

## ASX ANNOUNCEMENT

29 April 2020

# March 2020 Quarterly Business Update and Appendix 4C

### ***Retention rates maintained notwithstanding COVID-19 impact***

San Francisco-based Life360, Inc. (Life360 or the Company) (ASX: 360) today released its Appendix 4C – Quarterly Cash Flow Report for the period ending 31 March 2020 together with a Business Update. Appendix 4C is prepared in US dollars under US GAAP and is unaudited.

### **March 2020 Quarter Highlights**

- Revenue of US\$19.1 million, a year-on-year growth rate of 71%. Annualised Monthly Revenue (AMR) in March 2020 was US\$76.1 million, a year-on-year increase of 64%.
- Global Monthly Active User (MAU) base of 28.0 million, up 36% year-on-year, with an increase of 0.9 million MAU for the quarter.
- US MAU base of 16.7 million (59% of total MAU), up 49% year-on-year, an increase of 0.4 million for the quarter.
- International MAU base of 11.4 million, up 21% year-on-year, an increase of 0.5 million for the quarter.
- Paying Circles (which comprise Life360 Plus and Driver Protect) of 862,000, up 31% year-on-year.
- Free and paid user retention rates remain within a normal range on a cohort basis notwithstanding a material COVID-19 impact on new registrations in the second half of March.
- Average Revenue Per Paying Circle (ARPPC) increased 15% year-on-year, supported by the shift to higher value Driver Protect subscriptions and monthly subscription packages.
- The auto insurance lead generation partnership with Allstate, which launched in May 2019, delivered revenue of US\$1.5 million.
- Paid User Acquisition spend of US\$4.0 million in the March 2020 quarter reduced 24% YoY, reflecting the discretionary nature of Life360's expense model.
- Cash balance of US\$57.5 million at March 2020 with no debt. Life360 remains confident its strong capital position represents sufficient resources to fund future growth.

### **Business Update**

Life360 Chief Executive Officer Chris Hulls said: "Life360 has delivered strong results in the March quarter, particularly in the context of the rapid impact of COVID-19. While usage of our product is diminished when families are not able to leave their homes, we are confident that the use case will become stronger when lockdowns are lifted, due to heightened general anxiety around health and safety.

"Prior to lockdowns being implemented, we continued to deliver strong growth that was exceeding our expectations. While growth in new users and Paying Circles is temporarily

diminished, there is no evidence of users abandoning the app, and monthly retention rates on a cohort basis are within a normal range.

“We have continued to demonstrate our financial discipline and the flexibility of our discretionary expense model. Prior to the COVID-19 impact, we continued to improve cash burn, with operating cash outflow for the March quarter of US\$6.2 million compared with US\$6.7 million in the December 2019 quarter. To adapt to the COVID-19 impact, we have paused the majority of paid user acquisition spend. April 2020 will be the first full month reflecting the impact of this decision on our performance, and as such we have provided some additional information on our operating results. While we have yet to close the books for April 2020, our preliminary estimates for the month indicate an unaudited underlying EBITDA loss (excluding Stock Based Compensation) of approximately US\$0.5 million, with a similar operating cash burn, on a normalised basis. We expect to resume our paid acquisition spend as the environment returns to normal.”

Life360’s global Monthly Active User base exceeded 28.0 million at March 2020, with the net increase of 0.9 million for the quarter relatively evenly split between US and international users. US MAU of 16.7 million increased 0.4 million for the quarter and 49% year-on-year. International MAU reached 11.4 million, an increase of 0.5 million in the March quarter and 21% year-on-year.

Chris Hulls said “In our listed home of Australia, the Monthly Active User base reached more than 600,000, a year-on-year increase of more than 50%.

“A material reduction of around 50% in new registrations in the second half of March accompanied the evolution of the COVID-19 crisis, as successive lockdowns were implemented. Daily usage is similarly down, but monthly retention rates for both free and paid users is within a normal range on a cohort basis.”

During April, Life360 was recognized by the *Financial Times* in its inaugural special report on America’s fastest growing companies, ranking 36<sup>th</sup> in the technology category and 125<sup>th</sup> overall on the list of 500. Chris Hulls said “Being recognised by the *Financial Times* is an honour, and reflects the tireless work our team has put into becoming an invaluable part of daily life for families. We will continue to strive to achieve our larger vision of redefining how safety is delivered to families around the world”.

