# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): September 30, 2015**

# APX GROUP HOLDINGS, INC.
**(Exact Name of Registrant as Specified in Charter)**

| Delaware | 333-191132-02 | 46-1304852 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

**4931 North 300 West**
**Provo, Utah 84604**
**(Address of Principal Executive Offices) (Zip Code)**

**(801) 377-9111**
**(Registrant's telephone number, including area code)**

**Not Applicable**
**(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

As previously announced, on September 30, 2015, APX Group Holdings, Inc. (the "Company" or "Vivint") intends to present information about the Company at the Deutsche Bank 23rd Annual Leveraged Finance Conference being held at The Phoenician in Scottsdale, Arizona. Vivint will present at approximately 1:35 p.m. Pacific time. The presentation will include, among other things, certain preliminary unaudited financial results for the Company's quarter ending September 30, 2015. For the quarter ending September 30, 2015, the Company's net loss is estimated to be between $91 million and $94 million, and Adjusted EBITDA is estimated to be between $100 million and $103 million. The Company's written presentation materials, which contain a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP, are attached hereto as Exhibit 99.1 and are posted on the Company's investor relations website at investors.vivint.com . The presentation materials contain statements intended as "forward-looking statements," all of which are subject to the cautionary statement about forward-looking statements set forth herein and therein.

The selected preliminary financial data in this Current Report on Form 8-K, including the presentation materials furnished as Exhibit 99.1 to this report has been prepared by, and is the responsibility of, the management of the Company. The information and estimates have not been compiled or examined by the Company's independent auditors and are subject to revision as the Company prepares its financial statements as of and for the quarter ending September 30, 2015. Because the Company has not completed its normal quarterly closing, review and procedures for the quarter ending September 30, 2015, and subsequent events may occur that require adjustments to these results, there can be no assurance that the final results for the quarter ending September 30, 2015 will not differ materially from these estimates. These estimates should not be viewed as a substitute for financial statements prepared in accordance with U.S. GAAP or as a measure of performance. In addition, these estimated results for the quarter ending September 30, 2015 are not necessarily indicative of the results to be achieved for any future period.

The information being furnished pursuant to this Current Report on Form 8-K shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

In addition, this Current Report on Form 8-K, including the presentation slides furnished as Exhibit 99.1 to this report include forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995 regarding, among other things, statements with respect to certain preliminary unaudited financial results for the Company's quarter ending September 30, 2015, which are subject to finalization and contingencies associated with the Company's quarterly financial and accounting procedures. These statements are based on the beliefs and assumptions of management. Although the Company believes that its plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, the Company cannot assure you that it 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 the Company's 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, among others, could affect the Company's future results and could cause those results or other outcomes to differ materially from those expressed or implied in the Company's forward-looking statements:

- risks of the security and smart home automation industry, including risks of and publicity surrounding the sales, subscriber origination and retention process;

- the highly competitive nature of the security and home automation industry and product introductions and promotional activity by the Company's competitors;
- litigation, complaints or adverse publicity;
- the impact of changes in consumer spending patterns, consumer preferences, local, regional, and national economic conditions, crime, weather, demographic trends and employee availability;
- adverse publicity and product liability claims;
- increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; and
- 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 the Company's 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 Current Report on Form 8-K, including the presentation slides furnished as Exhibit 99.1 to this report are more fully described in the "Risk Factors" section of the Company's annual report on form 10-K and subsequent amendment on form 10-K/A for the year ended December 31, 2014, filed with the Securities Exchange Commission (SEC), as such factors may be updated from time to time in the Company's periodic filings with the SEC, which are available on the SEC's website at www.sec.gov . The risks described in "Risk Factors" are not exhaustive. 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 the Company's 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 the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. The Company undertakes no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**Item 9.01 Financial Statements and Exhibits.**

| Exhibit No. | Description |
|---|---|
| 99.1 | APX Group Holdings, Inc. Presentation Materials dated September 30, 2015 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APX GROUP HOLDINGS, INC.
(Registrant)

By: /s/ Dale Gerard
Name: Dale Gerard
Title: Senior Vice President

Date: September 30, 2015

## EXHIBIT INDEX

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Exhibit 99.1

# APX Group Holdings, Inc.

## Deutsche Bank
## Leveraged Finance Conference

September 30, 2015

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# preliminary statement

This presentation includes 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 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, among others, 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 presentation are more fully described in the "Risk Factors" section of our annual report on Form 10-K and subsequent amendment on Form 10-K/A for the year ended December 31, 2014 as such factors may be updated from time to time in our subsequent 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.

