Vivint Smart Home, Inc.

First Quarter 2021 Results

May 13, 2021

vivint

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 statement under the heading “Financial Outlook for 2020.” 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 Amendment No. 1 to its Annual Report on Form 10-K/A for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the “SEC”) on May 12, 2021, 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 COVID-19 pandemic; (2) actions governments, the company's counterparties, and the company's customers or potential customers take in response to the COVID-19 pandemic; (3) the impact of the pandemic and actions taken in response to the pandemic on the global economies and economic activity; (4) the pace of recovery when the COVID-19 pandemic subsides; (5) 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; (6) the ineffectiveness of steps we take to reduce operating costs; (7) risks of the smart home and security industry, including risks of and publicity surrounding the sales, subscriber origination and retention process; (8) the highly competitive nature of the smart home and security industry and product introductions and promotional activity by our competitors; (9) litigation, complaints, product liability claims and/or adverse publicity; (10) the impact of changes in consumer spending patterns, consumer preferences, local, regional, and national economic conditions, crime, weather, demographic trends and employee availability; (11) adverse publicity and product liability claims; (12) increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; (13) cost increases or shortages in smart home and security technology products or components; (14) the introduction of unsuccessful new Smart Home Services; (15) privacy and data protection laws, privacy or data breaches, or the loss of data; (16) the impact to our business, results of operations, financial condition, regulatory compliance and customer experience of the Vivint Flex Pay plan; (17) risks related to our exposure to variable rates of interest with respect to our revolving credit facility and term loan facility; and (18) our inability to develop and maintain an effective system of internal control over financial reporting. 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 and Covenant Adjusted EBITDA, 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), certain financing fees, 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 and other non-GAAP financial measures have important limitations as analytical tools.

“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, nonrecurring and other items permitted in certain covenant calculations under the agreements governing Vivint's notes, the credit agreement governing the term loan and the credit agreement governing the revolving credit facility. 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 indentures governing Vivint’s notes, the credit agreements governing the revolving credit facility and the term loan.

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

Adjusted EBITDA and Covenant Adjusted EBITDA 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.

A reconciliation of Adjusted EBITDA to the closest GAAP financial measure is 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 reconciliation, including net income (loss) and adjustments that could be made for impairment charges, restructuring charges and the timing and magnitude of other amounts included in the reconciliation. 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.

Adjusted EBITDA and Covenant Adjusted EBITDA should be considered in addition to and not in isolation from, or as a substitute for, or superior to, financial measures presented in accordance with GAAP, and non-GAAP financial measures as used by Vivint may not be comparable to similarly titled amounts used by other companies.

Participants

Todd Pedersen
Chief Executive Officer

Dale R. Gerard
Chief Financial Officer

Key highlights for the quarter

Operational:

- Last year's positive momentum has carried over into Q1 2021
- Strong demand across both sales channels
- Expecting a "normal" summer selling season as the economy reopens and states lift quarantine restrictions
- Customer engagement levels remain high – 1.1 billion daily events across more than 23 million connected devices – whether people are home or away
- Pleased with early indicators from brand investment

Financial:

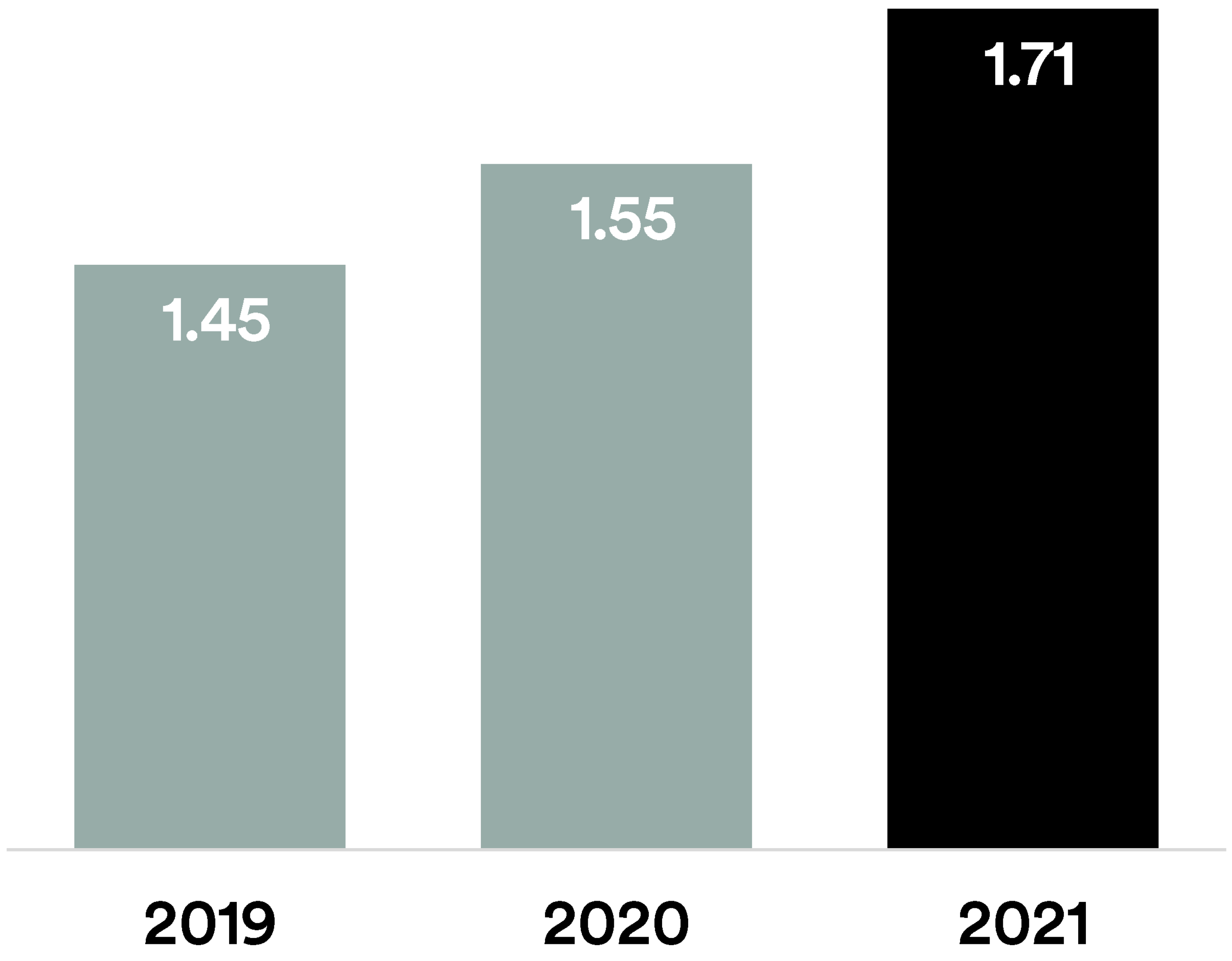
- $343.3 million of Total Revenue, up over 13% YoY
- $162.1 million of Adjusted EBITDA, up over 20% YoY
- Originated over 60 thousand New Subscribers, up over 20% YoY
- Net Subscriber Acquisition Costs per New Subscriber of $66, down ~93% YoY
- Net Service Costs per Subscriber of $10.77, down ~8% YoY
- Attrition Rate declined by 230 basis points YoY to a 9-quarter low of 11.8%

