

Life360: Mispriced Quality in a Nascent Advertising Opportunity

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Blackwattle
Investment Partners

Shares in 360 are ~67% lower than 5 months ago (October 2025), in our opinion due to three reasons:

1. High street expectations and a high multiple that chased the share price up to a peak of ~\$54.
2. Temporary weakness in US Monthly Active Users ('MAU') growth relative to high expectations described above.
3. AI fears in the broader tech sector.

The stock is lower due to negative sentiment around the ASX tech sector and has become, in our view, overly sensitive to the smallest of disappointments, even when the rest of the business is performing in line or better than expectations.

Back in 2025 Life360 could do no wrong; additional operating costs were perceived bullish as it inferred higher topline potential, misses on quarterly MAU expectations were overlooked as the user adds needed to be viewed on a longer timescale. Sentiment has reversed. The FY25 earnings beat and guidance above consensus expectations was severely punished due to a few basis points of 1H:2H skew higher than historical averages in FY26. Alas, this is the market, and Blackwattle are happy to take advantage of mispricing.

As it pertains to AI, we fail to see how a competitor could code a competitive application, build a trusted relationship with Apple to allow collection of user location, and amass >100m MAU. Thus, incremental selling due to AI fears appears wrongly founded in our view.

Life360's data superiority & Nativo-led catalyst

Life360 has user location data that is market leading, with the app pulsing data back on a user's location every 1-4 seconds. This is only rivalled by the walled gardens – Apple & Google, who themselves are limited in terms of monetising their data internally due to privacy commitments and brand risk. They also lack economic incentive given the overarching focus on hardware (Apple), Frontier AI models (Google).

Apple's launch of App Tracking Transparency (ATT) in 2021 forced app developers to more explicitly communicate with users that their data was being collected. Apple forced prompts on developers which has subsequently led to a decline in participation rates across the market.

Alas, the market for user intent is one of supply and demand. ATT removed a significant amount of supply in the market thus making the remaining suppliers, of which Life360 is one, more valuable.

Fast forward to 2025 and the company's purchase of Nativo for \$120m in cash and stock. This purchase has brought forward the timeline of the advertising strategy by acquisition of both i) expertise in native-advertising & ii) A publisher network Nativo had already built.

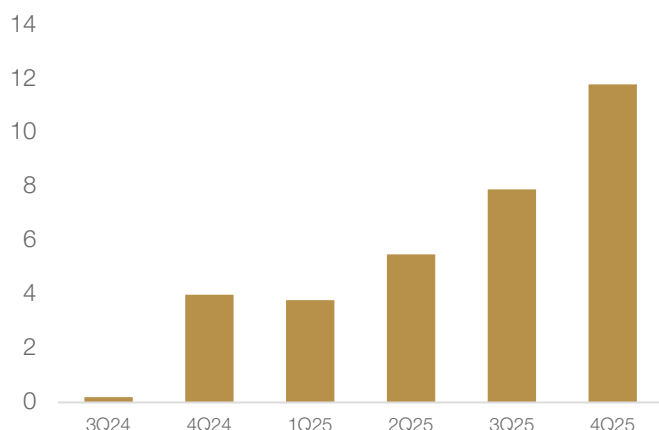
Simply this means Life360 has acquired the ability to push advertising inventory out of the core Life360 application which goes beyond a hedge around user experience by opening a large new market of monetisation; they can now capture unit economics from ads on third-party sites.

Framing this impact, we believe 360 will spend the majority of 2026 bolting on Nativo, building out the advertising product and building a sales function. We are likely to see the impacts in FY27.

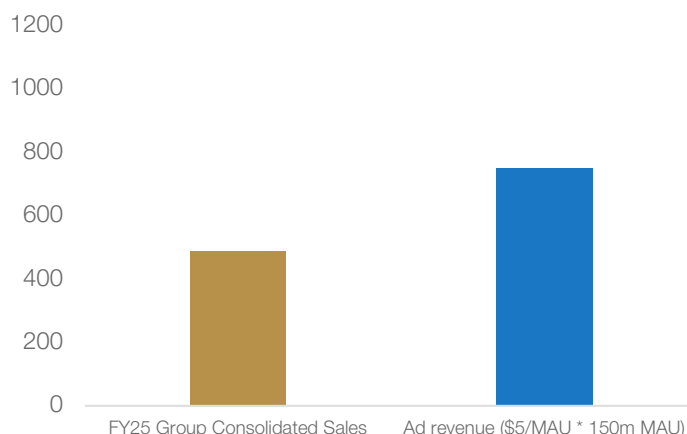
Quantification. A simple exercise – For example, UBER reports advertising Average Revenue Per User (ARPU) of ~\$5. They collect data just prior, during, and for a brief period post ride meaning that the deterministic nature of the data collected is significantly lower – Life360 is collecting data continuously. Thus, Life360 location data is dramatically superior to UBER's.

Assuming Life360 can, in-time, achieve \$5/MAU in advertising revenues at the company 150m MAU target (currently 100m) results in an advertising opportunity of \$0.75bn, which is >1.5x the entire consolidated sales in FY25.

Life360's: Quarterly Advertising Revenue



Contextualising Life360's Advertising Revenue Opportunity



Assuming the base business grows 50%, in line with MAU growth, Life360 group revenue would be in the order of \$1.5bn. At an EBIT margin of 17.5% (expected for FY27 and likely to expand further with scale), the company would generate over US\$260m, putting the stock on about 11x EV/EBIT and a large discount to the ASX/S&P 200 average of around 19x, for a high quality company which will still have significant long term growth options in front of it over and above ad revenues (from expansion in pets, seniors and geographic markets).

Short term cadence on quarterly MAU growth ignores opportunity

At a <\$20 share price, we view the market significantly undervaluing Life360's long term prospects and believe the company has continued to build towards its advertising product. Whilst the market whipsaws around on beats/misses on MAU growth we see longer term value on offering from a nascent advertising business.

Quality Investing

At Blackwattle we are constantly on the lookout for these mis-priced, high-quality businesses with internal levers. We understand the exceptionalism of these businesses in generating significant shareholder returns, so when we do discover one, we look to become long-term shareholders and capital partners, enabling our portfolios to capture the long-term compounding of outperformance through market cycles.

Reece Frith, Large Cap Investment Analyst at Blackwattle Investment Partners.

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