

# Vivint Smart Home, Inc.

Second Quarter 2021 Results

August 3, 2021



# 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 2021.” 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, Adjusted EBITDA Margin, 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 Margin is defined as Adjusted EBITDA as a percent of revenue.

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

David Bywater  
Chief Executive Officer

Dale R. Gerard  
Chief Financial Officer



# Key Highlights

## **Recent:**

- Appointed David Bywater as CEO
  - Seasoned executive with 25 years of leadership experience
  - Former COO of Vivint Smart Home – knows the company and market well
  - Brings valuable knowledge and experience from Vivint Solar, where he was CEO
- Expanded solar offering with strategic partnership with Freedom Forever
- Completed global refinance of debt, reducing annual cash interest by ~\$50M

## **For the Quarter:**

- \$355.2M of Revenue, up ~17% YoY; more than double the growth rate of PY period
- \$156.0M of Adjusted EBITDA, up ~4% YoY and up over 76% vs. Q2 2019
- Originated over 121 thousand New Subscribers, up nearly 13% YoY
- Net Subscriber Acquisition Costs per New Subscriber of \$70, down ~89% YoY
- Net Service Costs per Subscriber of \$10.03 with service margin of 79%
- Attrition Rate declined by 210 basis points YoY to a 12-quarter low of 11.6%
- Generated \$78.4M of cash from operations; ended with \$345.2M of cash on hand



# Subscriber portfolio

As of and for the quarter ended June 30,

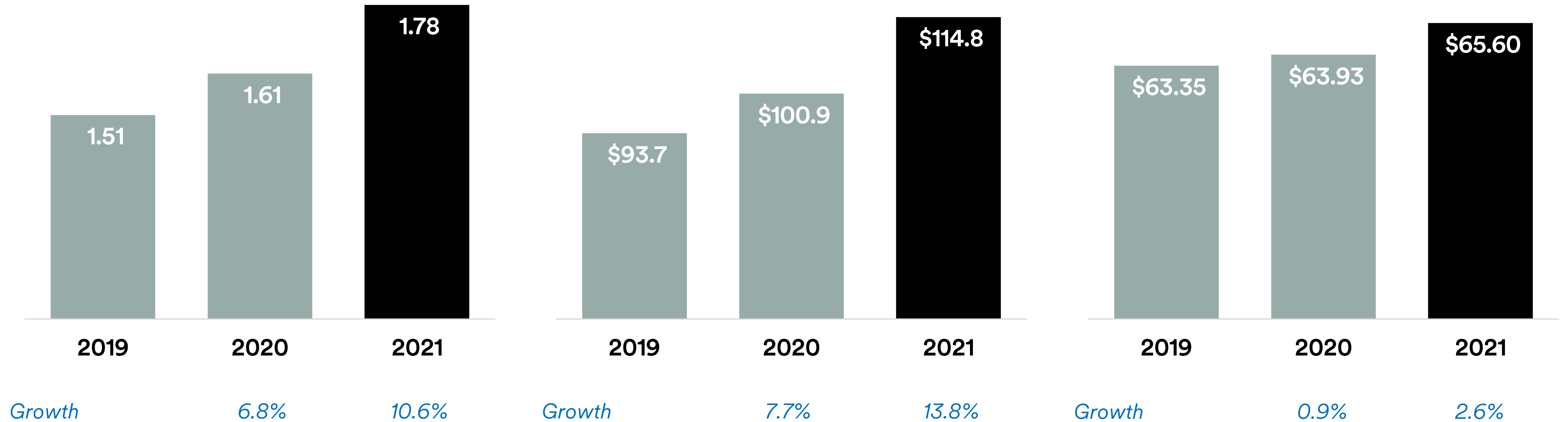
## Total Subscribers

(in Millions)

## Total MRR

(\$ in Millions)

