ASX ANNOUNCEMENT

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Conference Call Commentary for September 2019 Quarterly Business Update and Appendix 4C

Life360, Inc. (Life360 or the Company) (ASX: 360) earlier today held a conference call to accompany the release of its September 2019 Quarterly Business Update and Appendix 4C. Commentary from Co-Founder and CEO Chris Hulls and CFO Wendell Laidley is set out below.

Chris Hulls

Good morning everyone and thanks for joining our call today.

We continue to demonstrate strong momentum towards our goal of becoming the leading service to protect and connect families.

Our global Monthly Active User base reached 24.7 million in the September quarter, a 44% year-on-year growth rate, and in early October we achieved a milestone of 25 million MAU.

In the US, which accounts for the bulk of our revenue, MAU reached 14.4 million. This was a record quarterly increase of 1.8 million, a year-on-year growth rate of 64%, and reflects continued strong retention.

In our listed home of Australia, MAU exceeded 470,000, which was a year-on-year increase of almost 90%.

International MAU of 10.3 million for the September quarter increased 23% year-on-year, and declined 1% sequentially from the June quarter. This modest decrease was primarily due to an intentional shift in focus to lower volume/higher quality users in higher income regions, which has resulted in dramatically improved paid user acquisition spend efficiency. Additionally, there was a roll off in newly acquired users from the large influx we experienced in June. We expect growth to return in the fourth quarter.

Earlier this month, Life360 achieved its highest ever rank of #1 in the US Apple iTunes store for the Social Networking category (ahead of Facebook, Messenger, Pinterest and WhatsApp) and #6 overall, reflecting exceptional media coverage and growing brand awareness among our target audience. While we don't expect to permanently maintain this rank, this surge, which was driven by organic traffic, demonstrates that we are quickly becoming a household name.

Life360 collected 24.5 billion driving miles in the month of September, a strong increase from the more than 18 billion driving miles collected in the month of June 2019.

Revenue of $16.2 million increased 79% year-on-year and 21% sequentially. This corresponds to a September monthly annualized revenue run rate of $79.6m, but it should be noted that Allstate revenue is heavily weighted to the third month of each quarter. If Allstate's Q3 contribution to revenue were normalized to three equal monthly payments, adjusted AMR would be $67.7 million.

Direct revenue growth was supported by the 47% increase in Paying Circles to 758,000. In addition, Average Revenue Per Paying Circle increased 14% with more than 90% of new users choosing to subscribe to our higher priced Driver Protect offering. ARPPC also continues to benefit from the rebalancing of subscription packages from annual to monthly.

Indirect revenue also delivered strong growth, benefiting from the Allstate lead generation partnership which launched in May and contributed revenue of $1.5 million for the quarter. We continue to believe we are still in the very early days of developing the user experience that will drive growth in this business line. The strong overall performance in Indirect revenue also happened despite the faster than expected wind-down in legacy revenue from the ADT partnership.

Paid User Acquisition spend of $5.2 million was in line with the June quarter. The more modest increase in Q3 Paid User Acquisition spend reflected continued emphasis on achieving efficiencies across all channels. Life360's Paid User Acquisition spend will continue to be governed by our cash recovery model, and an expectation of continued growth in customer Lifetime Value. Paid User Acquisition spend is expected to remain relatively constant in Q4 followed by a meaningful increase beginning in Q1 as we expand into new channels.

When we released our half yearly results back in August, I spoke about our roadmap for the business for the second half of 2019. We are making progress against the four components of our growth strategy. New channels such as television and influencers are being tested to help drive our brand and user growth. Our plans to develop a membership experience to offer higher value family services is on track for launch in the first half of 2020. During the quarter we have effectively managed platform changes arising from the release of iOS 13, with an immaterial impact on users. We understand the concern that investors have around the platform changes we regularly encounter. Often times, there is significant unknown going into an operating system or device release, and while we cannot guarantee what will happen in the future, we have a ten-year track record of successfully managing these updates. We have included an appendix to our ASX release that tracks these historical platform changes and their ultimate impact on our business. We believe our ability to staff dedicated resources on platform changes is a competitive advantage over smaller competitors, and we will continue to invest in being prepared for new updates. We will update the market on a quarterly basis as to known potential upcoming changes and their ultimate impact post-release. Finally, with regard to our international strategy, we have simplified our premium packages to a single tier, and are currently testing our pricing in-market.

I'll now provide our view of the outlook for the remainder of the year.

Life360 expects to achieve proforma prospectus forecasts of revenue of $58.6 million, operating expenses of $88.7 million, EBITDA loss of $(30.2) million and net loss of $(29.7) million for calendar year 19. These expectations are underpinned by Monthly Active User and Average Revenue per Paying Circle performance ahead of prospectus forecasts, the successful launch of the Allstate partnership, and discipline around operating expenses. These factors are expected to offset the faster than expected wind-down of legacy revenues associated with the ADT partnership.

I'll now turn the call over to Wendell who will run through the cash flow and financials results in more detail.

Wendell Laidley

Thank you, Chris.

Please note that all the numbers I will be discussing are denominated in US Dollars, are in accordance with US GAAP Accounting standards, and are unaudited.

Life360 ended the September quarter with cash and cash equivalents of US$70.7 million and no debt. This provides the company with a strong capital position to continue to invest for sustained growth.

For the quarter to September 2019, cash used in operating activities was $7.1 million, which represented a sequential improvement from the $7.2 million in the June quarter and the $9.5 million we reported for the March quarter. As Chris mentioned, we are pleased to have delivered on our stated goal of delivering sequential reduction in operating cash outflows for each quarter of 2019, and we remain committed to delivering sequential improvement in the fourth quarter as well.

