APX Group Holdings, Inc.

2nd Quarter 2018 Results

August 1, 2018

vivint.SmartHome

forward-looking statements

This presentation includes forward-looking statements, including but not limited to, statements of APX Group Holdings, 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. 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 this date hereof. You should understand that the following important factors 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 smart home and security industry, including risks of and publicity surrounding the sales, subscriber origination and retention process; (2) the highly competitive nature of the smart home and security 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; (7) cost increases or shortages in smart home and security technology products or components; (8) the introduction of unsuccessful new Smart Home Services; (9) privacy and data protection laws, privacy or data breaches, or the loss of data; and (10) the impact to our business, results of operations, financial condition, regulatory compliance and customer experience of the Vivint Flex Pay plan and our ability to successfully compete in retail sales channels. 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 most recent annual report on Form 10-K, as such factors may be updated from time to time in our periodic and other filings with the Securities Exchange Commission. 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 obligation 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, 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 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 and certain unusual, non-cash, non-recurring and other items permitted in certain covenant calculations under the indentures and other agreements governing our notes and the credit agreement governing our revolving credit facility.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about the calculation of, and compliance with, certain covenants in the indentures and other agreements governing our 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.

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 performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of our liquidity.

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.

participants

Todd Pedersen
Chief Executive Officer

Alex Dunn
President

Mark Davies
Chief Financial Officer

Dale R. Gerard
SVP, Finance & Treasurer

second quarter 2018 overview

- **Market update**
  - Smart Home market continues to grow
  - Competitive models, profit pools becoming more defined
  - Vivint's service-based model is a unique differentiator
- **Fundamentals of core business are healthy**
  - Smart Home adoption healthy, 27% New Subscriber growth
  - Service margins remain strong
- **Making strides to cash neutrality**
  - Vivint Flex Pay… 72% New Subscribers pay in full or financed through Citizens
  - Operating scale

~118K New Subscribers

~$291M LTM upfront proceeds at point of sale through Vivint Flex Pay

$255M total revenue

~69% net service margin

~11% low Attrition Rate

second quarter 2018 financial overview

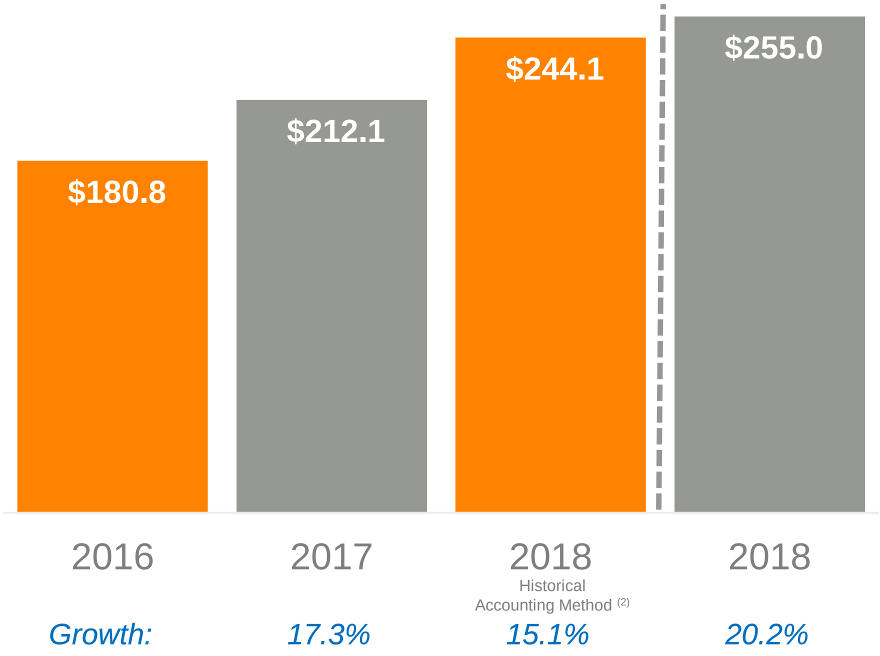
- Pre-announced earnings
  - 5 key metrics all within the ranges
    - Revenue
    - Net Loss
    - Adjusted EBITDA
    - New Subscribers
    - Attrition
- Reduction in our fixed cost base
- BBY partnership ended
- Performance of Vivint Flex Pay

revenue and adjusted EBITDA[1]