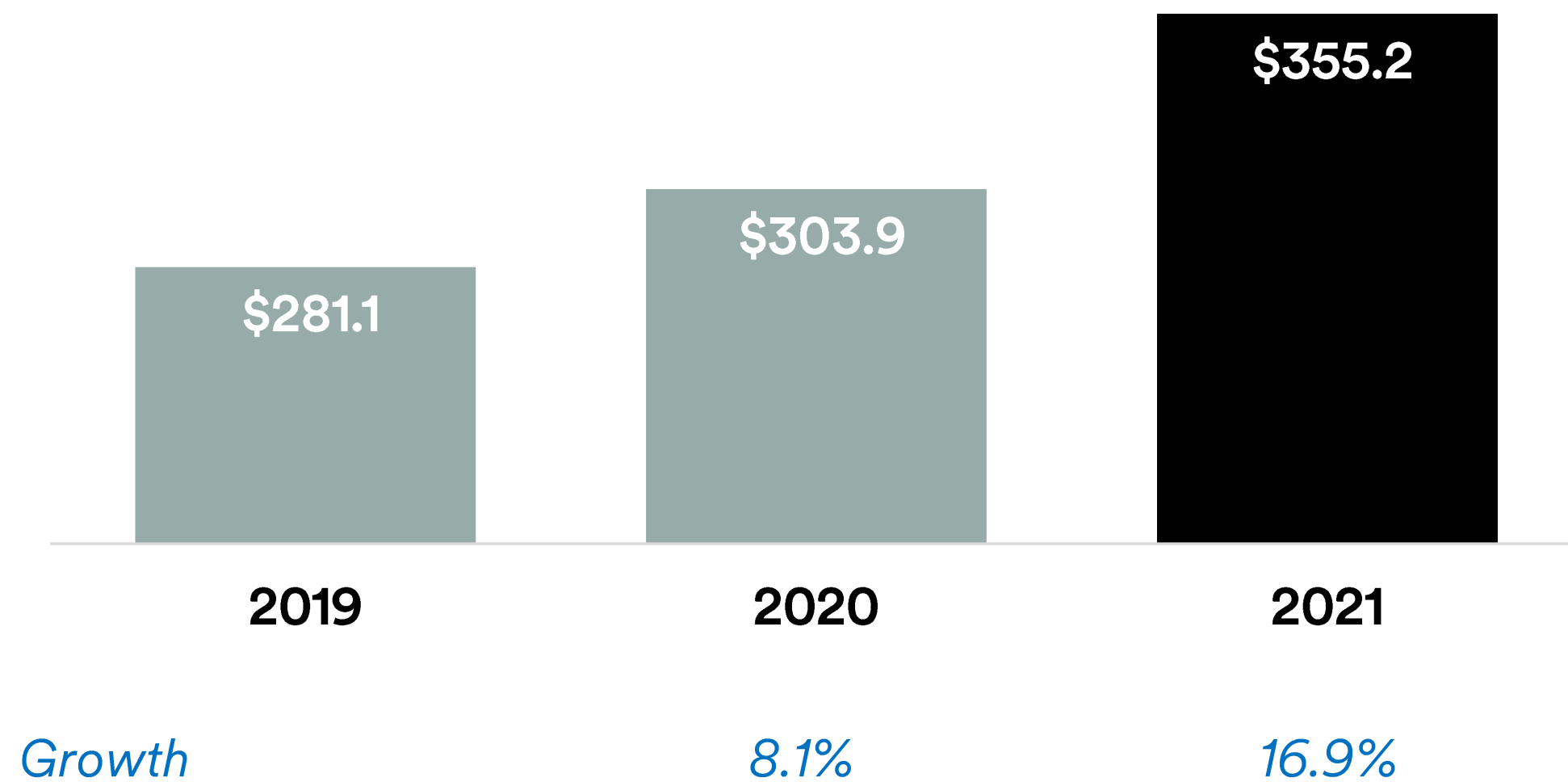
## AMRRU



# Revenue

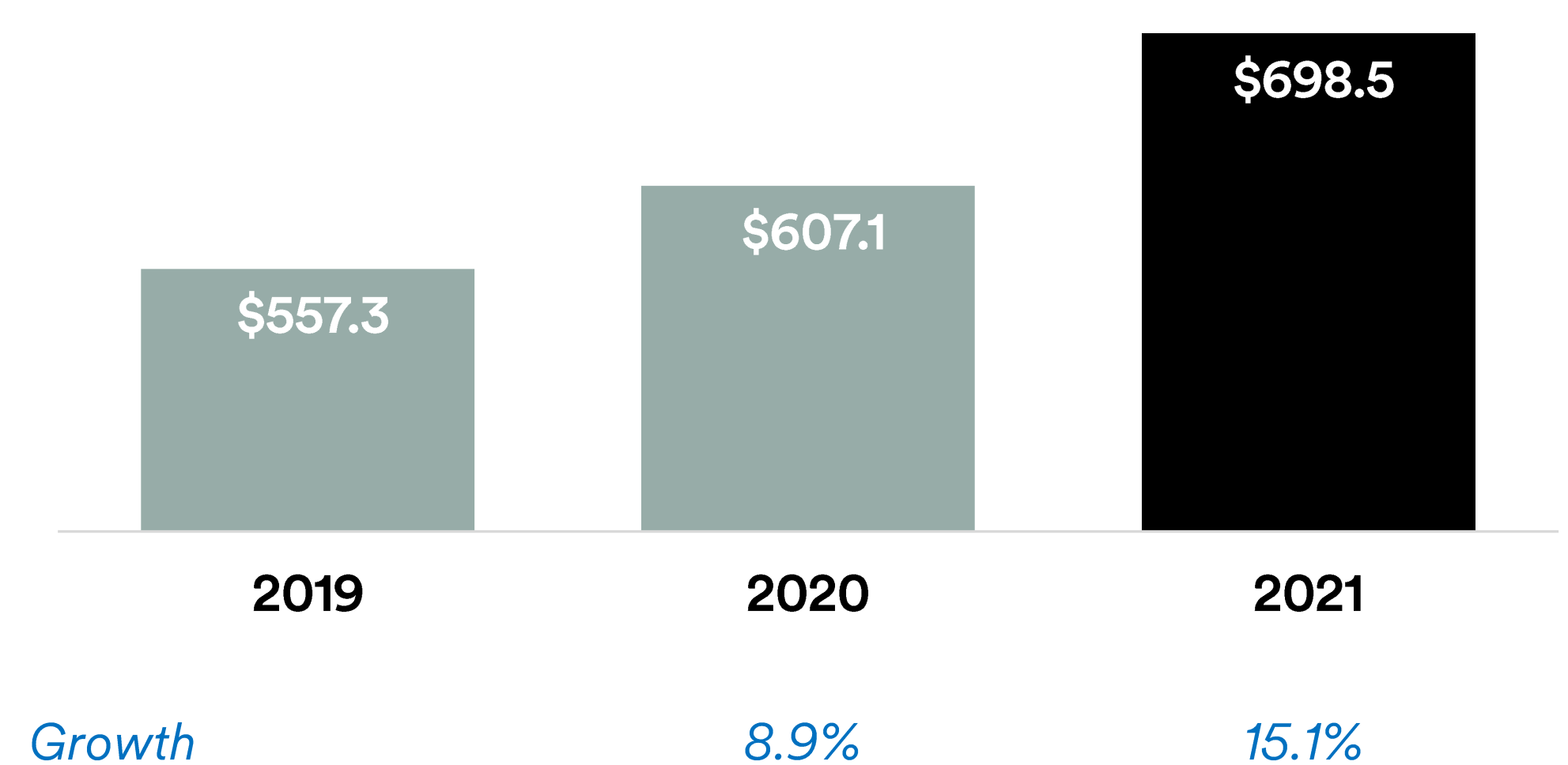
## Quarters ended June 30,

(\$ in Millions)



## Six months ended June 30,

(\$ in Millions)

