Lemonade

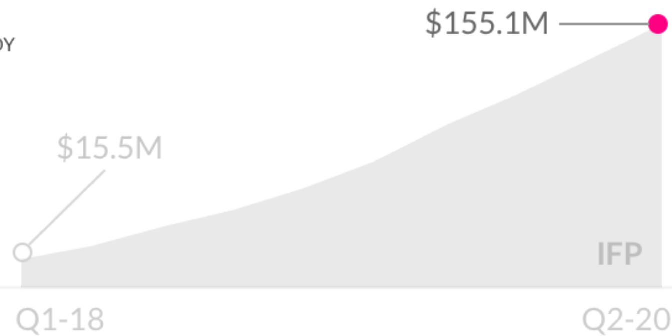
Shareholder Letter

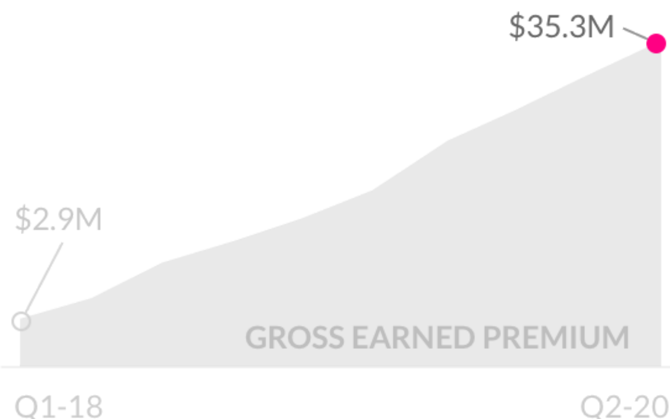
Inaugural edition, Q2 2020 🍾

814,160 ▲ 84% YOY
CUSTOMERS

$190 ▲ 17% YOY
PREMIUM PER CUSTOMER

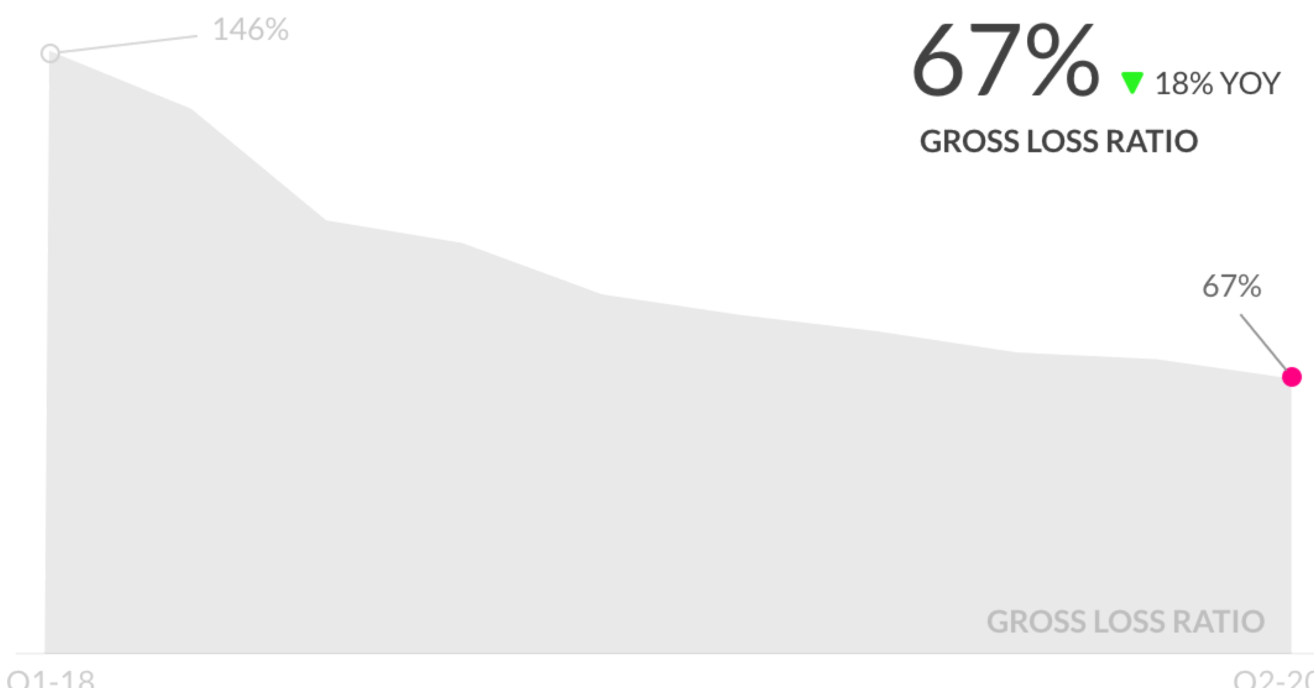
$155.1M ▲ 115% YOY
IN FORCE PREMIUM (IFP)





