

Our next 10x

From \$1 billion to \$10 billion



Safe Harbor

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our anticipated financial performance, our future profitability, growth to \$10 billion, our guidance, our financial outlook for the full year 2024, 2025 and 2026, our expectations regarding our growth, our average multi-year loss ratio and expense ratio, our industry, business strategy, plans, goals and expectations concerning our market position, accuracy and growth of our predictive and generative AI models, future operations, expenses and other financial and operating information. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. This presentation also includes certain forward-looking projected financial information that is based on estimates and forecasts. Actual results could differ materially.

These and other important factors are discussed under the caption “Risk Factors” in our Form 10-K filed with the SEC on February 28, 2024 and in our other filings with the SEC, these factors could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation. Any such forward-looking statements represent management’s beliefs as of the date of this presentation. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. We may use our website (investor.lemonade.com), blog (lemonade.com/blog), and our company account on X and LinkedIn as a means of disclosing information and for complying with our disclosure obligations under Regulation FD.

This presentation contains certain non-GAAP financial measures as defined by the SEC. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Please see the Appendix of this presentation and our shareholder letter available on our Investor Relations website for definitions, the most comparable GAAP measures and reconciliations to those GAAP measures, and the reasons we use these non-GAAP financial measures.

Our Next 10x: From \$1B to \$10B



Vision and Strategy
Daniel Schreiber
CEO & Cofounder



Growing from \$1B to \$10B
Maya Prosor
Chief Business Officer



Infinite scaling through AI
Adina Eckstein
Chief Operating Officer



Our model and metrics
Nick Stead
SVP Finance



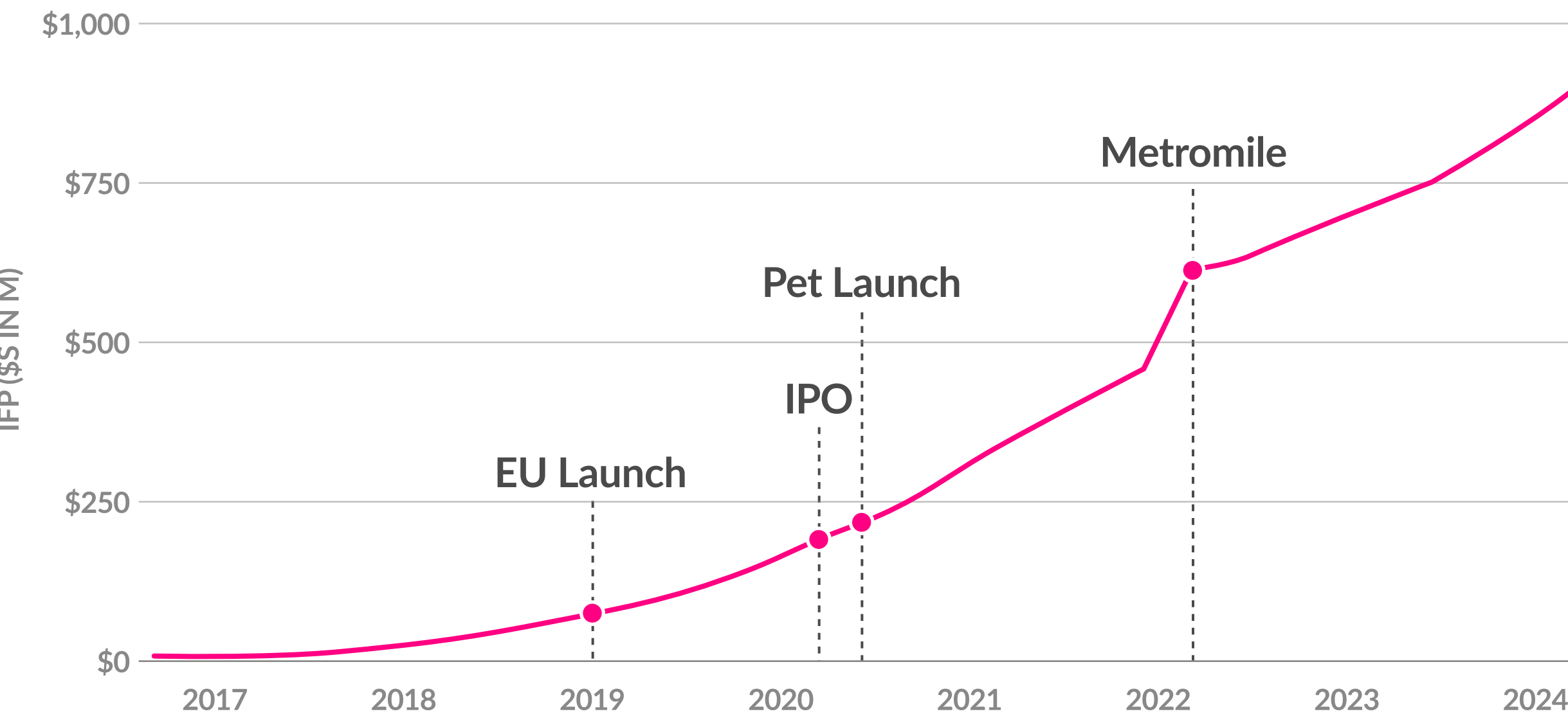
The view ahead
Tim Bixby
Chief Financial Officer



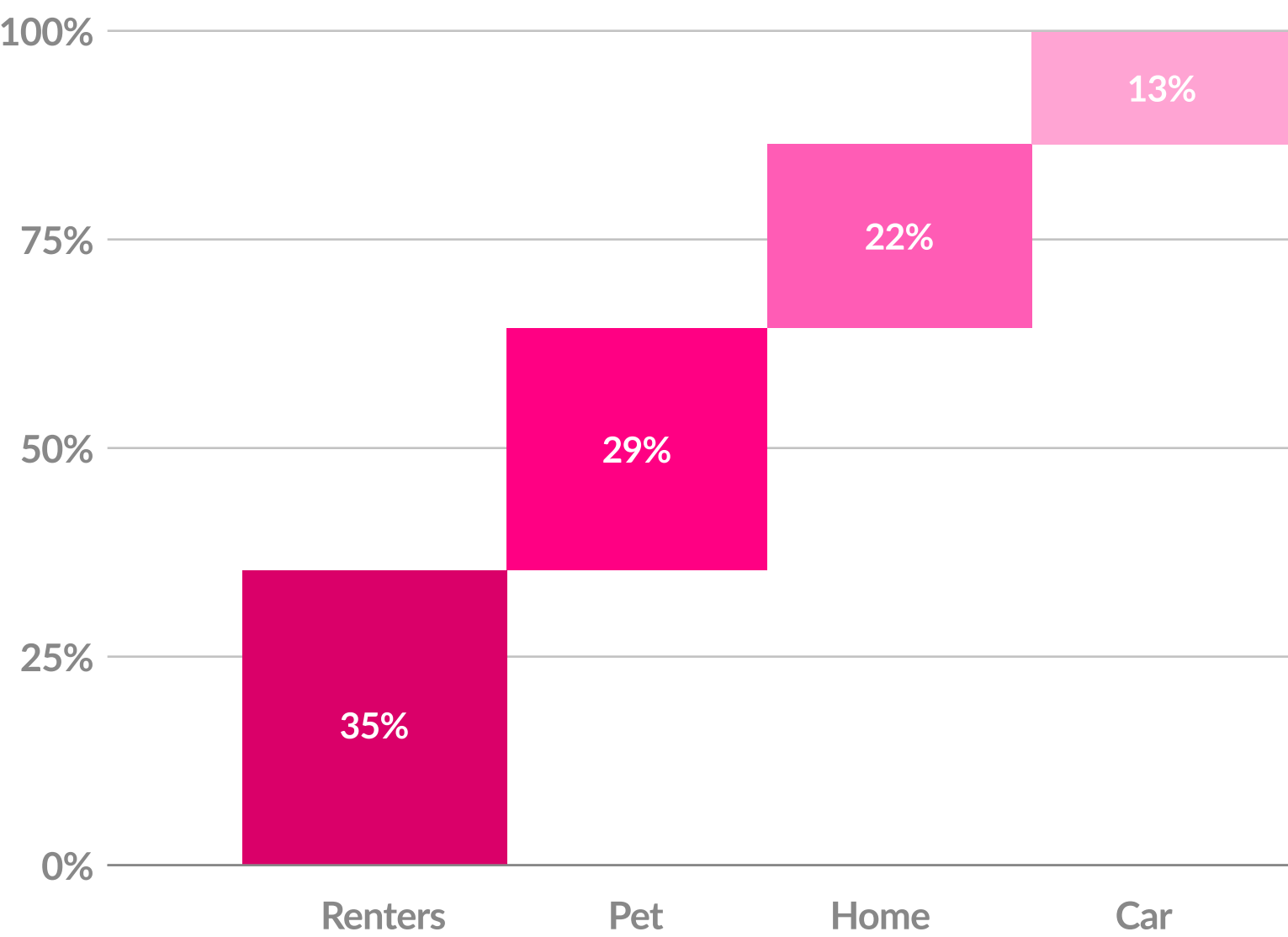
Parting thoughts
Daniel Schreiber
CEO & Cofounder

Lemonade 10x: A glance at the business today

LEMONADE, UNTIL NOW

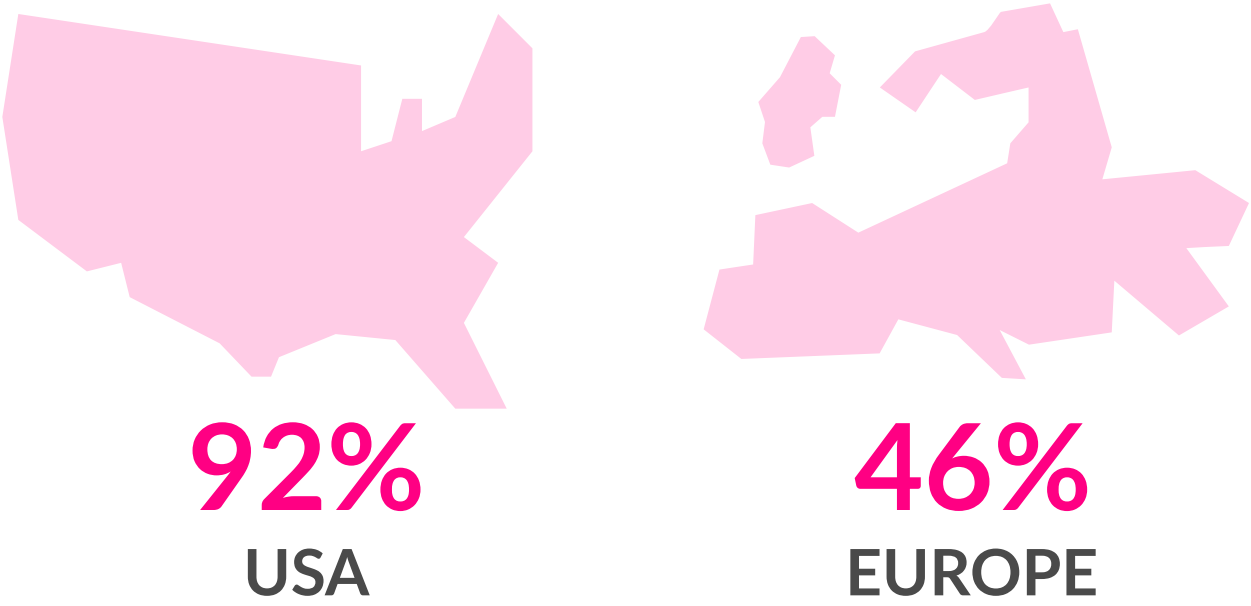


IFP PER PRODUCT AS A %

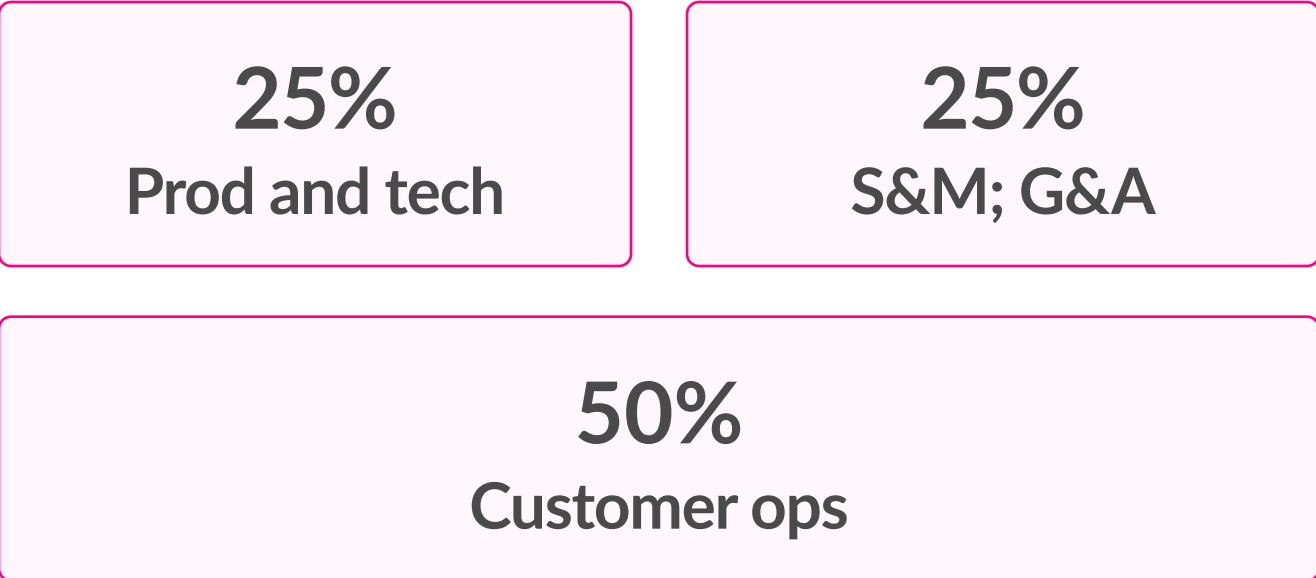


>2,300,000
Customers

LEMONADE AVAILABILITY TO POPULATION



LEMONADE MAKERS



Lemonade

Vision & Strategy

Daniel Schreiber
CEO & Cofounder

The world spends more money on insurance than on advertising, aerospace, agriculture, artificial intelligence, automotive, cloud-computing, cybersecurity, defense, education, electronics, entertainment, fashion & apparel, food & beverages, oil & gas, renewable energy, pharma, semiconductors, shipping, software, sports, telecom, tourism, transportation,

In short:

Insurance is a **prize** worth fighting for

Insurance is a **prize** worth fighting for
and the title is **up for grabs**

The reigning insurers have been
on top for **centuries**, and take in
\$100–200 billion in revenue each year
but **longevity** shouldn't be confused
with **immortality**

Because insurers forged in a bygone era
are *structurally disadvantaged* in the
age of the machine

Their **assets** turn to **liabilities**,
their culture grows **maladapted**, and
their legacy systems behave like **black
holes** – devouring time and cash –
rather than **black boxes**, making
everything faster and more efficient

Which brings us to
Lemonade's founding thesis

Lemonade's founding thesis
is that a new **kind** of insurance company –
built on **AI** and social impact – can **delight**
consumers, collapse costs, and quantify risk
like never before

Lemonade was founded
to be that company

By the end of this morning, we
hope you will find that proposition
investable

Let's begin
with two things that
changed since we last met
two years ago

two things that changed since we last met

1. Much Less Downside

2. Much More Upside

1. Much Less Downside

**Liquidity
Risk**

Generating, not
burning, cash.
(\$63m) → \$48m

**Insurance
Risk**

Loss Ratio: Done.
Within target range.
94% → 73%

**Execution
Risk**

Significant beat on
Investor Day '22
projections (17/17)

2. Much More Upside



**More
Growth**

Upgrading our
CAGR projections

**More
Scalable**

AI & automation
outpacing plans

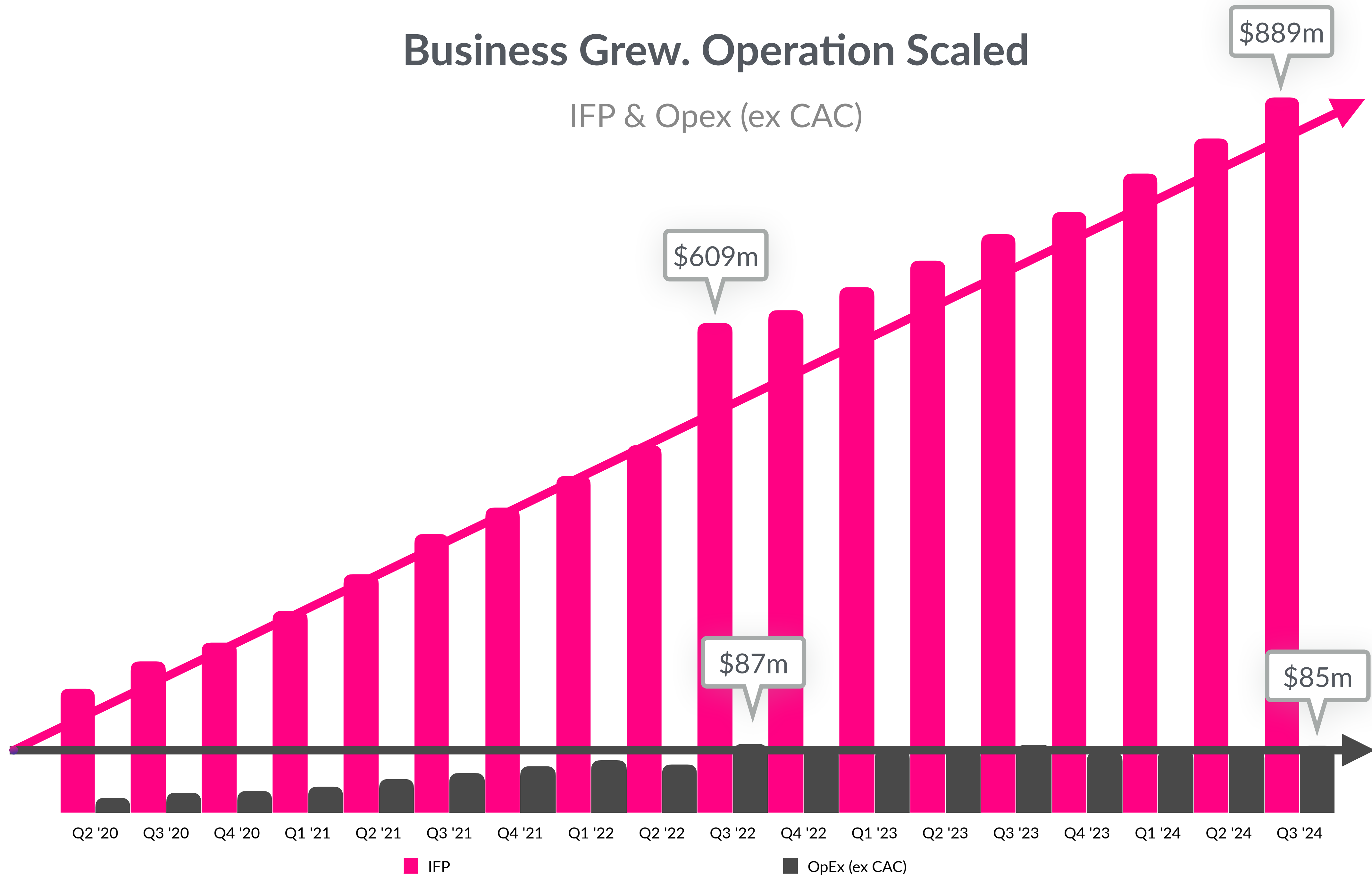
**More
Affordable**

LMND cheaper
now on a P/S basis

Those changes are
byproducts of the *unchanging*,
bankable nature of our business

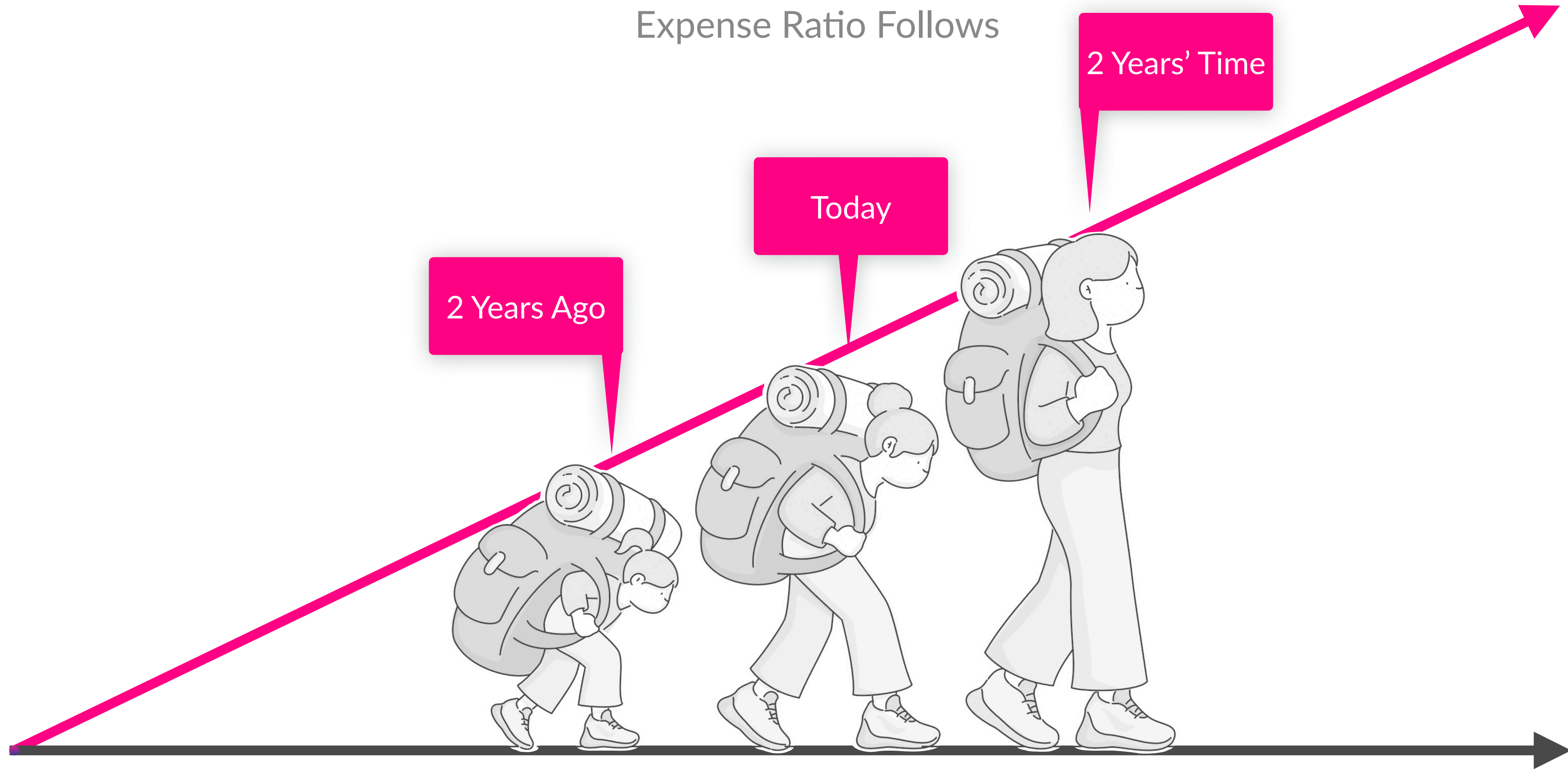
Business Grew. Operation Scaled

IFP & Opex (ex CAC)



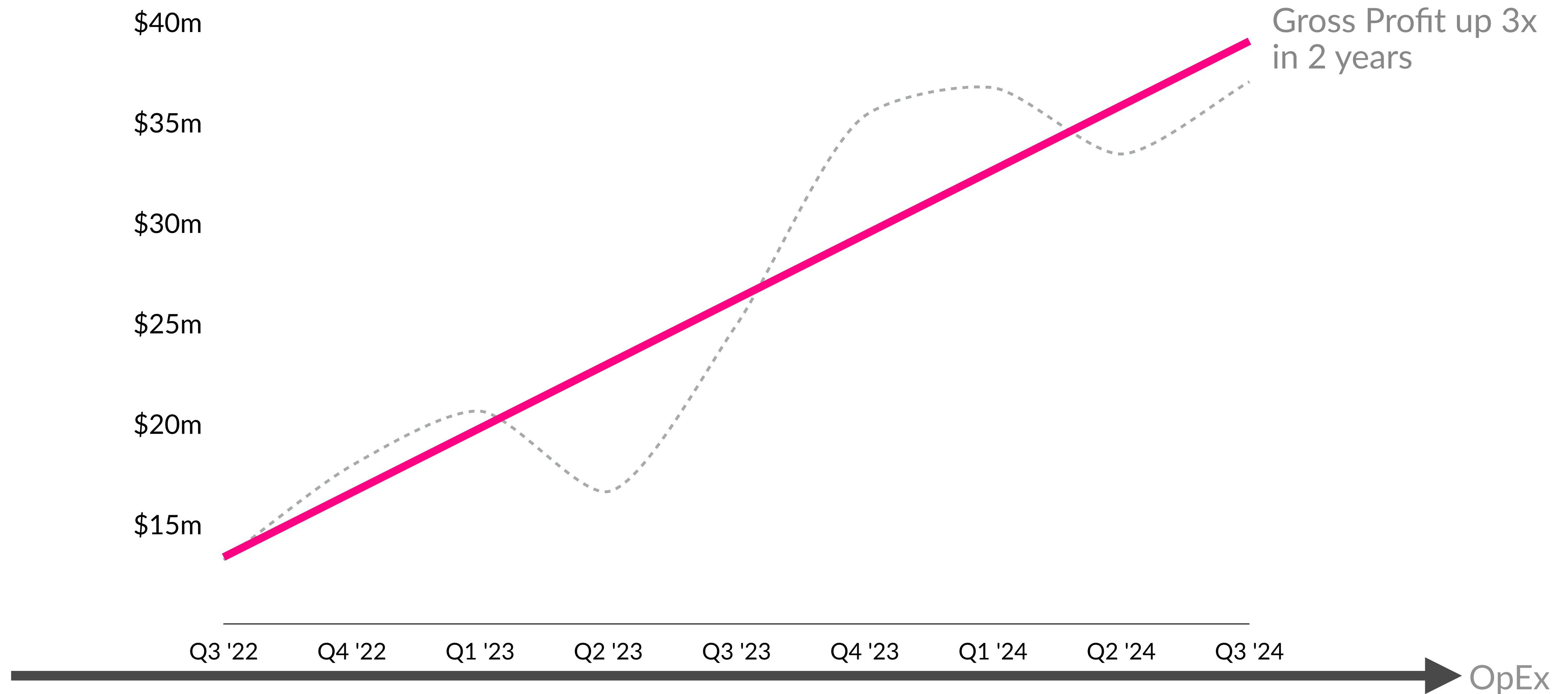
Business Grew. Operation Scaled

Expense Ratio Follows



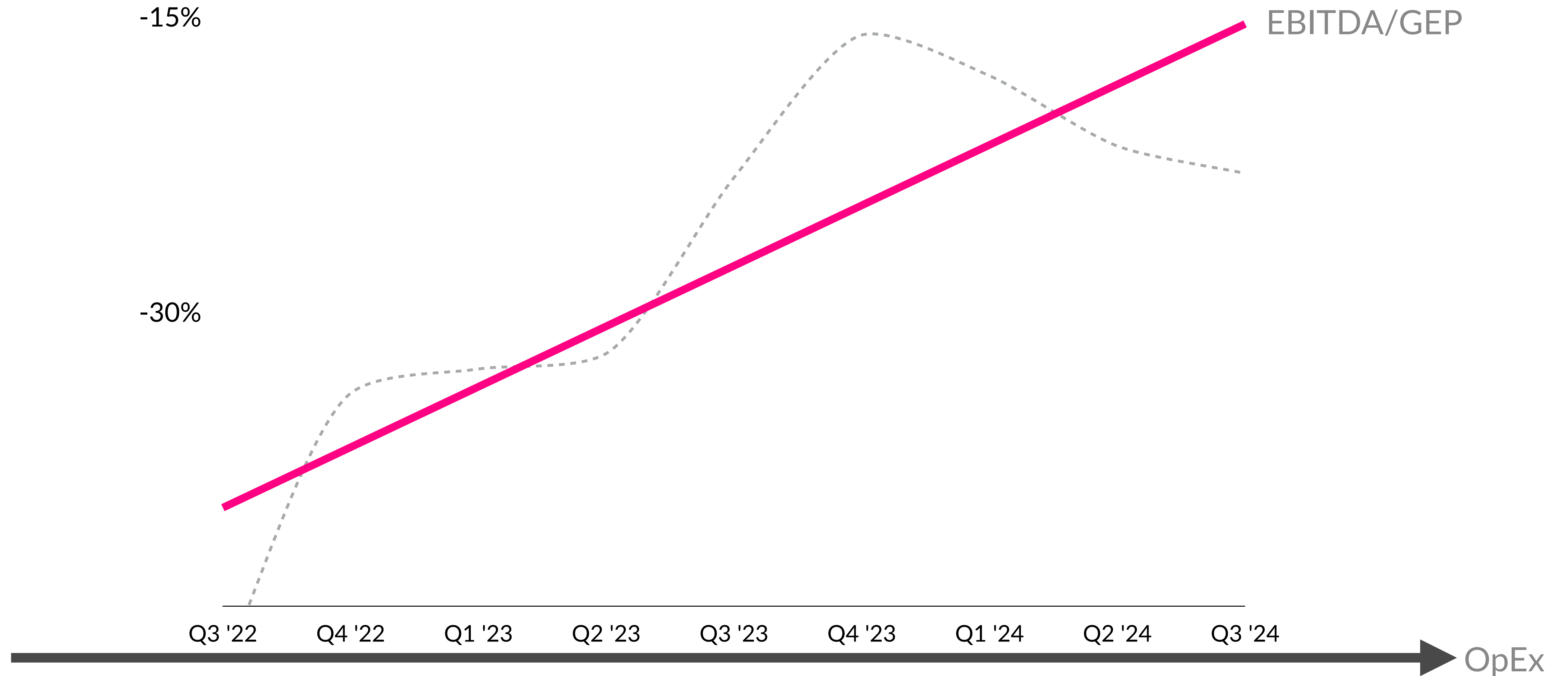
Business Grew. Operation Scaled

Adjusted Gross Profit



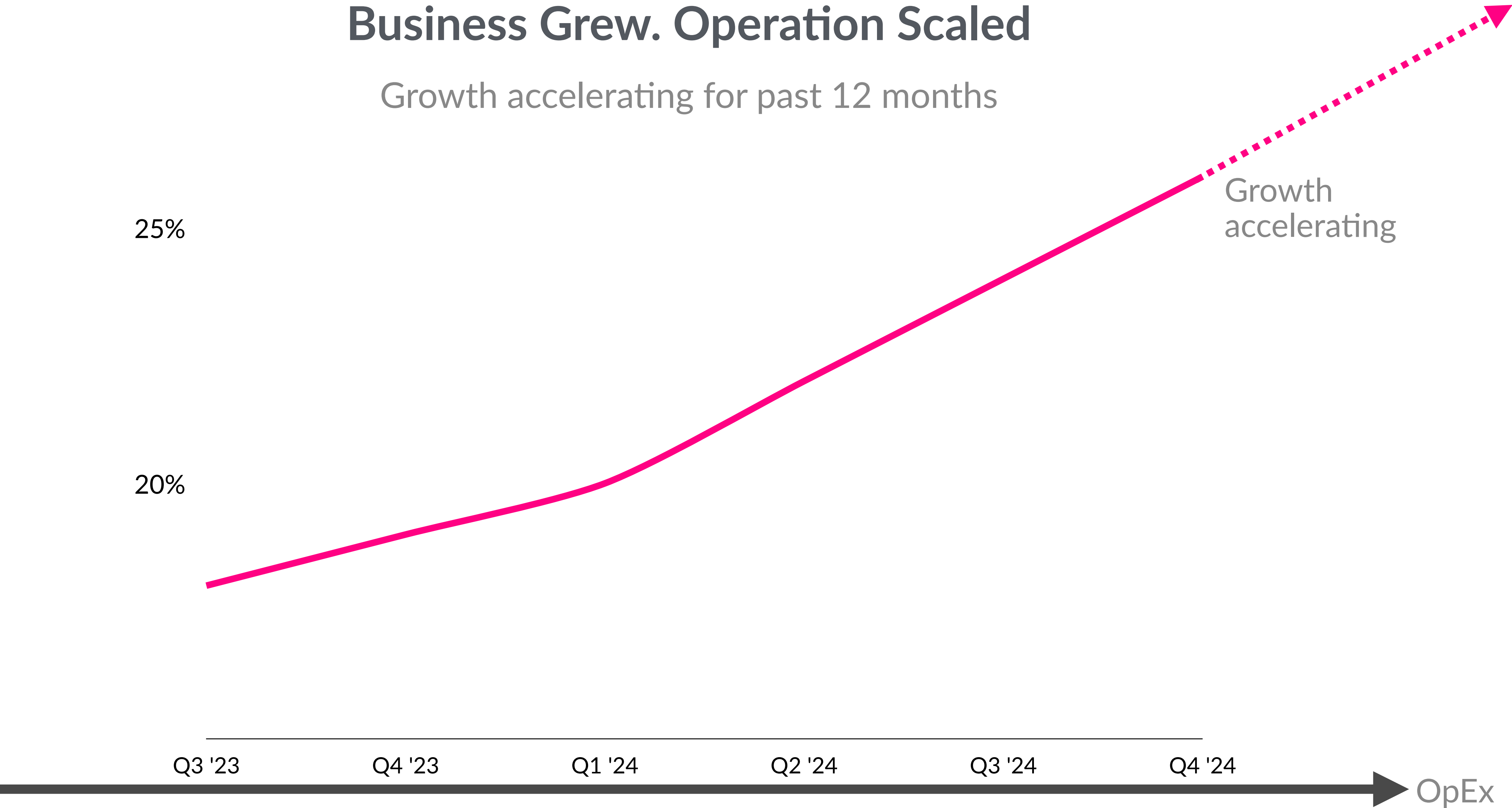
Business Grew. Operation Scaled

Path to Profit



Business Grew. Operation Scaled

Growth accelerating for past 12 months



The upshot:
We're Cash flow Positive

**We're Cash flow Positive
what's next?**

what's next?

Cash flow
Positive

Today

EOY '26

EBITDA
Profit

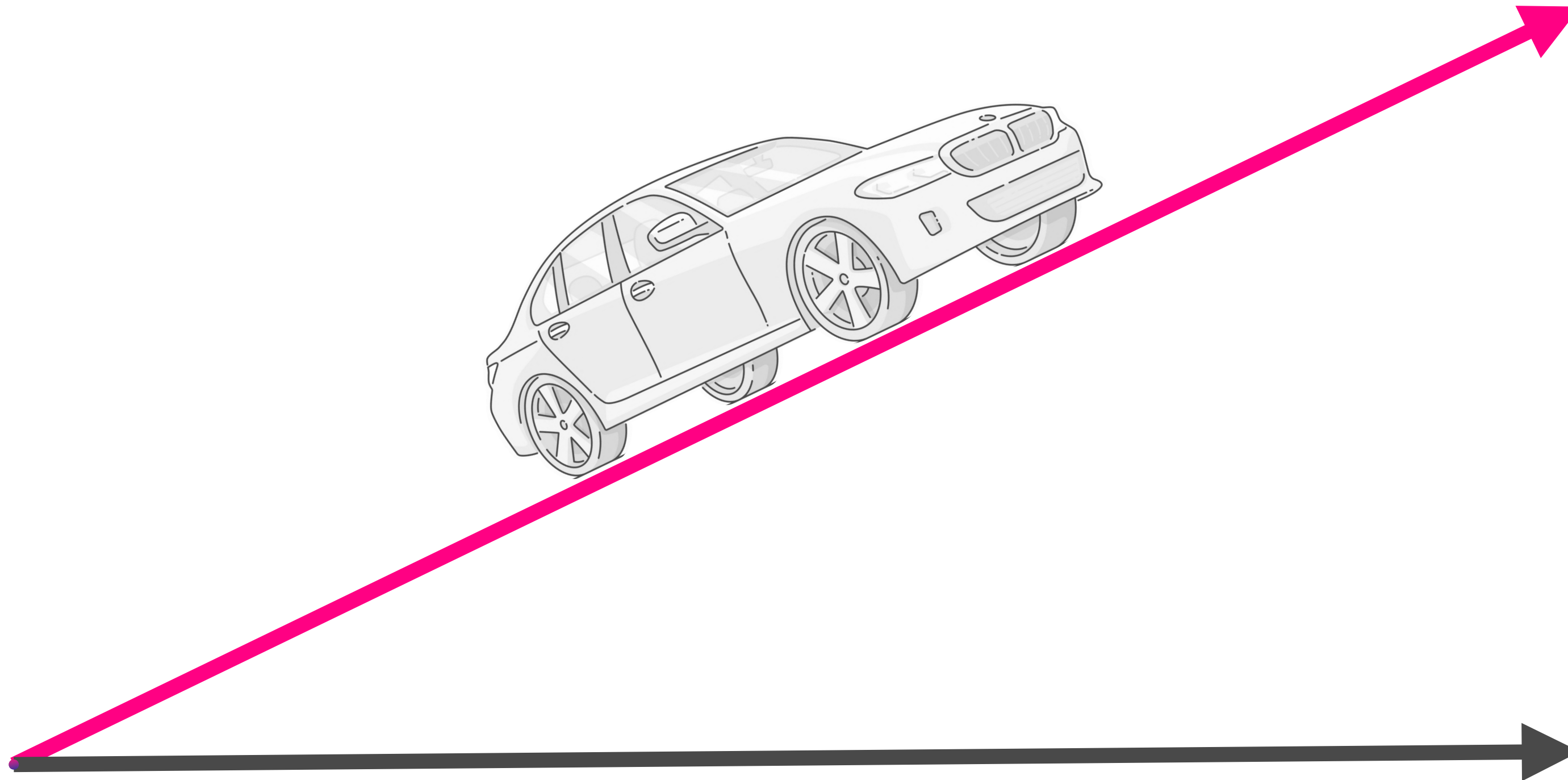
EOY '27

Net
Profit

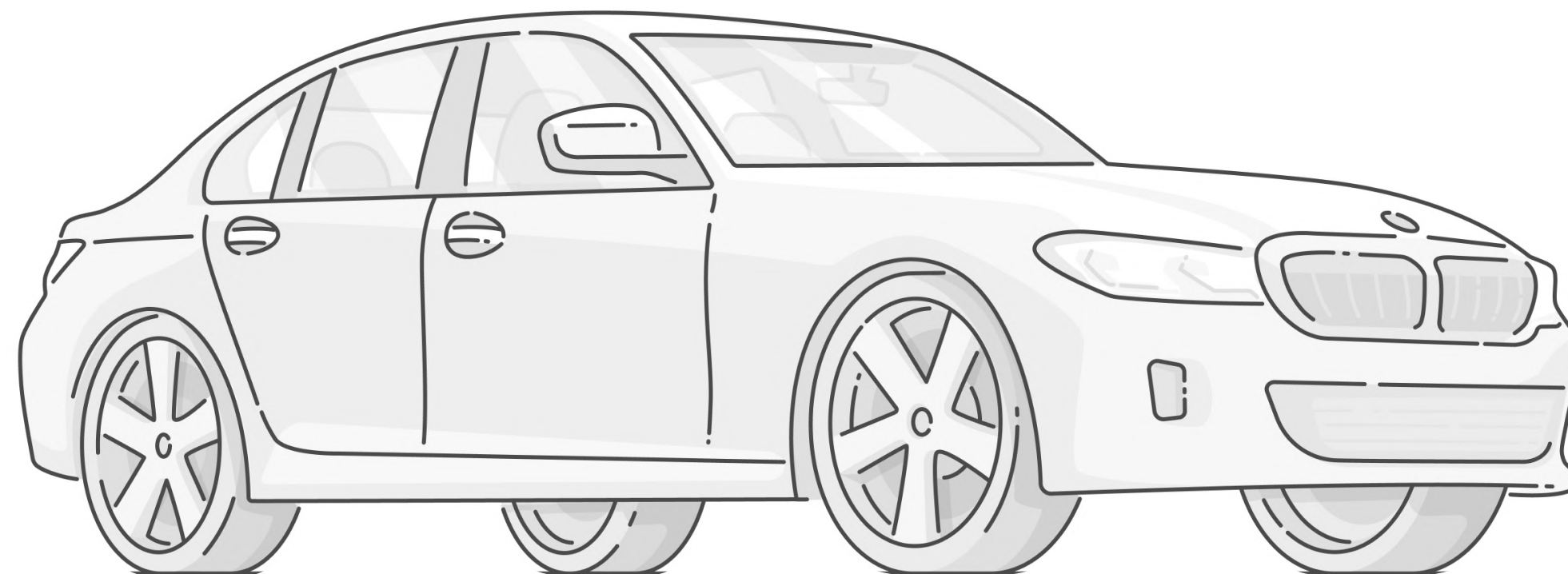
Massive
Profit

These, too, will come by us doing
what we've been doing...

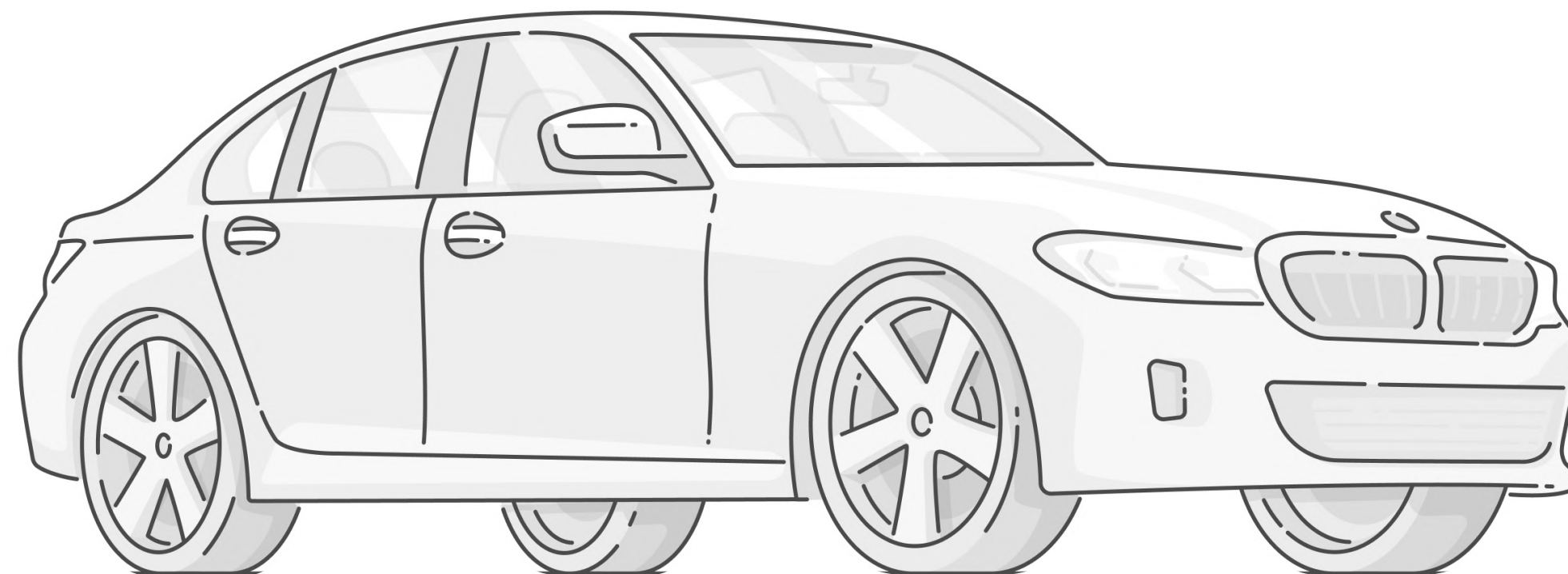
Accelerate top line. Hold the line on expenses
wash, rinse, repeat



**In the coming years,
Car will become a major growth engine**



Ever since Metromile pioneered Telematics-first insurance in 2013,
we've enjoyed *peerless* telematics adoption rates, and...