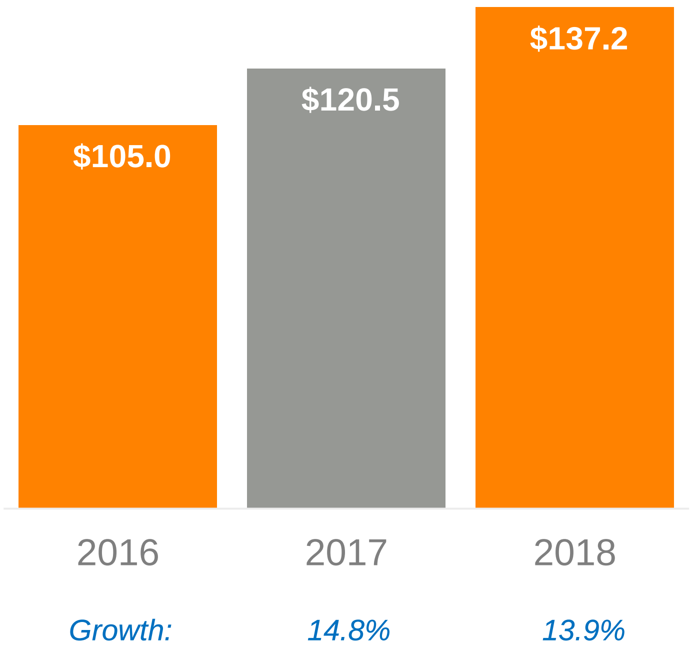
Quarters Ended June 30,

($ in Millions)

Total Revenues



Adjusted EBITDA[1]

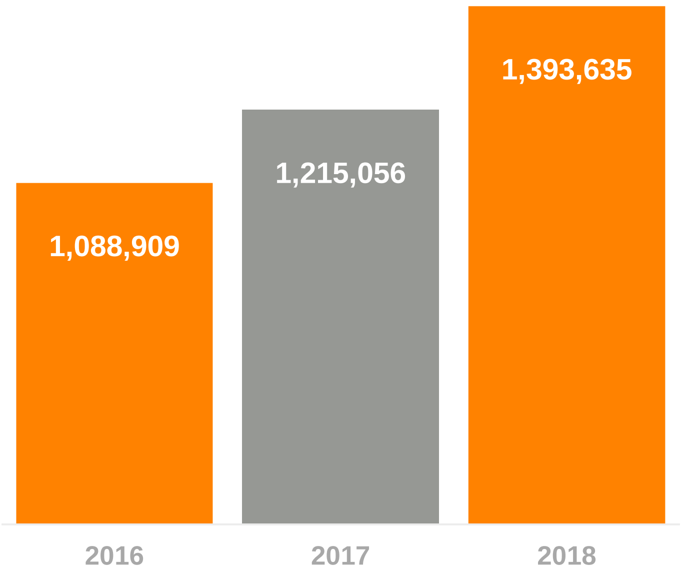


(1) A reconciliation of Adjusted EBITDA to GAAP Net Loss is included in Annex A of this presentation
(2) Historical Accounting Method removes the impact of the adoption of Financial Accounting Standards Board ('FSAB") Accounting Standard Codification ("ASC") Topic 606, Revenue From Contracts with Customers ("Topic 606") and is comparable to 2Q17

smart home subscriber portfolio data(1)

