

**vivint.**

2013 Bank of America Merrill Lynch Leveraged Finance Conference

December 4, 2013

# preliminary statement

APX Group, Inc. (the "Company", "we", "our", or "us") obtained the industry, market and competitive position data included in this presentation from its estimates and research as well as from industry publications, surveys and studies conducted by third parties. Industry publication studies and surveys generally state that the information contained therein has been obtained from sources believed to be reliable but there can be no assurance as to the accuracy or completeness of such information. While APX Group, Inc. believes that each of the publications, studies and surveys is reliable, APX Group, Inc. has not independently verified industry, market and competitive position data from third-party sources. While APX Group, Inc. believes its internal business research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent sources. Accordingly, the Rating Agency should not place undue weight on the industry and market share data in this presentation.

This presentation includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. 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. Generally, statements that are not historical facts, including statements concerning our possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. 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" in our prospectus dated September 24, 2013, filed with the Securities and Exchange Commission in accordance with Rule 424(b)(3) of the Securities Act on September 24, 2013 and subsequently filed quarterly reports on Form 10-Q and annual reports on Form 10-K 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, our ability to manage anticipated expansion and to hire, train and retain personnel, the financial viability of subscribers and general economic conditions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. 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 as a result of new information, future events or otherwise.

This presentation includes certain financial measures ("Non-GAAP Financial Measures"), including Adjusted EBITDA, that are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Non-GAAP financial measures should be considered only as a supplement to, and not as a superior measure to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of such non-GAAP financial measures to the most directly comparable financial measure prepared in accordance with GAAP. Please refer to the Appendix of this presentation for the definitions of certain terms used herein.

# vivint presenter



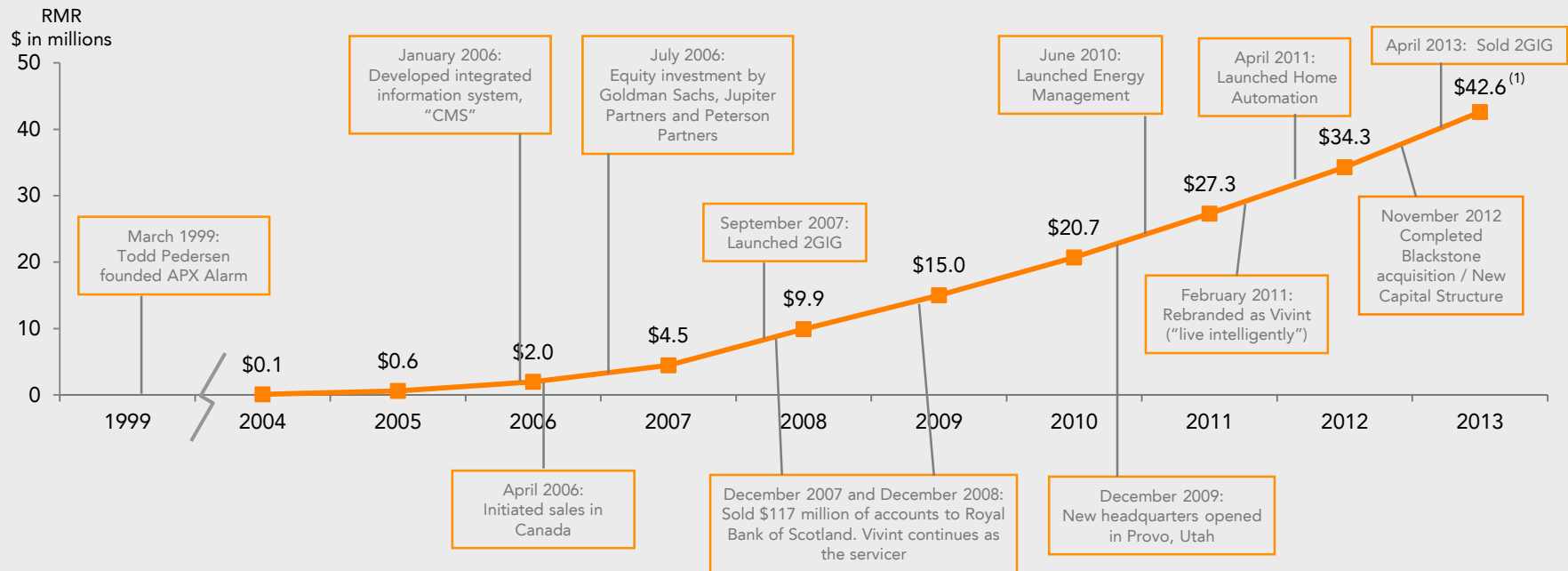
Todd  
Pedersen

Chief  
Executive  
Officer

- Founded Vivint, Inc. in 1999
- Named the Ernst & Young Entrepreneur of the Year 2010 in the services category for the Utah Region. The award recognizes "outstanding entrepreneurs who are building and leading dynamic, growing businesses"