vivint

Subscriber portfolio

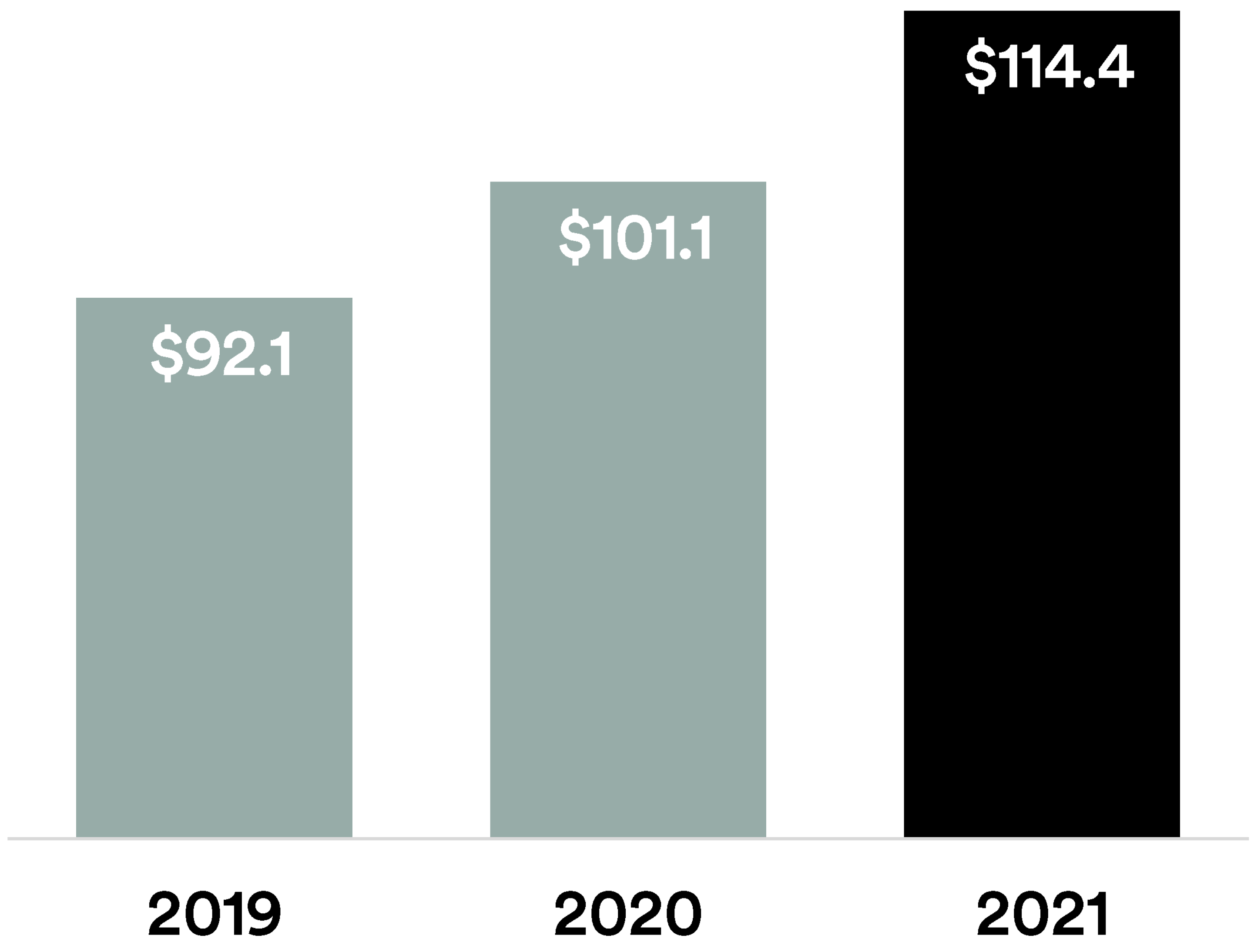
As of and for the quarter ended March 31,

Total Subscribers
(in Millions)



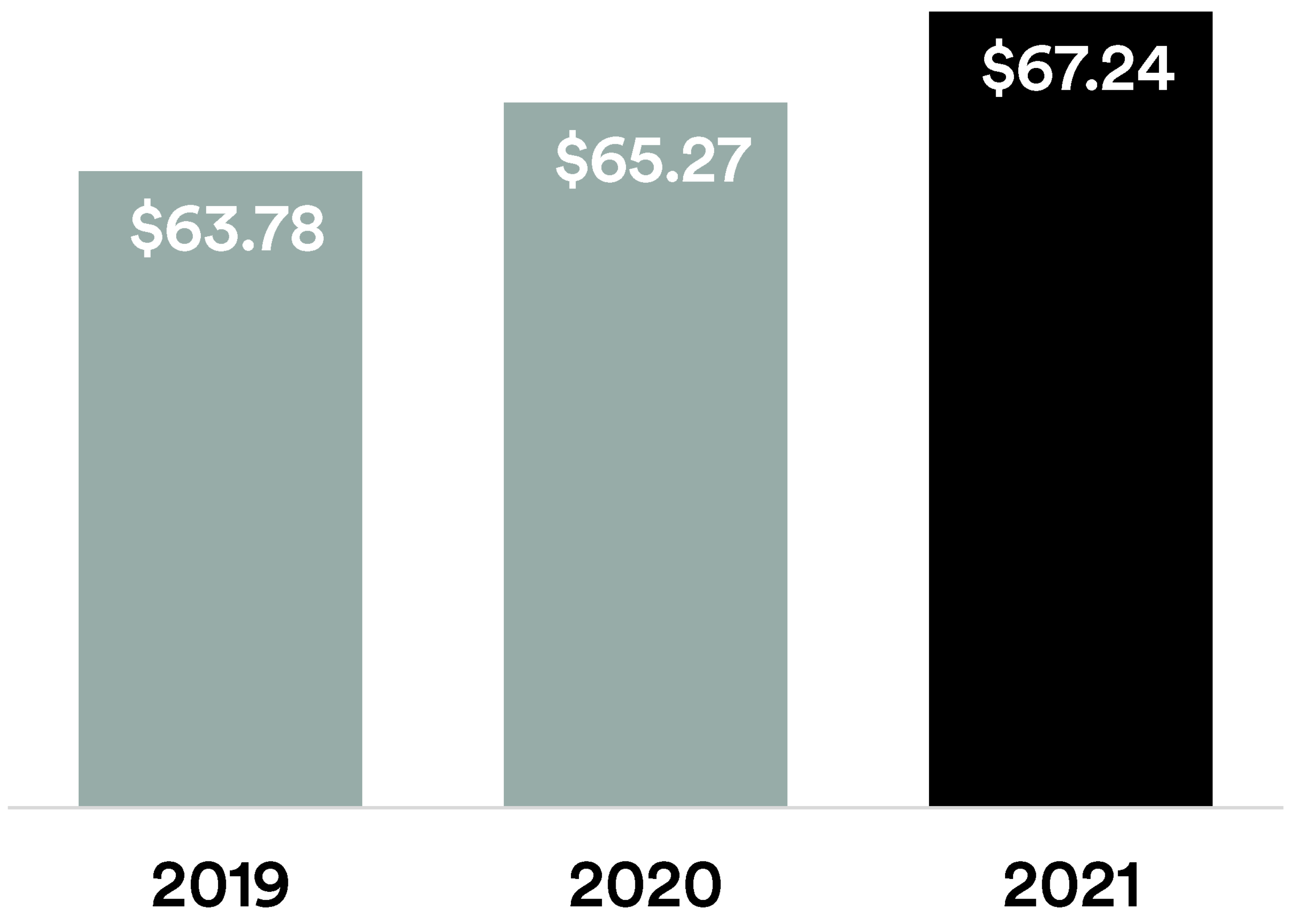
Growth *7.1%* *10.2%*

Total Monthly Revenue
($ in Millions)



