# APX Group Holdings, Inc.

## Imperial Capital Security Investor Conference

December 11, 2014

# 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 earnings release and accompanying conference call include certain 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 in addition to those discussed in "Risk Factors" in the Company's annual report on Form 10-K for the year ended December 31, 2013 (the "10-K"), filed with the Securities Exchange Commission, as such factors may be updated from time to time in our periodic filings with the SEC, which are available on the SEC's website at www.sec.gov, 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 press release are more fully described in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2013 as such factors may be updated from time to time in our 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 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.

# participants

Todd Pedersen
Chief Executive Officer

- Founded Vivint Inc. and has more than 20 years of experience in the industry
- 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”

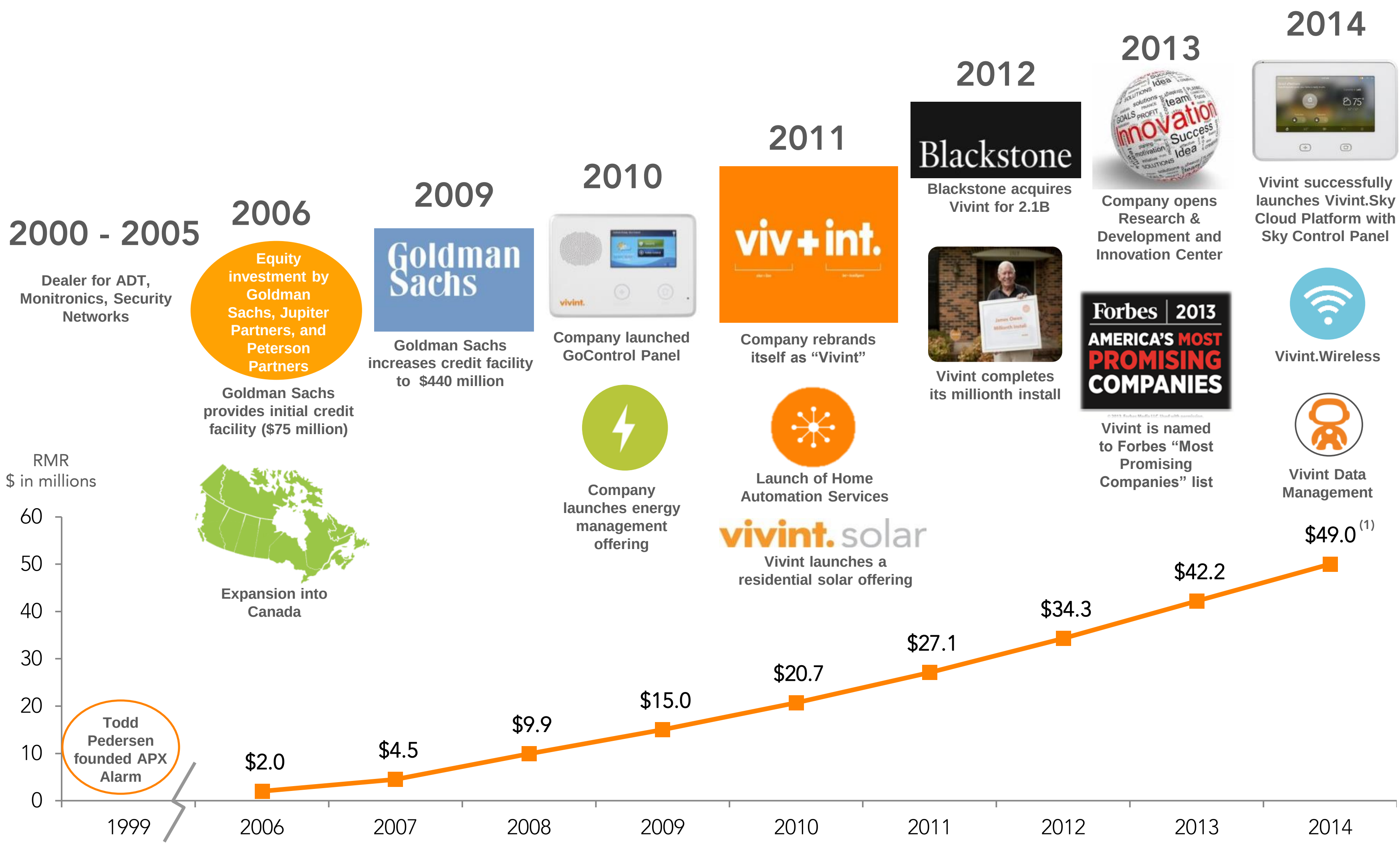
Alex Dunn
President

- Chief Operating Officer since July 2005; named President in February 2013
- Served as Deputy Chief of Staff to Governor Mitt Romney in Massachusetts prior to joining Vivint
- Served as entrepreneur-in-residence at the venture capital firm General Catalyst, where he started m-Qube, a mobile media management company

Mark Davies
Chief Financial Officer

- Chief Financial Officer since November 2013
- Prior to joining Vivint, served as Executive Vice President and President of Global Business Services at Alcoa
