

Life360, Inc.  
Appendix 4D  
Half year report

1. Company details

Name of entity: Life360, Inc.  
ARBN: 629 412 942  
Reporting period: For the half year ended 30 June 2021  
Previous period: For the half year ended 30 June 2020

2. Results for announcement to the market (US\$000's)

Revenues from ordinary activities	up	27%	to	\$	48,001
Loss from ordinary activities after tax attributable to the owners of Life360, Inc.	up	48%	to	\$	(10,656)
Loss attributable to the owners of Life360, Inc.	up	48%	to	\$	(10,656)
Underlying loss from ordinary activities after tax*	up	90%	to	\$	(5,017)

Dividends

No dividends were paid or declared.

\* The presentation of underlying loss from ordinary activities after tax excludes stock-based compensation and non-recurring adjustments as it provides the best measure to assess the performance of the Company. Refer to the 'Review of Operations and Financial Results' section of the Directors' Report for a reconciliation of Net Loss to Underlying loss from ordinary activities after tax.

3. Net tangible assets	30 June 2021 (US\$)	30 June 2020 (US\$)
Net tangible assets per ordinary security	\$ 0.38	\$ 0.47

The Net tangible assets per ordinary security is defined as the stockholders' Equity (Deficit) divided by CHES Depository Interests (CDIs) issued. The common stock; CDI ratio is 1:3.

4. Details of entities over which control has been gained during the period

None noted.

5. Other

The condensed consolidated financial statements were subject to a review by BDO USA, LLP and the review report is attached as part of the Half year report.

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

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Unaudited Half Year Condensed Consolidated

# Financial Statements

For the Half Year Ended June 30, 2021 and 2020

# Life360, Inc.

## Directors' Report

The directors present their report, together with the unaudited condensed consolidated financial statements, on Life360, Inc (referred to hereafter as “the Company” or “Life360”) for the half year ended June 30, 2021. All amounts are stated in United States dollars, unless otherwise stated.

### DIRECTORS

The following persons were directors of Life360 during the half year ended June 30, 2021 and up to the date of this report, unless otherwise stated:

John Philip Coghlan - Chairman  
Chris Hulls  
Alex Haro  
Brit Morin  
Mark Goines  
James Synge  
David Wiadrowski  
Randi Zuckerberg (appointed on January 19, 2021)

### PRINCIPAL ACTIVITIES

During the half year, the principal continuing activities of Life360 consisted of operating 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. No significant change in the nature of these activities occurred during the half year ended June 30, 2021.

### REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Revenue for the half year ended June 30, 2021 increased 27% to \$48 million as a result of growth in paying accounts, referred to as Paying Circles and Data Revenue that had a lower than initially expected impact from the iOS Identifier for Advertisers (IDFA) changes. The Company's net loss for the half year ended June 30, 2021 increased 48% to \$10.7 million.

Total operating expenses for the half year ended June 30, 2021 increased by 29% to \$49.4 million. The increase is due to higher commissions to channel partners, headcount and COGS/R&D expenses as the Company scales, offset by a reduction in marketing and paid acquisition spend that was deliberately scaled back as part of COVID-19 cost saving initiatives in prior period.

# Life360, Inc.

## Directors' Report

	June 30, 2021	June 30, 2020
<b>Total Revenue</b>	<b>\$ 48,001</b>	<b>\$ 37,798</b>
<b>Net Loss</b>	<b>(10,656)</b>	<b>(7,200)</b>
Interest & Dividend Income	(8)	(188)
Depreciation and Amortization	224	259
<b>EBITDA</b>	<b>(10,440)</b>	<b>(7,129)</b>
Stock based Compensation	5,140	3,695
Non-recurring adjustment to reflect the deferral of a portion of monthly subscription sales through a channel partner	-	862
Transaction costs incurred for proposed acquisition of Jio, Inc	499	-
<b>Underlying EBITDA</b>	<b>(4,801)</b>	<b>(2,572)</b>
<b>Underlying Loss from ordinary activities after tax</b>	<b>(5,017)</b>	<b>(2,643)</b>

A review of operations of Life360 is set out in a market release lodged with the Australian Stock Exchange (ASX) on August 26, 2021.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has had significant adverse impacts on the U.S. and global economies. The Company has conducted business with substantial modifications to employee work locations, and a significant amount of paid user acquisition spend was deliberately paused to adapt to the COVID-19 environment and to scale back spending.

