

ASX ANNOUNCEMENT

29 July 2020

June 2020 Quarterly Activities Report and Appendix 4C

First-time positive cash flow quarter due to strong rebound from April lockdown lows and disciplined User Acquisition spending through the COVID-19 crisis

On-time launch of new Family Membership to all US users with promising early results

San Francisco-based Life360, Inc. (Life360 or the Company) (ASX: 360) today released its Appendix 4C – Quarterly Cash Flow Report for the period ending 30 June 2020 together with an Activities Report. Appendix 4C is prepared in US dollars under US GAAP and is unaudited.

June 2020 Quarter Highlights

- Positive June quarter operating cash flow of US\$0.7 million, compared with cash outflow of US\$6.2 million in the March 2020 quarter. Underlying EBITDA profit for the quarter.
- Underlying revenue growth of 46% year-on-year. Annualised Monthly Revenue (AMR) in June 2020 was US\$77.9 million, a year-on-year increase of 26%.
- Global Monthly Active User (MAU) base of 25.2 million, up 9% year-on-year. For the quarter, Global MAU reduced 2.8 million reflecting COVID-19 impacts. May and June delivered MAU growth off April's lows.
- US MAU base of 16.3 million, up 28% year-on-year, and a reduction of 0.4 million for the quarter. Growth in May and June offset more than 70% of April's declines, despite the near complete pause of Paid Acquisition spending.
- Global Paying Circles (which comprise Life360 Plus and Driver Protect) of 845,000, up 21% year-on-year and down just 2% for the quarter, reflecting strong retention rates. US Paying Circles were stable versus March 2020.
- Average Revenue Per Paying Circle (ARPPC) increased 9% year-on-year, and was stable versus the March quarter.
- Paid User Acquisition spend of US\$0.2 million compared with US\$4.0 million in the March 2020 quarter and US\$5.0 million in the June 2019 quarter, demonstrating the discretionary nature of Life360's expense model, and a deliberate decision to scale back spend in the quarter based on COVID-19 conditions.
- Cash balance of US\$58.4 million at June 2020 with no debt, an increase from \$57.5 million at March 2020. Life360 remains confident its strong capital position represents sufficient resources to fund future growth.

Business Update

Life360 Chief Executive Officer Chris Hulls said: "The June quarter was one of significant progress for Life360 notwithstanding the global impact of COVID-19. We launched our membership model on time, reaching our first users on June 30, with a full rollout in July, an enormous achievement with our entire team working remotely. This is testament to the talent and commitment of our people. We are encouraged by the early response to the launch, and excited about the value that

our family safety membership model can provide to families at every life stage, and the resultant opportunity to continue rapidly growing our business.

“Despite the challenges of the environment, we have demonstrated the resilience of Life360’s subscription model. Retention of our paid users was very encouraging, supporting continued strong year-on-year revenue growth. The flexibility of our discretionary expense model is reflected in the delivery of positive operating cash flow for the quarter, while achieving continued organic MAU growth after the initial COVID-related decline in April. Preliminary estimates also indicate an unaudited, underlying positive EBITDA for the quarter.

“Other initiatives undertaken during the June quarter include the strengthening of the Life360 management team with new hires of Russell Burke as Chief Financial Officer and Jonathan Benassaya as Chief Product Officer.”

Life360’s global Monthly Active User base was 25.2 million at June 2020, a decline of 10% for the quarter largely due to the greater impact of COVID-19 on international users. US MAU of 16.3 million reduced by just 2% from March 2020, a positive outcome in an environment of widespread lockdowns. US MAU growth in May and June offset more than 70% of April’s declines. International MAU declines in April were significantly larger than in the US, however growth has also resumed in May and June. In our listed home of Australia, the Monthly Active User base of 566,000 increased 34% year-on-year.

“Globally, new registrations saw a material decline from mid-March as successive lockdowns were implemented, with April new registrations down more than 50% from March. However, new registrations have been trending higher since late April, despite a near complete pause in User Acquisition spend. While still off their pre-COVID levels, new US registrations in late June were more than 80% higher than the April lows”, Chris Hulls said.

