Vivint Smart Home, Inc.

Fourth Quarter and Full Year 2019 Results

March 5, 2020

vivint.SmartHome®

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. (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, in addition to those discussed in “Risk Factors” in our proxy statement / consent solicitation statement / prospectus dated December 26, 2019 and other reports filed with the Securities Exchange Commission (“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) risks related to 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, product liability claims and/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) increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; (6) cost increases or shortages in smart home and security technology products or components; (7) the introduction of unsuccessful new products and services; (8) privacy and data protection laws, privacy or data breaches, or the loss of data; (9) 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 the retail sales channels; and (10) 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. 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 proxy statement / consent solicitation statement / prospectus dated December 26, 2019, 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.

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, non-cash compensation, MDR 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.

"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 agreements 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 historical periods, 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 as a substitute for, or superior to, financial measures presented in accordance with GAAP.

participants

Todd Pedersen
Chief Executive Officer

Scott R. Hardy
Chief Operating Officer

Dale R. Gerard
Chief Financial Officer

completed successful merger with Mosaic Acquisition Corp.

- Vivint Smart Home now publicly traded on NYSE (VVNT) following completion of merger with Mosaic Acquisition Corp. on January 17, 2020
- Merger creates leading public smart home company, raising profile in the marketplace and providing strong platform for growth
- $488 million of new capital raised during merger, including recommitment from pre-existing investors; helps key objective of company to deleverage business
- Refinancing in February further helped this cause, increased borrowing capacity and lowered interest costs; target leverage ratio is <3x Covenant Adjusted EBITDA

announced several key management changes

- Alex Dunn stepping down following 14 years as President; will remain advisor to Vivint through March 2021 to ensure seamless transition
- Scott Hardy, Vivint’s long-time Chief Operating Officer, will assume many of Dunn’s responsibilities
- Dale Gerard named Chief Financial Officer following successful stint as interim CFO
- Todd Santiago appointed Chief Revenue Officer; senior sales leader at Vivint since 2012
- JT Hwang appointed Chief Technology Officer; chief architect of Vivint’s cloud infrastructure among many engineering accomplishments at the company

key operational / financial performance highlights

Key Highlights for the Quarter

- Total Revenue of $307.8 million, up 11.3% YoY
- Adjusted EBITDA grew 40.6% YoY to $125.1 million, representing ~41% margin
- Originated ~46K New Subscribers in Q4; favorable mix shift away from RICs (down 38% YoY)
- Net Loss of $88.5 million, a $31.2 million improvement YoY
- Net Service Cost per Subscriber decreased to $13.51 for the period, a three-year low

Key Highlights for the Year

- Total Revenue of $1.2 billion, up 10.1% YoY
- Adjusted EBITDA grew 51.5% YoY to $421.4 million, representing ~36% margin
- 7.5% YoY growth in Total Subscribers to 1.55 million at December 31
- Favorable mix in subscribers away from RICs continues (~10% of US mix at 12/31/19)
- Net Subscriber Acquisition Costs per New Subscriber down 14.4% YoY; demonstrates effectiveness of Vivint Flex Pay

Vivint Smart Home at a glace... in the next hour...

84M

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

98K

live video views from apps and panels, plus another 83K views of recorded video[1]

36K

views of home activity history from mobile apps[1]

31K

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

33K

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

101K

home state changes to *Away* decided by Vivint Assist, plus over 1K automated state changes to *Vacation*[2]

DATA ▶ KNOWLEDGE ▶ ACTION = vivint.SmartHome™

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1. Based on the average rate between 6am and 10pm Mountain Time for the 2-week period ending August 30, 2019
2. Based on the average rate between 6am and 6pm Mountain Time for the 2-week period ending August 30, 2019

a standalone device strategy is different than a winning smart home strategy

Standalone Device

- Multiple apps
- DIY install
- One-time purchase with little or no subscription
- Hardware margin business model
- Difficult path to smart home

Smart Home

- Many devices required to create a smart home
- Seamless and intuitive experience in a single app
- Hassle-free DIFM installation and maintenance
- Long-term relationship with subscriber
- High-margin subscription business model
- AI-driven automation and assistance

focused on driving profitability

We are driving better unit economics in 3 primary ways

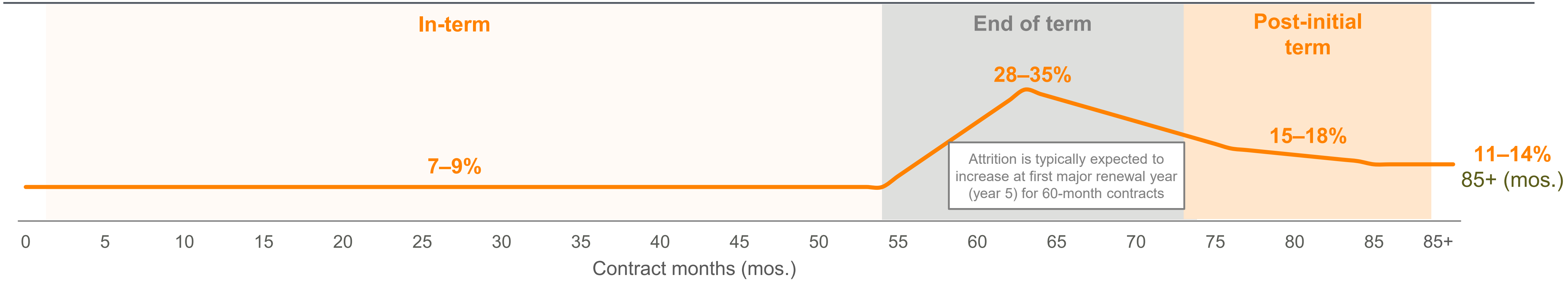
- Reducing Net Subscriber Acquisition Costs per New Subscriber (Net SAC) via Vivint Flex Pay financing program
- Lowering Net Service Cost per Subscriber, demonstrating the power of Vivint's integrated technology platform
- Further scaling overall G&A expenses