# history

- Founded in 1999 by CEO Todd Pedersen, who saw an opportunity in the residential security market to sell high-quality services using a direct sales approach
  - Early in its history, Vivint acted as a dealer, originating and then selling its contracts to larger market participants such as ADT and Monitronics
  - As Vivint refined its originations strategy and expanded its financing capabilities, the Company made the strategic decision to retain and service the majority of its accounts
- In October 2009, 2GIG, in partnership with Vivint, revolutionized the industry with the release of the Go!Control® panel, the first self-contained, all-in-one security and home automation system
- Launched the Energy Management service in June 2010 to allow customers to conserve energy by remotely controlling HVAC usage
- In April 2011, Vivint further expanded its service offering to include Home Automation and less than a year later, received SDM Magazine's "2011 Dealer of the Year" award
- Completed acquisition by Blackstone in November 2012



(1) As of September 30, 2013

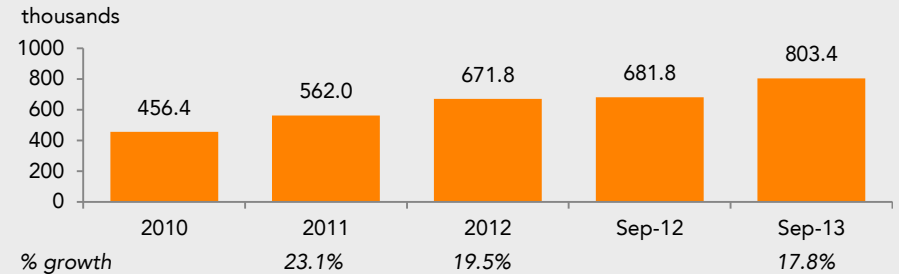
# update since Blackstone acquisition

- On November 16, 2012, Blackstone acquired Vivint, Inc., 2GIG and their respective subsidiaries for approximately \$1.9 billion
- Update since the close of the acquisition:
  - Announced creation of the Vivint Innovation Center
  - On April 1, 2013, Company completed the sale of 2GIG Technologies for \$148.9 million
  - On May 14, 2013, the Company distributed \$60.0 million of proceeds from this sale to its stockholders
- Enhanced the Management Team
  - Matt Eyring – Chief Strategy and Innovation Officer
  - Todd Santiago – Chief Sales Officer
  - Todd Thompson – Chief Information Officer
  - David Bywater – Chief Operating Officer
  - Mark Davies – Chief Financial Officer
- Completed S-4 filing and Exchange Offer

# platform overview

- Vivint's platform has been developed around building a highly effective sales force, delivering innovative technology and focusing on high-quality customer service, and this approach has resulted in Vivint quickly becoming the largest and fastest-growing home automation services provider in North America
  - Installed subscriber base of more than 803,000 accounts across the United States and Canada as of September 30, 2013
- Provides residential customers with a fully integrated and remotely accessible home services platform that includes wireless Home Automation, Energy Management and Interactive Security Systems
- Originates, installs, services and monitors all its subscribers, controlling the entire process to ensure a consistent and high-quality customer experience
  - Two monitoring locations and one customer call center to address customer needs
- For LTM September 30, 2013, Vivint had revenues of \$457.4 million and Adjusted EBITDA of \$275.5 million
- Vivint's revenue is contractual and highly predictable
  - \$42.6 million Recurring Monthly Revenue ("RMR") as of September 30, 2013 (\$511.2 million annualized)

## subscribers



## revenue



## Adjusted EBITDA



Note: Financials shown on a consolidated basis for Vivint and 2GIG.