- Spent 12 years at Dell Inc. in various leadership roles including Managing Vice President of Strategic Programs and CFO of the Global Consumer Group

# key company milestones

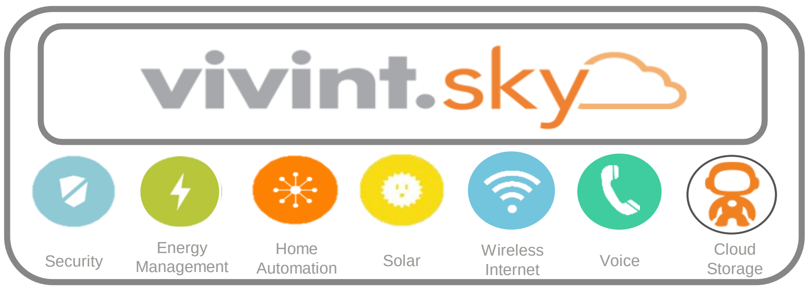



(1) RMR as of September 30, 2014

# the vivint vision: a smart, integrated home…

**Connecting and Simplifying Life**

**Vivint.Platform**
Harnessing the "internet of things"




**Core Competencies**

| | | | |
|---|---|---|---|
| Customer Acquisition | Customer Service | Integrated Technology | Innovation |

- Vivint has delivered the most complete smart home platform in the industry
- Our product offering now incorporates all of the key services necessary for customer value, retention and maximized RMR
- Coupled with our core competencies of customer acquisition, service and end to end technology, Vivint has a unique, differentiated and competitive offering
- 24 month platform investment cycle is nearing completion

# investing in complimentary products, services & technologies

Vivint is the **only fully vertically integrated** Smart Home solution in the industry, allowing us to offer a compelling bundle of innovative products, apps, services, and monitoring to more than 700,000 home automation customers

vivint.sky

## Vivint.Internet

- High speed wireless internet competitively priced with Vivint quality service
- Accelerated rollout going into 2015


## Vivint.DataManagement

- Vivint's disruptive data cloud storage technology transforms the way families store data
- Test markets for Vivint.DataManagement have shown high attach rates to various bundle packages
- Expected broad market launch in 2015

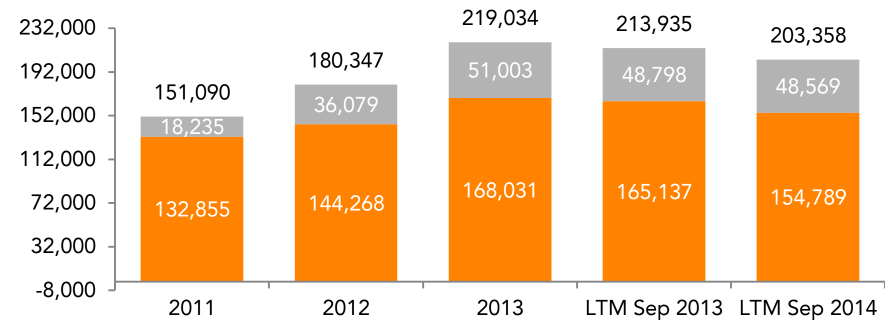
- *Virtual datacenter:* all storage on user's premise
- Core technology: distributed global p2p file system
- Greener than the Cloud