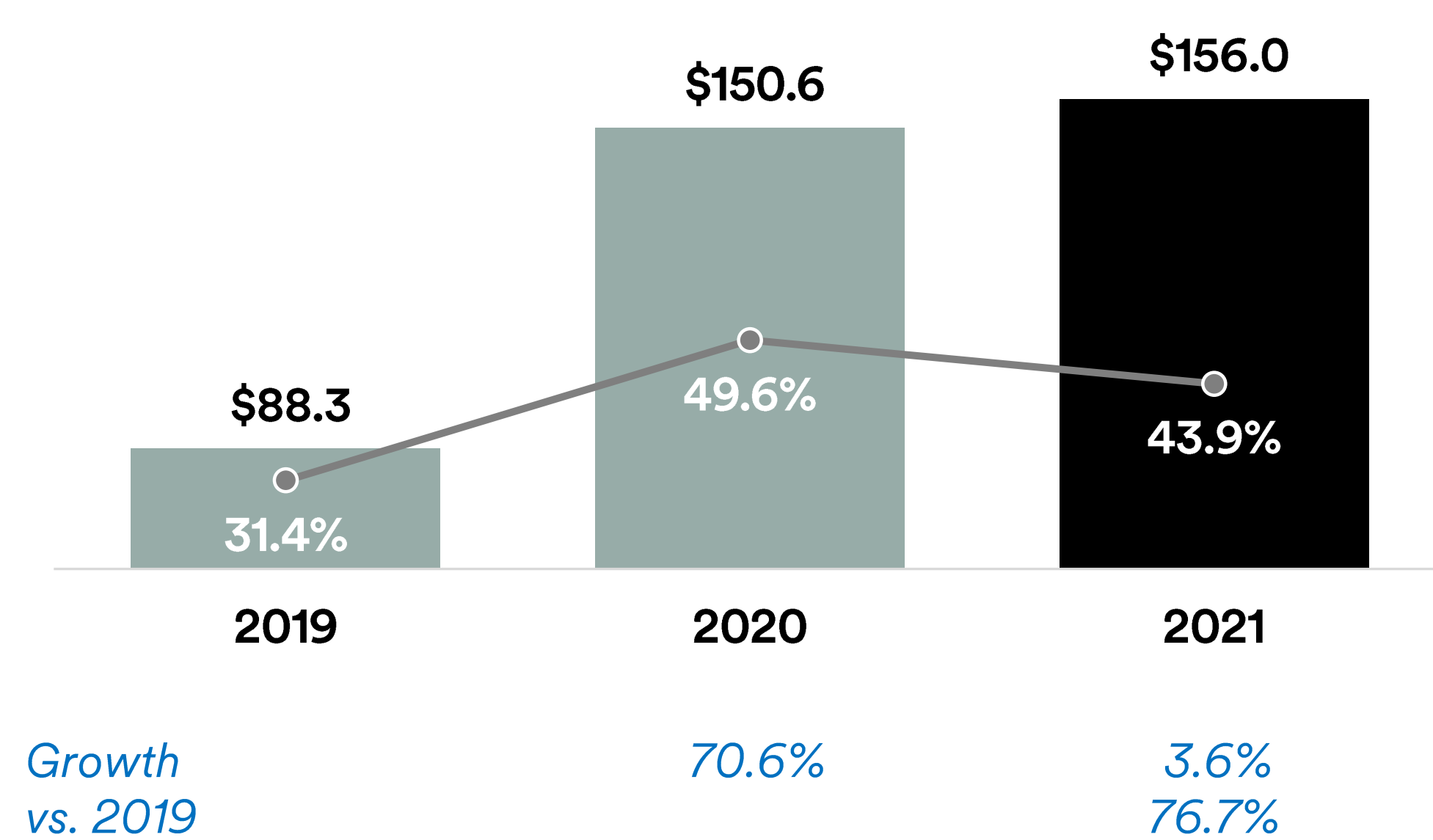


**~17% growth in Revenue in Q2 2021 – more than double the growth rate from prior year**

# Adjusted EBITDA