In 2021, as the administration of the vaccine program increases and cases decline, the Company continues to evaluate and refine our strategy. Despite the uncertainty of the impact of the COVID-19 pandemic on our operational and financial performance in prior year, the Company has experienced positive growth as conditions improve. The Company has resumed paid user acquisition spend which was deliberately scaled back in response to COVID-19 in prior period and has even expanded into new channels such as streaming TV.

The Company notes that the ultimate extent of the impact of the COVID-19 depends on certain developments, including the duration of the pandemic and any resurgences, the severity of the disease, responsive actions taken by public health officials, distribution and public acceptance of treatments and vaccines, and the impacts on our customers, employees, and vendors, all of which are uncertain and currently cannot be predicted with any degree of certainty.

In April 2021, the Company signed a term sheet of the proposed acquisition of Jio, Inc ("Jiobit"), provider of wearable location devices for young children, pets and seniors. As at June 30, 2021, the Company continues to progress the due diligence and finalization of definitive agreements of the acquisition. For further information, see Note 13, "Subsequent Events".

# Life360, Inc.

## Directors' Report

Other than the above matters, there were no significant changes in the state of affairs during year ended June 30, 2021.

### DIVIDENDS

No dividends were paid during the half year ended June 30, 2021 and June 30, 2020.

### PRESENTATION CURRENCY

The functional and presentation currency of Life360 is United States Dollar (US Dollars). The financial report is presented in US Dollars with all references to dollars, cents or \$ in these condensed consolidated financial statements presented in US currency, unless otherwise stated.

### ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand United States Dollars.

### JURISDICTION OF INCORPORATION

The Company is incorporated in the State of Delaware, United States of America and is a registered foreign entity in Australia. As a foreign company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

### DELAWARE LAW, CERTIFICATE OF INCORPORATION AND BYLAWS

As a foreign company registered in Australia, the Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (including substantial shareholdings and takeovers).

Under the provisions of Delaware General Corporation Law ("DGCL"), shares are freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or bylaws, or by an agreement signed with the holders of the shares at issuance. The Company's amended and restated certificate of incorporation and bylaws do not impose any specific restrictions on transfer. However, provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board.

The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

# Life360, Inc.

## Directors' Report

The Chess Depositary Interests ("CDIs") are issued in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act of 1933 (Securities Act) for offers of securities which are made outside the U.S. 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 U.S. 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 the CDIs cannot be sold into the U.S. or to a U.S. person who is not a Qualified Institutional Buyer (as defined under Rule 144A under the Securities Act, 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 transfer restrictions, all CDIs issued bear a FOR Financial Product designation on the ASX. This designation restricts any CDIs from being sold on the ASX to U.S. persons excluding QIBs. CDIs may be transferred on ASX to any person other than a U.S. person who is not a QIB. Hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

### MATTERS SUBSEQUENT TO THE HALF YEAR

On July 1, 2021, an investment round of \$2.1 million was finalized in connection with the creation of the Family Advisory Council of well-known celebrities and influencers. Refer to Note 13, "Subsequent Events", for further details on the convertible notes and the detachable warrants that were issued as part of the transaction.

On July 27, 2021, the Company entered into an agreement to acquire all the ownership interests of Jiobit for a total consideration of \$54.5 million. Jiobit is entitled to a \$1.0 million retention bonus and contingent considerations of \$17.5 million for 2021 and 2022 based on qualifying units sold, as defined in the agreement. Refer to Note 13, "Subsequent Events" for further details.

No other matter or circumstance has arisen subsequent to June 30, 2021 that has significantly affected, or may significantly affect Life360 operations, the results of those operations, or Life360 state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

### INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified directors and executives of the Company for costs incurred in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the half year ended June 30, 2021, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the half year ended June 30, 2021, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

# Life360, Inc. Directors' Report

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company.

This report is made in accordance with a resolution of the directors  
On behalf of the directors



John Philip Coghlan  
August 26, 2021

San Francisco, USA



**Life360, Inc.**

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**Unaudited Condensed Consolidated Financial Statements**

As of and for the Half Year Ended  
June 30, 2021 and 2020

# Life360, Inc.

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## **Independent Accountant's Review Report**

Board of Directors  
Life360, Inc.  
San Francisco, California

### ***Results of Review of Interim Financial Information***

We have reviewed the accompanying condensed consolidated financial statements of Life360, Inc. (the "Company"), which comprise the consolidated balance sheet as of June 30, 2021, the related condensed consolidated statements of operations and comprehensive loss for the half years ended June 30, 2021 and June 30, 2020, changes in stockholders' equity, and cash flows for the half year periods then ended, and the related notes (collectively referred to as the interim financial information).

