# Vivint Smart Home, Inc.

## Second Quarter 2020 Results

## August 6, 2020

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# 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. 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 in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, as filed on May 11, 2020, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, which is expected to be filed on or about the date of this earnings release, 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 and our ability to successfully compete in retail sales channels; and (17) risks related to our exposure to variable rates of interest with respect to our revolving credit facility and term loan facility. 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. The Company undertakes no obligations to update or revise publicly any forward-looking statements, whether a result of new information, future events, or otherwise, except as required by law.

# non-GAAP financial measures

This presentation includes Adjusted EBITDA 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, 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 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 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

Todd Pedersen
Chief Executive Officer

Dale R. Gerard
Chief Financial Officer

# Vivint is uniquely positioned as individuals & families reconnect with their homes

- We provide the peace of mind & security that people demand during uncertain times
- Our innovative products allow our customers to seamlessly manage and protect their homes, whether they're at home or away
- Proprietary cloud platform allows for a superior customer experience and the resolution of most customer issues without requiring in-home technical service
- Direct to Home sales resumed in early May, and our summer sales teams are performing well
- National Inside Sales has continued with very minimal interruption, posting strong year-over-year growth. NIS represents roughly half of all new subscribers.
- Our high-margin recurring revenue model is steady & predictable: ~90% of 2020 revenue was contractually booked at the beginning of the year
- Significant improvements in Net Service Cost, Net Subscriber Acquisition Cost, and G&A have us tracking to be cash flow positive for 2020 – well ahead of our previously stated timeline

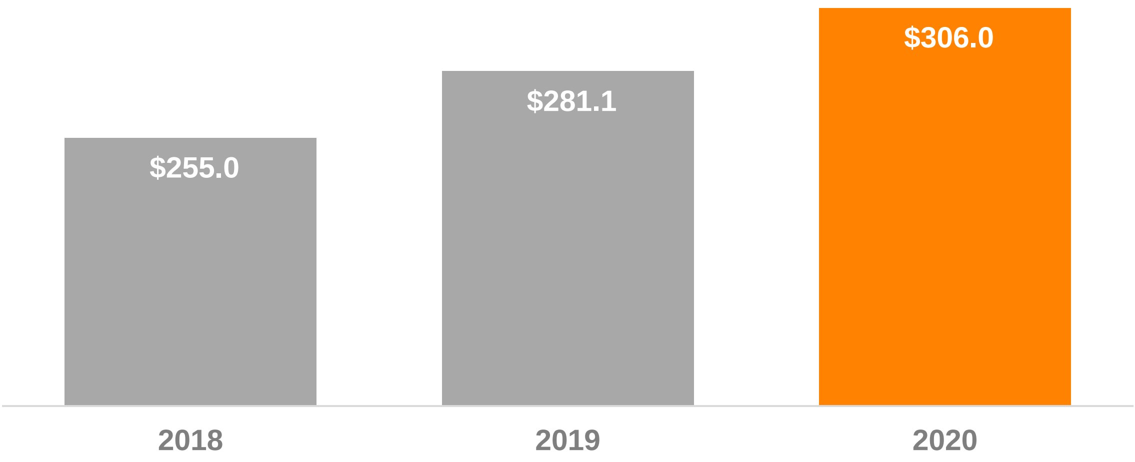
# key operational / financial performance highlights for the quarter

- Total Revenue of $306.0 million, up 9% YoY
- Adjusted EBITDA grew 73% YoY to $152.7 million, representing nearly a 50% margin
- Originated ~108K New Subscribers in the quarter; material reduction in RICs (down 89% YoY) to only 1% of mix
- Net Service Cost per Subscriber decreased to $9.93 for the period, a 24% reduction YoY
- Net Subscriber Acquisition Cost per New Subscriber decreased to $630 for the LTM period, a 41% reduction YoY
- Subscriber attrition rate declined by nearly half a point on a sequential QoQ basis; leading portfolio indicators are performing better than expected
- Net cash provided by operating activities was $111 million for the quarter, up approximately $200 million YoY; liquidity as of June 30, 2020 was ~$478 million

# revenue

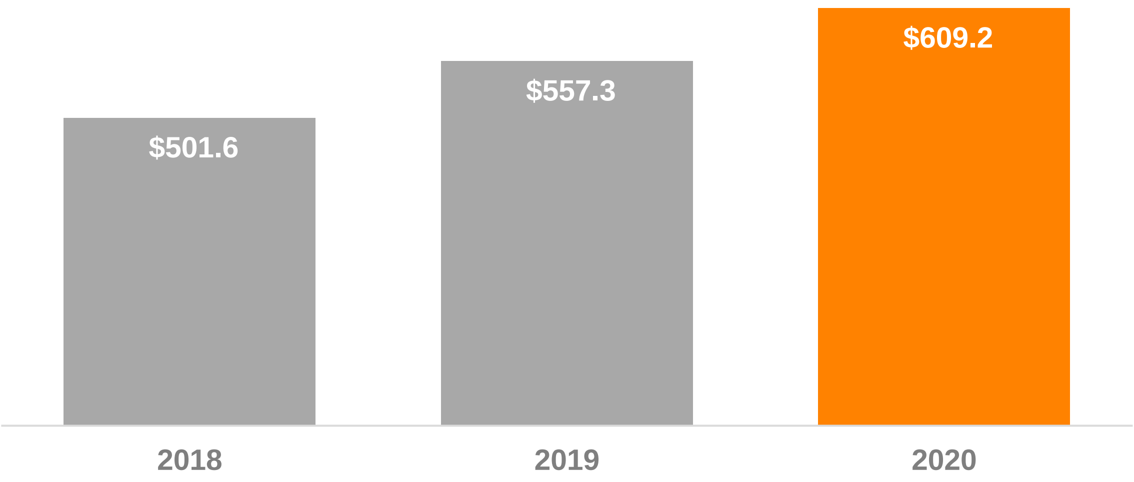
($ in Millions)

**Quarters ended June 30,**




*Growth:* *10.2%* *8.9%*

**Six months ended June 30,**




*Growth:* *11.1%* *9.3%*

**Achieved ~9% YoY revenue growth during the 2nd quarter and YTD 2020**
**Demonstrates strength of our recurring revenue model**

