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PE DEALS

Inside the exit: Blackstone revels in Vivint Smart Home's success

'There is real benefit in these smart home systems to have all the different pieces as part of a single system,' said Wallace.

Blackstone almost tripled Vivint Smart Home's clients during its 10-year hold period, in a sign of rising demand for enhanced home security.

The New York-based private equity firm sold Vivint to Houston-headquartered NRG Energy for \$2.8 billion in early December in an all-cash transaction that represented an implied multiple of a 6.3x run-rate enterprise value to adjusted EBITDA.

Vivint is now one of the top home security providers in the US, according to Blackstone. Peter Wallace, Blackstone's global head of core private equity, told PE Hub that the company's advantage lay in its ability to merge siloed services that Provo, Utah-headquartered Vivint's competitors didn't have.

"The realization was that this was an opportunity to have a comprehensive suite of services where we could combine security, which was an important part of it, thermostats, cameras, door locks, motion sensors and have all of it working seamlessly together," said Wallace.

"When we started they had about 600,000 customers and now they have almost 2 million," he said. "It's now the second largest security company and the largest smart home provider."

The smart home system automatically tunes all the functions, such as the thermostat, to the homeowners' preferences, runs the cameras, turns lights on or off according to the owner's schedule, and automatically locks and unlocks doors among other services.

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Peter Wallace, Blackstone

home systems to have all the different pieces as part of a single system," said Wallace.

Solar split

In January 2020, Vivint went public for a \$4.2 billion enterprise value through a SPAC transaction, one of the biggest at the time.

One of the components that helped Vivint grow rapidly was the residential solar line of business, Wallace said. Core to this business was that Vivint Solar would pay for solar installation on the rooftop with no out-of-pocket costs for the consumer but, in turn, the homeowner had to buy the power generated from the solar system.

This was very popular amongst consumers, according to Wallace. "You get to feel good about saving the world and saving the planet and also get to save up to 30 percent off your power bill and that's

saving money every month."

However, the residential solar stood up as a separate business and was later sold for almost \$5 billion.

Vivint Smart Home continued to grow, and has found many backers among various stakeholders, including insurance companies. "Insurance companies think that the data and the information we are able to bring to them is very valuable and it helps them underwrite customers better and more efficiently," said Wallace.

But for several reasons, such as covid and prospective buyers' financial difficulties, Blackstone had a prolonged hold period of 10 years. "That's not the way we drew it up on the whiteboard," Wallace said. "I think there were some twists and turns along the way."

Blackstone's investing strategy allowed flexibility around the hold period. "But one of the benefits of having this patient, durable capital is that we are able to think for the longer term and hold assets until the time is right."

As the macroeconomic environment tightens, the bid-ask spread widened. Dealmakers have cited this as one of the reasons that strained dealflow in the second half of the year.

But "NRG has a very strong balance sheet and a very significant strategic impetus, it really wasn't much of an issue," said Wallace.

There could be more to come from the sector. Even though it is in its early stages, Wallace said: "I think that the smart home market is likely to be much larger in the future."