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with generally accepted accounting principles in the United States.

### ***Basis for Review Results***

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### ***Responsibilities of Management for the Interim Financial Information***

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.



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***Report on Condensed Consolidated Balance Sheet as of December 31, 2020***

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Life360, Inc. as of December 31, 2020, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 25, 2021. In our opinion, the accompanying condensed consolidated balance sheet of Life360, Inc. as of December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

August 26, 2021

# Life360, Inc.

## Condensed Consolidated Balance Sheets (unaudited) (Dollars in U.S. \$, in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 50,558	\$ 56,413
Accounts receivable	12,031	9,042
Costs capitalized to obtain revenue contracts, net	2,223	3,381
Prepaid expenses and other current assets	6,940	10,017
Total current assets	71,752	78,853
Property and equipment, net	578	801
Costs capitalized to obtain revenue contracts, net of current portion	520	569
Goodwill	764	764
Notes due from affiliates	318	306
Convertible note receivable	2,500	-
Right of use asset	1,995	2,638
Prepaid expenses and other assets, noncurrent	2,574	2,382
<b>Total Assets</b>	<b>\$ 81,001</b>	<b>\$ 86,313</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 907	\$ 2,420
Accrued expenses and other liabilities	6,028	5,235
Other current liabilities	2,110	-
Deferred revenue	12,013	11,855
Total current liabilities	21,058	19,510
Other noncurrent liabilities	1,511	2,308
<b>Total Liabilities</b>	<b>\$ 22,569</b>	<b>\$ 21,818</b>
<b>Stockholders' Equity</b>		
Common Stock, \$0.001 par value; 100,000,000 shares authorized as of June 30, 2021 and December 31, 2020, respectively; 50,729,047 and 50,035,408 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	50	50
Additional paid-in capital	201,445	196,852
Notes due from affiliates	(621)	(621)
Accumulated deficit	(142,442)	(131,786)
Total stockholders' equity	58,432	64,495
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 81,001</b>	<b>\$ 86,313</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## Life360, Inc.

### Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)

(Dollars in U.S. \$, in thousands except share and per share data)

	Half Year Ended	
	June 30, 2021	June 30, 2020
<b>Revenue:</b>		
Revenue	\$ 48,001	\$ 37,798
Cost of Revenue	9,249	6,936
Gross Profit	38,752	30,862
<b>Cost and expenses:</b>		
Research and development	22,708	18,667
Sales and marketing	18,796	13,850
General and administrative	7,907	5,734
Total cost and expenses	49,411	38,251
Loss from operations	(10,659)	(7,389)
Other income	3	189
Loss before income taxes	(10,656)	(7,200)
Benefit from (provision for) income taxes	-	-
<b>Net Loss and Comprehensive Loss</b>	<b>\$ (10,656)</b>	<b>\$ (7,200)</b>
Net loss per share attributable to common shareholders	\$ (0.21)	\$ (0.15)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	50,298,528	49,109,268

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

# Life360, Inc.

## Condensed Consolidated Statements of Stockholders' Equity (unaudited) (Dollars in U.S. \$, in thousands, except share data)

	Common Stock		Additional	Notes Due	Accumulated	Total
	Shares	Amount	Paid-In Capital	from Affiliates	Deficit	Stockholders' Equity
<b>Balance at December 31, 2019</b>	48,840,675	49	188,300	(621)	(115,452)	72,276
Repurchase of common stock	(4,554)	-	(3)	-	-	(3)
Exercise of stock options	391,648	-	466	-	-	466
Vesting of restricted stock units	66,633	-	-	-	-	-
Taxes paid related to net settlement of equity awards	-	-	(124)	-	-	(124)
Stock-based compensation expense	-	-	3,695	-	-	3,695
Net loss	-	-	-	-	(7,200)	(7,200)
<b>Balance at June 30, 2020</b>	<b>49,294,402</b>	<b>49</b>	<b>192,334</b>	<b>(621)</b>	<b>(122,652)</b>	<b>69,110</b>
Balance at December 31, 2020	50,035,408	50	196,852	(621)	(131,786)	64,495
Exercise of stock options/warrants	414,242	-	1,289	-	-	1,289
Vesting of Restricted Stock Units	279,397	-	-	-	-	-
Taxes paid related to net settlement of equity awards	-	-	(1,836)	-	-	(1,836)
Stock-based compensation expense	-	-	5,140	-	-	5,140
Net Loss	-	-	-	-	(10,656)	(10,656)
<b>Balance at June 30, 2021</b>	<b>50,729,047</b>	<b>\$ 50</b>	<b>\$ 201,445</b>	<b>\$ (621)</b>	<b>\$ (142,442)</b>	<b>\$ 58,432</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

