscriber Acquisition Costs^(1,2)

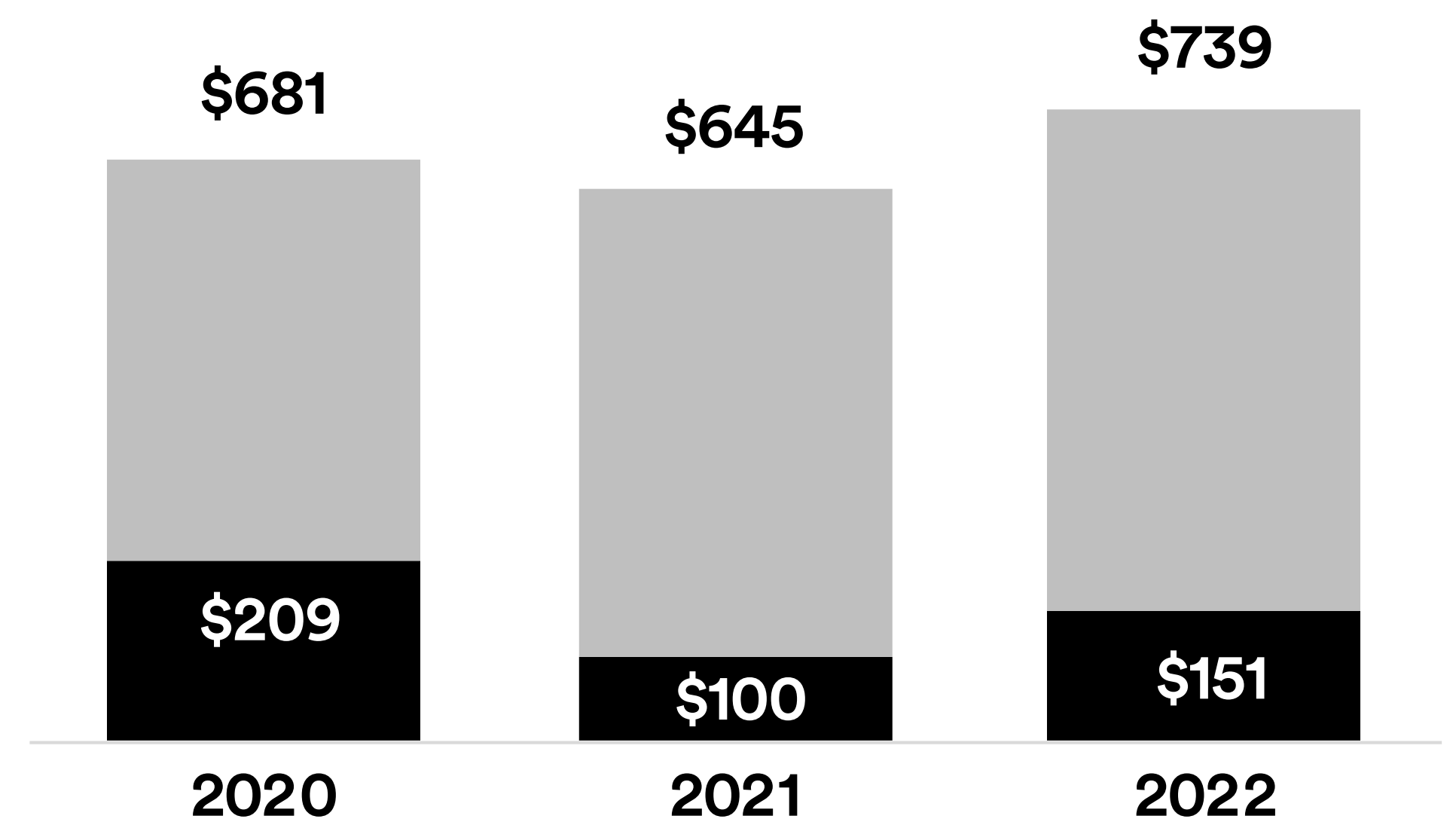
Net Service Cost per Subscriber
Quarters ended September 30,



Net Svc Margin (w/ financing fees): 79.1% (2020), 76.8% (2021), 79.9% (2022)

Net Subscriber Acquisition Costs per New Subscriber
LTM ended September 30,

Net SAC w/ Financing Fees (light gray) | Net SAC w/o Financing Fees (black)