Improved unit economics driving better financial results without sacrificing customer satisfaction

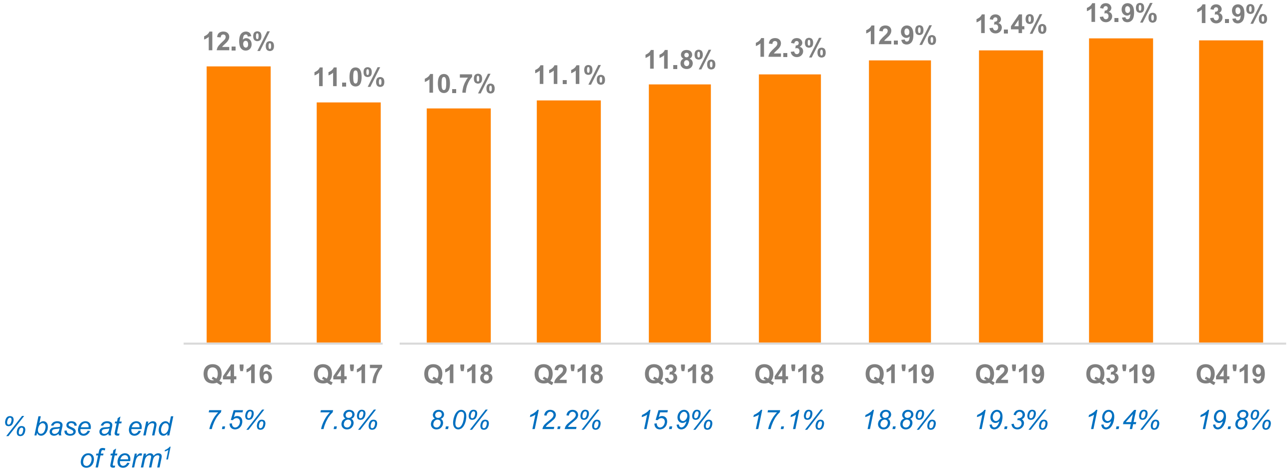
- 50% reduction in Net SAC since implementation of Flex Pay (over $1K per new subscriber)
- 16% reduction in Net Service Cost per Subscriber since FY 2017, ended 2019 at multi-year low
- G&A as % of revenue has come down by 350 basis points year over year
- Service metrics and customer satisfaction have improved while costs have come down

quarterly attrition may vary given cohort dynamics; average subscriber life of 8 years remains constant

Illustrative cohort attrition



LTM attrition rate



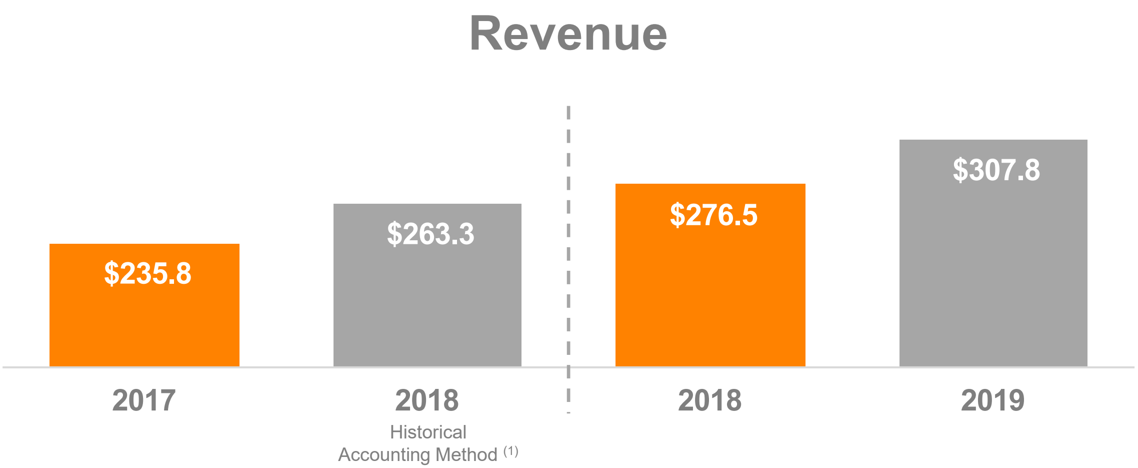
- Contract term length changed to 60 months in 2013 and the mix of 60-month contracts has increased significantly with the introduction of Vivint Flex Pay
- Increase of attrition rates since mid-2018 due to multiple cohorts simultaneously reaching end of term; elevated attrition to continue through 2020 and then return to more normalized levels

1) Percent of base coming to end of initial term in the trailing year period

revenue

Quarters ended December 31,

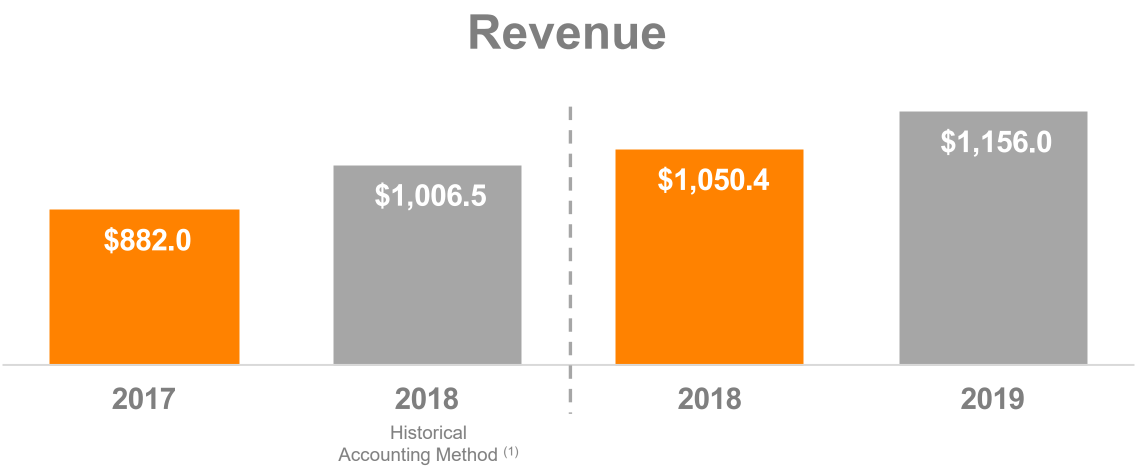
($ in Millions)