# Life360, Inc.

## Condensed Consolidated Statements of Cash Flows (unaudited) (Dollars in U.S. \$, in thousands)

	Half Year Ended	
	June 30, 2021	June 30, 2020
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (10,656)	\$ (7,200)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	224	259
Amortization of costs capitalized to obtain contracts	2,255	1,546
Stock-based compensation expense	5,140	3,695
Interest due under notes from affiliates	(12)	(11)
Changes in operating assets and liabilities:		
Accounts receivable	(2,989)	(2,367)
Prepaid expenses and other current assets	3,077	(592)
Costs capitalized to obtain contracts, net	(1,048)	(1,294)
Other Assets	449	1,100
Accounts payable	(1,513)	21
Accrued expenses	793	(159)
Deferred revenue	158	(14)
Noncurrent liabilities	(797)	(492)
Net cash used in operating activities	(4,919)	(5,508)
<b>Cash Flows from Investing Activities:</b>		
Purchases of capital assets	-	(490)
Cash advance on convertible note receivable	(2,500)	-
Net cash used in investing activities	(2,500)	(490)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from the exercise of options and grant of stock awards, net of repurchase	1,288	463
Taxes paid related to net settlement of equity awards	(1,835)	(124)
Proceeds from borrowings	-	3,115
Payments on borrowings	-	(3,115)
Cash received in advance of the issuance of convertible notes	2,110	-
Net cash provided by financing activities	1,563	339
<b>Net Decrease in Cash, Cash Equivalents and Restricted Cash</b>	<b>(5,856)</b>	<b>(5,659)</b>
<b>Cash, Cash Equivalents and Restricted Cash at the Beginning of the Period</b>	<b>56,611</b>	<b>64,069</b>
<b>Cash, Cash Equivalents, and Restricted Cash at the End of the Period</b>	<b>\$ 50,755</b>	<b>\$ 58,410</b>

The following table provides a table of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the total of the same such amounts shown above:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 50,558	\$ 58,157
Restricted cash (Refer to Note 5)	197	253
Total cash, cash equivalents, and restricted cash	\$ 50,755	\$ 58,410

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.



# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### 1. The Company

Life360, Inc. (the “Company”) is 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 was incorporated in the State of Delaware in April 2007. The Company’s core offering, the Life360 mobile application, is now a market leading mobile application for families, with features that range from communications to driving safety and location sharing. The Company operates under a “freemium” model where its core offering is available to users at no charge, with three membership subscriptions options that are available but not required.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The condensed consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States, or (“GAAP”) and are presented in US dollars, unless otherwise stated.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements included in this report reflect all adjustments for a fair statement of its financial position as of June 30, 2021, its results of operations and comprehensive loss, condensed consolidated statements of changes in equity for the half year ended June 30, 2021 and 2020, and cash flows for the half year ended June 30, 2021 and 2020. These condensed consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated financial statements are to be read in conjunction with the Life360, Inc. Annual Report for the year ended December 31, 2020 and any public announcements made by Life360, Inc. during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

#### *Reclassification of Expenses in Prior Period*

During the year ended December 31, 2020, the Company has changed the format of the Consolidated Statements of Operations and Comprehensive Loss to include Cost of Revenue and Gross Profit and reclassification of certain expenses in connection with the revised presentation. The Company believes this will improve and enhance the presentation of our financial statements and related disclosures for users of our financial statements.

The Company has reclassified the following costs, in the June 30, 2020 condensed consolidated statement of operations and comprehensive loss to conform to current period presentation (in thousands): (1) customer support crash and roadside assistance costs have been reclassified to cost of revenue, (2) technology expenses have been reclassified to cost of revenue, ongoing product development that was previously included in technology expense has been reclassified to research and development and certain costs relating to IT security function that were previously included in technology expense has been reclassified to general and administrative, (3) certain sales and marketing costs have been reclassified to cost of revenue.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