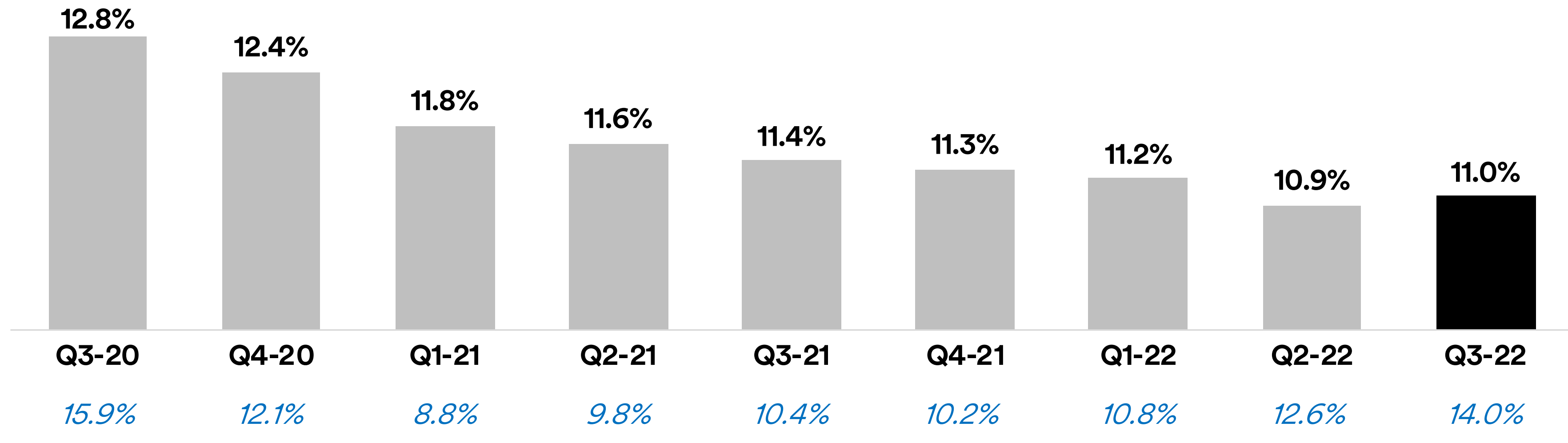


YoY Change (w/ financing fees): (5.3%) (2021 vs 2020), 14.5% (2022 vs 2021)

Unit economics continue to perform well, driving margin growth & customer lifetime value