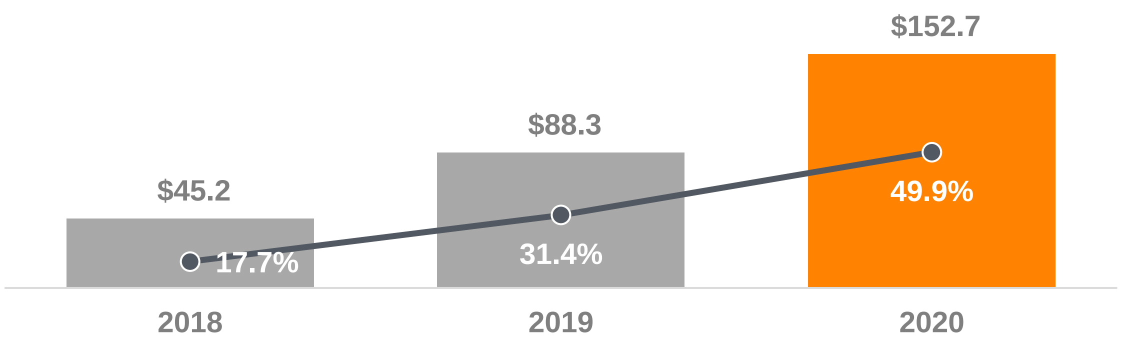
# adjusted EBITDA and covenant adjusted EBITDA