# unique and differentiated sales model

## direct-to-home sales (~76% of total LTM adds) [(1)]

- Personalized, custom in-home consultative sale
  - 89% same day design and installation
- More than 2,000 sales representatives in more than 100 locations deployed from April through August
- 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

## total net subscriber additions by channel




| | 2011 | 2012 | 2013 | LTM Sep 2013 | LTM Sep 2014 |
|---|---|---|---|---|---|
| *% direct sales:* | *87.9%* | *80.0%* | *76.7%* | *77.2%* | *76.1%* |
| *% inside sales:* | *12.1%* | *20.0%* | *23.3%* | *22.8%* | *23.9%* |

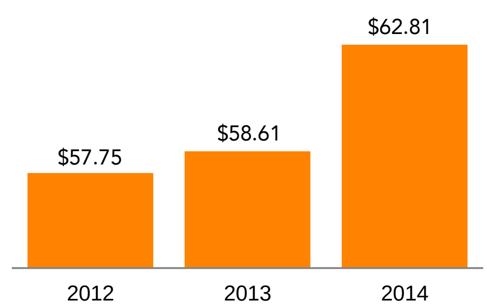
direct-to-home sales  inside sales

## inside sales (~24% of total LTM adds) [(1)]

- Year-round subscriber acquisition through internal sales call center
  - Internet, media, advertising and third-party lead generators
- Increases brand recognition
- Offers growth opportunity going forward

## Avg. RMR[(2)] per New Subscriber[(3)]

- 100% Smart Home enabled systems installed
- 160,000+ subscribers using Vivint.Sky platform




*Adoption Rate for Additional Services:*
*57.9%  63.7%  72.3%*

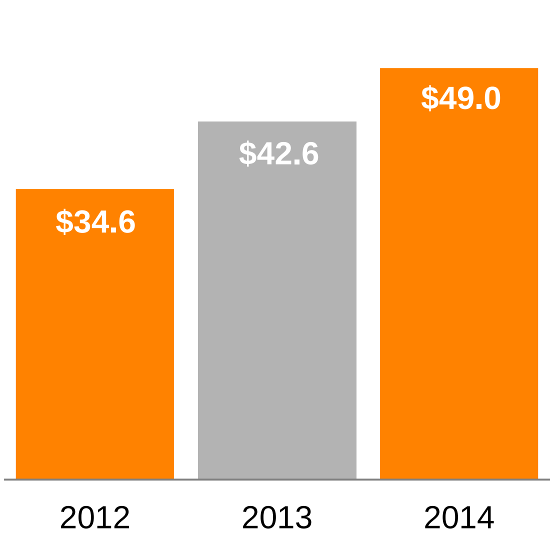
(1) *As of September 30, 2014*
(2) *RMR is stated as of the end of each period*
(3) *For the three months period ended September 30, 2014*

# subscriber portfolio data

**Three months ended September 30,**

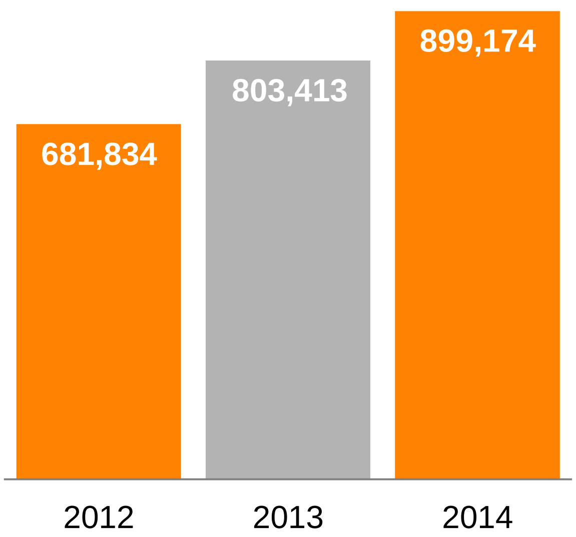
### Total RMR[1]