1
Trillion
Driving Data

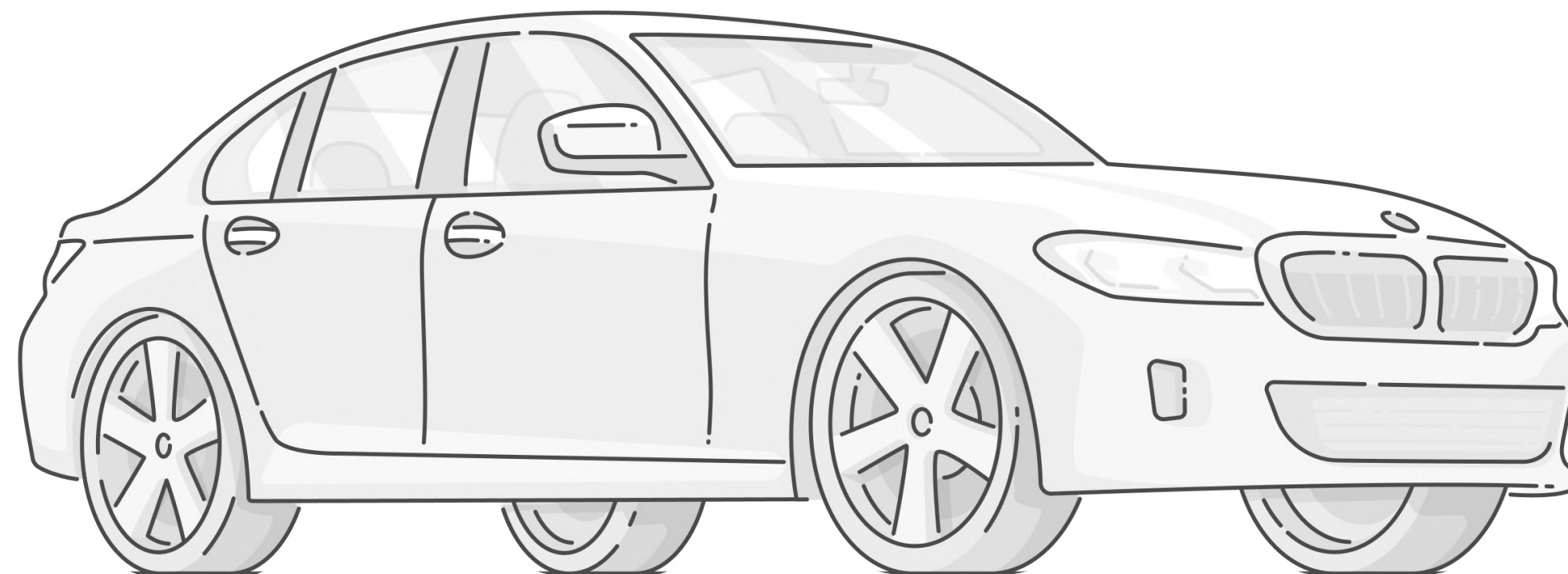
650
Engineer
Years

100
Iterations of
Filings

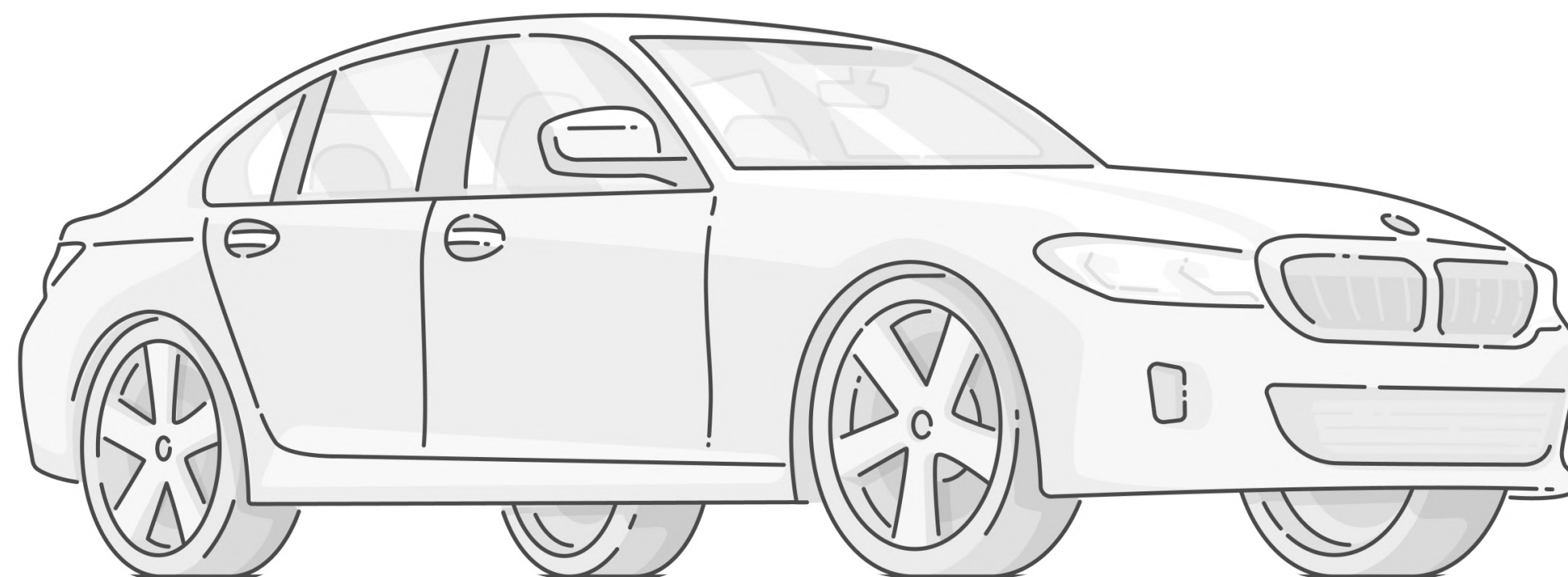
50
Proprietary AI
Models

25
Product
Versions

Lemonade has been the *avant-garde* of precision car insurance

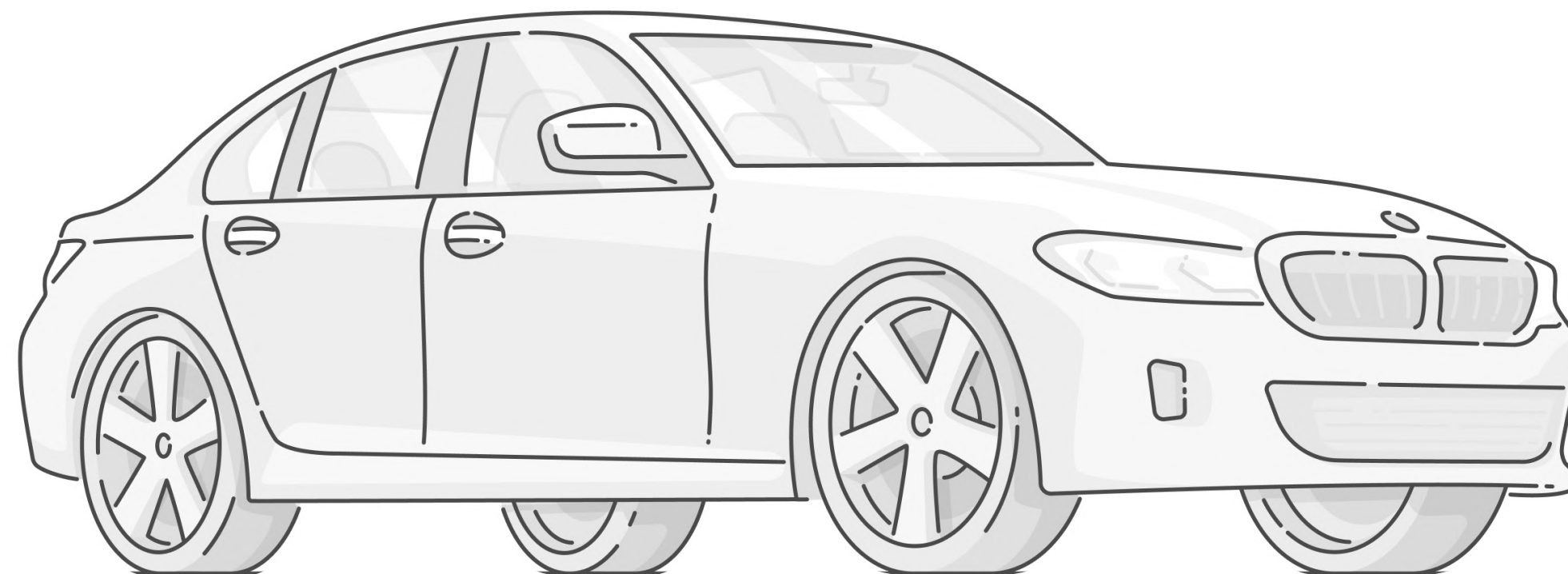


Lemonade has been the *avant-garde* of precision car insurance
during 2025 we expect to be 'feature complete'

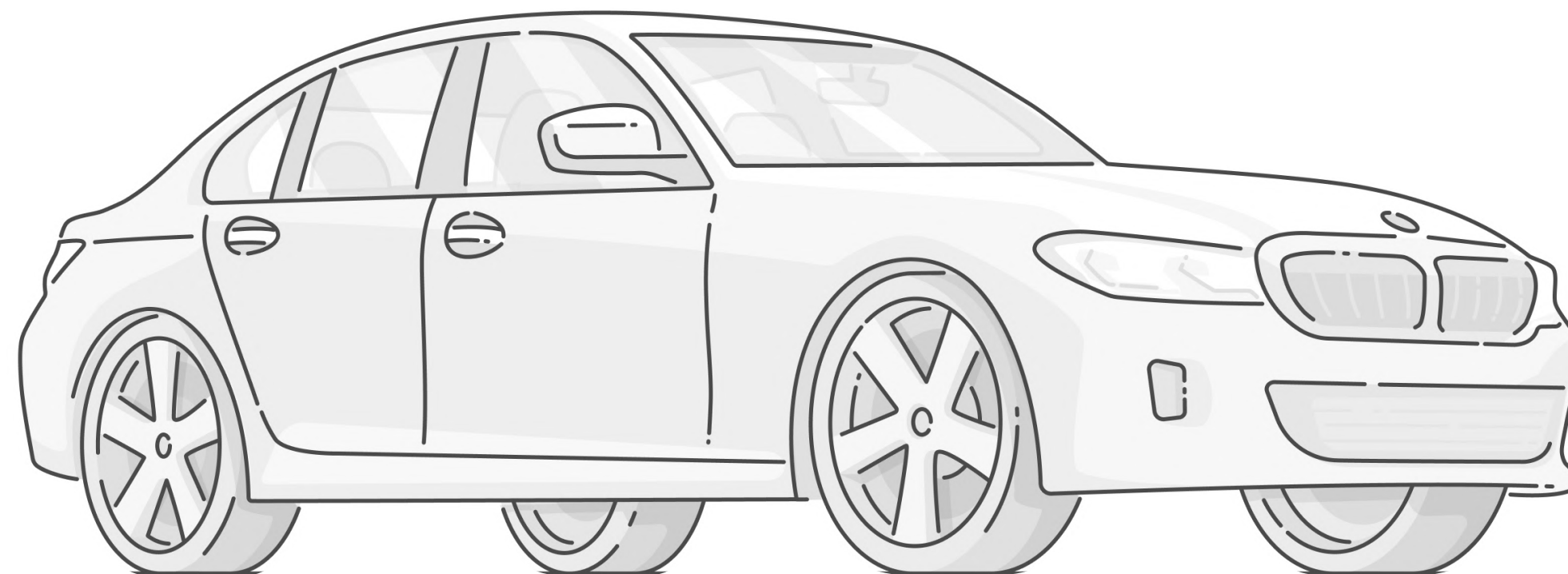


What you need know:

Lemonade Car promises
unrivaled experience, at unbeatable prices



unbeatable price?



Yup. We're doing for car what
we did for our other products

**Killer Prices,
Monthly Subscription**

**Renters
Insurance**

Monthly, from

\$5

[GET RENTERS INSURANCE](#)

**Homeowners
Insurance**

Monthly, from

\$25

[GET HOME INSURANCE](#)

Why Killer Prices?

**We've seen a 50%-150% change in
conversion for every 10% change in price**

How Killer Prices?



Telematics

Distribution

Automation



Daniel



Maya



Adina

Incumbents' proxy-based pricing homogenize the heterogeneous

Age, gender, credit score and marital status sees customers as cardboard cutouts



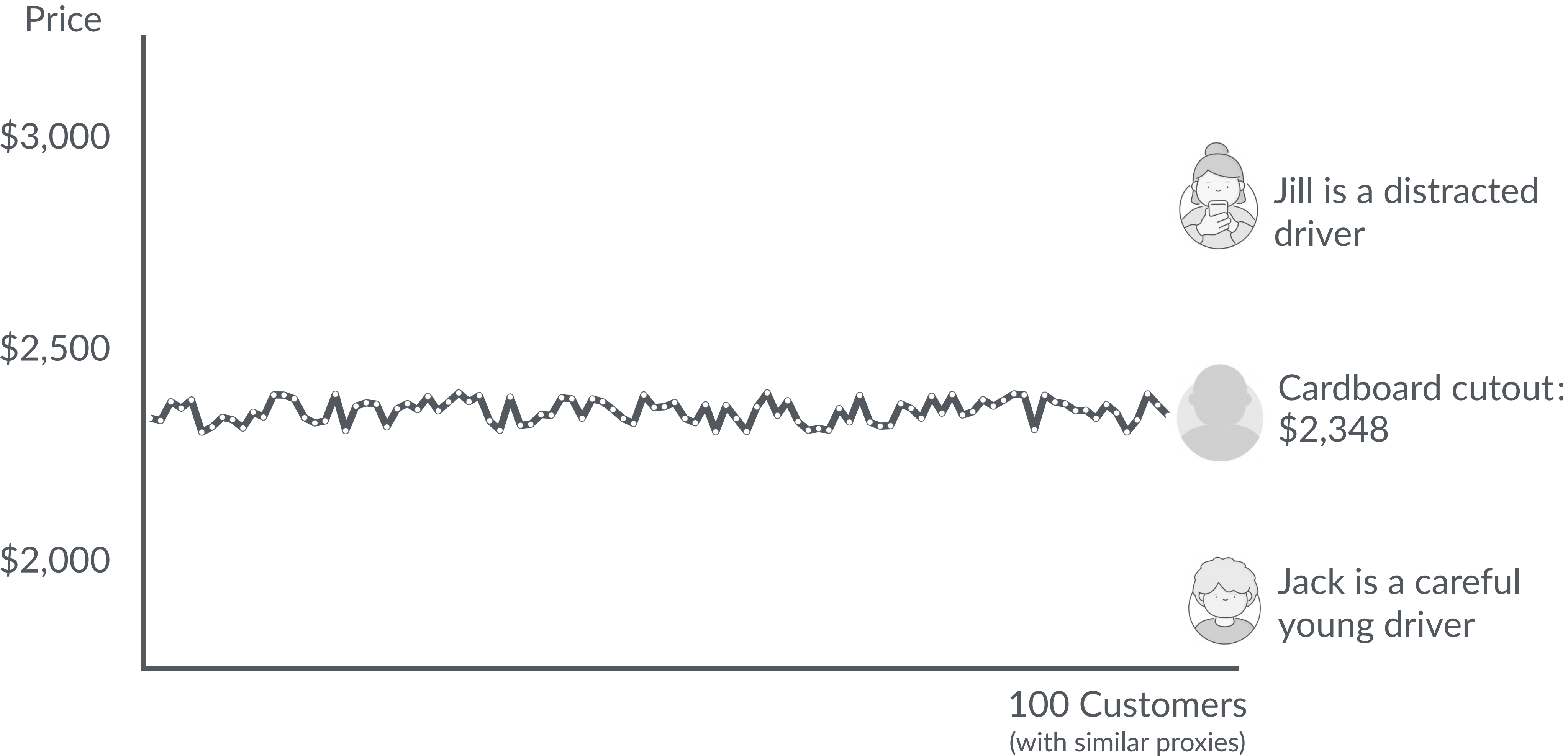
Our telematics reveals precisely the things proxies approximate poorly

How you drive, where you drive, and how much you drive is the ground truth



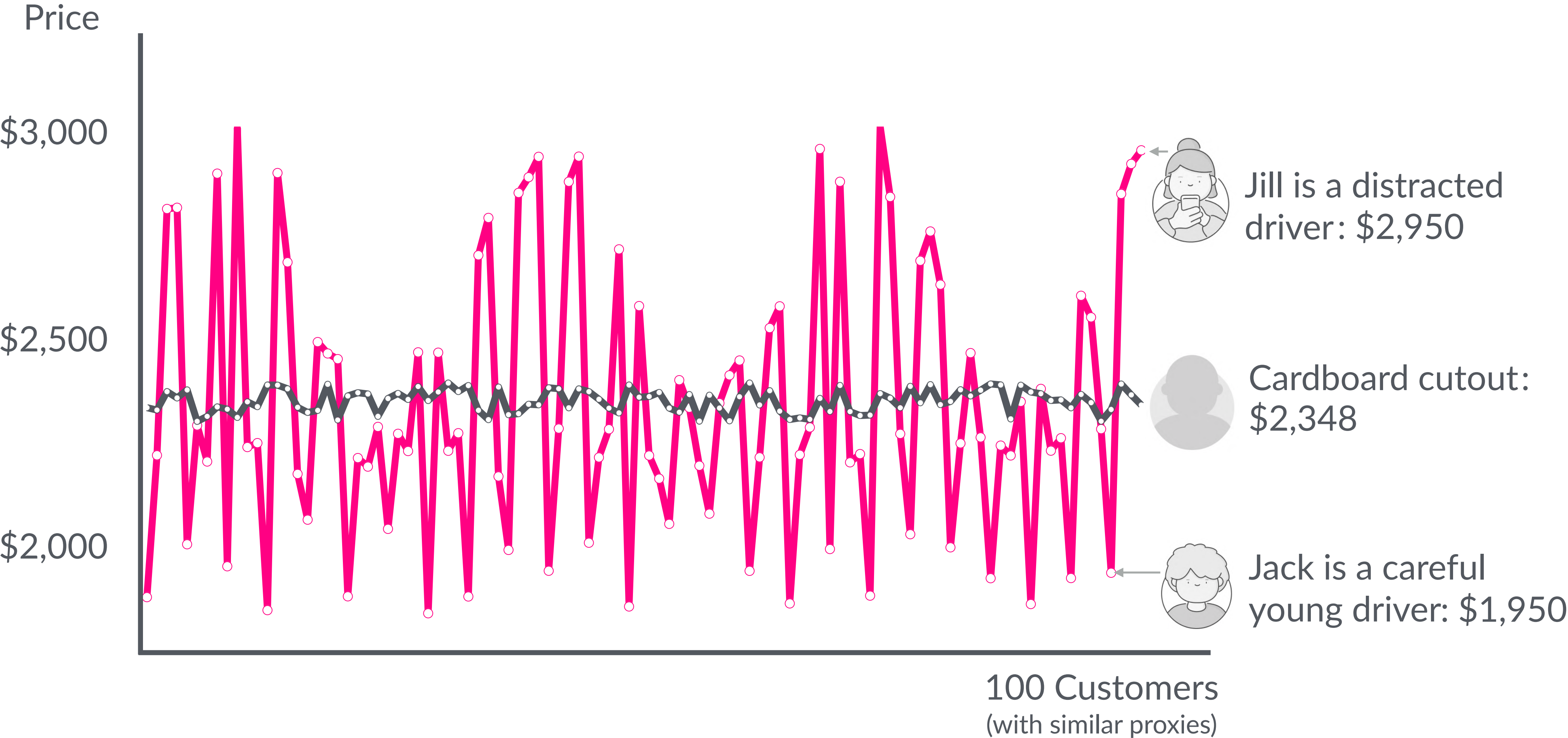
Telematics Disaggregates

Driving positive selection, conversion and retention



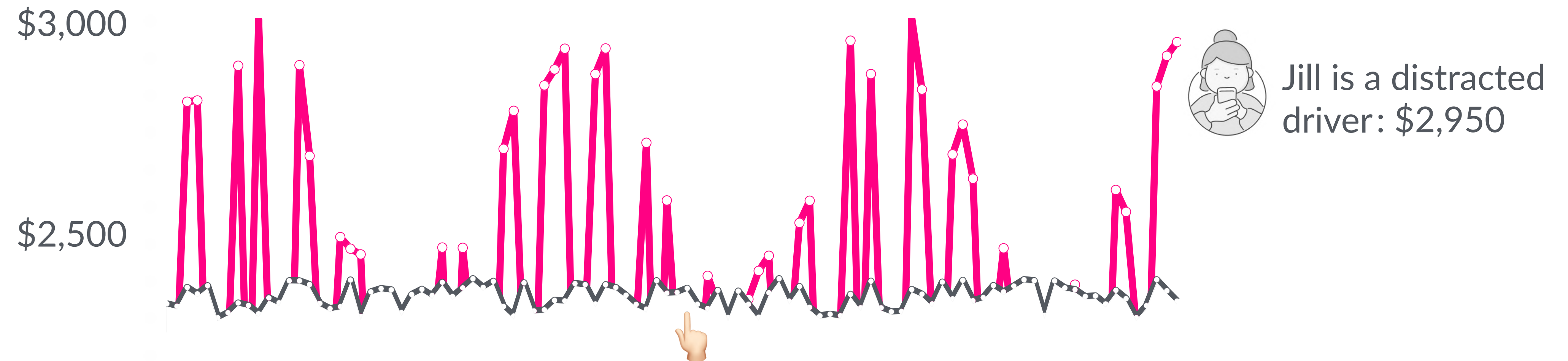
Telematics Disaggregates

Driving positive selection, conversion and retention



Telematics Disaggregates

Driving positive selection, conversion and retention



The third of people above the line are worse-than-average risks, and they're better off being (mis)priced as 'average' *elsewhere*.

Telematics Disaggregates

Driving positive selection, conversion and retention

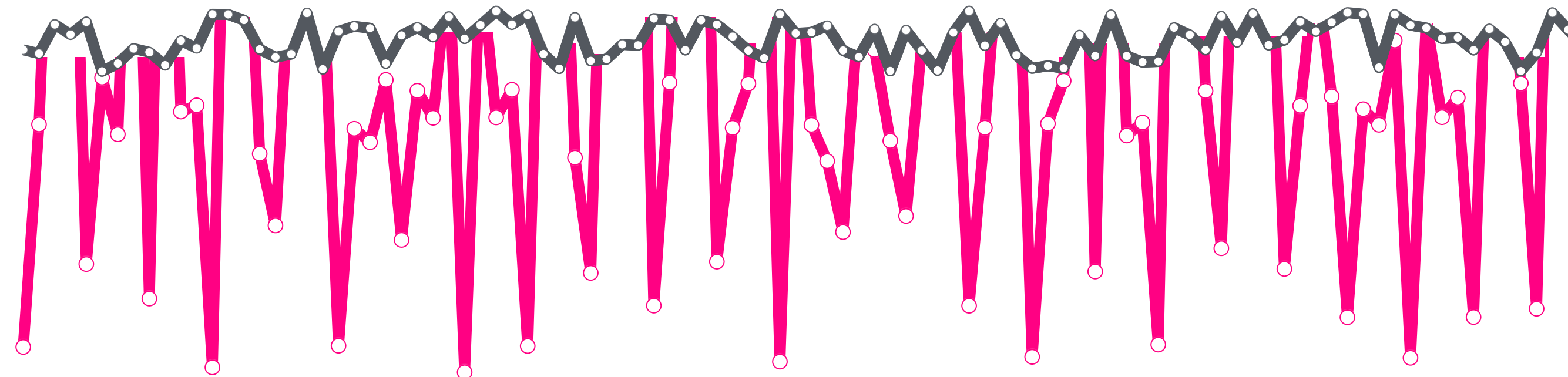
\$3,000

The two-thirds below the line are better-than-average risks, and they'd benefit from telematics pricing at Lemonade!

\$2,500



\$2,000



Jack is a careful
young driver: \$1,950

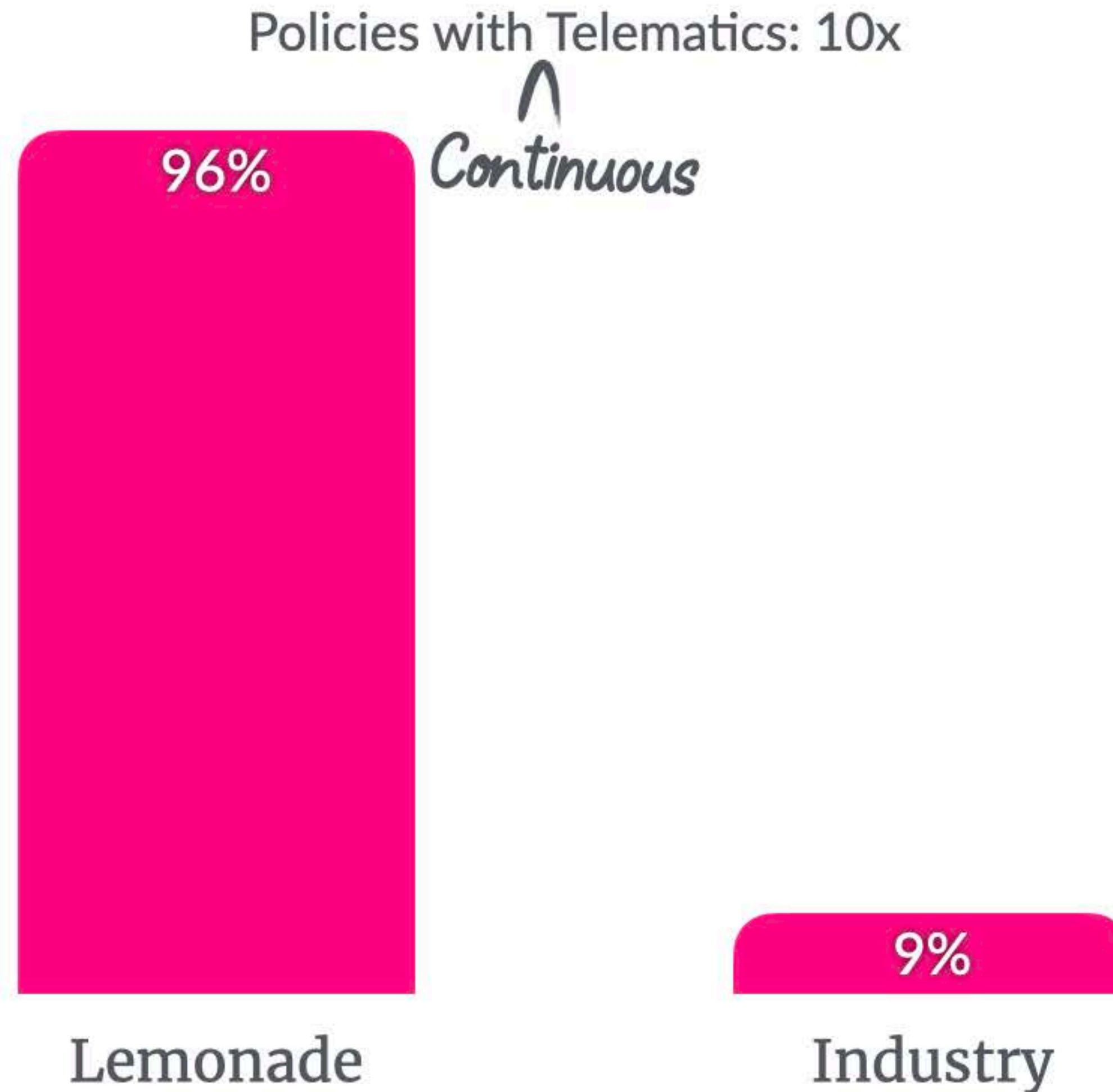
Our Telematics can lower premiums
by **15% for $\frac{2}{3}$ of customers,**
and by 25% for $\frac{1}{4}$

But Doesn't Everyone Do Telematics?

Depends what you mean by 'do' and 'telematics'

Doesn't Everyone Do Telematics?

Depends what you mean by 'do' and 'telematics'



Numbers are estimates based on Lemonade's data, and WSJ report of 10/8/21 that <4% of US policies have telematics, coupled with the IoT Observatory's estimated 5% that same year, growing at 21.5% CAGR. Progressive launched their first Continuous Telematics program in most States only last year. 'Continuous' defined as telematics recorded in last 60 days.

Doesn't Everyone Do Telematics?

Depends what you mean by 'do' and 'telematics'

Policies with Continuous Telematics: 100x



Lemonade

Game changer for **pricing**: during the year following a 30 day 'snapshot' the median score changes 23%!



Industry

Doesn't Everyone Do Telematics?

Depends what you mean by 'do' and 'telematics'

Policies with Continuous Telematics: 100x

Proprietary

92%

Lemonade

Game changer for **claims**: accelerometer, magnetometer, gyro & GPS, evidence critical facets of an accident other insurers lack

1%

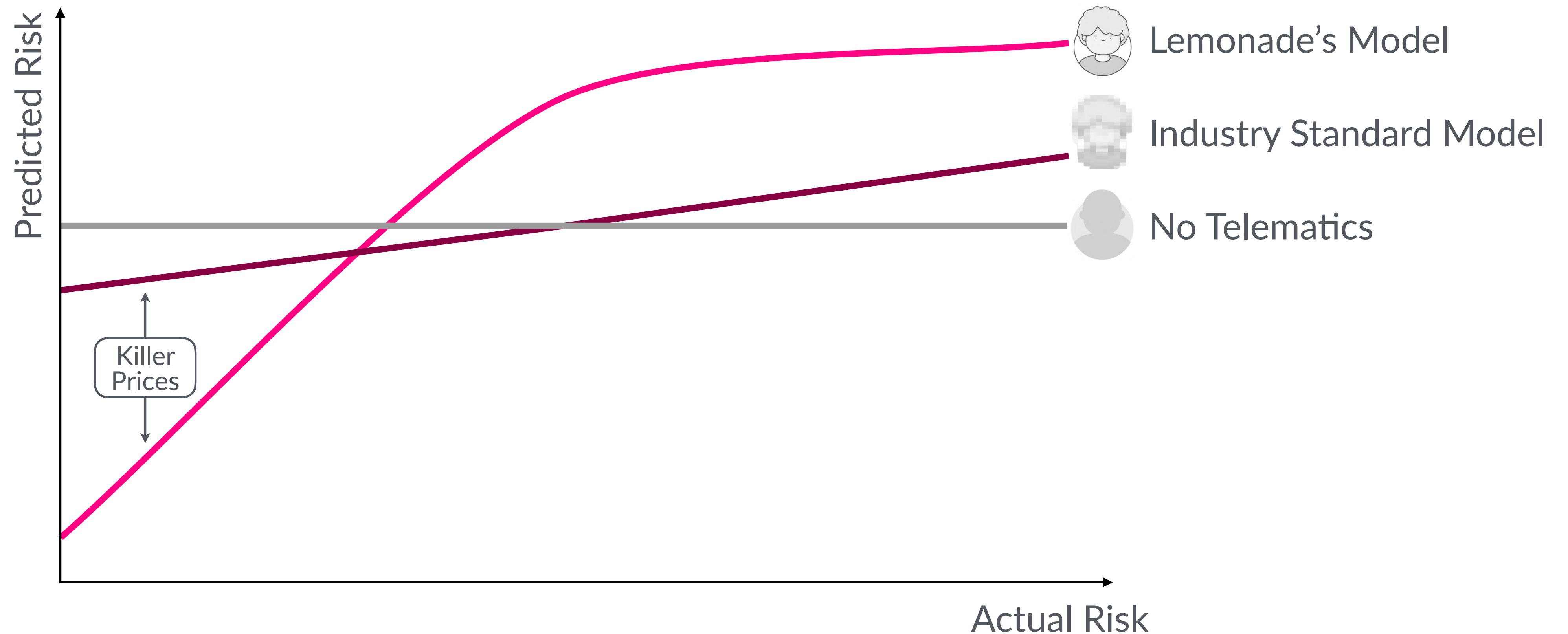
Industry



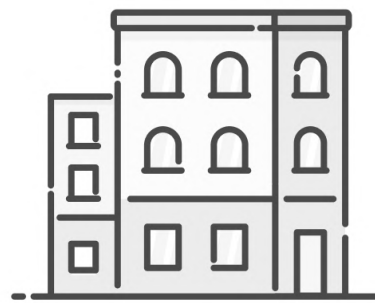
Doesn't Everyone Do Telematics?

Depends what you mean by 'do' and 'telematics'

Lemonade's Proprietary Telematics



Similar alchemy transmutes data into better prices across our business



Renters

Coverage for your stuff and out
of your home

[CHECK OUR PRICES](#)

FROM \$5/MO

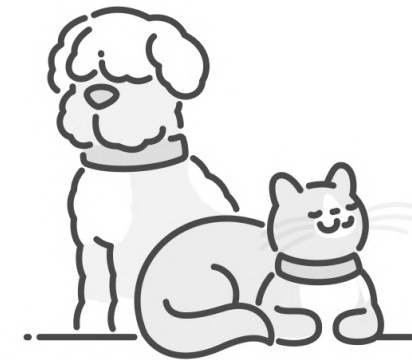


Home

Protection for your
home and stuff

[CHECK OUR PRICES](#)

FROM \$35/MO



Pet

Health insurance for furry
family members

[CHECK OUR PRICES](#)

FROM \$12/MO



Car

Protect your car, passengers,
and the planet

[CHECK OUR PRICES](#)

AS LOW AS \$30/MO

**Killer Prices are cool
but what about Loss Ratio?!**



Two things...



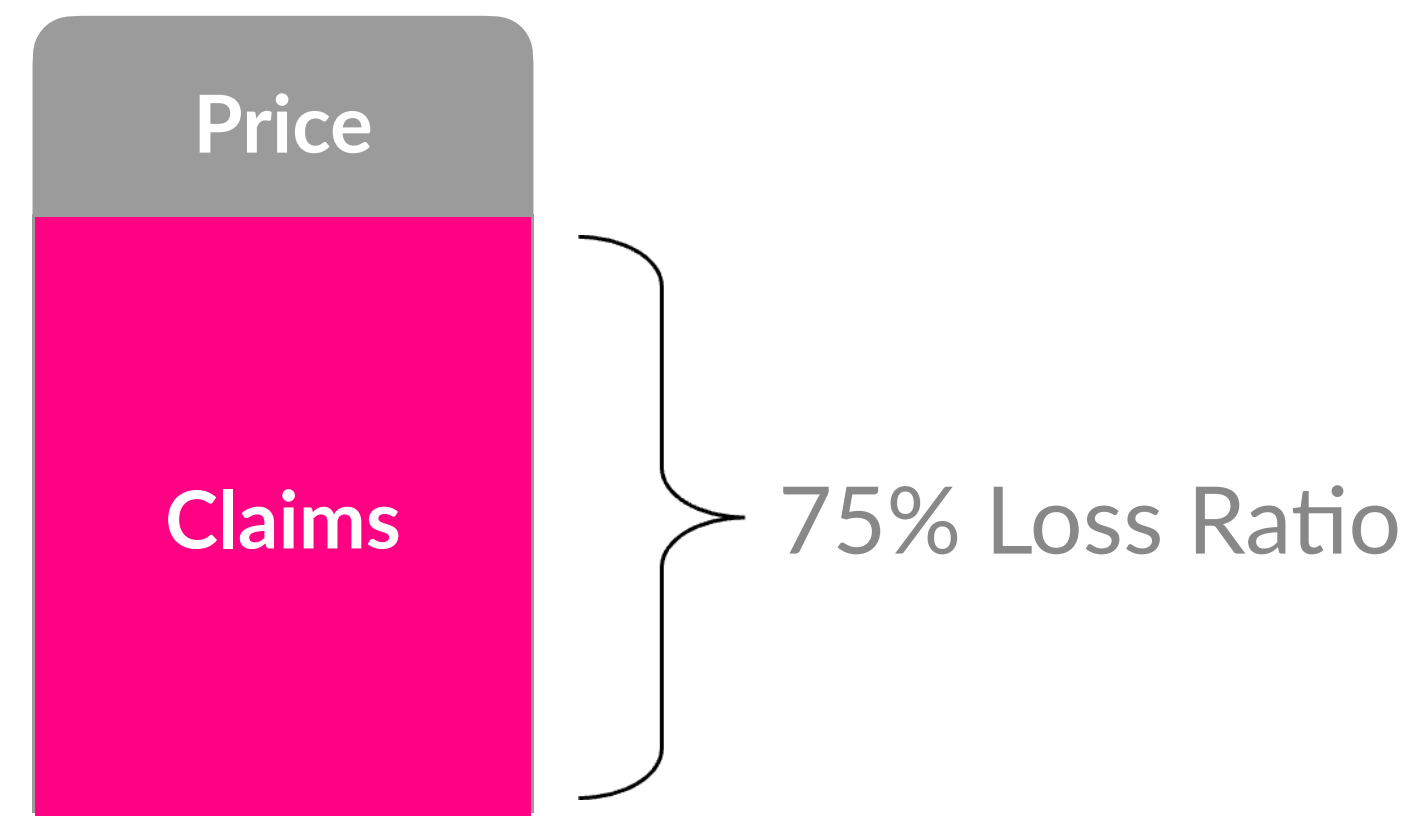
Precision



Automation

Precision

Firstly, more data enables
better prices *only for better risks!*
That doesn't impair loss ratio

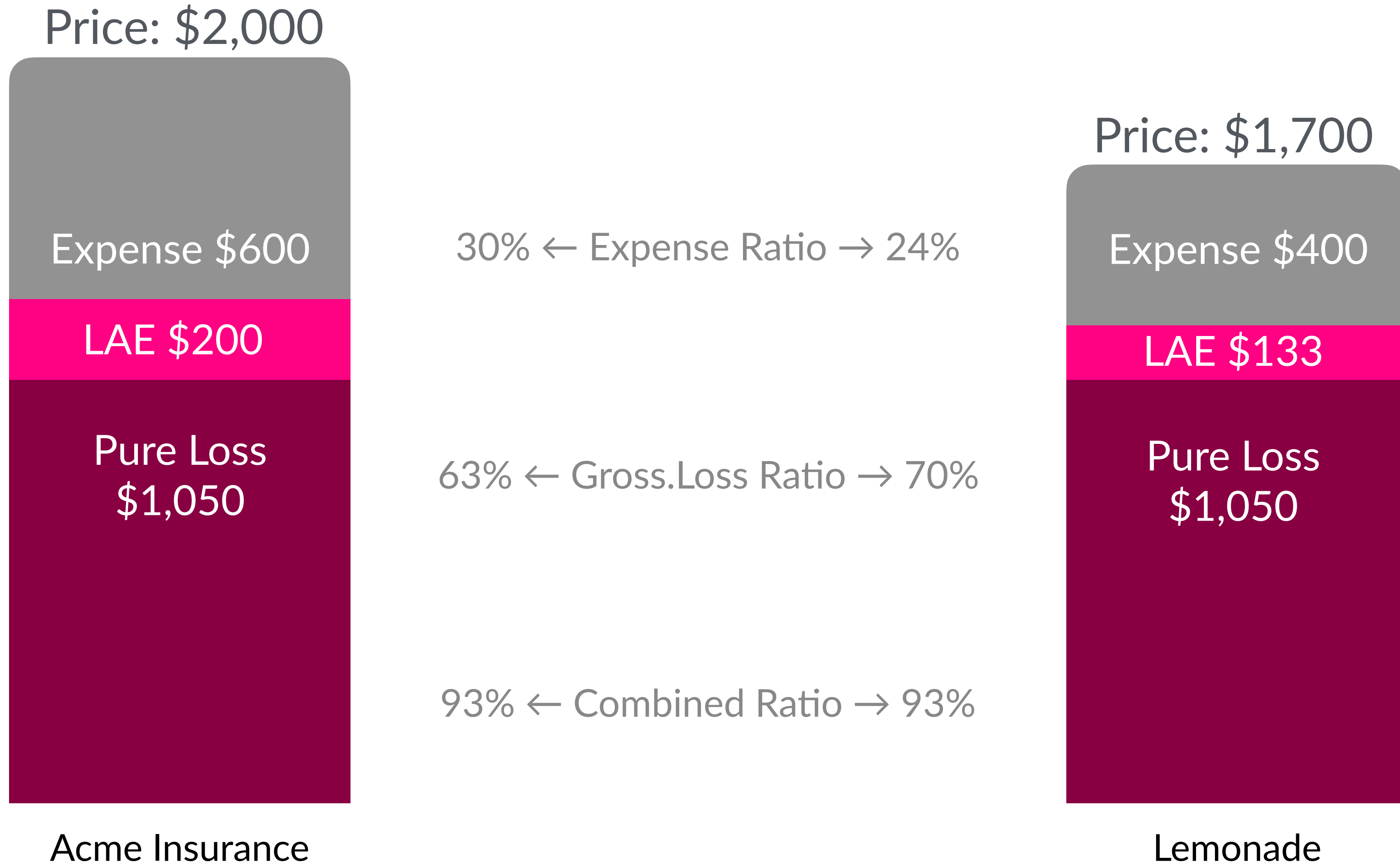


Secondly, high loss ratios can
signal bad underwriting...
or *excellent efficiency*!

When Loss Ratio Can Mislead

Scenario: 15% cheaper, $\frac{1}{3}$ more automation

Automation



**“The average is the least
interesting statistic”**

Focus on \$\$ not %%

(Nate Silver)

But it goes deeper...
to the very core of our **strategy**

Lemonade's first strategy deck (2015)

The World's First Peer-To-Peer-Technology Insurance Company

Technology, not Bureaucracy

Insurance powered by artificial Intelligence, not Artificial Delays

We're a tech company remaking insurance from ground up for today's consumer, using today's technology. Our software settles claims in seconds, at the touch of a screen, at untouchable rates

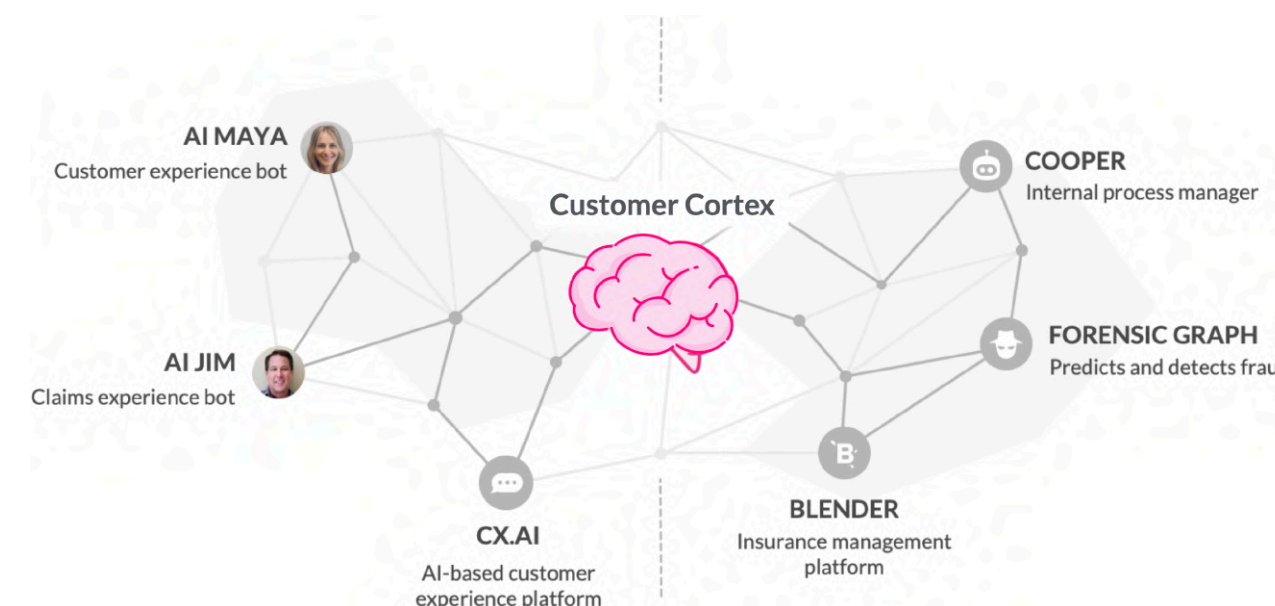
Why Technology & AI?

1. Structural Advantage
2. Competitive Advantage

1. Structural Advantage

Vertical Integration

Single proprietary system,
garnering and deploying data at every touchpoint,
compounding our advantage as we grow



1. Structural Advantage

Challenged Integration

“GEICO has **more than 600**
legacy systems that don't
really talk to each other!”

Ajit Jain
Vice Chairman of Insurance
Berkshire Hathaway, March '23



2. Competitive Advantage

AI is unmatched at:



Precision

+

Automation

2. Competitive Advantage

AI is unmatched at:



Precision

Quantifying risk better than anyone, delivering dominion over **loss ratio**.

2. Competitive Advantage

AI is unmatched at:

Delighting customers with instant everything (↑brand, ↓CAC), while minimizing cost to serve, delivering the lowest **expense ratio**.



Automation

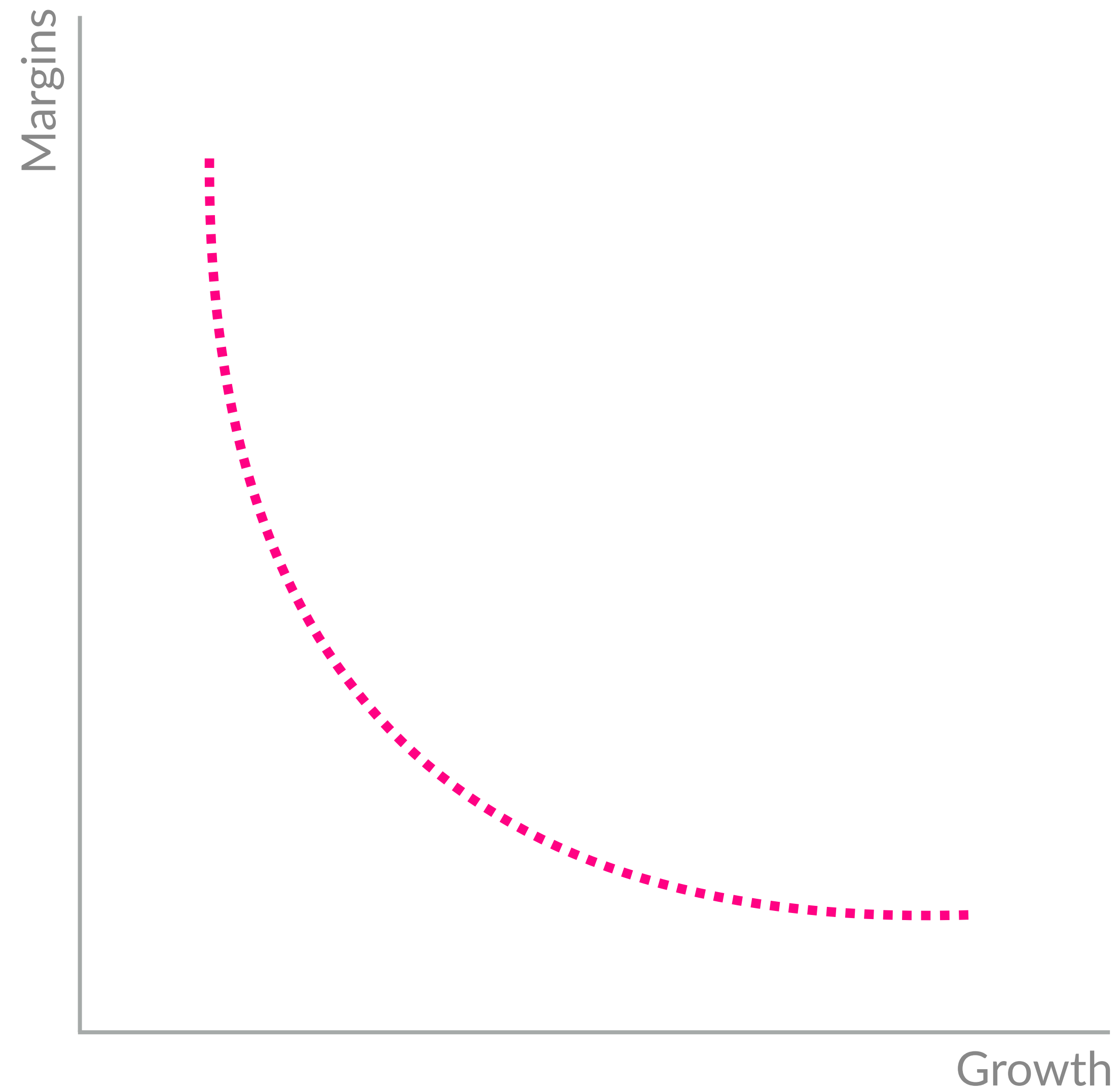
Why Untouchable Rates?

**How to cash in our tech
advantage is a choice:**

Margins or Growth?