The estimated third quarter 2015 results included in this presentation are preliminary, unaudited and subject to completion, reflect management's current views and may change as a result of management's review of results and other factors, including a wide variety of significant business, economic and competitive risks and uncertainties. Such preliminary results are subject to the closing of the third quarter of 2015 and finalization of accounting procedures (which have yet to be performed) and should not be viewed as a substitute for full quarterly financial statements prepared in accordance with GAAP. We caution you that the third quarter 2015 estimates are forward-looking statements and are not guarantees of future performance or outcomes and that actual results may differ materially from those described in this presentation.

This presentation includes Adjusted EBITDA and Operating Cash Flow, 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 Operating Cash Flow are not measurements of our financial performance under GAAP and should not be considered as an alternative to net income (loss) or any other measure derived in accordance with GAAP or as alternatives to cash flows from operating activities as a measure of our liquidity. We believe that Adjusted EBITDA and Operating Cash Flow provide useful information about flexibility under our covenants to investors, lenders, financial analysts and rating agencies since these groups have historically used EBITDA-related measures in our industry, along with other measures, to estimate the value of a company, to make informed investment decisions, and to evaluate a company's ability to meet its debt service requirements. Adjusted EBITDA eliminates the effect of non-cash depreciation of tangible assets and amortization of intangible assets, much of which results from acquisitions accounted for under the purchase method of accounting. Adjusted EBITDA also eliminates the effects of interest rates and changes in capitalization which management believes may not necessarily be indicative of a company's underlying operating performance. Adjusted EBITDA is also used by us to measure covenant compliance under the indenture governing our senior secured notes, the indenture governing our senior unsecured notes and the credit agreement governing our revolving credit facility. Operating Cash Flow measures available cash for growth by taking Adjusted EBITDA less maintenance capital expenditures. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA and Operating Cash Flow may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate Adjusted EBITDA and Operating Cash Flow in the same manner. See the Appendix of this presentation for a reconciliation of Adjusted EBITDA and Operating Cash Flow to net loss for the Company, which we believe is the most closely comparable financial measure calculated in accordance with GAAP. Adjusted EBITDA and Operating Cash Flow should be considered in addition to and not as substitutes for, or superior to, financial measures presented in accordance with GAAP.

# executive management team

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

Todd Pedersen
Chief Executive Officer

Alex Dunn
President

Matt Eyring
Chief Strategy &
Innovation Officer

David Bywater
Chief Operating Officer

Todd Santiago
Chief Sales Officer

JT Hwang
Chief Information Officer

Jefferson Lyman
Chief Marketing Officer

# the vivint experience… a strategy 5 years in the making

*"Instead of piecemeal gadgets and apps, Vivint Sky streamlines home automation."*
*- DWELL Magazine*

*"The Vivint home system gives you unprecedented control of your entire house."*
*– TechRadar*

*"Think of it like Nest's smart thermostat feature, except on steroids. It's unlike anything out right now."*
*- Entrepreneur*

*"… it's more complete than anything offered by Google, Samsung, or ADT…"*
*–TechCrunch*

