Life360 2024 Q4 & FY'24 Results Conference Call Remarks February 27, 2025

Raymond Jones

Greetings everyone and welcome to our fourth quarter and fiscal year 2024 earnings conference call. This call is being conducted as a Zoom audio webinar. All participants will be in a listen only mode until the question and answer session. When we come to the Q&A, please raise your hand by pressing the "raise hand" icon at the bottom center of your screen and your line will be unmuted in turn. Participants who have joined by telephone will be in a listen only mode throughout.

As a reminder, we will make forward-looking statements regarding future events and potential financial performance during this call, which are subject to material risks and uncertainties that can cause actual results to differ materially from such statements. A summary of these risks may be found in the risk factors section in our Form 10-K filing with the SEC dated February 27, 2025. These forward-looking statements are based on assumptions that we believe to be reasonable as of today's date, February 27, 2025, and we have no obligation to update these statements as a result of new information or future events, except when required by law. Additionally, we will present both GAAP and non-GAAP financial measures on today's call. These non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results, and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. A description of these non-GAAP financial measures, as well as a reconciliation to the nearest GAAP financial measures are included at the end of the Company's earnings media release issued earlier today, which has been posted on the investor relations page of the Company's website. We have posted an updated investor presentation on the investor relations page which includes additional complementary graphics and data. Please note that it has been provided as an additional reference and that we will not be using the presentation as an exhibit during today's call.

We will begin with a business update by Co-Founder and CEO Chris Hulls, and then CFO Russell Burke will provide detail on the Q4 and 2024 financials. Chris will then provide some 2025 outlook comments which will be followed by a Q&A session. We request that participants limit themselves to one question so that we can get through as many participants as possible. I would now like to turn the call over to Chris.

Chris Hulls

Good afternoon to everyone joining us from the U.S., and good morning to those tuning in from Australia. Thank you for being here for our fourth-quarter results call.

Q4 2024 Results

Let's begin with our most recent results. Life360 made remarkable strides in Q4 2024, capping off the year with our best-ever holiday period and achieving record-breaking annual results in both Monthly Active Users (MAUs) and Paying Circles, all while advancing our overall strategy to be a super-app for families. Though we did experience an expected seasonal slowdown in user growth coming out of a very strong Q3, our solid Q4 results underscore our focus on key growth priorities across the board.

Our member base expanded again this quarter, growing by 2.8 million new MAUs to reach a total of 79.6 million—a 30% year-over-year increase. We also saw solid growth in our paid offerings, as our Paying Circles grew 25% YoY to 2.3 million, with a quarterly net increase of 69,000 Paying Circles. International expansion was a key driver, with international MAUs up 46% year-over-year and Paying Circles increasing by 33%, even amid price adjustments for legacy subscribers outside our core Triple Tier markets. Average Revenue Per Paying Circle in international markets grew by 42% YoY, thanks to updates in our legacy premium pricing strategy, which have allowed us to accelerate experimentation with our new Dual Tier approach.

2024 Achievements

2024 was a transformative year for Life360. Highlights included the successful launch of our advertising business, the introduction of a cutting-edge lineup of Tile devices, an award-winning brand campaign, a key strategic partnership and investment in Hubble, and the milestone completion of our U.S. IPO to become publicly traded on Nasdaq. We also achieved record net additions to our MAUs and subscribers on an annual basis.

Looking Ahead to 2025 and Beyond

As we enter 2025, we are laser-focused on achieving our longer term strategic goals: reaching 150 million MAU, surpassing $1 billion in annual revenue, and exceeding a 35% Adjusted EBITDA margin. To achieve these goals, our priorities are to grow our user base, scale our paid offerings, create new revenue streams, and enhance profitability.

Growing Users and Subscribers

In 2025, we remain committed to providing our members with enduring value, helping them stay connected to the people, pets, and things they love. The vast majority of our users come through word of mouth or referrals, and we remain under-penetrated in the US and lightly penetrated in international markets. Even in our most mature U.S. regions, we continue to experience strong growth, highlighting the significant potential for further expansion. Our freemium model remains central to our strategy, offering free members the opportunity to experience Life360 and ultimately recognize the unmatched peace of mind provided by premium features.

This year, we will continue to elevate the Life360 experience by improving location accuracy and speed, while introducing new premium features tailored to specific needs, such as those of pet owners. These enhancements will drive increased user engagement and satisfaction, creating opportunities for organic virality and referrals. To amplify this, we will strategically invest in marketing to build stronger brand affinity and accelerate conversions from free to paid memberships.

Internationally, we are significantly underpenetrated and see vast opportunities for growth. In 2025, we will execute optimized, full-funnel marketing campaigns in Triple Tier markets to boost brand awareness and drive MAU growth. Additionally, we plan to expand the availability of emergency dispatch services—triggered by SOS and car crash detection—to more countries, unlocking new regions for Triple Tier benefits and increasing the value of our offerings on a global scale.