($ in Millions)



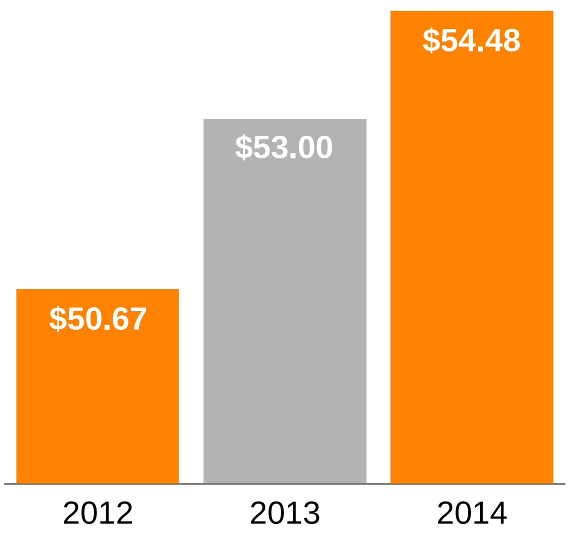

*Growth: 23.1% 15.0%*

### Total Subscribers




*Growth: 17.8% 11.9%*

### Avg RMR[1] Per Subscriber



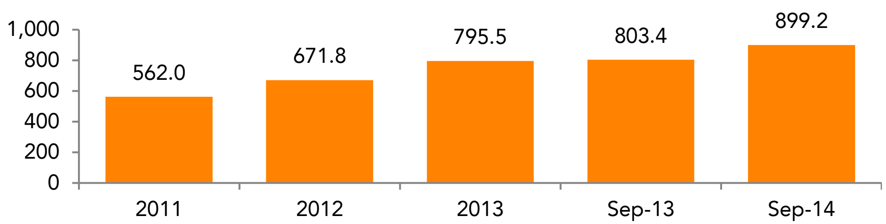

*Growth: 4.6% 2.8%*

(1) RMR is stated as of the end of each period

# platform overview

## subscribers

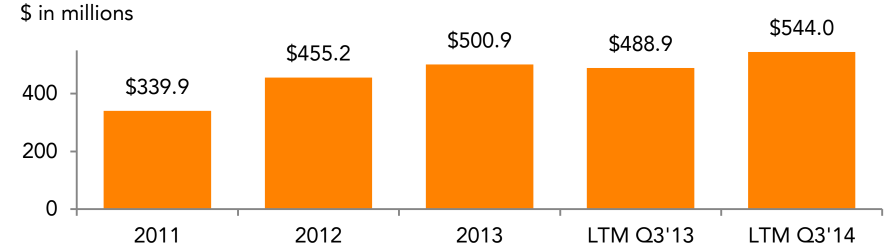
in thousands




*% growth* *19.5%* *18.4%* *11.9%*

## revenue

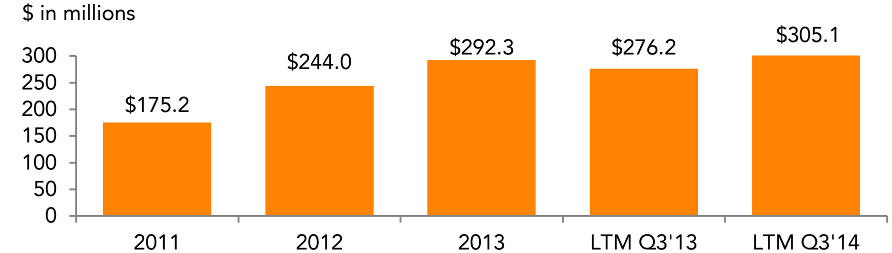
$ in millions




*% growth* *33.9%* *10.0%* *11.3%*