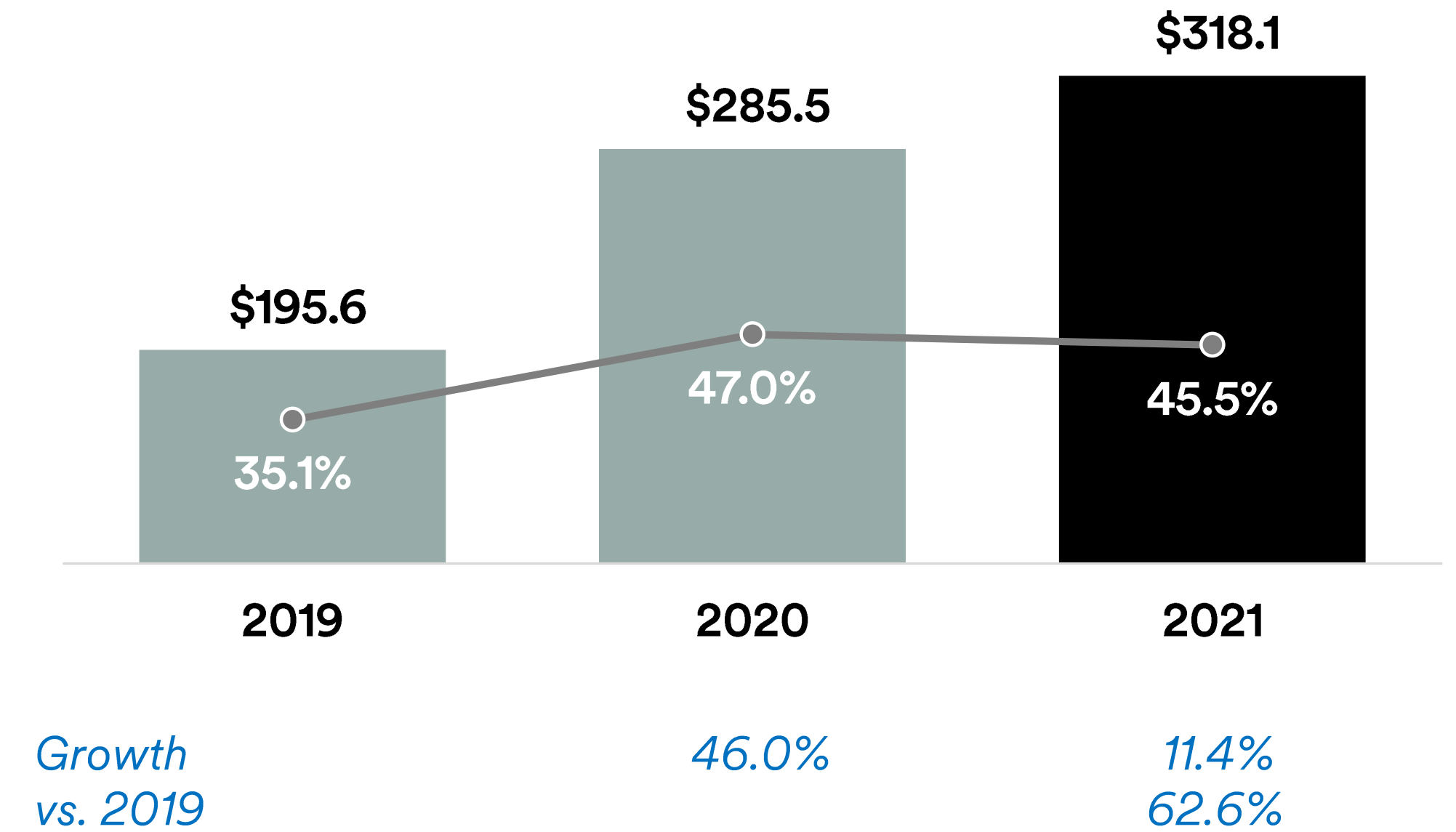
## Quarters ended June 30,

(\$ in Millions)  
 ●—● Margin %



## Six months ended June 30,

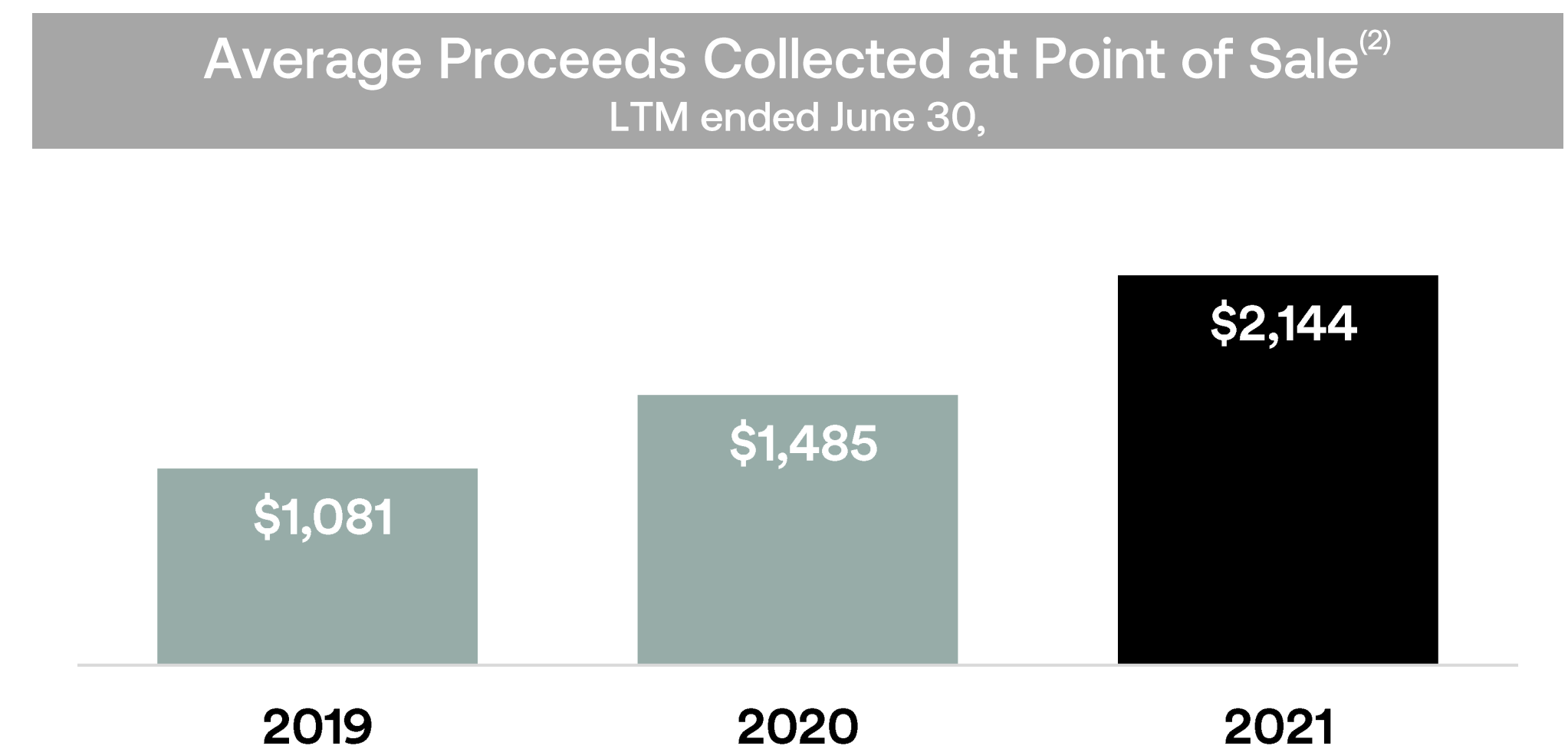