# value proposition

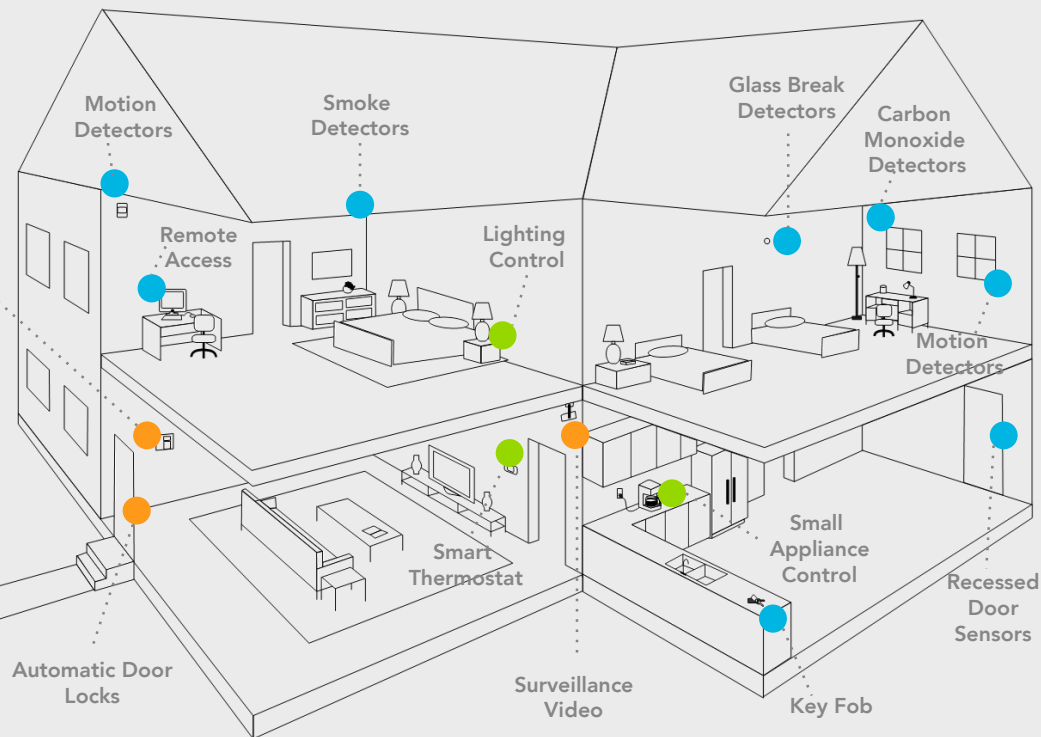
## connectivity and remote access

- All sensors connected wirelessly
- Systems monitored and controlled from smart phone and Internet-enabled devices
- Integrated management interface


### Go!Control Panel



- all-in-one wireless security and home management solutions
- color touchscreen display
- "On-Star™" type direct talk technology
- remote-control capabilities, 2-way voice, automatic updates, custom notifications



### Home Automation

control your home from anywhere  \$68.99

- 1 video camera
- 1 automatic door lock
- + Security System
- + Energy Management

### Energy Management

conserve energy and save money  \$57.99

- 1 smart thermostat
- 1 lamp/appliance control
- 12 efficient light bulbs
- + Security System

### Security Plus

stay safe with advanced security \$60.99

- 1 automatic door lock
- 1 fixed camera
- + Security System

### Home Security

protect your home and family  \$49.99

- 1 Go!Control
- 2 door/window sensors
- 1 motion detector
- 1 key fob

# large, growing and recession-resistant industry

## market overview

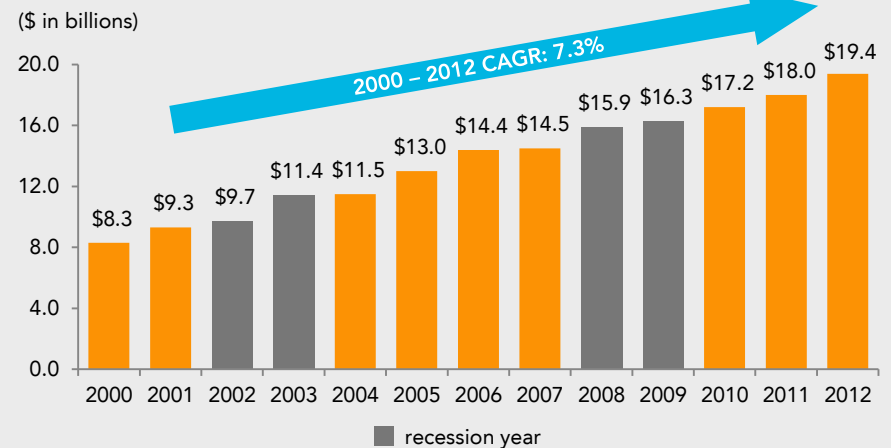
### Market Characteristics

- Total revenues in the residential monitoring and servicing ("M&S") market have grown every year for the past 12 years
  - Penetration rate for this market is ~19% as of 2012 <sup>(1)</sup>
- Vivint's addressable market has expanded significantly with the introduction of home automation
  - Number of home automation subscribers is expected to grow at a CAGR of 60.6% from 2010 to 2016 to a market size of \$3.9 billion of revenue <sup>(2)</sup>
- Highly fragmented market
  - Over 10,000 companies primarily comprised of small operators