Growth: *11.7%* *17.3%* *11.3%*

Years ended December 31,

($ in Millions)



Growth: *14.1%* *19.1%* *10.1%*

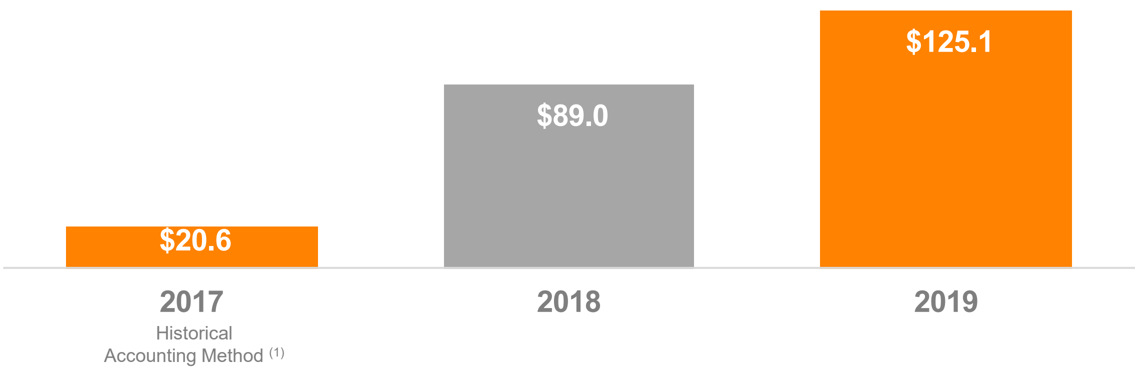
1) Historical Accounting Method removes the impact of the adoption of Financial Accounting Standards Board Accounting Standard Codification Topic 606, Revenue From Contracts with Customers ("Topic 606") and is comparable 2017 periods

adjusted EBITDA[1] and covenant adjusted EBITDA

Quarters ended December 31,

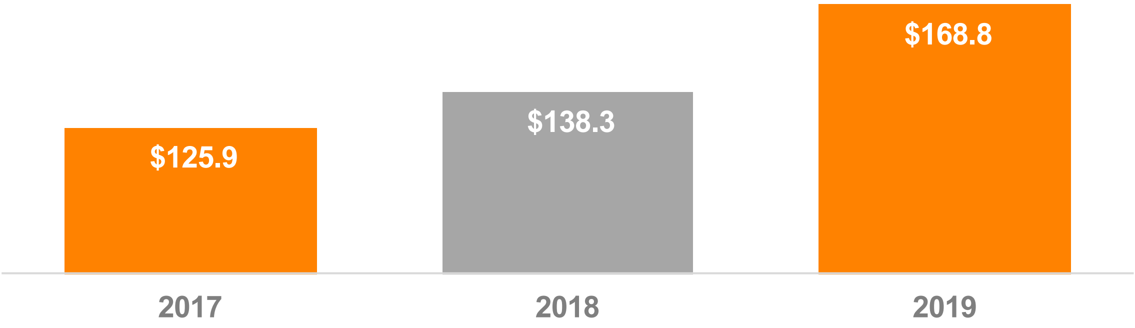
($ in Millions)

Adjusted EBITDA



Growth: *n/a* *40.6%*

Covenant Adjusted EBITDA

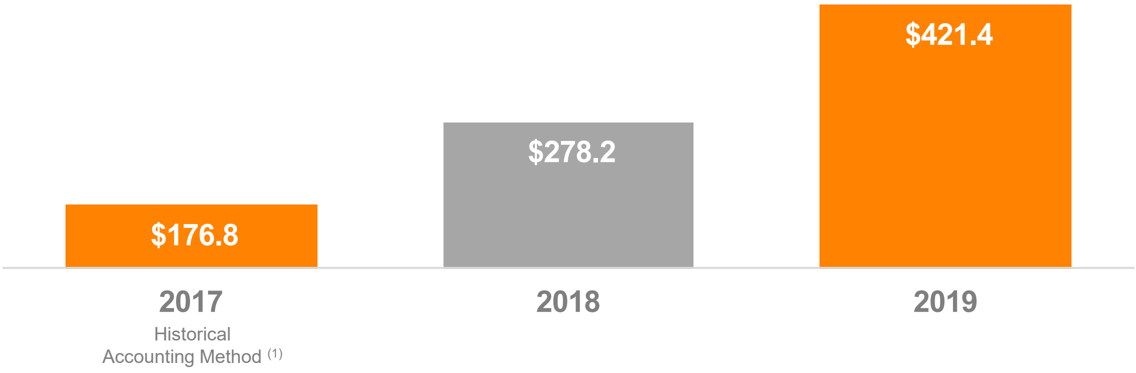


Growth: *9.8%* *22.1%*

Years ended December 31,

($ in Millions)

Adjusted EBITDA



Growth: *n/a* *51.5%*

Covenant Adjusted EBITDA

Growth: *9.7%* *19.6%*

1) Historical Accounting Method removes the impact of the adoption of Financial Accounting Standards Board Accounting Standard Codification Topic 606, Revenue From Contracts with Customers (“Topic 606”) and is comparable 2017 periods