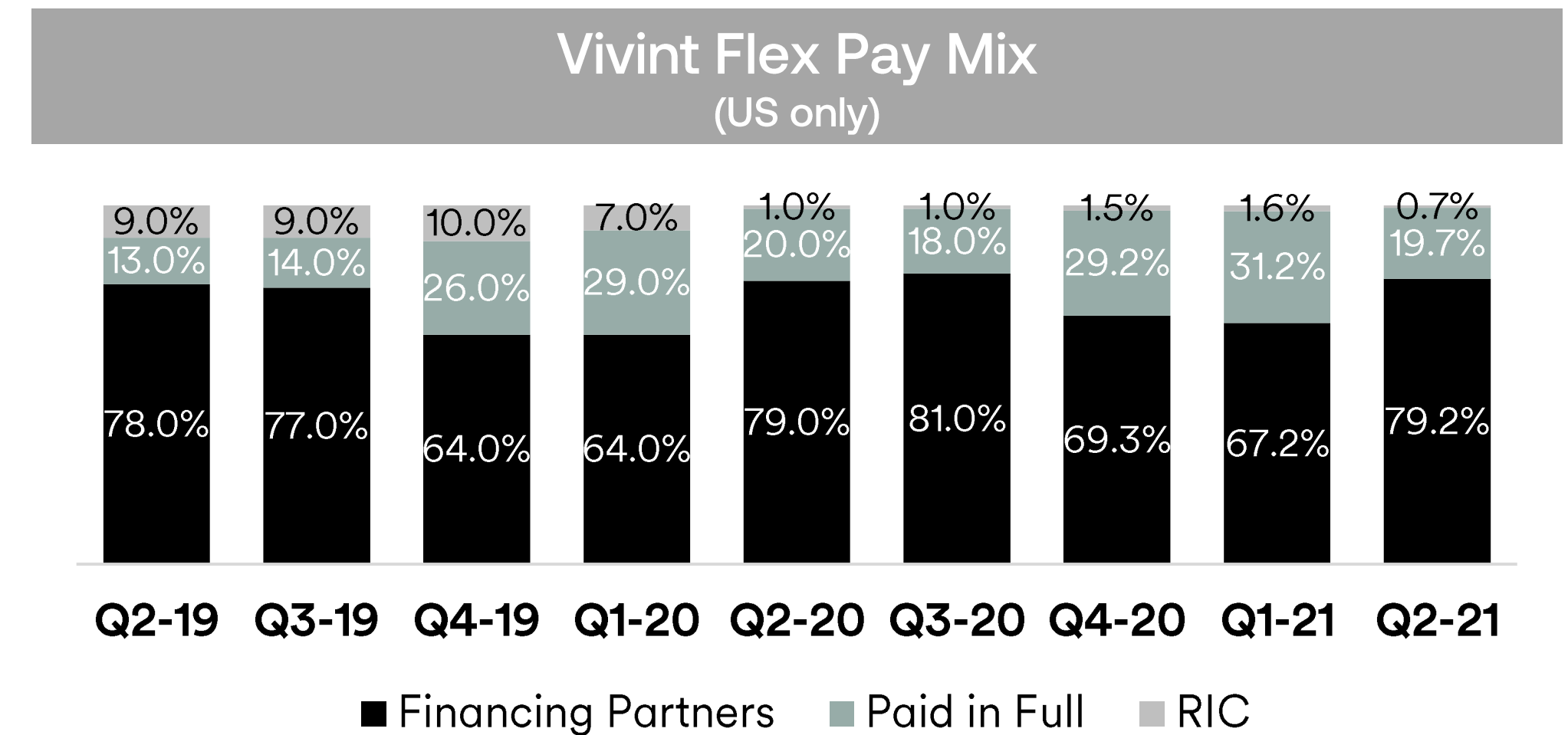
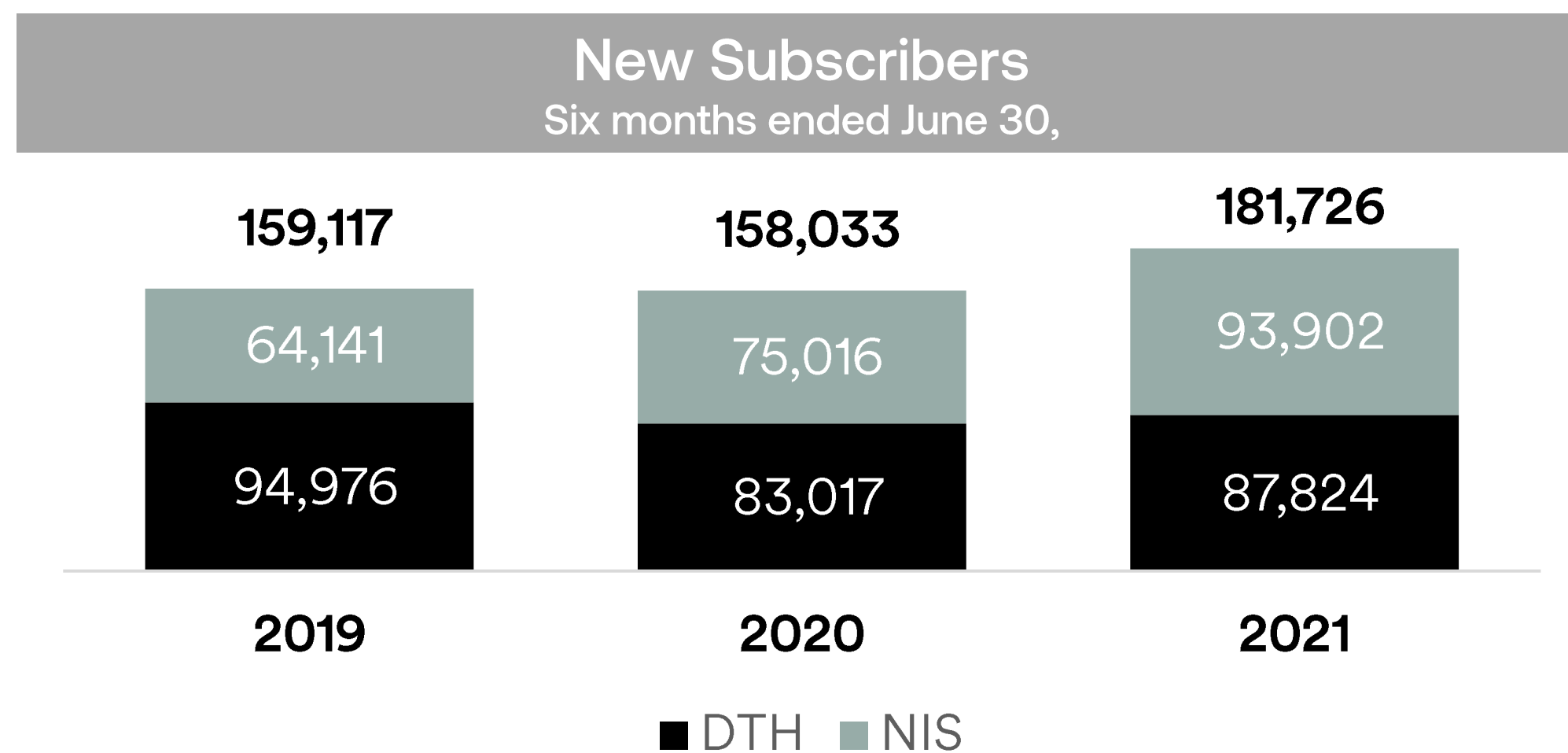
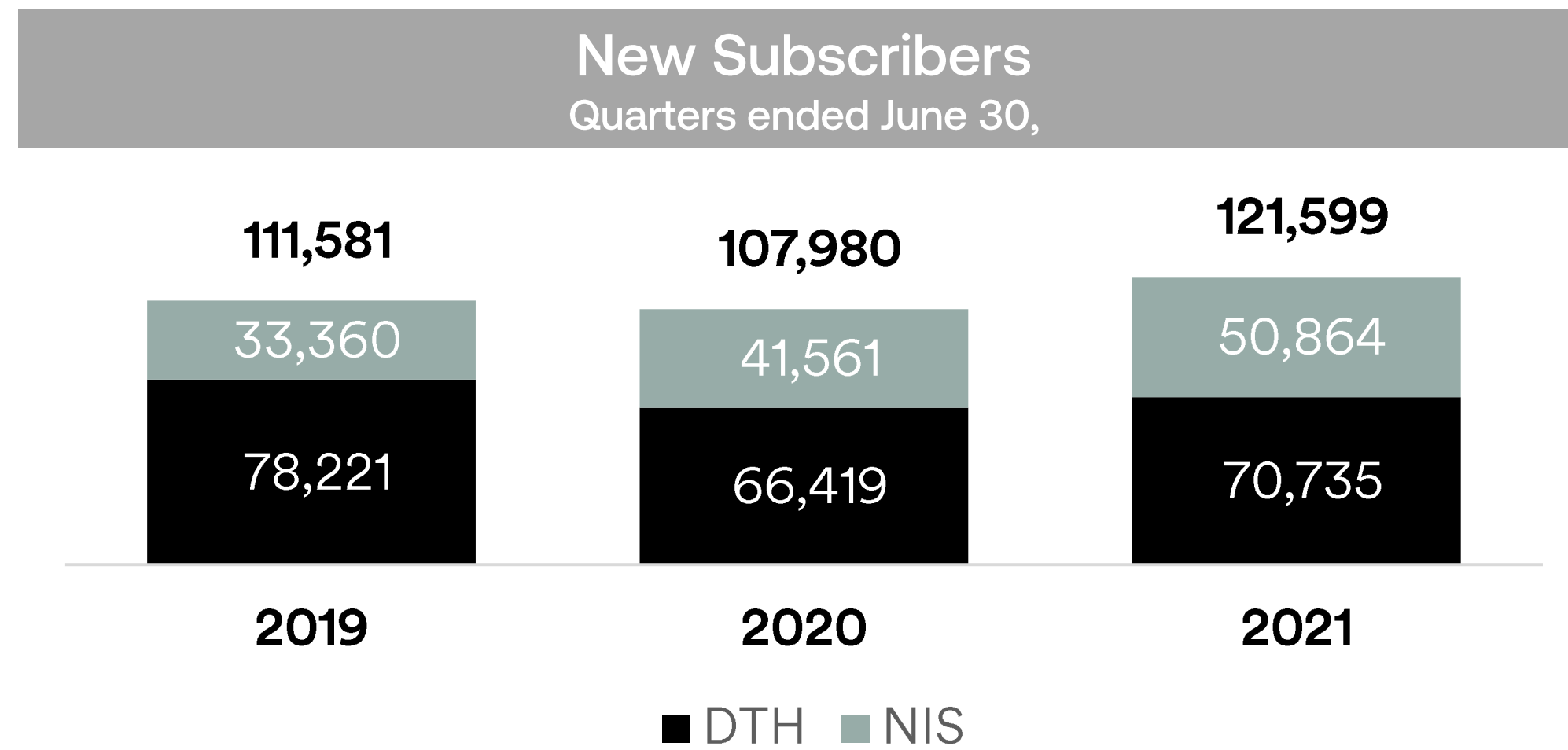
(\$ in Millions)  
 ●—● Margin %