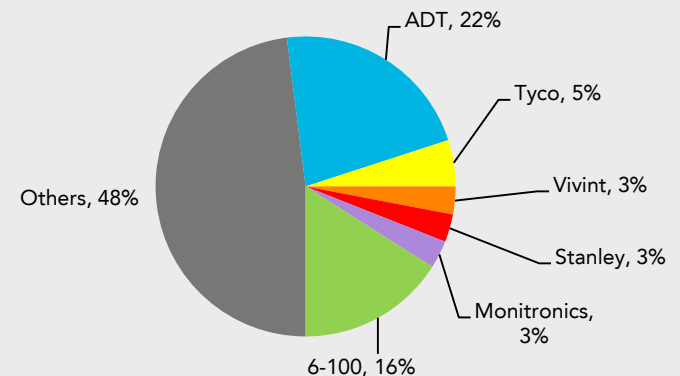
### Industry Drivers

- Stable revenues from contractually committed payments
- Improving product capabilities given technology advances
- Penetration expected to increase with enhanced products
- Pricing has been favorable with price increases implemented, particularly with new services

## residential M&S revenues <sup>(3)</sup>



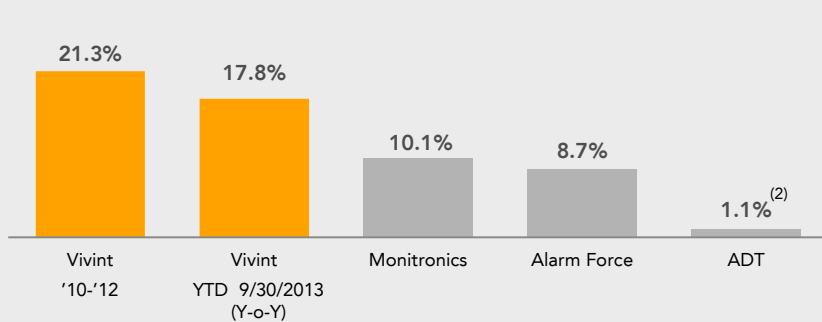
## 2012 estimated market share <sup>(3)(4)</sup>



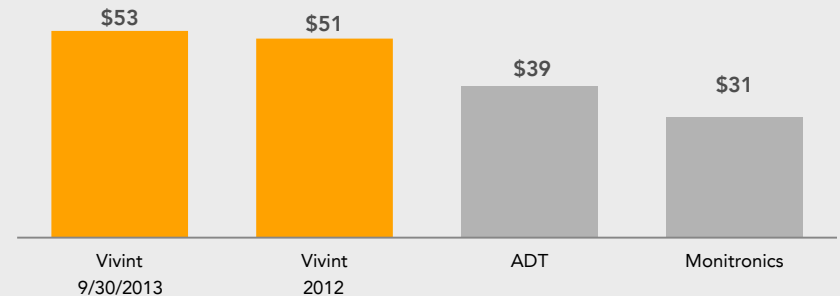


# leading industry player with best-in-class operational performance (cont'd)

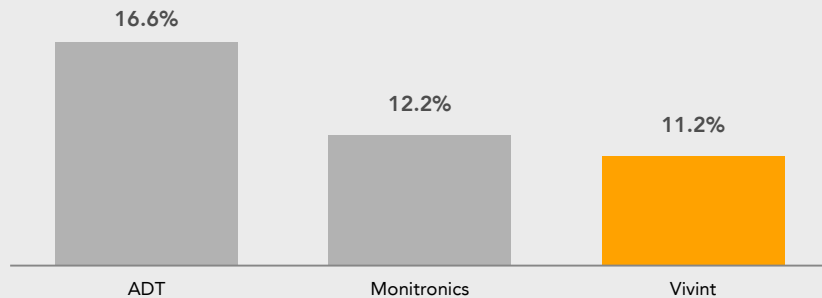
subscriber growth ('10-'12) <sup>(1)</sup>



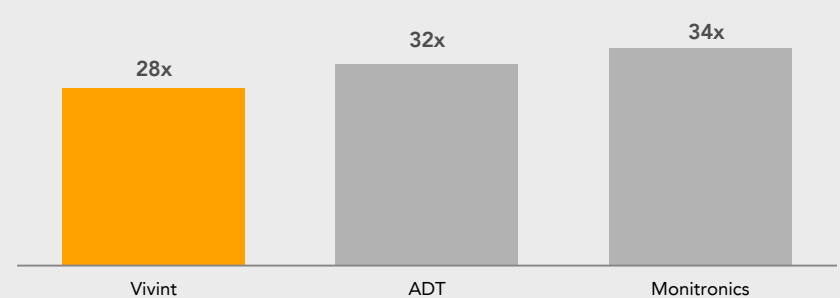
average RMR per subscriber ('12) <sup>(1)</sup>



annual portfolio attrition ('12) <sup>(1)</sup>



estimated net creation cost multiple ('12) <sup>(1)</sup>



Vivint has established itself as a leader among home services players by consistently achieving industry leading metrics

(1) Based on public filings and presentations.