**Quarters ended June 30,**

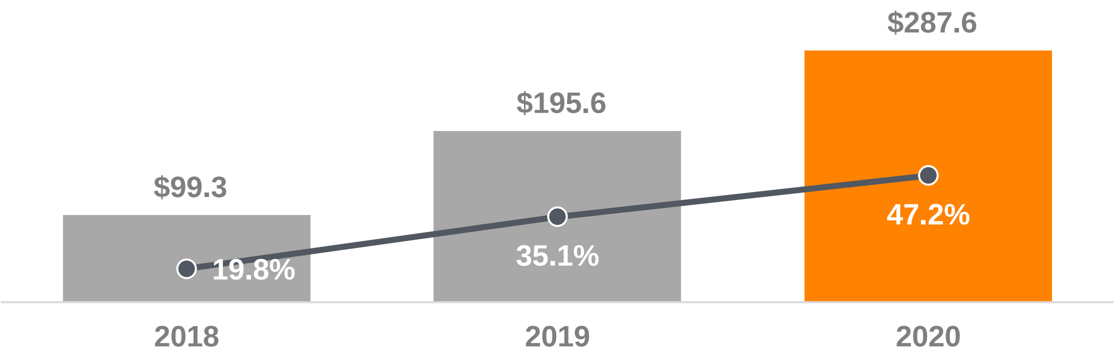
($ in Millions)
= Margin %

**Six months ended June 30,**

**Adjusted EBITDA**

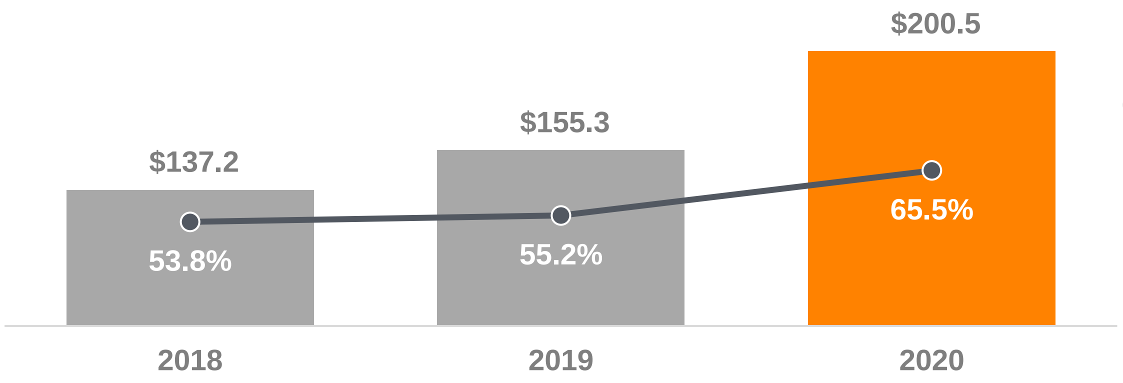



*Growth:* *95.4%* *72.9%*

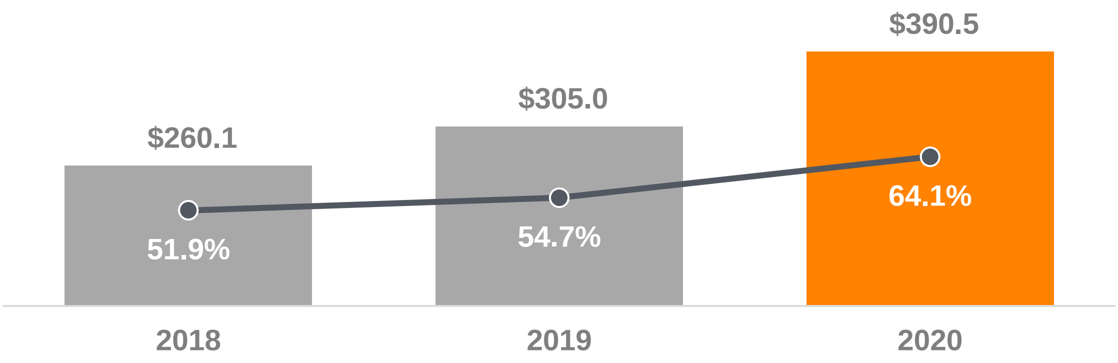



*Growth:* *97.0%* *47.0%*

**Covenant Adjusted EBITDA**




*Growth:* *13.2%* *29.1%*



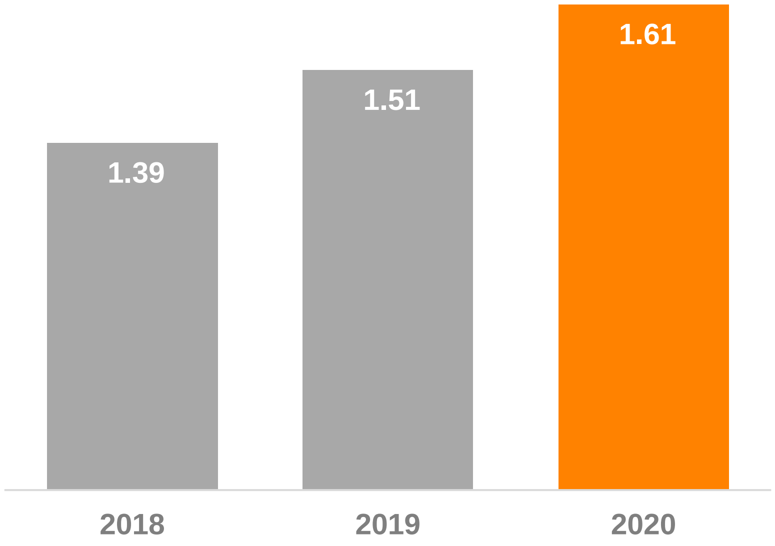

*Growth:* *17.3%* *28.0%*

# smart home subscriber portfolio data

**As of and for the quarter ended June 30,**

## Total Subscribers

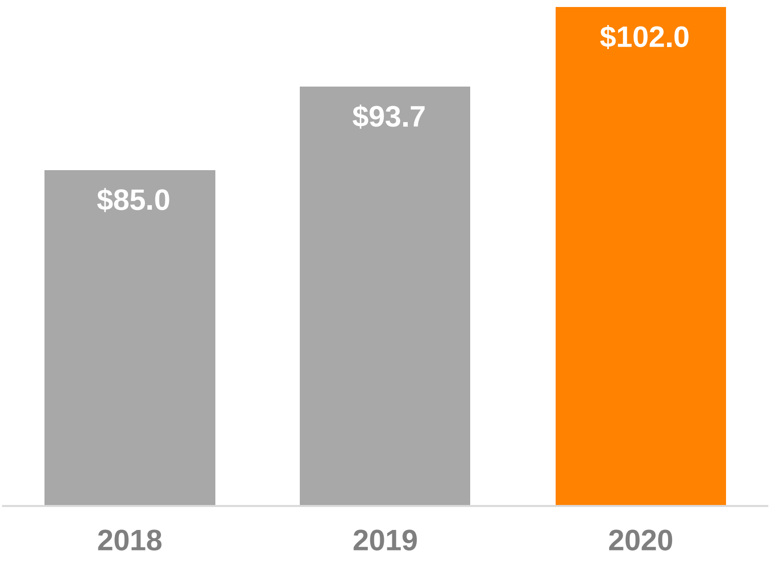
(in Millions)




*Growth:* *8.2%* *6.8%*

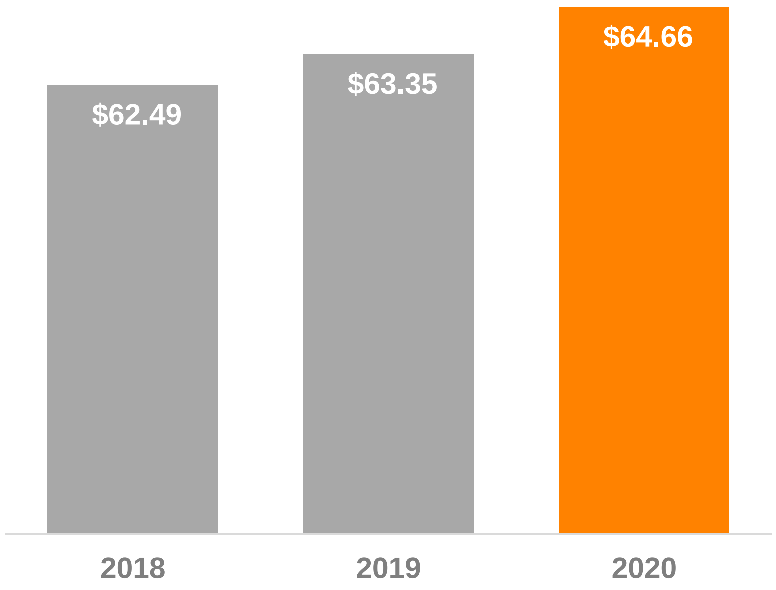
## Total Monthly Revenue

($ in Millions)