**76%+ growth in Adj EBITDA vs. Q2 2019 | 43%+ margin for the quarterly and 6-month periods**



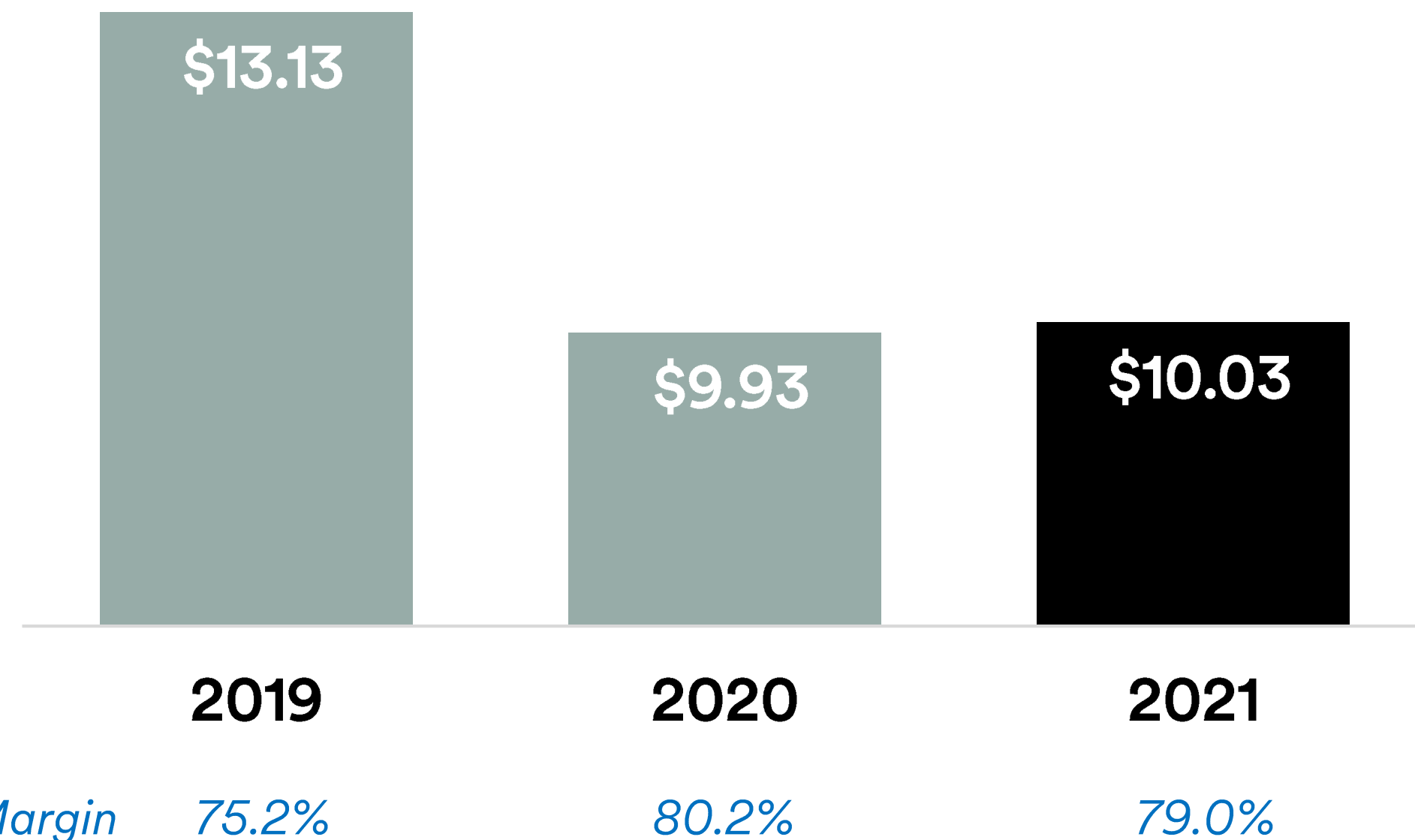
# New Subscribers<sup>(1)</sup>



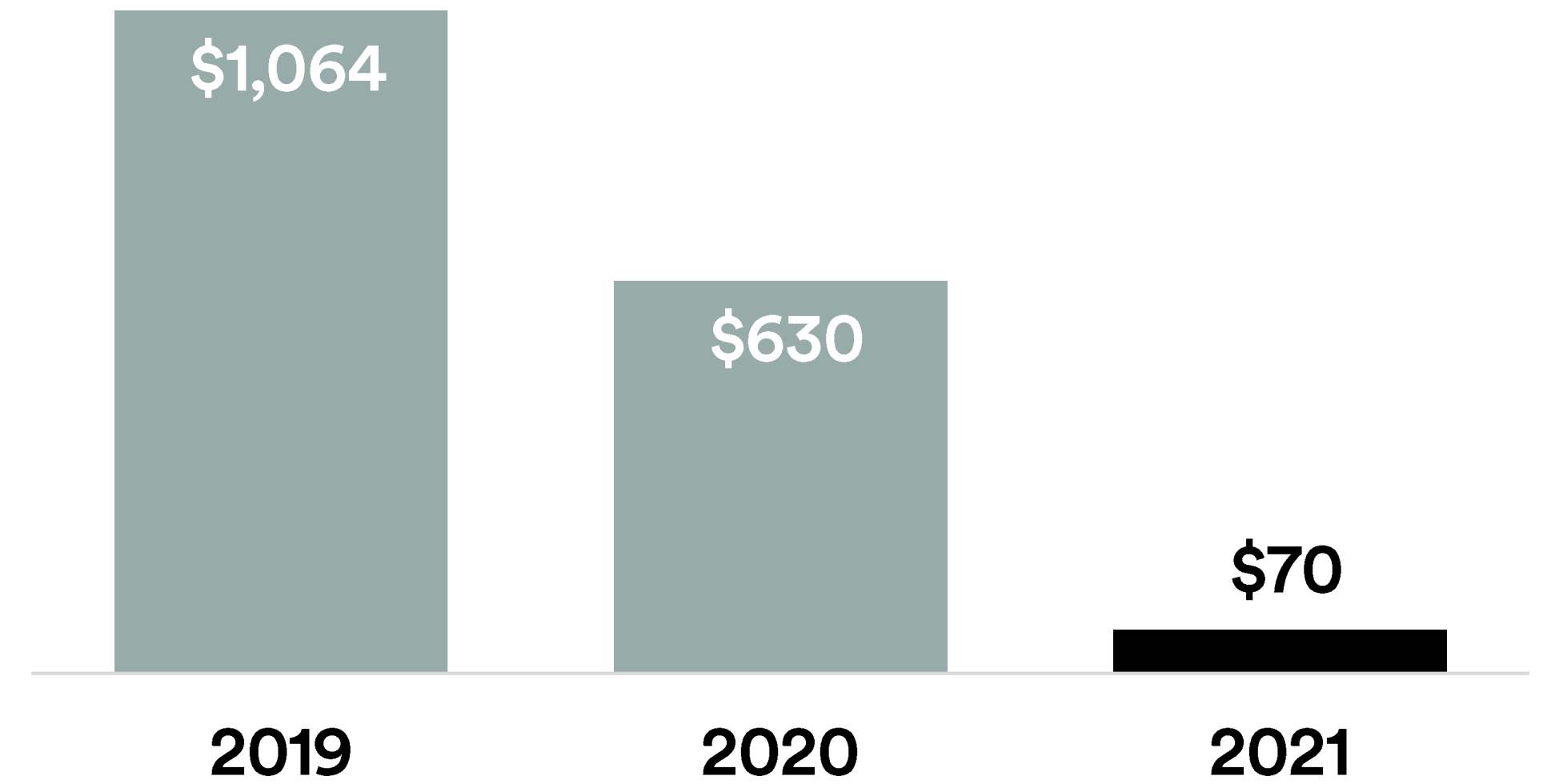
**~13% growth in new subscribers<sup>(3)</sup> | ~44% increase in proceeds at POS<sup>(4)</sup>**