*"Like good technology, the experience is magical."*
*–TechCrunch*



Intelligent Security | Smart Locks | Learning Thermostat | HD Video w/ DVR | Lighting Control | Smart Alerts | Custom Rules | Fire / CO Protection


iOS, Android, & Web

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# Smart Home eco-system

## Security is a segment of the Smart Home market

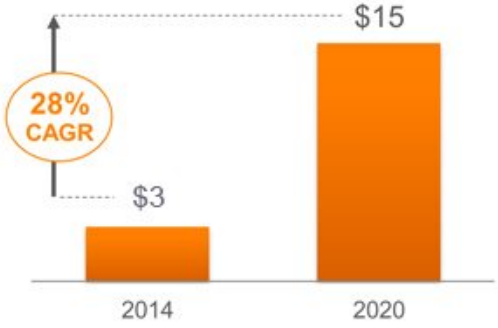
**Smart Home Categories**

- Security
- Energy
- Access
- Video
- Lighting
- Other

## The Smart Home space will be a $15 billion industry by 2020

**North America Smart Home industry size** (1)
*in billions of dollars*

Penetration rate ~1%... Huge Opportunity
- Higher RMR and Margin dollars
- Customer usage higher (retention)
- Integrated solution ("high switching cost")
- Non-commodity... opportunity to innovate




## Security is a gateway to Smart Home, but requires distinct capabilities

1) Compelling consumer use cases
2) In-Home consumer education
3) Affordable upfront pricing vs. multi-$K solution
4) Personalized customization and installation
5) System reliability and ongoing service/support
6) Interoperability of devices, use cases, apps
7) Integrated, learning, cloud platform

(1) Based on annual revenue; includes products (e.g., lighting, access, energy management, HVAC) and services. Estimates vary significantly and numbers above are a conservative.

Source: Analyst reports, Juniper Research, Statista, Market and Markets, ABI, NextMarket, SDM, team analysis

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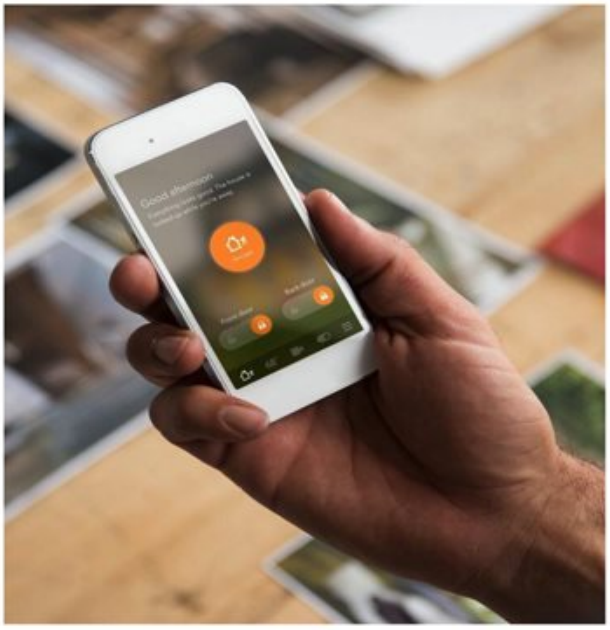
# vivint is the leading Smart Home company

- **Over 1 million customers… 95% Smart Home Capable**
- **225K+ new customers originated LTM**
- **~$700 million in annual recurring revenue**
- **Most comprehensive solution in the market** (platform, devices, sales, installation, service & monitoring)
- **North American footprint** (97% of the US zip codes)
- Investment by Blackstone in 2012 **~$2.0 billion valuation**



***"… it's more complete than anything offered by Google, Samsung or ADT … The system is inclusive and comprehensive, which makes it so special … Vivint is the closest a company has come to truly automating a home in a meaningful and harmonious way."***

***– TechCrunch***

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# the vivint platform: defining the Smart Home

## Sky Platform

- 350K+ subscribers
- 190+ million daily inbound data points
- 125+ million daily Smart Home analytics
- Expandable platform
- Cloud based

## Services

- Energy
- Access
- Video
- Security
- Cloud storage
- Many more coming

## New Hardware


Doorbell camera


Garage door control


Space Monkey


Outdoor camera

## Customization

- In-home solution design
- Customer Optionality ($5 add-ons)
- Professional install
- ~75-80% Smart Home adoption rate in LTM Q3'15