Growth *9.8%* *13.2%*

AMRU



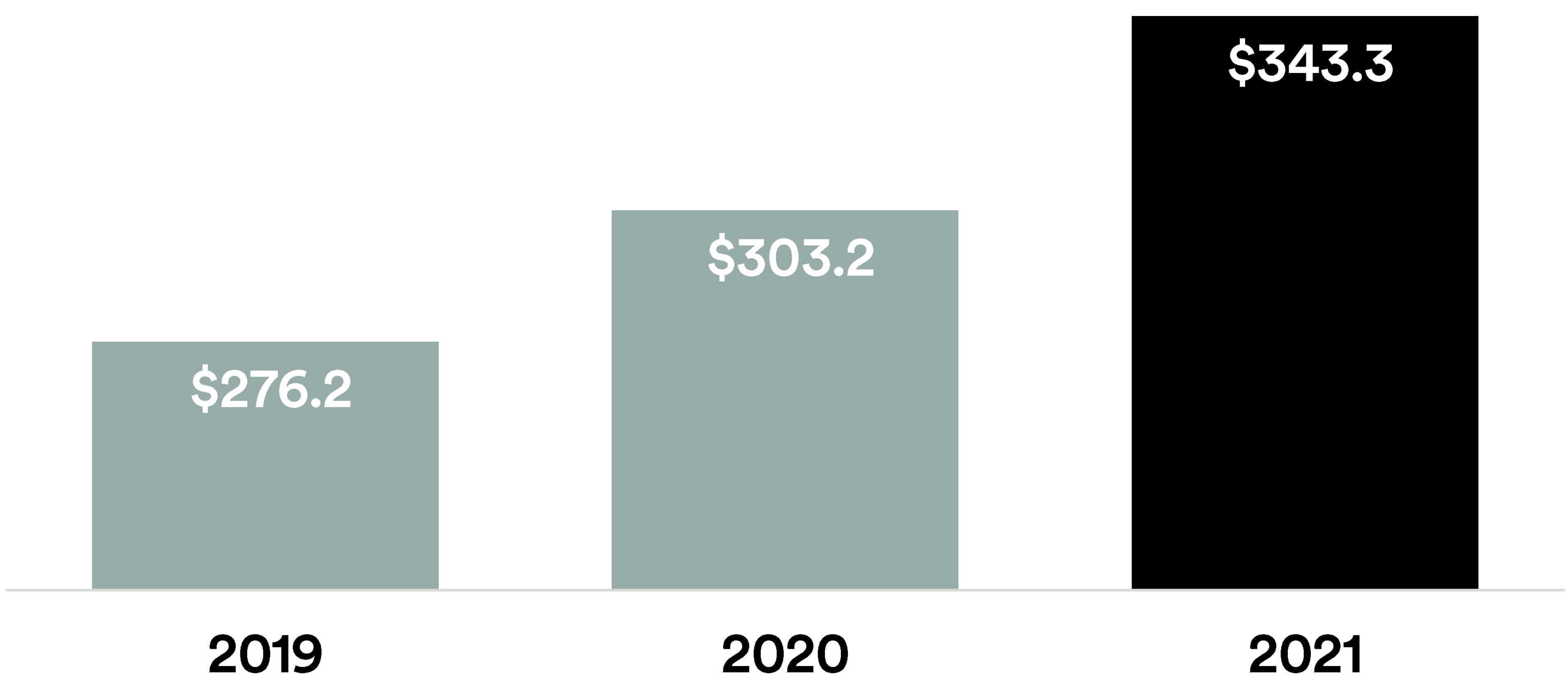
Growth *2.3%* *3.0%*

vivint

Revenue and Adjusted EBITDA

Quarters ended March 31,

Revenue

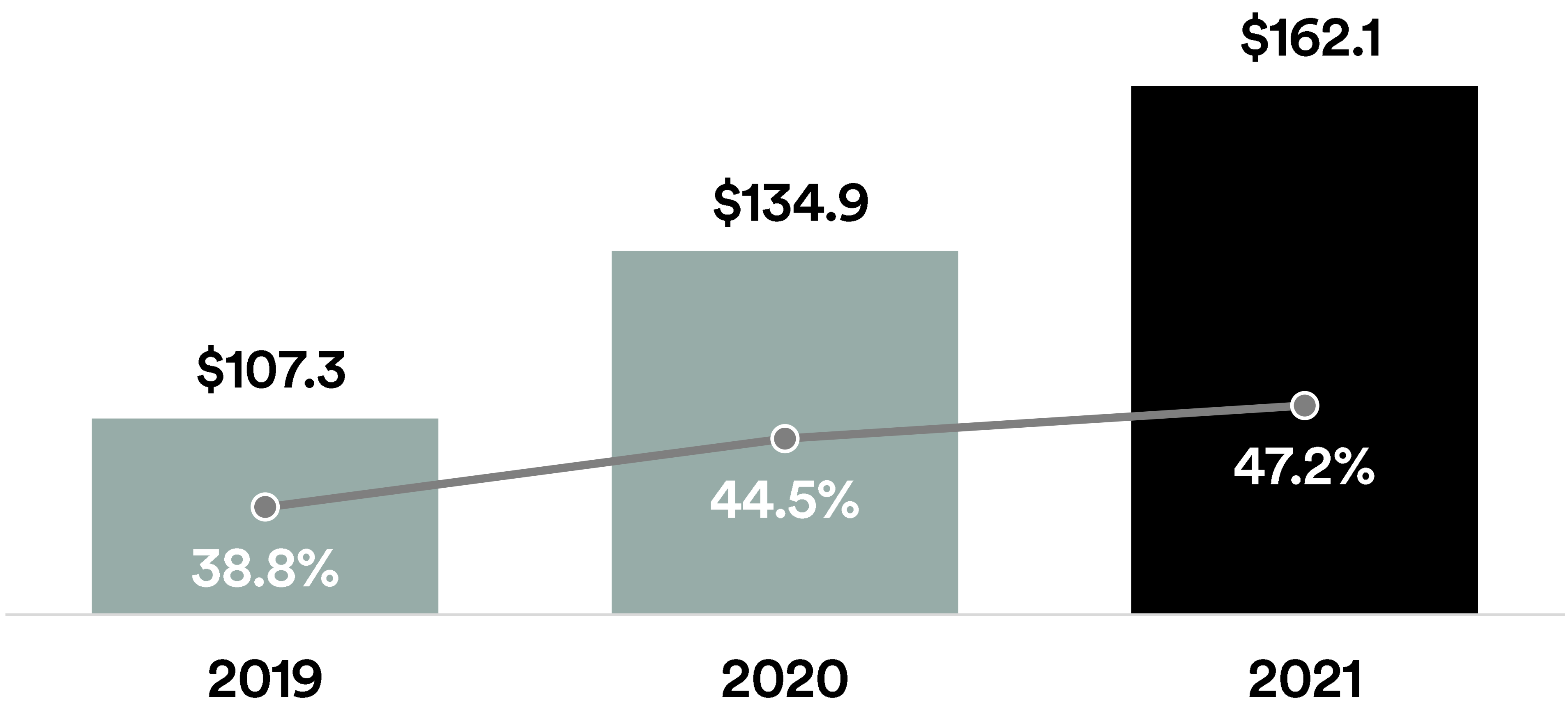


Growth 9.8% 13.2%

($ in Millions)