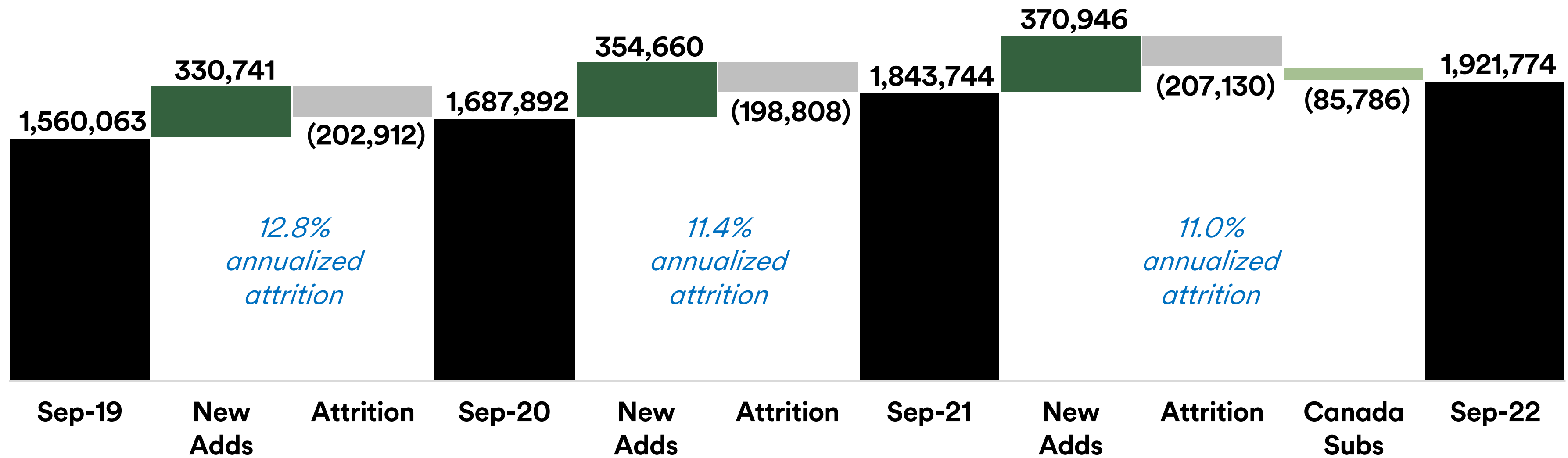
Attrition Rate⁽¹⁾

Attrition Rate Trend



% of subscribers at end of initial contract term

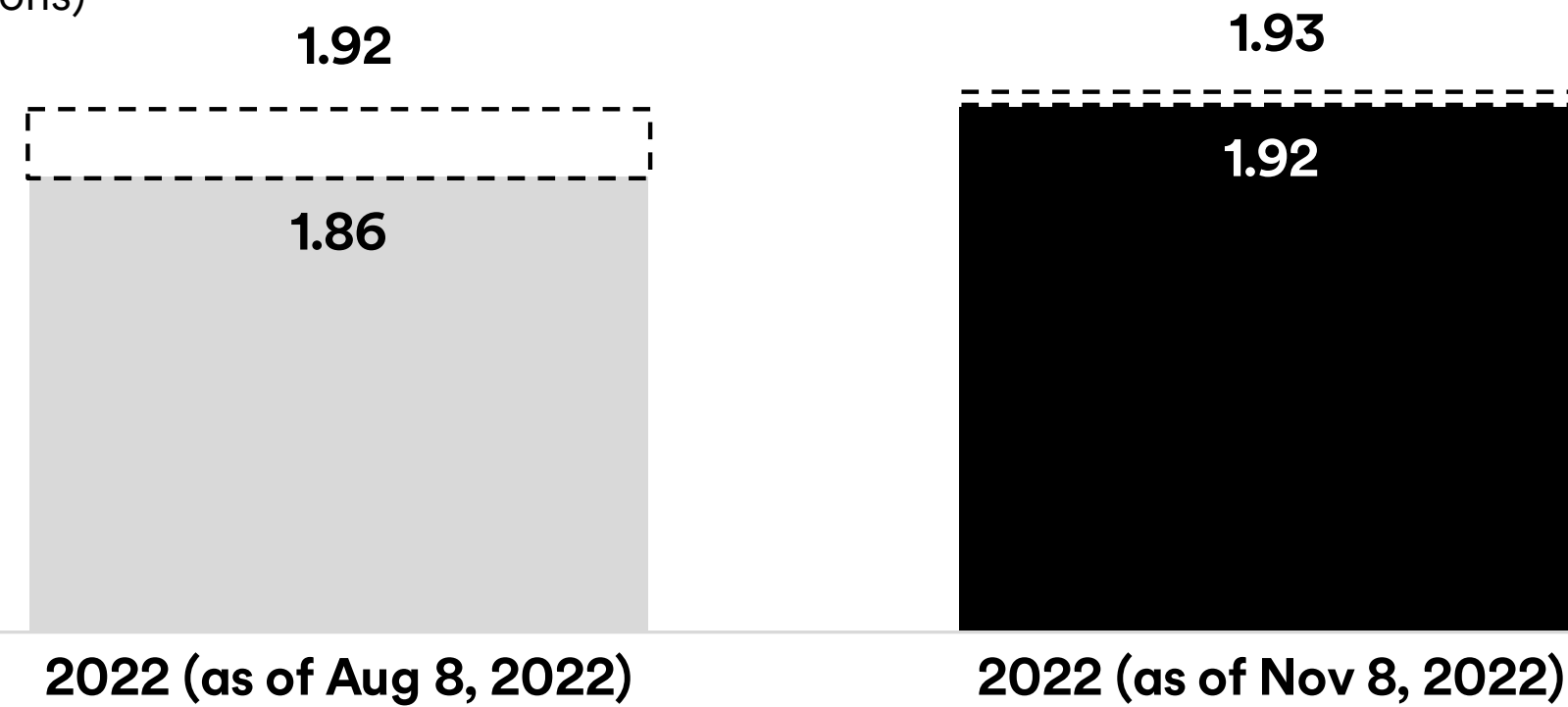
Subscriber Walk



Updating full-year guidance

Total Subscribers Year ended December 31, 2022

(in Millions)