## Vivint vs. "the Others" … The only vertically-integrated Smart Home technology in the market today

- Vivint can introduce and ramp new products and services quickly and seamlessly, i.e. Doorbell Camera, Nest Thermostat, etc…
- DIY and retail: insignificant volumes, customer don't embrace self-install/maintenance
- Non-integrated models, fragmented solutions (security/MSOs) do not deliver: functionality, ease of use, uptime, serviceability, real-time system enhancements

## Vivint model … Advantaged route to market for Smart Home products and services

- Smart Thermostats: 300,000+ installed
- Doorbell Camera: 42% adoption YTD / ~50K installed
- Space Monkey: 50+ petabytes of cloud storage in service
- Record sales rep average and Smart Home adoption, Industry leading RMR
- Regular customer usage drives value and retention

*"Vivint is the closest a company has come to truly automating a home in a meaningful and harmonious way."*

TechCrunch

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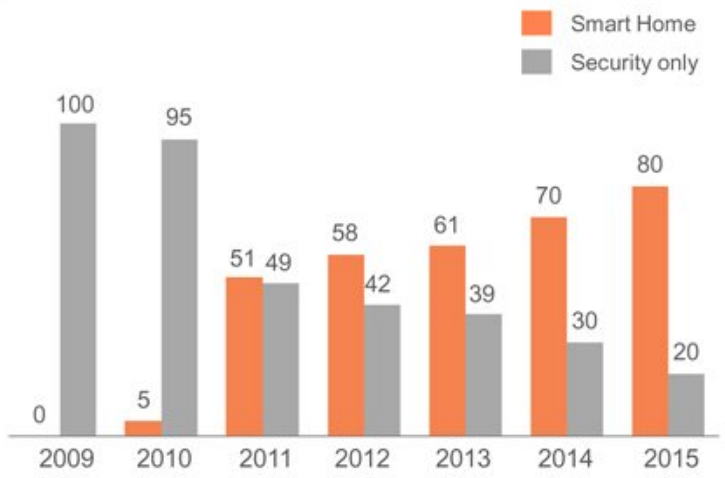
Note: Sky Platform and other subscriber and product adoption data estimated as of September 30, 2015

# vivint is leading the industry in Smart Home adoption

**More Vivint customers are choosing Smart Home packages…**

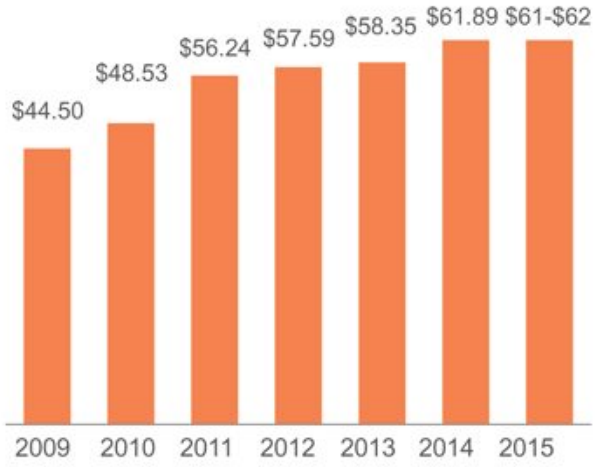
**Customers choosing Smart Home package vs. Security only offering**

