



# Vivint Wireless Internet Update

September 23, 2015

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# preliminary statement

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This presentation includes forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995 including statements regarding, among other things, our plans, strategies and prospects, both business and financial. Forward-looking statements convey the Company's current expectations or forecasts of future events. All statements contained in this earnings release 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 this date hereof. You should understand that the following important factors, among others, 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) risks of the security and home automation industry, including risks of and publicity surrounding the sales, subscriber origination and retention process; (2) the highly competitive nature of the security and home automation industry and product introductions and promotional activity by our competitors; (3) litigation, complaints or adverse publicity; (4) the impact of changes in consumer spending patterns, consumer preferences, local, regional, and national economic conditions, crime, weather, demographic trends and employee availability; (5) adverse publicity and product liability claims; (6) increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; and (7) cost increases or shortages in security and home automation technology products or components. 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 and other factors that could cause actual results to differ from those implied by the forward-looking statements in this presentation are more fully described in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2014 as such factors may be updated from time to time in our subsequent periodic filings with the SEC. 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.

This presentation includes Adjusted EBITDA, which is a supplemental measure that is not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income (loss) or any other measure derived in accordance with GAAP or as alternatives to cash flows from operating activities as a measure of our liquidity. We believe that Adjusted EBITDA provides useful information about flexibility under our covenants to investors, lenders, financial analysts and rating agencies since these groups have historically used EBITDA-related measures in our industry, along with other measures, to estimate the value of a company, to make informed investment decisions, and to evaluate a company's ability to meet its debt service requirements. Adjusted EBITDA eliminates the effect of non-cash depreciation of tangible assets and amortization of intangible assets, much of which results from acquisitions accounted for under the purchase method of accounting. Adjusted EBITDA also eliminates the effects of interest rates and changes in capitalization which management believes may not necessarily be indicative of a company's underlying operating performance. Adjusted EBITDA is also used by us to measure covenant compliance under the indenture governing our senior secured notes, the indenture governing our senior unsecured notes and the credit agreement governing our revolving credit facility. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate Adjusted EBITDA in the same manner. See Annex A of this presentation for a reconciliation of Adjusted EBITDA to net loss for the Company, which we believe is the most closely comparable financial measure calculated in accordance with GAAP. Adjusted EBITDA should be considered in addition to and not as a substitute for, or superior to, financial measures presented in accordance with GAAP.

# Agenda

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- **Wireless Internet Update**

- How an ISP-offering levers and strengthens the Vivint's Smart Home Platform
- Current state of the internet business at Vivint
- Future plan for our wireless ISP
- Financial implications

- **Update on Core-Smart Home Business**

- **Q&A**

# Vivint Internet Update

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## 1. Why Vivint entered the ISP market

- Customer bundle (triple & quadruple-play); natural offering that allows cable-cutting
- Leverage of core-business platform: sales, install, support, & on-site service
- Disruptive Offering:
  - Upload / download speeds
  - Creation cost and ability to scale growth in discrete micro-cell increments
  - Customer dissatisfaction with incumbent ISP providers
- Vivint has the distinct capability of micro-cell GTM : direct-to-home sales

## 2. We believe our internet offering is a strategic priority and we will prudently focus on the development of technology and optimizing the economic model

## 3. Our core-business has had a strong summer season and continues to gain momentum

# Vivint Internet Update: State of the Business

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The wireless internet platform has shown continual improvement in sales productivity, creation cost, operating costs, and attrition. Several factors influence our go-forward strategy:

- Emerging Technology: GB speeds, non-licensed spectrum, low RF interference, ease of network management
- Economics: more stable network topology leading to better customer experience / lower servicing calls, more flexible deployment architecture - densification, lower fixed cost infrastructure, price/value for Gigabit speeds

Therefore, we have decided to transition from the current 5Ghz network technology to an advantaged, high-speed 60Ghz technology

## Operational Implications:

- Maintain the existing 5Ghz customers utilizing the installed network in Utah and Texas
- Cease build-out and the installation of new 5Ghz networks and customers
- The 5Ghz network will not reach full density, which requires an asset impairment
- Right-size the 5Ghz network support infrastructure for optimal economics
- 60Ghz investment will be focused on expansion of test and pilot networks, to fully vet the technology, operating model and economics

# Vivint Internet Update: Financial Statements Impact

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- **Balance Sheet Impairment:** \$40-\$50M
  - 5Ghz Network infrastructure
  - 5Ghz and 28Ghz inventory
  - 5Ghz intellectual property
  - Misc. Assets
  
- **Restructuring Charges:** \$2-\$5M
  - Fiber, Tower, Spectrum Contracts
  - Severance
  
- **2016 EBITDA (existing network)** (\$2-\$3M)
  
- **60Ghz technology and network investment** \$10-\$12M
  - Engineering and network development
  - Pilot networks
  - Vendor NRE

# Vivint Internet Recap

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- The evolution of Smart-home provides a logical business extension for Vivint to profit from a wireless internet offering
- Our wireless business to-date has generated 20,000 customers and the capability to design, deploy and manage a wireless network, all of which can be extended to future technologies
- We will maintain and service our existing 5Ghz customers in Utah and Texas
- 60Ghz technology has key characteristics that will provide better speeds, quality of service and a more robust technology eco-system

Q & A



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