Margin %

Adjusted EBITDA

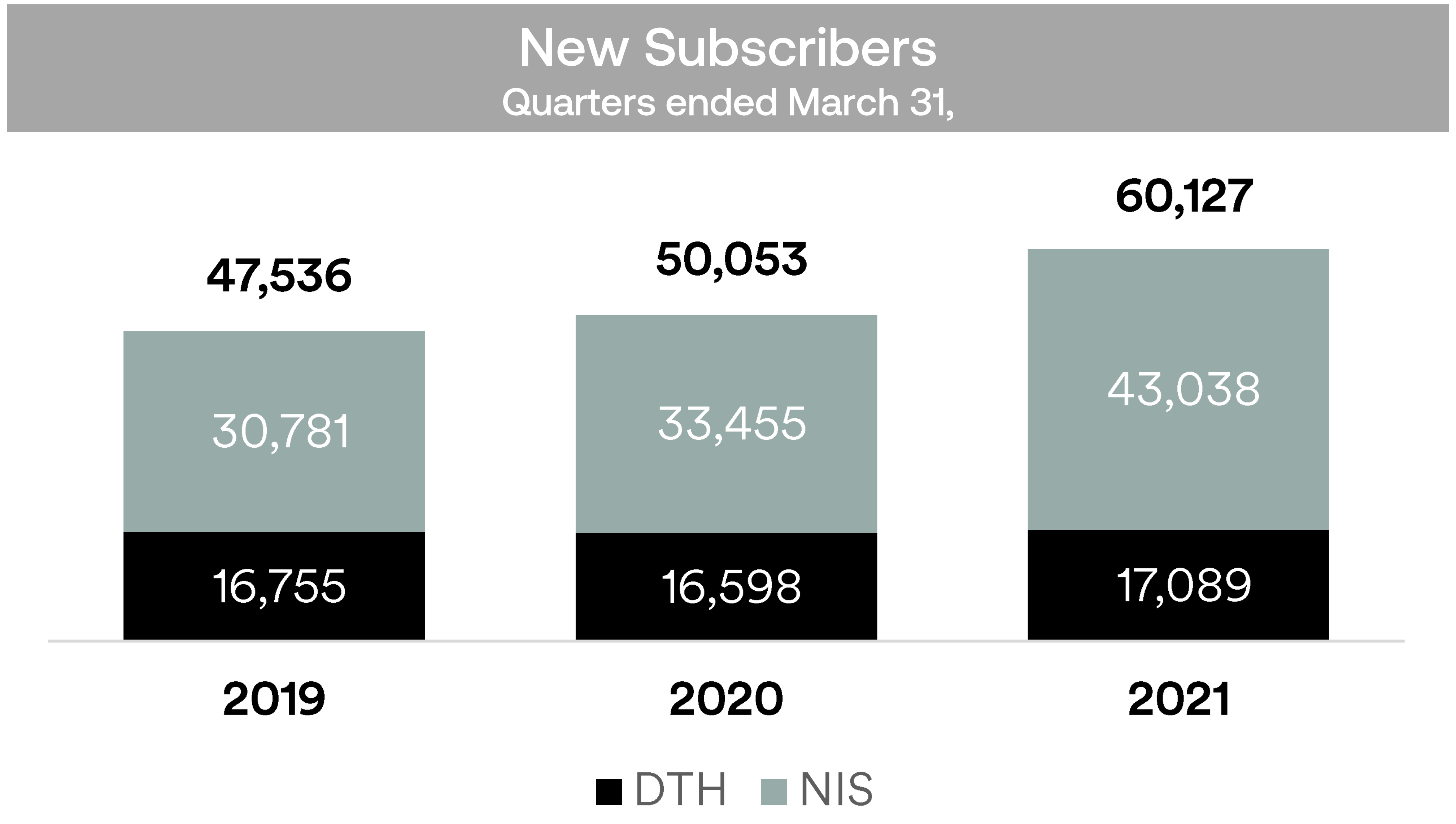


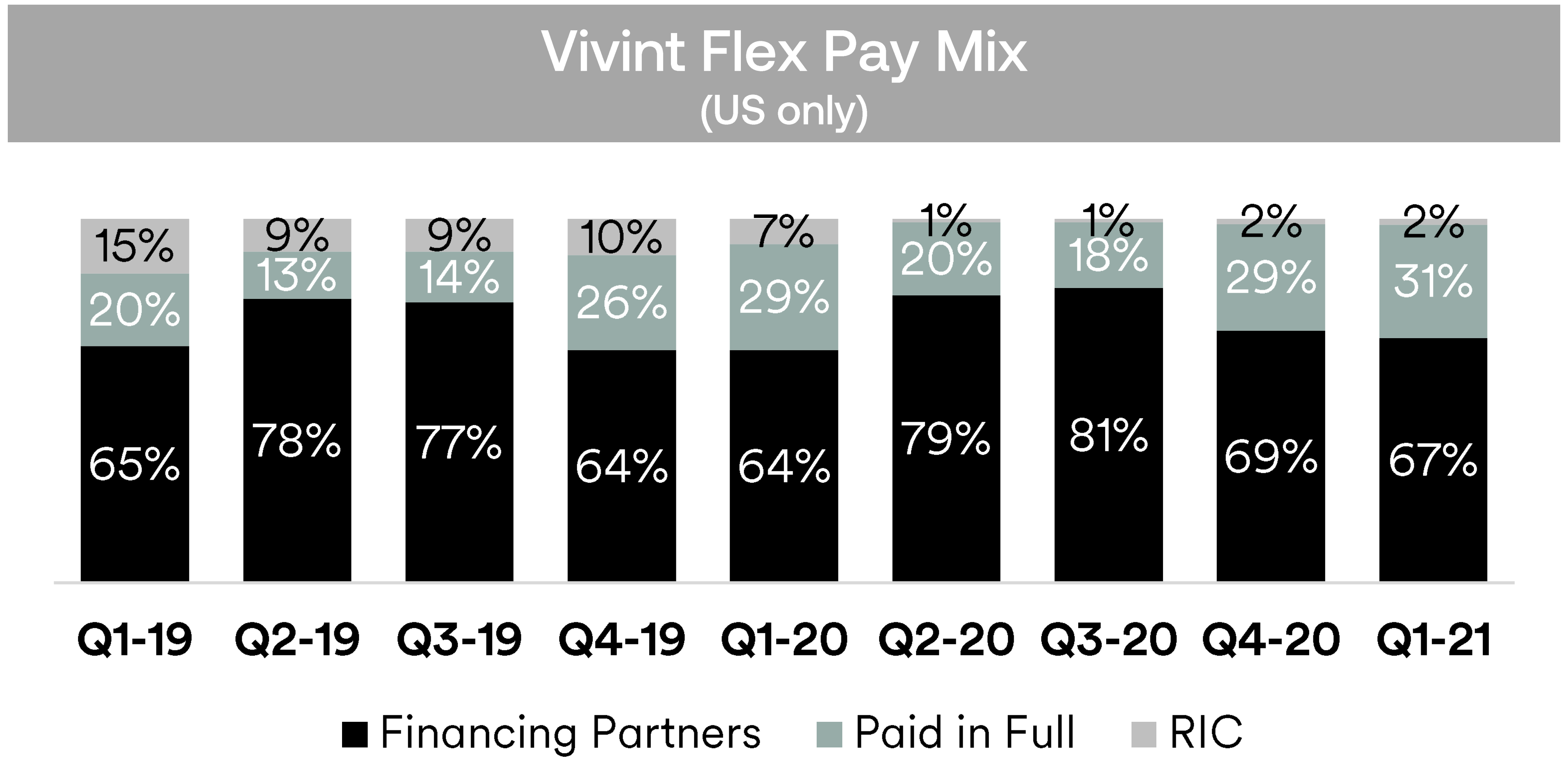
Growth 25.7% 20.2%

13%+ growth in Revenue | 20%+ growth in Adjusted EBITDA