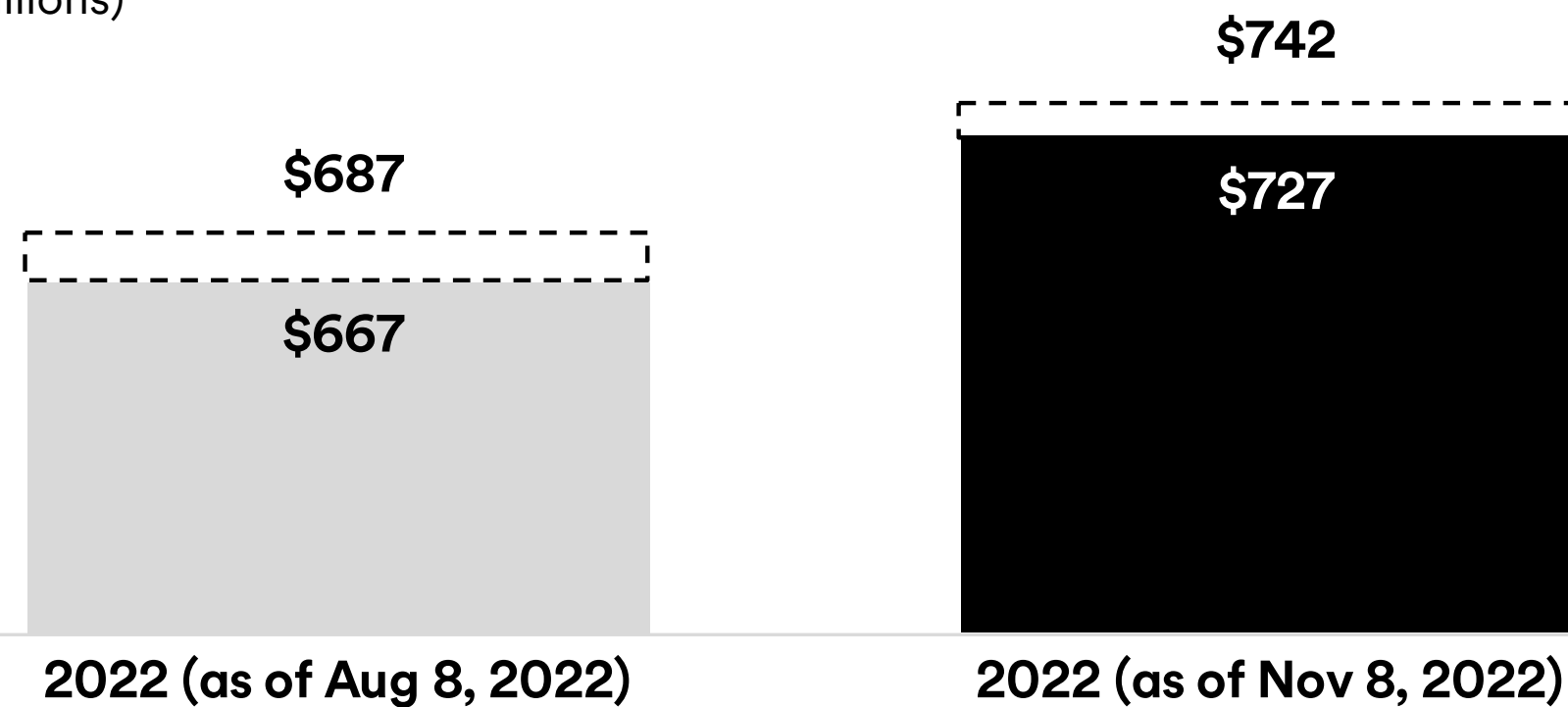


Growth: 0.0 – 3.2% 3.2 – 3.8%

Growth ex Canada: 5.7 – 9.1% 9.1 – 9.7%

Adjusted EBITDA⁽¹⁾ Year ended December 31, 2022

(\$ in Millions)