Percent




**…which is driving Vivint's industry leading RMR**

**Average RMR per new subscriber**

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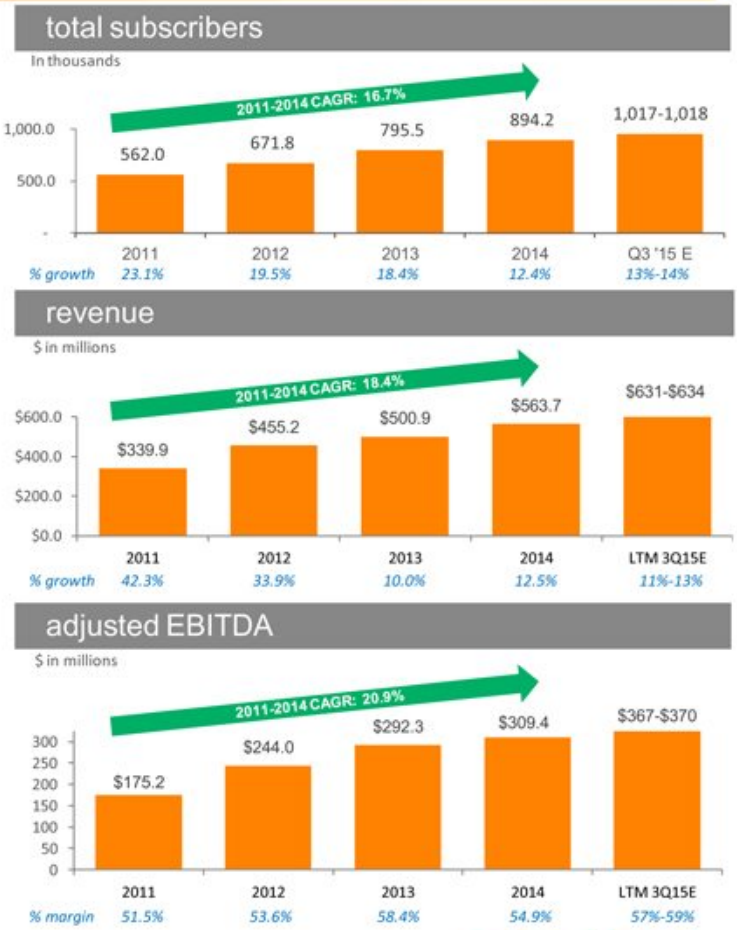
# platform overview

- Vivint is the largest and fastest-growing Smart Home service provider in North America
- Broad, Bundled Servicing Offering: fully integrated and remotely accessible Smart Home services platform that includes wireless Home Automation, Energy Management, Interactive Security, Wireless Internet and Data Cloud Storage
- Vivint's platform has been developed around building a highly effective sales force, delivering innovative technology and focusing on high-quality customer service
  - 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
- Highly predictable, contractual revenue
  - $56-$57 million RMR estimated as of September 30, 2015 ($672-$684 million annualized)




*Note: 2011 – 2013 financials shown on a consolidated basis for Vivint and 2GIG and subscriber data excludes Wireless internet business*
*(1) Pro forma for the November 2012 transaction.*
*(2) Adjusted EBITDA reflects combined amounts for the periods prior to and subsequent to the November 2012 transaction.*

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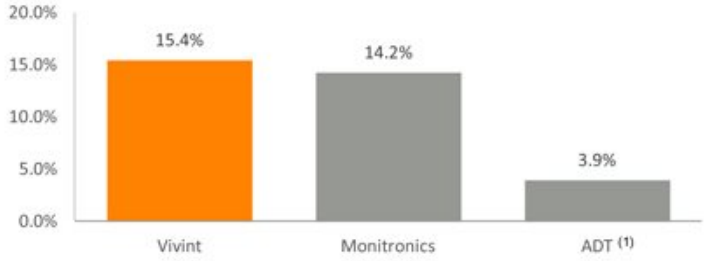
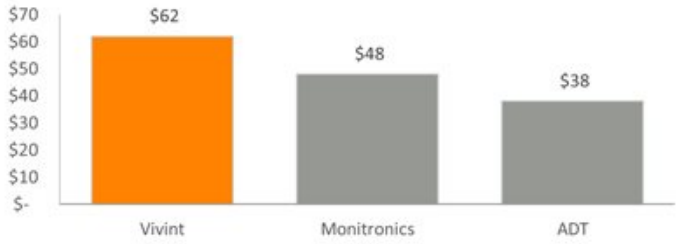
# leading industry player with best-in-class performance