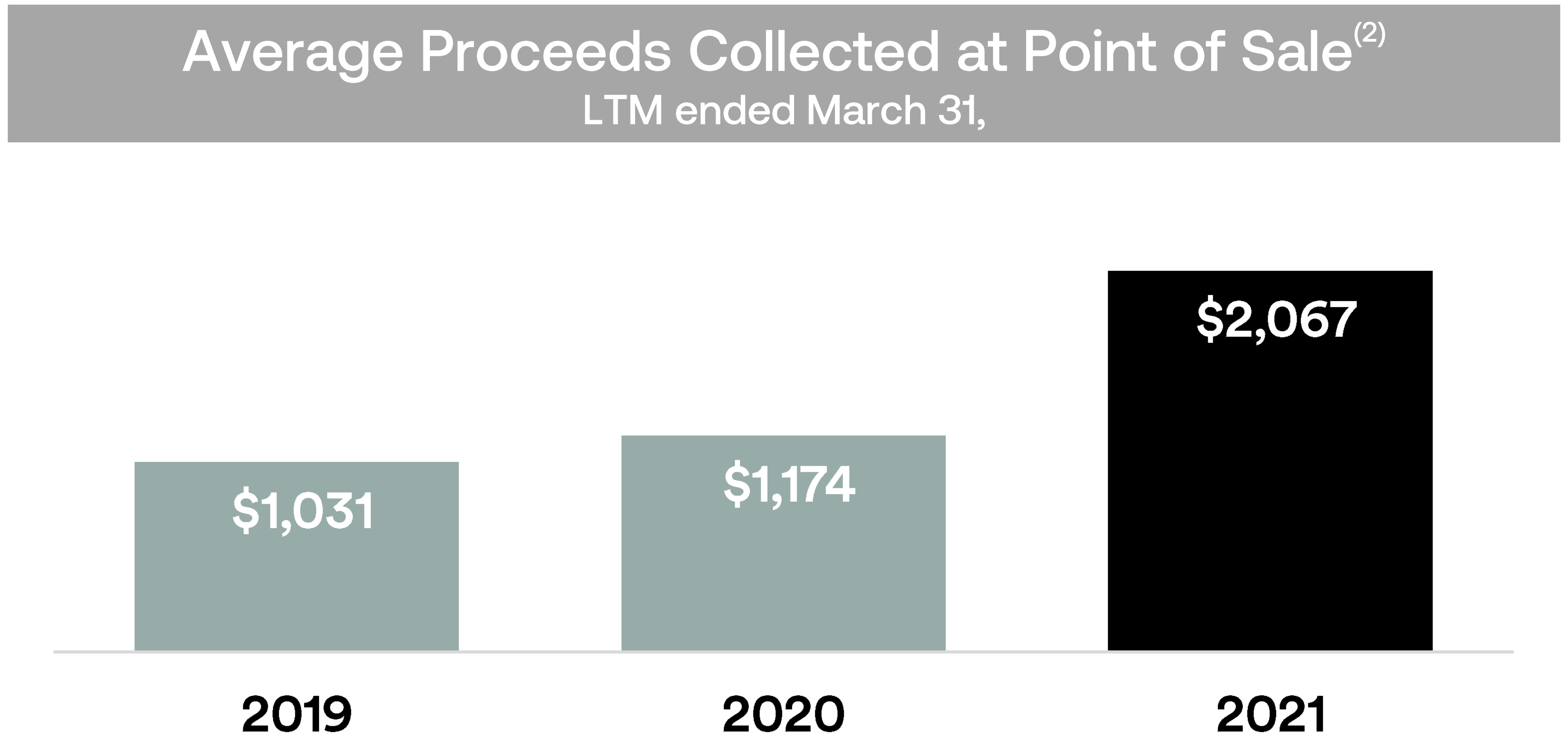
vivint

New Subscribers[1]





- ~20% growth in new subscribers[3]
- ~77% reduction in RICs[4]
- ~76% increase in proceeds at POS[5]

