

ASX ANNOUNCEMENT

25 February 2021

Life360 2020 Full-Year Results Announcement

Strong 2020 performance despite COVID-19 challenges, announcement of Strategic Review

San Francisco-based Life360, Inc. (Life360 or the Company) (ASX: 360) today released its Full-Year Results and Appendix 4E for the twelve months ending 31 December 2020. The Appendix 4E is prepared in US dollars under US GAAP.

- Normalised revenue of US\$81.6 million increased 39% YoY, at the upper end of guidance of US\$79-82 million.
- Reported revenue of US\$80.7 million up 37% YoY.
- Underlying Gross Margin of 81.1% an increase from 79.8% in CY19.
- Statutory EBITDA loss of US\$(16.0) million, a 44% YoY improvement.
- Underlying EBITDA loss (excluding Stock Based Compensation) of US\$(7.0) million outperformed guidance in the range of US\$(10) million, and improved significantly from US\$(22.9) million in CY19.
- Statutory net loss of US\$(16.3) million, a 44% YoY improvement.
- Underlying net loss (excluding Stock Based Compensation and non-recurring adjustment) of US\$(7.3) million, a 68% YoY improvement.
- Cash used in operating activities of US\$(7.3) million outperformed guidance in the range of US\$(10) million and improved significantly from US\$(30.5) million in CY19.
- Cash balance of US\$56.6 million with no debt.

Life360 Co-Founder and Chief Executive Officer Chris Hulls said: “In a challenging year, Life360 delivered strong revenue growth as we continued to execute on our strategic plan despite the challenges of COVID-19. We launched our new Membership model on time, delivering more than 152,000 new and upsell subscribers, and a 34% uplift in Average Revenue Per Paying Circle. Our business exhibited remarkable resilience in the face of the worsening COVID-19 environment, with a 4% uplift in US Monthly Active Users (MAU) and 8% year-on-year growth in worldwide Paying Circles. Australia delivered a particularly notable performance with 15% YoY growth in MAU and 28% YoY increase in Paying Circles. This growth profile is an encouraging indication of the growth opportunity available once the vaccine rollout brings COVID-19 under control in other regions. Our disciplined spending approach during the pandemic resulted in a substantial improvement in underlying EBITDA loss, and outperformance versus our guidance.

“We have maintained our strong track record of innovation, with a collaboration with Google to bring family coordination features to Google assistant devices. Our Membership model has a significant runway of growth ahead, supported by new initiatives that will further improve awareness, conversion and retention. Our direct-to-web offering is now live in beta, and will allow for direct paid Membership sign-up via the web. We are expanding our investment in new marketing channels to help build awareness of our broader suite of services. And our results to date serve as a playbook to launch the full Membership experience in Canada in the second half of 2021”.

Normalised revenue growth of 39% resulted from strong growth in both Direct and Indirect Revenue. The underlying EBITDA loss (excluding Stock Based Compensation and including non-recurring adjustment) of US\$(7.0) million and Statutory EBITDA loss of US\$(16.0) million were a significant improvement from the prior period, reflecting the strong revenue performance, and a reduction in user acquisition spend in the COVID-19 environment. Underlying EBITDA profitability was achieved in the second quarter, reflecting the flexibility of Life360’s discretionary expense model.

CY20 Highlights and Achievements

- Successful launch of new family Membership to all US users with 34% uplift in ARPPC for new subscribers.
- Normalised revenue growth of 39% YoY to US\$81.6 million. Annualised Monthly Revenue (AMR) for December 2020 was US\$89.7 million, YoY growth of 19%.
- Global Monthly Active User (MAU) base of 26.5 million, down 2% YoY. US MAU base of 17.0 million, up 4% YoY.
- Paying Circles of around 890,000, up 8% YoY, reflecting strong retention rates in the COVID-19 environment, particularly in the US.
- Average Revenue Per Paying Customer (ARPPC) for CY20 H2 of US\$77.86 for the US and US\$48.44 for International, up 11% and down 1% respectively YoY.
- Net subscriber revenue retention exceeds 100% despite COVID-19 impacts in CY20 H1.

Direct Revenue

Life360's underlying Direct Revenue increased 35% to US\$59.4 million including a non-recurring adjustment of approximately US\$0.9 million in relation to deferral of subscription revenue. This performance was underpinned by an 8% year-on-year increase in Paying Circles, and 10% higher ARPPC. Despite the challenges of the COVID-19 environment, Paying Circles growth reflects encouraging retention of paid users, and the resilience of Life360's subscription model.