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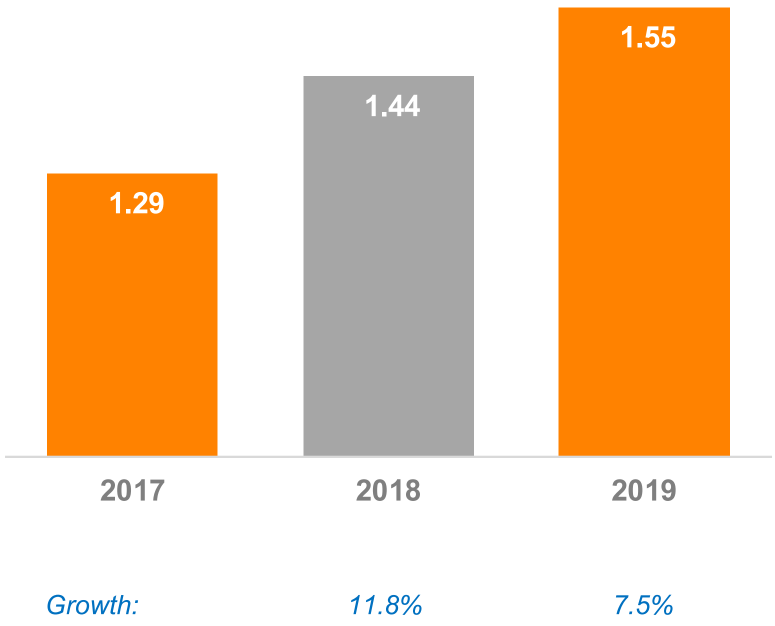
smart home subscriber portfolio data(1)

As of and for the quarter ended December 31,

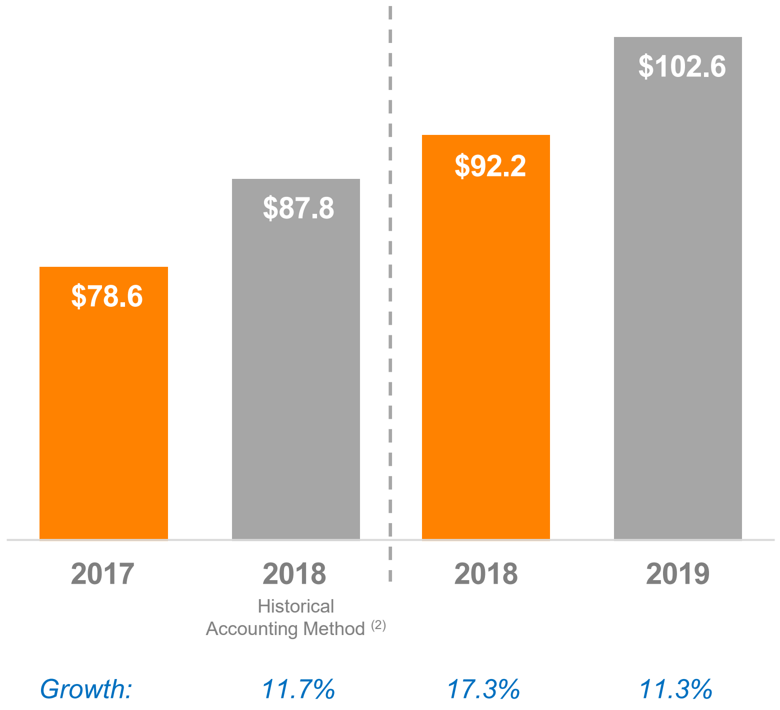
Total Subscribers

(in Millions)



Total Monthly Revenue

($ in Millions)



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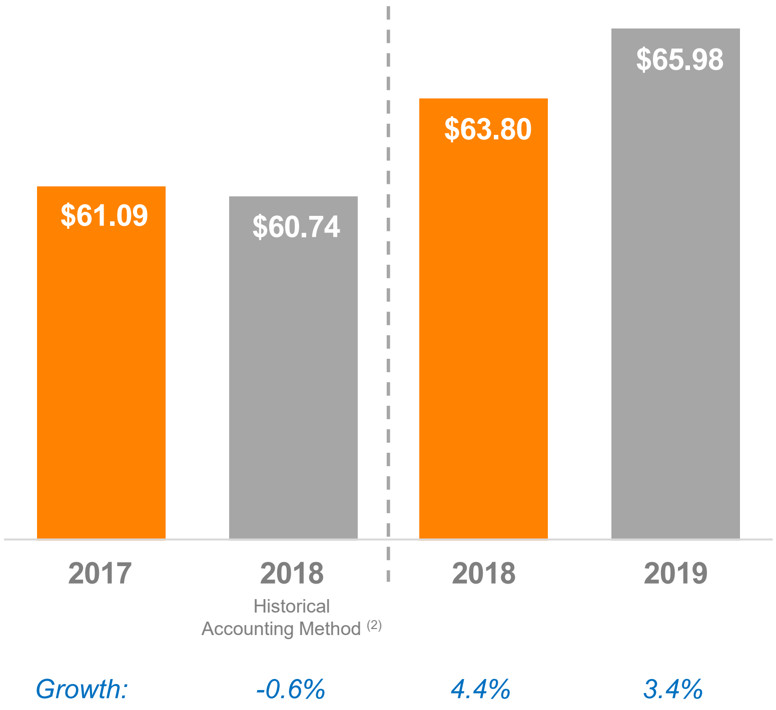

1) All periods exclude wireless internet business and pilot sales channel initiatives
2) Historical Accounting Method removes the impact of the adoption of Topic 606 and is comparable to 4Q17