	Half Year Ended June 30, 2020 As reported	Reclassification Adjustment	Half Year Ended June 30, 2020 Revised
<b>Revenue:</b>			
Subscription revenue	\$ 27,278	\$ (27,278)	\$ -
Partnership revenue (including related party revenue of \$195 and \$3,106, respectively)	3,211	(3,211)	-
Data Revenue	7,309	(7,309)	-
Total Revenue	37,798	(37,798)	-
Revenue	-	37,798	37,798
Cost of Revenue	-	6,936	6,936
Gross Profit	-	30,862	30,862
<b>Operating expenses:</b>			
Customer support, crash and roadside assistance	1,606	(1,606)	-
Research and development	18,849	(182)	18,667
Sales and marketing	13,994	(144)	13,850
General and administrative	5,741	(7)	5,734
Technology expenses	4,997	(4,997)	-
Total operating expense	45,187	(6,936)	38,251
Loss from operations	\$ (7,389)	\$ -	\$ (7,389)

Such reclassifications had no impact on the Company's financial position, operating cash flows, net loss or net loss per share attributable to common stockholders.

### Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Significant estimates made by management include, but are not limited to, the determination of revenue recognition, accounts receivable allowance, average useful customer life, the fair value of common stock and related stock-based compensation expense, legal contingencies, depreciable lives and income taxes including valuation allowances on deferred tax assets. The Company bases its estimates and judgments on historical experience and on various assumptions that it believes are reasonable under the circumstances. Actual results could differ significantly from those estimates.

### Accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the existing incurred loss impairment model for financial assets held at amortized cost. The new model uses a forward-looking expected loss method to calculate credit loss estimates. These changes will result in earlier recognition of credit losses. This guidance is effective for the Company on January 1, 2023 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its condensed consolidated financial statements and related disclosures and does not expect a material impact.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

In August 2020, the FASB issued ASU No. 2020-06, *Debt- Debt with Conversion and Other Options* (Subtopic 470-20) which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging*, or (2) a convertible debt instrument was issued at a substantial premium. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share, which will result in increased dilutive securities as the assumption of cash settlement of the notes will not be available for the purpose of calculating earnings per share. The provisions of ASU 2020-06 are effective for reporting periods beginning after December 15, 2023, with early adoption permitted for reporting periods beginning after December 15, 2020, and can be adopted on either a fully retrospective or modified retrospective basis. The Company is currently evaluating the timing, method of adoption, and overall impact of this standard on its condensed consolidated financial statements.

### Revenue Recognition

Pursuant to Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The following table presents revenue (in thousands):

	Half Year Ended	
	June 30, 2021	June 30, 2020
<b>Revenue:</b>		
Subscription Revenue	\$ 36,363	\$ 27,278
Data and Other Revenue	11,638	10,520
<b>Total Revenue</b>	<b>\$ 48,001</b>	<b>\$ 37,798</b>

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

Revenue by geography is generally based on the address of the customer as defined in the Company's agreement. The following table sets forth revenue by geographic area (in thousands):

	Half Year Ended	
	June 30, 2021	June 30, 2020
United States	\$ 42,893	\$ 32,380
International	5,108	5,418
Total	\$ 48,001	\$ 37,798

### Cost of Revenue

The following table represents cost of revenue (in thousands):

	Half Year Ended	
	June 30, 2021	June 30, 2020
<b>Revenue:</b>		
Cost of Subscription Revenue	\$ 7,520	\$ 6,307
Cost of Data and Other Revenue	1,729	629
Total Cost of Revenues	\$ 9,249	\$ 6,936

### Leases

The Company currently leases real estate space under non-cancelable operating lease agreements for its corporate headquarters in San Francisco and San Diego, California. The operating leases have remaining lease terms ranging from 1 to 4 years, some of which include the option to extend the lease.

The Company has recognized operating ROU assets, short term and long term lease liabilities of \$2.0 million, \$1.4 million and \$0.9 million in "Prepaid expenses and other assets, noncurrent", "Accrued expenses and other liabilities" and "Other noncurrent liabilities", respectively, on the Company's condensed consolidated balance sheet as of June 30, 2021. As of June 30, 2021, the Company did not have any finance leases.

Operating lease costs were as follows (in thousands):

	Half Year Ended	
	June 30, 2021	June 30, 2020
Operating lease cost <sup>(1)</sup>	\$ 709	\$ 690

<sup>(1)</sup> Amounts include short-term leases, which are immaterial.