Profit Frontier

At any given scale we're indifferent



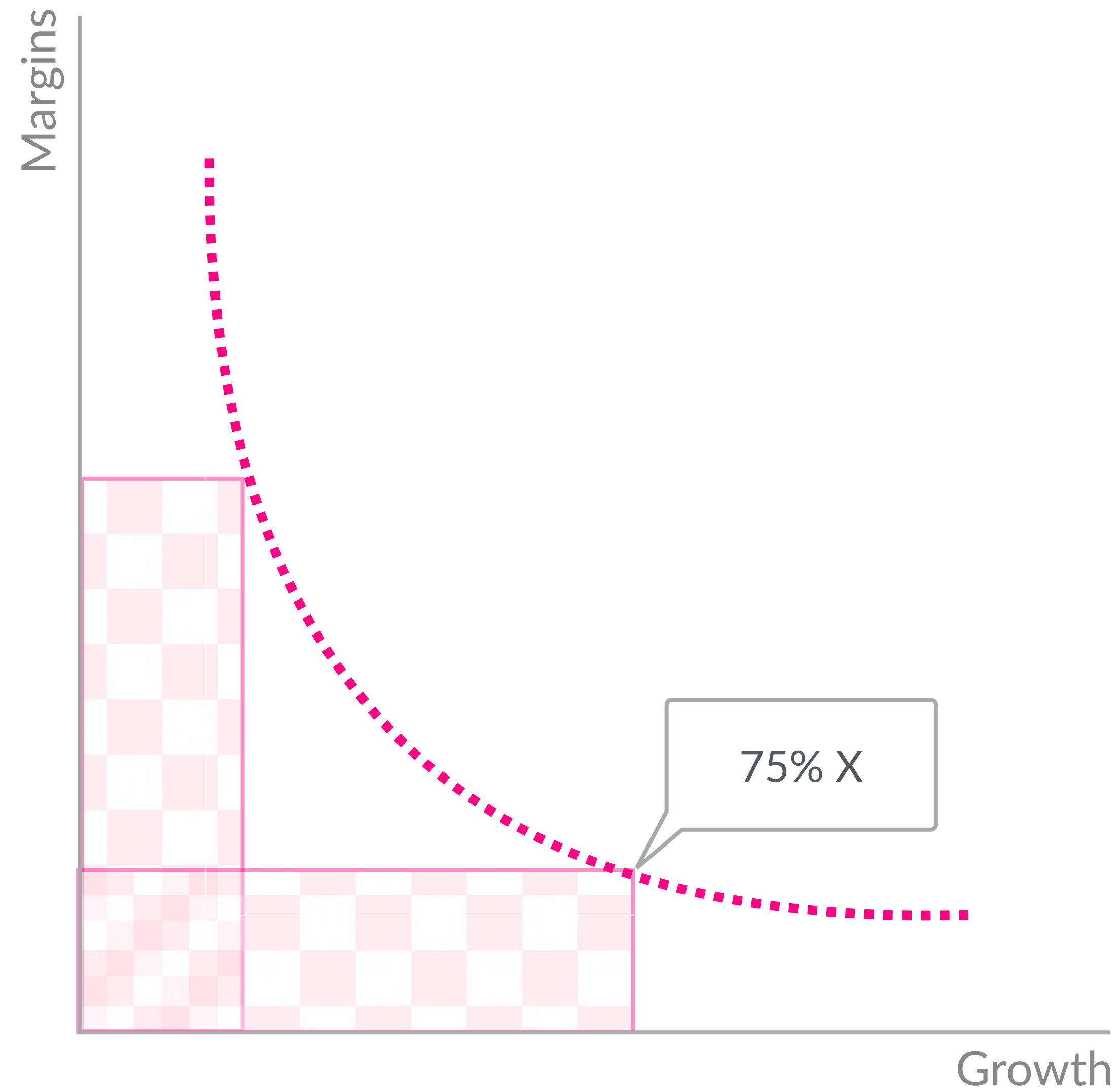
Profit Frontier

At any given scale we're indifferent



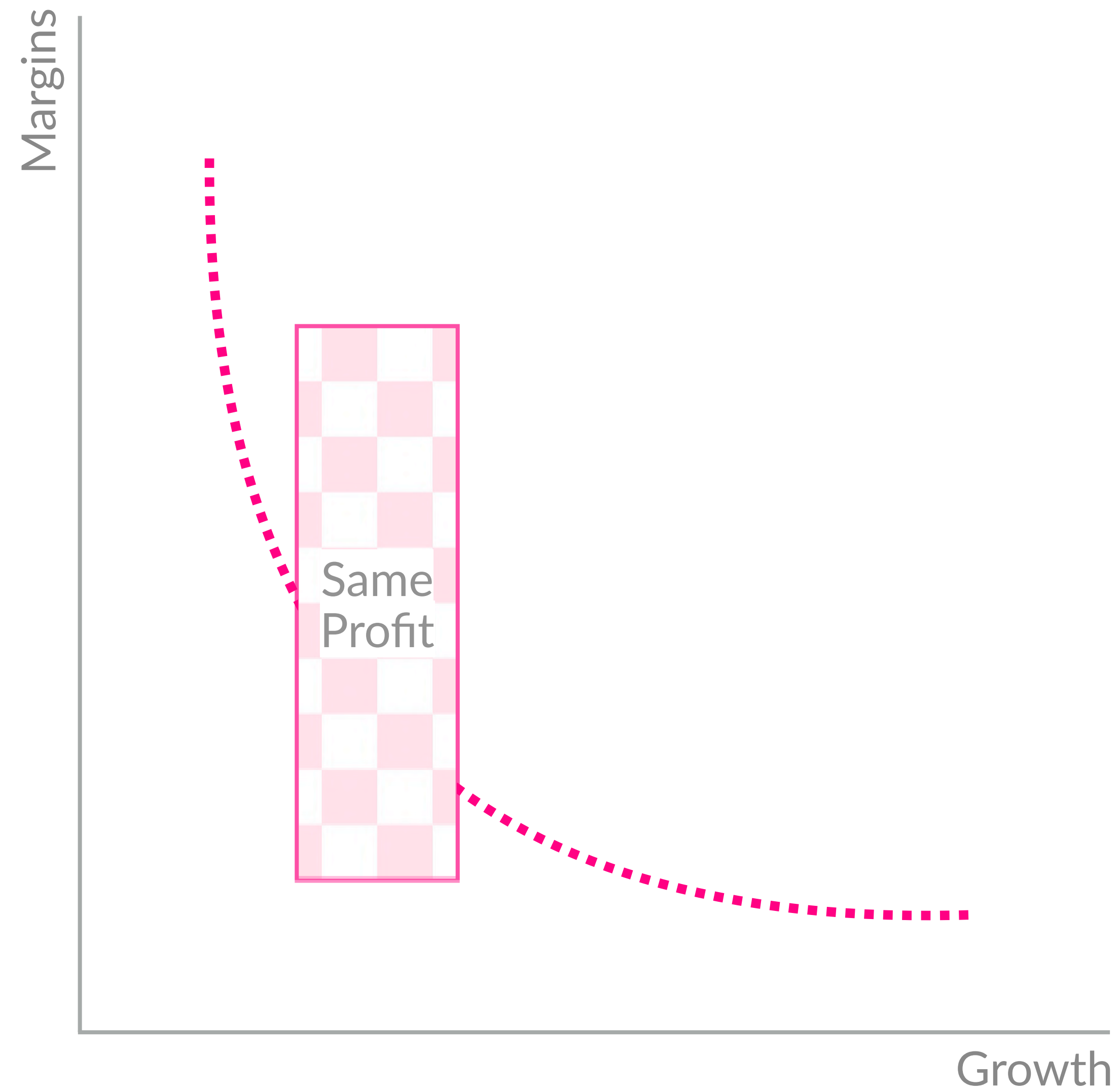
Profit Frontier

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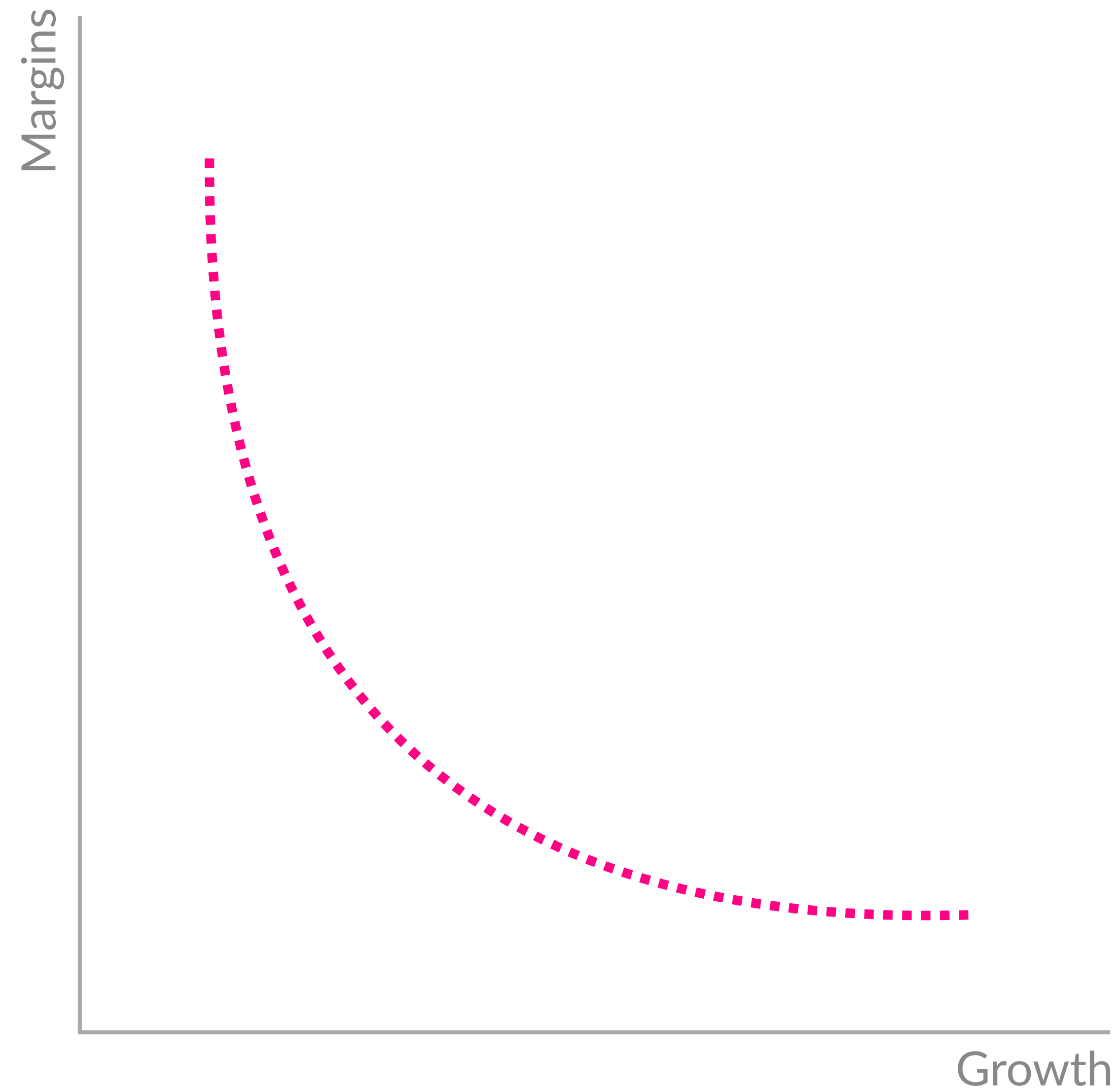
Profit Frontier

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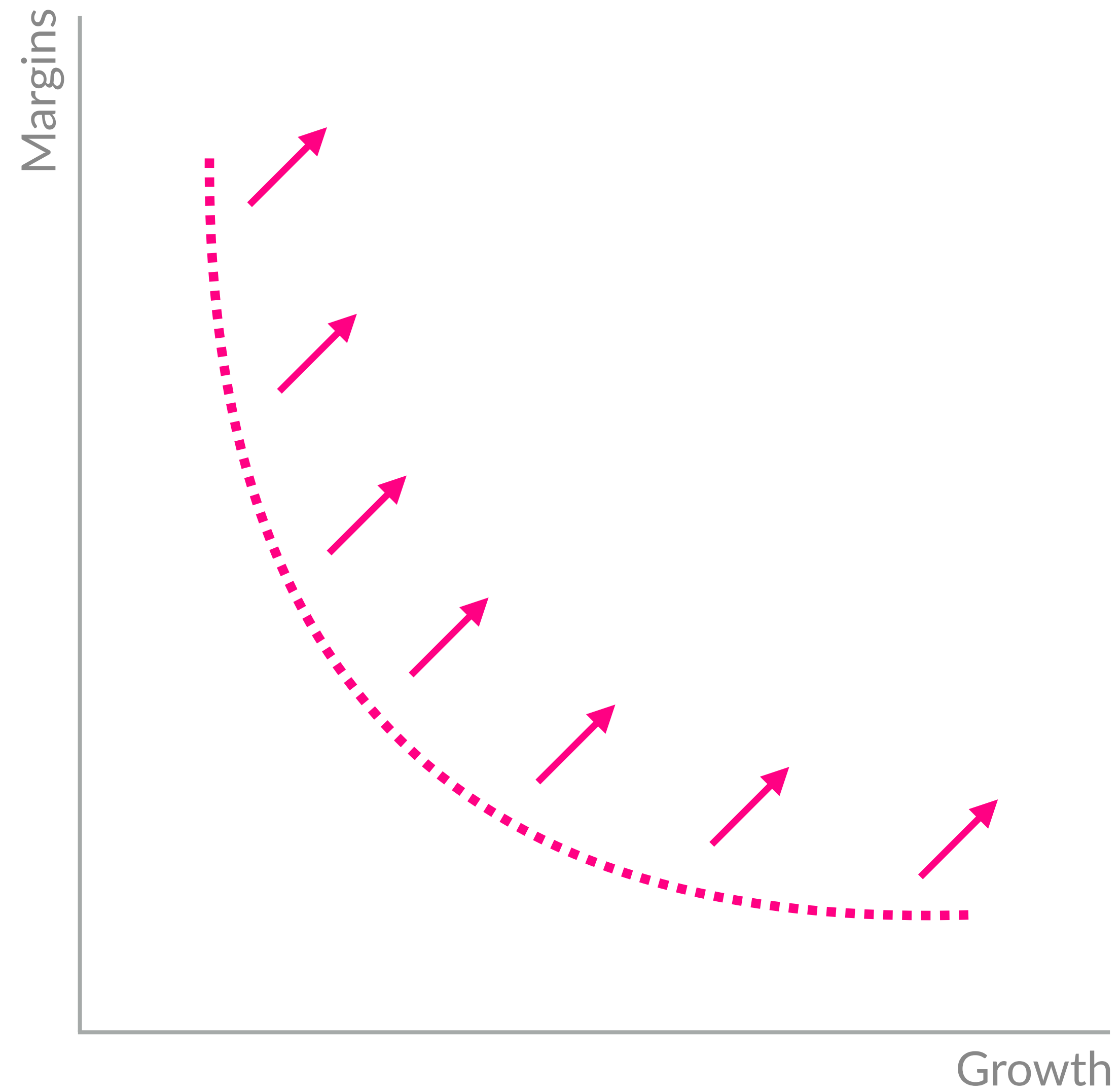
Scale Drives Profit

But we're not indifferent *to* scale



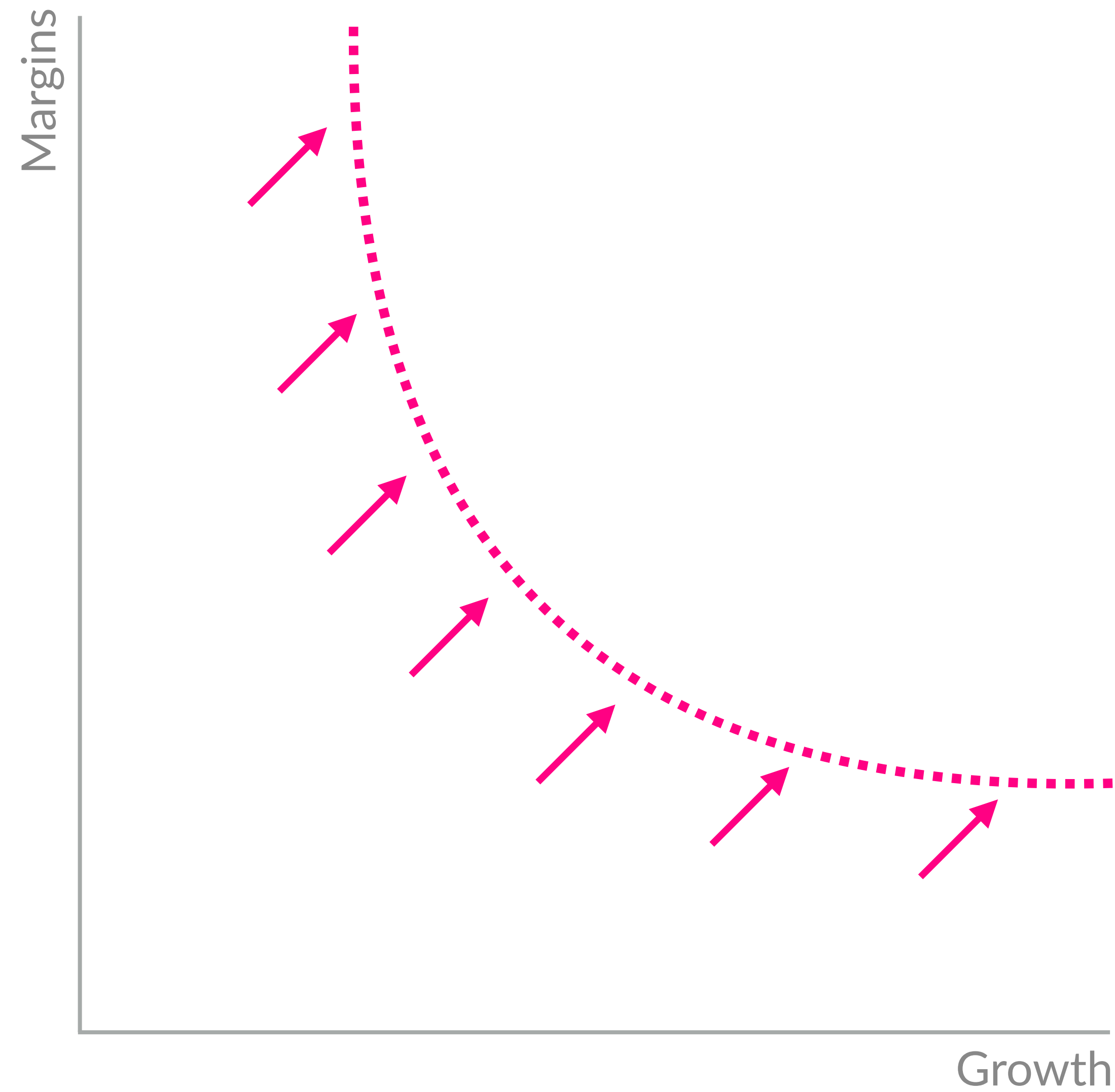
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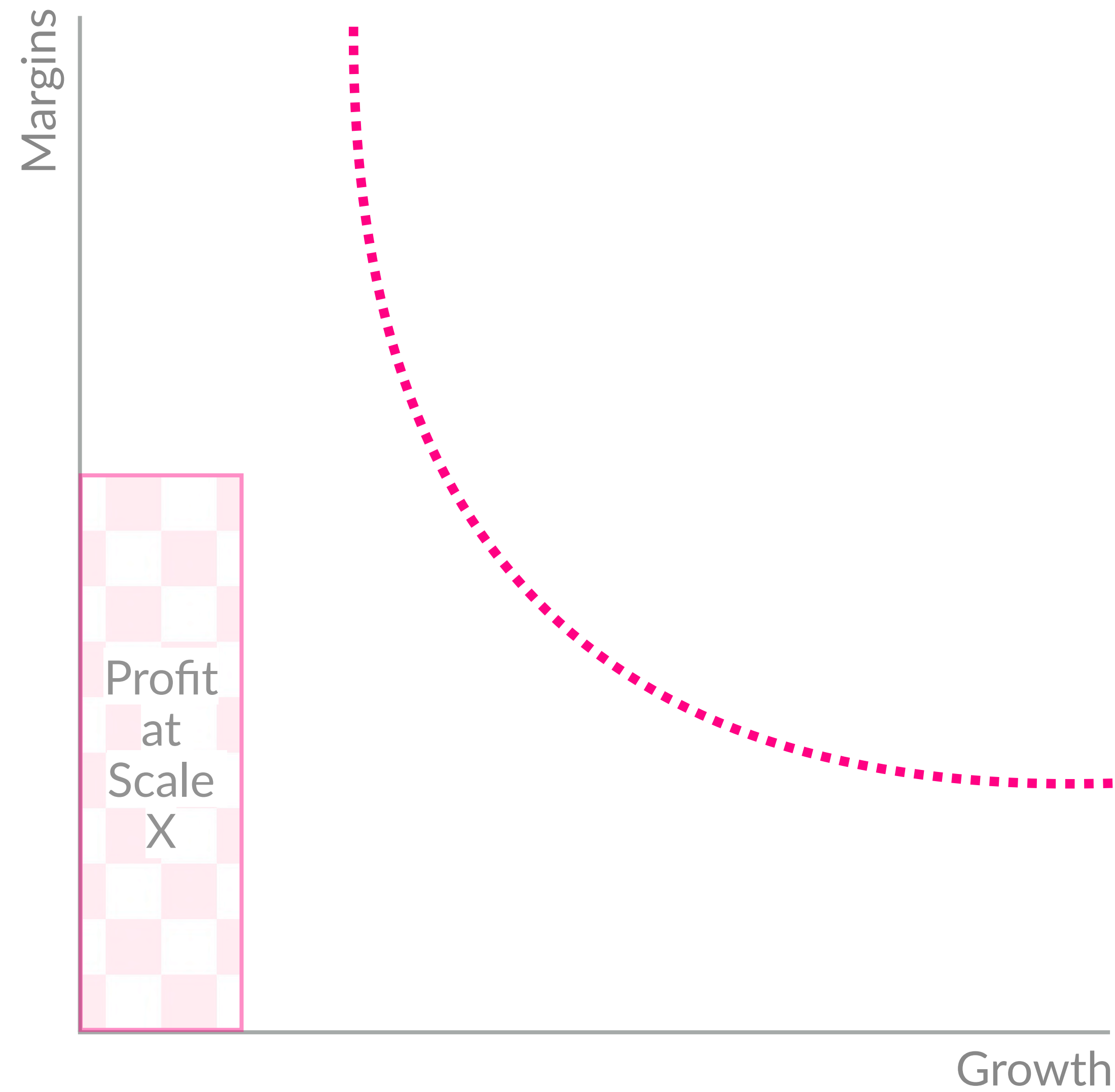
Scale Drives Profit

Scale moves the frontier



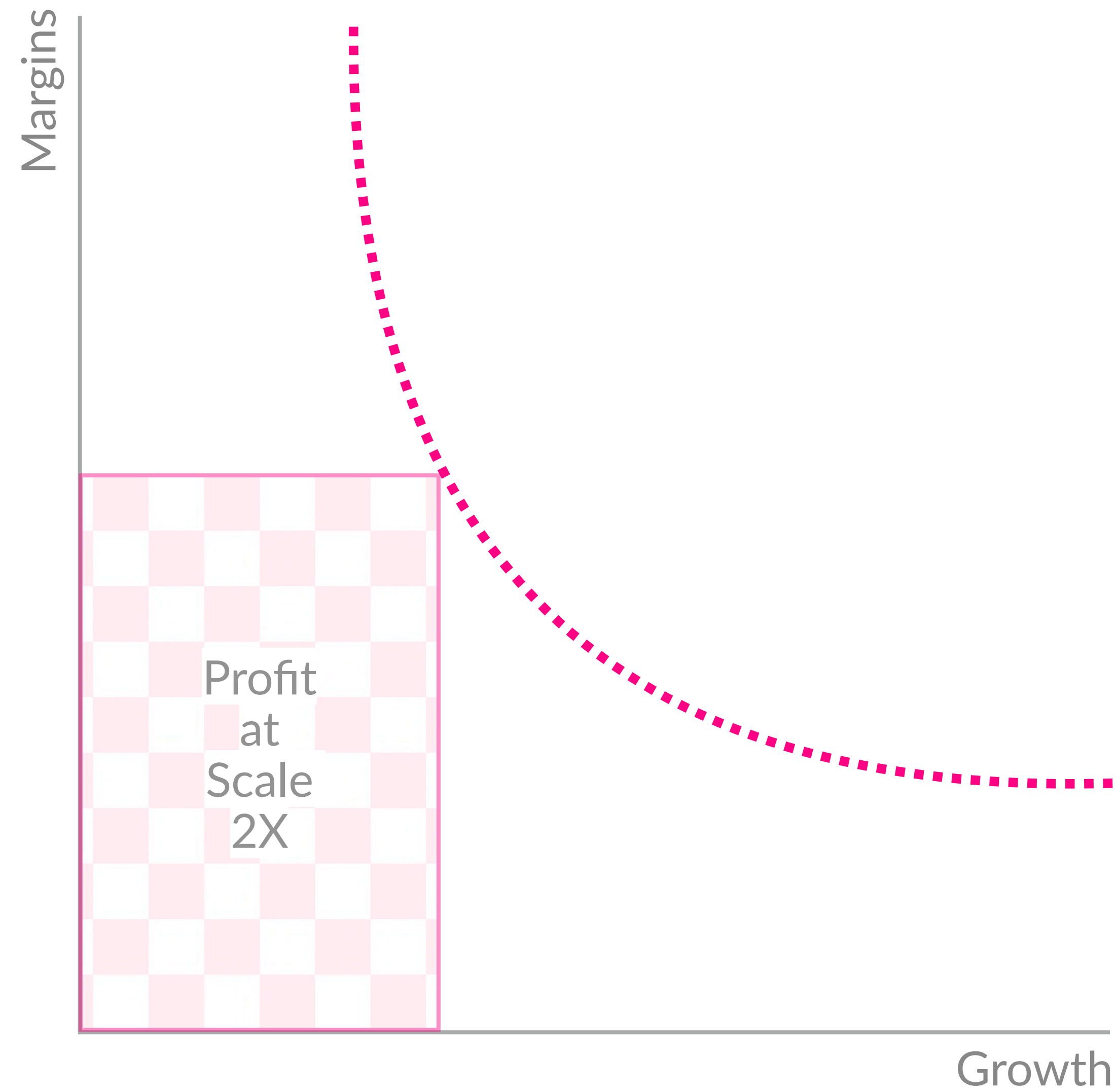
Scale Drives Profit

Scale moves the frontier



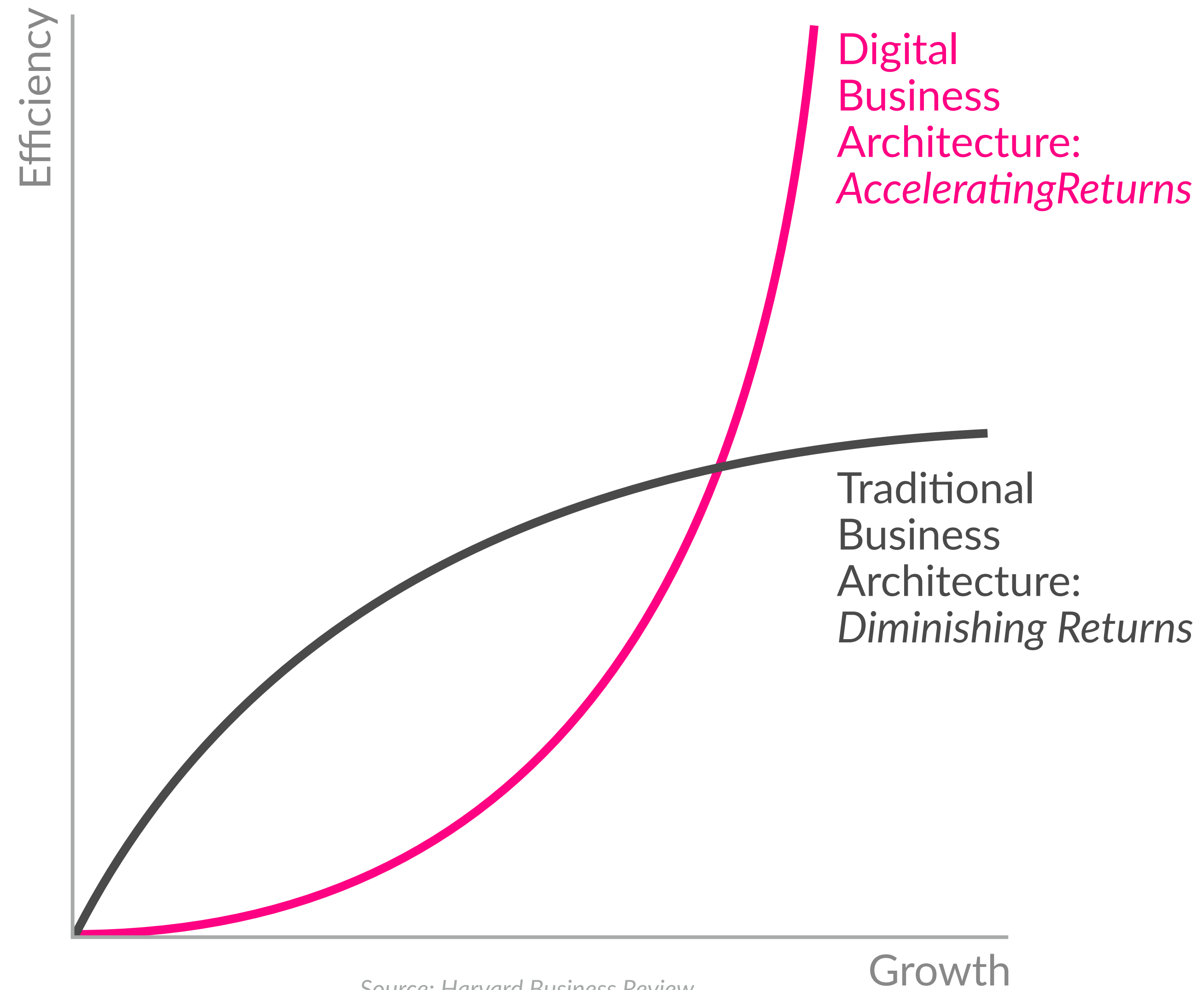
Scale Drives Profit

Scale moves the frontier

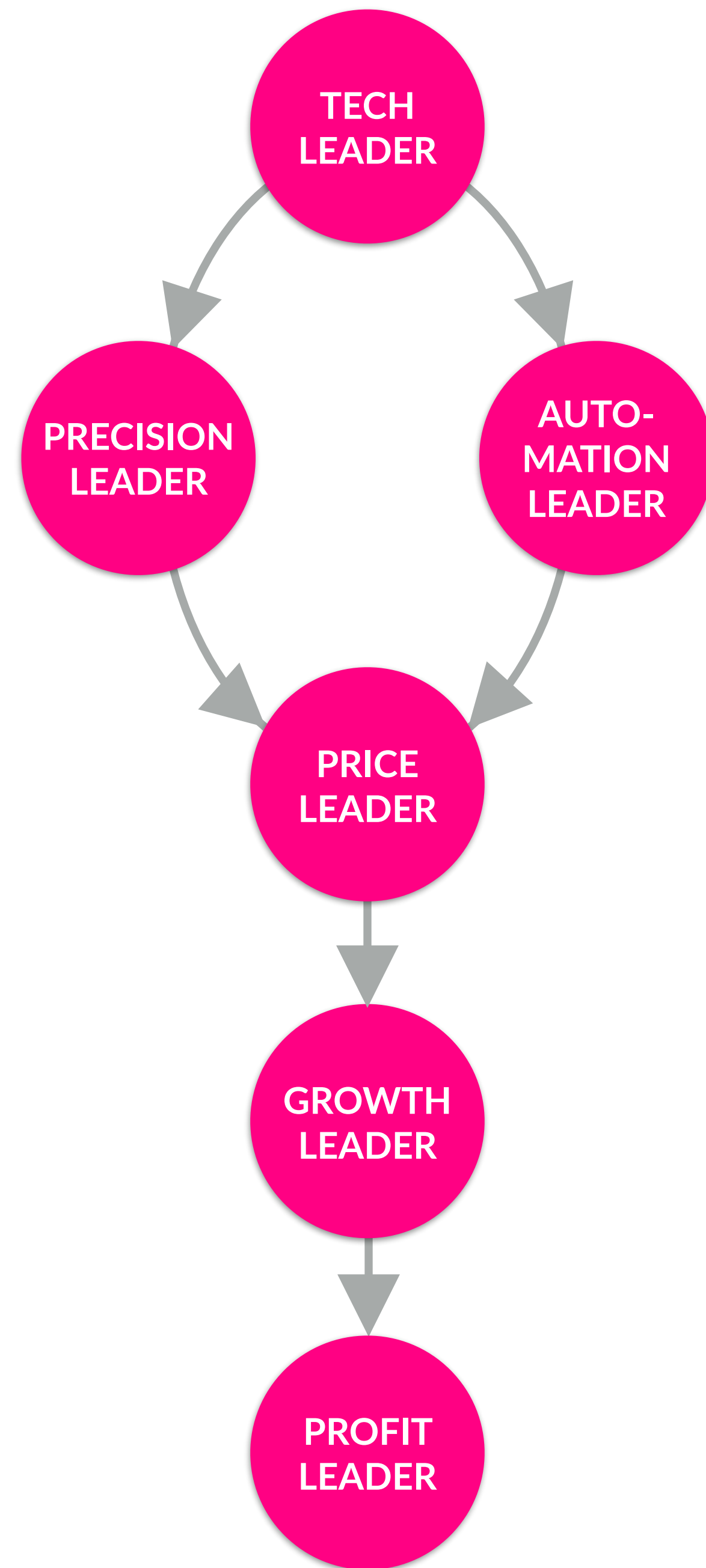


Scale Drives Profit

This, too, is because we're built on technology



Connecting the dots...



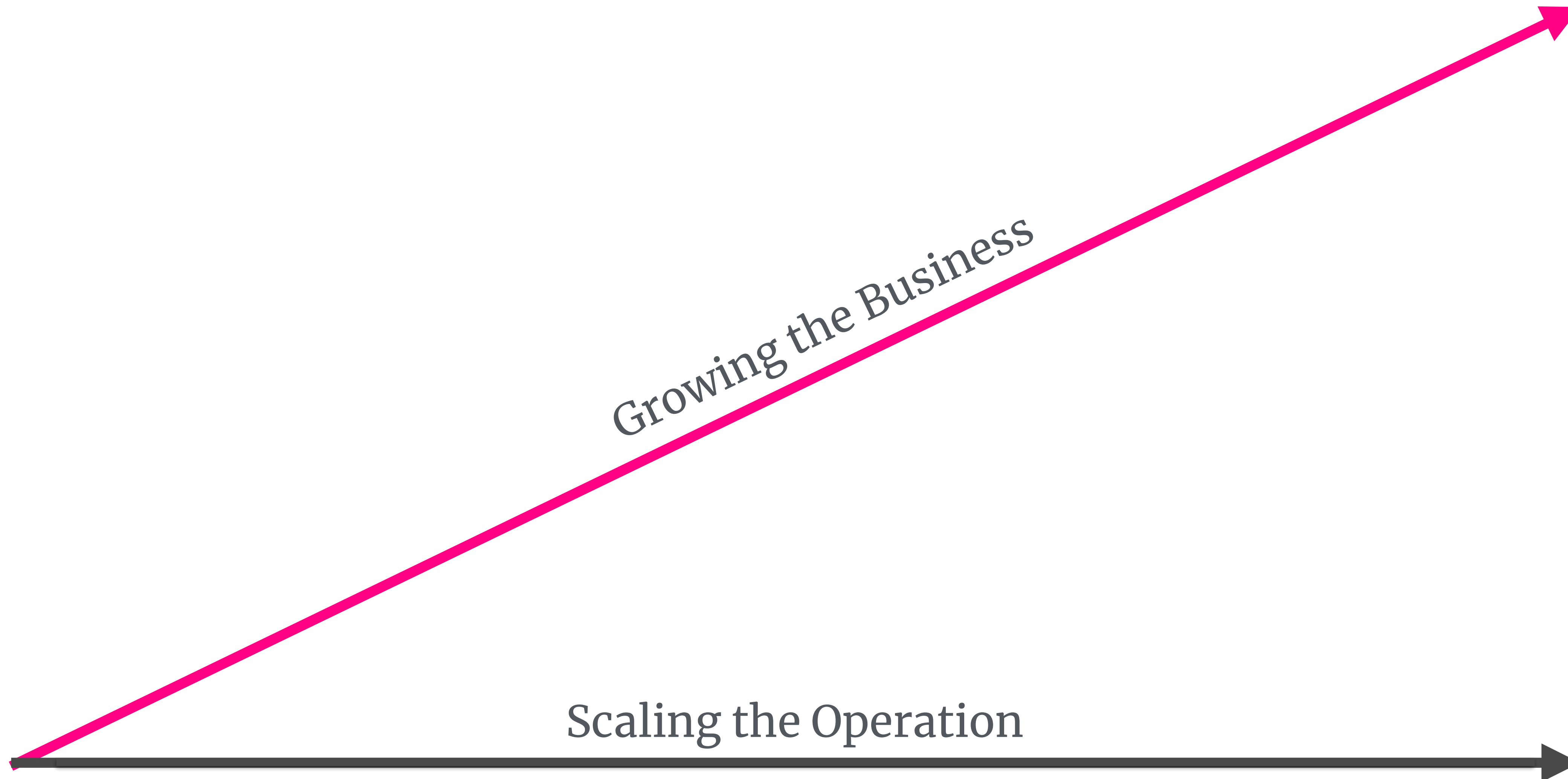
Our founding strategy is what made us
cash flow positive now, and it's what will
deliver **EBITDA** profit, **net profit** and
massive profits in the years to come

It's what propels us to
10x our business and 10x it **again**

By the end of this morning, we
hope you will find that proposition
investable

Thank you

Next Chapters...



Gross Profit

Growing the Business



Maya Prosor
Chief Business Officer



Nick Stead
SVP Finance

Scaling the Operation



Adina Eckstein
Chief Operating Officer

Cash Flow

Lemonade

Growing from \$1B to \$10B

Maya Prosor
Chief Business Officer

\$1B

Lemonade

\$1B

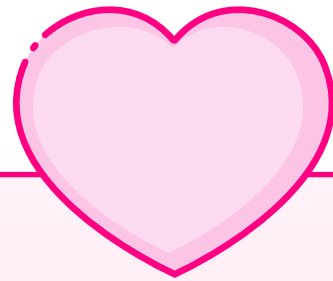
Today

30% CAGR

\$10B

Next Phase

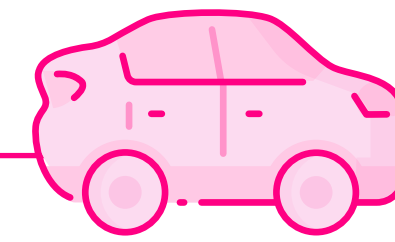
Lemonade is well positioned to **10x**



**Winning brand
& experience
that drives growth**



**Profit optimizing
marketing
machine**



**Differentiated car
acquisition
strategy**



What does it take to build an insurance brand?

90 Years

**Attractive Selling
Proposition**

**Billions of Marketing
\$\$\$**





At a **fraction** of the investment, in **record time**,
Lemonade has become the **preferred brand**
among the **next generation** of insurance buyers



Redefining Insurance Experience

97%

Policies sold
through bots

55%

Automated
claims

★★★★★
RATED 4.9 IN
THE APP STORE



Sources: JD POWER | FORBES | US NEWS



Establishing Lemonade as the benchmark for the next generation of insurance buyers



70% of customers under 35

Uber

60-70%



65-70%



60%-70%



60-65%

Estimated % of customers under 35 at the same stage (\$1B)

Sources: Spotify: [Statista](#); Uber; [Pew Research](#), [Forbes](#); Airbnb: [Phocuswright](#), [ResearchGate](#); Google: [UCLA](#)



The most loved brand in our category

#1

preferred brand
for 22-40 YO

#2

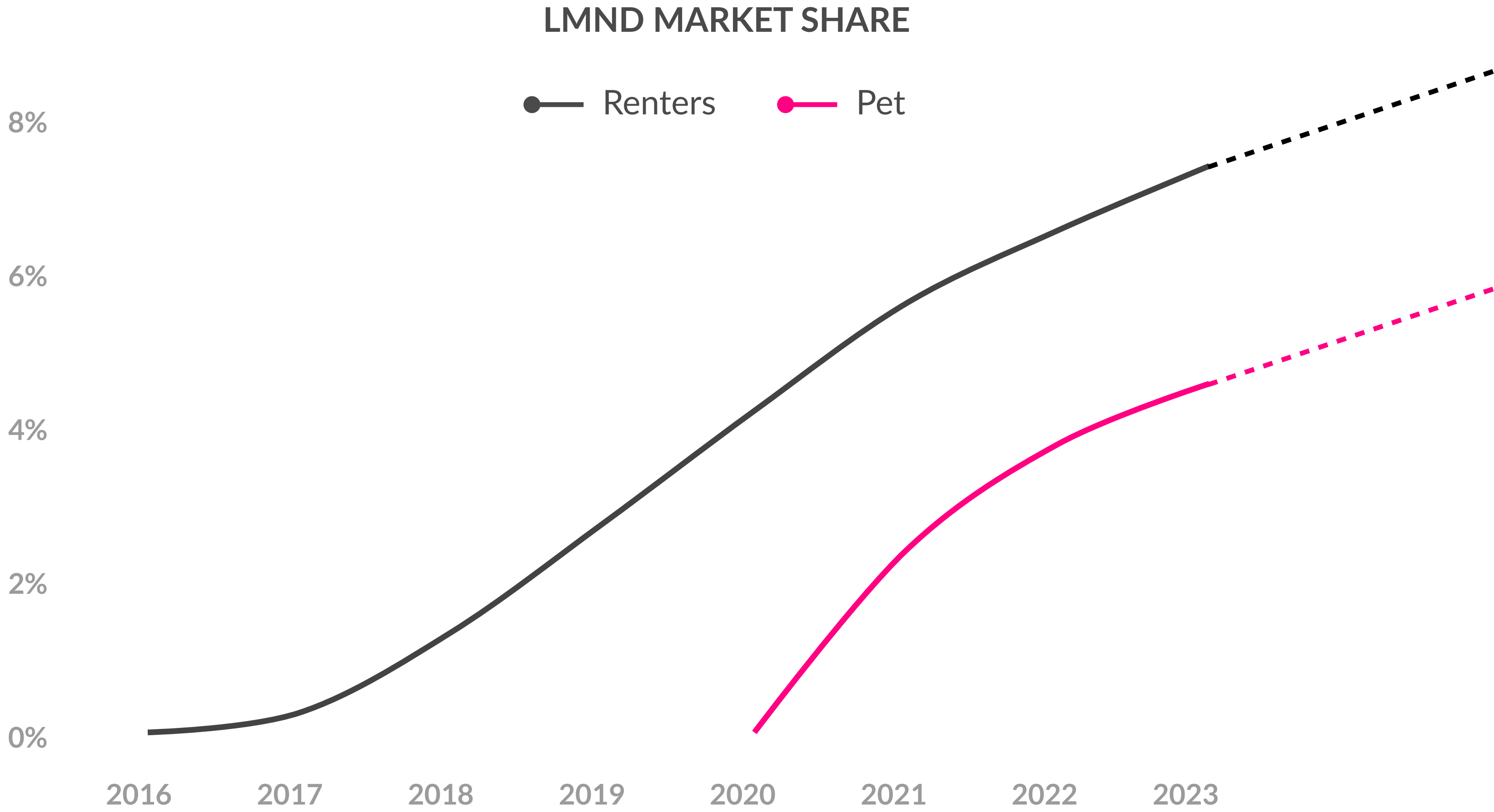
most searched
in renters

#4

most searched
in pets



Capturing mindshare is driving our marketshare growth in renters and pet insurance



Sources: NAIC Market Size reports; NAPHIA State Of The Industry Reports; IBISWorld Market Size Report

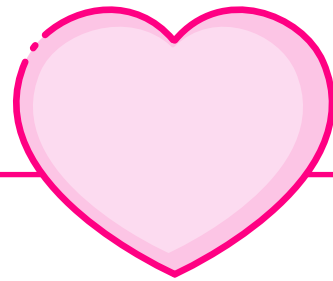


**Lovable
brand** + **Next level
experience** = **Platform
for growth**

1/3
of total sales
are organic

700K
Car waitlist

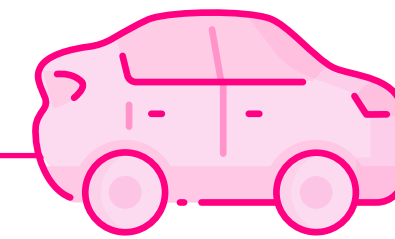
Lemonade is well positioned to 10x



**Winning brand
& experience
that drives growth**



**Profit optimizing
marketing
machine**



**Differentiated car
acquisition
strategy**



Two main challenges in direct acquisition

1

Risk selection

2

**Managing
acquisition costs**

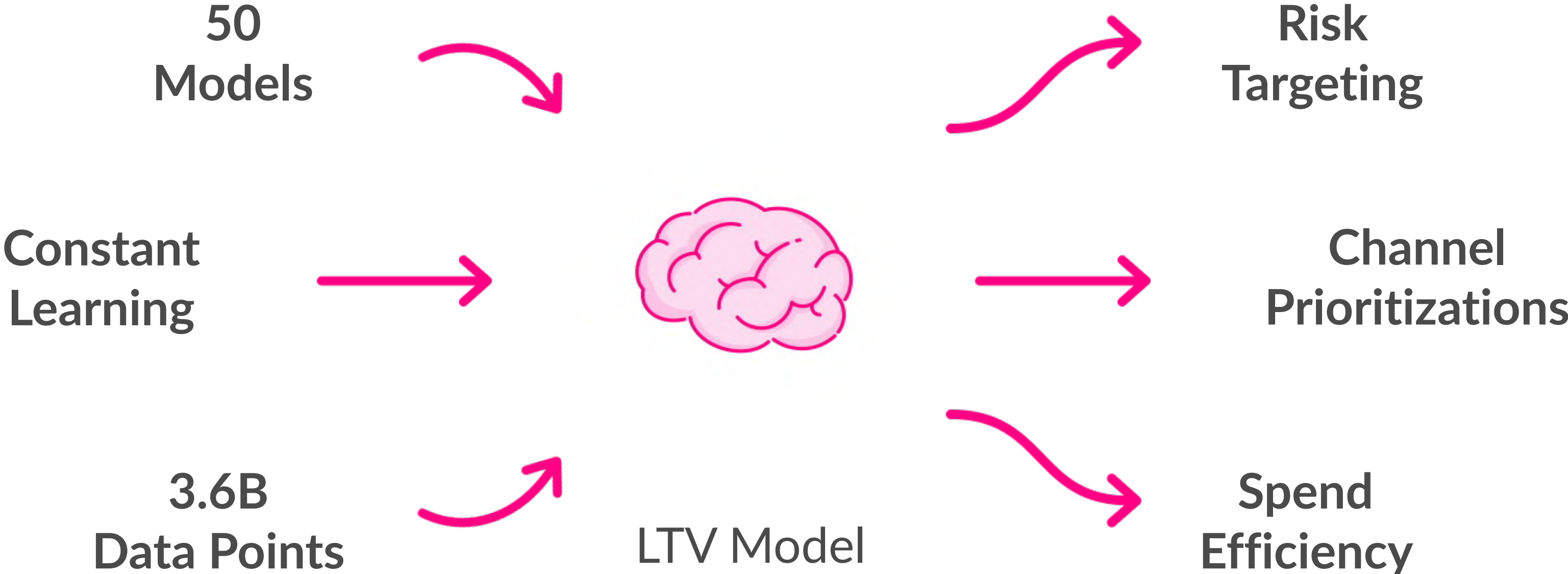


Power of Prediction





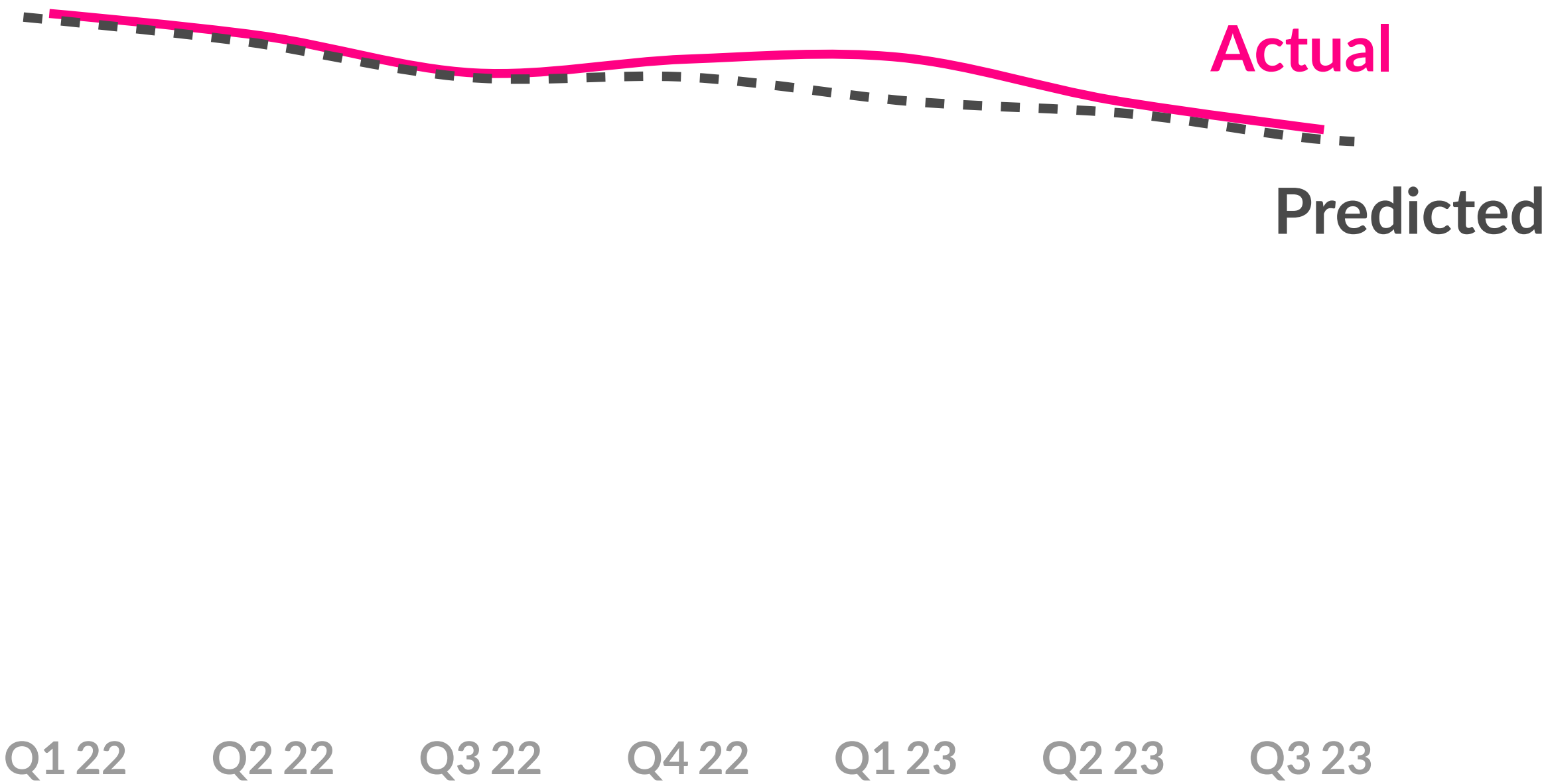
Predicting Lifetime Value at the Lead Level