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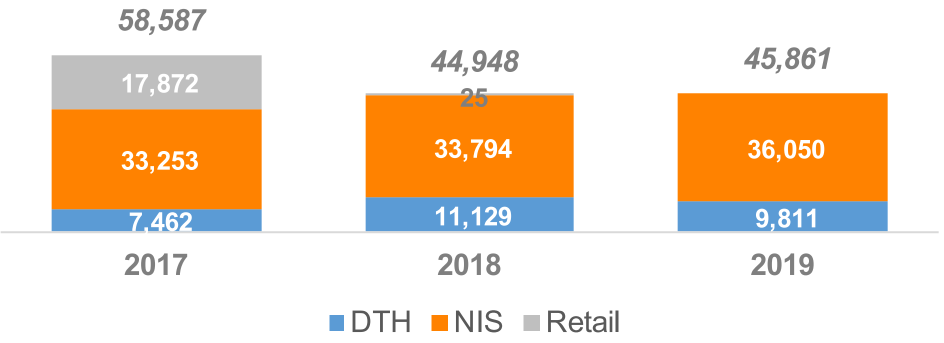
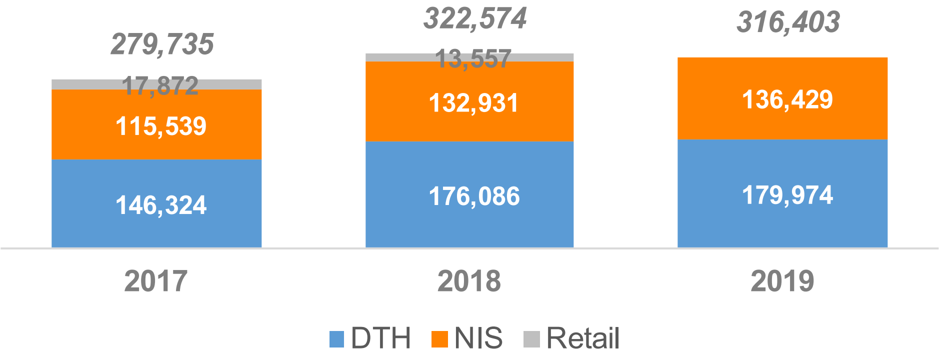
new smart home subscribers(1)

New Smart Home Subscribers

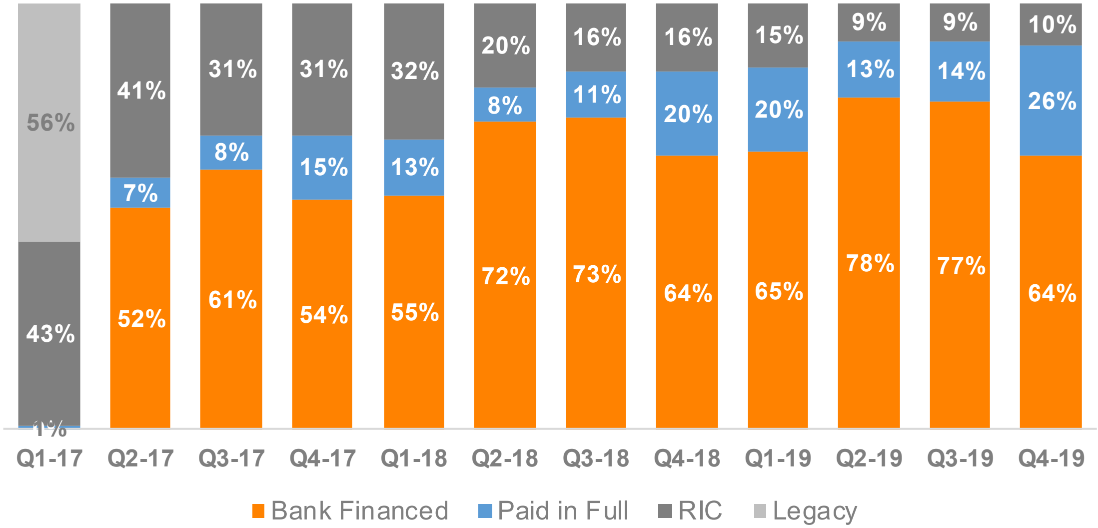
Quarters ended December 31,



Years ended December 31,



Vivint Flex Pay Mix(2) (US Only)



- 90% of new subscribers financed or PIF in 4Q19
- RICs decreased by ~38% YOY
- Added second-look consumer financing partner in 2019

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

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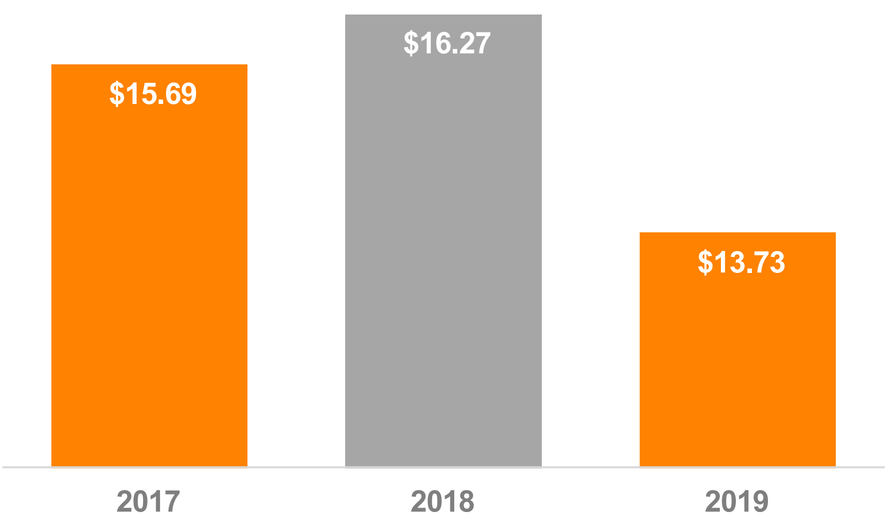
service and subscriber acquisition costs[1]