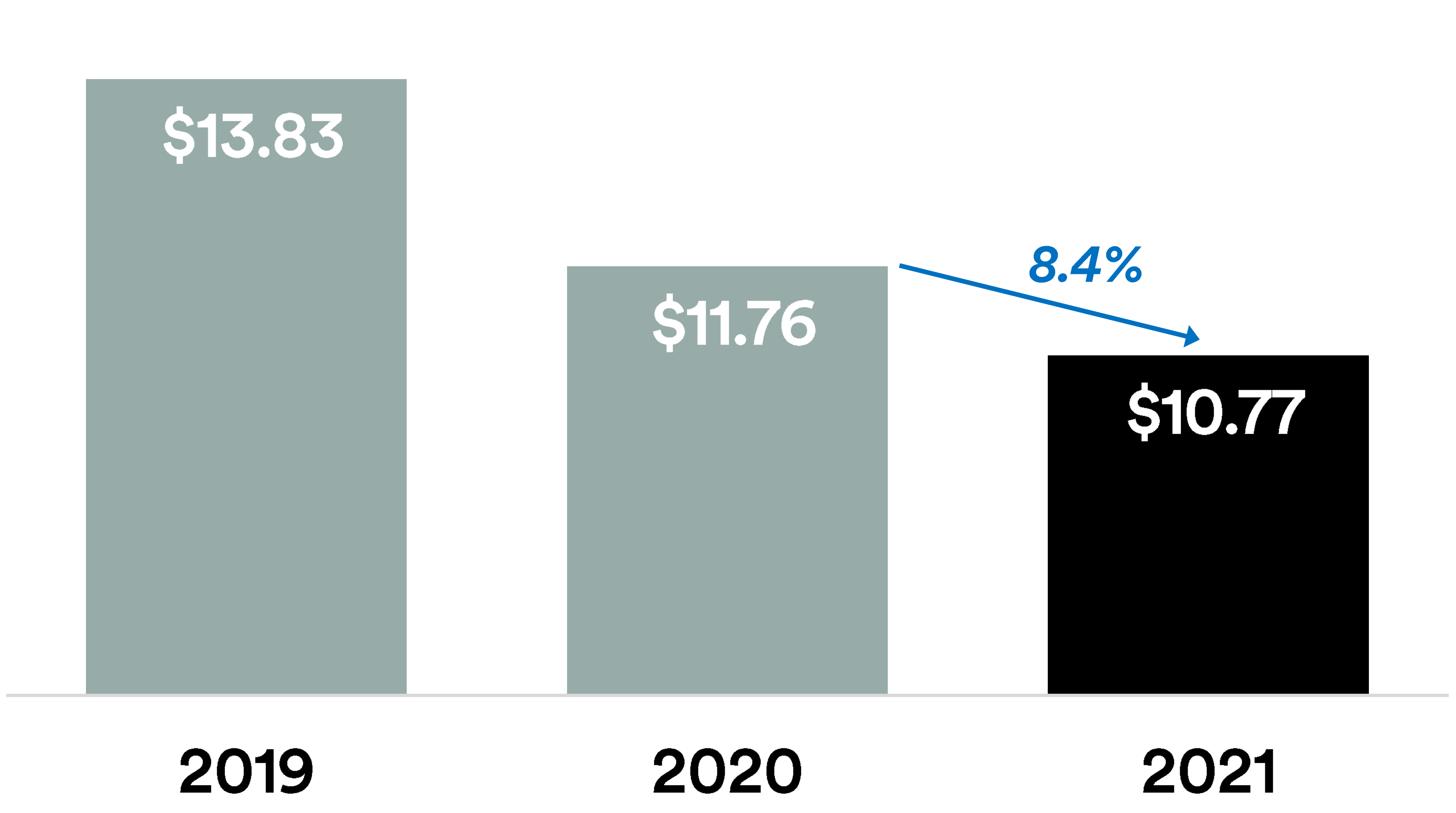


vivint

1) All periods exclude wireless internet business and sales pilot initiatives
2) Excludes impact of financing fees paid to financing partners
3) Represents YoY growth for the quarter ended March 31, 2021
4) Represents YoY reduction for the quarter ended March 31, 2021
5) Represents YoY increase for the LTM period ended March 31, 2021

Service and Subscriber Acquisition Costs[1]

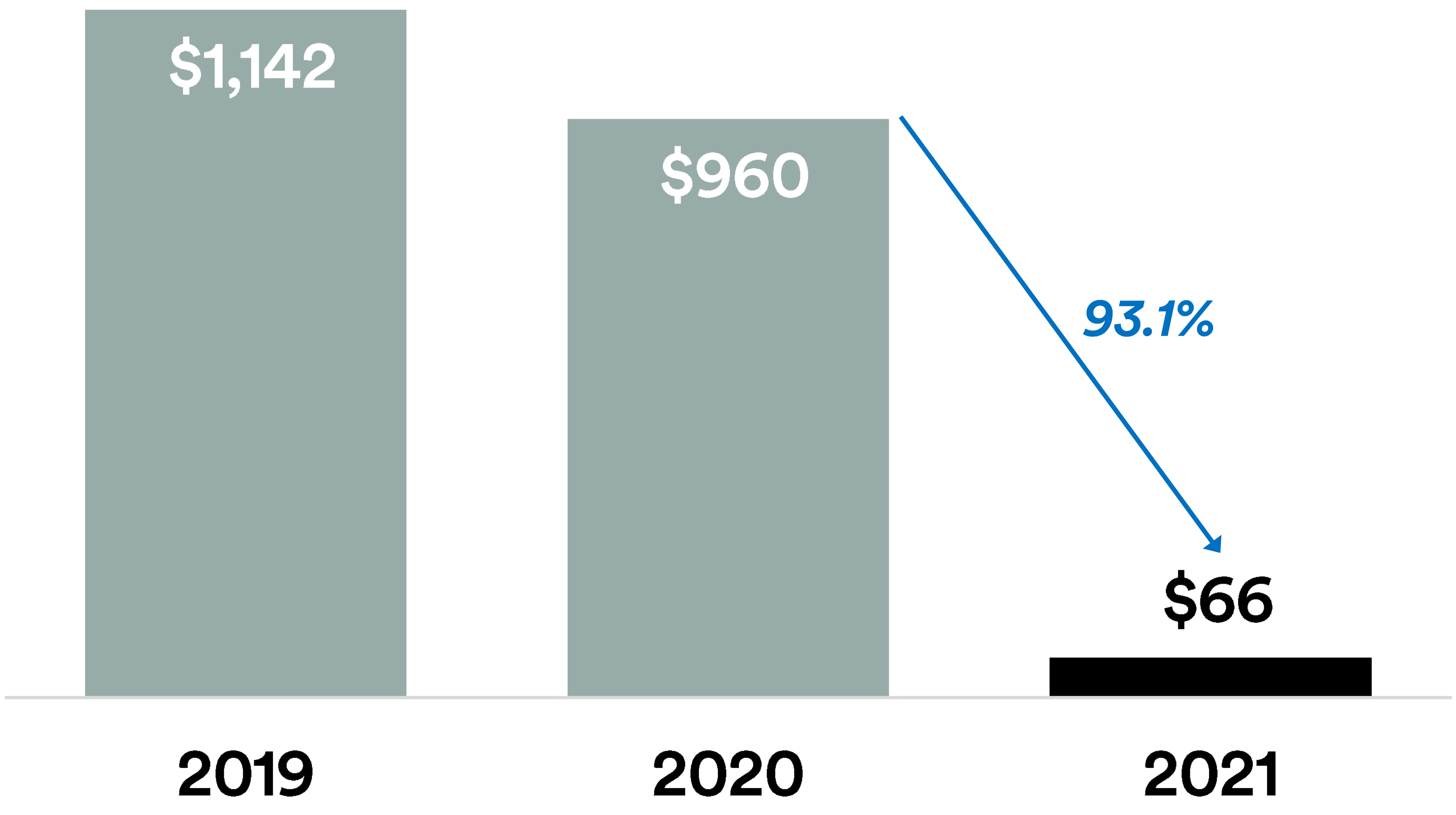
Net Service Cost per Subscriber
Quarters ended March 31,