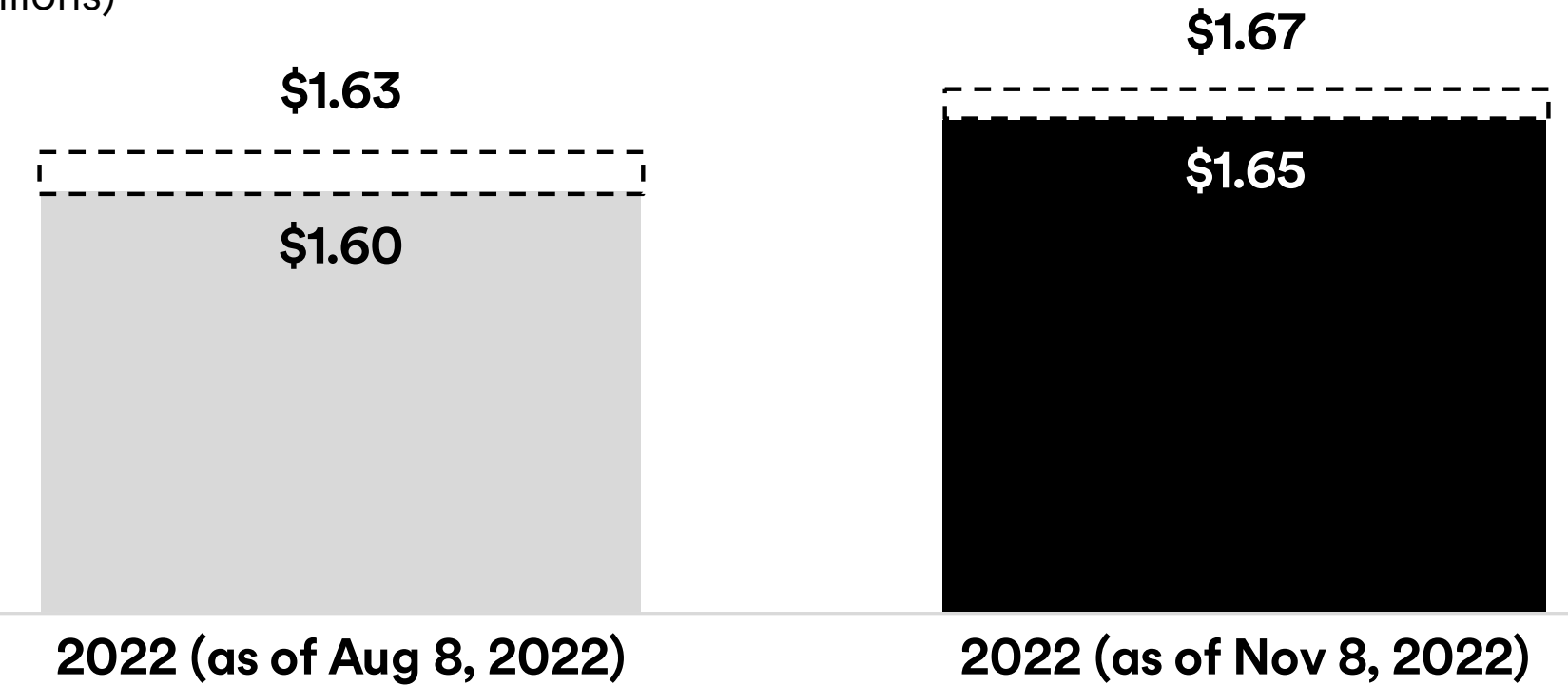


Growth: 6.6 – 9.8% 16.2 – 18.6%

Growth ex Canada: 13.6 – 17.0% 23.8 – 26.4%

Revenue Year ended December 31, 2022

(\$ in Billions)