*Growth:* *10.2%* *8.9%*

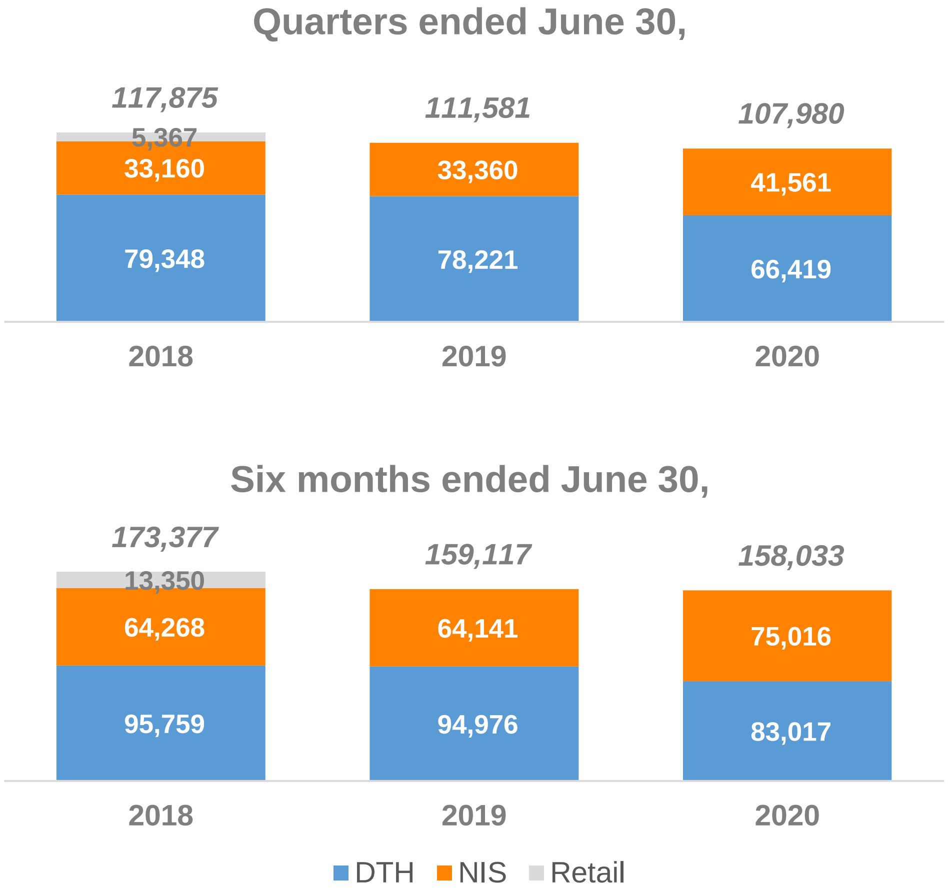
## AMRU



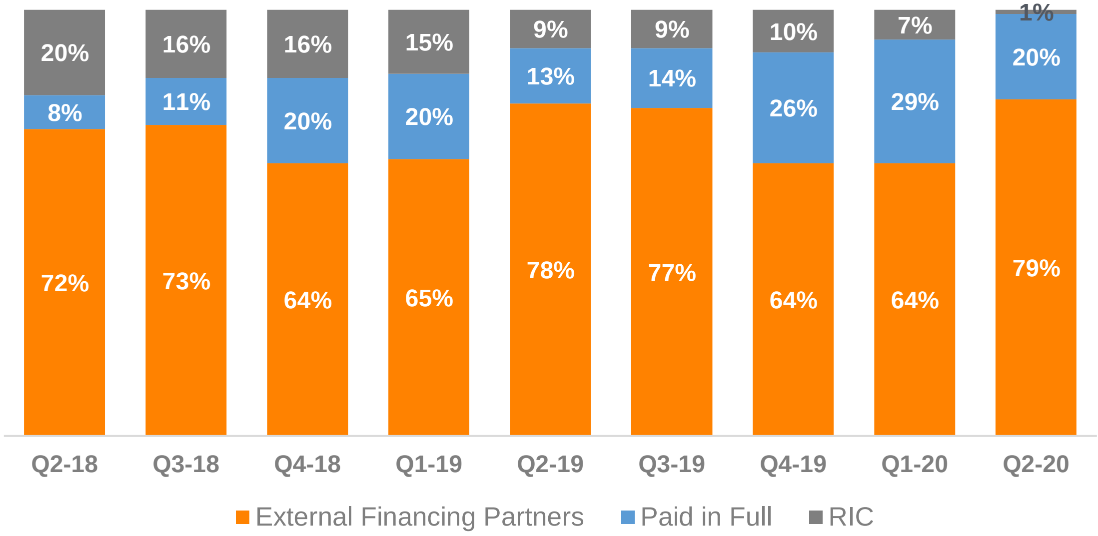

*Growth:* *1.4%* *2.1%*

# new smart home subscribers(1)

## New Smart Home Subscribers




## Vivint Flex Pay Mix(2) (US Only)



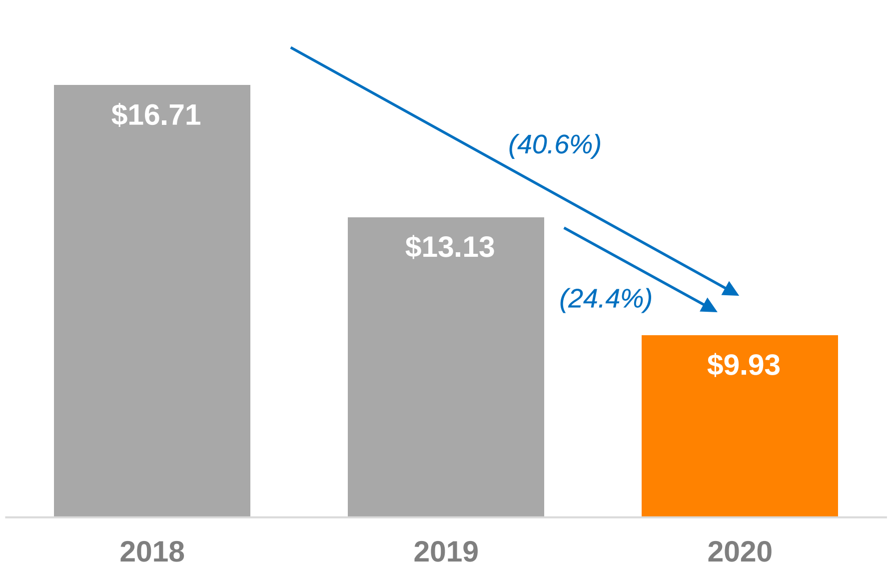

- 99% of new subscribers paid upfront in Q2 2020 (External Financing Partners & PIF)
- RICs in 2Q20 decreased by 89% YoY – 1% of new subscriber mix

**25% growth YoY in NIS | New subscriber growth down only slightly despite ~6-week pause in Direct to Home sales**

1) All periods exclude wireless internet business and pilot sales channel initiatives
2) Paid in Full excludes New Subscribers from Retail Sales Channel