As of June 30,

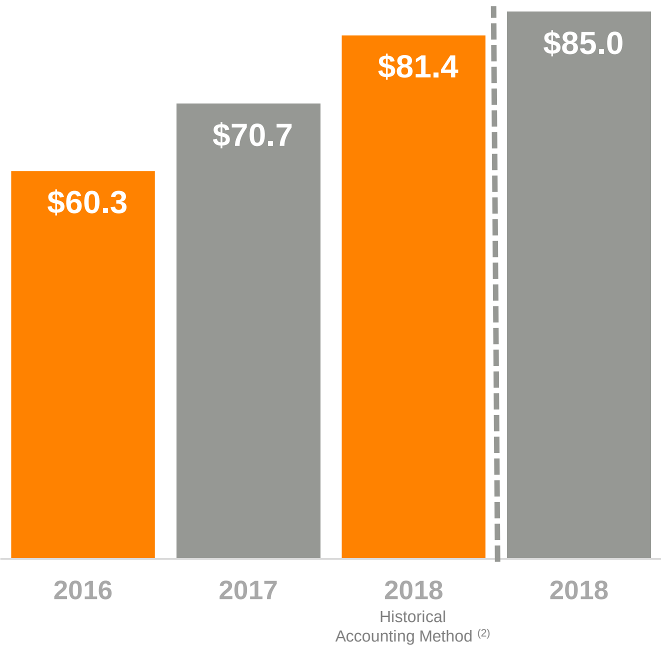
Total Subscribers



Growth: 11.6% 14.7%

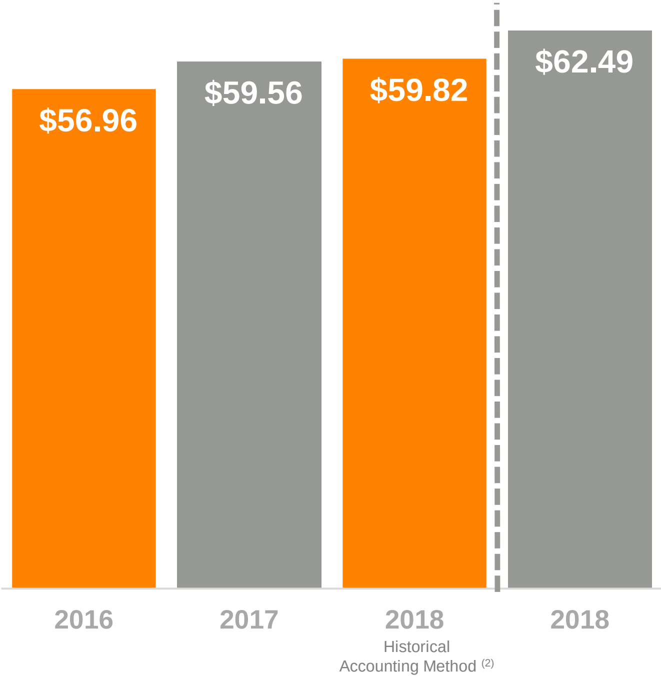
Total Monthly Revenue

($ in Millions)



Growth: 17.3% 15.1% 20.2%

AMRU



Growth: 4.6% 0.4% 4.9%

(1) Excludes wireless internet business and sales channel pilot initiatives

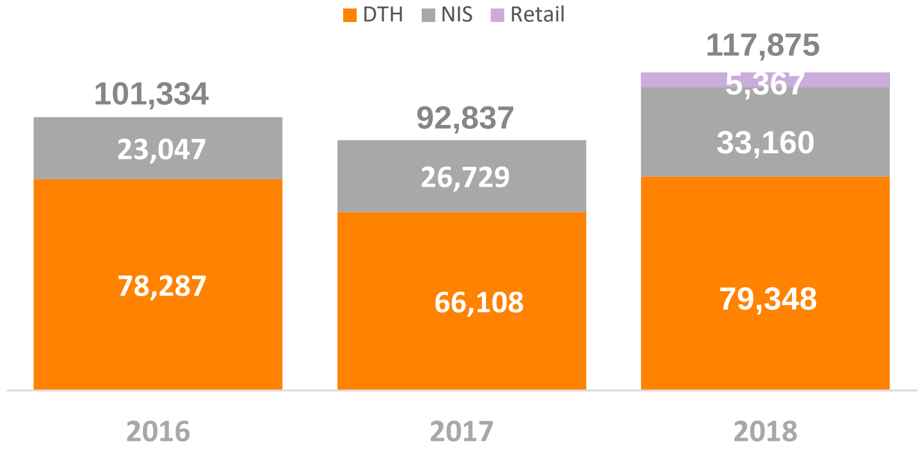
(2) Historical Accounting Method removes the impact of the adoption of Topic 606 and is comparable to 2Q17