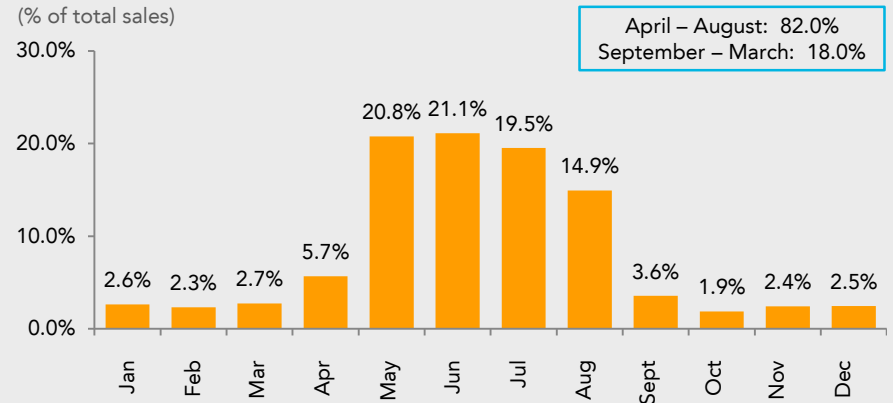
(2) Based on subscribers at fiscal years ending September 24, 2010 and September 28, 2012.

# unique and differentiated sales model

## direct-to-home sales (~77% of total LTM adds) <sup>(1)</sup>

- More than 2,000 sales representatives in more than 100 locations deployed from April through August
- Sales representatives have prior direct-to-home experience
- Direct-to-home sales model offers a flexible strategy that can be quickly and efficiently altered
- Commission structure aligns incentives of sales representatives with long-term Company goals

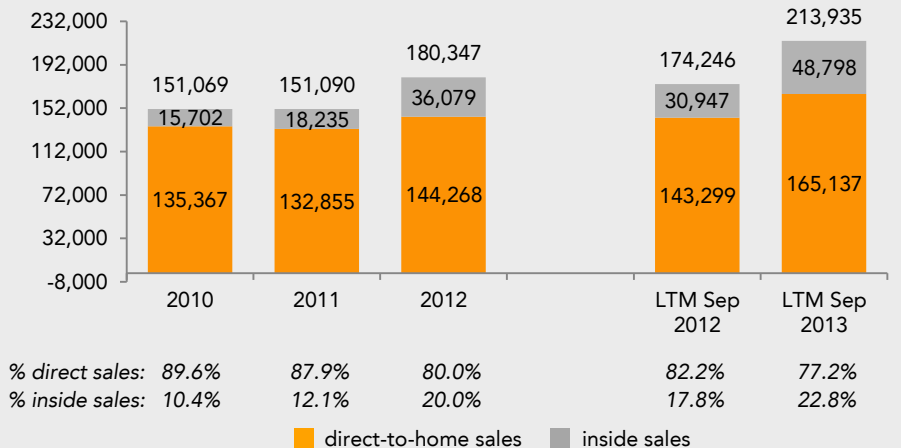
## average total sales per month (2010-2012)



## inside sales (~23% of total LTM adds) <sup>(1)</sup>

- Includes internal-sales call center, TV, internet and other media advertising and third-party lead generators
- Year-round with low net subscriber acquisition costs
- Increases brand recognition
- Provides significant growth opportunities going forward