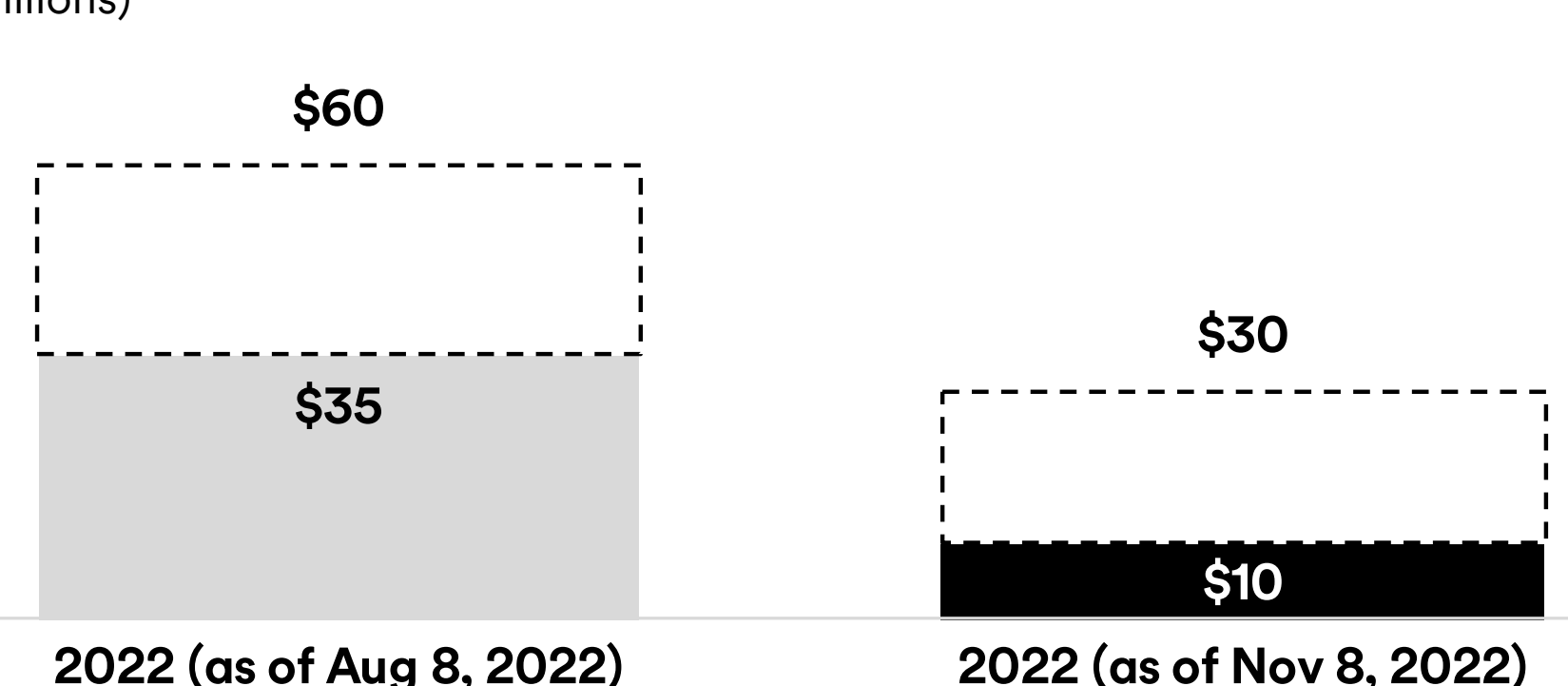


Growth: 8.1 – 10.1% 11.5 – 12.8%

Growth ex Canada: 12.7 – 14.8% 16.2 – 17.6%

Free Cash Flow Year ended December 31, 2022

(\$ in Millions)



1) Beginning with the quarter ended September 30, 2022, we no longer eliminate the reduction to revenue related to the amortization of consumer financing fees incurred under the Vivint Flex Pay program from Adjusted EBITDA. For purposes of comparability, we have revised Adjusted EBITDA in the prior full-year outlook to reflect this approach.

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Fully integrated smart home. Professionally installed.



Vivint Smart Home, Inc.

Consolidated Financial Statements

For Quarters & Nine Months Ended September 30,
2022 & 2021



Consolidated statement of operations

Vivint Smart Home, Inc. and Subsidiaries (in thousands; unaudited)

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
	2022	2021	2022	2021
Revenues:				
Recurring and other revenue	\$ 439,370	\$ 386,710	\$ 1,239,400	\$ 1,083,174
Costs and expenses:				
Operating expenses	102,318	99,082	298,571	286,353
Selling expenses	98,389	96,072	268,073	300,480
General and administrative expenses	61,091	64,972	171,575	189,267
Depreciation and amortization	156,426	151,332	468,445	447,863
Total costs and expenses	418,224	411,458	1,206,664	1,223,963
Income (loss) from operations	21,146	(24,748)	32,736	(140,789)
Other expenses (income):				
Interest expense	43,510	47,120	119,904	146,981
Interest income	(175)	(126)	(455)	(280)
Change in fair value of warrant liabilities	7,891	(15,313)	(10,443)	(50,638)
Other expense (income), net	9,375	37,329	(5,134)	14,736
Total other expenses	60,601	69,010	103,872	110,799
Loss before income taxes	(39,455)	(93,758)	(71,136)	(251,588)
Income tax (benefit) expense	1,551	(1,014)	787	500
Net loss	\$ (41,006)	\$ (92,744)	\$ (71,923)	\$ (252,088)

Condensed consolidated balance sheet

Vivint Smart Home, Inc. and Subsidiaries (in thousands; unaudited)

	As of	
	Sep 30, 2022	Dec 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 303,741	\$ 208,509
Accounts and notes receivable, net	53,441	63,671
Inventories	76,921	51,251
Prepaid expenses and other current assets	27,658	19,385
Total current assets	461,761	342,816
Property, plant and equipment, net	60,683	55,448
Capitalized contract costs, net	1,530,257	1,405,442
Deferred financing costs, net	1,746	2,088
Intangible assets, net	10,603	51,928
Goodwill	817,502	837,153
Operating lease right-of-use assets	39,493	46,000
Long-term notes receivables and other assets, net	36,937	44,753
Total assets	\$ 2,958,982	\$ 2,785,628
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 121,133	\$ 96,317
Accrued payroll and commissions	144,813	83,347
Accrued expenses and other current liabilities	194,692	236,250
Deferred revenue	500,609	429,900
Current portion of notes payable, net	13,500	13,500
Current portion of operating lease liabilities	12,822	12,033
Current portion of finance lease liabilities	2,550	2,854
Total current liabilities	990,119	874,201
Notes payable, net	2,692,609	2,698,845
Finance lease liabilities, net of current portion	5,281	1,416
Deferred revenue, net of current portion	884,002	778,214
Operating lease liabilities	33,463	41,713
Warrant derivative	14,121	24,564
Other long-term obligations	78,783	106,135
Deferred income tax liabilities	792	640
Total liabilities	4,699,170	4,525,728
Total stockholders' deficit	(1,740,188)	(1,740,100)
Total liabilities and stockholders' deficit	\$ 2,958,982	\$ 2,785,628

Summary of consolidated statements of cash flows

Vivint Smart Home, Inc. and Subsidiaries (in thousands; unaudited)

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
	2022	2021	2022	2021
Net cash from operating activities	\$ 17,203	\$ 77,892	\$ 49,578	\$ 142,130
Net cash from investing activities	(4,352)	(2,093)	74,335	(10,037)
Net cash from financing activities	(6,713)	(140,693)	(26,783)	(165,711)
Effect of exchange rate changes on cash / other	243	(135)	(231)	(29)
Net increase (decrease) in cash & cash equivalents	6,381	(65,029)	96,899	(33,647)
Cash and cash equivalents:				
Beginning of period	299,027	345,181	208,509	313,799
End of period	<u>\$ 305,408</u>	<u>\$ 280,152</u>	<u>\$ 305,408</u>	<u>\$ 280,152</u>

Vivint Smart Home, Inc.