Net Svc Margin *74.0%* *77.0%* *77.7%*

~8% YoY improvement in Net Service Cost

Net Subscriber Acquisition Costs per New Subscriber
LTM ended March 31,[2]

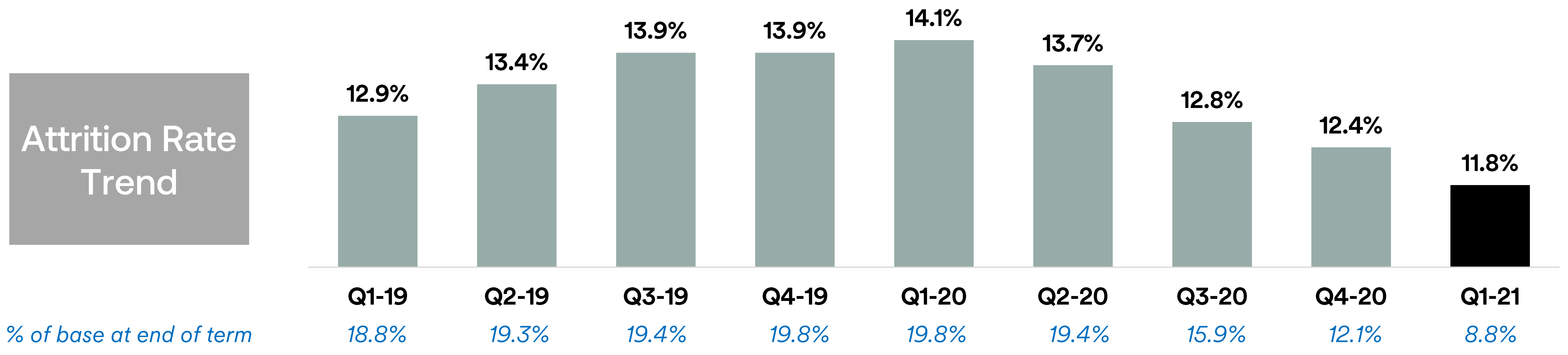


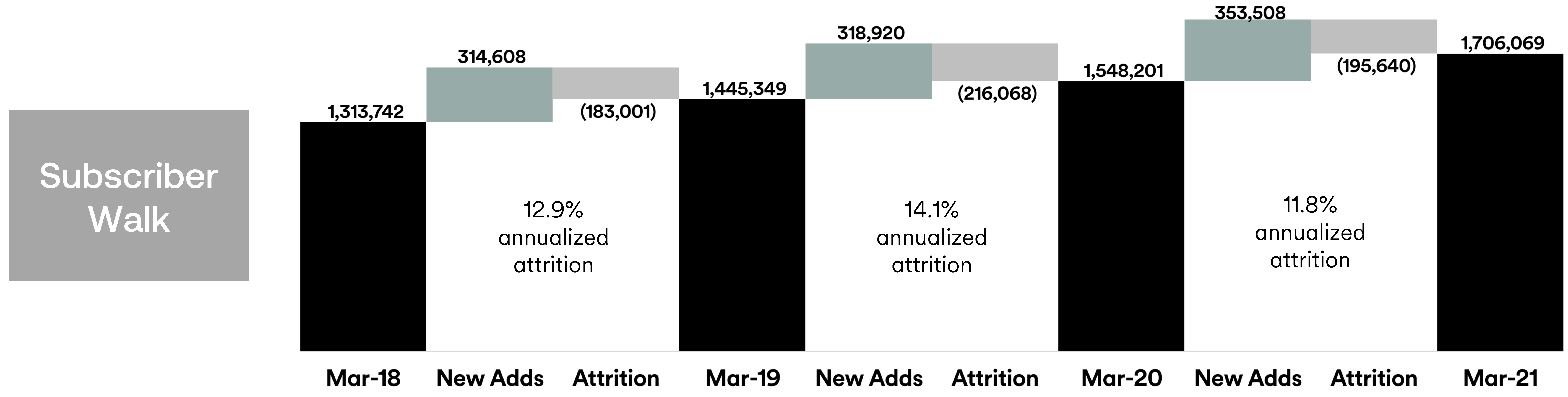
~93% YoY reduction in Net SAC

vivint

1) All periods exclude wireless internet business and pilot sales initiatives
2) Excludes impact of financing fees paid to financing partners

Attrition Rate[1]





vivint

1) All periods exclude wireless internet business and pilot sales initiatives

Financial outlook for 2021

Background:

- The fundamental characteristics of our financial model remain highly attractive
- Contractual, recurring revenue provides long-term visibility and predictability
- Vivint's premier end-to-end smart home platform is relevant in any type of environment, and customer engagement levels remain high

In terms of guidance, we are reaffirming original guidance of:

- Total subscribers of between ***1.80 and 1.85 million***
- Total revenue of between ***$1.38 and $1.42 billion***
- Adjusted EBITDA of between ***$640 and $655 million***

During the time it took to host this call...

52M

events processed in the cloud by the Vivint OS[1]

135K

live video views from apps and panels, plus another 86K views of recorded video[1]

35K

views of home activity history from mobile apps[1]

15K

changes to locks and thermostats via apps, panels, and voice[1]

38K

actions performed automatically by the Vivint OS / Vivint Assist[1]

105K

home state changes to *away* decided by Vivint assist, plus over 1K automated state changes to *vacation*[1]

vivint

1) Based on the average rate between 6am and 10pm Mountain Time for the 1-month period ending March 31, 2021

Strong performance across all key metrics in Q1 2021[1]

Total Subscribers as of March 31, 2021:

1.71 million

Up nearly 160K YoY

LTM Attrition Rate as of March 31, 2021:

11.8%

Down 230 basis points YoY

Total Revenue for Q1 2021:

$343.3 million

Up over 13% YoY

LTM Net Subscriber Acquisition Cost as of March 31, 2021:[2]

$66 per new subscriber

3.8x LTV / net SAC

Adjusted EBITDA for Q1 2021:

$162.1 million

Up over 20% YoY, representing a ~47% margin

Net Service Cost for Q1 2021:

$10.77 per subscriber

~78% service margin

vivint

1) All metrics exclude wireless internet business and pilot sales initiatives
2) Excludes impact of financing fees paid to financing partners

Vivint Smart Home, Inc.