vivint.SmartHome

new subscribers[1]

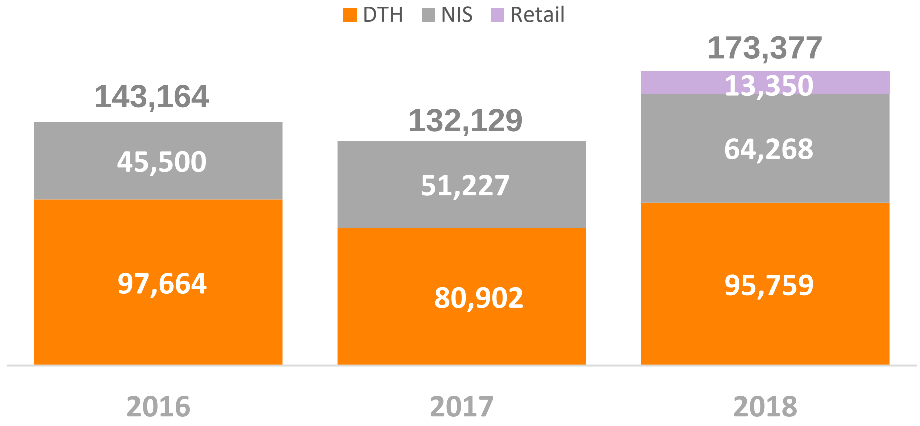
New Subscribers

Three Month Period ended June 30,



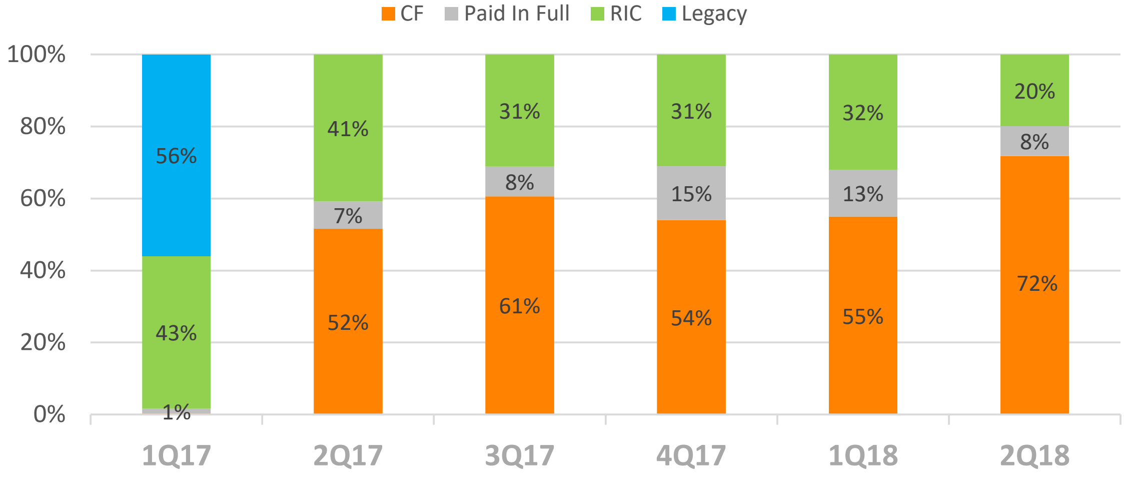
Growth: *(8.4%)* *27.0%*

Six Month Period ended June 30,



Growth: *(7.7%)* *31.2%*

Vivint Flex Pay Mix[2] (US Only)