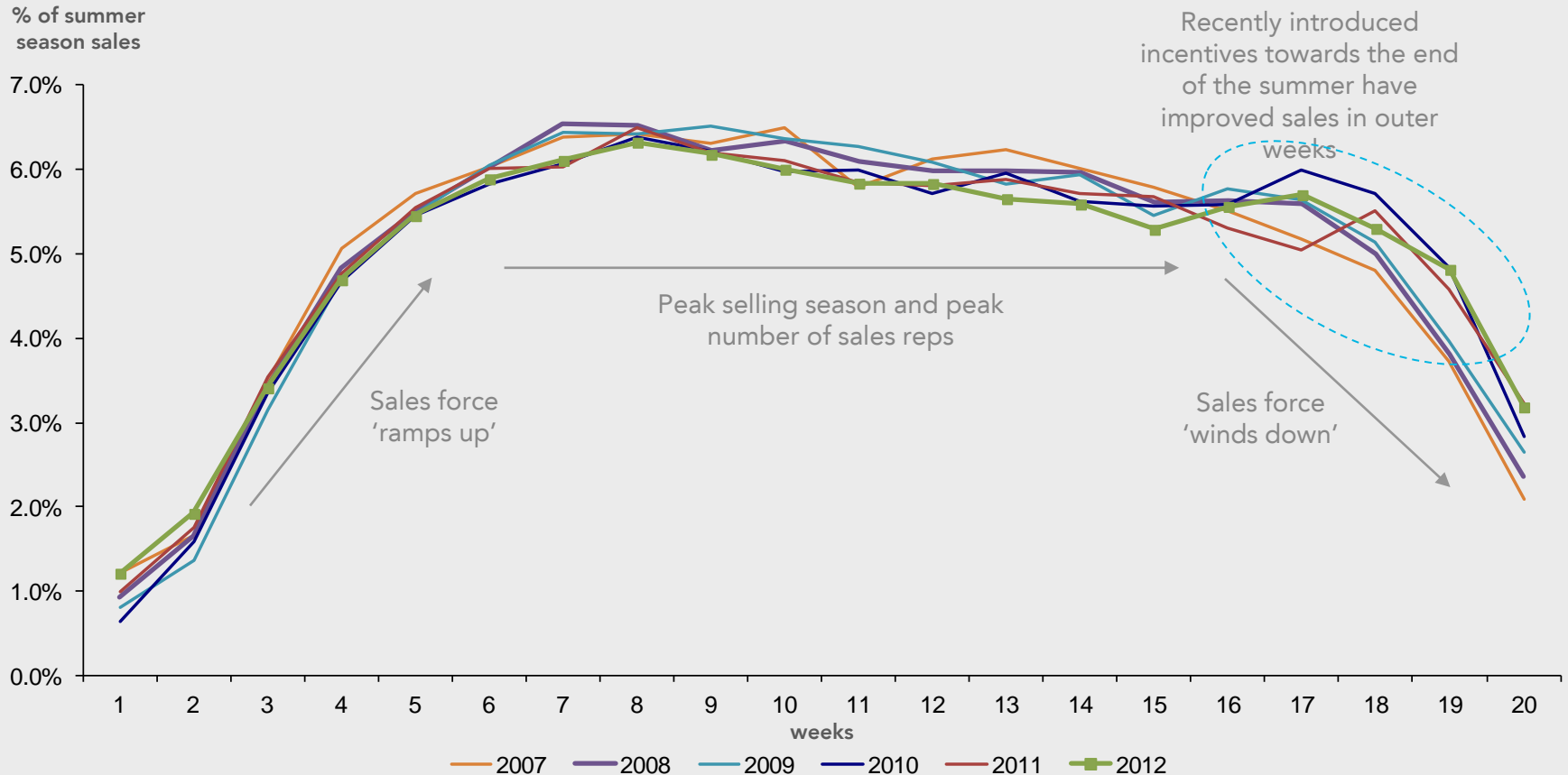
## total net subscriber additions by channel



(1) As of September 30, 2013

# unique and differentiated sales model (cont'd)

percentage of new accounts sold each week over the summer season (the "summer curve")



Vivint's effective management of the summer sales model results in a highly predictable summer sales pattern that enables it to predict the year's results by the fifth week of the 20-week summer season

# highly variable cost structure

- The largest cost for Vivint is associated with the acquisition of a subscriber at installation
  - Capex is associated with new subscriber acquisition, and minimal infrastructure capex is required
- These costs are entirely discretionary and can be moderated to generate significant free cash flow
- Due to the lower net subscriber acquisition costs associated with inside sales, net creation cost multiples are expected to decline as Vivint begins to generate more subscribers through inside sales

## acquisition costs per subscriber

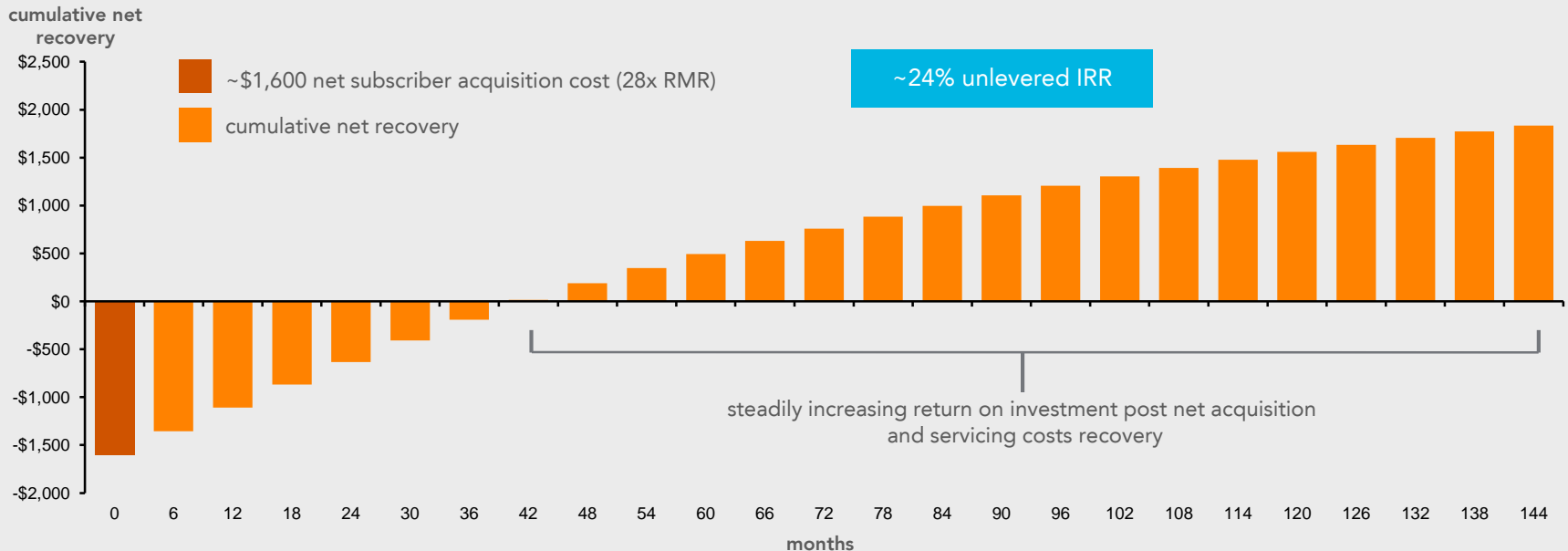
Cost Component	Fixed / Variable
Commission	Variable
Equipment	Variable
Installation	Variable
Overhead	Semi
Marketing	Variable
Allocation	Fixed