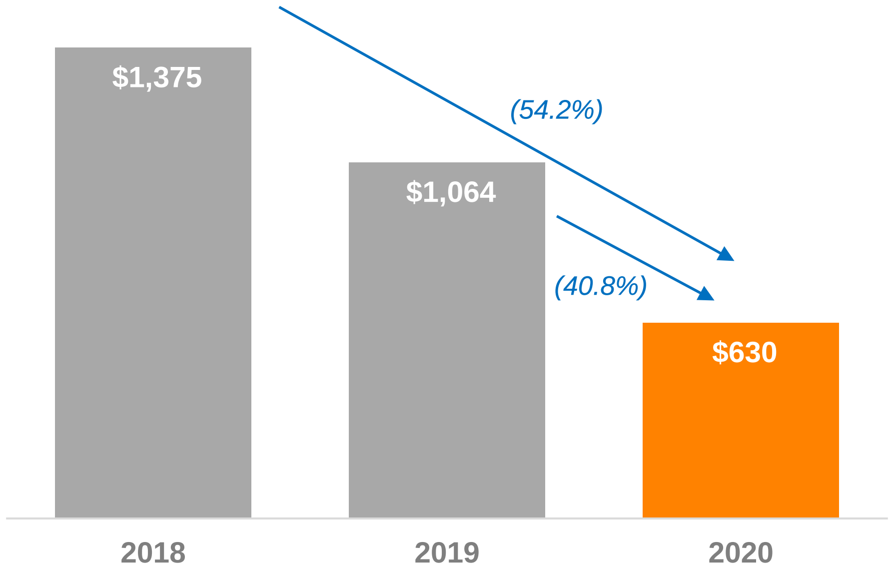
# service and subscriber acquisition costs(1)

**Net Service Cost per Subscriber**
**Quarters ended June 30,**




*Net Service Margin:* *68.6%* *75.2%* *80.2%*

**Net Subscriber Acquisition Costs per New Subscriber**
**LTM ended June 30,**




- Advantage of vertically integrated model – we own the hardware, software & firmware
- Owning the technology stack improves our ability to quickly address system issues while reducing service calls and in-home visits

- $1,485 average proceeds collected at point of sale in period – driven by increase in pricing for starter pack
- $434 decrease in Net SAC YoY

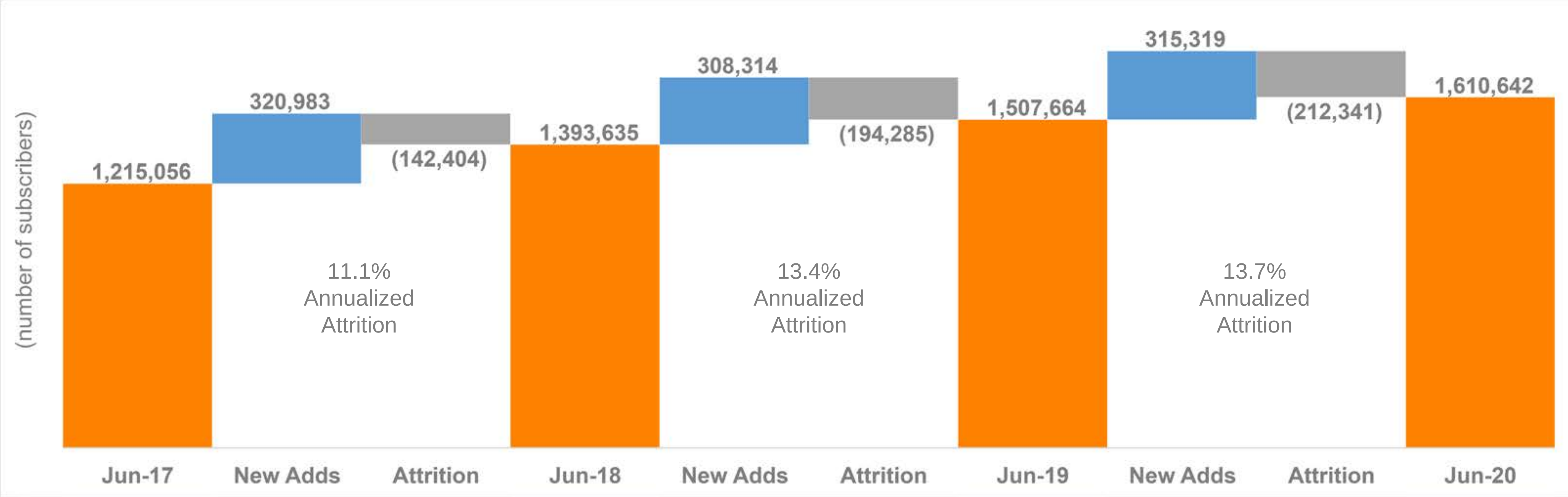
**~24% YoY improvement in Net Service Cost**

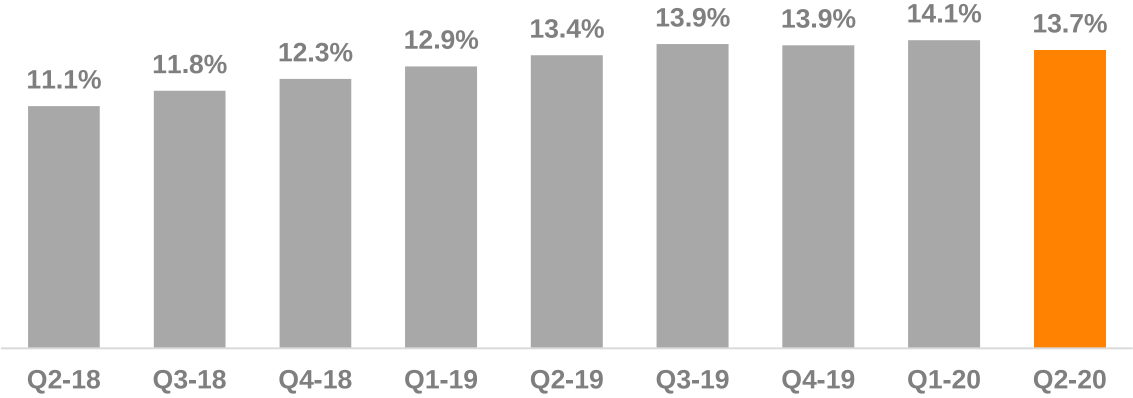
**~69% reduction in Net SAC since rollout of Vivint Flex Pay**



1) All periods exclude wireless internet business and sales channel pilot initiatives

# attrition rate[1]




| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *% base at end of term[1]* | *12.2%* | *15.9%* | *17.1%* | *18.8%* | *19.3%* | *19.4%* | *19.8%* | *19.8%* | *19.4%* |