As of June 30, 2021, the weighted-average remaining term of the Company's operating leases was 1.6 years and the weighted-average discount rate used to measure the present value of the operating lease liabilities was 4.75% as of adoption date of January 1, 2020.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

Maturities of the Company's operating lease liabilities, which do not include short-term leases, as of June 30, 2021 were as follows (in thousands):

	Operating leases
2021 (excluding the half year ended June 30, 2021)	\$ 767
2022	1,495
2023	102
2024	61
Total future minimum lease payments	2,425
Less imputed interest	(99)
<b>Total liability</b>	<b>\$ 2,326</b>

Payments for operating leases included in cash from operating activities was \$0.8 million for the half year ended June 30, 2021.

### *Fair Value of Financial Instruments*

The Company uses fair value measurements to record fair value adjustments to certain financial and non-financial assets and liabilities to determine fair value disclosures. The accounting standards define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the principal or most advantageous market in which the Company would transact are considered along with assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The accounting standard for fair value establishes a fair value hierarchy based on three levels of inputs, the first two of which are considered observable and the last unobservable, that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1 - Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuations based on unobservable inputs to the valuation methodology and including data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

The Company measures and reports certain financial instruments as assets and liabilities at fair value on a recurring basis. The Company had no liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020. The Company did not transfer any assets or liabilities measured at fair value on a recurring basis to or from Level 1 and Level 2 for the half years ended June 30, 2021 and December 31, 2020.

### 3. Impact of the COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In 2021, as the administration of the vaccine program increases and cases decline, the Company continues to evaluate and refine our strategy. Despite the uncertainty of the impact of the COVID-19 pandemic on our operational and financial performance in prior period, the Company has experienced positive performance as conditions improve. The Company has resumed paid user acquisition spend which was deliberately scaled back in response to COVID-19 in prior period and has expanded into new channels such as streaming TV.

The ultimate extent of the impact of the COVID-19 depends on certain developments, including the duration of the pandemic and any resurgences, the severity of the disease, responsive actions taken by public health officials, distribution and public acceptance of treatments and vaccines, and the impacts on our customers, employees, and vendors, all of which are uncertain and currently cannot be predicted with any degree of certainty.

The Company considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on the condensed consolidated financial statements for the half year ended June 30, 2021. As events continue to evolve and additional information becomes available, the Company's assumptions and estimates may change materially in future periods.

### 4. Convertible Note Receivable

On May 7, 2021 and June 24, 2021, the Company issued convertible promissory notes to Jio, Inc ("Jiobit") for \$1.0 million and \$1.5 million, respectively in connection with a potential acquisition.

The convertible notes accrue simple interest at an annual rate of 6% and matures on May 7, 2024 and June 24, 2024, respectively.

Upon the Company's acquisition of Jiobit, the consideration will be reduced by the principal amount of the convertible promissory notes and these notes shall be cancelled. For further information on the Jiobit acquisition, see Note 13, "Subsequent Events".

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### 5. Prepaid Expenses and Other Assets, Noncurrent

Prepaid expenses and other assets, noncurrent consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Prepaid expenses	\$ 2,377	\$ 2,184
Restricted cash	197	198
<b>Total</b>	<b>\$ 2,574</b>	<b>\$ 2,382</b>

### 6. Other Current Liabilities

In June 2021, the Company received \$2.1 million in cash in advance of the issuance of convertible notes which has been recorded as an Other current liability on the Company's condensed consolidated balance sheet as of June 30, 2021. For further information on the issuance of convertible notes, see Note 13, "Subsequent Events".

### 7. Common Stock

Common stockholders are entitled to dividends when and if declared by the Board of Directors. The holder of each share of common stock is entitled to one vote. The common stockholders voting as a class are entitled to elect three members to the Company's Board of Directors. Since incorporation, the Company has not declared any dividends.

During the half year ended June 30, 2021, the Company issued 2,080,917 CDIs of the Company, representing 693,639 shares of common stock, attributable to the exercise of stock options and warrants and the vesting of restricted stock units. The gross proceeds were approximately \$1.3 million and the related tax paid was \$1.8 million.

During the half year ended June 30, 2020, the Company issued 1,361,181 CDIs of the Company, representing 453,727 shares of common stock, attributable to the exercise of stock options. The gross proceeds were approximately \$0.5 million and the related tax paid was \$0.1 million.