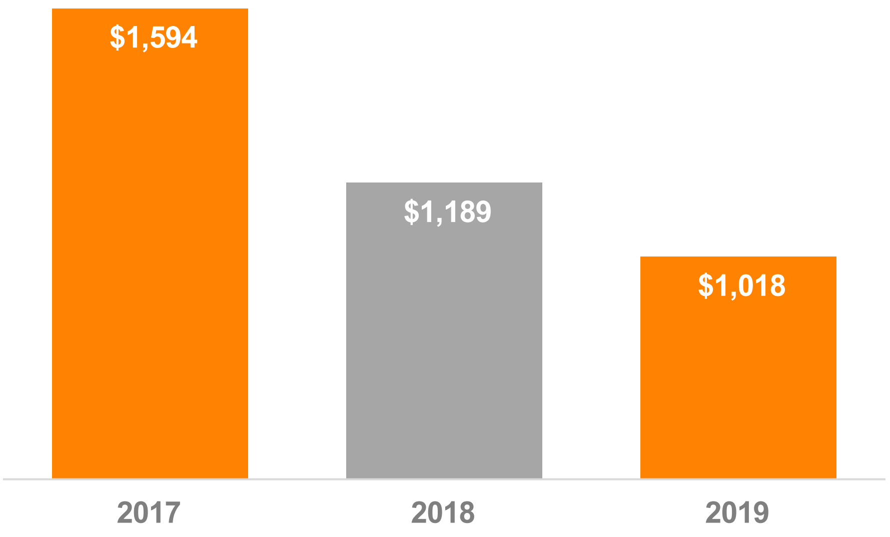
Net Service Cost per Subscriber and Net Service Margin
Years ended December 31,



Net Service Margin: *72.1%* *69.2%* *73.8%*

- Steady improvement in net service costs… ~16% improvement year-over-year
- Net Service Cost per Subscriber at multi-year low

Net Subscriber Acquisition Costs per New Subscriber
Years ended December 31,

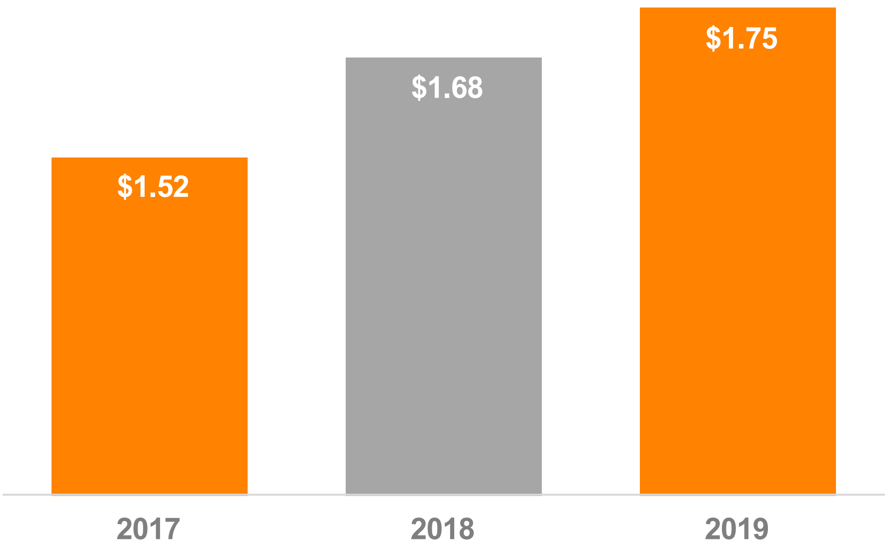


- $1,115 average proceeds collected at point of sale in FY 2019
- Net SAC decreased ~14% YOY
- Vivint Flex Pay driving 36% reduction vs. 2017

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

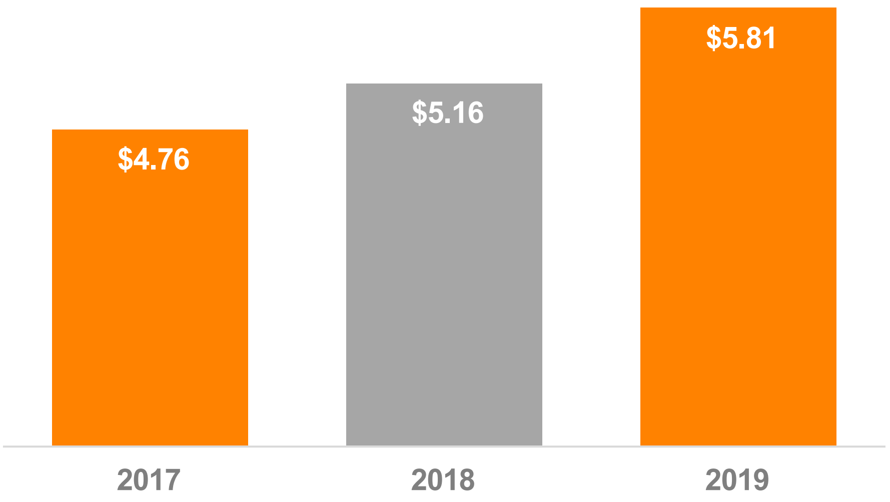
total bookings and total backlog

Total Bookings
Years ended December 31,



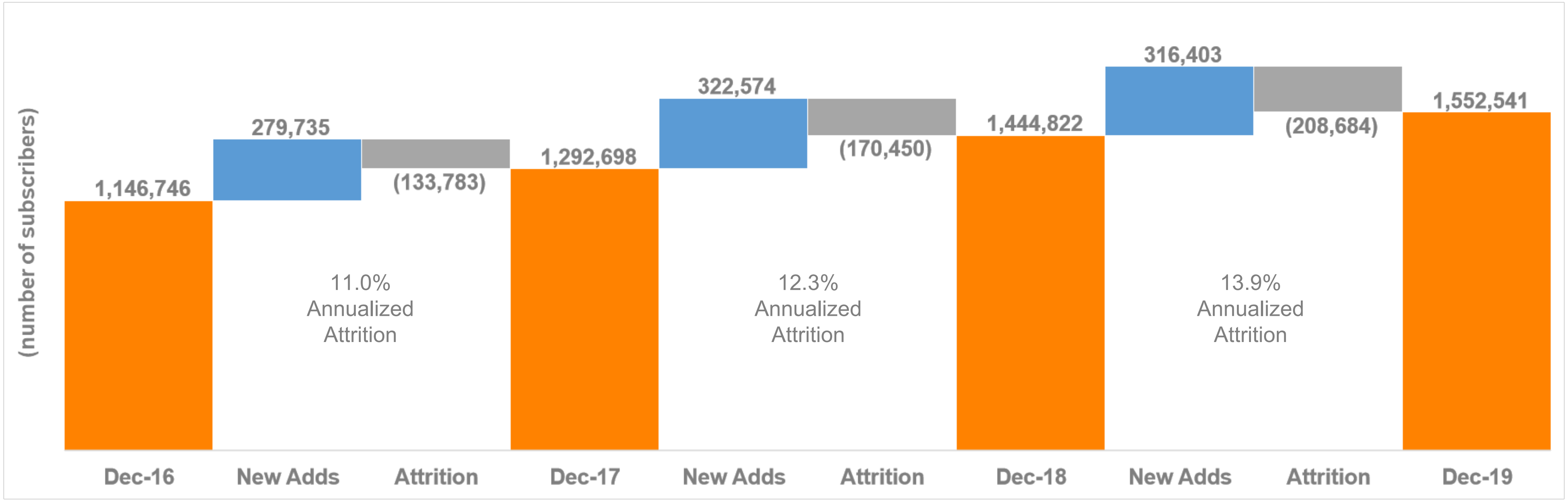
- Total Monthly Service Revenue for New Subscribers x Average Subscriber Lifetime + Product Revenue
- Vivint creates significant cohort value each year