Annex A



Reconciliation of non-GAAP financial measures: Adjusted EBITDA⁽¹⁾

Vivint Smart Home, Inc. and Subsidiaries (in millions; unaudited)

	Three Months Ended			Nine Months Ended		
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020
Net loss	\$ (41.0)	\$ (92.7)	\$ (111.4)	\$ (71.9)	\$ (252.0)	\$ (418.5)
Interest expense, net	43.3	47.0	51.0	119.4	146.7	170.6
Income tax expense, net	1.6	(1.0)	0.2	0.8	0.5	0.3
Depreciation	3.9	3.9	4.9	13.9	12.3	15.8
Amortization (i)	152.5	147.4	139.1	454.5	435.5	407.7
Stock-based compensation (ii)	17.9	29.0	58.5	59.5	143.6	117.2
Restructuring expenses (iii)	-	-	10.0	-	-	30.9
CEO transition (iv)	-	3.0	-	-	8.8	-
Change in fair value of warrant derivative liabilities (v)	7.9	(15.3)	1.0	(10.4)	(50.6)	79.9
Other expense (income), net (vi)	9.4	37.3	(7.1)	(5.0)	14.6	11.3
Adjusted EBITDA	\$ 195.5	\$ 158.6	\$ 146.2	\$ 560.8	\$ 459.4	\$ 415.2
Revenue	439.4	386.7	318.7	1,239.4	1,083.2	921.4
<i>Net loss margin</i>	(9.3)%	(24.0)%	(35.0)%	(5.8)%	(23.3)%	(45.4)%
Net loss YoY improvement	55.8%	16.8%	n/a	71.5%	39.8%	n/a
<i>Adjusted EBITDA margin</i>	44.5%	41.0%	45.9%	45.2%	42.4%	45.1%
Adjusted EBITDA YoY growth	23.3%	8.5%	n/a	22.1%	10.6%	n/a

- i. Excludes loan amortization costs that are included in interest expense
- ii. Reflects stock-based compensation costs related to employee and director stock incentive plans
- iii. Employee severance and termination benefits expenses associated with restructuring plans
- iv. Hiring and severance expenses associated with CEO transition
- v. Reflects the change in fair value of the derivative liability associated with our public and private warrants
- vi. Primarily consists of changes in our consumer financing program derivative instrument, foreign currency exchange, and other gains / losses associated with financings and other transactions

Reconciliation of non-GAAP financial measures: Covenant Adjusted EBITDA

Vivint Smart Home, Inc. and Subsidiaries (in millions; unaudited)

	LTM Period Ended				
	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022
Net loss	\$ (436.9)	\$ (305.6)	\$ (244.2)	\$ (177.1)	\$ (125.4)
Interest expense, net	196.7	184.5	172.1	160.9	157.2
Other expense (income), net	13.9	14.5	37.3	22.6	(5.4)
Income tax expense, net	1.3	2.5	2.7	0.2	2.8
Depreciation and amortization (i)	79.0	76.5	75.1	74.9	72.5
Amortization of capitalized contract costs	516.3	525.0	533.8	542.0	549.6
Non-capitalized contract costs (ii)	333.7	343.1	358.3	370.7	382.0
Stock-based compensation (iii)	224.5	166.4	105.0	93.5	82.4
Change in fair value of warrant derivative liabilities (iv)	(21.3)	(50.1)	(30.3)	(33.1)	(9.9)
Other adjustments (v)	96.9	93.9	96.9	92.2	90.3
Covenant Adjusted EBITDA	<u>\$ 1,004.1</u>	<u>\$ 1,050.7</u>	<u>\$ 1,106.7</u>	<u>\$ 1,146.8</u>	<u>\$ 1,196.1</u>

- i. Excludes loan amortization costs that are included in interest expense
- ii. Reflects subscriber acquisition costs that are expensed as incurred because they are not directly related to the acquisition of specific subscribers. Certain other industry participants purchase subscribers through subscriber contract purchases, and as a result, may capitalize the full cost to purchase these subscriber contracts, as compared to our organic generation of new subscribers, which requires us to expense a portion of our subscriber acquisition costs under GAAP.
- iii. Reflects stock-based compensation costs related to employee and director stock incentive plans
- iv. Reflects the change in fair value of the derivative liability associated with our public and private warrants
- v. Includes certain items such as consumer financing fees, product development costs, Blackstone monitoring fee, loss contingencies, certain legal and professional fees, expenses associated with retention bonuses, relocation and severance payments, expenses associated with CEO transition, and certain other adjustments