Management estimates that their net subscriber acquisition cost is in the range of \$1,600-\$1,650 per subscriber (~28x RMR), a large portion of which is variable

# attractive subscriber economics

- New installations are subsidized by the Company, requiring upfront cash outlays per installation
  - For each new installation, Vivint incurs a “net subscriber acquisition cost” of ~\$1,600 per subscriber or ~28x RMR
  - Vivint spends ~\$15 per subscriber each month to service an account
  - New subscriber pays ~\$58 RMR on average
- Based on these assumptions, Vivint estimates its unlevered IRR is approximately 24%
- Vivint organically generates subscribers at the equivalent of ~3.5x Adjusted EBITDA

## illustrative annual returns analysis <sup>(1)</sup>



(1) Assumes attrition curve of a typical 42-month contract.

# robust cash flow characteristics

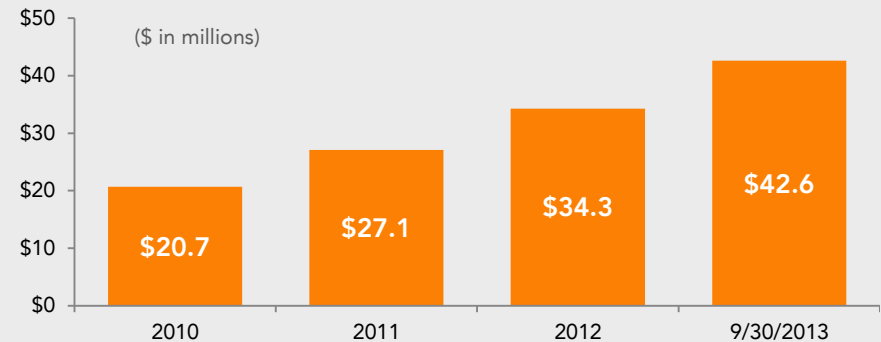
- **Contractually committed recurring revenues** – ~\$511 million of pro forma LTM September 30, 2013 recurring revenues
- **Direct-to-home sales model with highly variable cost structure** – allows Vivint to scale its sales effort for free cash flow if needed
- **Minimal capital expenditures** – 1%-2% of revenues historically (less than \$5-\$10 million per year)
- **Negative net working capital** – generates cash as it grows
- **Low attrition** – results in lower costs to replace RMR
- **Not expected to be a taxpayer in the near term** – Vivint has approximately \$845 million of U.S. NOLs <sup>(1)</sup>
- **High gross margins** – ~65% for pro forma LTM 9/30/2013

## operating cash flow

	2010	2011	2012	LTM 9/30/2013
(\$ in Millions)				
<b>Adjusted EBITDA</b>	\$ 135.6	\$ 175.2	\$ 244.0	\$ 276.2
Less: Capex	1.9	6.5	9.8	8.8
<b>Operating Cash Flow</b>	\$ 133.7	\$ 168.7	\$ 234.2	\$ 267.4
% Conversion	98.6%	96.3%	96.0%	96.8%

**New Subscriber IRR of ~24% Driving Consistent RMR Growth**

## total RMR growth



Vivint generates a considerable amount of free cash flow, which is used to reinvest in subscriber acquisitions to yield ~24% unlevered returns

(1) As of December 31, 2012

# strong platform for growth

- Vivint has a track record of leveraging its platform to offer new products and service packages as evidenced by its launch of the Go!Control® panel in late 2009 and full home automation services in 2011
  - The introduction of Home Automation services has allowed Vivint to successfully increase average RMR per new subscriber from \$44.50 in 2009 to \$58.45 for LTM September 30, 2013