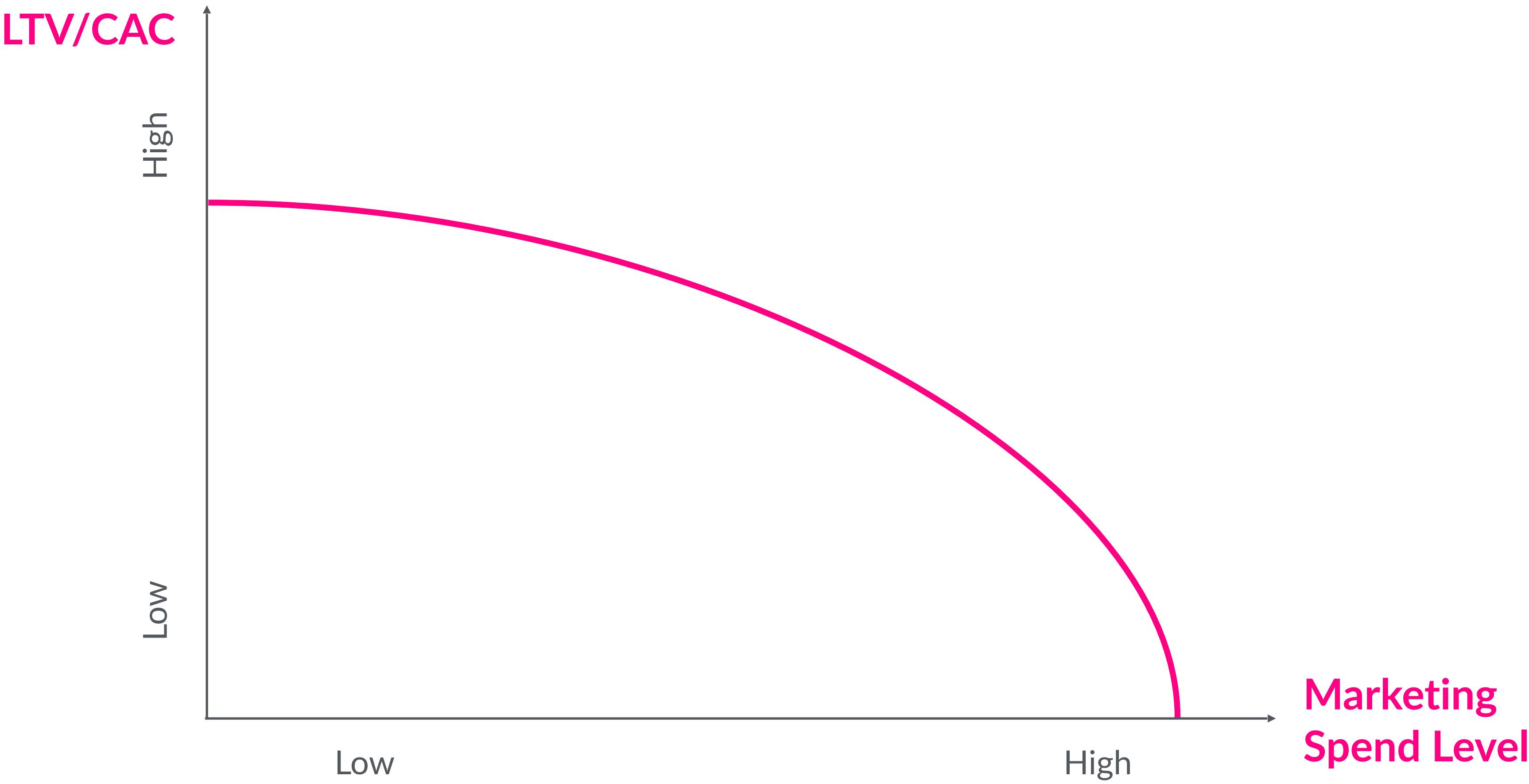
Prediction = Reality

1st Year Loss ratio - All Products



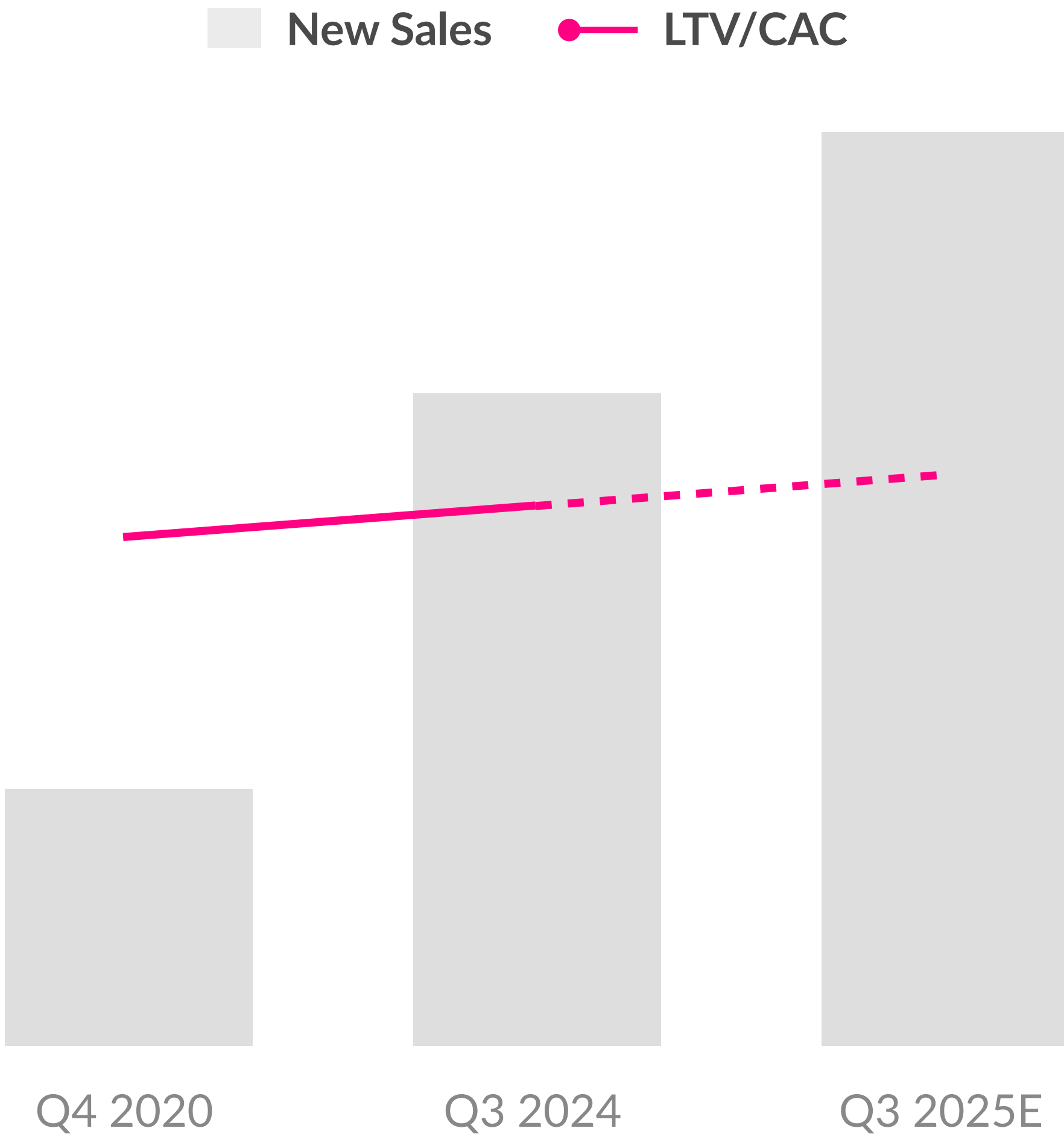


Scaling Growth - Spend Efficiency Curve

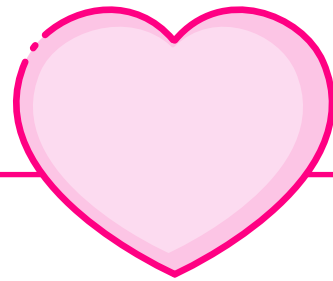




Triple Sales with the same efficiency



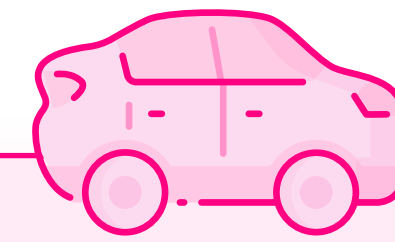
Lemonade is well positioned to **10x**



**Winning brand
& experience
that drives growth**



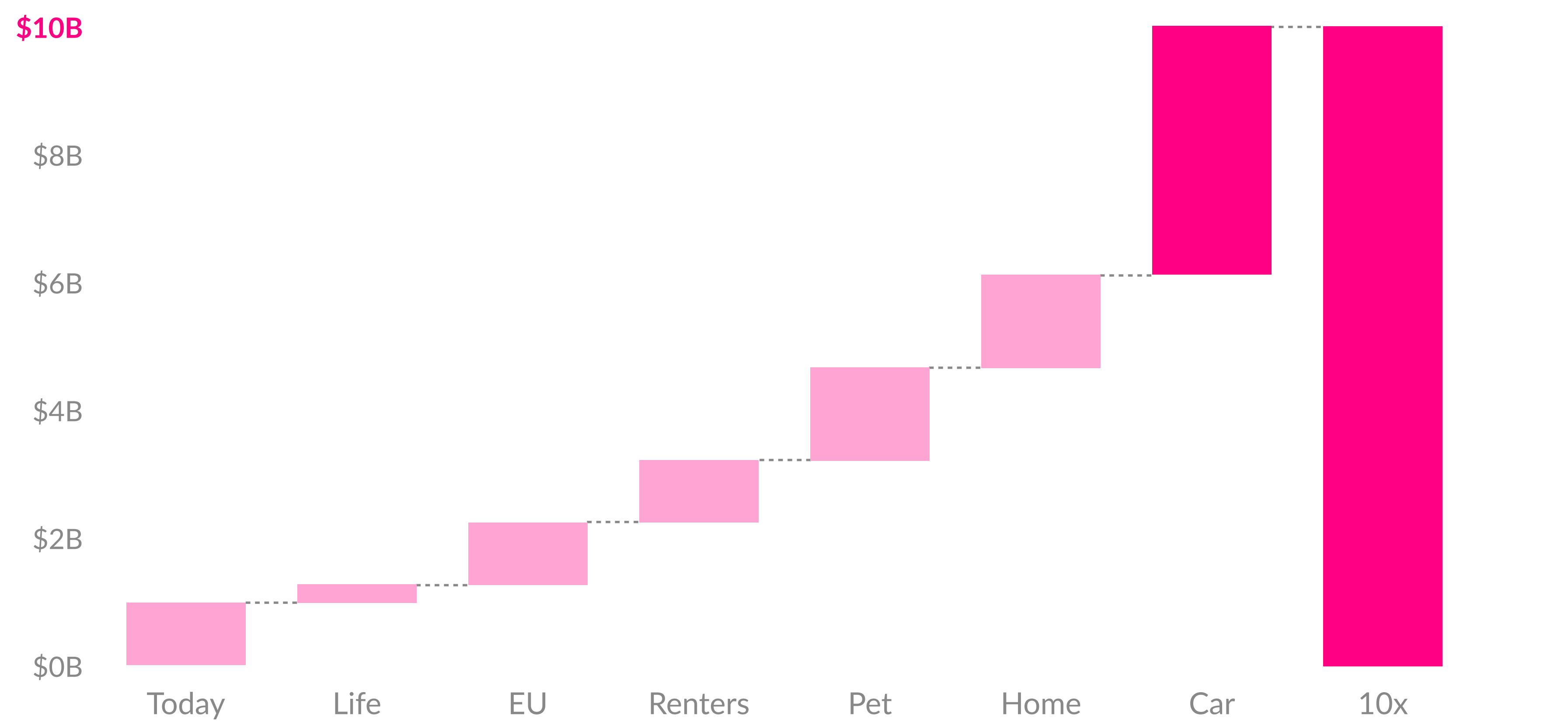
**Profit optimizing
marketing
machine**



**Differentiated car
acquisition
strategy**



Lemonade's growth plan - how we reach \$10B





Why Lemonade can win in car



High Interactions



Tech advantage



The right younger audience



We can build a huge business from our
existing customers, and an even bigger
business from the **next generation drivers**



We can build a huge business from our
existing customers, and an even bigger
business from the **next generation drivers**



At no additional CAC,
we have a strong foundation to build on

Good
news

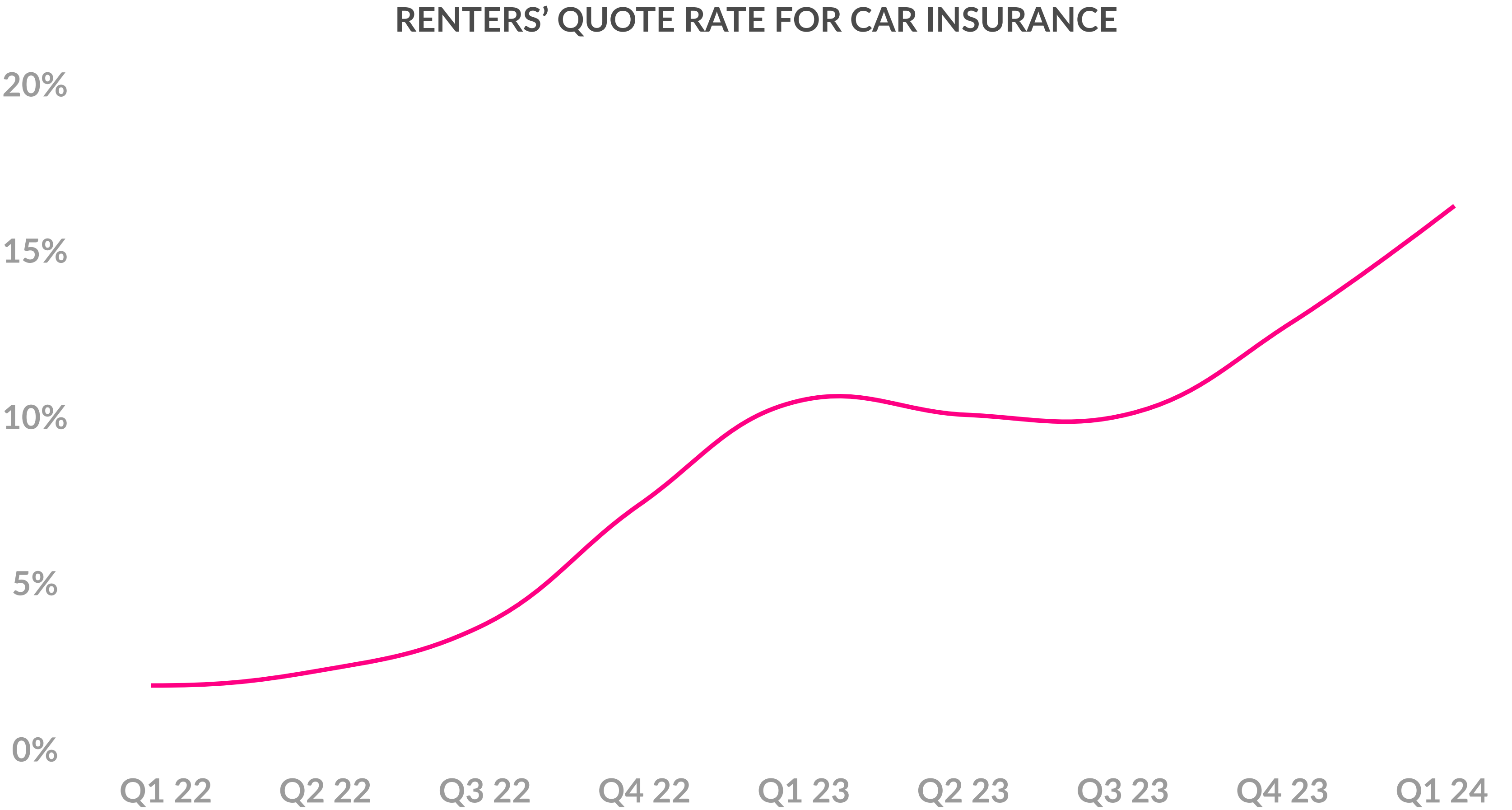


(1) Excluding current customers with a LMND Car policy
(2) Assumes that 55% of Lemonade customers have car insurance with another carrier; based on US census data and Lemonade customer surveys.
(3) Assumes an average premium of \$2,500 per customer per year.



Our customers are increasingly seeking car insurance from Lemonade

Great news



They are performing much better

Best news!

70%

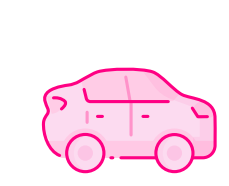
Better retention¹

10 pp

Better Loss Ratio²

No

New business
penalty

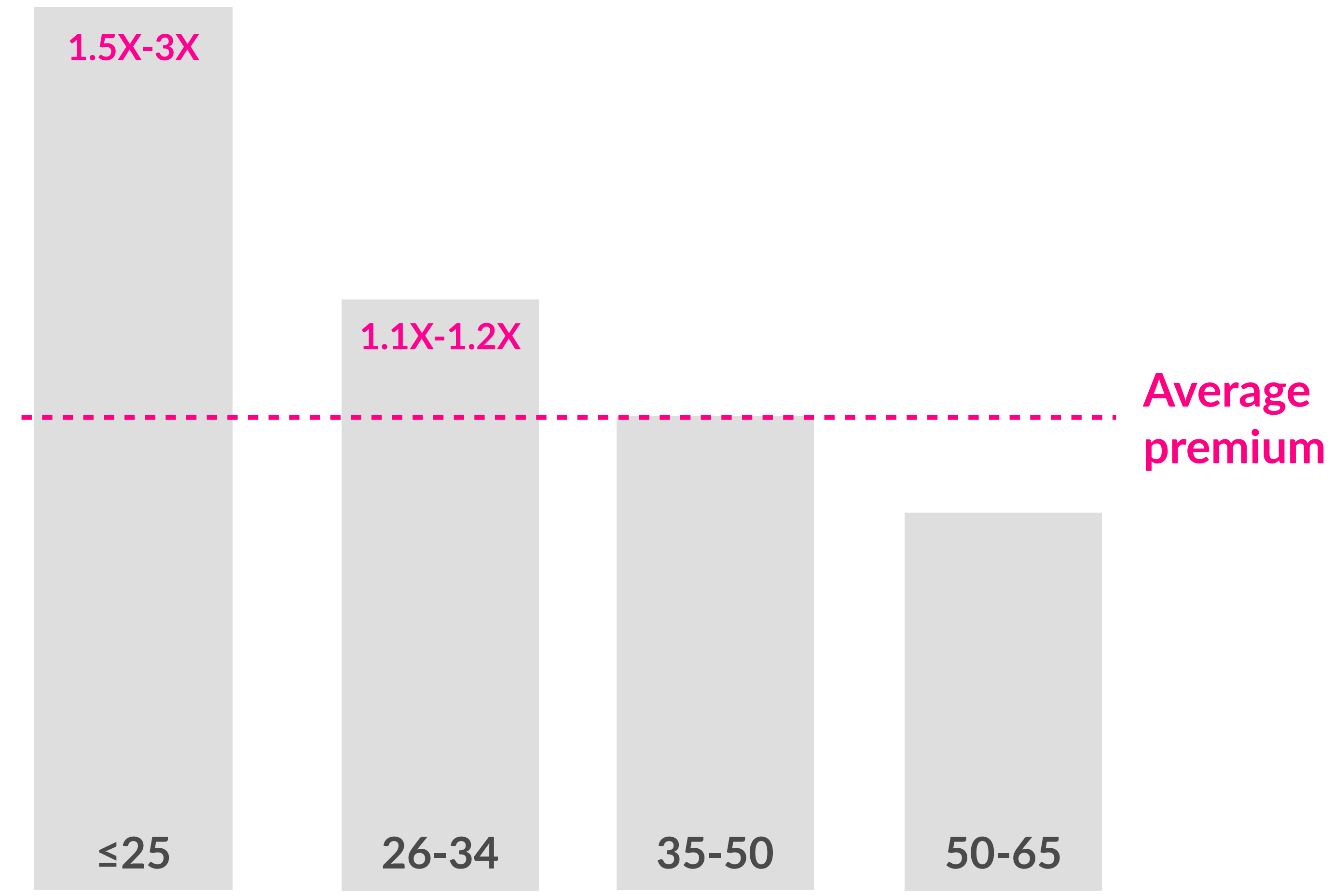


We can build a huge business from our **existing customers**, and an even bigger business from the **next generation drivers**



The current industry models are broken

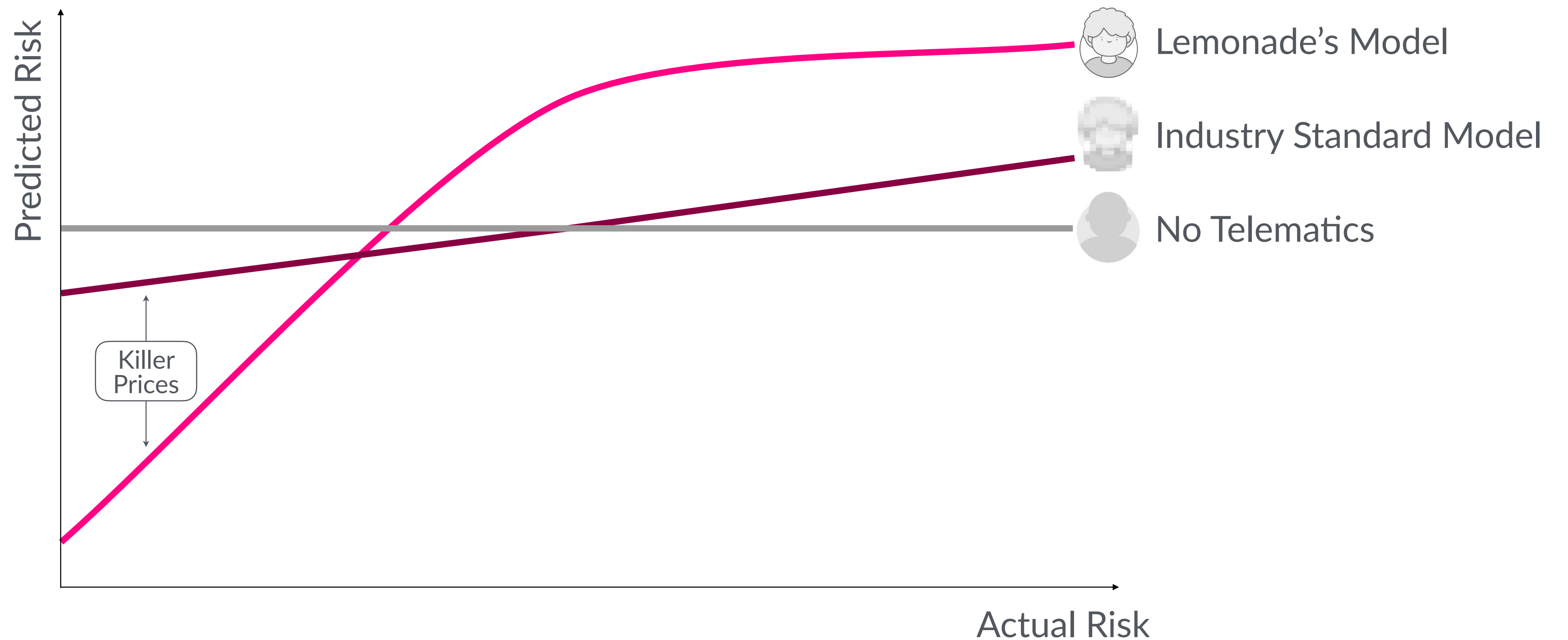
Good, young drivers could pay much less



Source: <https://www.insurance.com/auto-insurance/car-insurance-rates-by-age>

Our proprietary model is already outperforming standard industry model

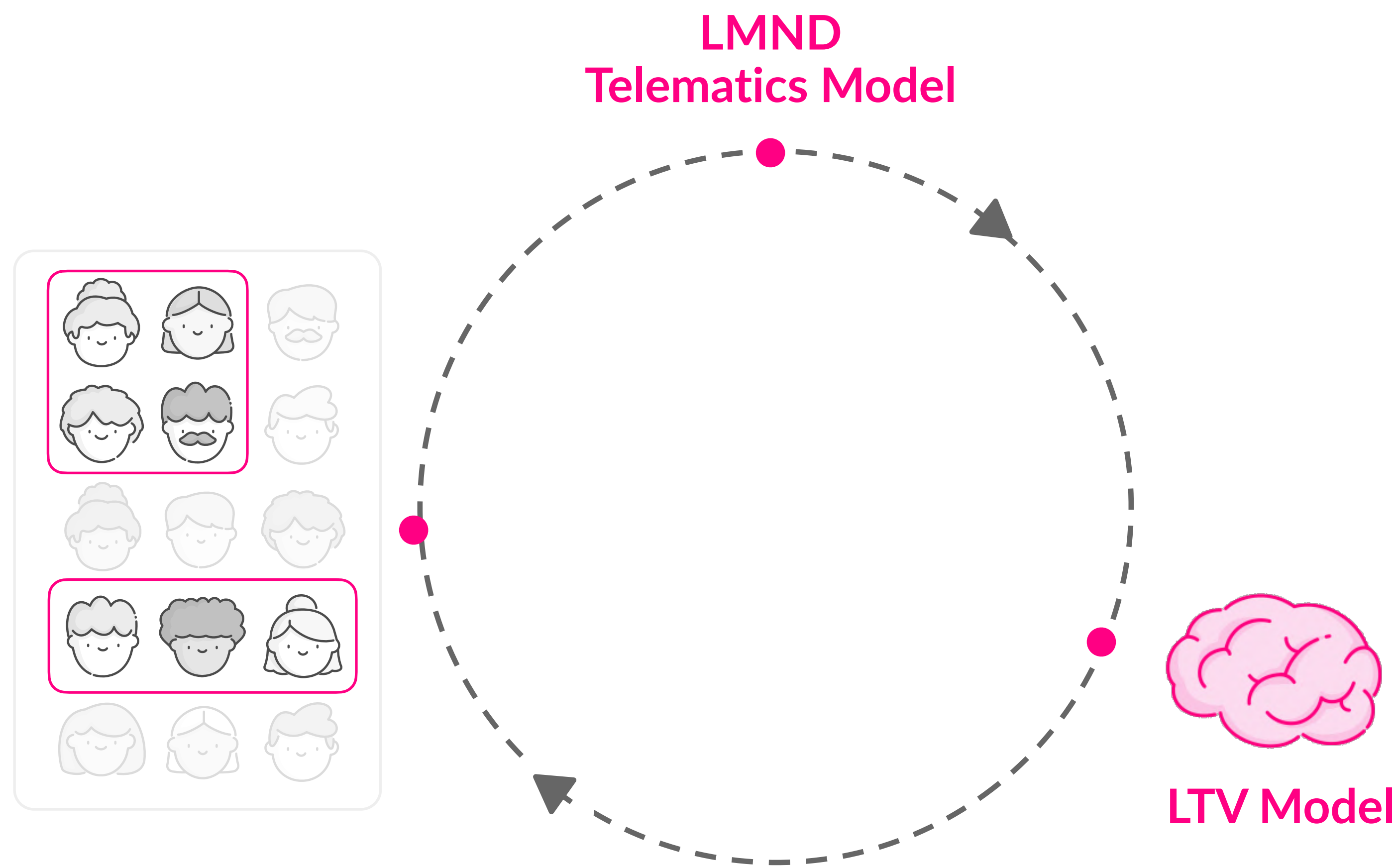
Lemonade's Proprietary Telematics



Numbers are estimates based on Lemonade's data and experience.



Feeding back into our marketing machine





Our go-to-market strategy for car insurance is differentiated and defensible from day 1

TRADITIONAL INDUSTRY

Car first

Low prices

Antiquated experience

Lemonade

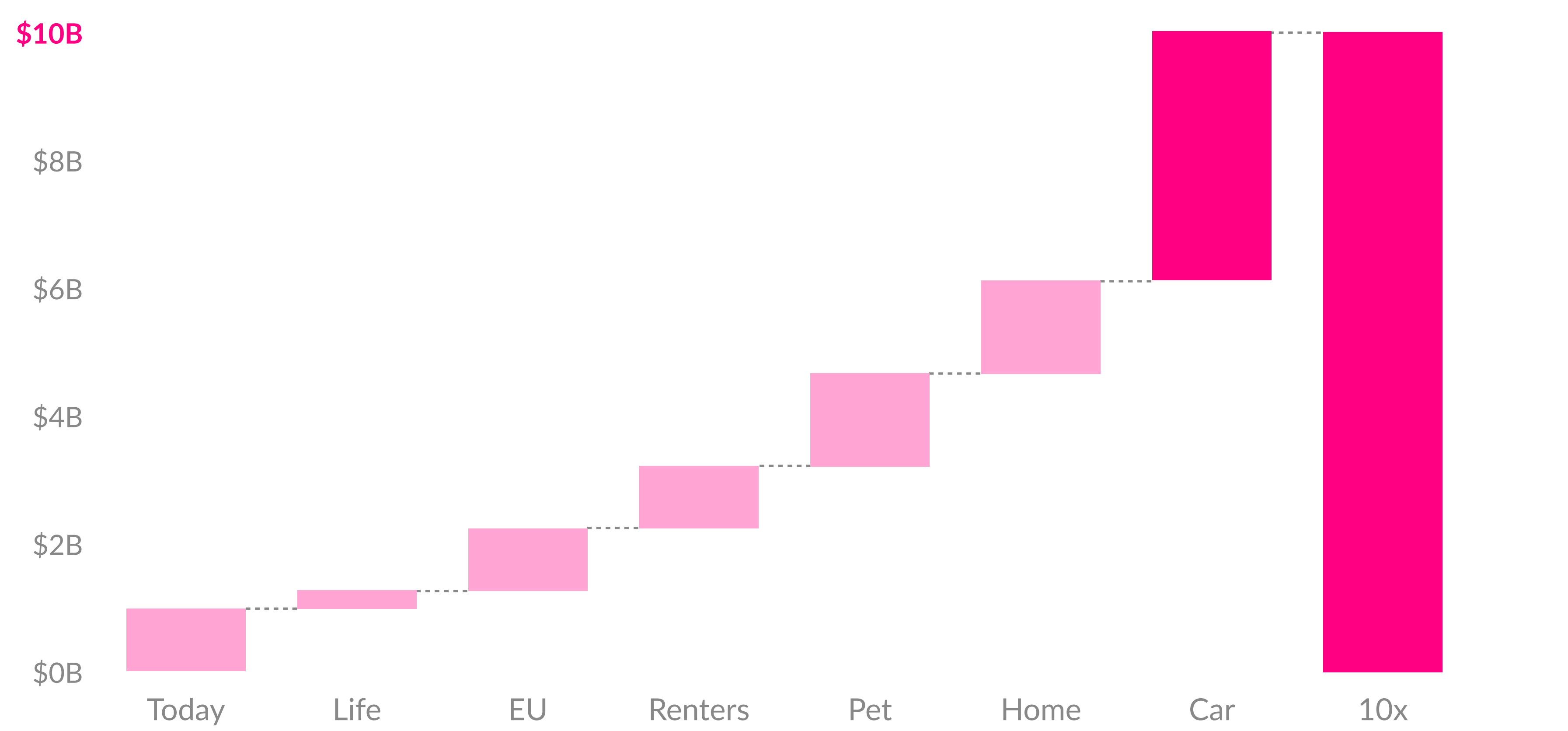
Car as a cross sale

Lower prices

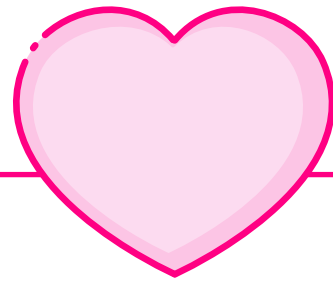
Best in class experience



Lemonade's growth plan - how we reach \$10B



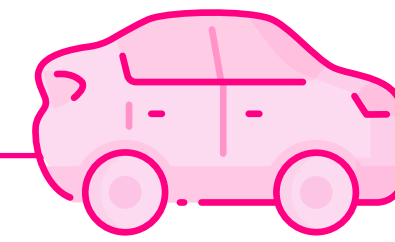
Lemonade is well positioned to 10x



**Winning brand
& experience
that drives growth**



**Profit optimizing
marketing
machine**



**Differentiated car
acquisition
strategy**

Thank you.

Lemonade

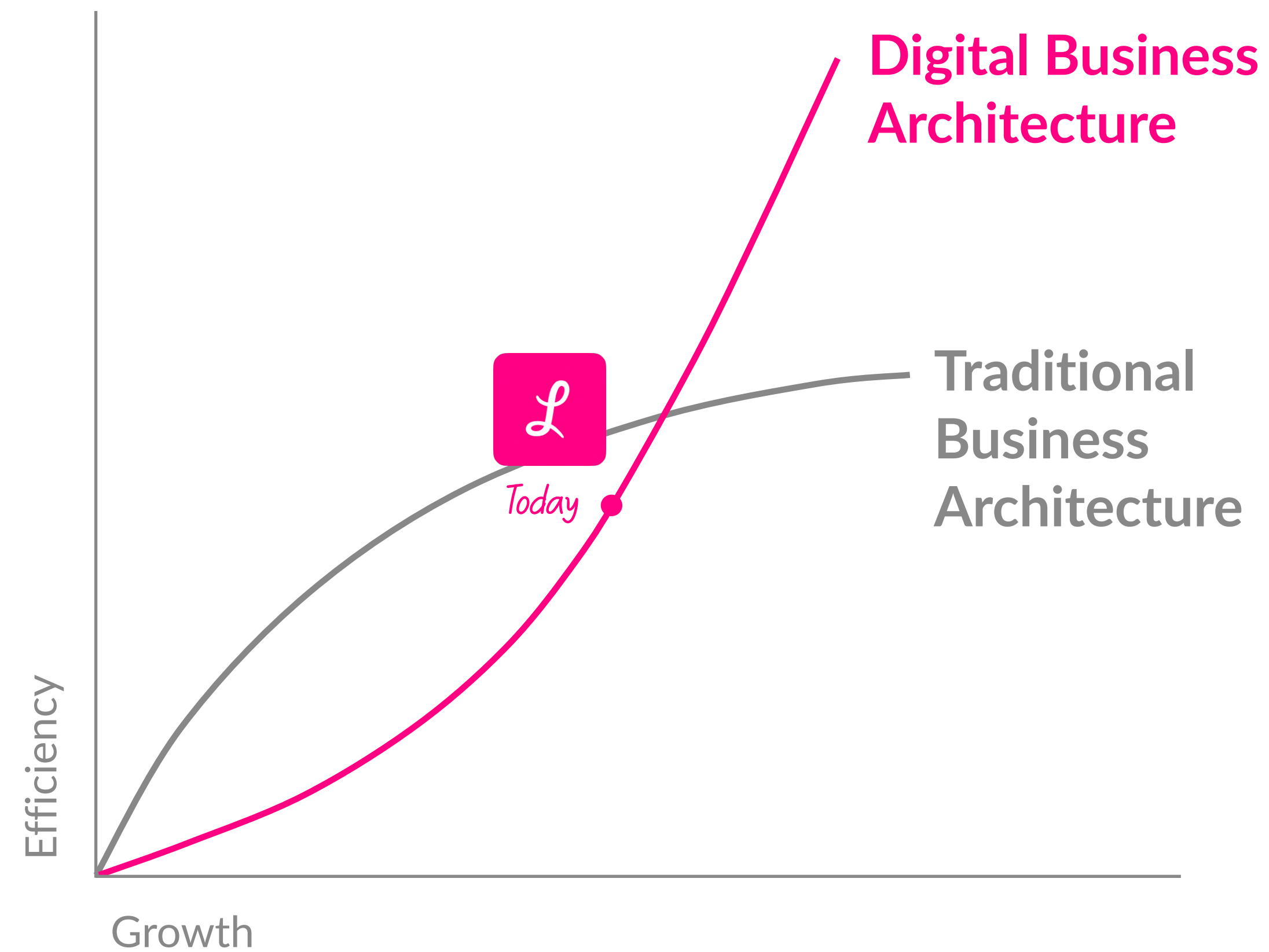
Lemonade

Infinite scaling through AI

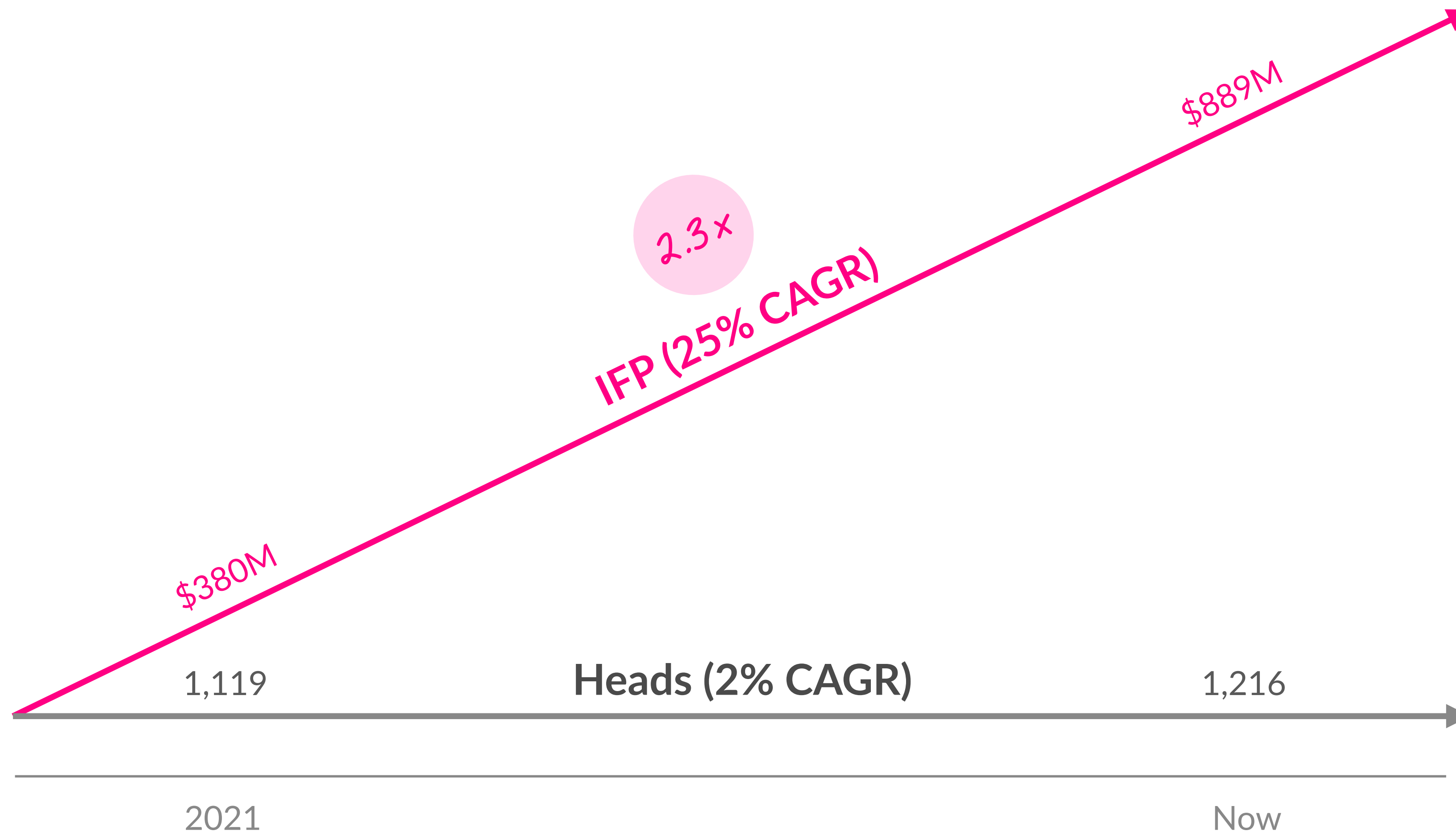
Adina Eckstein

Chief Operating Officer

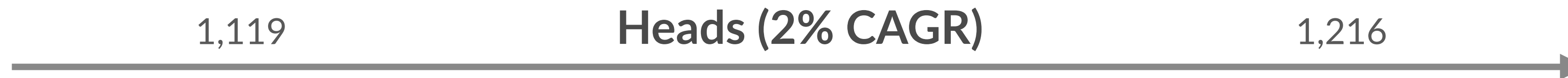
Lemonade is at an **inflection point** for scale



IFP ↑ Headcount —



IFP Headcount



What drives our headcount?