For the March quarter, revenue of US\$19.1 million increased 71% year-on-year. For the month of March, annualised Monthly Revenue (AMR) increased 64% year-on-year to US\$76.1 million.

Chris Hulls added “During the March quarter, Direct Revenue grew strongly, supported by the 31% growth in Paying Circles to 862,000 and 15% growth in Average Revenue Per Paying Circle (ARPPC). US Paying Circles continued to grow for the month of March although there was an impact on new subscriptions due to the COVID-19 related decrease in new user registration.

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 remained healthy for the quarter. However, a prolonged lockdown, with associated decreased people movement and marketing spend, is detrimental to certain data customers, and some of them are expected to face pressure in Q2.

Paid User Acquisition spend of US\$4.0 million in the March quarter reduced 24% year-on-year. Since late March, Paid User Acquisition spend has been significantly scaled back until lockdowns are lifted. Other expense management initiatives are being implemented, and include accelerating plans to establish engineering resources in lower cost jurisdictions, and adjusting the pace of hiring. These initiatives reflect the discretionary nature of Life360’s expenditure model.

During the lockdowns, Life360 has been part of an organized TikTok campaign by a small group of teenage influencers to spam certain apps, such as video conferencing and homework apps

with one star ratings and reviews. The fraudulent ratings have been removed by Google, and the issue has been recognized by Apple.

## Cash flow

Life360 ended March 2020 with a cash balance of US\$57.5 million and no debt.

For the March 2020 quarter, cash used in operating activities of US\$6.2 million improved sequentially from US\$6.7 million in the December 2019 quarter, and US\$7.1 million in the September 2019 quarter.

Cash used in investing activities of US\$0.4 million reflects minor purchases of capital assets.

Cash flow from financing activities of US\$0.1 million reflects proceeds from share issuance.

## Outlook

While considerable uncertainties remain over the duration of the current environment, the impact of COVID-19 is expected to be greater in Q2 than in Q1. This reflects the expected impact on “top of funnel” new registrations, as well as on data revenue. Q2 MAU and Paying Circles are likely to be slightly down on Q1 levels, with growth expected to resume with “Back to School” in Q3. In this uncertain environment, Life360 remains committed to controlling its discretionary expense model. Operating cash outflow in CY20 is expected to reduce versus CY19.

The launch of the Life360 Membership offering remains largely on track for June 30, and any roadmap delays as a result of productivity loss due to forced lockdowns is expected to be less than one month. “We expect this new membership offering to dramatically expand the scope and reach of Life360 as we add features relevant to a much wider range of families. This is the first family safety membership model of its kind, and will deliver protection wherever your family may be, and at every life stage” Chris Hulls said.

## Investor Conference Call

A conference call will be held today at 9.30am AEST, Wednesday 29 April. 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 : 364 672 572

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 has more than 28 million monthly active users (MAU) located in more than 160 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
<b>iOS</b>					
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
<b>Android</b>					
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")**

March 31, 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,998	11,998
1.2 Payments for		
(a) research and development	(2,024)	(2,024)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(5,042)	(5,042)
(d) leased assets	(467)	(467)
(e) staff costs	(7,866)	(7,866)
(f) administration and corporate costs	(1,699)	(1,699)
1.3 Dividends received (see note 3)		
1.4 Interest received	177	177
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	(1,285)	(1,285)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,208)</b>	<b>(6,208)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(445)	(445)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(445)</b>	<b>(445)</b>

<b>3. Cash flows from financing activities</b>		
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	93	93
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>93</b>	<b>93</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	64,068	64,068
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,208)	(6,208)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(445)	(445)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	93	93
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>57,508</b>	<b>57,508</b>

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	57,257	63,817
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	251	251
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>57,508</b>	<b>64,068</b>

**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
9 <sup>1</sup>
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

<sup>1</sup> Related party payment of \$8,813 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 <b>Total financing facilities</b>	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

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(6,208)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	57,508
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	57,508
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	9

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: .....April 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.