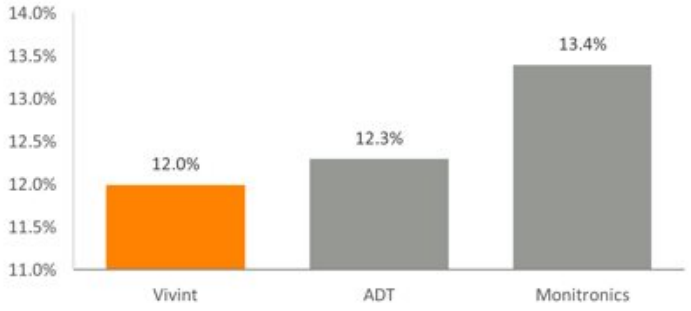
## subscriber growth '12-'14



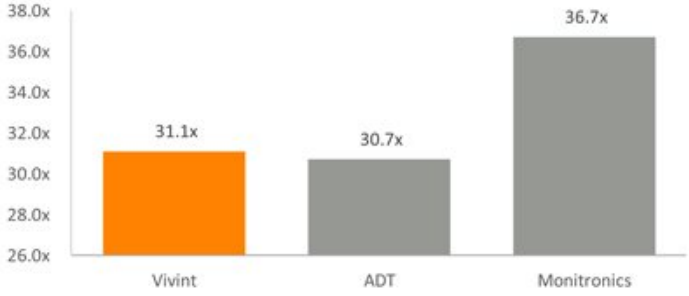

## average RMR per new subscriber (2)




## annual portfolio attrition (2)




## estimated net creation cost multiple (2)




*Note: Based on public filings and presentations.*
*(1). Based on subscribers at fiscal years ending September 28, 2012 and September 26, 2014.*
*(2) Reflect latest available company filings.*

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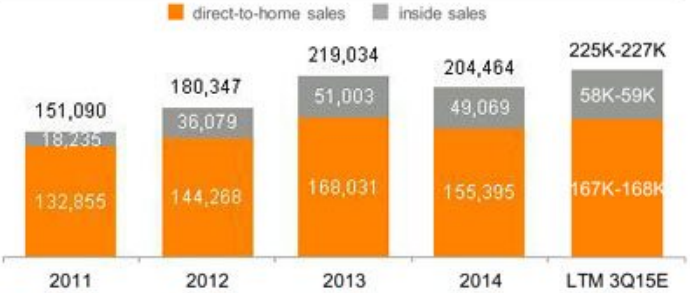
# unique and differentiated sales model

| | |
|---|---|
| **Flexibility** | Highly effective direct-to-home sales model and control over the sales and installation functions provide the ability to redirect the sales force's geographic or product focus<br>Hiring sales force on a seasonal basis avoids a large fixed cost base and permanent office infrastructure |
| **Scalability** | Primarily comprised of seasonal hires that generate on average ~85% of direct-to-home sales between April and August<br>• With ~150,000 college students in the Salt Lake metropolitan area, Vivint has a large pool from which to recruit |
| **Efficiency** | The efficiency of Vivint's sales model allows it to originate subscribers at a lower creation cost multiple than competitors, and its consultative approach limits price shopping<br>• Sales strategy increases density of subscribers, which reduces installation and ongoing field service costs |
| **Predictability** | Proven track record of selling new services to subscribers results in total RMR growing in a very predictable, step-function pattern over the April through August sales season |
| **Variable Cost** | The largest cost for Vivint is associated with the variable cost of acquiring a subscriber |

## direct-to-home sales (~74% of total LTM adds) (1)

- Personalized, custom, consultative in-home 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 | 2014 | LTM 3Q15E |
|---|---|---|---|---|---|
| % direct sales: | 87.9% | 80.0% | 76.7% | 76.0% | ~74% |
| % inside sales: | 12.1% | 20.0% | 23.3% | 24.0% | ~26% |

(1) Estimated as of September 30, 2015
NOTE: Subscriber data does not include wireless Internet business