Customer Interactions

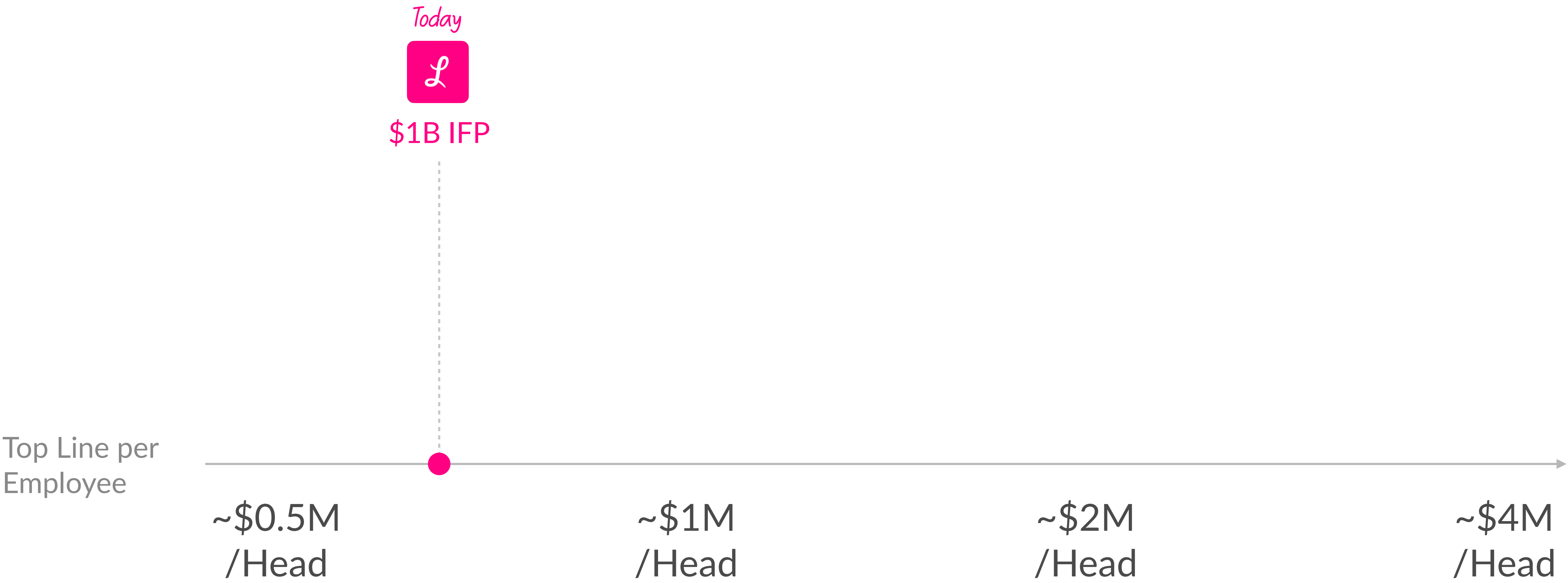


Claims Handling



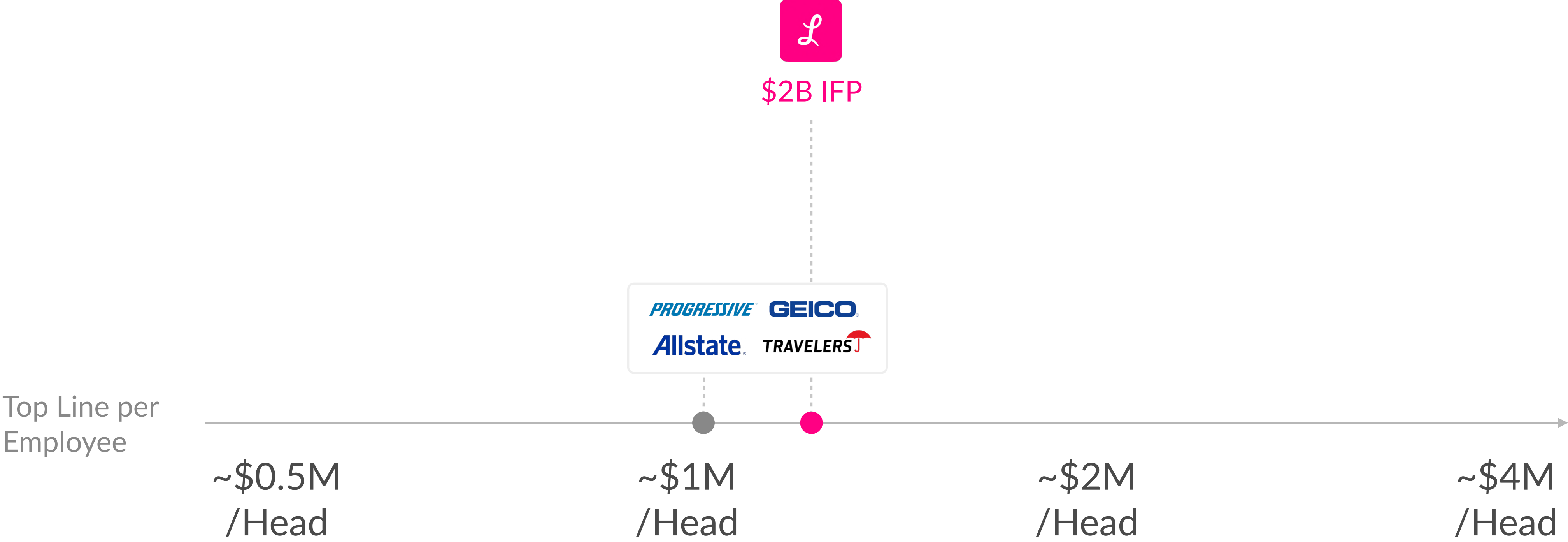
Infrastructure for Scale

Efficiency will keep getting better



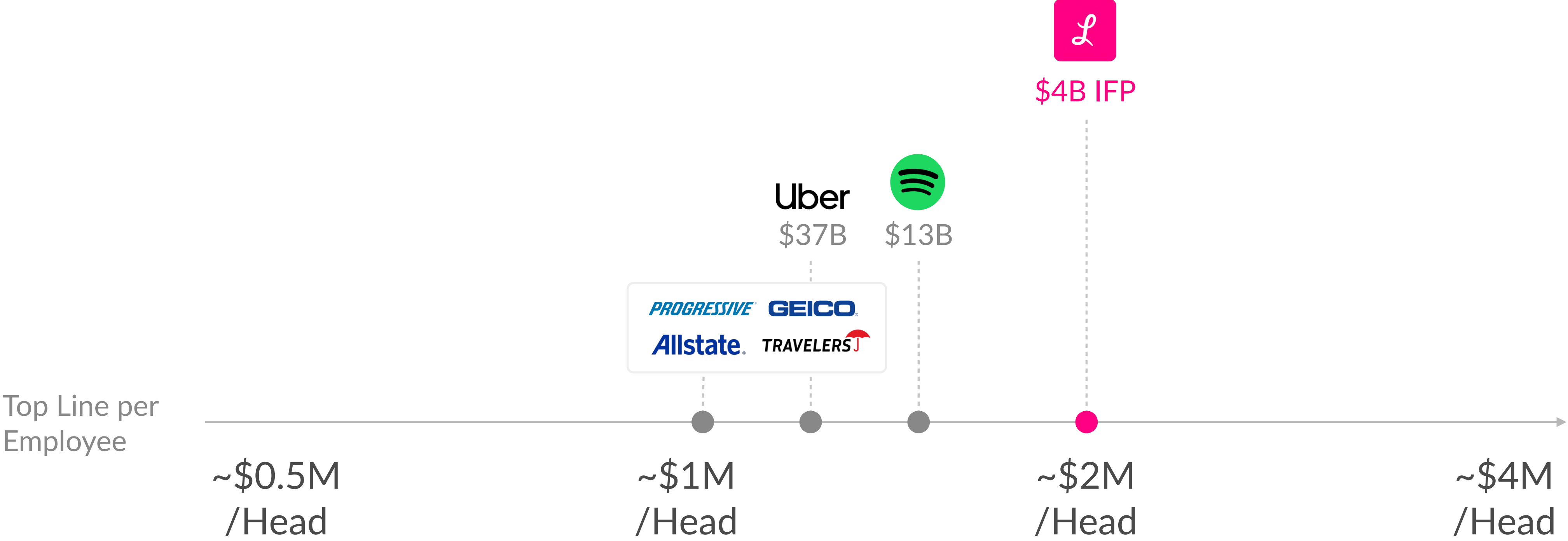
LMND estimates based on extrapolated headcount trends with IFP growth. Comparables are ann. revenue over employee counts from latest 10-Ks

Efficiency will keep getting better



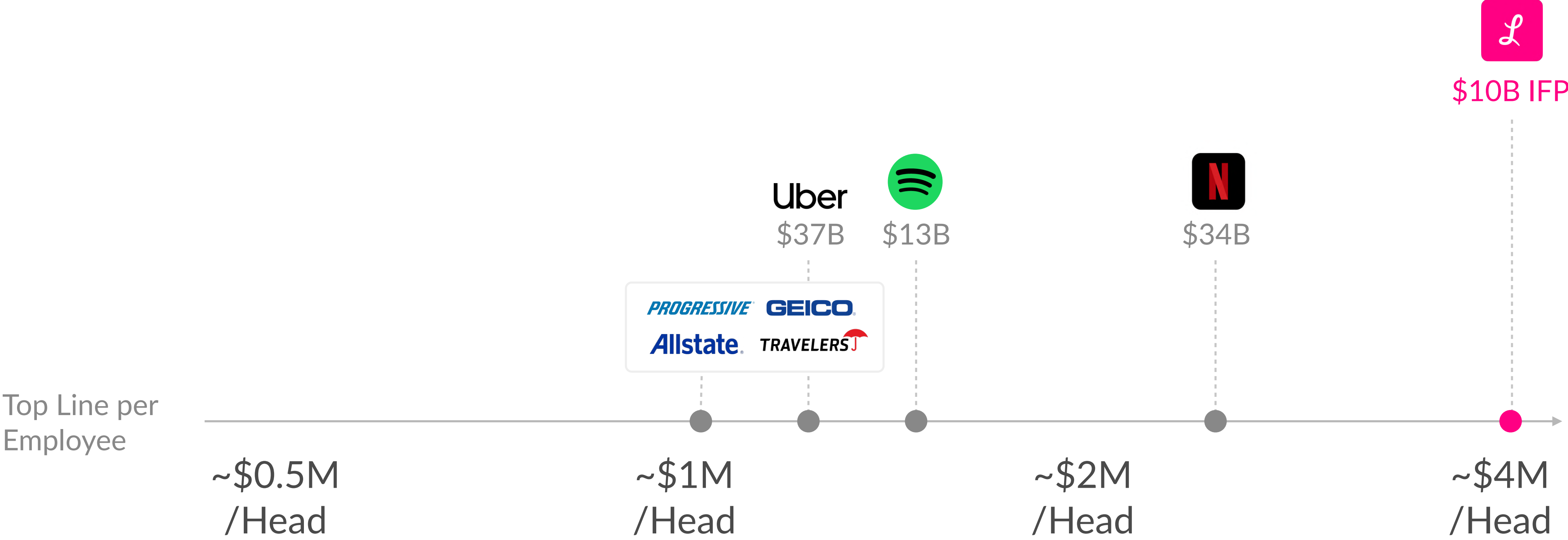
LMND estimates based on extrapolated headcount trends with IFP growth. Comparables are ann. revenue over employee counts from latest 10-Ks

Efficiency will keep getting better



LMND estimates based on extrapolated headcount trends with IFP growth. Comparables are ann. revenue over employee counts from latest 10-Ks

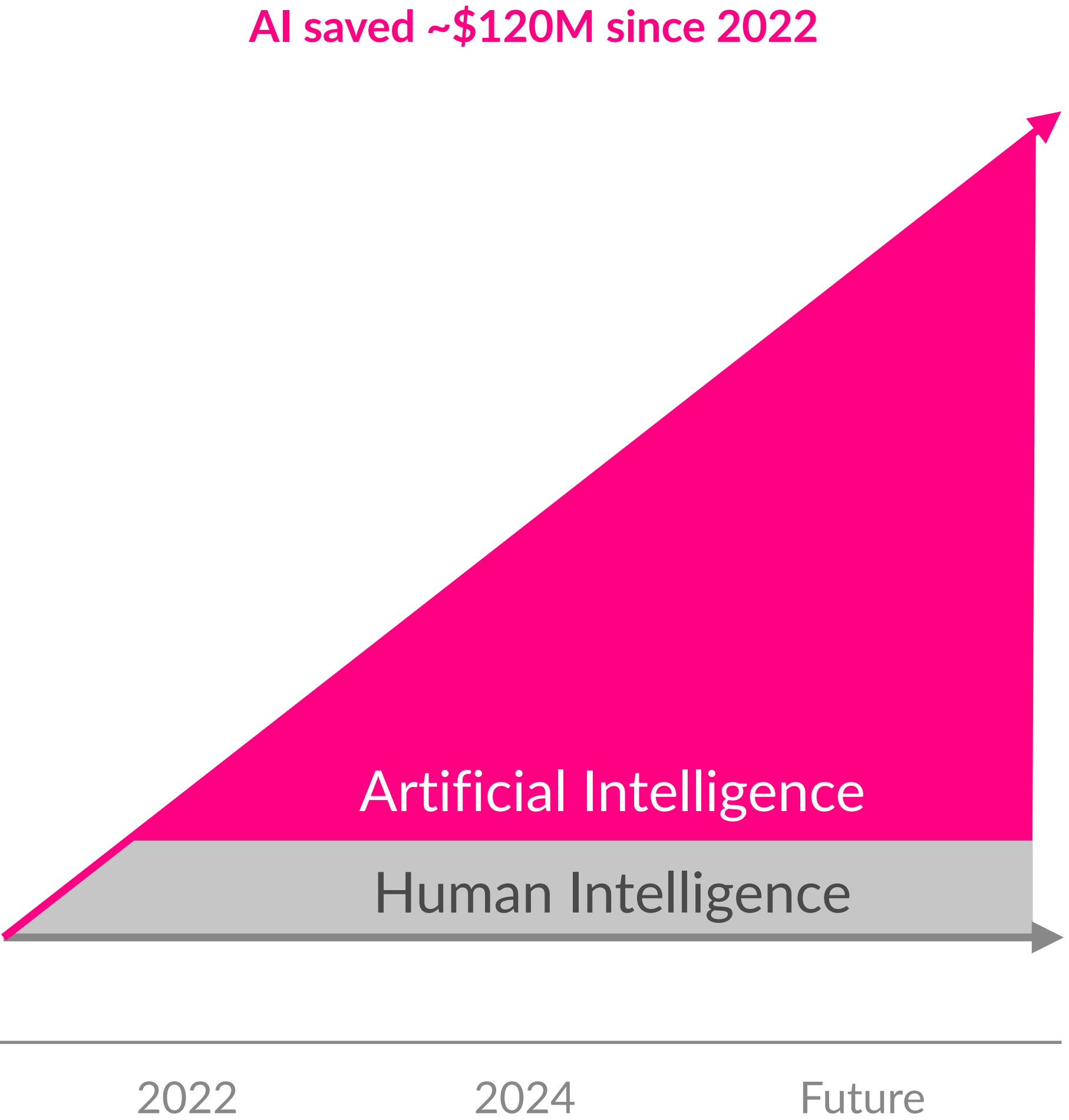
Efficiency will keep getting better



LMND estimates based on extrapolated headcount trends with IFP growth. Comparables are ann. revenue over employee counts from latest 10-Ks

What about the peanuts?

Human intelligence stays flat, while total intelligence scales



Customer Satisfaction



Employee Engagement

>8/10

Operationalizing new tech is 2nd nature for us



Customer Interactions

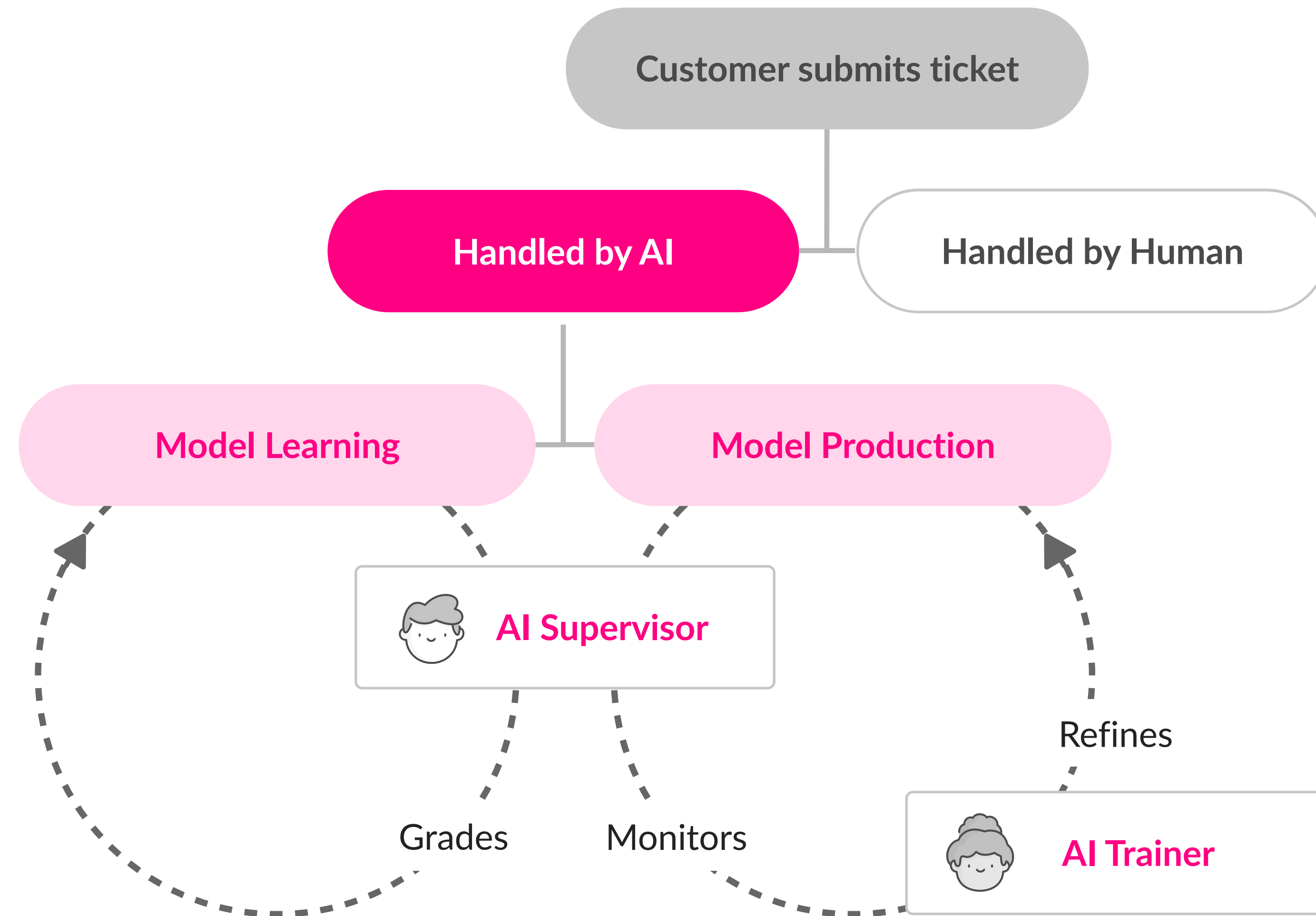


Claims Handling



Infrastructure for Scale

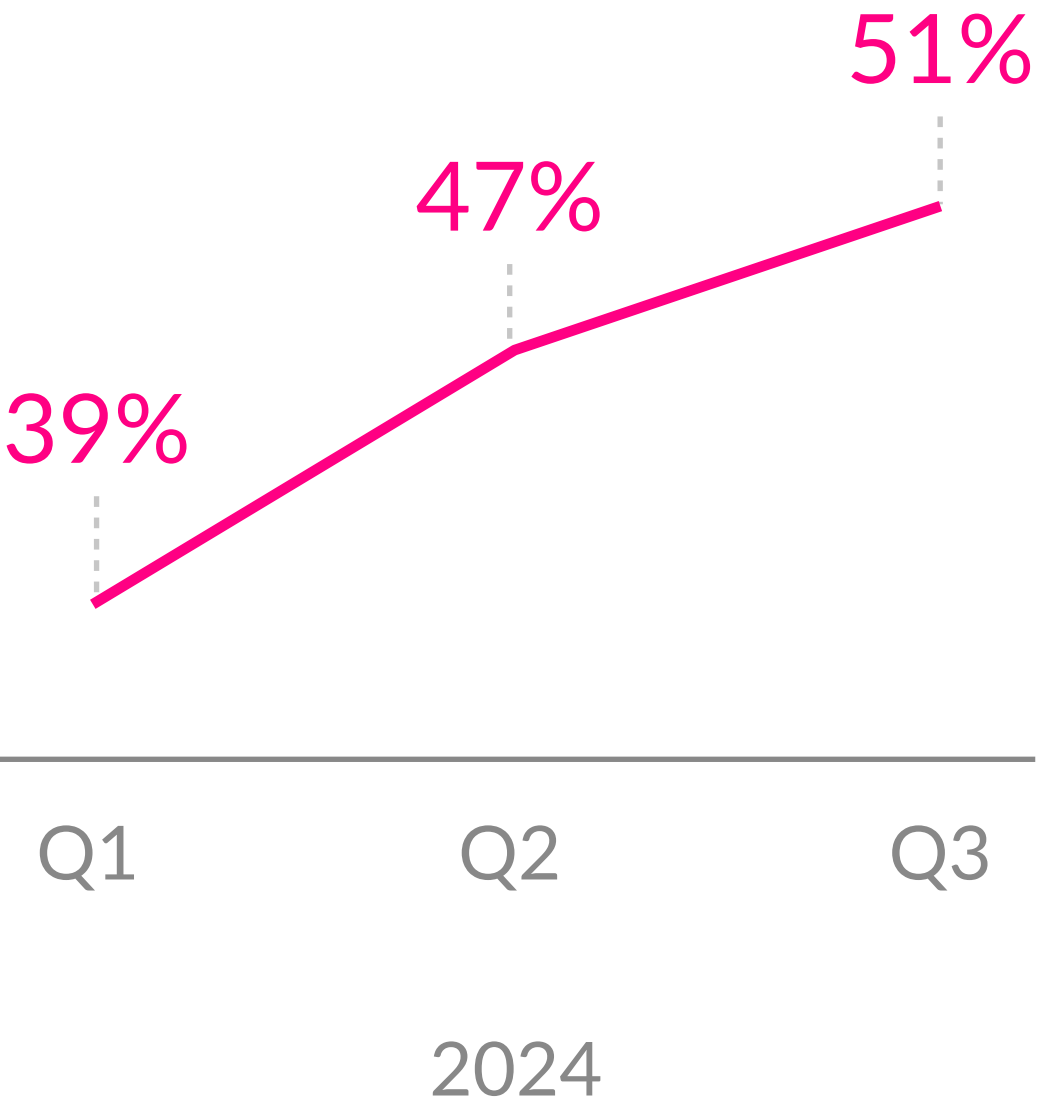
Onboarding new AIs



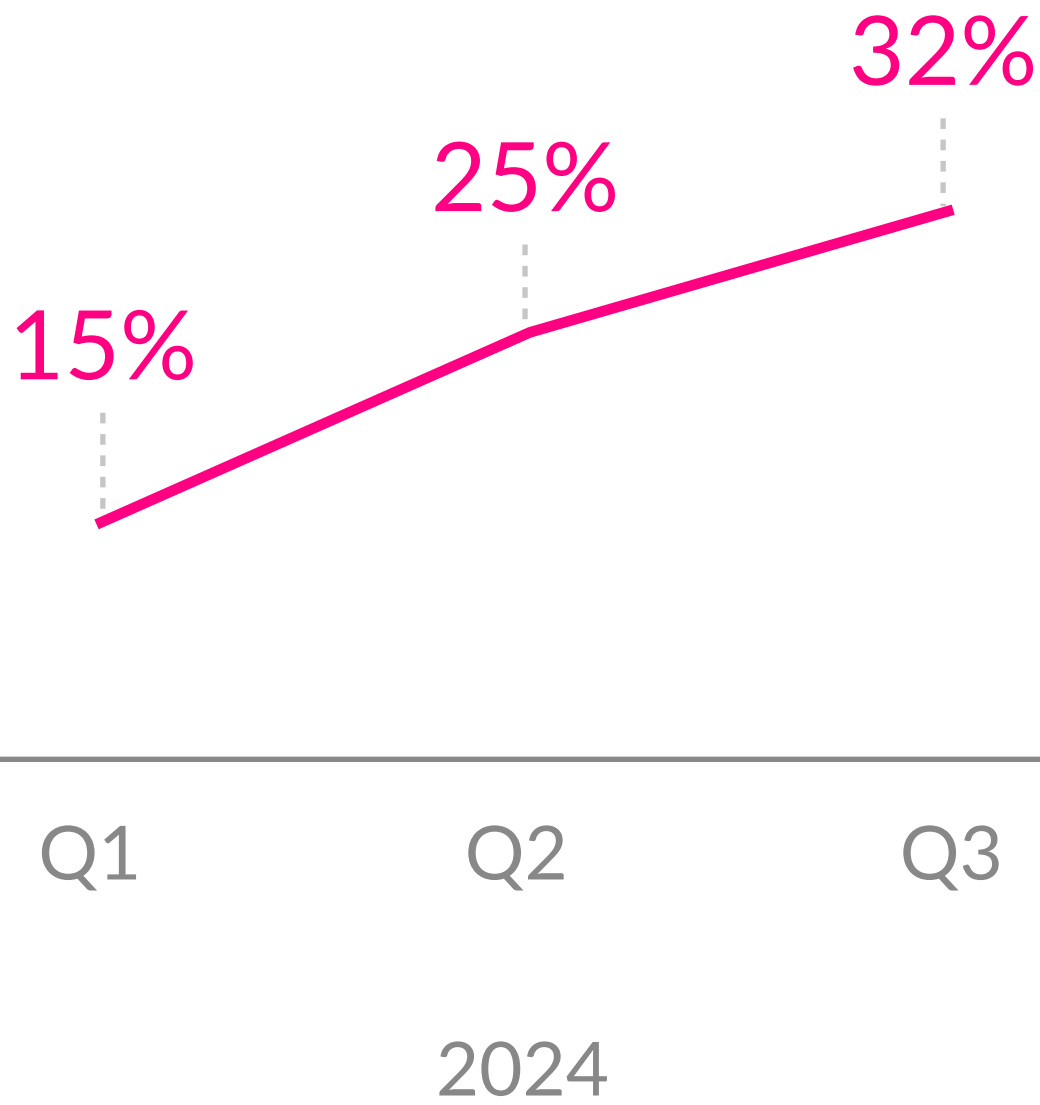
Curtains up

The resulting impact on operations has been tremendous

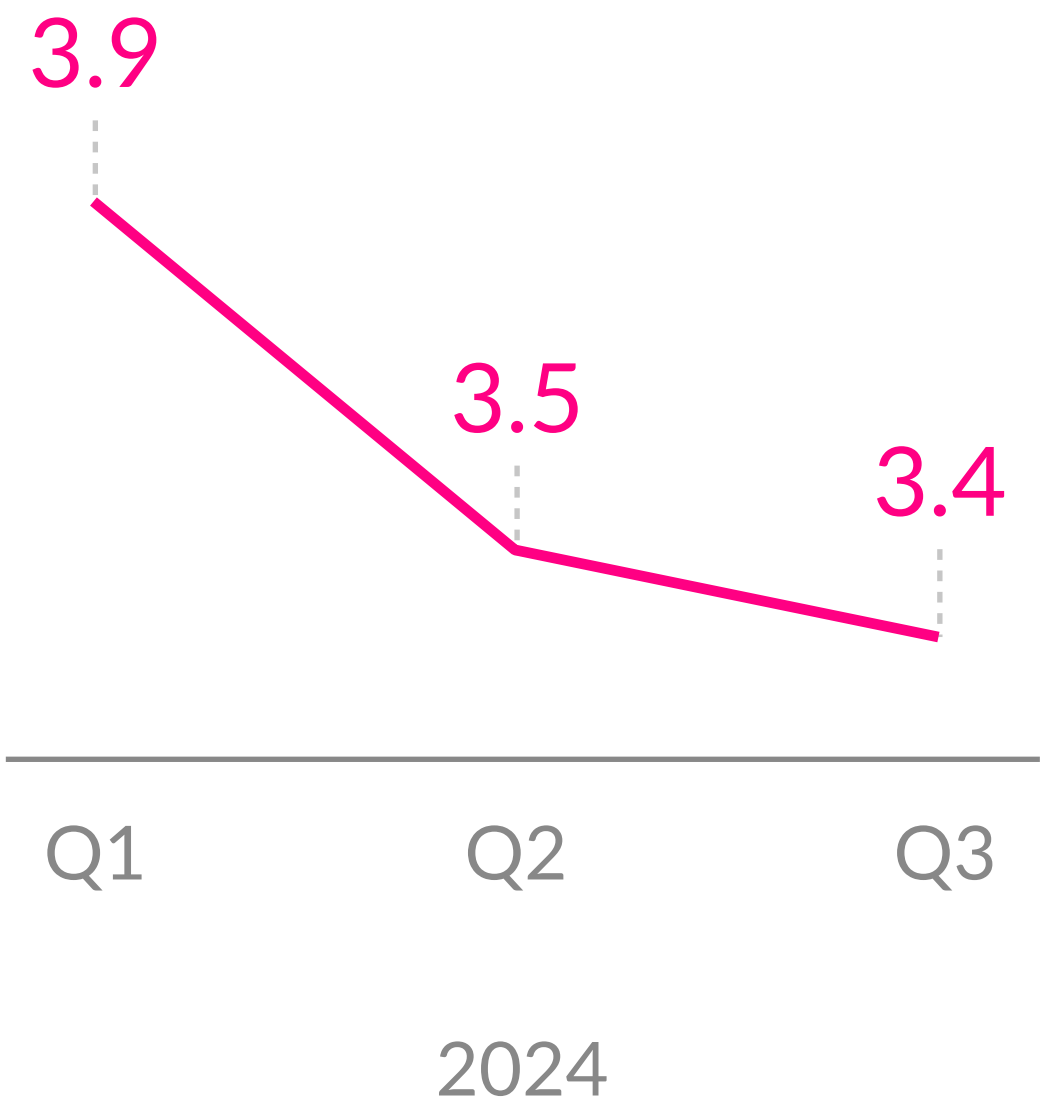
CX TICKET AUTOMATION %



% EMAILS & SMS SOLVED BY AI

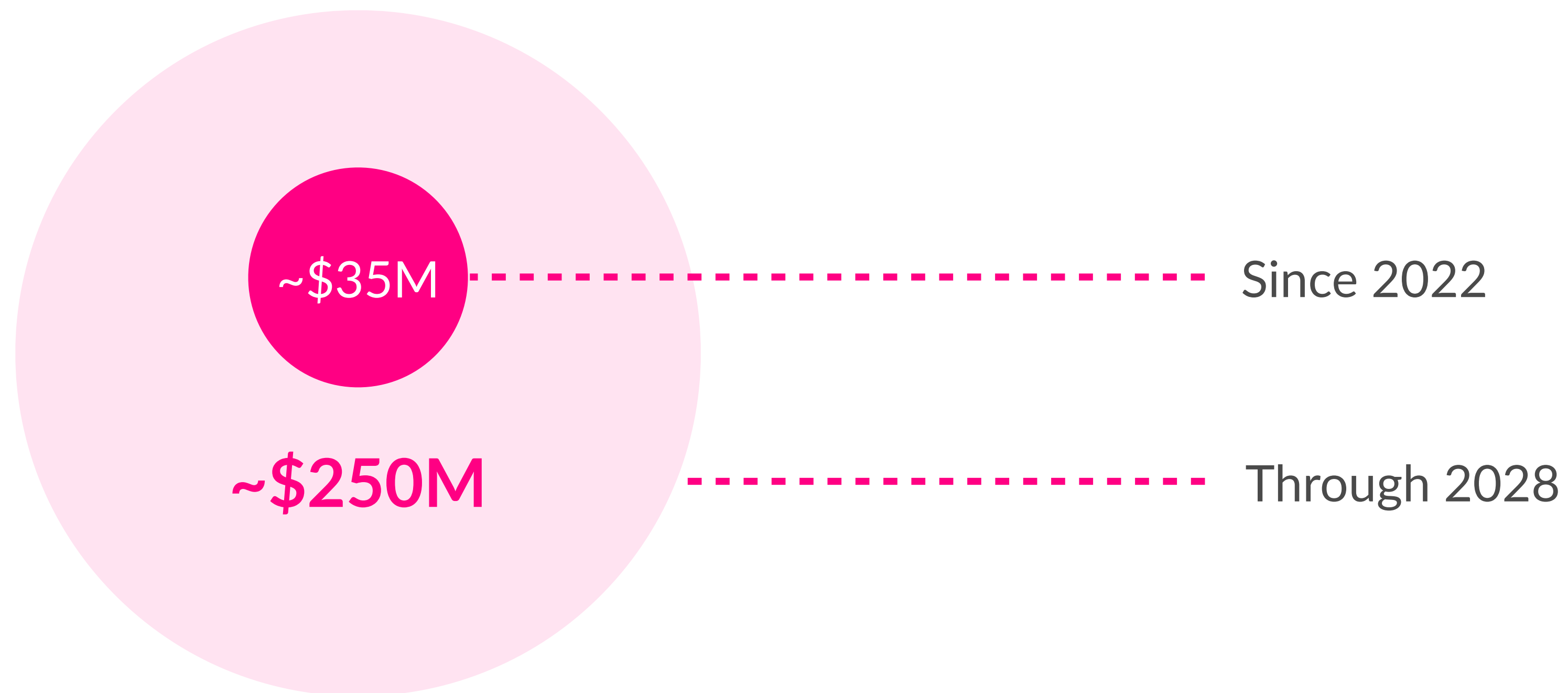


AVG. HANDLE TIME (MIN)

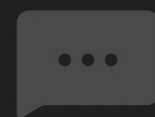


The AI party at Lemonade is just getting started

CUSTOMER SERVICING EXPENSES SAVED



Tech powers Lemonade's accuracy, efficiency & experience



Customer Interactions

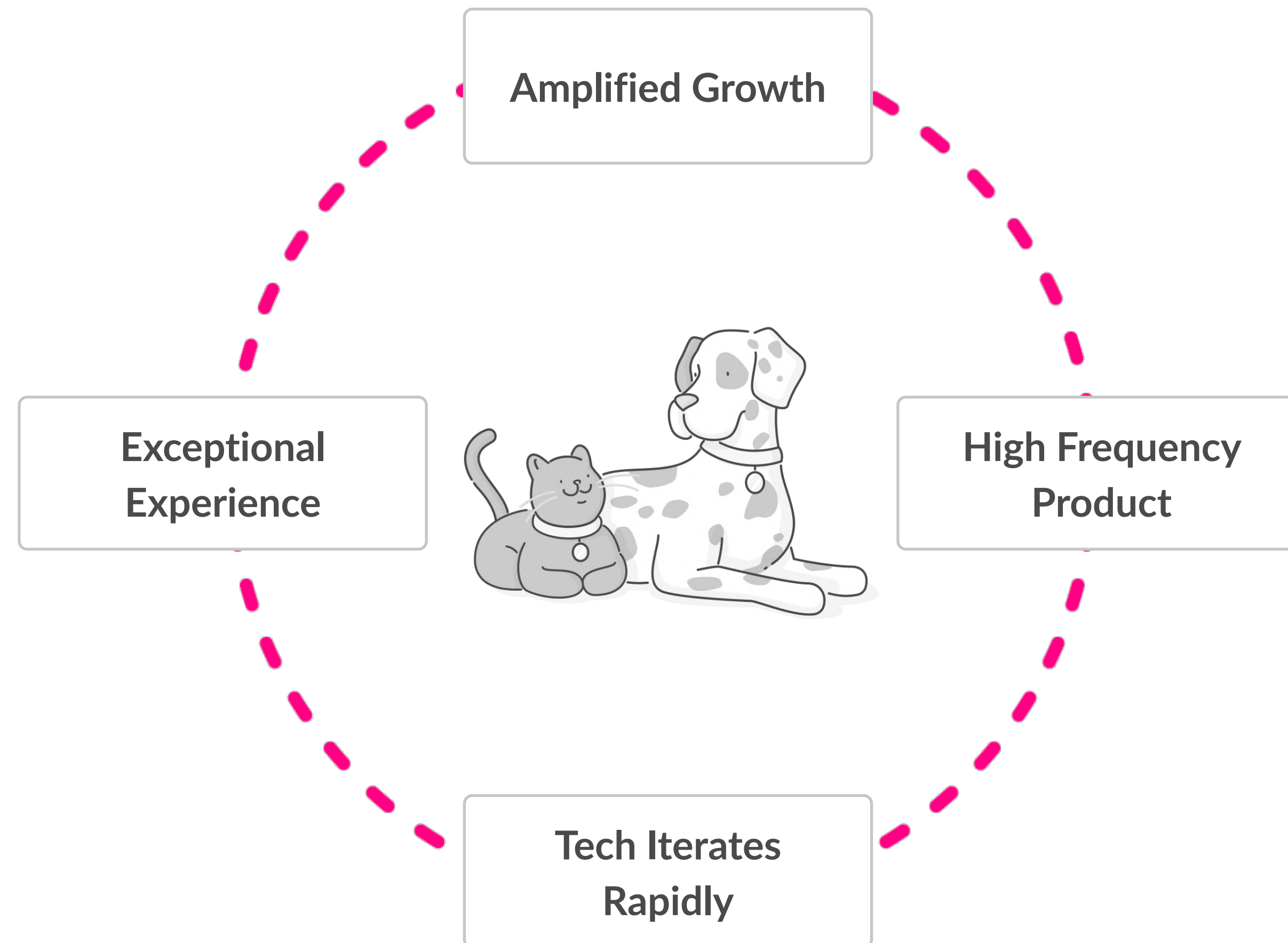


Claims Handling

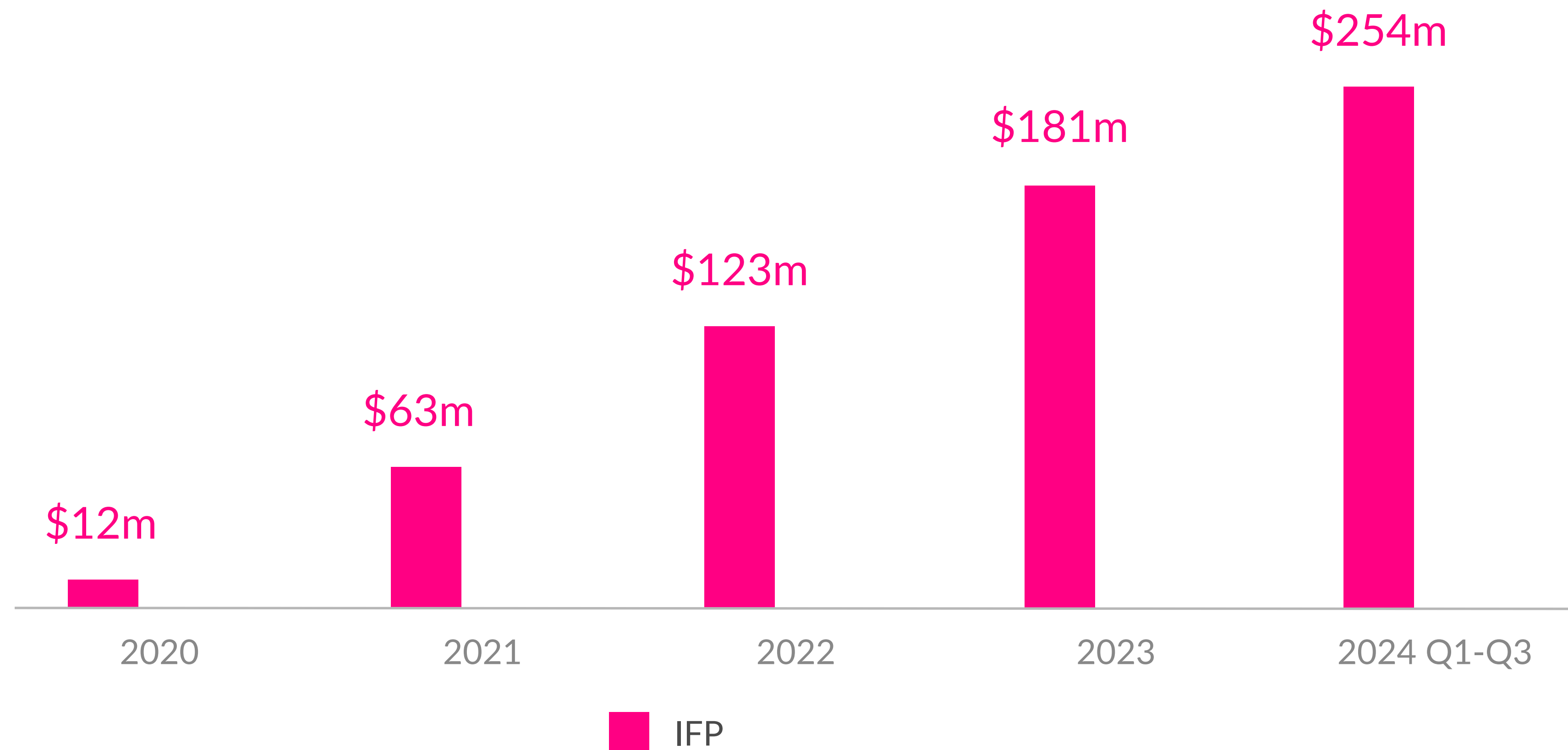


Infrastructure for Scale

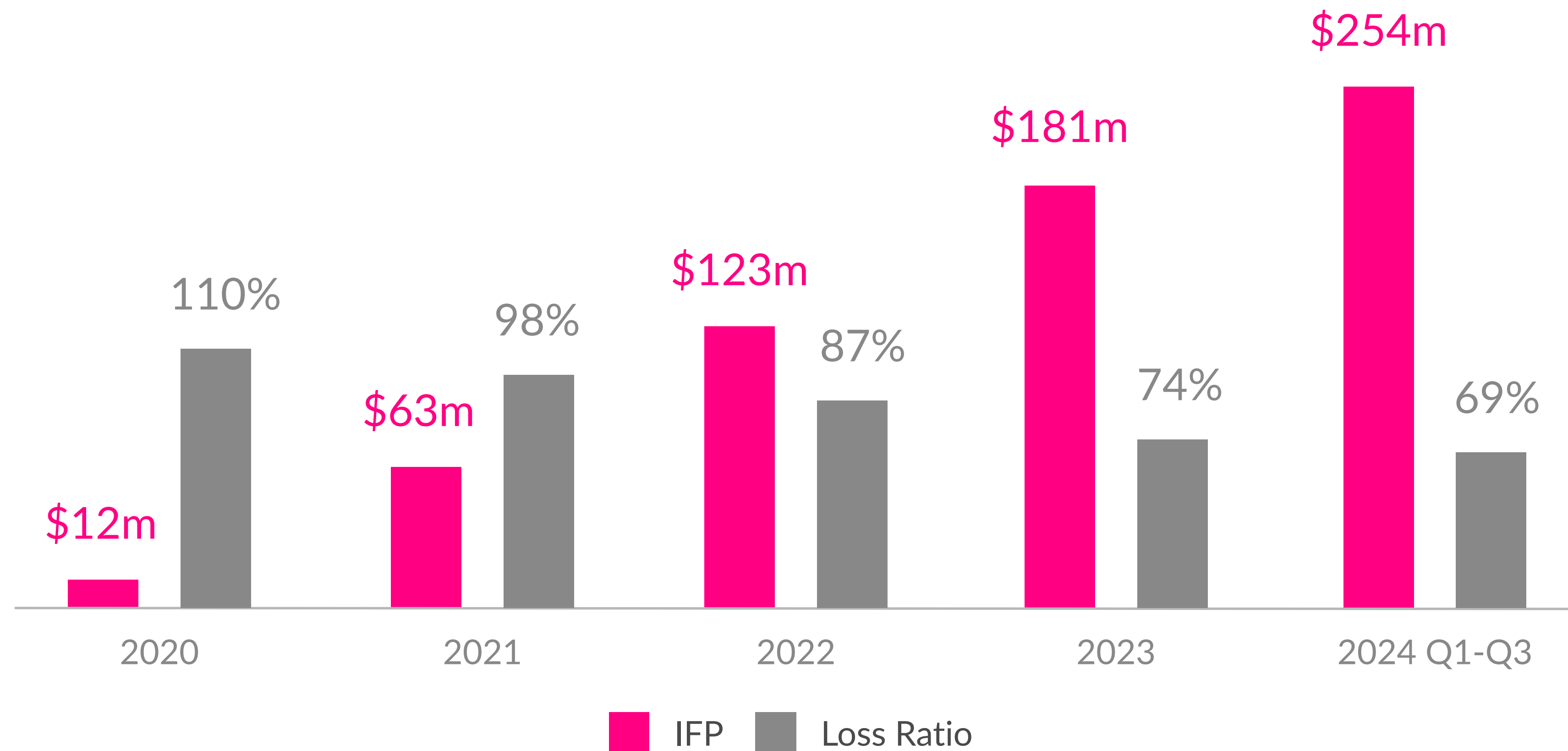
Pet's accelerated pace offers a glimpse into the future



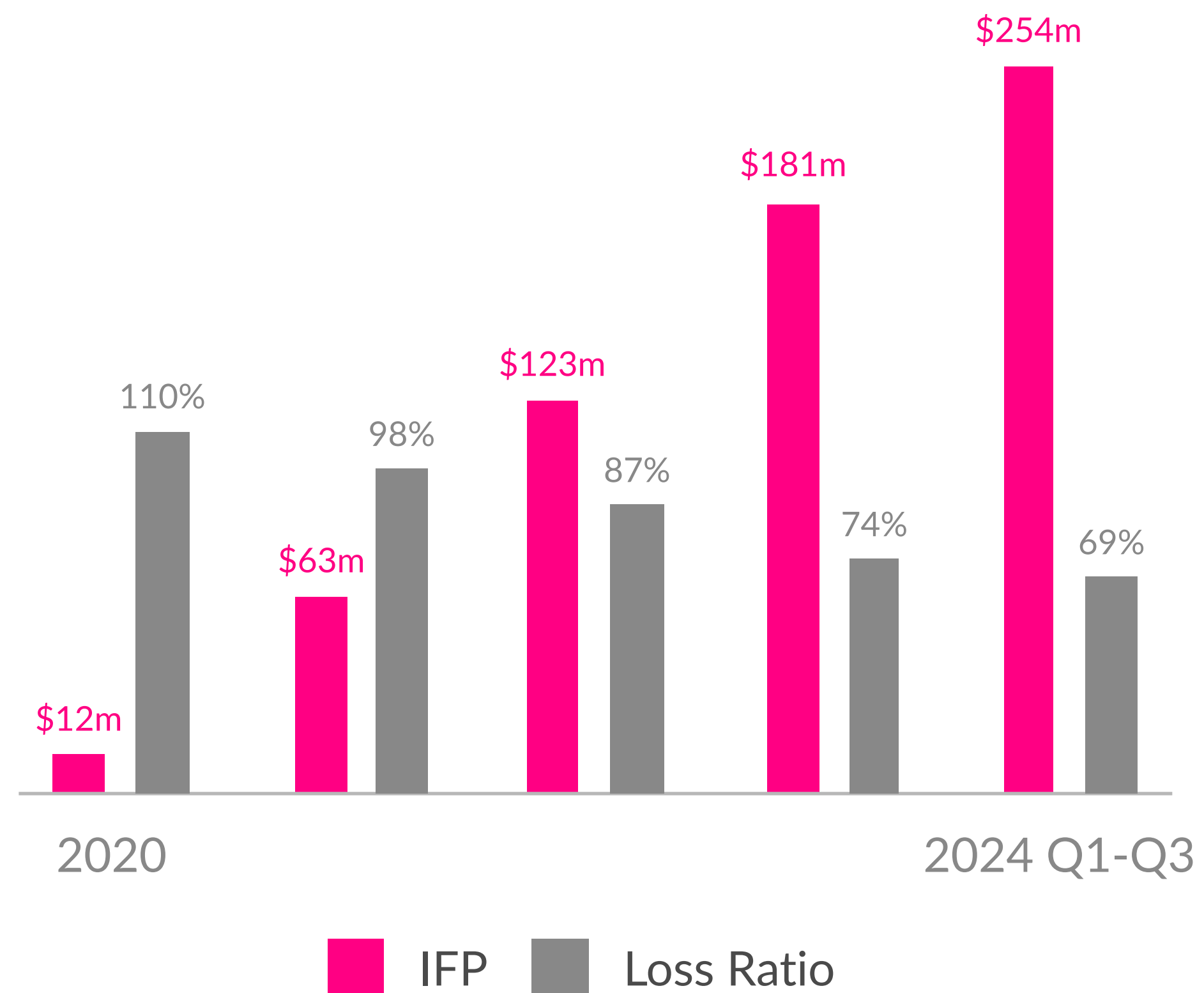
Pet is growing fast because of our in-house tech stack



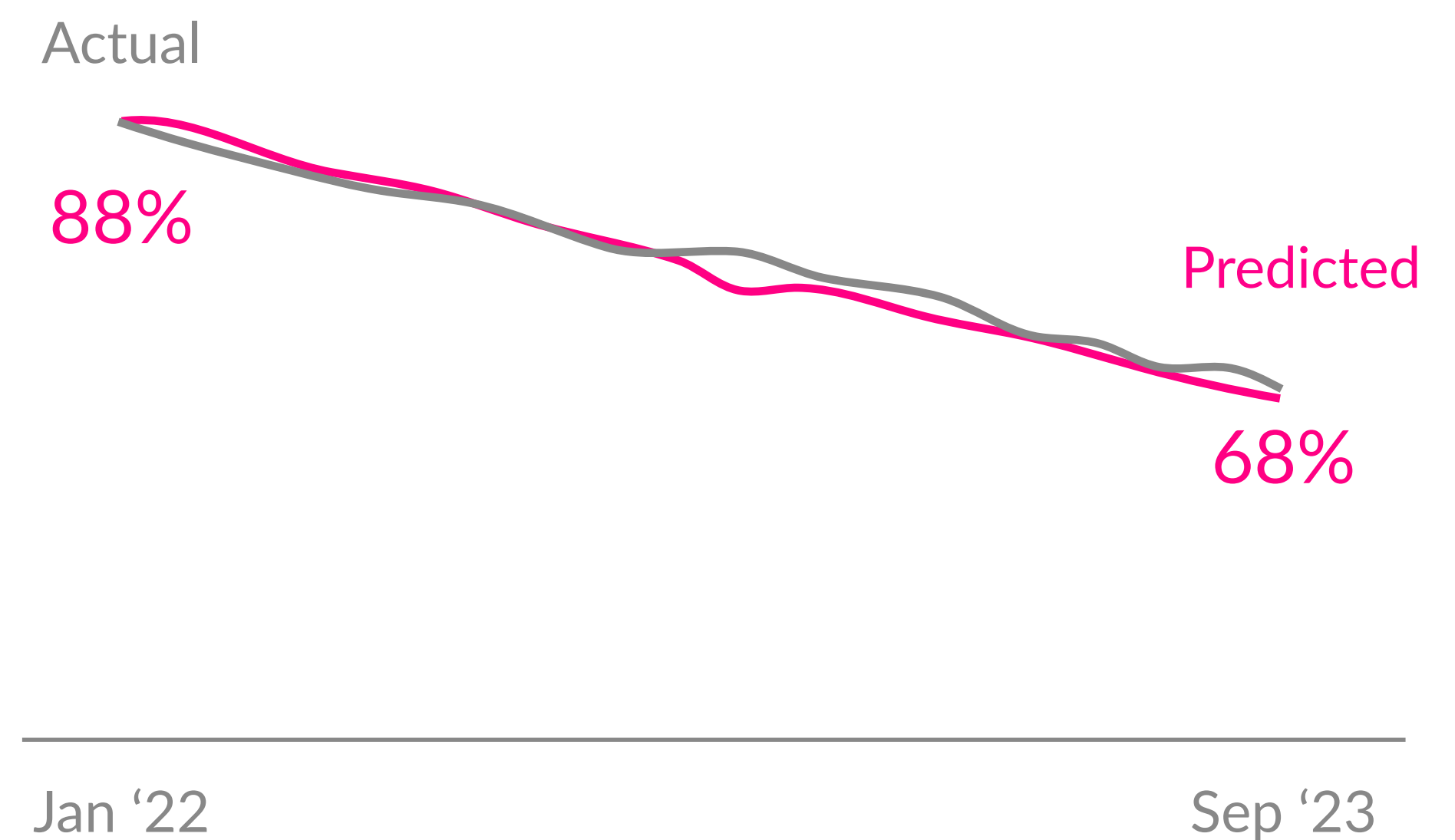
Pet is growing smart because of our world class DS models