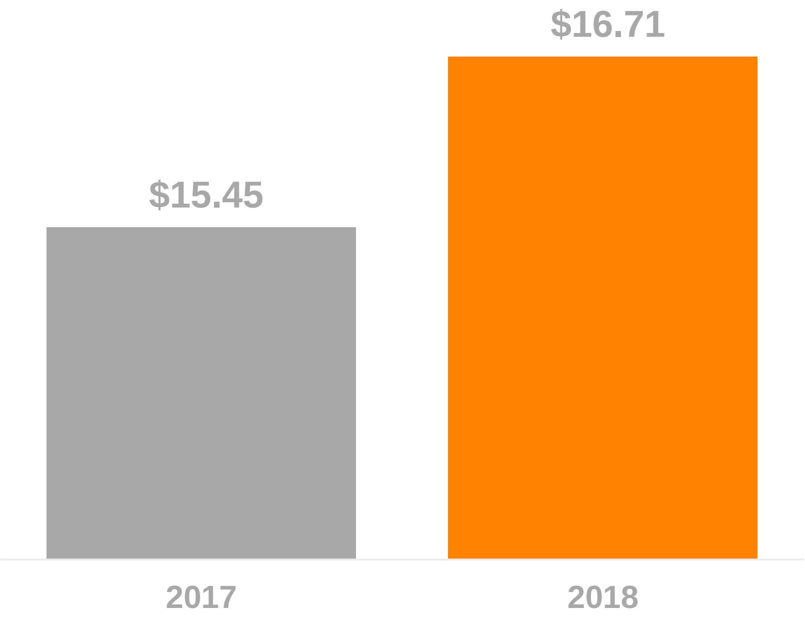
- RIC percentage down over 2000 bps year over year
- 98% of CF and RIC New Subscribers executed 5-year contracts in the second quarter
- ~$121 million in upfront proceeds in 2Q18

(1) Excludes wireless internet business and sales channel pilot initiatives
(2) Excludes new subscribers sold at BBY

vivint.SmartHome

service and subscriber acquisition costs(1)

Net Service Costs per User and Net Service Margin
Quarters Ended June 30,

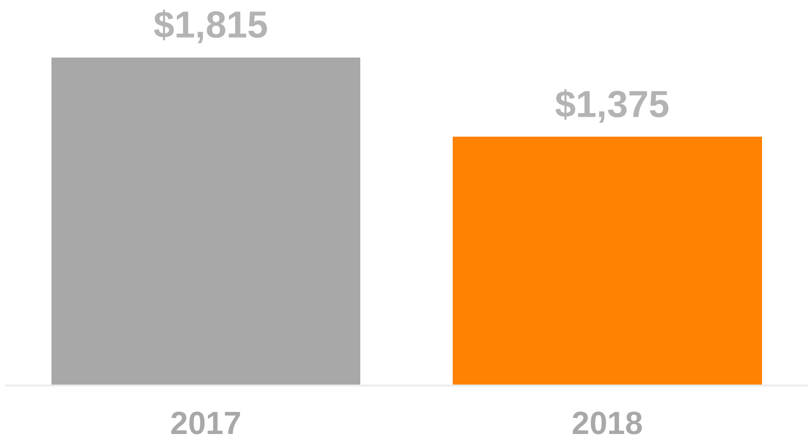


	2017	2018
Net Service Margin	72.7%	68.6%

Key Drivers

- Subscriber service levels and overall experience continue to be key Investment areas … Net Promoter Score
- Smart home devices per customer continue to increase