### 8. Net Loss Per Share Attributable to Common Shareholders

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders as of June 30, 2021 and 2020 (in thousands):

	As of	
	June 30, 2021	June 30, 2020
Net loss attributable to common shareholders	\$ (10,656)	\$ (7,200)
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	50,299	49,109
<b>Net loss per share attributable to common shareholders, basic and diluted</b>	<b>\$ (0.21)</b>	<b>\$ (0.15)</b>

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been antidilutive as of June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Issuances under stock incentive plan	8,175,688	7,889,854
Issuances upon exercise of common stock warrants	95,576	140,576
Issuances upon vesting of restricted stock units	2,602,875	1,802,350
Shares reserved for shares available to be granted but not granted yet	3,668,015	3,747,606
	<b>14,542,154</b>	<b>13,580,386</b>

In accordance with Delaware Law and the Company's Amended and Restated 2011 Stock Plan, the number of shares reserved for issuance will automatically increase on January 1 of each of the calendar years, in an amount equal to the lesser of (i) 5% of the Company's outstanding share capital on the immediately preceding December 31, (ii) 5,000,000 Shares and (iii) such number of securities determined by the Board of Directors.

### 9. Stock-Based Compensation

Stock-based compensation expense was allocated as follows during the half year ended June 30, 2021 and 2020 (in thousands):

	Half Year Ended	
	June 30, 2021	June 30, 2020
Cost of Revenue	\$ 240	\$ 154
Research and Development	3,284	2,443
General and administrative	1,328	893
Sales and marketing	288	205
<b>Total stock based compensation expense</b>	<b>\$ 5,140</b>	<b>\$ 3,695</b>

As of June 30, 2021, there was total unrecognized compensation cost for outstanding stock options of \$8.6 million to be recognized over a period of approximately 2.5 years.

As of June 30, 2020, there was total unrecognized compensation cost for outstanding stock options of \$9.0 million to be recognized over a period of approximately 2.5 years.

As of June 30, 2021, there was unrecognized compensation cost for outstanding restricted stock units of \$19.6 million to be recognized over a period of approximately 3.2 years.

As of June 30, 2020, there was unrecognized compensation cost for outstanding restricted stock units of \$8.9 million to be recognized over a period of approximately 3.4 years.

There were no capitalized stock-based compensation costs or recognized stock-based compensation tax benefits during the half years ended June 30, 2021 and 2020.



# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### ***Performance-Based Awards***

The Company has issued awards that have performance-based vesting conditions. For awards that include a performance condition, if the performance condition is determined to be probable of being satisfied, the Company recognizes compensation expense related to such awards using the accelerated attribution method over the required performance period. If a performance condition is not probable of being met, no compensation cost is recognized.

During the half year ended June 30, 2021, the Company granted stock options to purchase 221,063 shares of common stock and issued 24,563 shares of restricted stock to an executive with performance-based vesting conditions. The awards are earned based on performance metrics established by the Company, and once the performance conditions are met, the awards vest monthly over a two-year period. Expense related to the performance-based vesting conditions is recognized using the accelerated attribution method if they are deemed probable of being met. No stock-based compensation was recognized related to the performance-based awards during the half year ended June 30, 2021. There was \$1.6 million in unamortized stock-based compensation related to the performance-based awards.

### **10. Related Party Transactions**

The Company has entered into secondary financing transactions with certain executive officers and Board members of the Company. A summary of the transactions is detailed in below:

#### ***Notes Due From Affiliates (Asset-Classified)***

The Company accounted for secured partial recourse promissory notes issued in 2017 as related party notes and included the principal amounts due from such notes under Notes Due From Affiliates on the condensed consolidated balance sheets.

As of June 30, 2021 and December 31, 2020, the Company had options to purchase 24,444 shares of common stock. The Company determined the fair value of such options for each period using a lattice option-pricing model using expected volatility ranging from 67.2% to 76.1%, risk-free interest rates ranging from 1.4% to 2.6% and an expected dividend rate of 0%. The options had an estimated fair value as of June 30, 2021 and December 31, 2020 of \$0.03 million and \$0.03 million, respectively, and are included within Other Assets on the condensed consolidated balance sheets.

#### ***Notes Due From Affiliates (Contra Equity)***

In February 2016, the Company issued an aggregate of \$0.6 million in secured partial recourse promissory notes ("partially secured loan") to the Chief Executive Officer, Non-Executive Director (Previously President), Chief Operating Officer and an officer of the Company.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

The Company accounted for the 2016 partially secured loan as consideration received for the exercise of the related equity award, because even after the original options are exercised or the shares are purchased, an employee could decide not to repay the loan if the value of the shares declines below the outstanding loan amount and could instead choose to return the shares in satisfaction of the loan. The result would be similar to an employee electing not to exercise an option whose exercise price exceeds the current share price. When shares are exchanged for a partially secured loan, the principal and interest are viewed as part of the exercise price of the “option” and no interest income is recognized. Additionally, compensation cost is recognized over any requisite service period, with an offsetting credit to additional paid-in capital. Periodic principal and interest payments, if any, are treated as deposit liabilities until the note is paid off, at which time, the note balance is settled and the deposit liability balance is transferred to additional paid-in capital. As of June 30, 2021 and December 31, 2020, the Company had deposit liability balances of \$0.7 million, in connection with the 2016 partially secured loan and other early exercises of equity awards. Principal amounts due under the 2016 partially secured loan, or \$0.6 million, are included in Notes Due From Affiliates as a reduction in stockholders’ equity on the condensed consolidated balance sheets.