Total Backlog
As of quarter ended December 31,



- Unrecognized Product Revenue + Total Service Revenue expected to be recognized over the remaining Subscriber Lifetime
- The Vivint subscription model yields predictable economic results

attrition rate[1]



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

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financial outlook for 2020

Fundamental Characteristics of the Vivint Smart Home Financial Model

- >95% of revenue is recurring; provides long-term visibility and predictability
- Majority of new subscribers who finance their smart home system agree to 5-year contracts
- Average subscriber life is ~8 years, driving significant lifetime margin dollars

Year-end 2020 Guidance

- Total subscribers of 1.62 to 1.66 million
- Total revenue of $1.25 to $1.29 billion
- Adjusted EBITDA of $525 to $535 million

Q&A

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Vivint Smart Home, Inc.

Consolidated Financial Statements

For Quarters and Years Ended
December 31, 2019 and 2018

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condensed consolidated balance sheets

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

	December 31, 2019			December 31, 2018		
	Vivint Smart Home, Inc. and Subsidiaries	Adjustments (1)	APX Group Holdings, Inc.	Vivint Smart Home, Inc. and Subsidiaries	Adjustments (1)	APX Group Holdings, Inc.
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 4,549	$ —	$ 4,549	$ 12,773	$ —	$ 12,773
Accounts and notes receivable, net	64,216	—	64,216	48,724	—	48,724
Inventories	64,622	—	64,622	50,552	—	50,552
Prepaid expenses and other current assets	18,063	(6,170)	11,893	11,449	—	11,449
Total current assets	151,450	(6,170)	145,280	123,498	—	123,498
Property, plant and equipment, net	61,088	—	61,088	73,401	—	73,401
Capitalized contract costs, net	1,215,249	—	1,215,249	1,115,775	—	1,115,775
Deferred financing costs, net	1,123	—	1,123	2,058	—	2,058
Intangible assets, net	177,811	—	177,811	255,085	—	255,085
Goodwill	836,540	—	836,540	834,855	—	834,855
Operating lease right-of-use assets	65,320	—	65,320	—	—	—
Long-term notes receivables and other assets, net	95,827	—	95,827	119,819	—	119,819
Total assets	**$ 2,604,408**	**$ (6,170)**	**$ 2,598,238**	**$ 2,524,491**	**$ —**	**$ 2,524,491**
LIABILITIES AND STOCKHOLDERS' DEFICIT						
Current Liabilities:						
Accounts payable	$ 86,554	$ (4,206)	$ 82,348	$ 67,086	$ (440)	$ 66,646
Accrued payroll and commissions	72,642	—	72,642	65,479	—	65,479
Accrued expenses and other current liabilities	147,489	—	147,489	136,715	—	136,715
Deferred revenue	234,612	—	234,612	186,953	—	186,953
Current portion of notes payable, net	453,320	—	453,320	—	—	—
Current portion of operating lease liabilities	11,640	—	11,640	—	—	—
Current portion of finance lease liabilities	7,708	—	7,708	7,743	—	7,743
Total current liabilities	1,013,965	(4,206)	1,009,759	463,976	(440)	463,536
Notes payable, net	2,471,659	—	2,471,659	2,961,947	—	2,961,947
Notes payable, net - related party	103,634	—	103,634	75,148	—	75,148
Revolving line of credit	245,000	—	245,000	—	—	—
Finance lease liabilities, net of current portion	5,474	—	5,474	5,571	—	5,571
Deferred revenue, net of current portion	405,786	—	405,786	323,585	—	323,585
Operating lease liabilities	63,477	—	63,477	—	—	—
Other long-term obligations	80,540	—	80,540	90,209	—	90,209
Deferred income tax liabilities	2,231	—	2,231	1,096	—	1,096
Total liabilities	4,391,766	(4,206)	4,387,560	3,921,532	(440)	3,921,092
Total stockholders' deficit	(1,787,358)	(1,964)	(1,789,322)	(1,397,041)	440	(1,396,601)
Total liabilities and stockholders' deficit	**$ 2,604,408**	**$ (6,170)**	**$ 2,598,238**	**$ 2,524,491**	**$ —**	**$ 2,524,491**

(1) Adjustments reflect offering costs incurred at Vivint Smart Home, Inc. that are not included at APX Group Holdings, Inc.