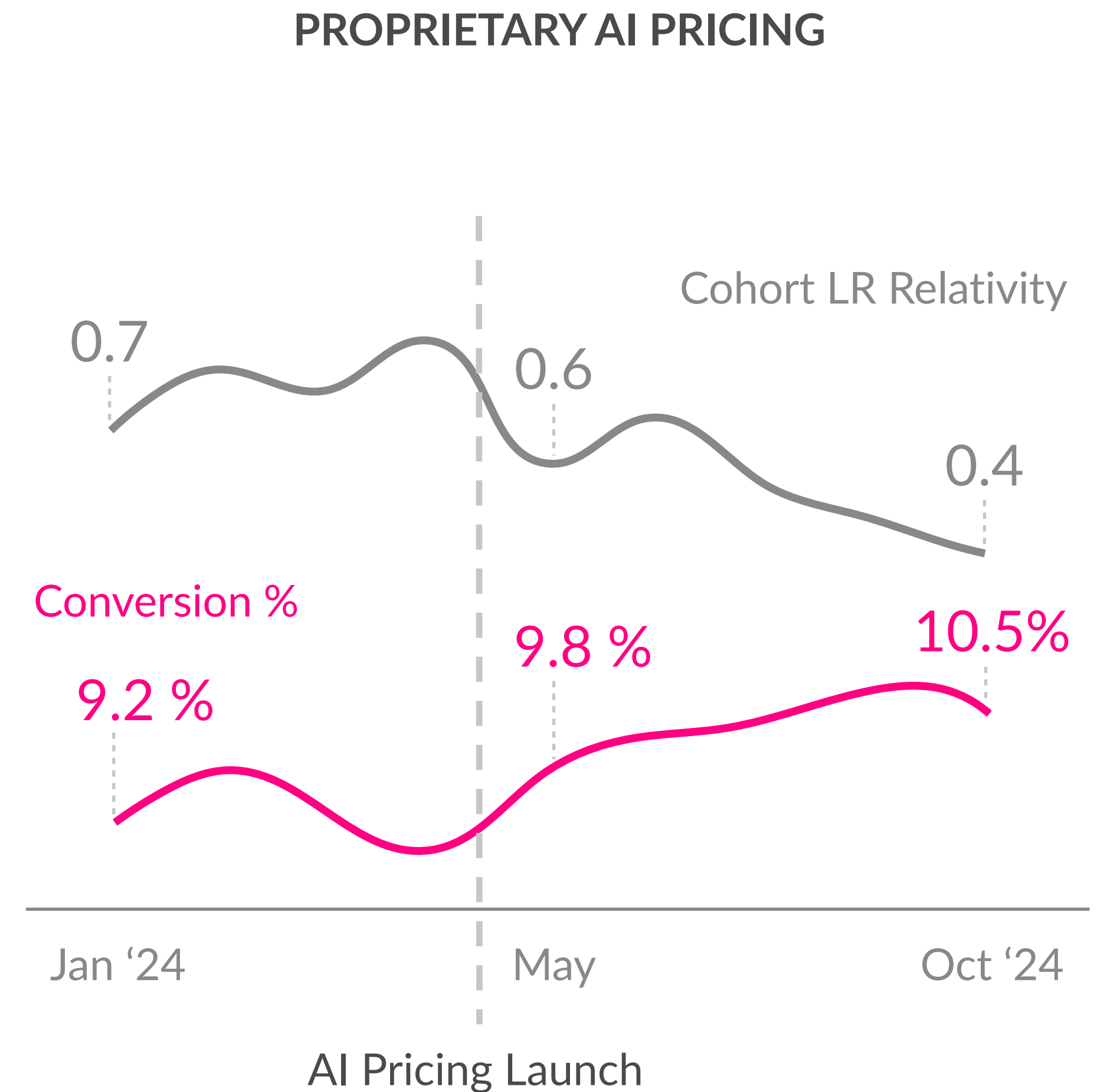
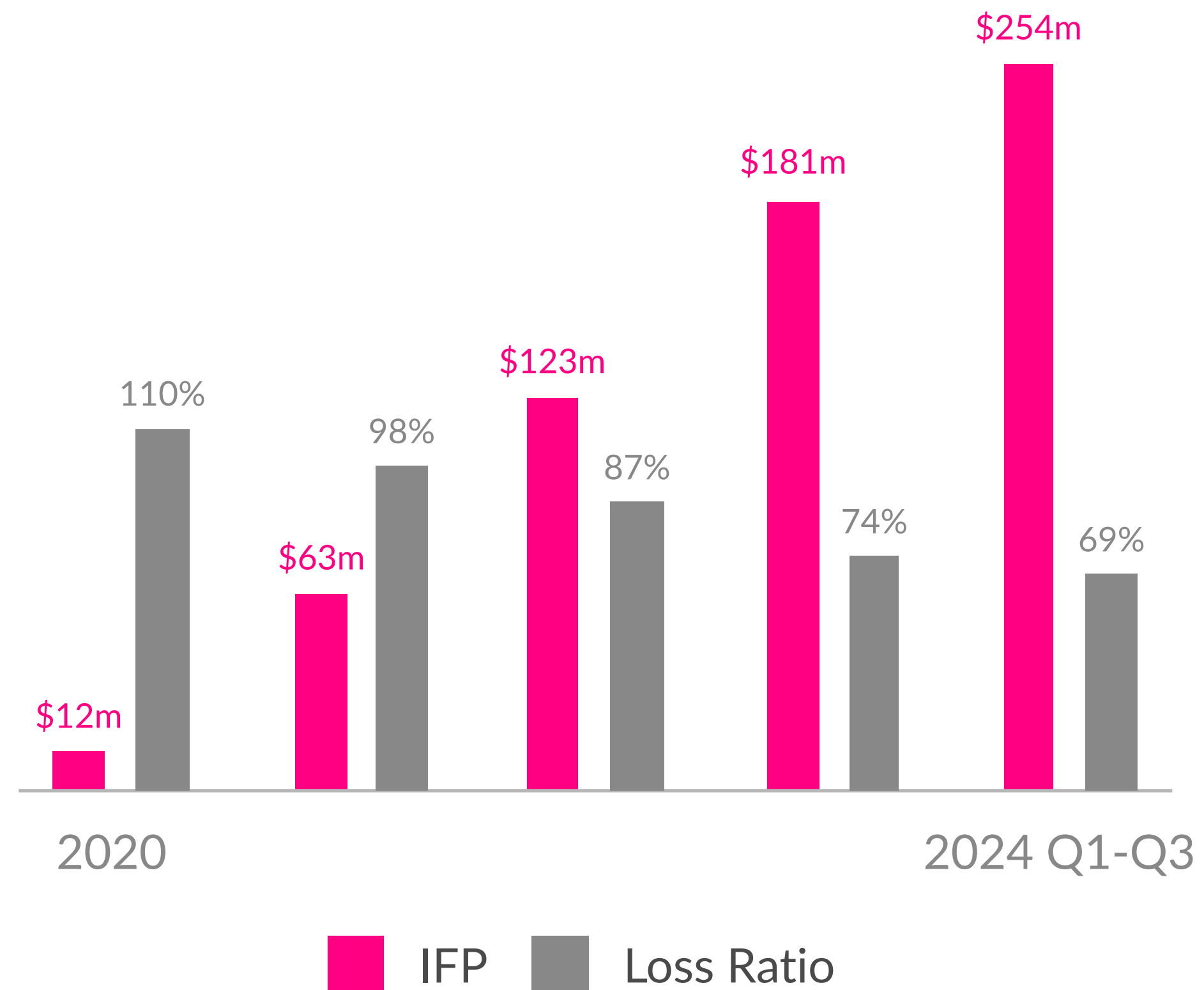
Pet is growing smart because of our world class DS models



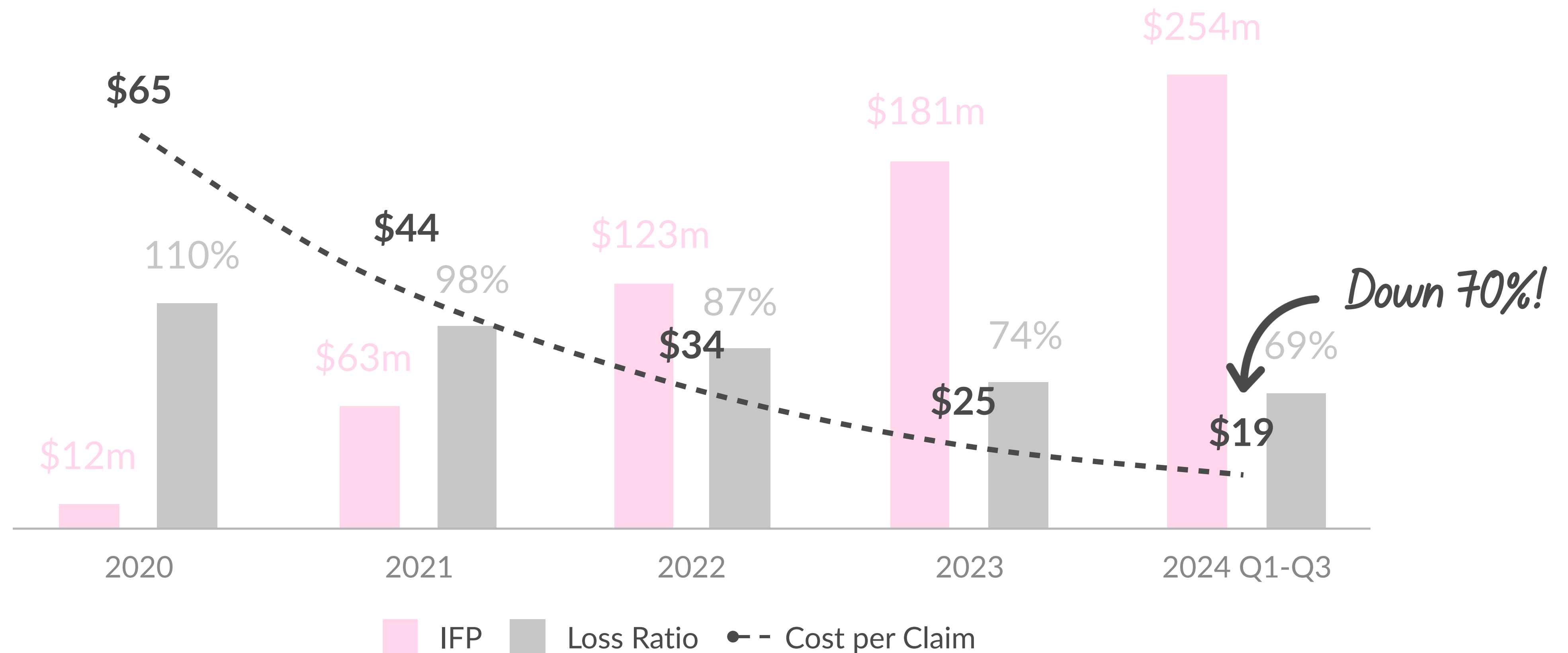
MONTHLY COHORT 1^{YR} LOSS RATIO



Pet is growing smart because of our world class DS models

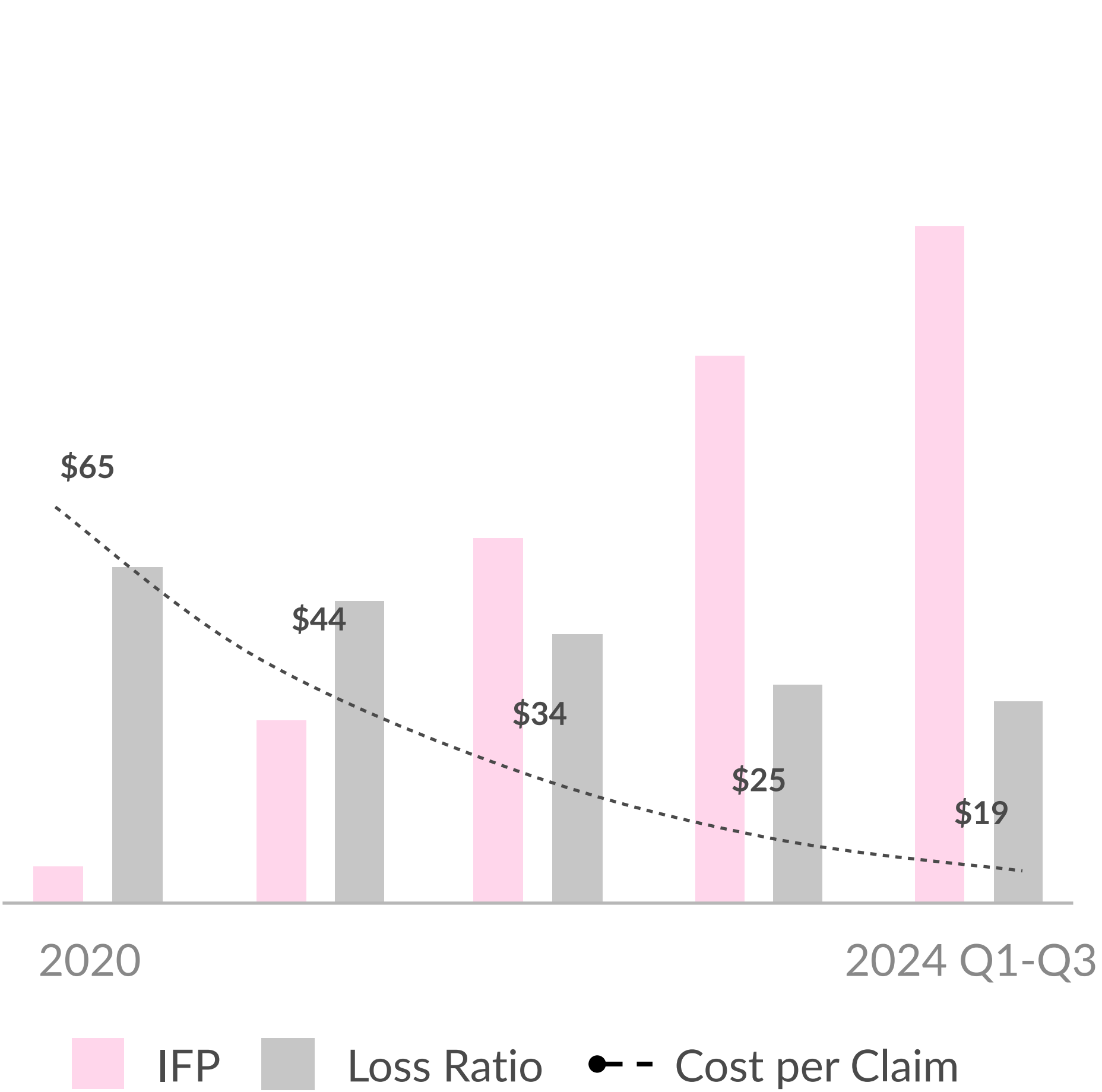


Pet is growing efficiently because of how we use AI



And the Peanuts?

Customer satisfaction at ⅓ of the cost



PET CLAIMS

Customer Satisfaction

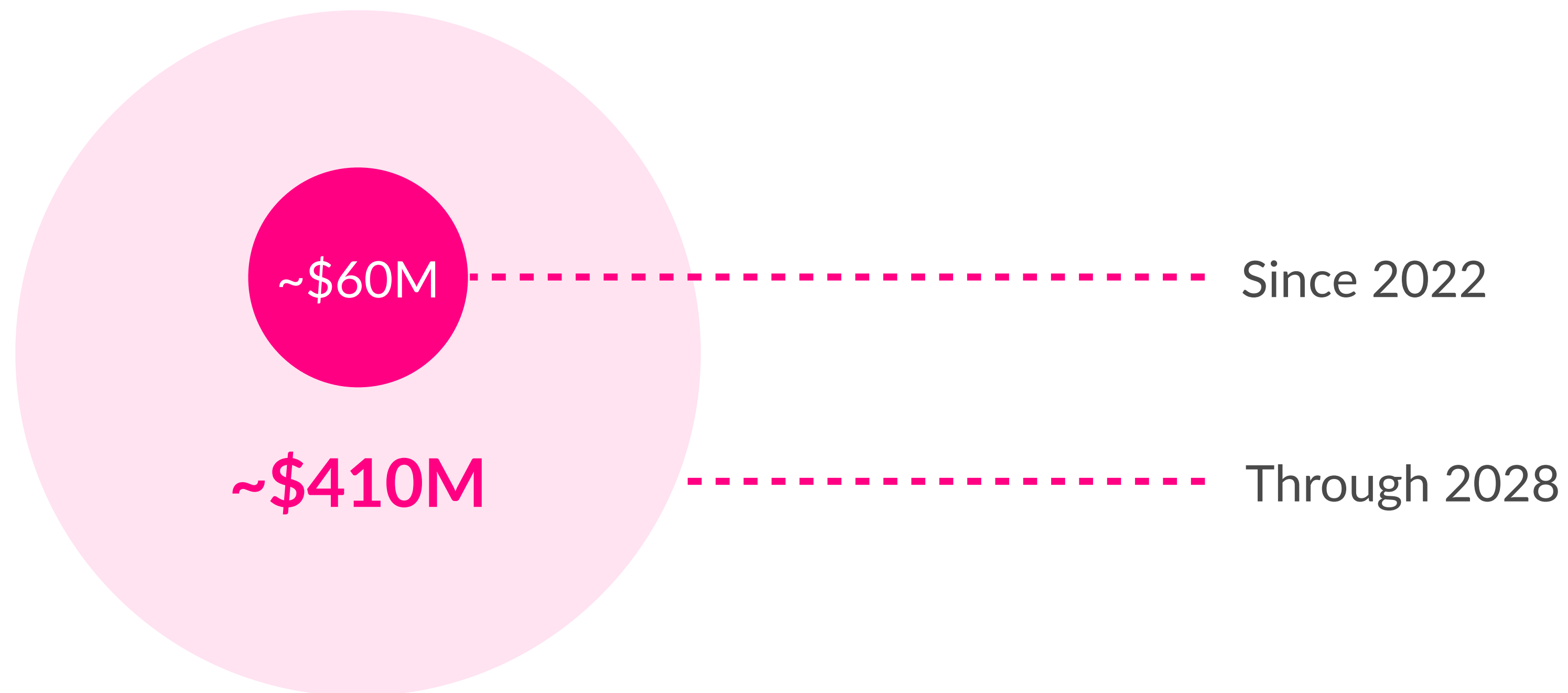


Net Promoter Score

>75

The AI party at Lemonade is just getting started

CLAIM HANDLING EXPENSES (LAE) SAVED



Technology is our DNA



Customer Interactions



Claims Handling



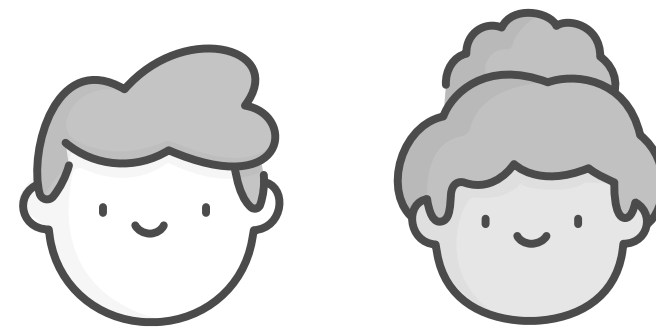
Infrastructure for Scale

Without a DNA match, companies will reject AI

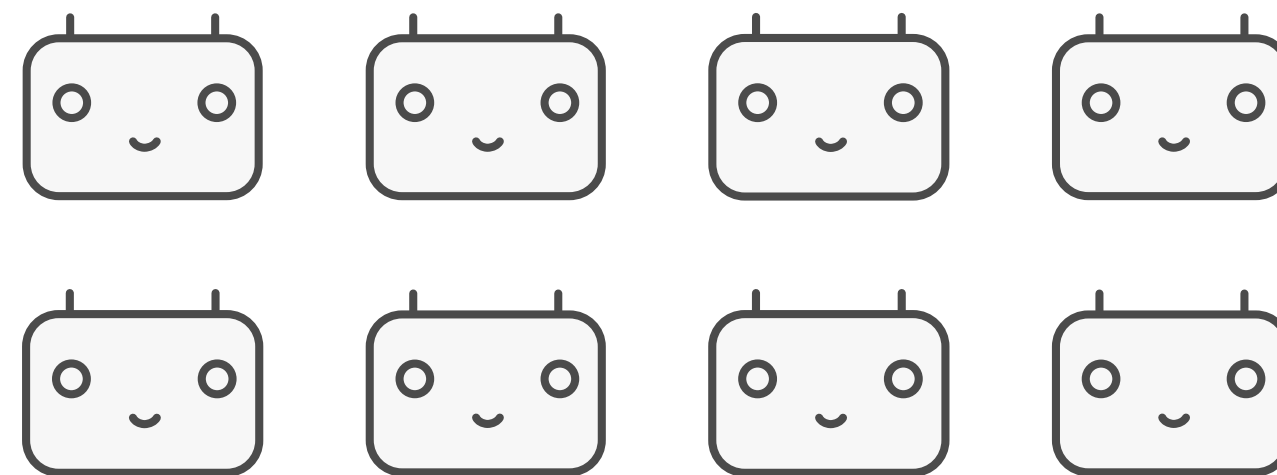
AI is an amplifier for our teams of expert humans



Squad Lead



Squad Members

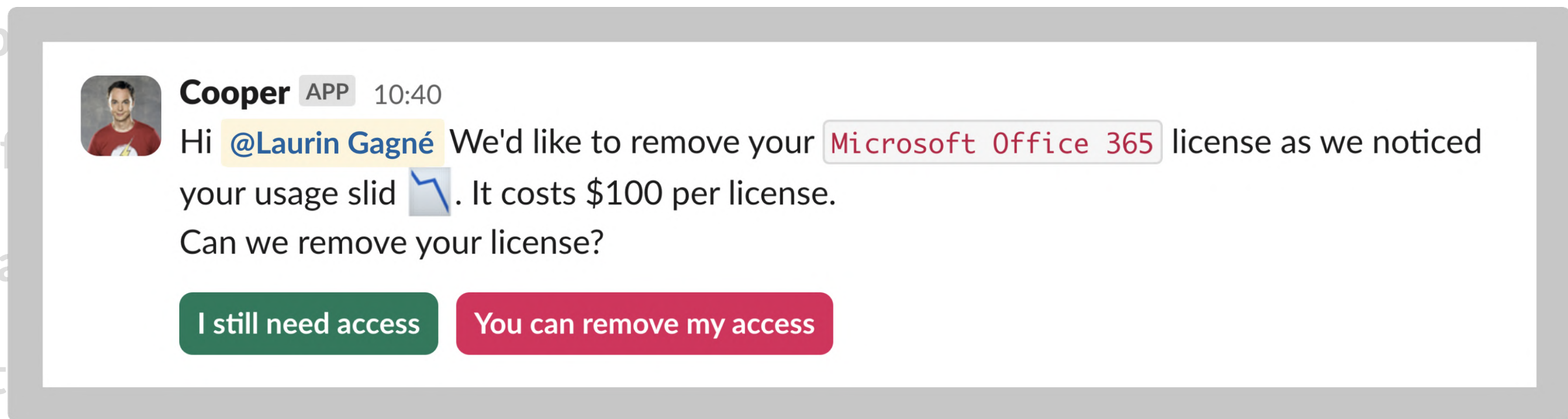


Squad AI Bots

s are received automatically through AI Jim 95% of software updates are deployed automatically through
software builds into production, saving 17k developer hours 85% of purchase orders are processed a
of time saved by research with our internal AI tool AI Maya handles 97% of policy sales automatically
month-end closing processes through automation 95% of employee feedback collected through automa
dels govern 90% of marketing spend 96% of Car customers use telematics, capturing over a trillion dis
expense approvals are handled by automated workflows AI identifies prioritizes and expedites reviews,
science AI identifies prioritizes and expedites reviews, reducing time to review by 30% Cooper pus
spend 80% of financial reports are generated automatically using AI and automation tools LTV da
l automatically through our procurement software 20% of time saved by the AB testing tool in analyt
y using AI Automated 95% of tool requests, resulting in over \$1 million in savings last year LTV data s

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Automated 95% of tool requests, resulting in over \$1 million in savings last year



Cooper APP 19:19

Hey @Bridget Teeter, the renewal of your contract with Slack, Inc is ending on January 31, 2025. Do you want to renew this contract?

Contract Name:

Slack, Inc

Owner:

@Bridget Teeter

Cost Center:

IT

Renewal Date:

January 31, 2025

Auto Renew?:

No

Cost:

\$250,000

Begin Renewal Process?

Yes

No

Maybe, let's discuss

Achieved 100% automation for purchase renewal requests, savings >\$3m last year



Cooper APP 9:30 AM

💫 Hey @Anthony Irwin, you have 7 invoices to review and approve in Workday. Please take a look when you have a moment. The thread below has all the invoice details. If you need assistance, feel free to reach out. Thank you! 😊

[Go to !\[\]\(99f58673407353e96a019fbca558fd72_img.jpg\) inbox](#)

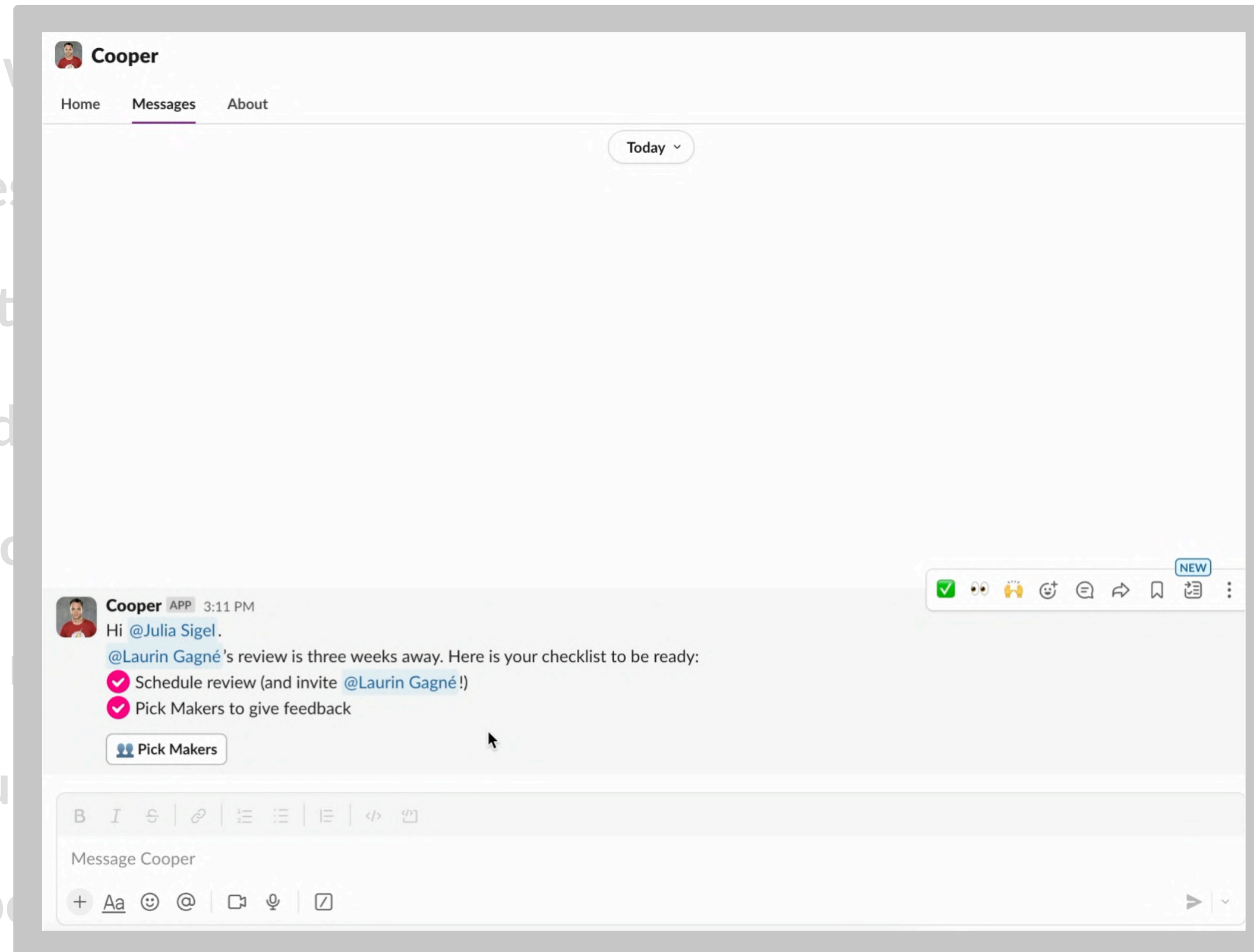
2 replies

\$30,450 due to
2024-05-15 (Due in -160 Days) (SIIN-040167)

Reduced the invoice approval time to just 1 day

At Lemonade everyone uses AI

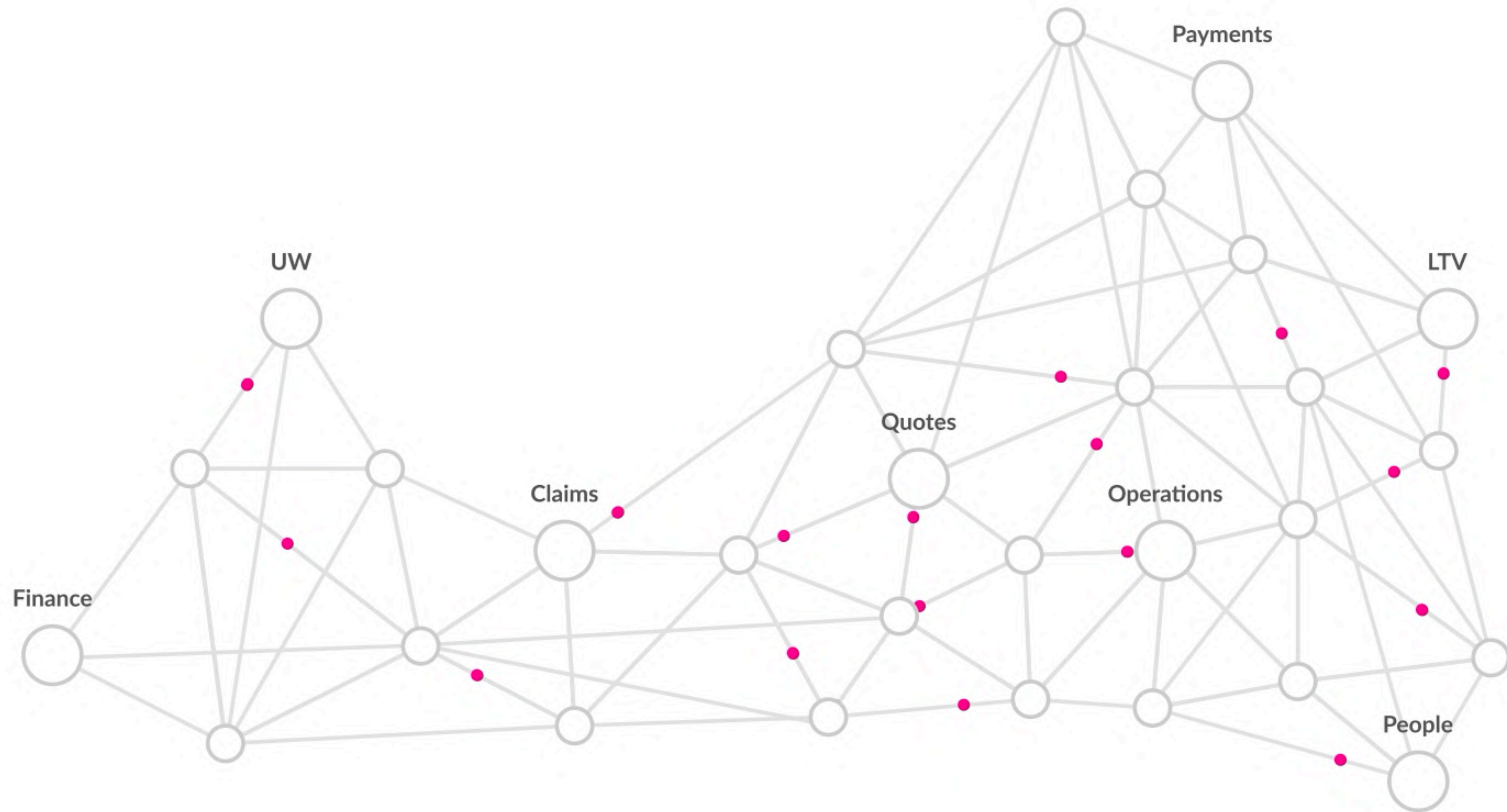
Gen AI Performance Reviews



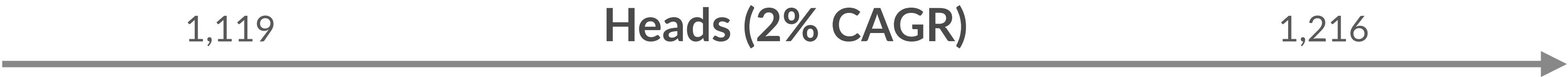
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spend 80% of financial reports are generated automatically using AI and automation tools LTV da
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using AI 40% of IT support tickets are done by AI, with a 4.8/5 employee satisfaction score LTV data

Our integrated tech stack makes **infinite scaling** possible

Our integrated tech stack makes **infinite scaling** possible



As for the Champagne?



How has headcount remained flat?



Customer Interactions

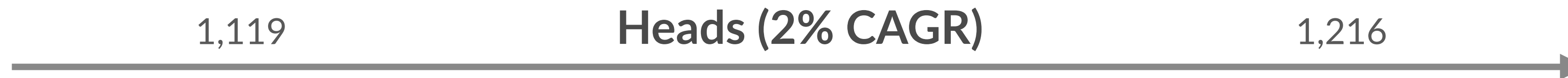


Claims Handling



Infrastructure for Scale

As for the Champagne?



Through Technology!



>50% automated

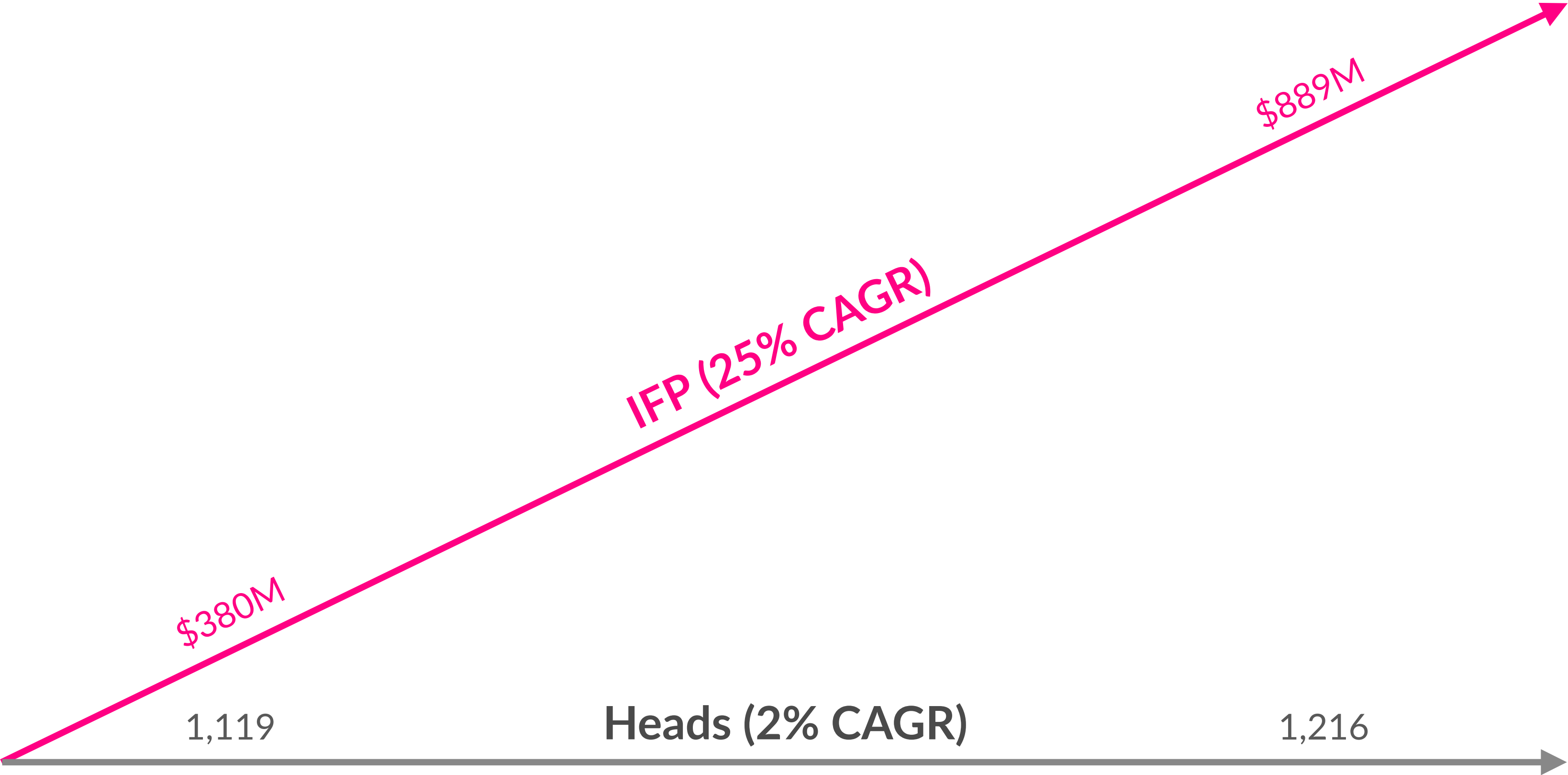


>55% automated

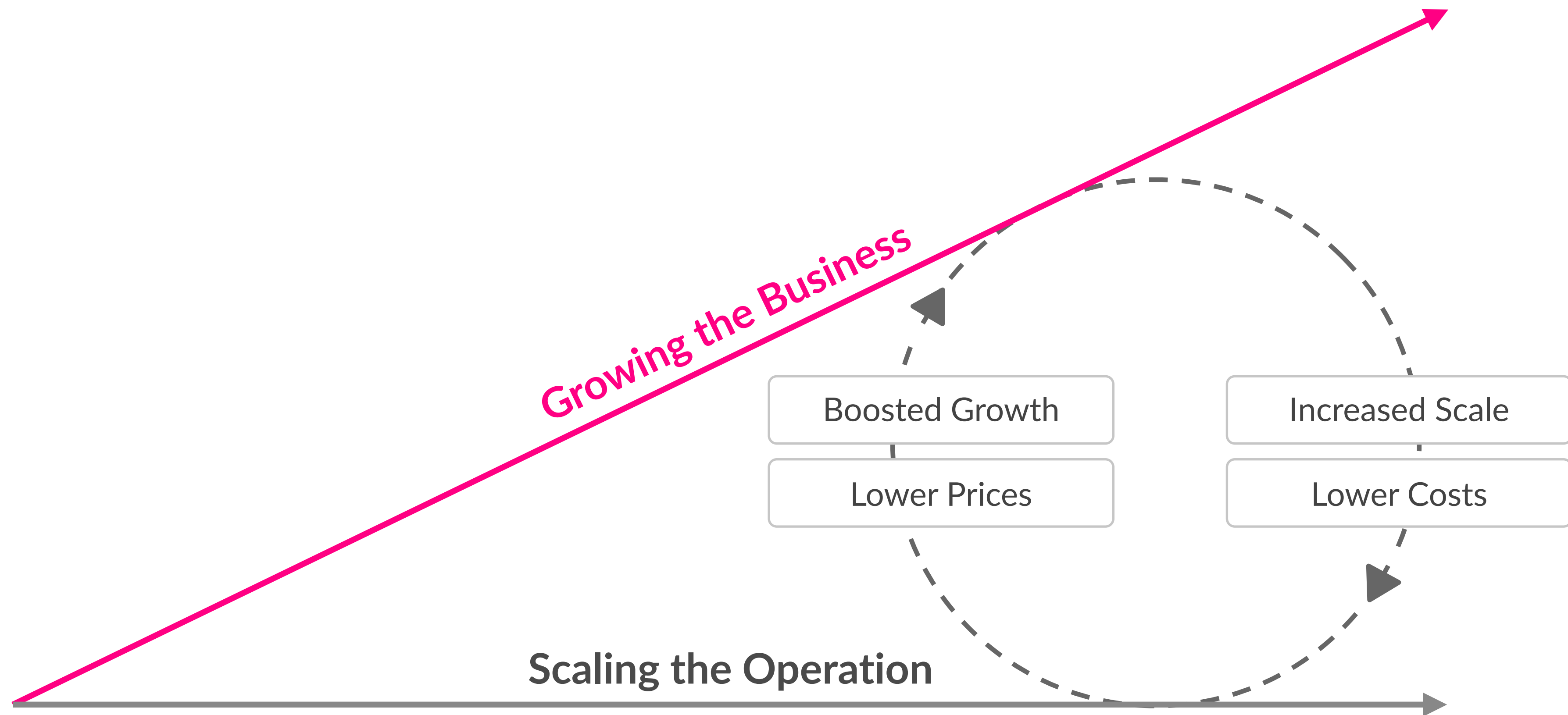


AI is everywhere

As for the Champagne?



Growth **Boosts** Scale **Boosts** Growth



~~The end~~ The Beginning

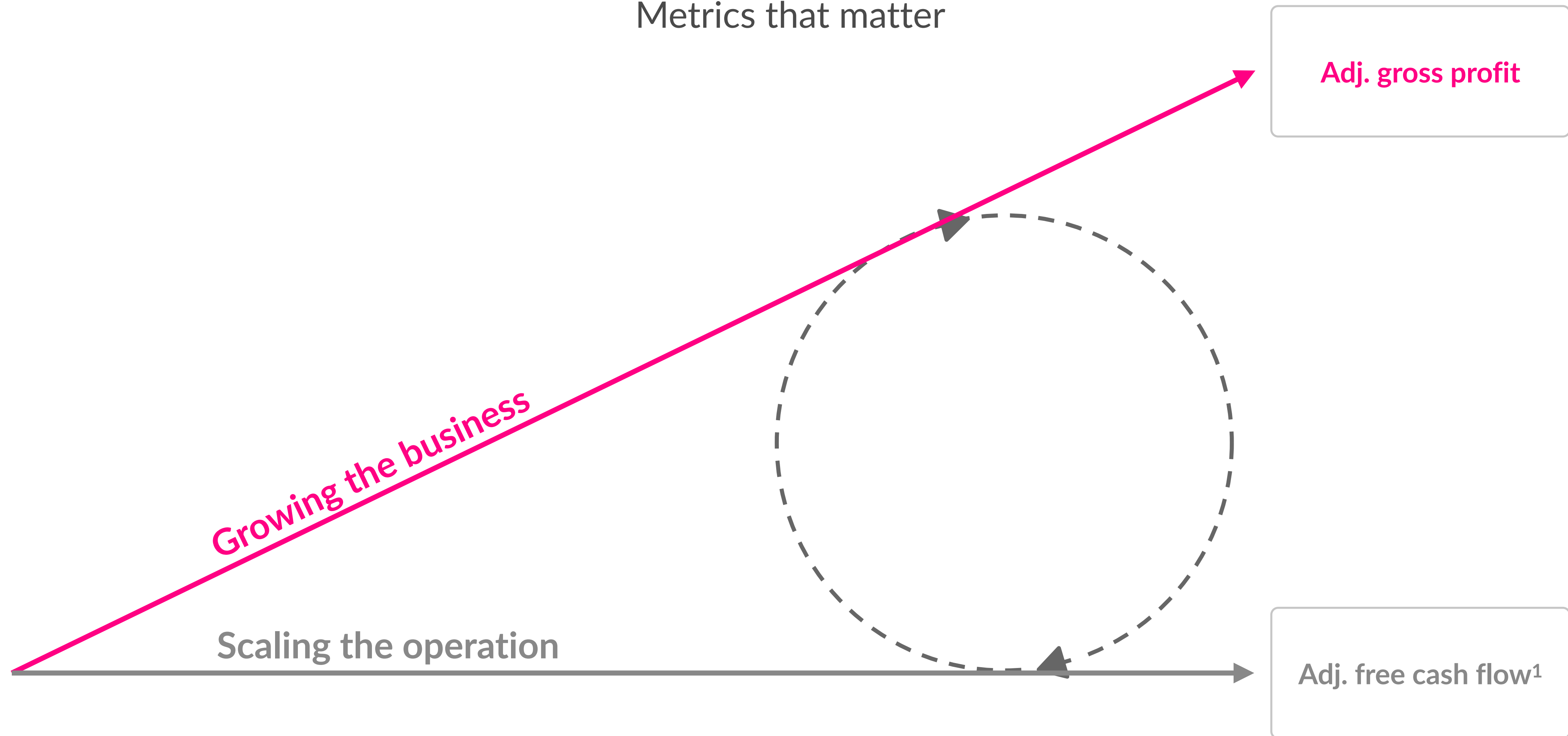
Lemonade

Our model and metrics

Nick Stead
SVP Finance

Overview of our model

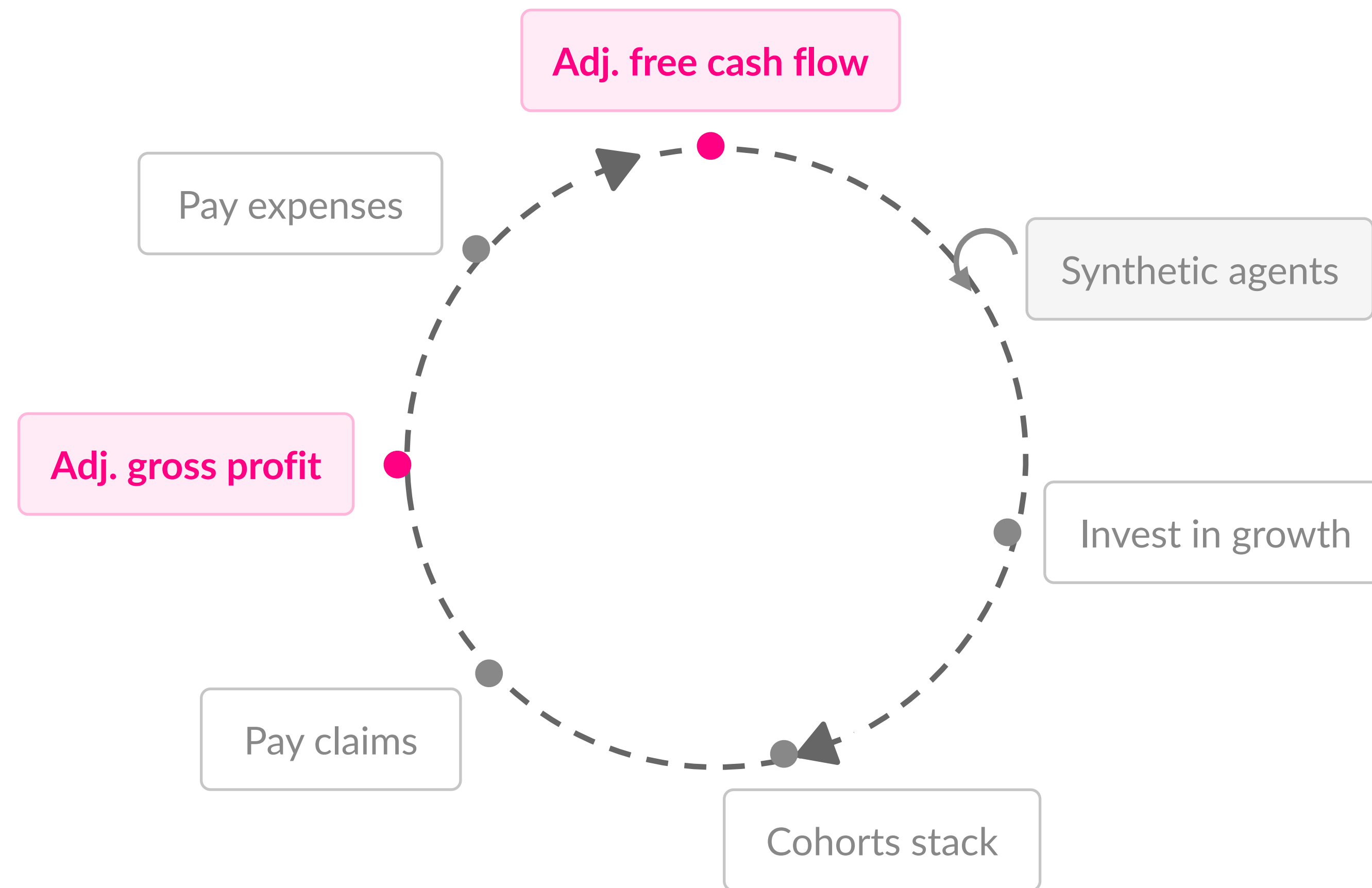
Metrics that matter



(1) Lemonade defines adjusted free cash flow (adj. FCF) as cash flow from operating activities, less capital expenditures, plus net borrowings under financing agreement.