## Continued Market Penetration

- Vivint has a significant “whitespace” opportunity to further penetrate its core security monitoring services

## Inside Sales

- Increasing inside sales through internal-sales call center, TV, internet and other media advertising and third-party lead generators, which results in lower net subscriber acquisition costs and lower attrition

## Commercial End Market

- Enter commercial segment by leveraging existing sales representatives, installation technicians, monitoring centers, technology platform and new Go!2.0 panel

## Home Health

- Vivint panels can support home health-related functionalities including reminders for medications, motion and occupancy sensors, creating a significant new market opportunity

## Wireless

- Leverage technology to offer wireless data into the home

## International Expansion

- Expansion opportunities in countries such as New Zealand and Australia, which the Company has initially identified as attractive geographies in which to replicate Vivint’s sales model

# key credit highlights

large, growing and recession-resistant industry

leading industry player with best-in-class operational performance

unique and differentiated sales model

highly variable cost structure

attractive customer economics

high-quality subscribers and offerings drive low attrition

robust cash flow characteristics

strong platform for growth

proven and experienced management team



# Appendix

# reconciliation of non-GAAP financial measures

	FYE December 31,			LTM September 30,	
	2010	2011	2012	2012	2013
<b>Net loss before non-controlling interests</b>	<b>\$ (29.0)</b>	<b>\$ (62.4)</b>	<b>\$ (184.9)</b>	<b>\$ (50.8)</b>	<b>\$ (232.4)</b>
Interest expense, net	69.5	101.8	119.2	120.1	111.5
Other (income) expense				0.2	2.6
Gain on 2GIG Sale (i)				-	(47.1)
Income tax (benefit) expense	4.3	(3.7)	(6.0)	5.8	0.4
Depreciation and amortization (ii)	45.3	68.5	91.1	86.1	167.3
Transaction related costs (iii)			132.4	4.1	129.1
Transaction costs related to 2GIG Sale (iv)				-	5.5
Non-capitalized subscriber acquisition costs	37.0	51.4	70.4	52.5	102.7
Non-cash compensation (v)	0.6	0.5	0.9	0.6	1.7
Adjustment for Solar business (vii)	-	0.4	7.1	2.2	5.1
Other Adjustments (viii)	7.9	18.7	13.8	10.5	29.8
<b>Adjusted EBITDA</b>	<b>\$ 135.6</b>	<b>\$ 175.2</b>	<b>\$ 244.0</b>	<b>\$ 231.3</b>	<b>\$ 276.2</b>

(i) Non-recurring gain on the 2GIG Sale.

(ii) Excludes loan amortization costs that are included in interest expense.

(iii) Reflects total bonus and other payments to employees and to third parties directly related to the Merger.

(iv) Reflects total bonus and other payments to employees and to third parties directly related to the 2GIG Sale.

(v) 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.

(vi) Reflects non-cash compensation costs related to employee and director stock and stock option plans.

(vii) Reflects the exclusion of Solar results from the time it commenced operations in 2011.

(viii) Represents adjustments for: non-operating legal and professional fees, new product development, non-cash payroll tax reserve, the monitoring fee payable to Blackstone Management, L.L.C, an adjustment to exclude the impact of revenue deductions directly related to purchase accounting, deferred revenue adjustments and certain other adjustments.

# certain definitions

Total Subscribers – The aggregate number of active subscribers at the end of a given period

RMR – The recurring monthly revenue billed to a subscriber

Total RMR – The aggregate RMR billed for all subscribers

Ave. RMR per Subscriber – The Total RMR divided by Total Subscribers. This is also commonly referred to as Average Revenue per User, or ARPU

Ave. RMR per New Subscriber – The aggregate RMR for new subscribers originated during a period divided by the number of new subscribers originated during such period

Attrition – The aggregate number of canceled subscribers during a period divided by the monthly weighted average number of total subscribers for such 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 (120 days past due). Sales of contracts to third parties and moves are excluded from the attrition calculation

Net Subscriber Acquisition Cost – Gross cost to generate and install a subscriber net of any fees collected at the time of the contract signing. A portion of subscriber acquisition cost is expensed as incurred. The remaining portion of the costs is considered to be directly tied to subscriber creation and consists primarily of certain portions of sales commissions, equipment, and installation costs. These costs are deferred and recognized in a pattern that reflects the estimated life of the subscriber relationships. Vivint amortizes these costs using a 150% declining balance method over 12 years.

Net Creation Cost Multiple – Defined as total Net Subscriber Acquisition Costs, divided by the number of new subscribers originated, and then divided by the Average RMR per New Subscriber

Adjusted EBITDA – 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, the historical results of the Company's Solar variable interest entity and certain unusual, non-cash, non-recurring and other items permitted in certain covenant calculations under the indentures governing the notes