Advancing Our Integrated Hardware Strategy

In Q3 2024, we launched our redesigned Tile device lineup—the first fully designed in-house by Life360. This lineup differentiates us with innovative features like SOS capabilities, a function unmatched by other devices across Google and Apple networks. During Q4 2024, Tile received widespread acclaim as a top holiday gift and an essential luggage tracker during busy travel periods, which drove noticeable year-over-year growth in direct-to-consumer sales.

Tile is becoming a valuable gateway to our Life360 subscription business. The percentage of U.S. premium subscribers actively linking Tile to their accounts continued to rise in Q4 24. In 2025, we'll complete the integration of Tile into the Life360 app, making it the exclusive activation platform for all new Tile devices—an exciting step toward streamlining the user experience and further strengthening our ecosystem.

Looking ahead, with the Tile integration nearing completion, we are shifting our focus to expanding our GPS hardware lineup designed to make life easier and safer for families. We plan to finalize development of a pet-tracking device and go-to-market by late 2025, followed by an advanced elder care product. These high-growth verticals will feature subscription models, driving the next wave of subscription growth. By delivering purpose-driven hardware that spans multiple life stages, we aim to help families stay connected to what matters most.

Creating New Revenue Streams

In Q4 24, we advanced our advertising platform, setting the stage for significant growth in 2025. Our goal is to deliver contextually relevant ads that enhance the member experience while offering advertisers unmatched precision powered by our proprietary first-party location data. Key

Q4 milestones included activating global programmatic capabilities, expanding audience segmentation tools, and advancing ad measurement and attribution.

The Life360 Ad Platform now offers brands unparalleled access to our engaged audience of families. Through custom partnerships, such as our collaboration with Uber, we can create tailored programs including feature sponsorships, push notifications, and co-marketing campaigns. For those seeking scale, self-managed solutions provide programmatic access to in-app native inventory and curated private marketplace deals, leveraging thousands of targetable audience segments. These capabilities empower advertisers to connect with the right audiences through major DSPs and media platforms.

This quarter, we quadrupled our engagement pipeline of prospective partners eager to leverage our unique first-party location data. These partners see value in integrating high-visibility signals—such as shopping behaviors at retail locations—with promotions that drive onsite purchases and loyalty participation. While realizing our full advertising vision will take time, early results reinforce our confidence that advertising could eventually rival subscriptions as a major revenue stream. And we are thrilled to announce the purchase of Fantix's advertising unit, an AI platform that empowers smarter advertising through cutting-edge machine learning and privacy-first technology. We are excited to welcome their talented small team to Life360 and look forward to leveraging their expertise to accelerate our advertising capabilities, driving the execution of our 2025 roadmap.

Our data business also grew in Q4, supported by our exclusive partnership with Placer.ai, which positions us for accelerated growth in 2025 and beyond. Additionally, our strategic investment in Hubble secures exclusive access to a promising future enterprise revenue stream. Once Hubble's satellite network scales, it will enhance the location capabilities of our hardware devices. Together, these partnerships highlight our ability to expand both our data business and technology offerings as we drive growth and innovation at Life360.

With that, I'll hand it over to Russell to review the financials and discuss our strategic priority of increasing profitability.

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Russell Burke

Thanks Chris, and thanks everyone for joining the call today. As a reminder, the Q4 financials I will be referencing are unaudited, and denominated in US dollars.

We are excited to be presenting record-breaking Q4 and Full Year results today.

Q4 revenue increased 33% YoY to $115.5 million, a sharp acceleration from the prior quarter, driven by positive momentum in subscription and other revenue.

Overall, subscription revenue increased 32% YoY and accelerated from the prior quarter. Core Life360 Subscription (which excludes hardware subscriptions) increased 36% YoY, driven by the 25% increase in global Paying Circles and 6% higher ARPPC. Total Paying Circles growth was supported by improved conversion and retention in the U.S.

Hardware revenue for the quarter increased 13% year-over-year to $23.8 million. Standalone units shipped increased 8% year-over-year, and the Average Selling Price increased by 9%, resulting in improved margins in the quarter. While the new Tile devices have been well received, the key U.S. “Cyber Five” retail period results were mixed. Consumer direct and online sales were strong during the holiday period, while performance in physical retail stores was softer, and consistent with performance observed for consumer electronics in online and brick-and-mortar retailers in the fourth quarter.

Other revenue in Q4 increased 113% to $13.0 million, due to a combination of increases in data and partnership revenue, which includes advertising revenue.

December Annualized Monthly Revenue reached $367.6 million and increased 34% YoY, accelerating from 30% YoY growth in September, reflecting the strong performance of Subscription and Other recurring revenue.

Q4 gross profit of $85.5 million increased 42% YoY with gross margins higher at 74% compared with 69% in the prior year due to the increase in the mix of higher margin other revenue.

As total revenue grew 33% and gross profit increased 42% YoY, Q4 operating expenses increased 22% excluding commissions, demonstrating continued operating leverage. R&D costs increased 14% YoY, primarily driven by higher personnel-related costs, technology and outside services spend. Sales and marketing costs increased 31% YoY primarily due to higher commissions which increased in line with the 32% increase in subscription revenue. Paid acquisition costs were flat YoY due to an intentional shift of allocation of spend to other marketing activity in creative and production supporting our brand campaigns and holiday sales of the Tile hardware product line. General and administrative expenses in Q4 increased 29% YoY, primarily driven by company growth.