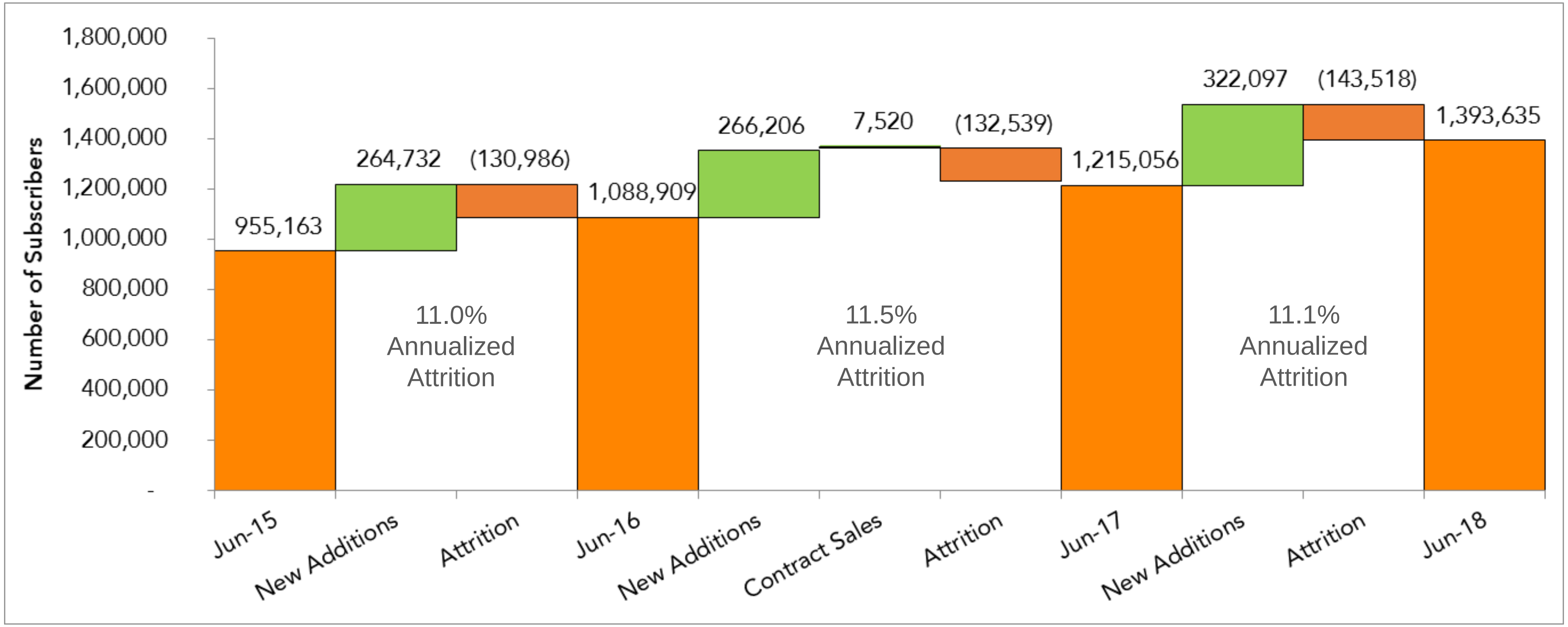
Net Subscriber Acquisition Costs per New Subscriber
LTM Ended June 30,



- $1,232 Net Subscriber Acquisition Costs per New Subscriber, excluding Large Format Retail
- $1,014 - Average proceeds collected at point of sale, ~$640 year-over-year increase

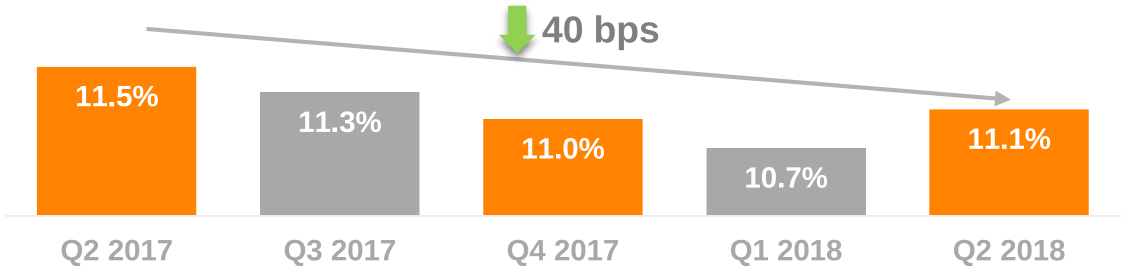
(1) Excludes wireless internet business and sales channel pilot initiatives