## adjusted EBITDA

$ in millions




*% growth* *39.3%* *19.8%* *10.5%*

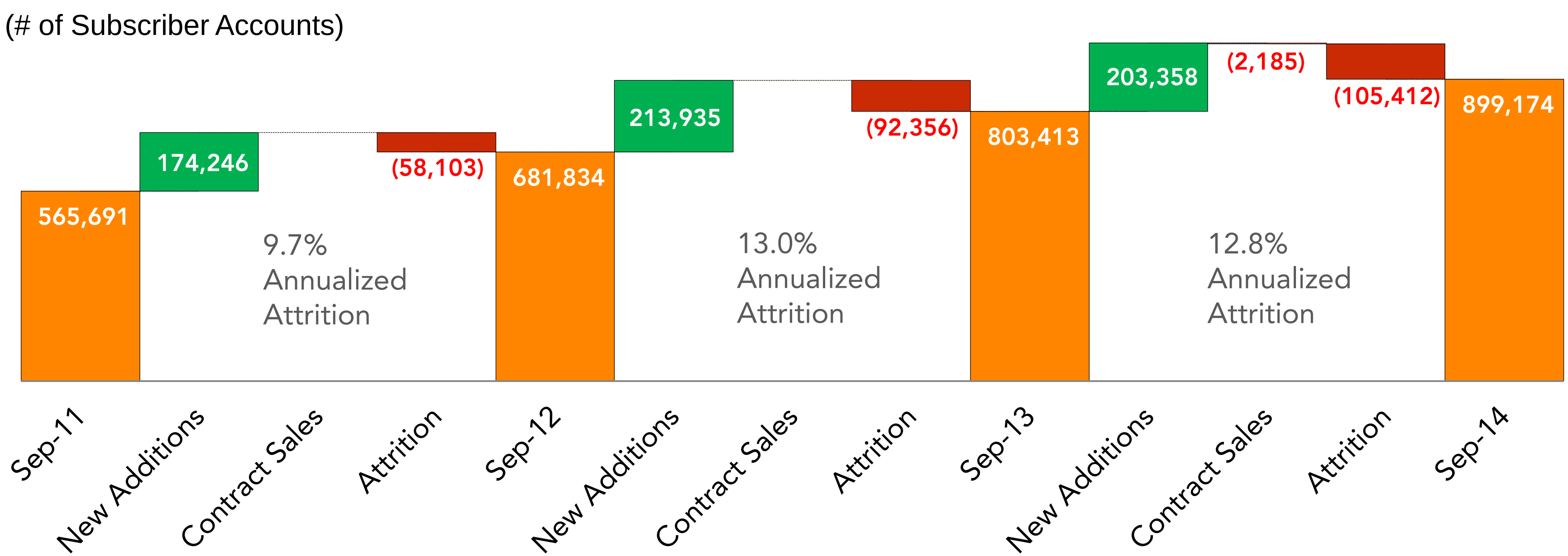
- 203K new subscriber adds
- 96K total subscriber adds, net of attrition

- LTM September 30, 2014, APX Group had
  - Revenues of $544 million
  - Adjusted EBITDA of $305 million

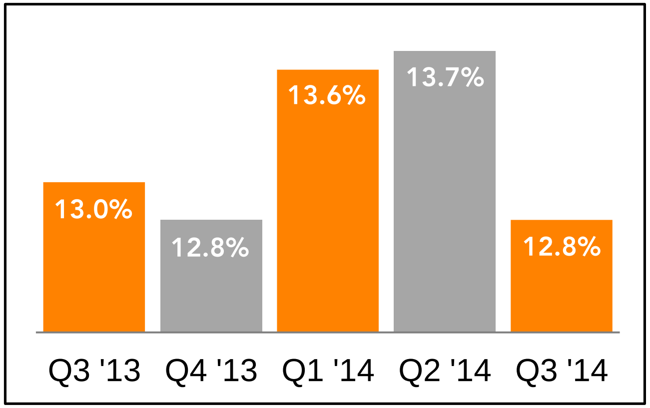
- Revenue is contractual and highly predictable
  - $49.0 million Recurring Monthly Revenue (“RMR”) as of September 30, 2014 ($588 million annualized)