Reconciliation of non-GAAP financial measures: Free Cash Flow

Vivint Smart Home, Inc. and Subsidiaries (in millions; unaudited)

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
	2022	2021	2022	2021
Net cash from operating activities	\$ 17,203	\$ 77,892	\$ 49,578	\$ 142,130
Capital expenditures	(4,304)	(2,166)	(15,317)	(10,199)
Free Cash Flow	<u>\$ 12,899</u>	<u>\$ 75,726</u>	<u>\$ 34,261</u>	<u>\$ 131,931</u>

Reconciliation of Adjusted EBITDA to Free Cash Flow

Vivint Smart Home, Inc. and Subsidiaries (in millions; unaudited)

	Three Months Ended			Nine Months Ended		
	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020	Sep 30, 2022	Sep 30, 2021	Sep 30, 2020
Adjusted EBITDA	\$ 195.5	\$ 158.6	\$ 146.2	\$ 560.8	\$ 459.4	\$ 415.2
Deferred revenue	87.6	104.9	155.3	191.6	260.2	288.8
Capitalized contract costs	(224.3)	(194.5)	(216.4)	(564.2)	(504.9)	(475.7)
Net cash interest	(62.7)	(58.6)	(48.6)	(136.1)	(155.4)	(162.8)
Income tax expense (i)	(1.6)	1.0	(0.2)	(0.8)	(0.5)	(0.3)
Capital expenditures	(4.3)	(2.2)	(2.7)	(15.3)	(10.2)	(8.6)
Consumer financing fees related to installment loans	(25.3)	(19.6)	(15.6)	(78.6)	(67.1)	(46.2)
Consumer financing proceeds from installment loans	1.7	23.3	65.2	12.1	83.7	136.7
Working capital / other	46.2	62.8	58.2	64.8	66.8	67.2
Free Cash Flow	<u>\$ 12.9</u>	<u>\$ 75.7</u>	<u>\$ 141.4</u>	<u>\$ 34.3</u>	<u>\$ 131.9</u>	<u>\$ 214.2</u>

i. As reported on the consolidated statement of operations

Certain definitions

Total Subscribers - is the aggregate number of active smart home and security subscribers at the end of a given period.

Total Monthly Recurring Revenue - or Total MRR, is the average total monthly recurring revenue recognized during a given period.

Average Monthly Recurring Revenue per User - or AMRRU, is Total MRR divided by average monthly Total Subscribers during a given period.

Total Monthly Service Revenue - or MSR, is the contracted recurring monthly service billings to our smart home and security subscribers, based on the Total Subscribers number as of the end of a given period.

Average Monthly Service Revenue per User - or AMSRU, is Total MSR divided by Total Subscribers at the end of a given period.

Net Loss Margin - is net loss as a percent of revenue.

Attrition Rate - is the aggregate number of canceled smart home and security subscribers during the prior 12-month period divided by the monthly weighted average number of Total Subscribers based on the Total Subscribers at the beginning and end of each month of a given period. Subscribers are considered canceled when they terminate in accordance with the terms of their contract, are terminated by us or if payment from such subscribers is deemed uncollectible (when at least four monthly billings become past due). If a sale of a service contract to third parties occurs, or a subscriber relocates but continues their service, we do not consider this as a cancellation. If a subscriber transfers their service contract to a new subscriber, we do not consider this a cancellation.

Average Subscriber Lifetime - in number of months, is 100% divided by our expected long-term annualized attrition rate multiplied by 12 months.

Net Service Cost per Subscriber - is the average monthly service costs incurred during the period (both period and capitalized service costs), including monitoring, customer service, field service and other service support costs, and equipment and associated financing fees (estimated), less total non-recurring smart home services billings and cellular network maintenance fees for the period, divided by average monthly Total Subscribers for the same period.

Net Service Margin - is the monthly average MSR for the period, less total average net service costs for the period divided by the monthly average MSR for the period.

New Subscribers - is the aggregate number of net new smart home and security subscribers originated during a given period. This metric excludes new subscribers acquired by the transfer of a service contract from one subscriber to another.

Net Subscriber Acquisition Costs per New Subscriber - is the net cash cost to create new smart home subscribers during a given 12-month period divided by New Subscribers for that period. These costs include commissions, equipment and associated financing fees (estimated), installation, marketing, sales support, and other allocations (general and administrative); less upfront payments received from the sale of equipment associated with the initial installation, and installation fees. These costs exclude capitalized contract costs and upfront proceeds associated with contract modifications.