Attrition Rate[1]



- ~ 13% of portfolio reaching initial end of contract term during 2018
  - 2013 60-mo contracts
  - 2014 42-mo contracts (4Q17 – 1Q18)
  - 2015 42-mo contracts (4Q18 – 1Q19)

LTM Quarterly Attrition Rate



(1) Excludes wireless internet business and sales channel pilot sales initiatives

Q&A

APX Group Holdings, Inc.

Consolidated Financial Statements

Second Quarters Ended June 30, 2018 and 2017

condensed consolidated balance sheets

APX Group Holdings, Inc. and Subsidiaries
(In thousands)
(Unaudited)

		June 30, 2018		December 31, 2017
ASSETS				
Current Assets:				
Cash and cash equivalents	$	4,520	$	3,872
Accounts and notes receivable, net		50,640		40,721
Inventories		103,407		115,222
Prepaid expenses and other current assets		17,894		16,150
Total current assets		176,461		175,965
Property, plant and equipment, net		81,250		78,081
Capitalized contract costs, net		1,090,249		-
Subscriber acquisition costs, net		-		1,308,558
Deferred financing costs, net		2,578		3,099
Intangible assets, net		300,561		377,451
Goodwill		835,816		836,970
Long-term notes receiveables and other assets, net		111,965		88,723
Total assets	**$**	**2,598,880**	**$**	**2,868,847**
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities:				
Accounts payable	$	105,359	$	107,347
Accrued payroll and commissions		73,623		57,752
Accrued expenses and other current liabilities		104,976		74,321
Deferred revenue		152,948		88,337
Current portion of capital lease obligations		9,530		10,614
Total current liabilities		446,436		338,371
Notes payable, net		2,762,447		2,760,297
Revolving Credit Facility		160,000		60,000
Capital lease obligations, net of current portion		9,056		11,089
Deferred revenue, net of current portion		300,045		264,555
Other long-term obligations		80,020		79,020
Deferred income tax liabilities		8,659		9,041
Total liabilities		3,766,663		3,522,373
Total stockholders' deficit		(1,167,783)		(653,526)
Total liabilities and stockholders' deficit	**$**	**2,598,880**	**$**	**2,868,847**

vivint.SmartHome

consolidated statements of operations

APX Group Holdings, Inc. and Subsidiaries
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Recurring and other revenue	$ 254,967	$ 202,783	$ 501,564	$ 399,641
Service and other sales revenue	-	6,358	-	11,749
Activation fees	-	2,985	-	6,089
Total revenues	254,967	212,126	501,564	417,479
Costs and expenses:				
Operating expenses	89,321	77,316	173,081	148,668
Selling expenses	65,659	46,275	124,902	81,073
General and administrative expenses	49,206	38,902	100,173	77,763
Depreciation and amortization	126,873	80,096	251,131	156,965
Restructuring expenses	4,141	-	4,141	-
Total costs and expenses	335,200	242,589	653,428	464,469
Loss from operations	$ (80,233)	$ (30,463)	$ (151,864)	$ (46,990)
Other expenses (income):				
Interest expense	60,327	54,958	119,117	108,638
Interest income	-	(47)	(31)	(104)
Other loss (income), net	4,731	(1,869)	(40,509)	10,197
Total other expenses	65,058	53,042	78,577	118,731
Loss before income taxes	(145,291)	(83,505)	(230,441)	(165,721)
Income tax (benefit) expense	(906)	732	(1,339)	1,151
Net loss	$ (144,385)	$ (84,237)	$ (229,102)	$ (166,872)