We continue to make considerable progress in expanding profitability. First, We recorded positive Net Income in Q4 of $8.5 million, versus a $3.1 million Net Loss the prior year. Next, Adjusted EBITDA was positive for the ninth consecutive quarter, increasing to $21.2 million in Q4’24 from $8.9 million in the prior year, and positive EBITDA of $8.4 million improved from negative $2.0 million in the prior year, as a result of continued strong subscription revenue growth and improved operating leverage. The difference between Adjusted EBITDA and EBITDA in the quarter consisted of Stock Based Compensation expense and final US IPO transaction costs. We expect to see this expansion of bottom-line margins continue in 2025 as you will see from the guidance that Chris will discuss shortly.

Looking briefly at the full year results for 2024 - Total Revenue increased 22% year over year to $371.5 million, Gross Profit increased 25% year over year to $279 million, and Gross margin was 75 percent - 2 percentage points higher than 2023. Total operating expenses grew 14% year over year, while decreasing six percentage points as a percent of revenue, driving outperformance versus our guidance ranges. Net Loss for the year was $4.6 million, a significant improvement of $23.6 million from the $28.2 million Net Loss in 2023. Adjusted EBITDA increased $24.9 million year over year to reach $45.5 million and exceeded our outlook range. Adjusted EBITDA as a percent of sales increased from 7% in 2023 to 12% in 2024. Finally, EBITDA loss improved $17.1 million year over year from negative $20.8 million in 2023 to negative $3.8 million in 2024 and exceeded our outlook range.

One note for all - in 2025 we will transition to sharing only Adjusted EBITDA in our outlook and results, and in our strategic goals, in order to create consistency and alignment across our dual listing environments. The EBITDA metric that we have been providing can be manually calculated by excluding stock based compensation from Adjusted EBITDA using figures we disclose in our reconciliations to Net Income. Looking ahead, we are confident in our ability to grow positive Adjusted EBITDA throughout 2025 as we continue balancing robust revenue growth with expanding profitability.

Turning now to Balance Sheet and Cash flow:

Life360 ended 2024 with cash, cash equivalents and restricted cash of $160.5 million, a slight increase from Q3 '24.

Operating Cash Flow was positive for the seventh consecutive quarter. Q4 net cash provided by operating activities of $12.3 million was lower than Adjusted EBITDA of $21.2 million primarily due to an overall increase in working capital balances driven by increased activity.

Net cash used in investing activities of $6.8 million related to a $5 million investment in Hubble and payments for internally developed software.

Net cash used in financing activities of $5.2 million related primarily to taxes paid for the net settlement of RSUs and final IPO transaction costs.

Thanks for your attention, and I'll hand back to Chris to discuss further details on our earnings guidance.

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Chris Hulls

As we enter 2025, the opportunities before us remain vast and full of potential as we drive to become the #1 brand that makes everyday family life better. Our team is focused on creating value for our members and increasing our impact in their lives. Much of our focus for 2025 will be on fully integrating our hardware experiences and extending the peace of mind we offer to the pets in our families. We'll continue to drive growth into international markets, both doubling down in existing markets and expanding into new markets, particularly in Europe. Meanwhile, we continue to gain momentum and increase our investment in Advertising—aided by the purchase of Fantix's ads business unit. The small team joining us from Fantix brings a wealth of AI expertise that will help us accelerate our vision for targeting, measuring, and delivering unique and high-performing ad formats at scale, all leveraging Life360's unique first-party data.

As we nurture multiple new product lines, including pets and ads, we expect an increase in seasonality and we plan to make significant upfront investments that will strengthen our growth in subsequent years. This effect is particularly pronounced in pet tracking, where hardware sales will function as an acquisition vehicle for our subscription product. As Tile becomes a more core part of the Life360 experience, we are continuing to lean into hardware as a key part of our subscription ecosystem and will trade off hardware revenue for increased adoption.

With that, let's turn to our 2025 outlook, which includes the following:

Consolidated revenue of $450 million to $480 million;

Subscription revenue of $350 million to $360 million;

Hardware revenue of $45 million to $55 million;

Other revenue, which includes partnerships and advertising, of $55 million to $65 million;

and Positive **Adjusted EBITDA** of $65 million - $75 million, inclusive of an initial $8 million investment in the 2025 launch of our pet tracking initiative.

We anticipate Adjusted EBITDA will be weighted towards the back half of 2025, as we shift forward some Sales and Marketing expenses to earlier in the year, in order to leverage efficiencies we achieved in 2024 and to support global growth initiatives.

That concludes our prepared remarks and I'll now turn the call over to RJ who will manage the Question & Answer portion of our call today.

Raymond Jones

Thanks Chris. As a reminder, to participate in the Q&A, please raise your hand by pressing the "raise hand" icon at the bottom of your screen within the Zoom app. You will need to unmute yourself to ask your question.

After the Q&A

As there are no more questions I will hand the call back to Chris for some closing remarks.

Chris Hulls

Thanks again everyone for joining. Have a great day.