Total Revenue of $16.2 million in Q3 reflected 79% year-over-year growth and a 21% increase compared with the June quarter.

Receipts from customers of $13.8 million was in line with the June quarter, reflecting the timing of cash receipts from both Allstate and Apple.

From a payments (or expense) standpoint, the third quarter reflected another period of continued aggressive investments, especially in the areas of Staff Costs along with Advertising and Marketing.

Staff costs of $6.95 million in the September quarter increased 8% compared with the June quarter. We welcomed 16 people to the Life360 team in the third quarter and exited the September quarter with 160 employees, which is broken out as follows: 134 full-time employees, 8 in-house contractors, 16 Customer Service contractors, and 2 interns.

Administration and corporate expenses of $1.83 million for the September quarter declined 4% sequentially and reflected renewed spend discipline.

Research and development payments of $1.8 million for the September quarter represented a decrease from $2.7 million the June quarter. This sequential decline of roughly $900,000 was attributable to a combined decline in consulting and recruiting expenses, along with location services and tech services costs. As indicated in our 4C filing, our fourth quarter cash flow forecast assumes R&D payments will be in the $2.5 million range, which is more consistent with the range we reported for both the first and second quarters.

Advertising and marketing payments, which includes Paid User Acquisition, were $8.2 million in the September quarter and increased from $7.6 million the June quarter. Paid User Acquisition spend of $5.2 million reflected a modest increase from $5.0 million in the June quarter. As Chris noted, this investment was below our previous budget expectations. Our new leader Matt Horiuchi is intensely focused on achieving greater spend efficiency across all channels, and our level of spend in Q3 reflects these efforts. Our Paid User Acquisition investment will continue to be within the framework of our rigorous cash recovery model and we are committed to maintaining a high level of efficiency as we expand into new channels. For Q4 we expect Paid User Acquisition to be in the $5.0 million range and would anticipate higher level of spend beginning in the first quarter of 2020. We are unwavering in our commitment to Paid User Acquisition investments as part of our overall growth strategy.

Third quarter technology expense payments of $1.88 million were in line with the June quarter. As noted during our first half earnings call, our scale and expected future growth is enabling us to realize unit cost improvements with many of our technology vendors.

Cash used in investing activities of roughly $60,000 reflected minor purchases of capital assets.

Cash used in financing activities of $845,000 reflect deferred costs associated with the Company's IPO.

I would like to take a moment to explain why our operating cash outflows are expected to exceed the 2019 prospectus forecast of $24.6 million, since we believe the variance at year-end will be a reflection - and a consequence - of shifts in our business model along with timing of payments, as opposed to being indicative of any shortfall in the non-cash operating results for our business.

As we talked about in the June quarter update, our operating cash flow has been negatively impacted by a reduction in Deferred Revenue relative to the IPO prospectus model assumptions. The reduction in deferred revenue is a result of our faster than anticipated shift to Driver Protect, along with developer guideline changes related to in-app billing. Deferred revenue increases have historically been fueled by strong growth in annual subscription terms, where customers receive a 20% discount in exchange for upfront payments for the 12-month subscription term for either Life360 Plus or Driver Protect. While the lower Deferred Revenue does have a negative impact on cash flow, this shift has a corresponding positive benefit to reported Revenue due to the absence of annual subscription discounts. The variance in deferred revenue between the prospectus forecast assumptions and our actual results at year end is expected to be the single largest contributing factor in our operating cash flow results compared to the prospectus forecast at year end.

Our 2019 year-end operating cash flow results will also be meaningfully impacted by a variance in Accounts Receivable relative to the prospectus model assumptions. The first contributing factor is our contractual arrangement with Allstate where our quarterly revenue is disproportionately skewed to the last month of the quarter when we true up the contractual cost per click for the entire 3-month period. To the extent our ability to bill Allstate and subsequently receive payments is elongated due to contractual terms, the net impact is an increase in our AR balance due to the collection cycle. We expect this to be less pronounced over time, but the impact on 2019 operating cash flow will prove significant. The other factor contributing to higher than expected AR balance is our Data revenue, which has registered solid growth throughout 2019. Given that we are receiving payments from these Data buyers roughly 60 days following the month for which revenue is being recognized, this dynamic is also inflating our AR balance relative to the prospectus forecast model assumptions.

We believe that our 2019 year end operating cash flow results, when adjusted for the variances in Deferred Revenue and AR actuals, for reasons I just stated, will reveal operating cash flow results that are very similar to the prospectus model forecast. We expect to articulate these contributing factors in more detail when we report 2019 year end results in February.

In the meantime, Life360 remains focused on continuing to deliver sequential reduction in operating cash outflow in the fourth quarter. As well, we continue to expect 2019 will be the peak year in terms of operating cash burn.

In closing, Life360 expects to achieve pro-forma prospectus forecasts of Revenue of US$58.6 million, Operating Expenses of US$88.7 million, EBITDA loss of US$(30.2) million and Net loss of US$(29.7) million for CY19. These expectations are underpinned by Monthly Active User and Average Revenue per Paying Circle performance ahead of prospectus forecasts

I will now turn the call back to Chris for closing remarks.

Chris Hulls

Life360's performance in the September quarter underpins our confidence in the Company's direction. The growth in our Monthly Active User base demonstrates strong momentum in our goal to build and monetise the leading service to protect and connect families.

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 25 million monthly active users (MAU) located in more than 160 countries.

Contacts

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

For media enquiries:
Jim Kelly, +61 412 549 083
Courtney Howe, +61 404 310 364