### **Related Party Revenue**

On July 11, 2017, the Company and ADT LLC (“ADT”) which is a related party pursuant to ADT’s ownership of shares of the Company’s common stock, entered into the Master Services and Licensing Agreement under which ADT will receive a license to the Company’s technology through an integrated mobile application offered by ADT to its end customers.

The following table represents revenue and accounts receivable received from ADT (in thousands):

		Revenue		Accounts Receivable	
		Half Year Ended		Half Year Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
ADT	\$	-	\$ 195	\$	-
				\$	64

### **Other Related Party Transactions**

Non-executive director, James Synge, is a Principal and Partner of Carthona Capital. During the half year ended June 30, 2021, a cash payment of \$7,825 was paid to Carthona Capital for the directors’ fees for a non-executive director. During the half year ended June 30, 2020, the Company paid Carthona Capital a cash payment of \$14,126 for the directors’ fees for a non-executive director.

Annika Hulls is the spouse of the CEO and Executive Director, Chris Hulls. During the half year ended June 30, 2021, a cash payment of \$10,250 was paid to Annika Hulls for services relating to a marketing campaign.

### **11. Commitments and Contingencies**

In the ordinary course of the Company’s business, the Company may be subject to lawsuits, arbitrations, and administrative proceedings from time to time. The Company believes that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on the Company’s business, financial condition, liquidity, or results of operations.

# Life360, Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### 12. Income Taxes

The Company did not record a federal or state income tax provision or benefit for the half year ended June 30, 2021 and June 30, 2020 as it has incurred net losses since inception. In addition, the net deferred tax assets generated from net operating losses are fully offset by a valuation allowance as the Company believes it is not more likely than not that the benefit will be realized. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. The Company has established a full valuation allowance for all periods presented due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

### 13. Subsequent Events

The Company evaluated subsequent events through August 26, 2021 the date the reviewed financial statements were issued.

#### *Convertible Notes*

On July 1, 2021, the Company issued convertible notes to investors with an underlying principal amount of \$2.1 million. The convertible notes accrue simple interest at an annual rate of 4%, and mature on July 1, 2026. The convertible notes may be settled under the following scenarios at the option of the holders of the convertible notes: (i) into common shares equal to the conversion amount of outstanding principal and any accrued but unpaid interest divided by the conversion price of \$11.96; (ii) at the option of the holder upon a liquidation event a) paid in cash equal to the outstanding principal and any accrued but unpaid interest or b) into common shares equal to the conversion amount of outstanding principal and any accrued but unpaid interest divided by the conversion price of \$11.96; or (iii) upon maturity of the convertible notes, settlement in cash at the outstanding accrued interest and principal amount.

In connection with the convertible notes, the Company issued warrants to purchase 88,213 shares of the Company's common stock with an exercise price of \$0.01 per share and a term of one year (Warrant Tranche 1), 44,106 shares of the Company's common stock with an exercise price of \$11.96 per share and a term of 5 years (Warrant Tranche 2), and 44,106 shares of the Company's common stock which is exercisable starting twelve months from the convertible note issuance date with an exercise price of \$11.96 per share and a term of 5 years (Warrant Tranche 3).

#### *Jiobit Acquisition*

On July 27, 2021, the Company entered into an agreement to acquire all the ownership interests of Jiobit. Jiobit is a provider of wearable location devices for young children, pets, and seniors. The total consideration was \$54.5 million, subject to adjustments at closing for working capital and certain tax modifications. The upfront consideration of \$36.0 million is a combination of \$21.6 million in Life360 shares and \$14.4 million in convertible promissory notes. Additionally, Jiobit is entitled to a \$1.0 million retention bonus and contingent considerations of \$17.5 million for 2021 and 2022 based on qualifying units sold, as defined in the agreement. The additional performance-based contingent considerations would be solely in the form of Life360 shares.