*Note: 2011-2013 financials shown on a consolidated basis for Vivint and 2GIG.*

# subscriber account attrition[1]




- Attrition improved 90 bps from its peak in Q2 2014 of 13.7%




(1) Reflects Vivint metrics only, excluding the Wireless Internet business for all periods presented

vivint.

# why the Vivint model works

## 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 ~$1,850 per subscriber or ~30x RMR
  - Vivint spends $15-$16 per subscriber each month to service an account
  - New subscriber pays ~$62 RMR on average
- Based on these assumptions, Vivint estimates its unlevered IRR is the low 20% range
- Vivint organically generates subscribers at the equivalent of ~3.5x Adjusted EBITDA

## Highly variable cost structure

- The largest cost for Vivint is associated with the acquisition of a subscriber at installation
- These costs are entirely discretionary and can be moderated to generate significant free cash flow

## Robust cash flow characteristics

- Contractually committed recurring revenues
- Minimal capital expenditures – 1%-2% of revenues historically (less than $5-$10 million per year)
- Negative net working capital – generates cash as it grows

# how we thrive in a large, opportunistic, emerging market

- Broad, Bundled Servicing Offering
- Personalized Sale
  - In-Home customer intimacy (Direct-to-Home sales)
  - Same day design and install
  - Leverage competitor's advertising for services awareness
- Integrated Cloud Platform
  - Seamless customer experience
  - Data analytics, "push" intelligence to customer via easy-to-use smart apps
  - Extendable to partners and other devices, services (e.g. auto, medical, entertainment)
- Customer Relationship
  - Own end-to-end value-chain with single point of accountability
- Geographic Footprint (97% of the US zip codes)
- Continual Innovation and Technology: SW, HW, Cloud, Services


Q&A

# Appendix

# reconciliation of non-GAAP financial measures

| | 2011 | 2012 | 2013 | LTM 2014 |
|---|---|---|---|---|
| **Net loss** | **$ (62.4)** | **$ (184.9)** | **$ (124.5)** | **$ (210.2)** |
| Interest expense, net | 101.8 | 119.2 | 113.0 | 138.8 |
| Other (income) expense, net | - | - | ( 0.1 ) | - |
| Income tax expense (benefit) | (3.7) | (6.0) | 3.6 | ( 8.3 ) |
| Depreciation and amortization (i) | 68.5 | 91.1 | 173.3 | 164.4 |
| Amortization of capitalized creation costs | - | - | 22.2 | 49.7 |
| Non-capitalized subscriber acquisition costs (ii) | 51.4 | 70.4 | 101.0 | 119.6 |
| Non-cash compensation (iii) | 0.5 | 0.9 | 1.9 | 1.9 |
| Gain on 2GIG Sale (iv) | - | - | ( 46.9 ) | - |
| Adjustment for Solar business | 0.4 | 7.1 | - | - |
| Transaction costs related to 2GIG Sale (v) | - | - | 5.5 | - |
| Transaction related costs | - | 132.4 | 0.8 | - |
| Other Adjustments (vi) | 18.7 | 14.2 | 42.5 | 49.2 |
| **Adjusted EBITDA** | **$ 175.2** | **$ 244.4** | **$ 292.3** | **$ 305.1** |

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

(ii) 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.

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

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

(v) Bonuses and transaction related costs associated with the 2GIG Sale.

(vi) Other adjustments including certain items such as product development, fire related expenses, subcontracted monitoring fee savings and other similar 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