Overview of our model

Sustainable, profitable growth fueled by reinvestment



Invest in growth

Cohorts stack

Pay claims

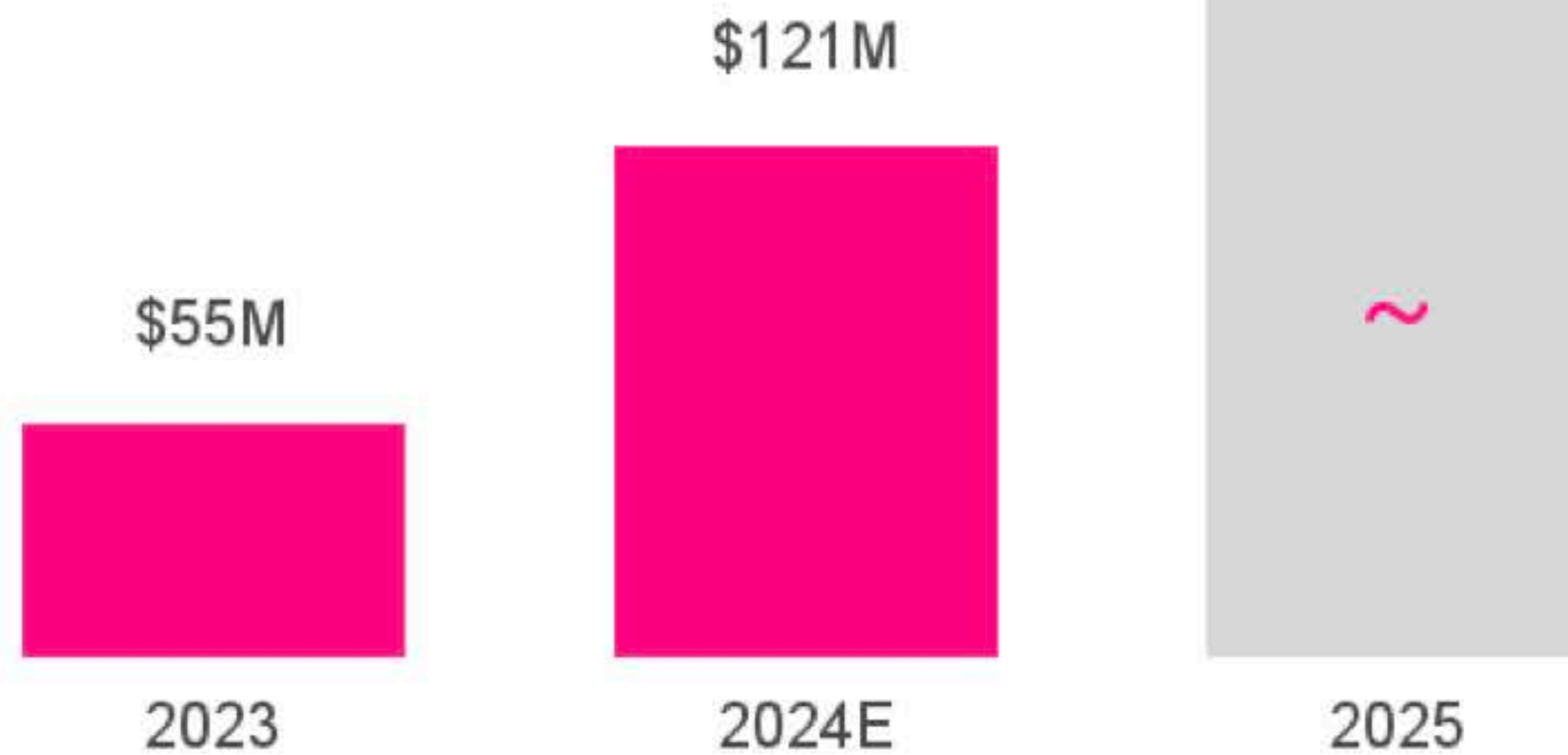
Adj. gross profit

Pay expenses

Adj. free cash flow

Accelerating growth investment pace

GROWTH SPEND

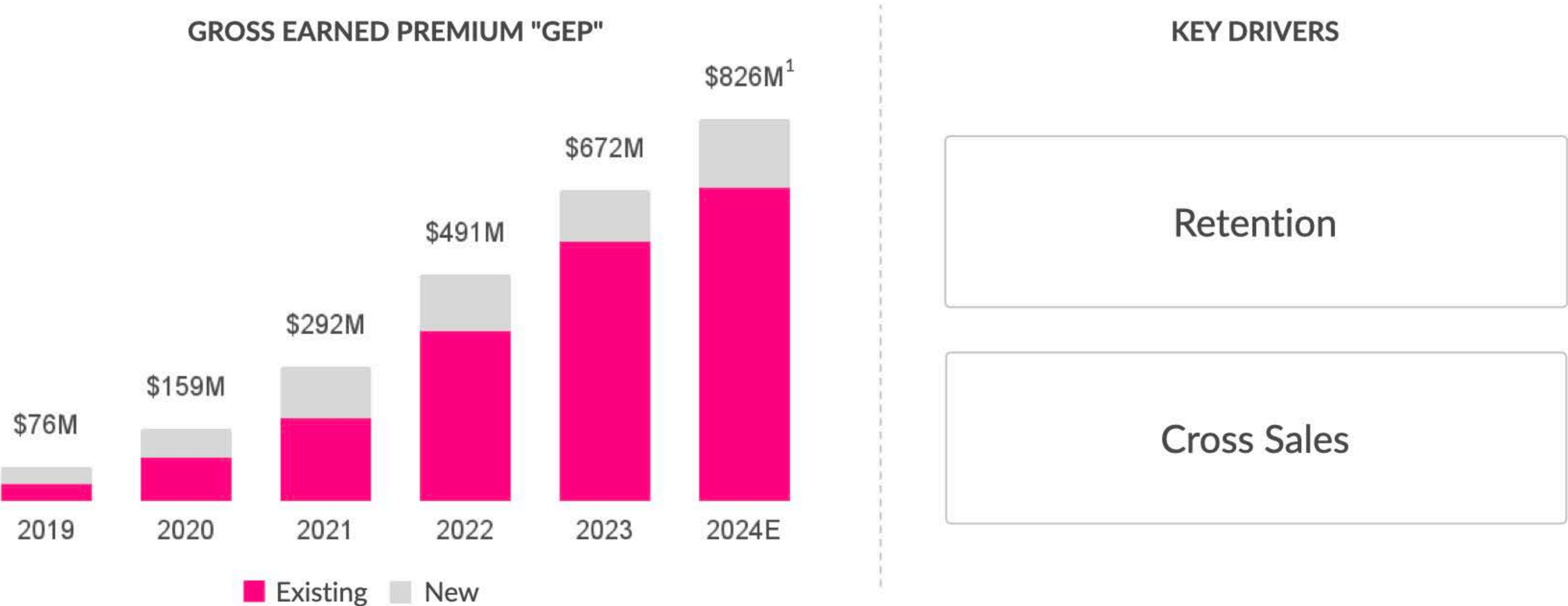


KEY DRIVERS

3x LTV / CAC

Attractive unit economics across products and geos

As cohorts stack, book of business scales



(1) Represents high end of FY 2024 guidance range of \$823-826m.

Invest in growth

Cohorts stack

Pay claims

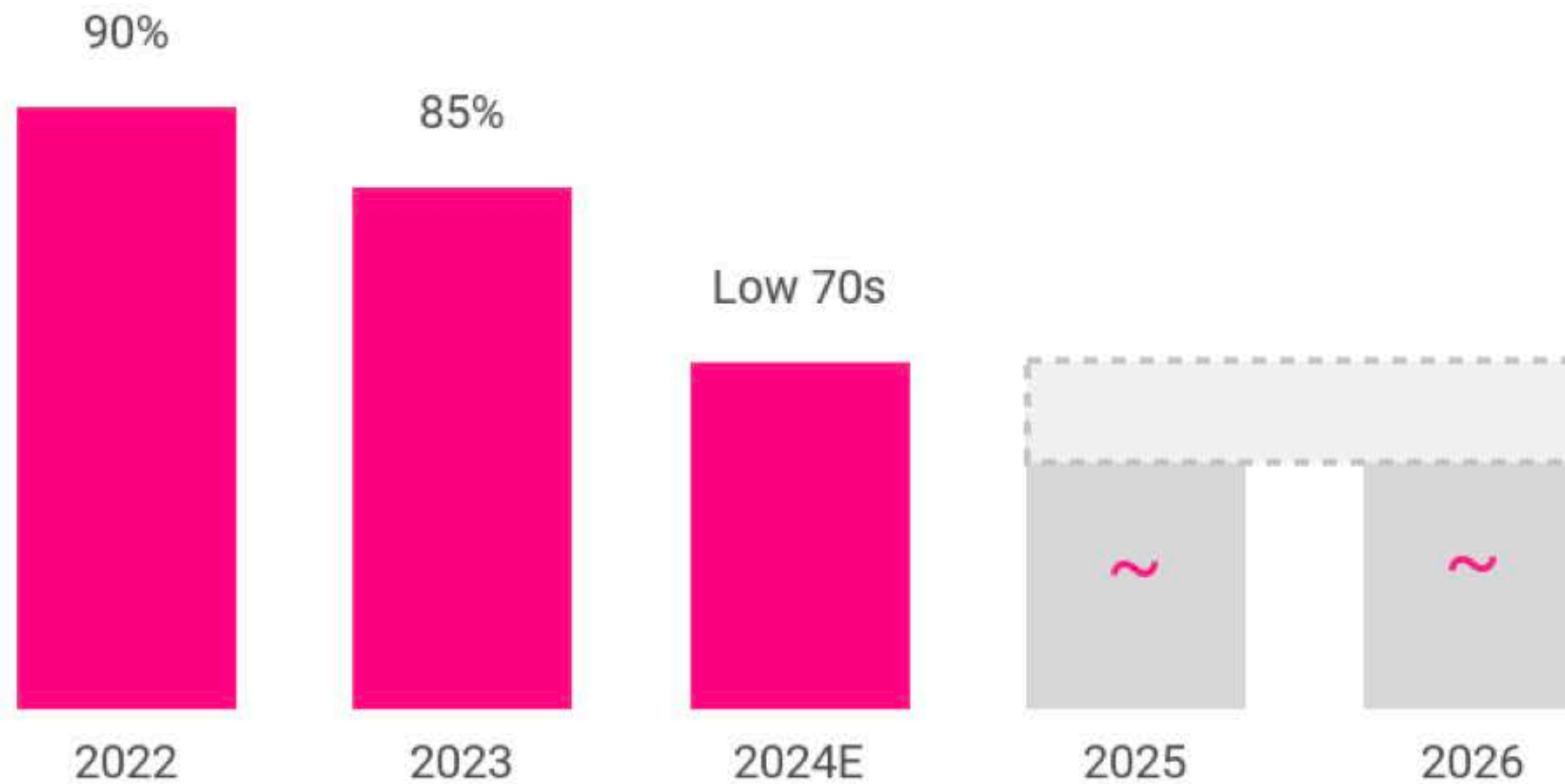
Adj. gross profit

Pay expenses

Adj. free cash flow

Target loss ratio has been realized

GROSS LOSS RATIO



KEY DRIVERS

Rate filing approvals caught up to inflation

Technology enables LAE reduction

Precision in underwriting

Invest in growth

Cohorts stack

Pay claims

Adj. gross profit

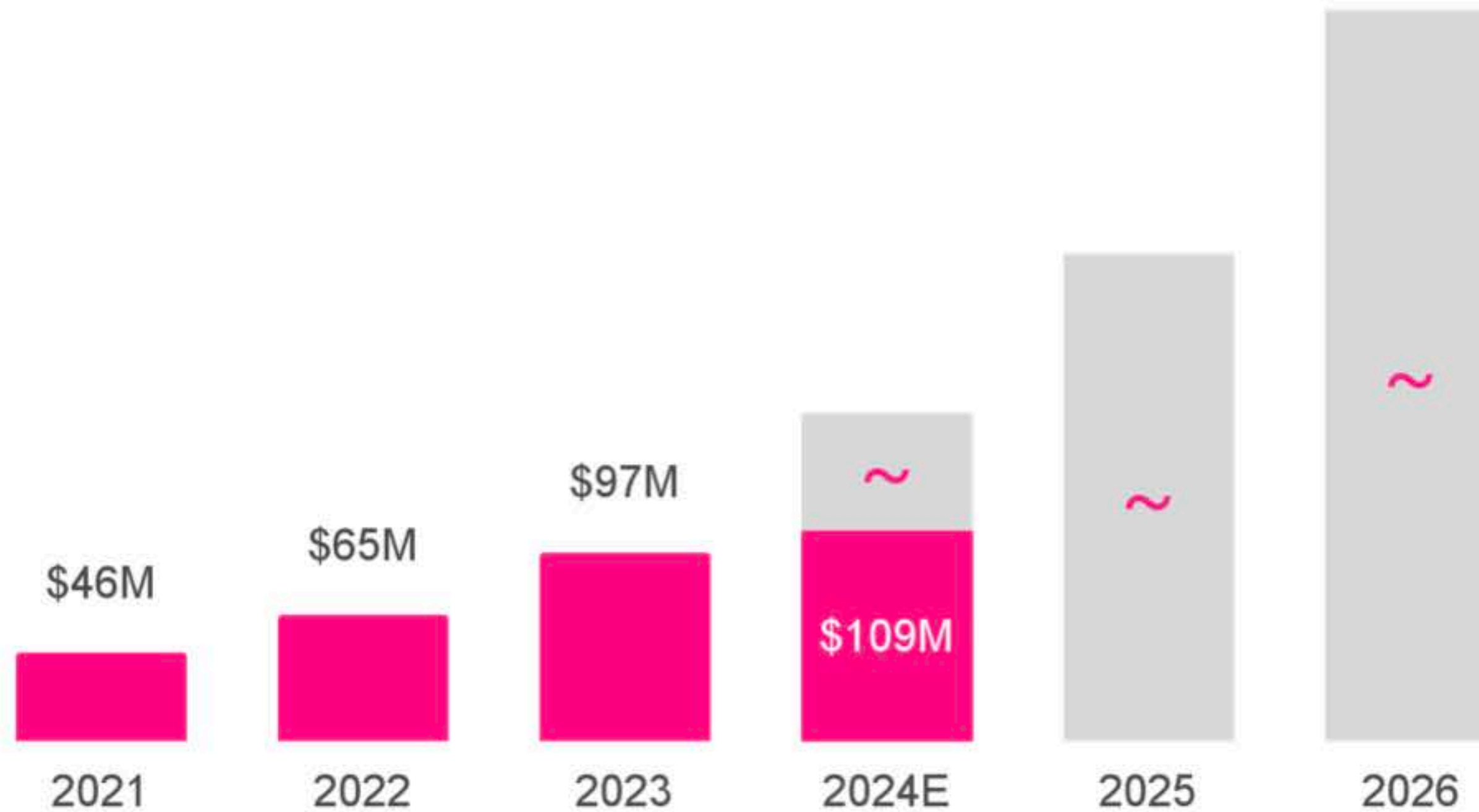
Pay expenses

Adj. free cash flow

Adj. gross profit outpacing premium

ADJ. GROSS PROFIT

KEY DRIVERS



Improving gross loss ratio

Renewal book grows & drives scale

Invest in growth

Cohorts stack

Pay claims

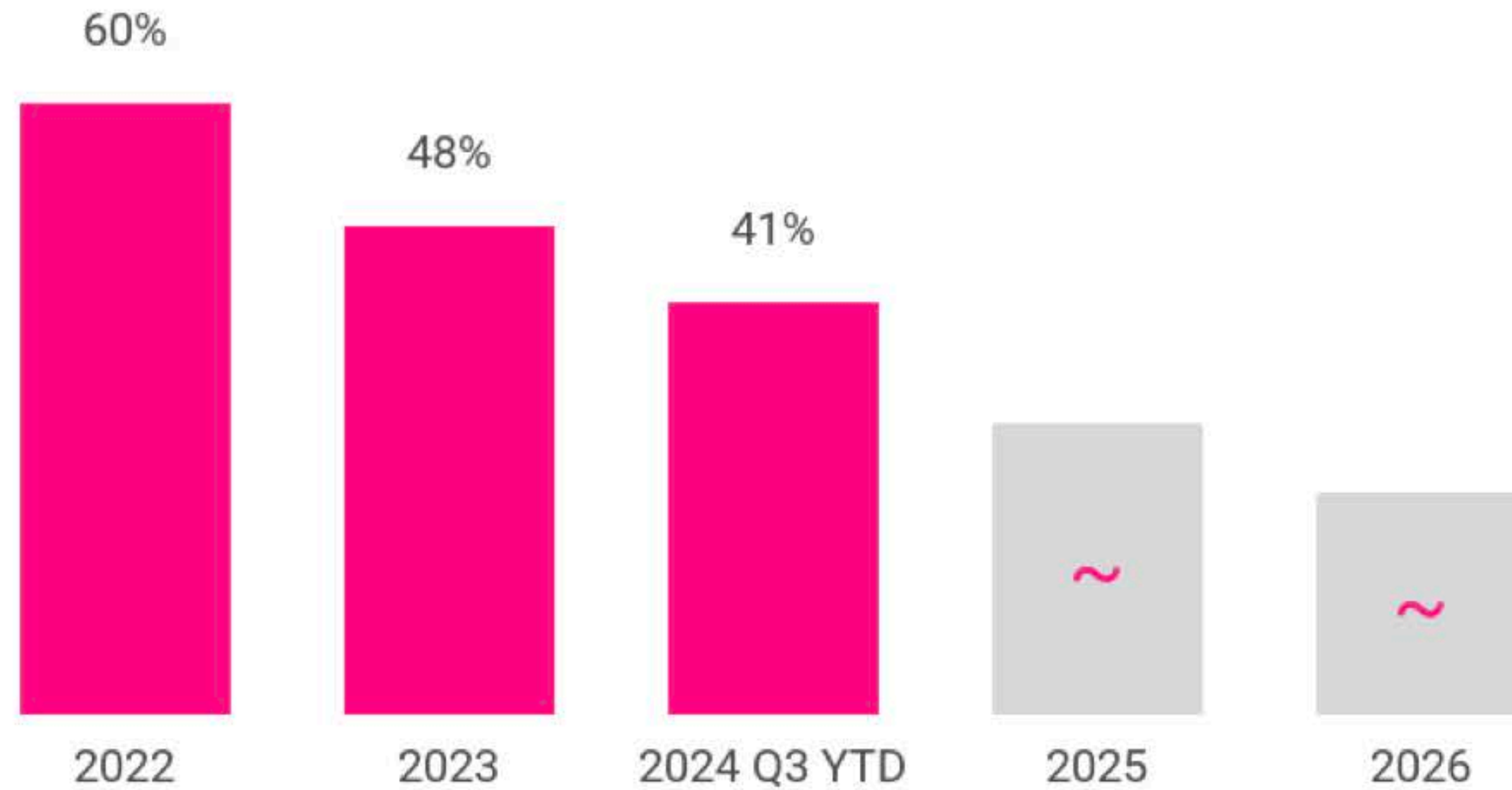
Adj. gross profit

Pay expenses

Adj. free cash flow

Expenses benefit from scale as the business expands

OPEX (EX. GROWTH) / GEP

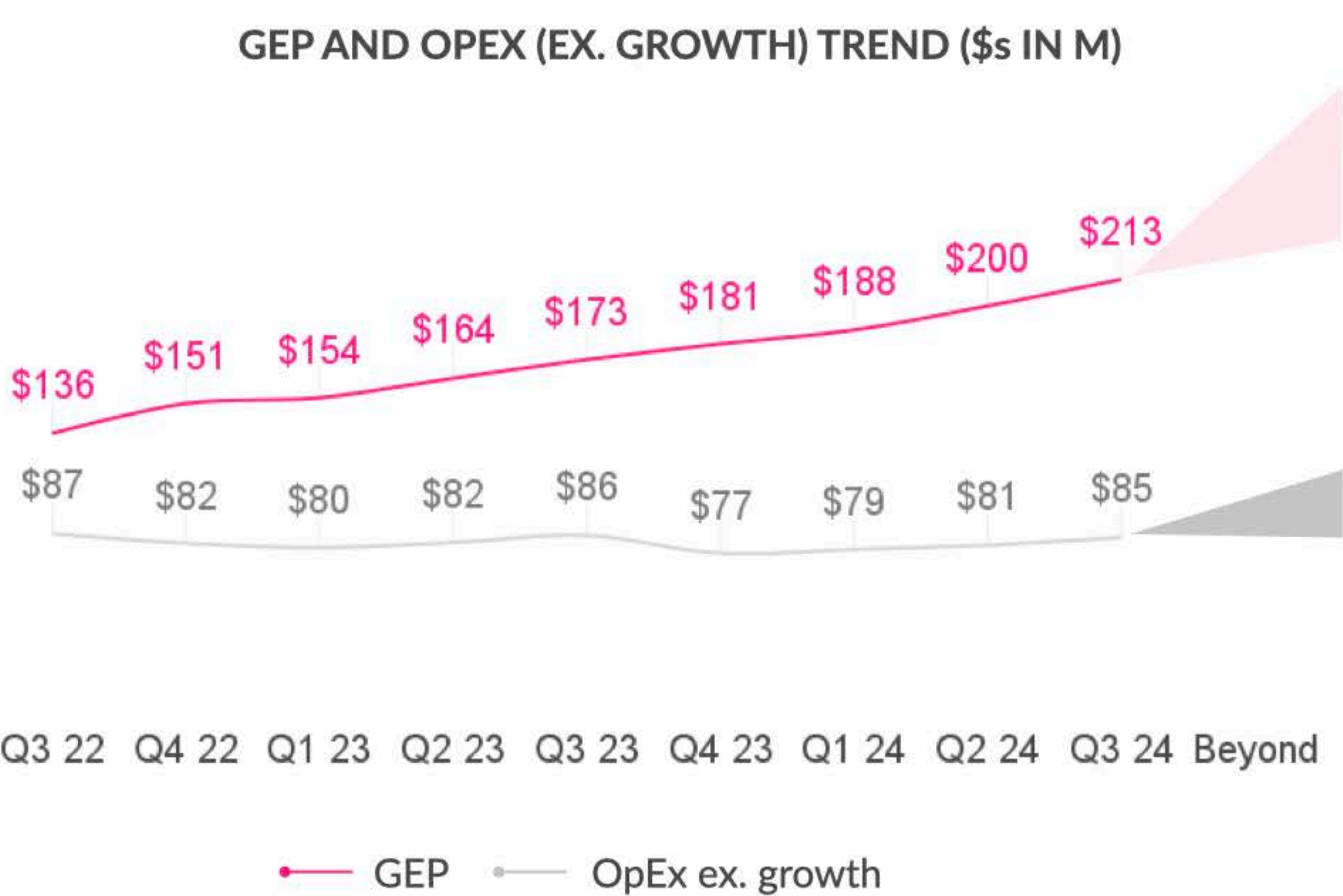


KEY DRIVERS

Technology drives automation

Operational efficiency

Expenses stable for nine quarters



KEY DRIVERS

Technology drives automation

Operational efficiency

Invest in growth

Cohorts stack

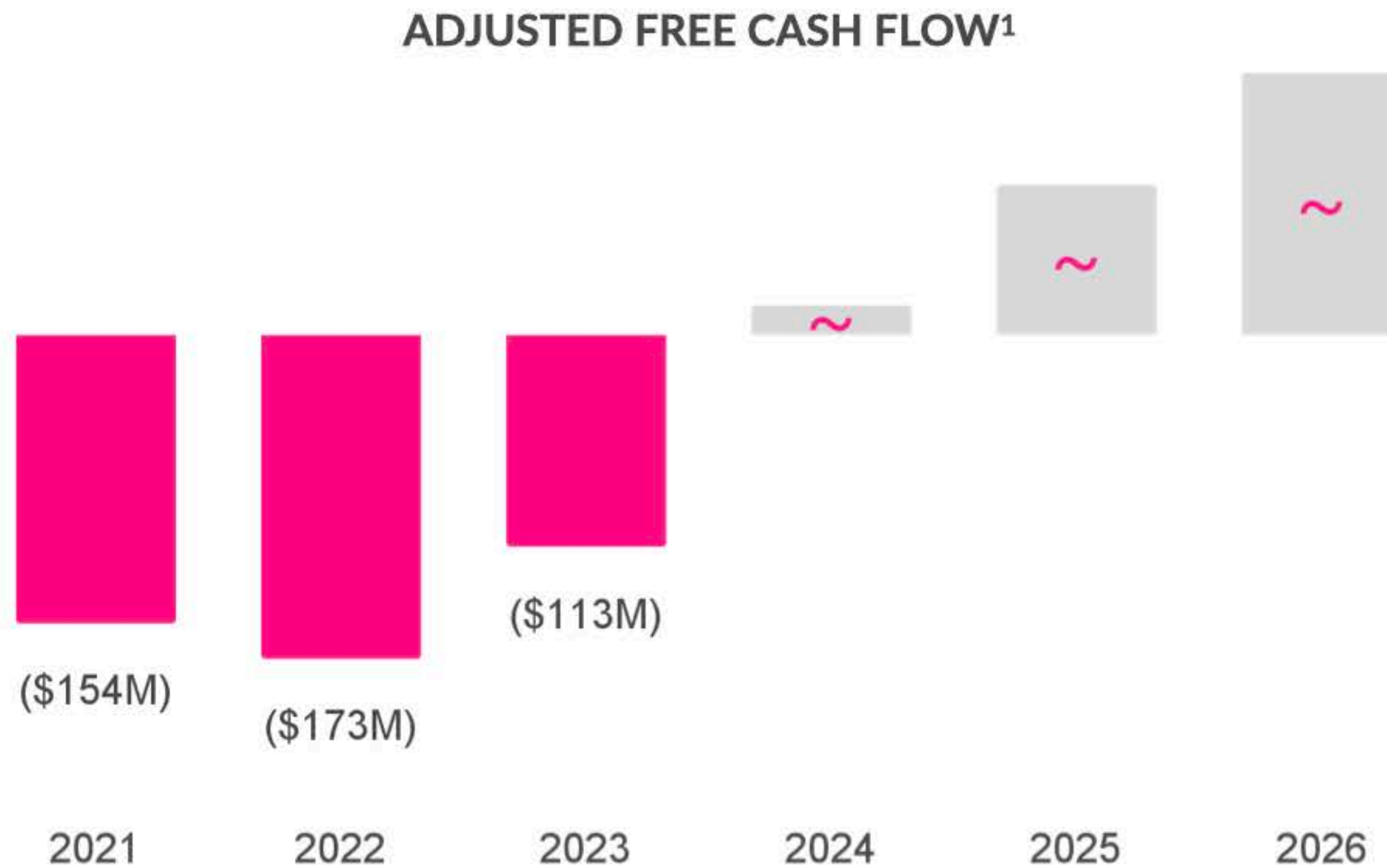
Pay claims

Adj. gross profit

Pay expenses

Adj. free cash flow

Cash flow positive



KEY DRIVERS

Working capital dynamic

Synthetic agents

(1) Lemonade defines adjusted free cash flow (adj. FCF) as cash flow from operating activities, less capital expenditures, plus net borrowings under financing agreement.

Invest in growth

Cohorts stack

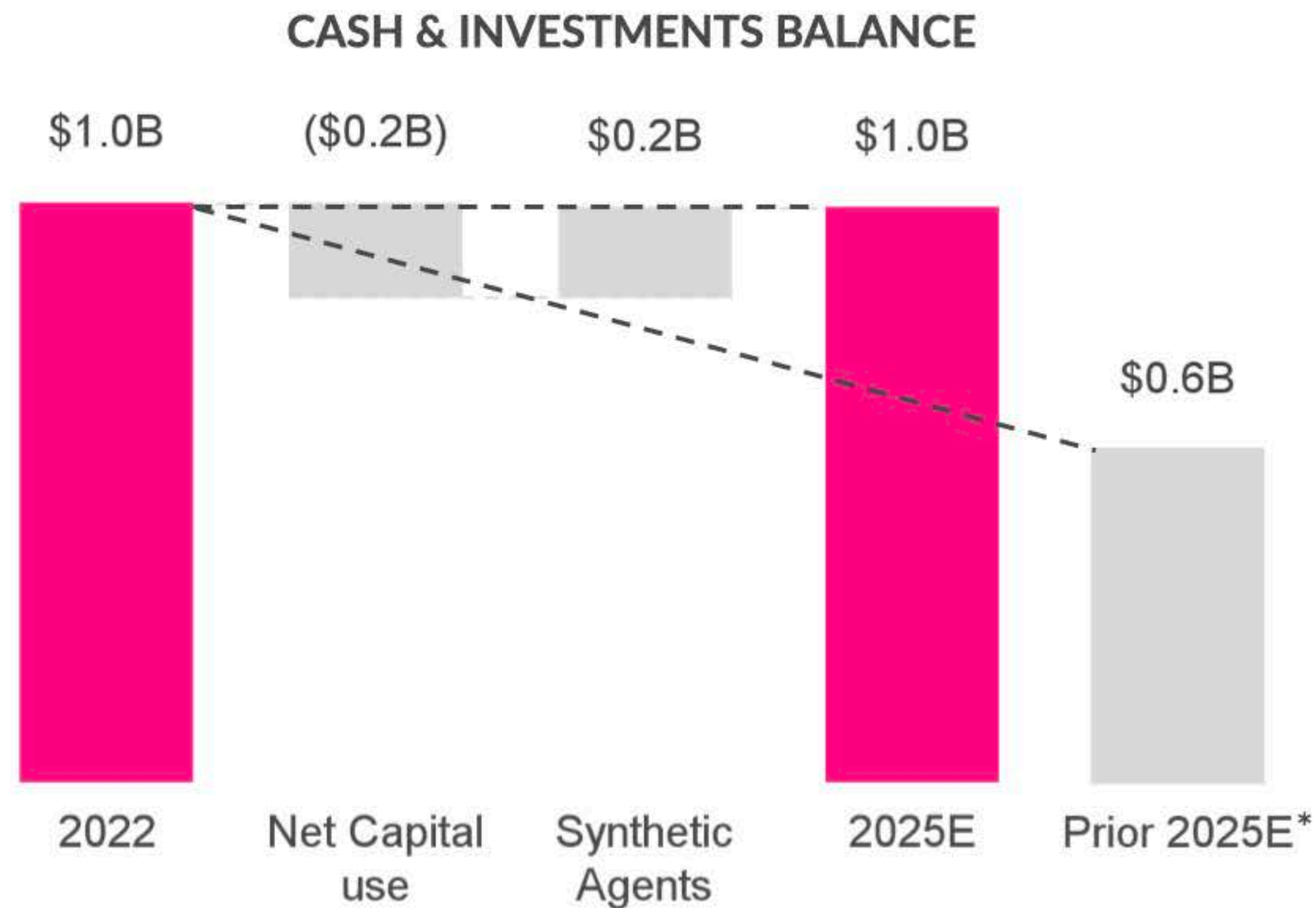
Pay claims

Adj. gross profit

Pay expenses

Adj. free cash flow

Robust balance sheet for the next phase



KEY DRIVERS

~\$1B cash & investments

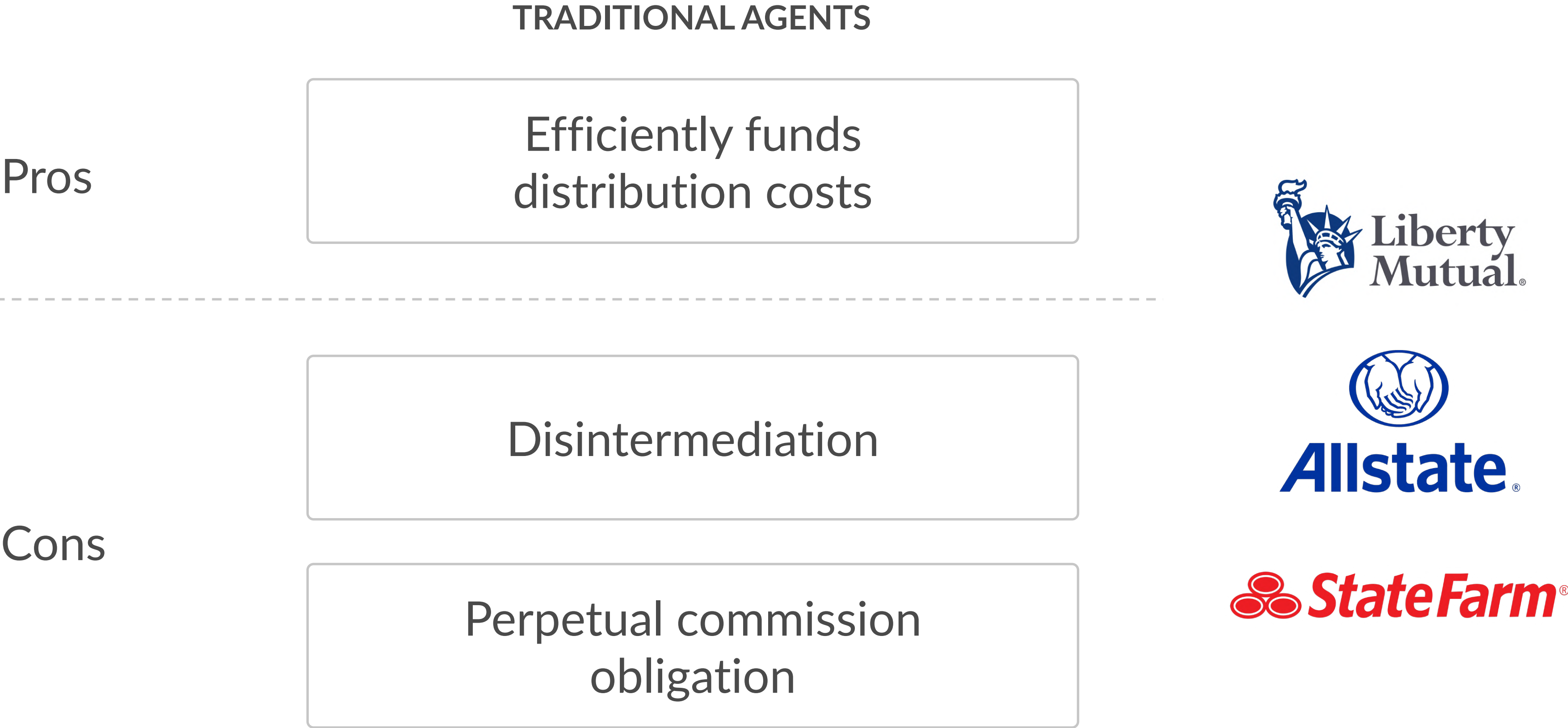
Adj. free cash flow positive!

**As of 2022 Investor Day*

Lemonade's synthetic agents

Custom-built financing structure that
unlocks **capital-light growth**

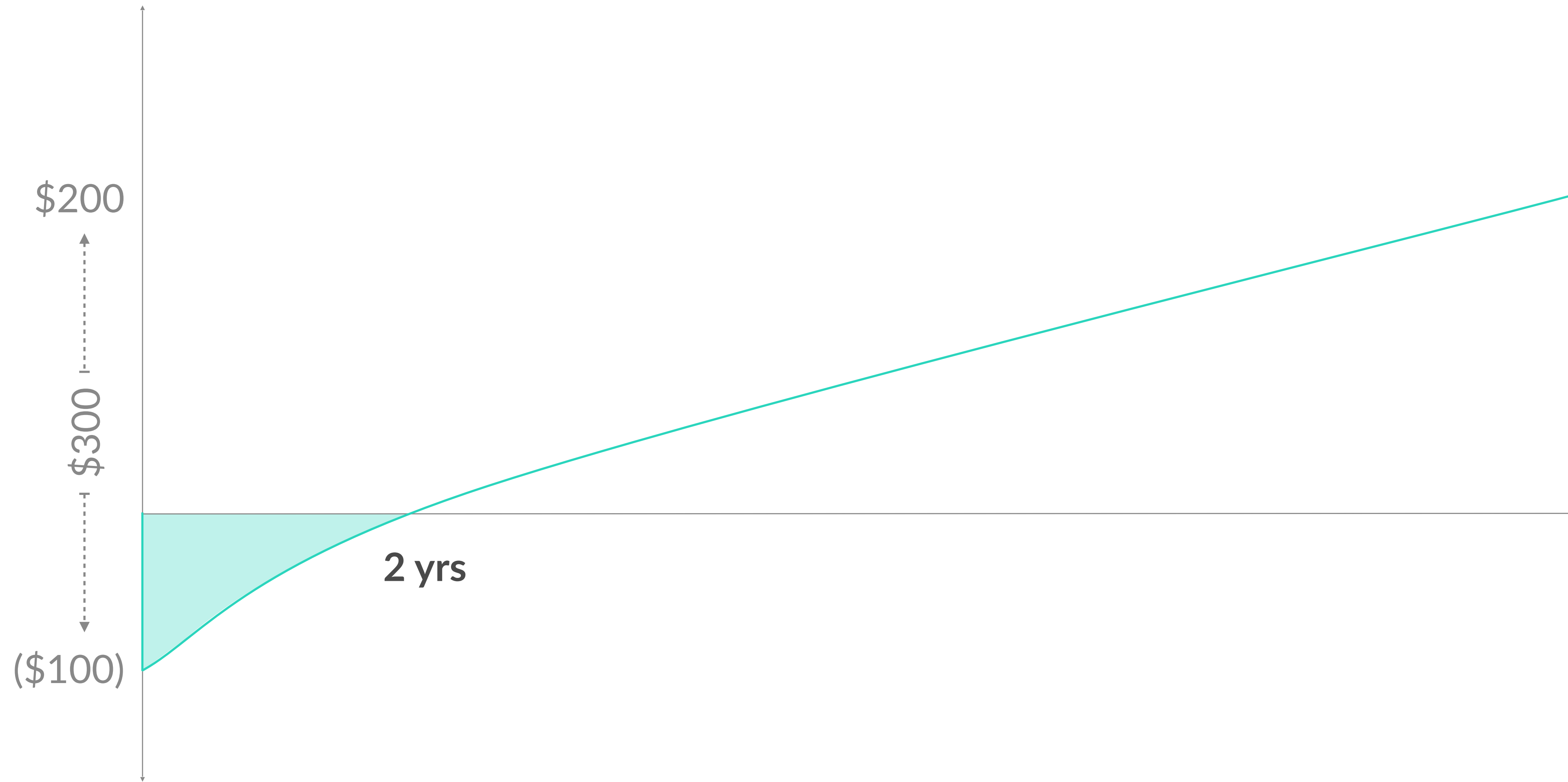
Synthetic agents capture benefit of agents without the downsides



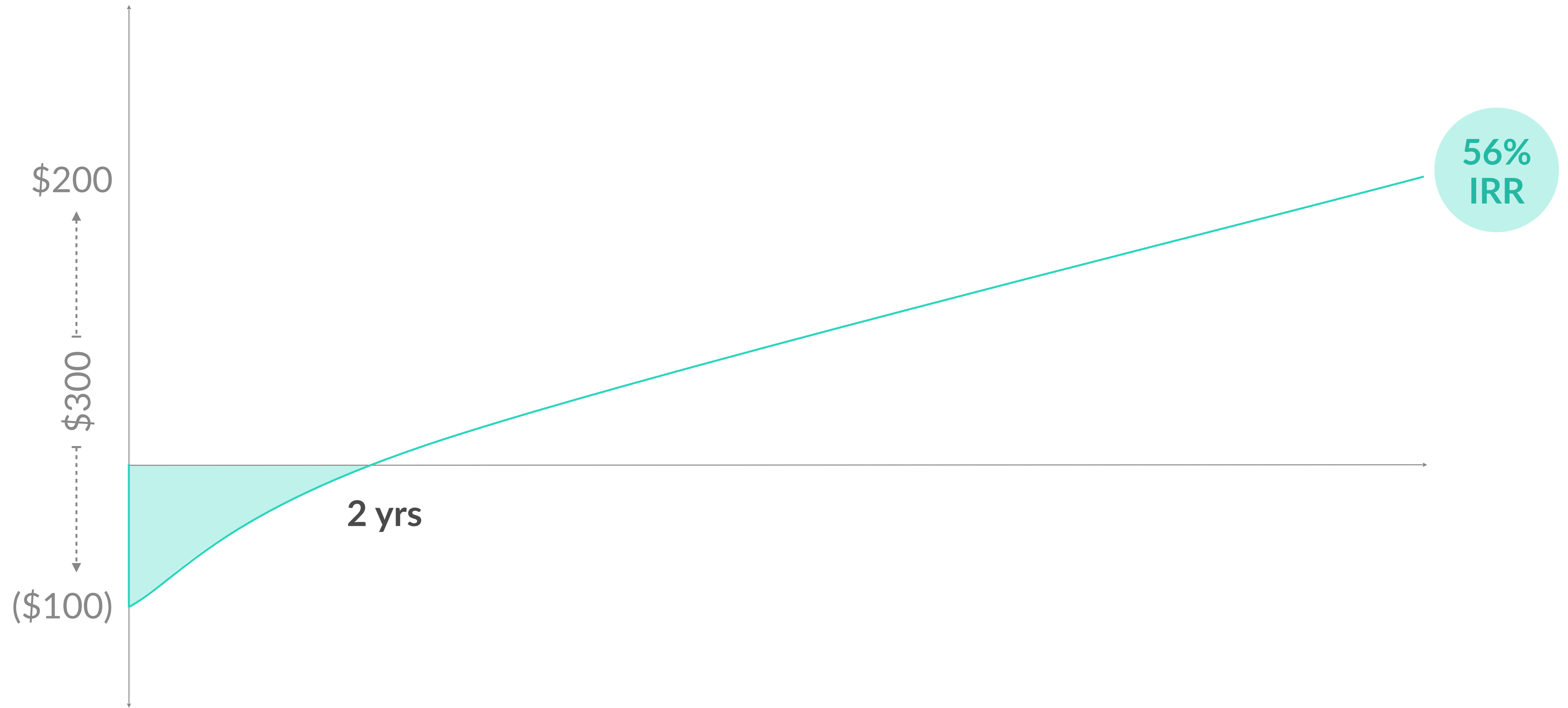
Synthetic agents capture benefit of agents without the downsides