# Service and Subscriber Acquisition Costs<sup>(1)</sup>

Net Service Cost per Subscriber  
Quarters ended June 30,



Net Subscriber Acquisition Costs per New Subscriber  
LTM ended June 30,<sup>(2)</sup>

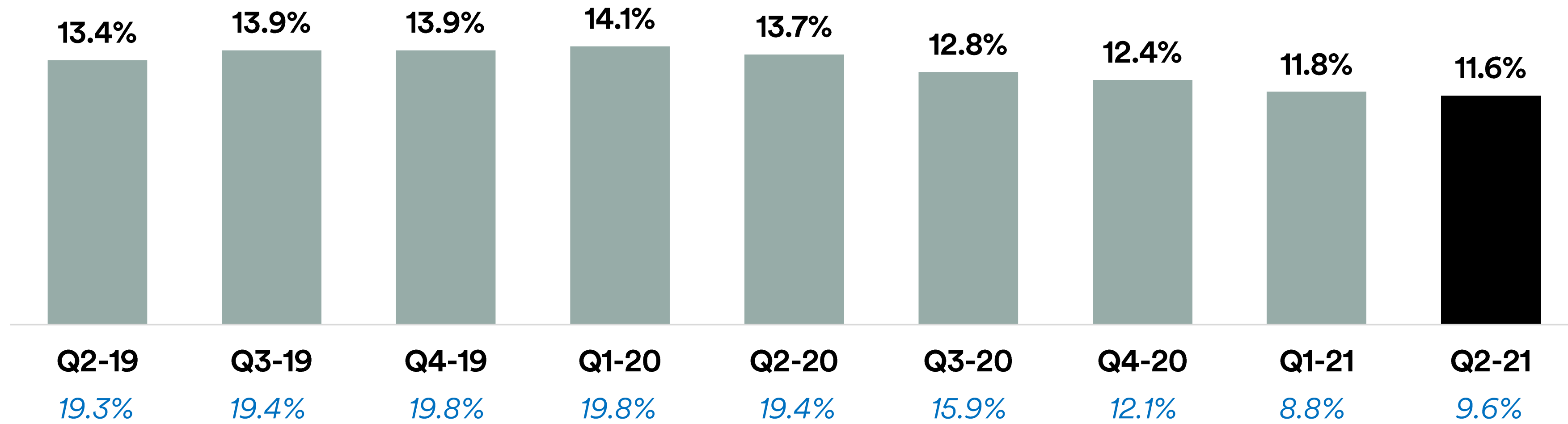


**Net Service Cost remains near all-time low**

**~89% reduction in Net SAC vs. Q2 2020**

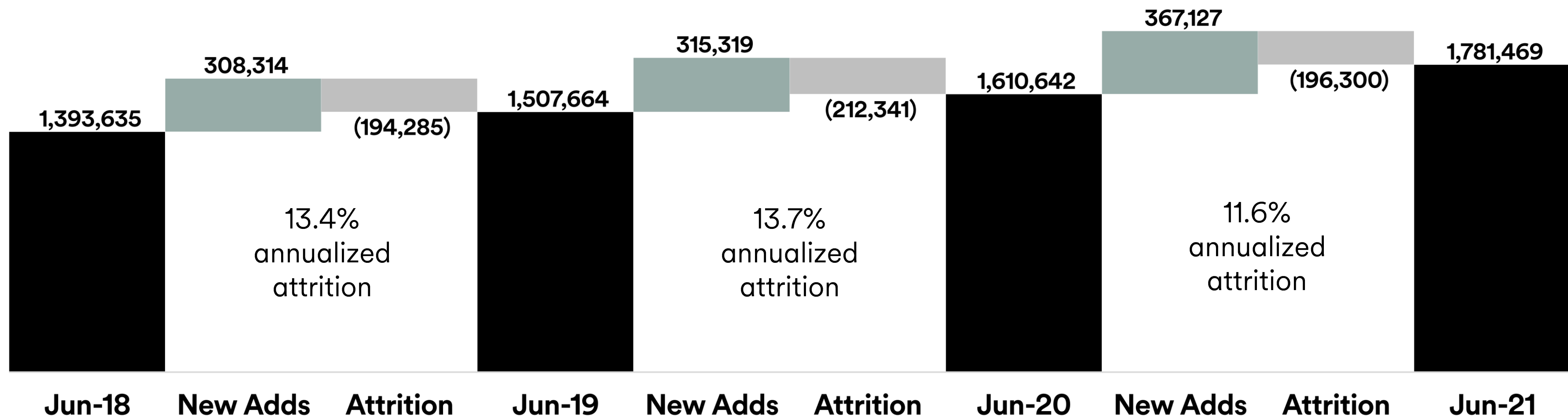
# Attrition Rate<sup>(1)</sup>

Attrition Rate Trend



% of base at end of term

Subscriber Walk





# Financial outlook for 2021

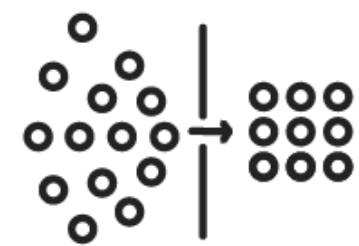
## ***Background:***

- Contractual, recurring revenue provides long-term visibility and predictability
- Vivint’s premier end-to-end smart home platform is relevant in any type of economic environment, and customer engagement levels remain high
- Optimistic about the rest of the year despite potential headwinds related to COVID, supply chain constraints, and inflation

## ***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...



57M

events processed in the cloud by the Vivint OS<sup>1</sup>



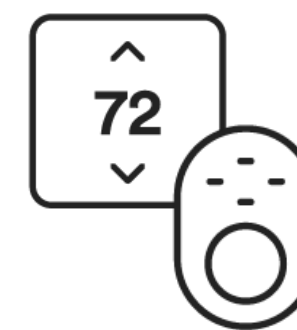
148K

live video views from apps and panels, plus another 81K views of recorded video<sup>1</sup>



37K

views of home activity history from mobile apps<sup>1</sup>



16K

changes to locks and thermostats via apps, panels, and voice<sup>1</sup>



39K

actions performed automatically by the Vivint OS / Vivint Assist<sup>1</sup>



116K

home state changes to away decided by Vivint assist

# Q&A



# .vivint

Smart security. Professionally installed.