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consolidated statements of operations

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

	Three Months Ended December 31,		Years Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Recurring and other revenue	$ 307,835	$ 276,542	$ 1,155,981	$ 1,050,441
Costs and expenses:				
Operating expenses	94,437	90,029	369,285	355,813
Selling expenses	43,494	46,514	193,359	213,386
General and administrative expenses	50,597	54,912	192,182	209,257
Depreciation and amortization	140,179	132,315	543,440	514,082
Restructuring expenses	—	—	—	4,683
Total costs and expenses	328,707	323,770	1,298,266	1,297,221
Loss from operations	(20,872)	(47,228)	(142,285)	(246,780)
Other expenses (income):				
Interest expense	65,216	64,216	260,014	245,214
Interest income	—	(394)	(23)	(425)
Other loss (income), net	461	8,676	(7,665)	(17,323)
Total other expenses	65,677	72,498	252,326	227,466
Loss before income taxes	(86,549)	(119,726)	(394,611)	(474,246)
Income tax (benefit) expense	1,917	(49)	1,313	(1,611)
Net loss	$ (88,466)	$ (119,677)	$ (395,924)	$ (472,635)

Reconciliation from Vivint Smart Home, Inc. and Subsidiaries to APX Group Holdings, Inc. and Subsidiaries
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2019	2018	2019	2018
Net loss Vivint Smart Home, Inc.	$ (88,466)	$ (119,677)	$ (395,924)	$ (472,635)
Reconciliation:				
General and administrative expenses (1)	$ 54	$ 1,091	$ 168	$ 4,721
Net loss APX Group Holdings, Inc.	$ (88,412)	$ (118,586)	$ (395,756)	$ (467,914)

summary of consolidated statements of cash flows

Vivint Smart Home, Inc. and Subsidiaries[1]
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Years Ended December 31,	
	2019	2018	2019	2018
Net cash used in operating activities	$ (98,842)	$ (90,476)	$ (221,592)	$ (220,499)
Net cash (used in) provided by investing activities	(3,147)	(4,533)	(5,612)	32,922
Net cash provided by (used in) financing activities	103,616	(5,257)	218,914	196,407
Effect of exchange rate changes on cash	44	73	66	71
Net increase (decrease) in cash and cash equivalents	1,671	(100,193)	(8,224)	8,901
Cash and cash equivalents:				
Beginning of period	2,878	112,966	12,773	3,872
End of period	$ 4,549	$ 12,773	$ 4,549	$ 12,773

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(1) The amounts for APX Groups Holdings, Inc. are the same as those presented for Vivint Smart Home, Inc.

Vivint Smart Home, Inc.

Annex A

reconciliation of non-GAAP financial measures – Vivint Smart Home, Inc.

($ in Millions)

	Three Months Ended						Years Ended December 31		
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2017	2019	2018	2017
Net loss	$ (88.5)	$ (102.4)	$ (115.9)	$ (89.2)	$ (119.7)	$ (135.4)	$ (395.9)	$ (472.6)	$ (410.2)
Interest expense	65.2	65.2	65.8	63.7	64.2	59.1	260.0	245.2	225.8
Income tax expense (benefit), net	1.9	0.2	(0.6)	(0.3)	—	(1.2)	1.3	(1.6)	1.1
Depreciation	6.2	6.3	7.1	5.9	6.4	5.2	25.7	25.0	21.8
Amortization	134.0	131.2	127.4	125.3	125.9	82.6	517.7	489.0	307.5
Non-cash compensation (i)	0.8	1.3	0.9	0.8	0.9	0.3	3.8	2.2	1.4
MDR fee (ii)	5.0	4.6	3.8	3.4	3.0	0.8	16.5	8.7	1.5
Other expense (gain), net (iii)	0.5	(5.7)	(0.2)	(2.3)	8.3	9.2	(7.7)	(17.7)	27.9
Adjusted EBITDA	$ 125.1	$ 100.7	$ 88.3	$ 107.3	$ 89.0	$ 20.6	$ 421.4	$ 278.2	$ 176.8

(i) 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.

(ii) Costs related to financing fees paid under the Vivint Flex Pay program.

(iii) Amounts for the twelve months ended December 31, 2018 include adjustment to eliminate $50.4 million gain on the sale of spectrum intangible assets during the year.

reconciliation of non-GAAP financial measures – APX Group, Inc.

($ in Millions)

	LTM Period Ended					
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	December 31, 2017
Net loss	$ (395.8)	$ (426.0)	$ (443.9)	$ (472.4)	$ (467.9)	$ (410.2)
Interest expense, net	259.9	258.5	255.2	249.7	244.8	225.6
Other (income) loss expense, net	(7.6)	0.6	20.8	25.7	33.0	27.9
Gain on sale of spectrum (i)	—	—	—	—	(50.4)	—
Income tax expense (benefit), net	1.3	(0.7)	(1.1)	(1.4)	(1.5)	1.1
Restructuring expenses (ii)	—	—	0.5	4.6	4.6	—
Depreciation and amortization (iii)	106.2	108.8	111.5	113.1	115.8	123.1
Amortization of capitalized contract costs	437.2	426.8	417.1	407.8	398.2	206.2
Non-capitalized contract costs (iv)	273.9	273.2	260.2	263.4	276.6	255.5
Non-cash compensation (v)	3.8	3.9	3.5	2.9	2.3	1.4
Other Adjustments (vi)	53.1	51.7	53.3	58.9	59.4	59.7
Adjustment for change in accounting principle (Topic 606) (vii)	(88.8)	(84.1)	(94.5)	(87.8)	(77.2)	—
Covenant Adjusted EBITDA	$ 643.2	$ 612.7	$ 582.6	$ 564.5	$ 537.7	$ 490.3

(i) Gain on sale of spectrum intangible assets during the year ended December 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, certain legal and professional fees, expenses associated with retention bonuses, relocation and severance payments, and certain 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 - is the aggregate number of active Smart Home and security subscribers at the end of a given period.

Total Monthly Service Revenue – 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.

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 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 service RPU 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 Bookings - is total monthly service revenue for New Subscribers multiplied by Average Subscriber Lifetime, plus total Product revenue to be recognized over the contract term from New Subscribers.

Total Monthly Service Revenue for New Subscribers - is the contracted recurring monthly service billings to Vivint's New Subscribers during a given period.

Total Backlog - is total unrecognized Product revenue plus total service revenue expected to be recognized over the remaining subscriber lifetime for Total Subscribers.