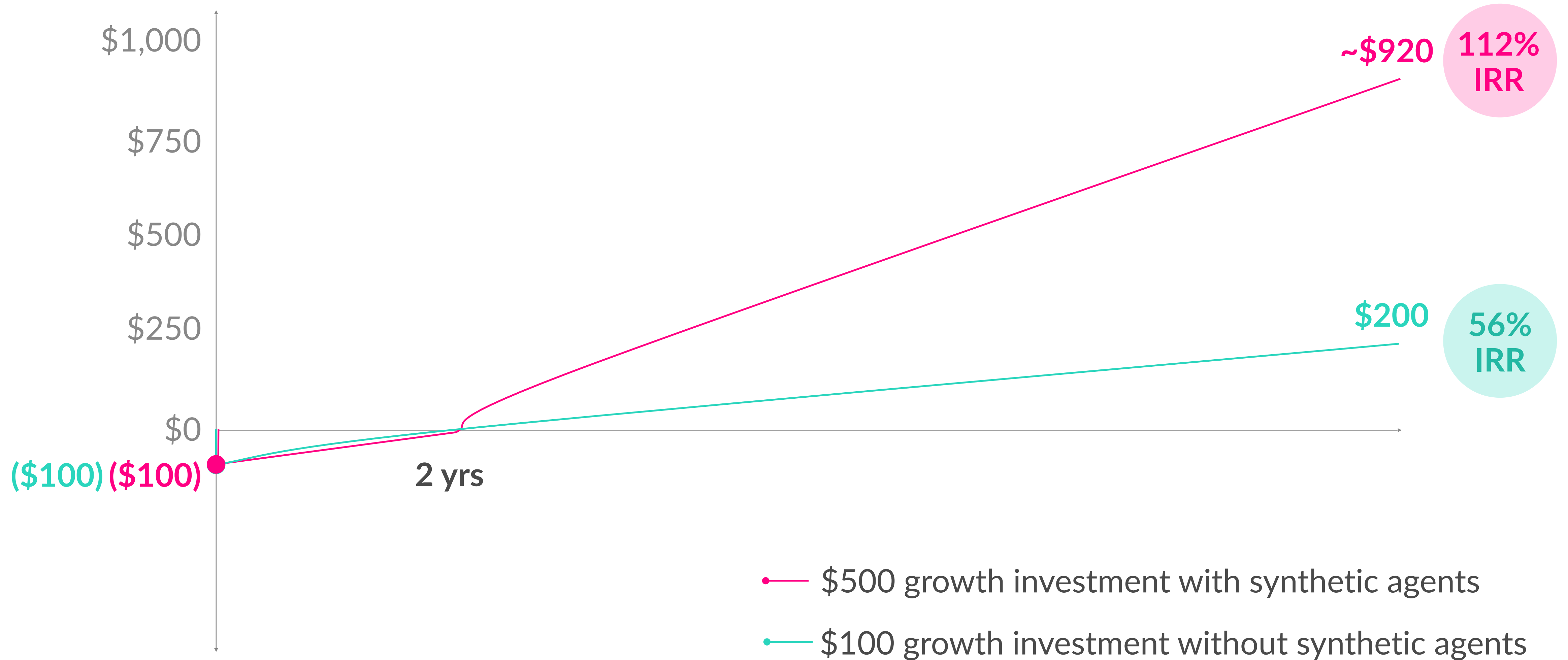
\$100 invested without synthetic agents



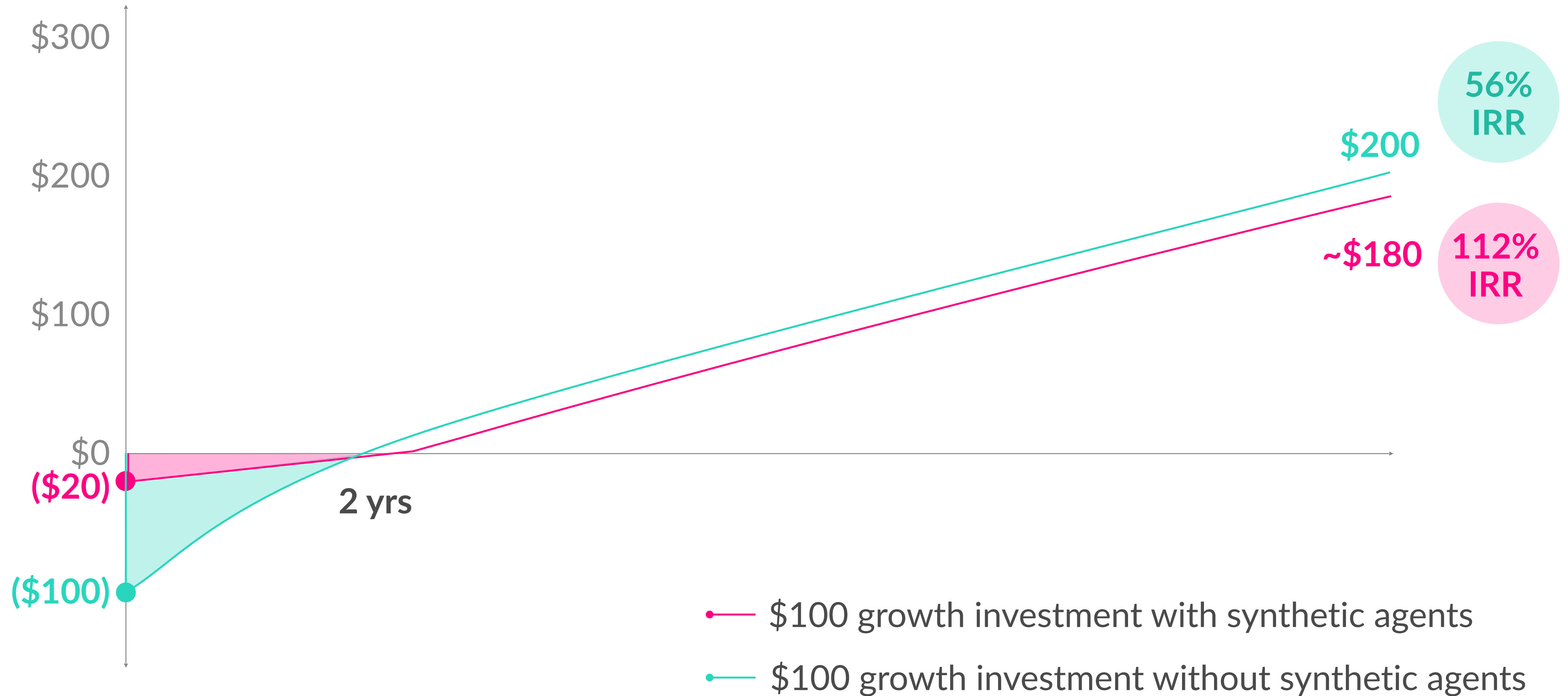
\$100 invested without synthetic agents



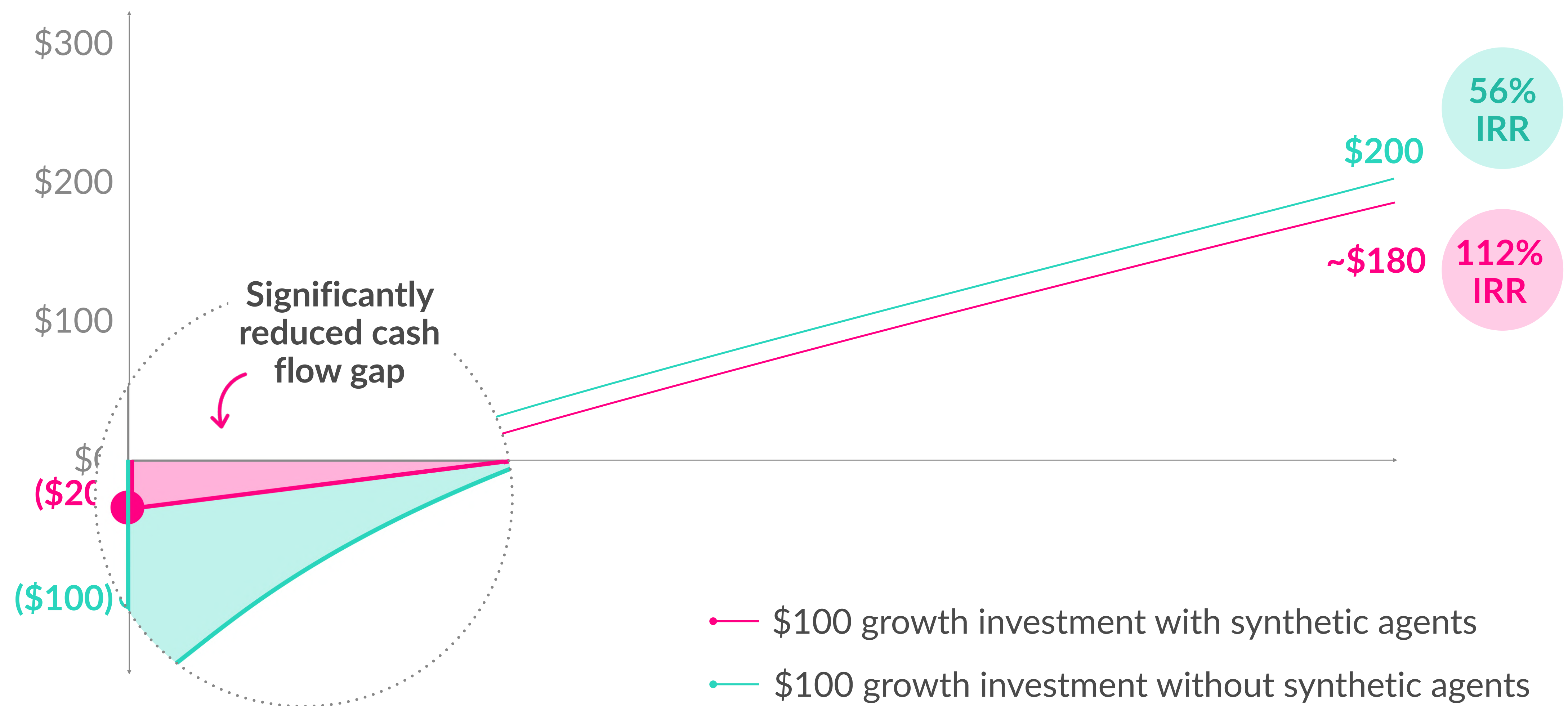
\$500 invested with synthetic agents



\$100 invested with synthetic agents



\$100 invested with synthetic agents



Synthetic agents power accelerating investment pace

Growth spend: > 2x in FY24, will continue to accelerate

Synthetic agents power accelerating investment pace



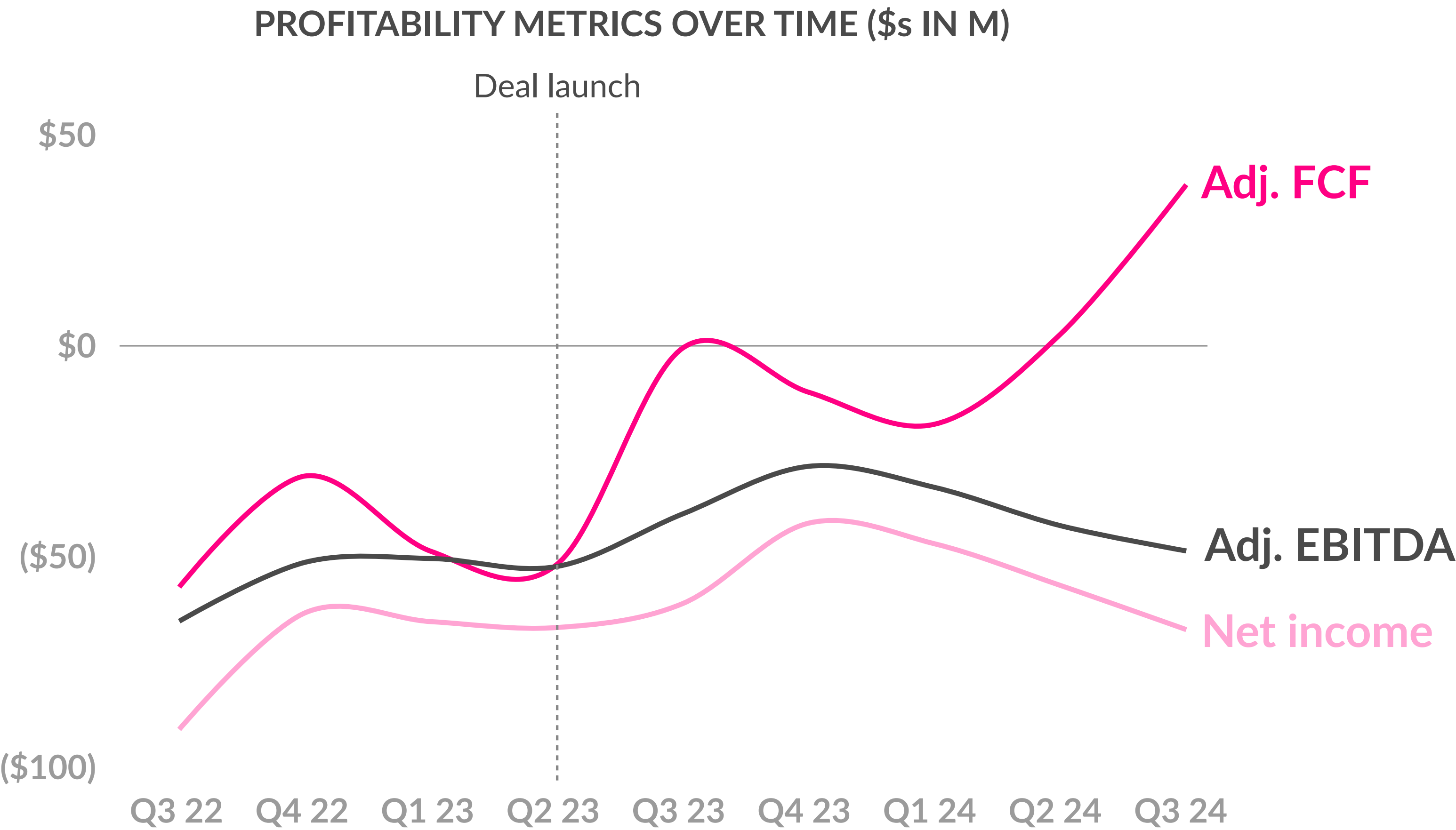
(1) Loss ratio normalized across periods compared by assuming stable ratio of adjusted gross profit to gross earned premium.

Synthetic agents power accelerating investment pace

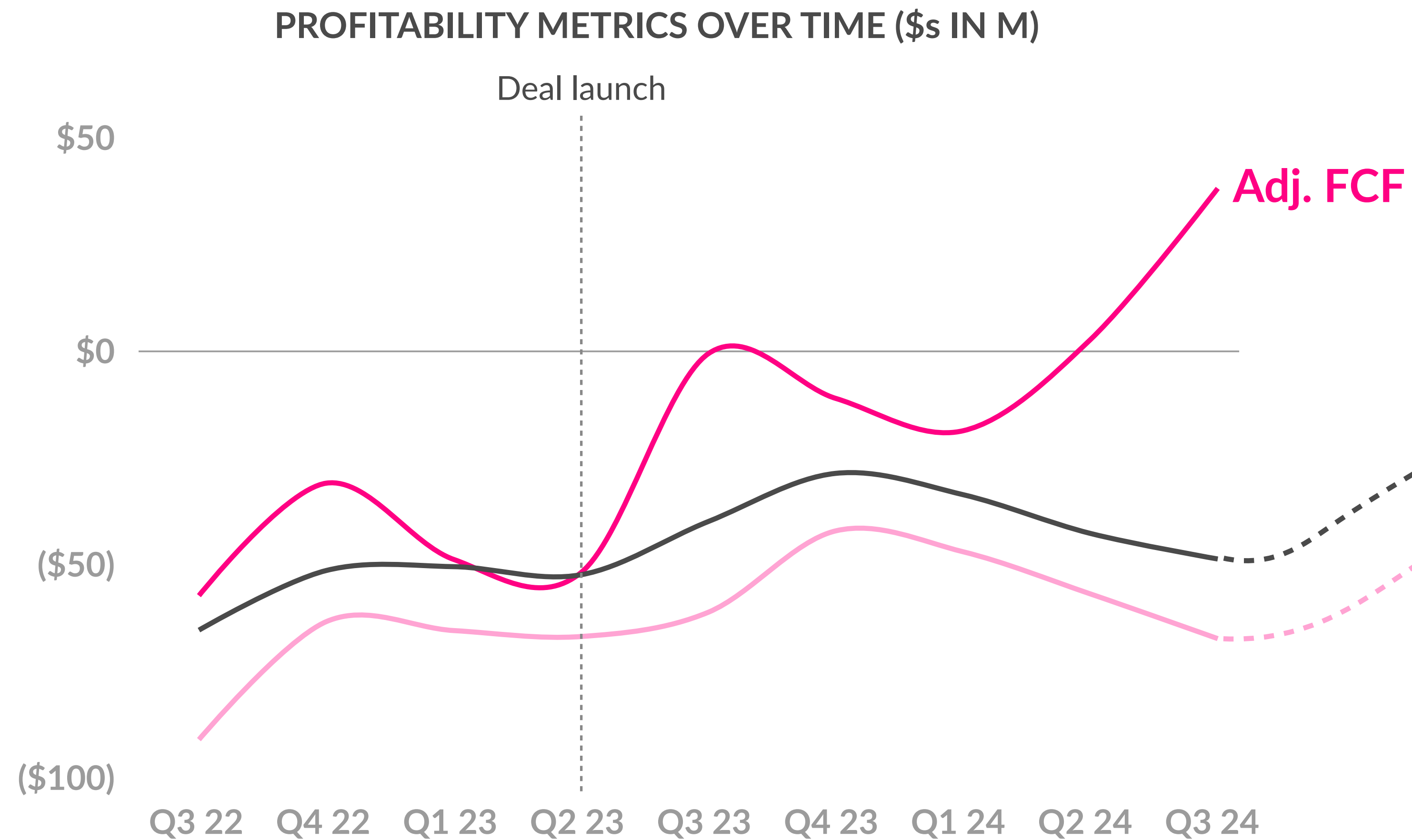


(1) Loss ratio normalized across periods compared by assuming stable ratio of adjusted gross profit to gross earned premium.

Accelerating growth propels us to cash flow positivity



P&L follows CF to profitability & beyond



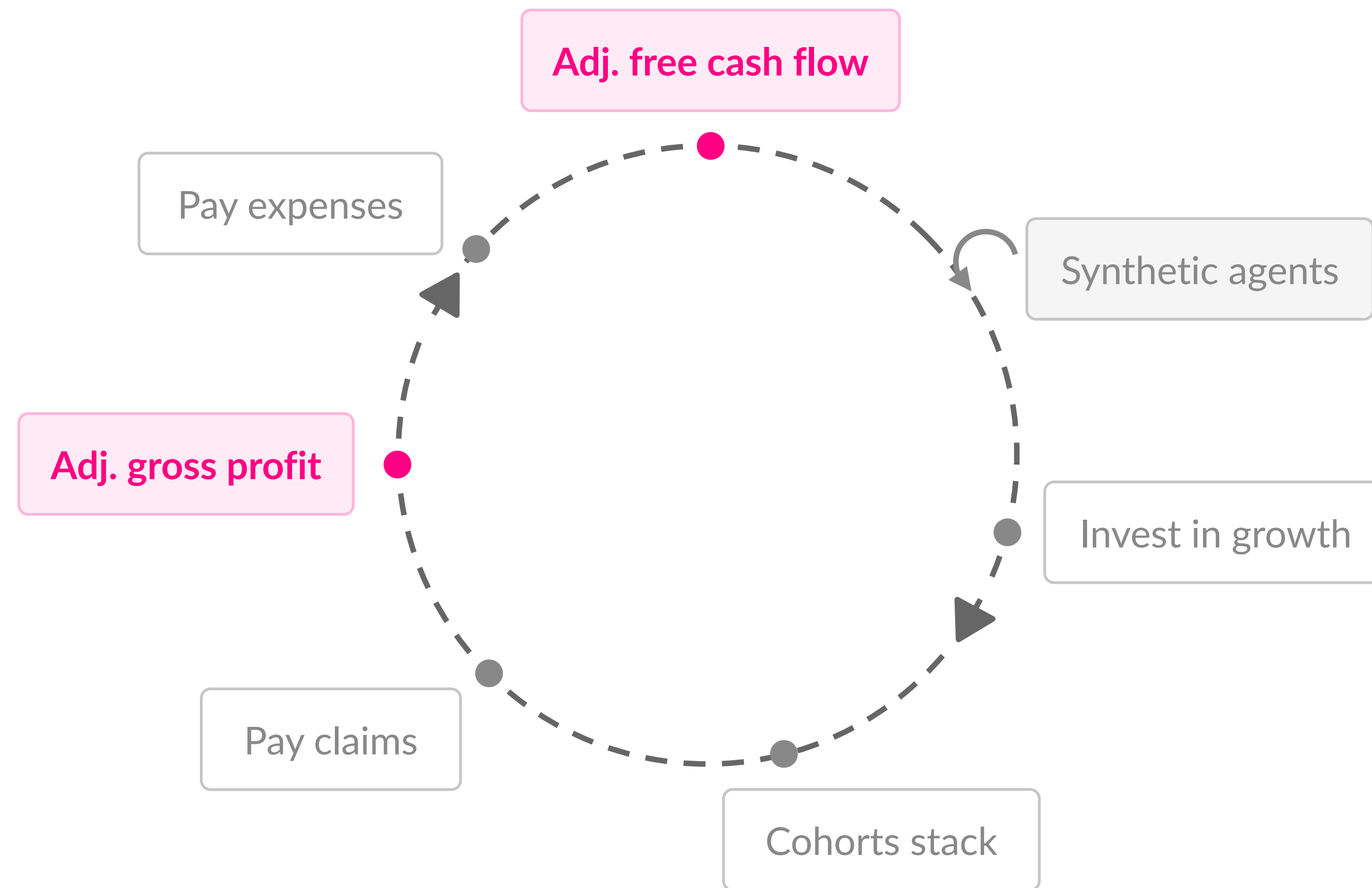
IRR unlock: your turn to crunch the numbers

KEY ASSUMPTIONS	
Growth spend	\$100
Growth financing %	80%
New premium to growth spend	3:1
Annual dollar retention	87%
Synthetic agents IRR	16%
Time horizon	7yr
Adj. gross margin	20%



Overview of our model

Sustainable, profitable growth fueled by reinvestment



Model at work: illustrative

● Invest in growth...

	\$s in m	\$ in	\$ out	Result
	New business	\$180		
	Renewals	\$820		
	Total earned premium			\$1,000
	Pay claims		(\$800)	
	Adj. gross profit			\$200
	OpEx ex. growth		(\$220)	
	Growth spend		(\$120)	
	Working capital benefit	\$70		
	Cash flow from operations			(\$70)
	Capex		(\$11)	
	Synthetic agents	\$96		
	Adj. free cash flow			\$15

\$360

3x

80%

Model at work: illustrative

● Invest in growth...

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New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
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3x

80%

Model at work: illustrative

- Invest in growth...
- Cohorts stack...

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
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Adj. free cash flow			\$15

Model at work: illustrative

● Invest in growth...

● Cohorts stack...

● Pay claims...

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
Adj. gross profit			\$200
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$70		
Cash flow from operations			(\$70)
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$15

Model at work: illustrative

● Invest in growth...

● Cohorts stack...

● Pay claims...

● Adj. gross profit

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
Adj. gross profit			\$200
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$70		
Cash flow from operations			(\$70)
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$15

Model at work: illustrative

● Invest in growth...

● Cohorts stack...

● Pay claims...

● Adj. gross profit

● Pay expenses...

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
Adj. gross profit			\$200
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$70		
Cash flow from operations			(\$70)
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$15

Model at work: illustrative

- Invest in growth...
- Cohorts stack...
- Pay claims...
- Adj. gross profit
- Pay expenses...
- Adj. free cash flow

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
Adj. gross profit			\$200
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$70		
Cash flow from operations			(\$70)
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$15

Model at work: illustrative

● Invest in growth...

● Cohorts stack...

● Pay claims...

● Adj. gross profit

● Pay expenses...

● Adj. free cash flow

\$s in m	\$ in	\$ out	Result
New business	\$180		
Renewals	\$820		
Total earned premium			\$1,000
Pay claims		(\$800)	
Adj. gross profit			\$200
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$70		
Cash flow from operations			(\$70)
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$15

Model at work: illustrative

● Invest in growth...

● Cohorts stack...

● Pay claims...

● Adj. gross profit

● Pay expenses...

● Adj. free cash flow

\$s in m	\$ in	\$ out	Result
New business			
Renewals			
Total earned premium			\$2,000
Pay claims		(\$1,600)	
Adj. gross profit			\$400
OpEx ex. growth		(\$220)	
Growth spend		(\$120)	
Working capital benefit	\$140		
Cash flow from operations			\$200
Capex		(\$11)	
Synthetic agents	\$96		
Adj. free cash flow			\$285

Model at work: 2024

- Invest in growth...

> 2x increase in growth spend

- Cohorts stack...

- Pay claims...

- Adj. gross profit

70%+ growth in adj. gross profit

- Pay expenses...

- Adj. free cash flow

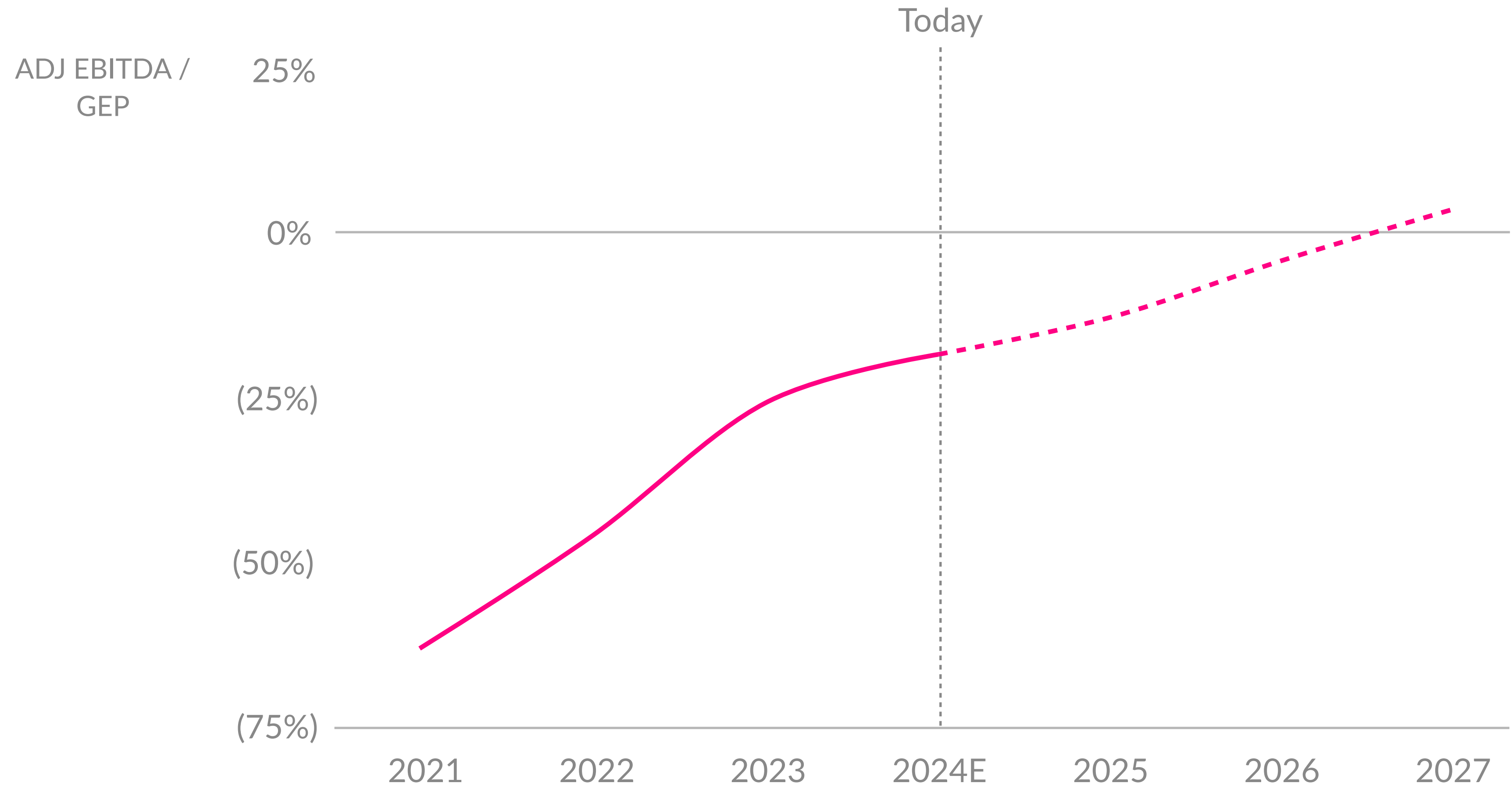
Adj. FCF positivity

Lemonade

The view ahead

Tim Bixby
Chief Financial Officer

Path to profit



ADJ. FREE CASH FLOW

2024



ADJ. EBITDA

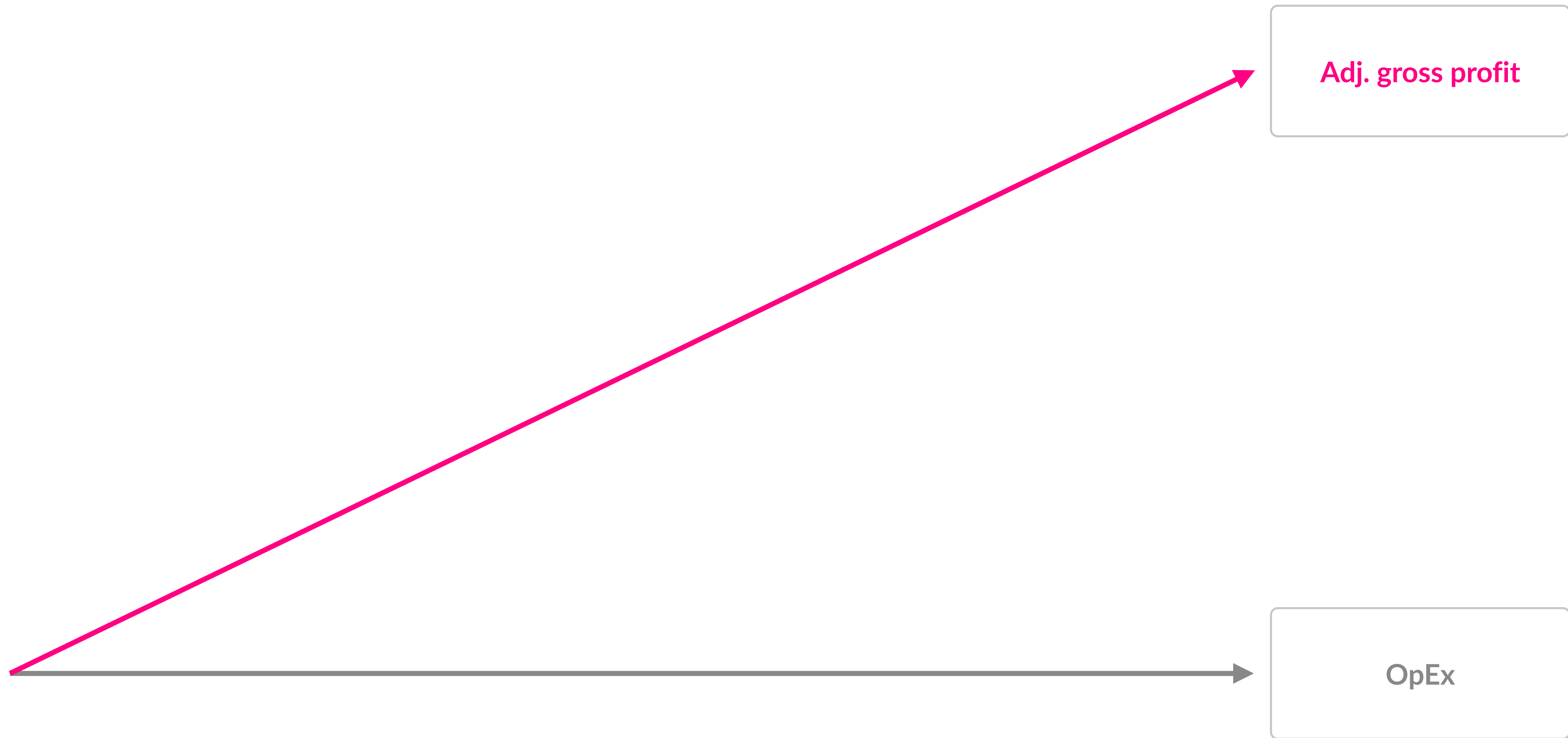
2026

NET INCOME

2027

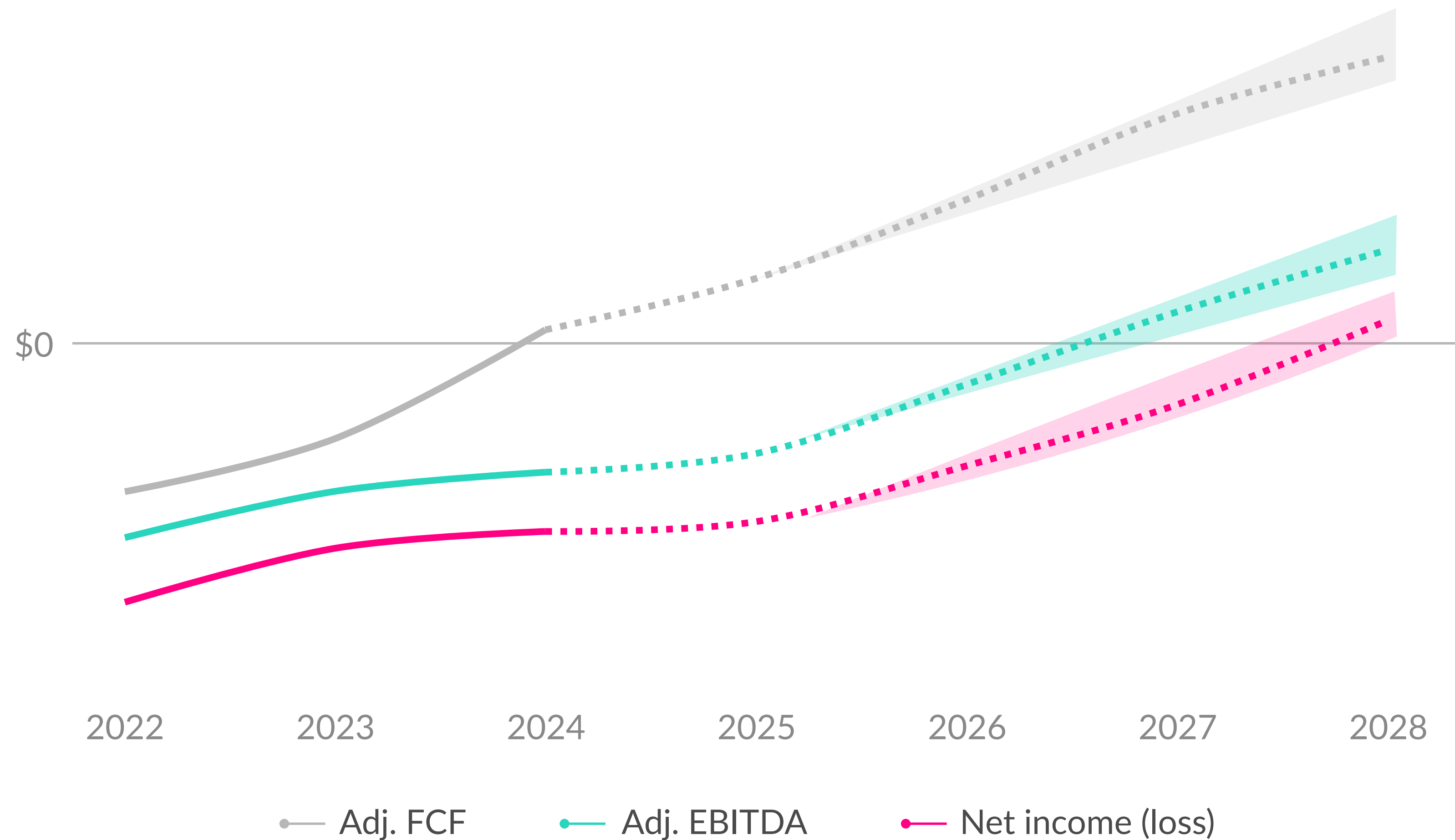
Path to profit

Growing the business & scaling the operation



Path to profit

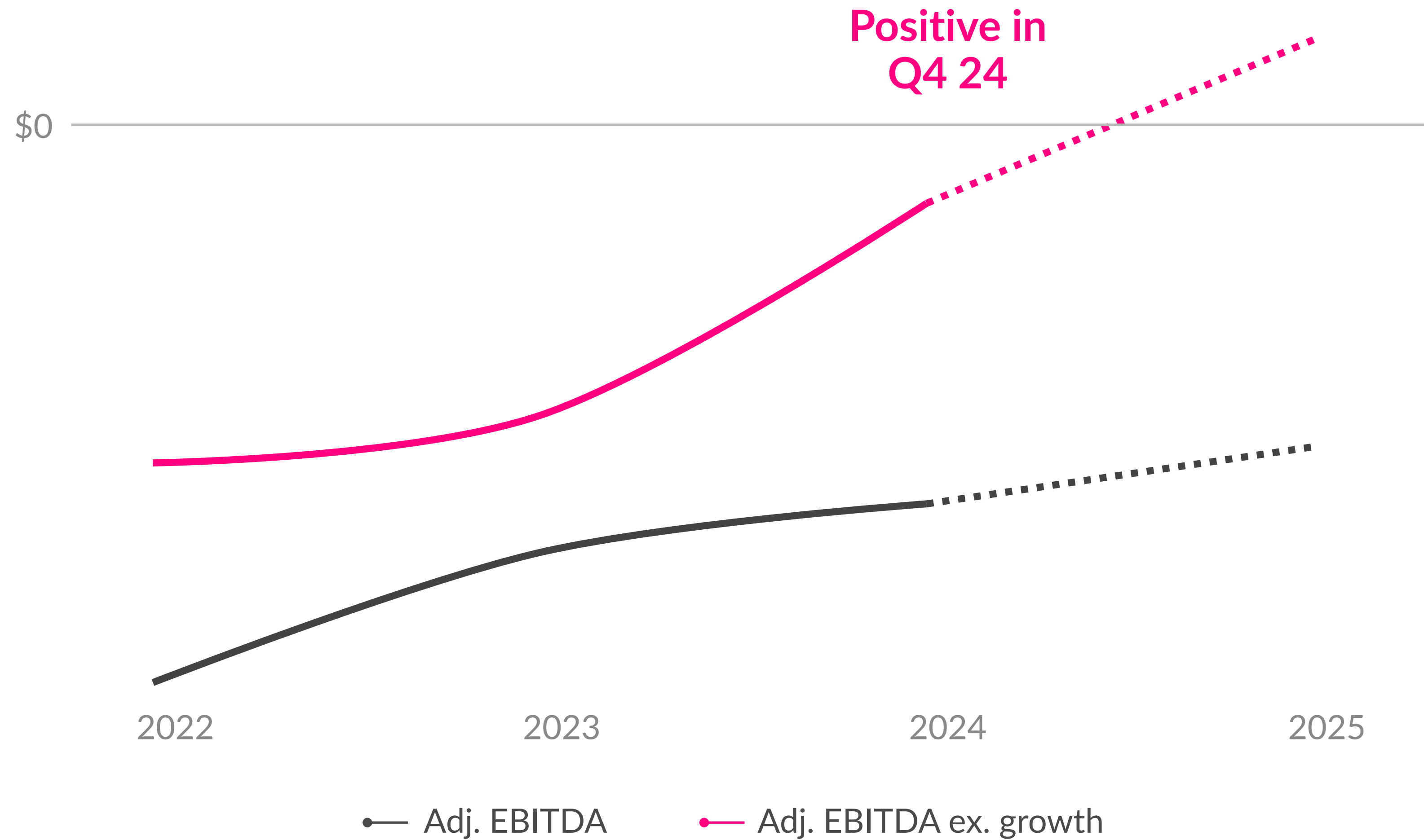
Adj. FCF as the leading indicator



(1) Lemonade defines adjusted free cash flow (Adj. FCF) as cash flow from operating activities, less capital expenditures, plus net borrowings under financing agreement.

Path to profit

Excluding discretionary growth investment, underlying profitability



Path to profit

Track record of dependable execution: scorecard since 2022

<div><div>✓</div><div>Growth</div><div>~26% '24E</div><div>20%</div></div>	<div><div>✓</div><div>Loss Ratio</div><div>73% Q3'24</div><div>70% Target</div></div>	<div><div>✓</div><div>In/above guide range</div><div>17/17</div><div>10/10</div></div>
<div><div>✓</div><div>Cash & inv. minimum</div><div>~\$1B</div><div>\$600M</div></div>	<div><div>✓</div><div>IFP/head</div><div>\$731</div><div>\$425</div></div>	<div><div>✓</div><div>CF breakeven ahead of schedule</div><div>2024</div><div>2025</div></div>

Current

Prior

An early look to 2025

Growth

50%

Adj. GP growth

\$1.2B

IFP

~40%

Increased growth
spend

Profitability

Adj. FCF
Positive

5%

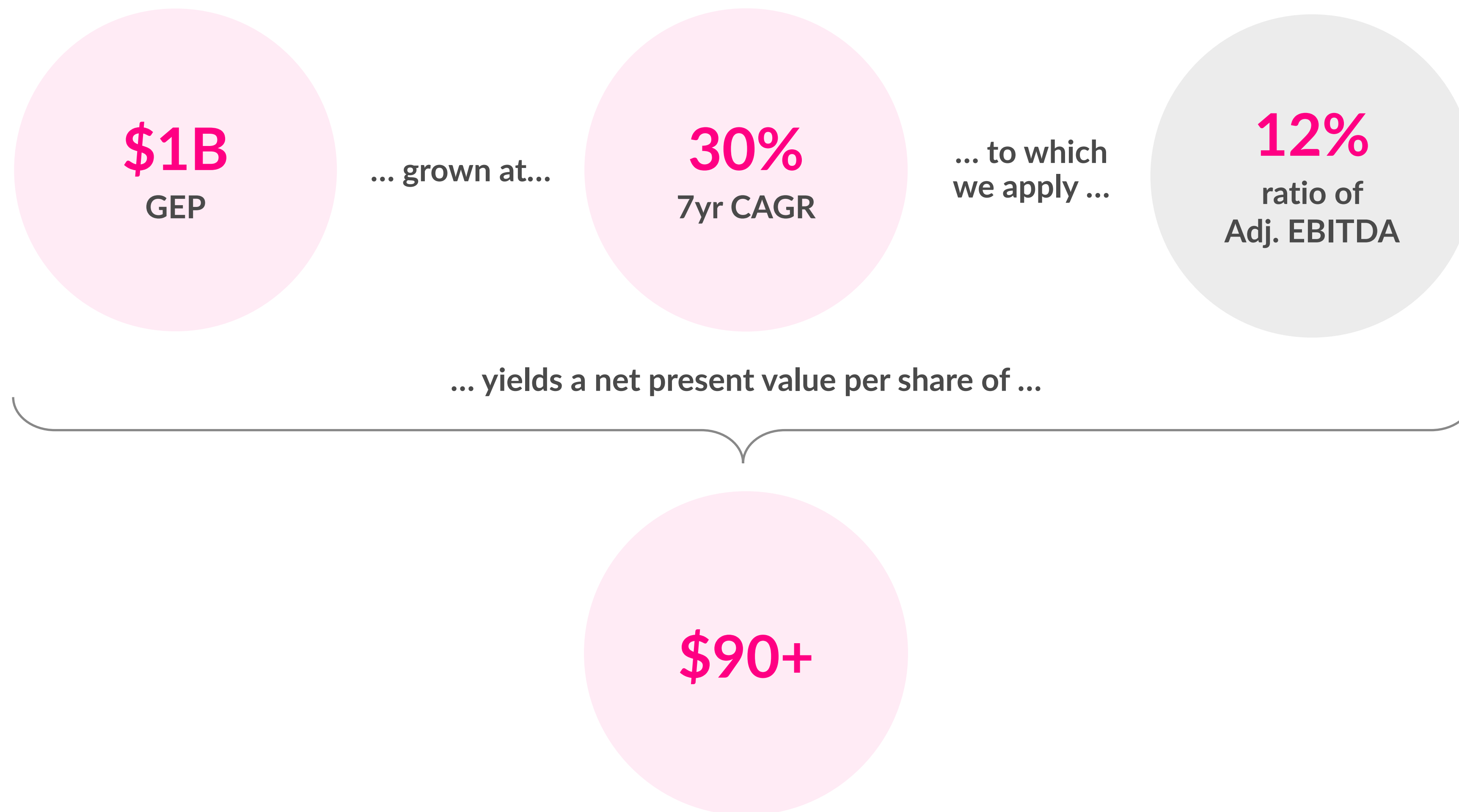
Increase in OpEx
ex.
growth spend

Adj. EBITDA
breakeven
by year end 2026

Multiyear view

	2 years ago	Today	Change
IFP multi-yr CAGR	20%	30%	+50%
IFP implied FY 27	\$1.6B	\$2.0B	+25%
Adj. EBITDA breakeven	2026	2026	unchanged

A simplified approach to valuation



Illustrative

Less downside, more upside



**Accelerating
Growth**



**Sustained
operating leverage**



**Cash flow breakeven
is here, \$1B cash
& investments**



**Adj. EBITDA
breakeven on track
during FY 26**

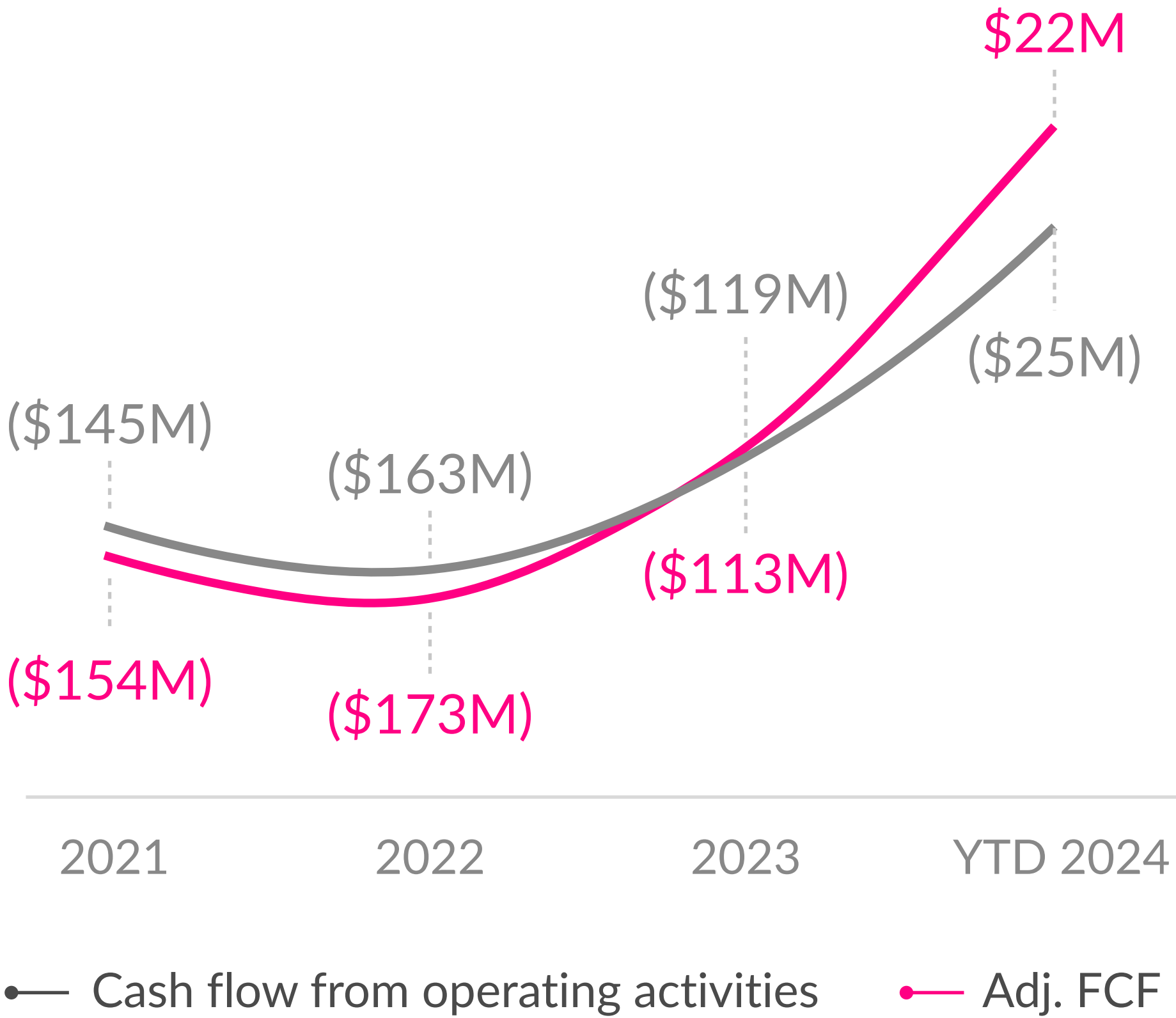
Thank you.

Lemonade

Appendix

Lemonade

Adjusted Free Cash Flow



Cash Flow Line Item	2021	2022	2023	2024 YTD
Cash flow from operating activities	(\$145)	(\$163)	(\$119)	(\$25)
Capital expenditures	(\$9)	(\$10)	(\$9)	(\$6)
Free cash flow (FCF) ¹	(\$154)	(\$173)	(\$128)	(\$31)
Net borrowings under financing agreement	\$0	\$0	\$15	\$53
Adjusted free cash flow (Adj. FCF) ²	(\$154)	(\$173)	(\$113)	\$22

(1) Lemonade defines free cash flow (FCF) as cash flow from operating activities, less capital expenditures.
(2) Lemonade defines adjusted free cash flow (adj. FCF) as cash flow operating activities, less capital expenditures plus net borrowings under financing agreement.

Definitions

Customers

Number of current policyholders underwritten by us or placed by us with third-party insurance partners (who pay us recurring commissions) as of the period end date. A customer that has more than one policy counts as a single customer for the purposes of this metric.

In Force Premium (IFP)

Aggregate annualized premium for customers as of the period end date and calculated as the sum of: (i) in force written premium - the annualized premium of in force policies underwritten by us; and (ii) in force placed premium - the annualized premium of in force policies with third party insurance companies for which we earn a recurring commission payment.

Premium per customer

Average annualized premium customers pay for products underwritten by us or placed by us with third-party insurance partners which is calculated by dividing IFP by customers.

Annual Dollar Retention (ADR)

Percentage of IFP retained over a twelve month period, inclusive of changes in policy value, changes in number of policies, changes in policy type, and churn. To calculate ADR, we first aggregate the IFP from all active customers at the beginning of the period and then aggregate the IFP from those same customers at the end of the period. ADR is then equal to the ratio of ending IFP to beginning IFP.

Gross Earned Premium (GEP)

Earned portion of our gross written premium, which includes direct and assumed premium.

Gross loss ratio

Ratio of losses and loss adjustment expense to gross earned premium.

Net loss ratio

Ratio of losses and loss adjustment expense, less amounts ceded to reinsurers, to net earned premium.

Gross loss ratio ex-CAT

Ratio of gross losses and loss adjustment expense, excluding catastrophe losses, to gross earned premium.

Trailing twelve month ("TTM") gross loss ratio

Ratio of losses and loss adjustment expense to gross earned premium for the past twelve months.

Adjusted EBITDA

Net loss excluding income tax expense, depreciation and amortization, stock-based compensation, interest expense, interest income and others, net investment income, net realized gains and losses on sale of investments, change in fair value of warrants liability, amortization of fair value adjustment on insurance contract intangible liability relating to the Metromile Acquisition, and other non-cash adjustments and other transactions that we would consider to be unique in nature.

Definitions

Gross Profit

Total revenue less loss and loss adjustment expense, net, other insurance expense and depreciation and amortization.

Adjusted Gross Profit

Gross profit excluding net investment income, interest income and other income, and net realized gains and losses on sale of investments, plus fixed costs and overhead associated with our underwriting operations including employee-related expense, professional fees and other, and depreciation and amortization allocated to cost of revenue, and other adjustments that we would consider to be unique in nature.

Ratio of Adjusted Gross Profit to Gross Earned Premium

Ratio of adjusted gross profit to gross earned premium.

Net cash flow

Change in cash, cash equivalents, restricted cash and investments.

Free Cash Flow (FCF)

Cash flow from operating activities less capital expenditures.

Adjusted free cash flow (Adj. FCF)

Cash flow from operating activities, less capital expenditures, plus net borrowings under financing agreement.

Operating expense

'Total expense' less 'loss and loss adjustment expense, net'.

Operating expense, less growth spend

'Total expense' less 'loss and loss adjustment expense, net', and growth spend.

Growth spend

Our direct advertising costs to acquire customers, which is a component of total Sales and Marketing.