# Vivint Smart Home, Inc.

## Consolidated Financial Statements

For Quarters Ended June 30, 2021 & 2020



# Consolidated statement of operations

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

	Three Months Ended Jun 30,		Six Months Ended Jun 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Recurring and other revenue	\$ 355,231	\$ 303,897	\$ 698,524	\$ 607,129
<b>Costs and expenses:</b>				
Operating expenses	90,740	82,259	187,271	165,419
Selling expenses	89,867	65,110	204,408	115,833
General and administrative expenses	62,140	59,969	128,488	110,392
Depreciation and amortization	149,619	140,175	296,531	279,424
Restructuring expenses	-	-	-	20,941
<b>Total costs and expenses</b>	<b>392,366</b>	<b>347,513</b>	<b>816,698</b>	<b>692,009</b>
<b>Loss from operations</b>	<b>(37,135)</b>	<b>(43,616)</b>	<b>(118,174)</b>	<b>(84,880)</b>
<b>Other expenses (income):</b>				
Interest expense	50,058	54,515	99,861	119,808
Interest income	(110)	(32)	(154)	(261)
Other (income) expenses, net	(8,034)	(4,399)	(22,593)	18,440
Warrant fair value (gain) loss	(6,222)	62,202	(35,325)	78,919
<b>Total other expenses</b>	<b>35,692</b>	<b>112,286</b>	<b>41,789</b>	<b>216,906</b>
<b>Loss before income taxes</b>	<b>(72,827)</b>	<b>(155,902)</b>	<b>(159,963)</b>	<b>(301,786)</b>
Income tax expense (credit)	1,270	882	1,514	94
<b>Net loss</b>	<b>\$ (74,097)</b>	<b>\$ (156,784)</b>	<b>\$ (161,477)</b>	<b>\$ (301,880)</b>



# Condensed consolidated balance sheet

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

	As of	
	Jun 30, 2021	Dec 31, 2020
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 345,181	\$ 313,799
Accounts and notes receivable, net	77,447	64,697
Inventories	67,010	47,299
Prepaid expenses and other current assets	39,452	14,338
<b>Total current assets</b>	<b>529,090</b>	<b>440,133</b>
Property, plant and equipment, net	50,504	52,379
Capitalized contract costs, net	1,372,073	1,318,498
Deferred financing costs, net	1,467	1,667
Intangible assets, net	81,902	111,474
Goodwill	837,853	837,077
Operating lease right-of-use assets	47,844	52,880
Long-term notes receivables and other assets, net	53,069	62,510
<b>Total assets</b>	<b>2,973,802</b>	<b>2,876,618</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities:		
Accounts payable	139,022	85,656
Accrued payroll and commissions	94,982	87,943
Accrued expenses and other current liabilities	224,510	247,324
Deferred revenue	373,207	321,143
Current portion of notes payable, net	9,500	9,500
Current portion of operating lease liabilities	11,865	12,135
Current portion of finance lease liabilities	3,174	3,356
<b>Total current liabilities</b>	<b>856,260</b>	<b>767,057</b>
Notes payable, net	2,813,037	2,816,100
Revolving credit facility	-	-
Finance lease liabilities, net of current portion	1,013	2,460
Deferred revenue, net of current portion	717,423	615,598
Operating lease liabilities	44,361	49,692
Warrant derivative	39,346	75,531
Other long-term obligations	132,696	121,235
Deferred income tax liabilities	276	2,168
<b>Total liabilities</b>	<b>4,604,412</b>	<b>4,449,841</b>
<b>Total stockholders' deficit</b>	<b>(1,630,610)</b>	<b>(1,573,223)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 2,973,802</b>	<b>\$ 2,876,618</b>

# Summary of consolidated statements of cash flows

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

	Three Months Ended Jun 30,		Six Months Ended Jun 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 78,394	\$ 111,620	\$ 64,238	\$ 78,751
Net cash used in investing activities	(3,396)	(3,765)	(7,944)	(5,666)
Net cash (used in) provided by financing activities	(4,261)	9,660	(25,018)	171,321
Effect of exchange rate changes on cash / other	100	346	106	(5)
Net increase in cash & cash equivalents	70,837	117,861	31,382	244,401
<b>Cash and cash equivalents:</b>				
Beginning of period	274,344	131,089	313,799	4,549
End of period	<u>\$ 345,181</u>	<u>\$ 248,950</u>	<u>\$ 345,181</u>	<u>\$ 248,950</u>

Vivint Smart Home, Inc.

Annex A



# Reconciliation of non-GAAP financial measures – Adjusted EBITDA

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

	Three Months Ended			Six Months Ended		
	Jun 30, 2021	Jun 30, 2020	Jun 30, 2019	Jun 30, 2021	Jun 30, 2020	Jun 30, 2019
<b>Net loss</b>	\$ (74.1)	\$ (156.8)	\$ (115.9)	\$ (161.5)	\$ (301.9)	\$ (205.1)
Interest expense, net	49.9	54.5	65.8	99.7	119.6	129.5
Income tax expense (benefit), net	1.3	0.9	(0.6)	1.5	0.1	(0.9)
Depreciation	4.3	5.2	7.1	8.4	10.9	13.0
Amortization (i)	145.3	135.0	127.4	288.1	268.6	252.7
Stock-based compensation (ii)	27.6	48.0	0.9	114.6	58.7	1.7
MDR fee (iii)	10.2	6.0	3.8	19.5	11.2	7.2
Restructuring expenses (iv)	-	-	-	-	20.9	-
CEO transition (v)	5.8	-	-	5.8	-	-
Change in fair value of warrant derivative liabilities (vi)	(6.2)	62.2	-	(35.3)	78.9	-
Other (income) expense, net (vii)	(8.1)	(4.4)	(0.2)	(22.7)	18.5	(2.5)
<b>Adjusted EBITDA</b>	<u>\$ 156.0</u>	<u>\$ 150.6</u>	<u>\$ 88.3</u>	<u>\$ 318.1</u>	<u>\$ 285.5</u>	<u>\$ 195.6</u>
<b>Net loss margin</b>	(20.9)%	(51.6)%	(41.2)%	(23.1)%	(49.7)%	(36.8)%
<b>Adjusted EBITDA margin</b>	43.9%	49.6%	31.4%	45.5%	47.0%	35.1%

- 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. Employee severance and termination benefits expenses associated with restructuring plans
- v. Hiring and severance expenses associated with CEO transition
- 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				
	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021
<b>Net loss</b>	\$ (492.8)	\$ (499.1)	\$ (595.2)	\$ (537.5)	\$ (454.8)
Interest expense, net	250.0	235.7	220.5	205.2	200.6
Other expense (income), net	13.2	11.8	10.4	(26.9)	(30.6)
Income tax expense, net	2.3	2.2	2.8	3.9	4.3
Restructuring expenses (i)	20.9	20.9	20.9	-	-
Depreciation and amortization (ii)	98.3	94.2	89.6	85.7	82.4
Amortization of capitalized contract costs	458.8	469.3	481.2	492.8	505.5
Non-capitalized contract costs (iii)	259.3	256.8	268.5	273.4	303.8
Stock-based compensation (iv)	60.8	118.1	198.2	274.5	254.1
Change in fair value of warrant derivative liabilities (v)	78.9	79.9	109.3	63.4	(5.0)
Other adjustments (vi)	63.0	72.3	86.6	77.9	99.5
Adj. for change in accounting principle (Topic 606) (vii)	(84.0)	(90.9)	(88.4)	(88.6)	(106.7)
<b>Covenant Adjusted EBITDA</b>	<u>\$ 728.7</u>	<u>\$ 771.2</u>	<u>\$ 804.4</u>	<u>\$ 823.8</u>	<u>\$ 853.1</u>

- 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, expenses associated with CEO transition, 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 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.

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

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

**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 (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.