- Subscriber attrition was favorable and came in lower than the company's expectations
- Demonstrates Vivint's value proposition, particularly during times of uncertainty

1) All periods exclude wireless internet business and sales channel pilot initiatives

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# financial outlook for 2020

## Fundamental characteristics of Vivint's model remain strong and continue to improve

- >95% of revenue is recurring; provides long-term visibility and predictability
- Continuous improvement in key metrics leading to higher margins and better cash flow dynamics
- Average subscriber life is ~8 years, driving significant lifetime margin dollars

## Updated full-year 2020 guidance based on better than expected second quarter results

- Total subscribers of 1.62 to 1.68 million vs. previous guidance of 1.55 to 1.62 million
- Total revenue of $1.23 to $1.28 billion vs. previous guidance of $1.20 to $1.25 billion
- Adjusted EBITDA of $555 to $565 million vs. previous guidance of $525 to $535 million

# Vivint Smart Home at a glance… during this earnings call:

**61M**

events processed in the cloud by the Vivint Smart Home OS[1]

**107K**

live video views from apps and panels, plus another 78K views of recorded video[1]

**32K**

views of home activity history from mobile apps[1]

**13K**

changes to locks and thermostats via apps, panels, and voice[1]

**37K**

actions performed automatically by the Vivint Smart Home OS / Vivint Assist[1]

**91K**

home state changes to *Away* decided by Vivint Assist, plus over 1K automated state changes to *Vacation*

DATA ▶ KNOWLEDGE ▶ ACTION = vivint.SmartHome™



1. Based on the average rate between 6am and 10pm Mountain Time for the 2-week period ending June 30, 2020


Q&A
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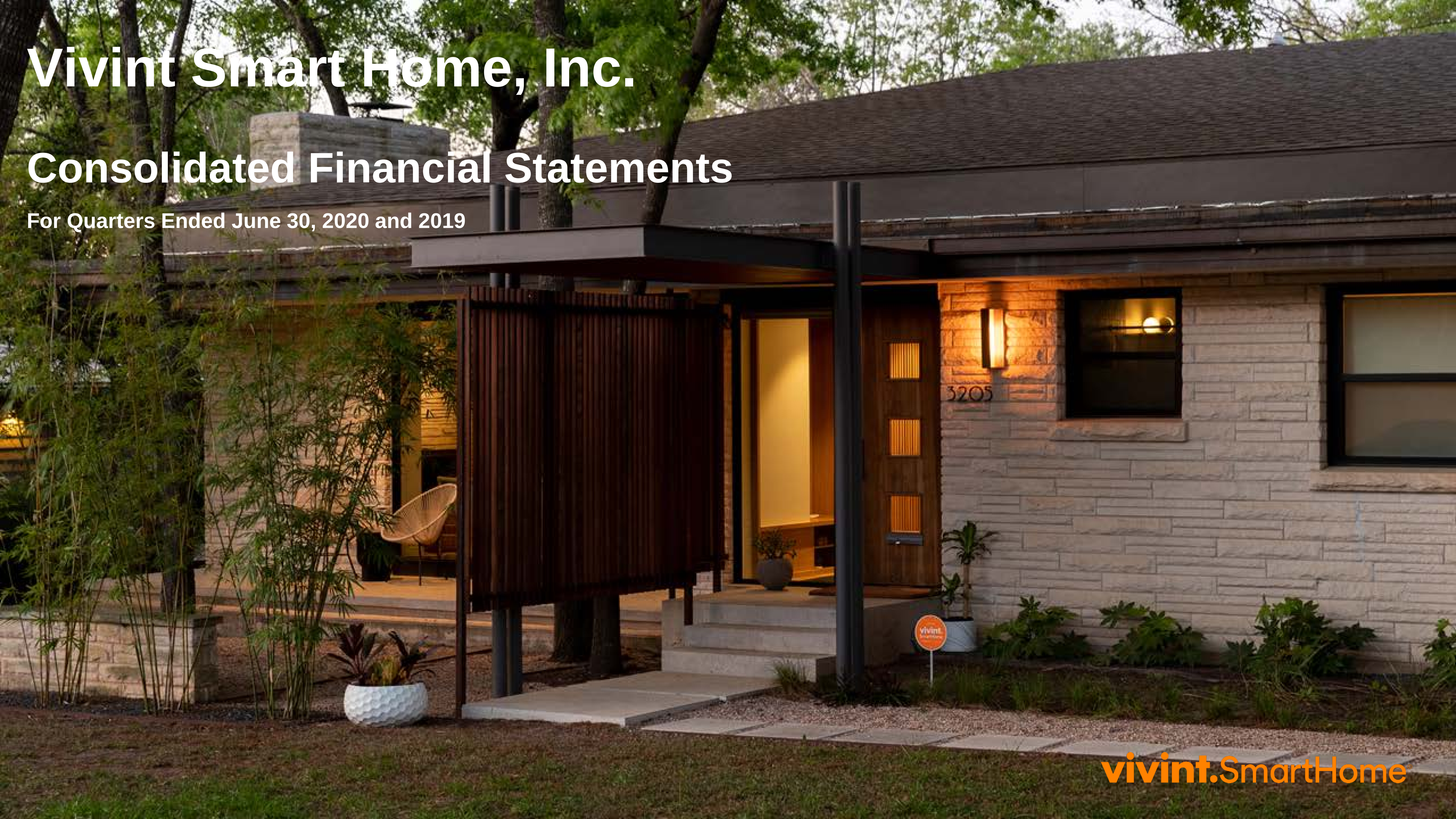
# Vivint Smart Home, Inc.