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# attractive and scalable 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 ~$1,860 / subscriber or ~30x RMR
  - ~$15 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 approximately 23%
- Vivint organically generates subscribers at the equivalent of ~3.5x Adjusted EBITDA

## illustrative annual returns analysis (1)


(1) Assumes attrition curve of a typical 60-month contract

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# robust cash flow characteristics

- **Contractually committed recurring revenues –** Estimated at $672-$684 million as of September 30, 2015
- **Direct-to-home sales model with highly variable cost structure –** allows Vivint to scale its sales effort for free cash flow if needed
- **Maintenance capital expenditures –** 1%-3% of revenues historically (~$5-$15 million per year)
- **Low attrition –** results in lower costs to replace RMR
- **Not expected to be a taxpayer in the near term –** Vivint has approximately $1.355 billion of U.S. NOLs [2]
- **High gross margins –** ~64% for estimated for LTM September 30, 2015

## operating cash flow

($'s in millions)

| | 2011 | 2012 | 2013 | 2014 [1] | LTM Q3 '15 E [1] |
|---|---|---|---|---|---|
| **Adjusted EBITDA** | **$ 175.2** | **$ 244.0** | **$ 292.3** | **$ 309.4** | **$367-$370** |
| Less Maintenance Capex | 6.5 | 7.4 | 9.0 | 17.0 | 20.0 |
| **Operating Cash Flow** | **168.7** | **236.6** | **283.3** | **292.4** | **$347-$350** |
| % conversion | *96.3%* | *97.0%* | *96.9%* | *94.5%* | *93%-96%* |

New Subscriber IRR of ~23% Driving Consistent RMR Growth

## total RMR growth

($ in millions)


Vivint generates a considerable amount of free cash flow, which is reinvested in subscriber acquisitions to yield ~23% unlevered returns

*(1) Excludes expenditures for new IT systems with a cost of $10mm in 2014 and $18-20mm in LTM 9/30/15 along with other growth capital expenditures for wireless.*
*(2) As of December 31, 2014.*

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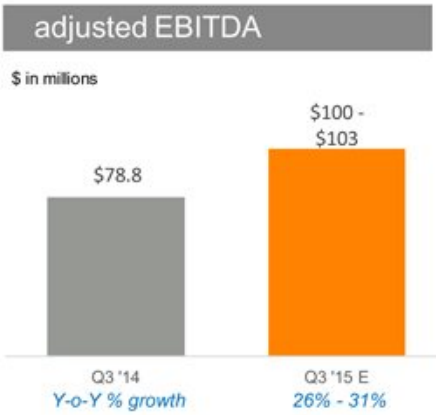
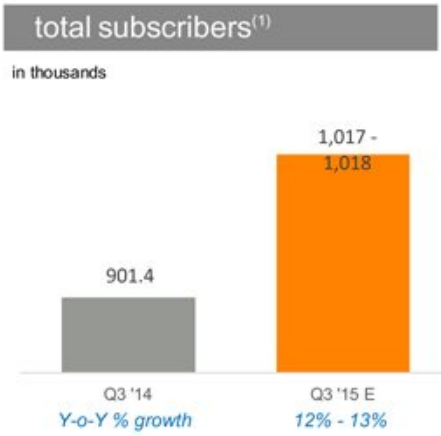
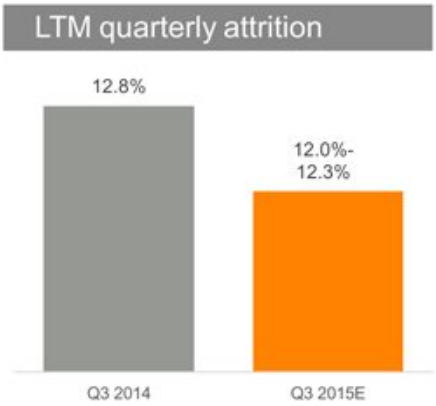
# q3 2015 key metric estimates






*Note: Revenue and Adjusted EBITDA are shown on a consolidated basis for APX Group, Inc. See Appendix for reconciliation of non-GAAP measures.*
*(1) Subscriber data is stated as of the end of each period. Subscriber data does not include the wireless Internet business*