summary of consolidated statements of cash flows

APX Group Holdings, Inc. and Subsidiaries
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net cash used in operating activities	$ (71,407)	$ (127,108)	$ (130,989)	$ (133,261)
Net cash (used in) provided by investing activities	(5,883)	(3,966)	40,703	(12,002)
Net cash provided by financing activities	78,380	95,322	90,996	103,223
Effect of exchange rate changes on cash	(43)	(3)	(62)	(10)
Net increase (decrease) in cash and cash equivalents	$ 1,047	$ (35,755)	648	(42,050)
Cash and cash equivalents:				
Beginning of period	3,473	37,225	3,872	43,520
End of period	$ 4,520	$ 1,470	$ 4,520	$ 1,470

APX Group Holdings, Inc.

Annex A

reconciliation of non-GAAP financial measures – APX Group

($ in Millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	2016	2018	2017	2016
Net loss	**$ (144.4)**	**$ (84.2)**	**$ (89.7)**	**$ (229.1)**	**$ (166.8)**	**$ (134.8)**
Interest expense, net	60.3	54.9	47.4	119.1	108.5	92.8
Other (income) loss expense, net	4.7	(1.9)	9.9	9.8	10.2	4.7
Gain on sale of spectrum[(i)]	-	-	-	(50.4)	-	-
Income tax (benefit) expense, net	(0.9)	0.7	(0.5)	(1.3)	1.1	0.7
Restructuring expense [(ii)]	4.1	-	(0.7)	4.1	-	(0.7)
Depreciation and amortization [(iii)]	28.9	30.6	33.4	57.8	60.6	66.6
Amortization of capitalized contract costs	97.9	49.5	38.6	193.3	96.4	66.0
Non-capitalized contract costs [(iv)]	83.1	59.7	51.5	154.0	103.0	87.5
Non-cash compensation [(v)]	0.3	0.4	2.7	0.5	0.8	3.1
Other Adjustments [(vi)]	19.8	10.8	12.4	31.8	22.1	21.9
Adjustment for change in accounting principle (Topic 606)[(vii)]	(16.6)	-	-	(29.5)	-	-
Adjusted EBITDA	**$ 137.2**	**$ 120.5**	**$ 105.0**	**$ 260.1**	**$ 235.9**	**$ 207.8**

i. Gain on sale of spectrum intangible assets during the three months ended March 31, 2018.

ii. Restructuring employee severance and termination benefits expenses.

iii. Excludes loan amortization costs that are included in interest expense.

iv. 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.

v. Reflects non-cash compensation costs related to employee and director stock option plans. Excludes non-cash compensation costs included in non-capitalized subscriber acquisition costs.

vi. Other Adjustments includes certain items such as product development costs, subcontracted monitoring fee savings, non-recurring gain, and 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 – the aggregate number of active smart home and security subscribers at the end of a given period. This metric excludes subscribers originated under pilot programs.

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

Average Monthly Service Revenue per User (AMSRU) – MSR divided by the number of Total Subscribers as of the end of a given period.

Total Monthly Revenue (Total MR) –average monthly total revenue recognized during the period.

Average Monthly Revenue per Subscriber (AMRU) – Total MR divided by average monthly Total Subscribers during a given period.

Attrition Rate – 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 as a cancellation.

Net Service Cost per Subscriber – average monthly service costs for 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 for the period divided by average monthly Total Subscribers for the same period.

Net service margin – the monthly average MSR for the period, less total average net service costs for the period divided by the average MSR for the period.

New Subscribers – 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 – the direct and indirect costs to create a new smart home and security subscriber divided by New Subscribers for a given 12 month period. These costs include commissions, Products, installation, marketing, sales support and other allocations (general and administrative and overhead); less upfront payment received from the sale of Products associated with the initial installation and installation fees. These costs exclude capitalized contract costs and upfront proceeds associated with contract modifications.