## Consolidated Financial Statements

**For Quarters Ended June 30, 2020 and 2019**

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# consolidated statements of operations

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Revenues:** | | | | |
| Recurring and other revenue | $ 306,002 | $ 281,053 | $ 609,234 | $ 557,302 |
| **Costs and expenses:** | | | | |
| Operating expenses | 82,011 | 92,013 | 165,351 | 175,089 |
| Selling expenses | 64,733 | 57,926 | 118,960 | 101,517 |
| General and administrative expenses | 59,383 | 47,439 | 112,401 | 93,778 |
| Depreciation and amortization | 140,175 | 134,504 | 279,424 | 265,725 |
| Restructuring expenses | - | - | 20,941 | - |
| **Total costs and expenses** | 346,302 | 331,882 | 697,077 | 636,109 |
| **Loss from operations** | (40,300) | (50,829) | (87,843) | (78,807) |
| **Other expenses (income):** | | | | |
| Interest expense | 54,515 | 65,817 | 119,808 | 129,565 |
| Interest income | (32) | - | (261) | (23) |
| Other (income) expenses, net | (8,638) | (198) | 17,667 | (2,444) |
| **Total other expenses** | 45,845 | 65,619 | 137,214 | 127,098 |
| **Loss before income taxes** | (86,145) | (116,448) | (225,057) | (205,905) |
| Income tax expense (benefit) | 882 | (552) | 94 | (853) |
| **Net loss** | $ (87,027) | $ (115,896) | $ (225,151) | $ (205,052) |

# condensed consolidated balance sheets

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

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 248,950 | $ 4,549 |
| Accounts and notes receivable, net | 70,879 | 64,216 |
| Inventories | 82,570 | 64,622 |
| Prepaid expenses and other current assets | 16,007 | 18,063 |
| Total current assets | 418,406 | 151,450 |
| | | |
| Property, plant and equipment, net | 53,518 | 61,088 |
| Capitalized contract costs, net | 1,237,418 | 1,215,249 |
| Deferred financing costs, net | 1,867 | 1,123 |
| Intangible assets, net | 142,768 | 177,811 |
| Goodwill | 835,227 | 836,540 |
| Operating lease right-of-use assets | 61,496 | 65,320 |
| Long-term notes receivables and other assets, net | 79,248 | 95,827 |
| **Total assets** | 2,829,948 | 2,604,408 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current Liabilities: | | |
| Accounts payable | 90,708 | 86,554 |
| Accrued payroll and commissions | 75,349 | 72,642 |
| Accrued expenses and other current liabilities | 178,196 | 139,389 |
| Current portion of notes payable, net | 9,500 | 461,420 |
| Deferred revenue | 265,283 | 234,612 |
| Current portion of operating lease liabilities | 12,099 | 11,640 |
| Current portion of finance lease liabilities | 5,241 | 7,708 |
| Total current liabilities | 636,376 | 1,013,965 |
| | | |
| Notes payable, net | 2,819,102 | 2,575,293 |
| Revolving credit facility | 105,200 | 245,000 |
| Finance lease liabilities, net of current portion | 3,928 | 5,474 |
| Operating lease liabilities | 58,830 | 63,477 |
| Deferred revenue, net of current portion | 501,743 | 405,786 |
| Other long-term obligations | 108,684 | 80,540 |
| Deferred income tax liabilities | 959 | 2,231 |
| **Total liabilities** | 4,234,822 | 4,391,766 |
| **Total stockholders' deficit** | (1,404,874) | (1,787,358) |
| **Total liabilities and stockholders' deficit** | $ 2,829,948 | $ 2,604,408 |

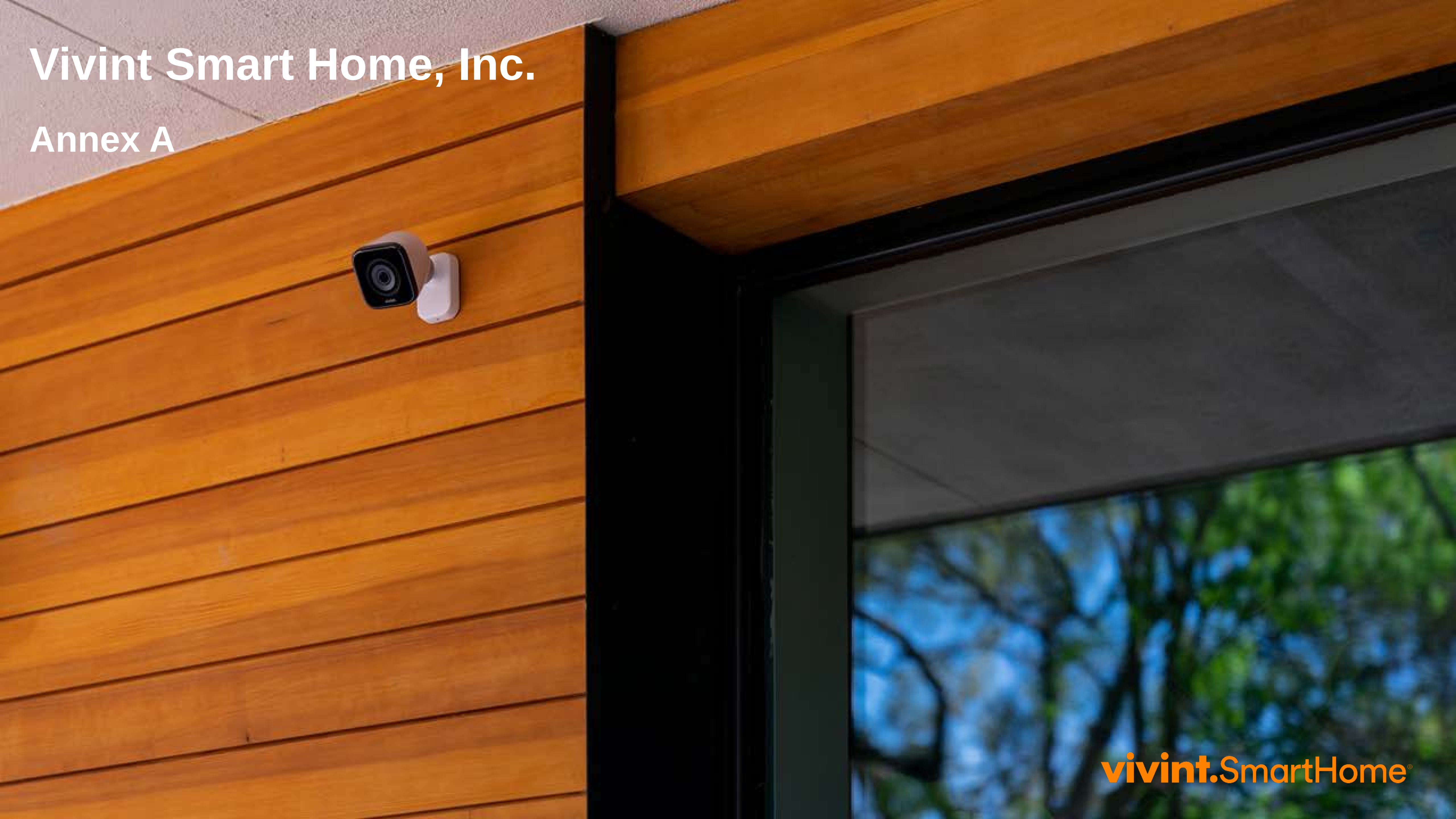
# summary of consolidated statements of cash flows