Consolidated Financial Statements

For Quarters Ended March 31, 2021 & 2020

Consolidated statement of operations

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

	Three Months Ended Mar 31,	
	2021	**2020**
Revenues:		
Recurring and other revenue	$ 343,293	$ 303,232
Costs and expenses:		
Operating expenses	96,531	83,160
Selling expenses	114,541	50,723
General and administrative expenses	66,348	50,423
Depreciation and amortization	146,912	139,249
Restructuring expenses	-	20,941
Total costs and expenses	424,332	344,496
Loss from operations	(81,039)	(41,264)
Other expenses (income):		
Interest expense	49,803	65,293
Interest income	(44)	(229)
Other (income) expenses, net	(14,559)	22,839
Warrant fair value (gain) loss	(29,103)	16,717
Total other expenses	6,097	104,620
Loss before income taxes	(87,136)	(145,884)
Income tax expense (credit)	244	(788)
Net loss	$ (87,380)	$ (145,096)

Condensed consolidated balance sheet

Vivint Smart Home, Inc. and Subsidiaries

(in thousands; unaudited)

	As of	
	Mar 31, 2021	Dec 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 274,344	$ 313,799
Accounts and notes receivable, net	66,985	64,697
Inventories	80,296	47,299
Prepaid expenses and other current assets	26,175	14,338
Total current assets	447,800	440,133
Property, plant and equipment, net	51,644	52,379
Capitalized contract costs, net	1,290,176	1,318,498
Deferred financing costs, net	1,567	1,667
Intangible assets, net	96,666	111,474
Goodwill	837,386	837,077
Operating lease right-of-use assets	50,486	52,880
Long-term notes receivables and other assets, net	57,534	62,510
Total assets	2,833,259	2,876,618
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	121,505	85,656
Accrued payroll and commissions	47,063	87,943
Accrued expenses and other current liabilities	233,020	247,324
Deferred revenue	334,154	321,143
Current portion of notes payable, net	9,500	9,500
Current portion of operating lease liabilities	12,062	12,135
Current portion of finance lease liabilities	3,208	3,356
Total current liabilities	760,512	767,057
Notes payable, net	2,814,574	2,816,100
Revolving credit facility	-	-
Finance lease liabilities, net of current portion	1,701	2,460
Deferred revenue, net of current portion	622,287	615,598
Operating lease liabilities	47,081	49,692
Warrant derivative	45,568	75,531
Other long-term obligations	124,948	121,235
Deferred income tax liabilities	557	2,168
Total liabilities	4,417,228	4,449,841
Total stockholders' deficit	(1,583,969)	(1,573,223)
Total liabilities and stockholders' deficit	$ 2,833,259	$ 2,876,618

vivint

Summary of consolidated statements of cash flows

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

	Three Months Ended Mar 31,	
	2021	2020
Net cash used in operating activities	$ (14,156)	$ (32,869)
Net cash used in investing activities	(4,548)	(1,901)
Net cash (used in) provided by financing activities	(20,757)	161,661
Effect of exchange rate changes on cash	6	(351)
Net (decrease) increase in cash & cash equivalents	(39,455)	126,540
Cash and cash equivalents:		
Beginning of period	313,799	4,549
End of period	$ 274,344	$ 131,089

vivint

Vivint Smart Home, Inc.

Annex A

vivint

Reconciliation of non-GAAP financial measures – Adjusted EBITDA

Vivint Smart Home, Inc. and Subsidiaries

(in millions; unaudited)

	Three Months Ended				
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Net loss	$ (87.4)	$ (184.6)	$ (108.7)	$ (156.8)	$ (145.1)
Interest expense, net	49.8	49.9	51.0	54.5	65.1
Income tax expense (benefit), net	0.2	2.5	0.2	0.9	(0.8)
Depreciation	4.1	4.4	4.9	5.2	5.7
Amortization (i)	142.8	142.9	139.1	135.0	133.6
Stock-based compensation (ii)	87.0	81.0	58.5	48.0	10.7
MDR fee (iii)	9.3	8.7	7.7	6.0	5.2
Loss contingency (vi)	-	13.2	10.0	-	-
Restructuring expenses (v)	-	-	-	-	20.9
Change in fair value of warrant derivative liabilities (vi)	(29.1)	29.4	1.0	62.2	16.7
Other (income) expense, net (vii)	(14.6)	(0.9)	(7.1)	(4.4)	22.9
Adjusted EBITDA	$ 162.1	$ 146.5	$ 156.6	$ 150.6	$ 134.9

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. Costs related to some of the financing fees incurred under the Vivint Flex Pay program
iv. Reflects an increase to the loss contingency accrual relating to regulatory matters
v. Employee severance and termination benefits expenses associated with restructuring plans
vi. Reflects the change in fair value of the derivative liability associated with our public and private warrants
vii. 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				
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Net loss	$ (537.5)	$ (595.2)	$ (499.1)	$ (492.8)	$ (451.9)
Interest expense, net	205.2	220.5	235.7	250.0	261.3
Other expense (income), net	(26.9)	10.4	11.8	13.2	17.4
Income tax expense, net	3.9	2.8	2.2	2.3	0.8
Restructuring expenses (i)	-	20.9	20.9	20.9	20.9
Depreciation and amortization (ii)	85.7	89.6	94.2	98.3	103.1
Amortization of capitalized contract costs	492.8	481.2	469.3	458.8	448.4
Non-capitalized contract costs (iii)	273.4	268.5	256.8	259.3	277.6
Stock-based compensation (iv)	274.5	198.2	118.1	60.8	13.7
Change in fair value of warrant derivative liabilities (v)	63.4	109.3	79.9	78.9	16.7
Other adjustments (vi)	77.9	86.6	72.3	63.0	65.1
Adj. for change in accounting principle (Topic 606) (vii)	(88.6)	(88.4)	(90.9)	(84.0)	(89.6)
Covenant Adjusted EBITDA	$ 823.8	$ 804.4	$ 771.2	$ 728.7	$ 683.5

i. Employee severance and termination benefits expenses associated with restructuring plans
ii. Excludes loan amortization costs that are included in interest expense
iii. 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.
iv. Reflects stock-based compensation costs related to employee and director stock incentive plans
v. Reflects the change in fair value of the derivative liability associated with our public and private warrants
vi. Includes certain items such as product development costs, Blackstone monitoring fee, loss contingencies, certain legal and professional fees, expenses associated with retention bonuses, relocation and severance payments, and certain other adjustments
vii. Adjustments to eliminate the impact of the Company's adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*

Certain definitions

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

Total Monthly Revenue - or Total MR, is the average monthly total revenue recognized during the period.

Average Monthly Revenue per User - or AMRU, is Total MR 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.

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

Covenant Adjusted EBITDA Margin - is Covenant Adjusted EBITDA 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 (which is currently estimated at 13%) 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, 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 and security subscribers during a given 12 month period divided by New Subscribers for that period. These costs include commissions, Products, installation, marketing, sales support and other allocations (general and administrative and overhead); less upfront payments received from the sale of Products associated with the initial installation, and installation fees. Upfront payments reflect gross proceeds prior to deducting fees related to consumer financing of Products. These costs exclude capitalized contract costs and upfront proceeds associated with contract modifications.

Lifetime Service Margin per New Subscriber - is Total Monthly Service Revenue/Total service RPU for New Subscribers less Net Service Cost per Subscriber multiplied by Average Subscriber Lifetime

LTV / Net SAC - is the Lifetime Service Margin per New Subscriber plus RIC equipment revenue per new subscriber, divided by Net Subscriber Acquisition Costs per New Subscriber including financing costs

Total Monthly Service Revenue for New Subscribers - is the contracted recurring monthly service billings to our New Subscribers during the prior 12-month period.

Average Monthly Service Revenue per New Subscriber - is the Total Monthly Service Revenue for New Subscribers divided by New Subscribers during the prior 12-month period.