Indirect Revenue

Life360's Indirect Revenue, which includes Data and our Allstate lead generation partnership, increased 50% year-on-year to US\$22.2 million. The Allstate partnership contributed revenue of around US\$6 million. While the impact of COVID-19 was felt by certain data customers, demand for data products continued in the period. The deferral to 2021 of any potential changes to the Identifier for Advertisers (IDFA) previously considered for iOS 14 was favourable short term for the data business, however we do expect some level of negative impact to our data business when the changes are implemented. Our more strategic revenue lines are not expected to be materially impacted by any changes.

Gross Margin

Life360 has provided increased transparency on its cost structure, with the disclosure of cost of revenue of US\$15.4 million in CY20 versus US\$11.9 million in CY19. The CY20 underlying gross margin of 81.1% is a 1.3 percentage point increase from 79.8% in CY19. This increased gross margin has resulted from efficiencies related to hosting and technology costs, and higher revenue price points from the Membership launch.

Operating Expenses

Operating expenses of US\$81.3 million (excluding depreciation and amortization) increased 7% year-on-year. Research and Development costs increased by 16% to US\$34.1 million, while user acquisition costs of US\$6.7 million reduced 65% YoY. User acquisition was on pause for most of 2020 to adapt to the COVID-19 environment, and reflects the discretionary nature of Life360's business model. Sales and marketing expenses were 63% higher YoY due to increased commissions proportionate to subscription sales, and investment in new channels including television. General and administrative expense growth of 35% reflects overhead spend to scale the business. Non-cash Stock Based Compensation expenses increased to US\$7.7 million, a 38% YoY increase, largely due to new hires.

Cash Flow and Balance Sheet

Cash used in operating activities of US\$(7.3) million improved from US\$(30.5) million in the prior period. This reflected strong growth in receipts from customers and reduced investment in user acquisition.

Life360 finished the year with net cash of US\$56.6 million and no debt.

Outlook

- We are very encouraged that Life360 ended the year with strong annual growth in spite of the COVID-19 headwinds. Early signs of recovery in the top-of-funnel were evident in January 2021, with YoY subscription revenue growth of 20%.
- Having delivered two consecutive quarters of cash flow breakeven during CY20, we are confident to invest in additional initiatives to drive the growth of the business. For CY21 this includes scaling up our marketing and product teams, expanding marketing and acquisition channels, and the initial international rollout. While CY21 H1 will be significantly impacted by the current COVID-19 environment, these initiatives will position us to take full advantage of the key “back to school” period in the US. We view this period as a pivot point for reacceleration of growth in CY21 H2, once vaccines are widely implemented and the world returns to normalcy.
- While there are continuing risks in indirect revenue, we continue to see organic growth in core subscription revenue and early signs of recovery in the top-of-funnel. As a result, we anticipate that by December 2021, Life360 will be delivering Annualised Monthly Revenue in the range of US\$110-120 million, a 23% to 34% YoY growth rate.
- Based on the planned investment in growth, in CY21 we expect an underlying EBITDA loss (excluding Stock Based Compensation) of no greater than US\$(15) million.

Strategic Review

Given current valuations in the US for high growth technology companies, Life360 has received inbound interest that could result in an accelerated listing/dual listing on a US exchange, the acquisition of a strategically important business, and/or merger with a larger entity.

As a result, the Board has determined to conduct a review of strategic alternatives that will include these and other options. There is no certainty that the review will result in any transaction or any changes to current listing arrangements. We remain committed to our existing strategic plan, and will only consider complementary pathways that result in a significant increase in shareholder value.

Investor Conference Call

An Investor Conference Call with Co-Founder and CEO Chris Hulls, and CFO Russell Burke will be held at 9.30am AEDT today (Thursday, 25 February 2021). The call will be held as a Zoom audio webinar.

Participants wishing to join the webinar should register and join via their browser [here](#)

Participants joining via telephone will be in a listen only mode.

Dial in details

Australia : +61 2 8015 6011

US : +1 669 900 6833

Other countries : details available [here](#)

Meeting ID : 686 443 074

A replay will be available after the call at <https://investors.life360.com>

Authorisation

Chris Hulls, Director, Co-Founder and Chief Executive Officer of Life360 authorised this announcement being given to ASX.

About Life360

Life360 operates a platform for today's busy families, bringing them closer together by helping them better know, communicate with and protect the people they care about most. The Company's core offering, the Life360 mobile app, is a market leading app for families, with features that range from communications to driving safety and location sharing. Life360 is based in San Francisco and had more than 26 million monthly active users (MAU) as at December 2020, located in 195 countries.

Contacts

For investor enquiries:
Jolanta Masojada, +61 417 261 367,
jmasojada@life360.com

For media enquiries:
Giles Rafferty, +61 481 467 903
grafferty@firstadvisers.com.au

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