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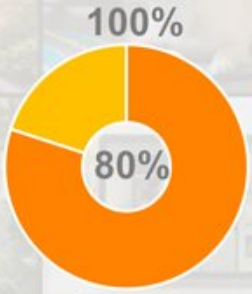
# Q&A

**$61+**
LTM AVG. RMR FOR NEW SUBSCRIBERS

**3,000** + **>3,000**
EMPLOYEES WORLDWIDE

SEASONAL SALES REPS AND INSTALL TECHS

**1,000,000+**
CUSTOMERS




**$56 MILLION+**
RECURRING MONTHLY REVENUE

100% SMART HOME ENABLED WITH 80% ADDITIONAL SERVICES ADOPTION RATE

Note: RMR and Avg RMR per New Subscriber are estimates as of September 30, 2015 and do not include wireless Internet business. Customers is estimated as of September 30, 2015 and includes wireless Internet subscribers

# Appendix

# reconciliation of non-GAAP financial measures

| | 2011 | 2012 | 2013 | 2014 | LTM Q3 '15 E | Q3 2014 | Q3 2015 E |
|---|---|---|---|---|---|---|---|
| **Net loss** | **$ (62.4)** | **$ (184.9)** | **$ (124.5)** | **$ (238.7)** | **$ (248-251)** | **$ (59.5)** | **$ (91-94)** |
| Interest expense, net | 101.9 | 119.2 | 113.0 | 146.1 | 155 | 37.8 | 40 |
| Other (income) expense, net | 0.4 | - | 0.8 | - | - | - | - |
| Income tax expense (benefit) | (3.7) | (6.0) | 3.6 | 0.5 | 1 | (1.3) | - |
| Depreciation and amortization (1) | 6.9 | 18.9 | 173.3 | 162.6 | 55 | 40.8 | 5 |
| Amortization of capitalized creation costs | 61.5 | 72.2 | 22.2 | 58.7 | 186 | 17.1 | 59 |
| Non-capitalized subscriber acquisition costs (2) | 51.3 | 70.4 | 101.0 | 135.0 | 154 | 35.9 | 36 |
| Non-cash compensation (3) | 0.5 | 0.9 | 1.9 | 1.9 | 2 | 0.5 | - |
| Gain on 2GIG Sale | - | - | (47.2) | - | - | - | - |
| Transaction costs related to 2GIG Sale | - | 132.4 | 5.5 | - | - | - | - |
| Other Adjustments (4) | 18.8 | 21.0 | 42.7 | 43.3 | 65 | 7.4 | 54 |
| **Adjusted EBITDA** | **$ 175.2** | **$ 244.0** | **$ 292.3** | **$ 309.4** | **$ 367-370** | **$ 78.8** | **$ 100-103** |
| Less maintenace capex | 6.5 | 7.4 | 9.0 | 17.0 | 20.0 | | |
| **Operating Cash Flow** | **$ 168.7** | **$ 236.6** | **$ 283.3** | **$ 292.4** | **$ 347-350** | | |

1. Excludes loan amortization costs that are included in interest expense.
2. 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.
3. Reflects non-cash compensation costs related to employee and director stock and stock option plans.
4. Other adjustments including certain items such as product development, fire related expenses, subcontracted monitoring fee savings, non-cash gain on settlement of merger related escrow 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

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

Avg. 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 – Defined as direct and indirect costs to create a new security and home automation subscriber. These include commissions, equipment, installation, marketing and other allocations (G&A and overhead), less activation fees and up sell revenue. These costs also exclude residuals and long-term equity expenses associated with the direct-to-home sales channel.

Net Creation Cost Multiple – Defined as 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

Operating Cash Flow – Adjusted EBITDA less maintenance capex, or capital expenditures to maintain or extend the life of capital assets such as property and equipment.

Net Service Margin – Defined as Avg. RMR per subscriber less net service costs divided by Avg. RMR per subscriber