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net cash provided by (used in) operating activities | $ 111,027 | $ (87,973) | $ 77,496 | $ (130,990) |
| Net cash (used in) provided by investing activities | (3,411) | 1,939 | (5,666) | 128 |
| Net cash provided by financing activities | 9,904 | 85,489 | 172,576 | 121,210 |
| Effect of exchange rate changes on cash | 341 | (13) | (5) | 12 |
| Net increase (decrease) in cash and cash equivalents | 117,861 | (558) | 244,401 | (9,640) |
| | | | | |
| **Cash and cash equivalents:** | | | | |
| Beginning of period | 131,089 | 3,691 | 4,549 | 12,773 |
| End of period | $ 248,950 | $ 3,133 | $ 248,950 | $ 3,133 |

# Vivint Smart Home, Inc.

## Annex A



# reconciliation of non-GAAP financial measures – Adjusted EBITDA

($ in Millions)

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Net loss** | $ (115.9) | $ (102.4) | $ (88.5) | $ (138.1) | $ (87.0) |
| Interest expense, net | 65.8 | 65.2 | 65.2 | 65.1 | 54.5 |
| Income tax (benefit) expense, net | (0.6) | 0.2 | 1.9 | (0.8) | 0.9 |
| Depreciation | 7.1 | 6.3 | 6.2 | 5.7 | 5.2 |
| Amortization (i) | 127.4 | 131.2 | 134.0 | 133.6 | 135.0 |
| Stock-based compensation (ii) | 0.9 | 1.3 | 0.8 | 17.0 | 46.8 |
| MDR fee (iii) | 3.8 | 4.6 | 5.0 | 5.2 | 6.0 |
| Restructuring expenses (iv) | - | - | - | 20.9 | - |
| Other (income) expense, net (v) | (0.2) | (5.7) | 0.5 | 26.3 | (8.7) |
| **Adjusted EBITDA** | $ 88.3 | $ 100.7 | $ 125.1 | $ 134.9 | $ 152.7 |

i. Excludes loan amortization costs that are included in interest expense.
ii. Reflects non-cash compensation costs related to employee and director stock incentive plans.
iii. Costs related to financing fees incurred under the Vivint Flex Pay program.
iv. Employee severance and termination benefits expenses associated with restructuring plans.
v. Amounts for the three months ended March 31, 2020 include adjustment to eliminate $16.9 million from expenses included in debt modification and extinguishment.

# reconciliation of non-GAAP financial measures – Covenant Adjusted EBITDA

($ in Millions)

| | LTM Period Ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2019 | September 30, 2019 | December 31, 2019 | March 31, 2020 | June 30, 2020 |
| **Net loss** | $ (445.1) | $ (427.1) | $ (395.8) | $ (444.9) | $ (416.0) |
| Interest expense, net | 255.2 | 258.5 | 259.9 | 261.3 | 250.0 |
| Other expense (income), net | 20.8 | 0.6 | (7.6) | 20.9 | 12.4 |
| Income tax (benefit) expense, net | (1.1) | (0.7) | 1.3 | 0.8 | 2.3 |
| Restructuring expenses (i) | 0.5 | - | - | 20.9 | 20.9 |
| Depreciation and amortization (ii) | 111.5 | 108.8 | 106.2 | 103.1 | 98.3 |
| Amortization of capitalized contract costs | 417.1 | 426.8 | 437.2 | 448.4 | 458.8 |
| Non-capitalized contract costs (iii) | 260.2 | 273.2 | 273.9 | 277.6 | 259.3 |
| Stock-based compensation (iv) | 3.5 | 3.9 | 3.8 | 20.0 | 65.9 |
| Other adjustments (v) | 54.5 | 52.8 | 53.1 | 65.0 | 62.9 |
| Adjustment for change in accounting principle (Topic 606) (vi) | (94.5) | (84.1) | (88.8) | (89.6) | (86.1) |
| **Covenant Adjusted EBITDA** | $ 582.6 | $ 612.7 | $ 643.2 | $ 683.5 | $ 728.7 |

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 non-cash compensation costs related to employee and director stock incentive plans.
v. Other Adjustments includes certain items such as product development costs, subcontracted monitoring fee savings, certain legal and professional fees, expenses associated with retention bonuses, relocation and severance payments other than those paid as part of restructuring plans, and certain other adjustments.
vi. 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 Revenue (MR) -** is the average monthly total revenue recognized during a given period.

**Average Monthly Revenue per User (AMRU) -** is the average monthly total revenue recognized during a given period.

**Total Monthly Service Revenue (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 (AMSRU) -** is Total MSR divided by Total Subscribers at the end of a given period.

**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 Vivint 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, Vivint does not consider this as a cancellation. If a subscriber transfers their service contract to a new subscriber, Vivint does not consider this a cancellation.

**Average Subscriber Lifetime** - in number of months, is 100% divided by Vivint's expected long-term annualized attrition rate (which is currently estimated at 13%) multiplied by 12 months.

**Net Service Costs** - 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 for the period.

**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 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** - is the net cash cost to create new Smart Home and security subscribers during 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.

**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 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.

**Total Monthly Service Revenue for New Subscribers** - is the contracted recurring monthly service billings to Vivint's New Subscribers during the prior 12-month period.