For the June quarter, normalised revenue of US\$19.5 million increased 46% year-on-year. Reported revenue of US\$18.7 million included a non-recurring adjustment of approximately US\$0.9 million in relation to deferral of subscription revenue. For the month of June, Annualised Monthly Revenue (AMR) was US\$77.9 million, a 26% year-on-year increase and 2% ahead of March AMR of US\$76.1m.

Chris Hulls added “During the June quarter, Direct Revenue benefited from the 21% year-on-year growth in Paying Circles to 845,000. Despite the disruptions associated with COVID-19, Paying Circles in the US remained stable, an impressive outcome in the circumstances. In addition, Average Revenue Per Paying Circle (ARPPC) increased 9% year-on-year. We are highly confident that our new Membership offering will drive strong ARPPC growth”.

Indirect Revenue, which includes Data revenue and our Allstate lead generation partnership, delivered strong growth for the quarter. The Allstate partnership contributed revenue of US\$1.5 million, and demand for Life360’s data products continued for the quarter. However, the prolonged lockdown, with associated decreased people movement and marketing spend, proved detrimental to certain data customers, some of whom came under pressure in Q2. These effects are likely to continue for the duration of the COVID-19 environment.

During the June quarter, the majority of Paid User Acquisition spend was paused to adapt to the COVID-19 environment, and amounted to US\$0.2 million. This compared with US\$4.0 million spend in the March 2020 quarter and US\$5.0 million in the June 2019 quarter. Other expense management initiatives were also implemented, reflecting the discretionary nature of Life360’s business model.

“We expect to resume investment in growth, including Paid User Acquisition as the operating environment returns to normal, using our disciplined approach to high return spend. We will allocate marketing spend to judiciously support the launch of the new Membership offering. Our ability to grow MAU in May and June without material Paid User Acquisition spend definitively proves our ability to grow solely through word of mouth,” Chris Hulls said.

Additional disclosure of Life360's unit economics will be included in the half-year results presentation on 27 August.

In response to the teen attack on the app's ratings via TikTok, Life360 has begun working directly with many of the initial campaign organisers, and has demonstrated significant progress in developing relationships with younger users. Later in Q3, Life360 will launch a range of new features targeted at teens, including a temporary safe zone feature, which will allow teens greater privacy with regard to their exact locations.

Cash flow

Life360 ended June 2020 with a cash balance of US\$58.4 million and with no debt.

Receipts from customers of US\$16.9 million in the June quarter increased from US\$12.0 million in the March quarter, with some impact from the timing of receipts.

Payments in the June quarter reflected expense discipline in responding to the COVID-19 environment. Staff payments of US\$7.5 million compared to US\$7.9 million in the March quarter. Administration and corporate payments of US\$3.0 million increased from US\$1.7 million in the March quarter. Advertising and Marketing payments (which include Paid User Acquisition) of US\$0.8 million were significantly lower than March quarter payments of US\$5.0 million, reflecting a pause in Paid User Acquisition spend. Research and development payments of US\$2.2 million were in line with the US\$2.0 million in the March quarter. Technology payments of US\$2.4 million increased from US\$1.3 million in the March quarter, largely due to timing differences.

For the June 2020 quarter, cash generated by operating activities was US\$0.7 million. This compares with cash used in operating activities of US\$6.2 million in the March 2020 quarter and US\$7.2 million in the corresponding June 2019 quarter.

Cash used in investing activities of US\$0.05 million reflects minor purchases of capital assets.

Cash flow from financing activities of US\$0.3 million reflects proceeds from the exercise of options.

Related party transactions

A related party payment of US\$5,313 was paid to Carthona Capital for the quarterly directors' fees for a non-executive director.

Outlook

- While the outlook remains uncertain given the evolving COVID-19 situation in the US, Life360's performance during the June quarter demonstrates the strength and resilience of our business model.
- We will retain our disciplined approach to expenditure while we resume investment in Paid User Acquisition to accelerate growth as the operating environment returns to normal.
- We expect to see growth in MAU and Paying Circles in Q3, however the pace of growth will be subject to COVID-19 conditions in the US, including the resumption of back-to-school activities.
- We also expect the heightened concern around health and safety, combined with the launch of the Membership offering, to only strengthen the use case for families over the long term. In addition, the Membership offering is expected to drive significant growth in Average Revenue Per Paying Circle.
- Operating cash outflow in the CY20 full year is expected to reduce versus CY19.

Investor Conference Call

A conference call will be held today at 9.30am AEST, Wednesday 29 July. The call will be held as a Zoom audio webinar.

Participants wishing to ask a question 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 : <https://life360.zoom.us/j/abVO4mVP89>

Meeting ID : 366 225 201

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 25 million monthly active users (MAU) as at June 2020, located in more than 195 countries.

Contacts

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Life360's CDIs are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers of securities which are made outside the US. Accordingly, the CDIs, have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person who is not a QIB for the foreseeable future except in very limited circumstances until after the end of the restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons excluding QIBs. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person who is not a QIB. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Appendix: Platform Update

Life360 provides below a summary of changes historically introduced on iOS and Android platforms and the Company's response. This information will be updated on a quarterly basis.

Date	Version	Changes	Resolution	Potential impact	Actual impact
iOS					
Sept '19	13	Location permissions VoIP disabling	Work-around User education through email and in-app campaigns Alternative provided by Apple	Minimal Minimal	Minimal None anticipated
Sept '18	12	10 mins maximum background time limit	Worked with Apple to increase limit before release of iOS 12	Minimal	Minimal
Sept '17	11	Blue bar	Additional API added to remove blue bar after negotiation with Apple	Minimal	Minimal
Sept '16	10	Decommissioned background socket	Migrated background wake up to VOIP	Significant	Minimal
Sept '15	9	More background location sampling	Update infrastructure to handle additional location points	Medium	Medium
Sept '13	7	iOS background task termination stopped all background location from running	Successful petition to Apple to change policy with iOS 7.1	Significant	iOS 7.0 - Significant iOS 7.1 - Minimal
Android					
Sept '19	Q	Always vs When in Use background location permission	Updated app to present new permissions to the users and encourage Always permission	Minimal	Minimal
Aug '18	P	Limited access to sensors in the background	Display persistent notification while driving to ensure background access	Significant	Medium
Aug '17	O	Notification channels Background Execution limits	Added 11 different channels that allow users to customise all notifications Display persistent notification during background location updates	Minimal	Minimal
Aug '16	N	Doze Mode enhancements	Updates to ensure compatibility with Doze Mode	Minimal	Minimal
Oct '15	M	Doze Mode App Permissions	Update to high priority notifications for background location Ensure we prompt the user for all permissions required	Significant	Medium

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Life360, Inc

ABN

629 412 942

Quarter ended ("current quarter")

June 30, 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,908	28,906
1.2 Payments for		
(a) research and development	(2,180)	(4,204)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(849)	(5,891)
(d) leased assets	(353)	(820)
(e) staff costs	(7,451)	(15,319)
(f) administration and corporate costs	(2,976)	(4,676)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	190
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Payments for technology expenses	(2,408)	(3,693)
1.9 Net cash from / (used in) operating activities	703	(5,507)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(45)	(490)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(45)	(490)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	368	463
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings ¹	3,115	3,115
3.6	Repayment of borrowings ¹	(3,115)	(3,115)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Taxes paid related to net settlement of equity awards	(124)	(124)
3.10	Net cash from / (used in) financing activities	244	339

¹Proceeds and repayment of borrowings of US\$3.1 million were the result of the grant and immediate repayment of loan facility through the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security (CARES) Act.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	57,508	64,068
4.2	Net cash from / (used in) operating activities (item 1.9 above)	703	(5,507)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(45)	(490)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	244	339
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	58,410	58,410

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	58,157	57,257
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	253	251
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	58,410	57,508

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$US'000**

5²

0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

² Related party payment of \$5,313 was paid to Carthona Capital for the quarterly directors' fees for a non-executive director.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0

7.5 **Unused financing facilities available at quarter end** 0

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	703
8.2 Cash and cash equivalents at quarter end (Item 4.6)	58,410
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	58,410
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	83

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

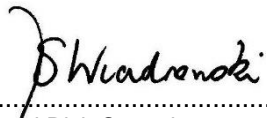
Answer:

N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:July 29, 2020.....

Authorised by: 
Audit and Risk Committee

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.