$35.3M ▲ 121% YOY
GROSS EARNED PREMIUM

67% ▼ 18% YOY
GROSS LOSS RATIO



Dear Shareholders,

With millions of people fired or furloughed and billions in lockdown, Lemonade entered Q2 on a defensive footing. At the start of the quarter we significantly slowed our marketing spend, suspended nonessential hiring, and offered to defer customers' payments. Then, we braced for impact. We expected to see a spike in churn, a drop in demand, and a hit to our cash flow.

None materialized.

Less than 1% of our customers opted to defer their payments, while retention rates, click-through rates, and conversion rates all held steady. Trajectories that we'd seen prior to the pandemic - rapid growth, improving marketing efficiencies, declining loss ratios - all continued their forward march, apparently unperturbed by the contagion.

Across our four global locations our team spent Q2 working from home. Our internal systems were already entirely cloud-based and accessible from any browser, anywhere in the world. Customers' phone calls are routed to our team's laptops, and answered and logged from wherever they happen to be. Internal communication has been via Slack and Zoom since our founding. The upshot is that our teams were able to access systems, support customers and collaborate with each other with no noticeable hit to productivity. Our customers' experience was likewise unaffected by the turmoil, as our bots, AI Maya and AI Jim, chat with customers, wherever they may be, without triggering concerns about social distancing.

Despite our pullback early in the quarter, we are pleased to report that our Key Performance Indicators (KPIs) and non-GAAP and GAAP measures for Q2 outperformed not only our worst concerns, but even our pre-pandemic aspirations. We don't know what turn the pandemic or the economy will take in Q3 and beyond, but we're heartened by the resilience our team and business demonstrated in Q2. Indeed, the COVID-19 pandemic seems to have been a fundamental accelerator of the trend towards digitization throughout society, and Lemonade is thankfully on the right side of that dislocation.

Q2 2020 KPIs and Non-GAAP Financial Measures

In Force Premium (IFP)

IFP, defined as the aggregate annualized premium for customers as of the period end date, increased by 115% to $155.1 million as compared to the second quarter of 2019, primarily due to an 84% increase in the number of customers, as well as a 17% increase in premium per customer.

Customers

Total customer count increased by 84% to 814,160 as compared to the second quarter of 2019.

Premium per Customer

Premium per customer, defined as in force premium divided by number of customers, was $190 at the end of the second quarter, up 17% from the second quarter of 2019, primarily due to a continued shift of product mix toward higher value homeowner policies, as well as growth in the overall average policy value.

Gross Earned Premium

Second quarter gross earned premium of $35.3 million increased $19.3 million, or 121%, as compared to the second quarter of 2019, primarily due to the increase of in force premium earned during the quarter.

	Three Months Ended June 30,	
	2020	2019
	($ in millions)	
Gross written premium	$ 46.7	$ 25.4
Ceded written premium	(6.0)	(2.7)
Net written premium	40.7	22.7
Change in unearned premium	(5.4)	(6.7)
Gross earned premium	35.3	16.0
Ceded earned premium	(6.1)	(2.7)
Net earned premium	$ 29.2	$ 13.3

Revenue

Second quarter total revenue of $29.9 million increased $16.1 million or 117% as compared to the second quarter of 2019, primarily due to the increase of net earned premium during the quarter.

Gross Profit

Second quarter gross profit of $5.4 million increased $3.7 million or 218% as compared to the second quarter of 2019, primarily due to the increase in total revenue during the quarter, as well as overhead cost efficiencies due to greater scale.

Adjusted Gross Profit

Second quarter adjusted gross profit of $7.0 million increased $4.7 million or 204% as compared to the second quarter of 2019, primarily due to the increase of in force premium earned during the quarter, as well as overhead cost efficiencies due to greater scale.

Adjusted Gross Profit is a non-GAAP metric. Reconciliations of GAAP to non-GAAP financial measures, as well as definitions for the non-GAAP financial measures included in this letter and the reasons for their use, are presented at the end of this letter.

Operating Expense

Total operating expense, excluding loss and loss adjustment expense, net, in Q2 increased 12% to $30.1 million as compared to the $26.9 million in the second quarter of 2019, with increases in other insurance expense, technology investment and general and administrative expense driven primarily by personnel growth and customer growth, partially offset by lower sales and marketing expense.

Operating expenses were somewhat lower than expected in Q2 2020, as we delayed hiring and decreased growth spending, particularly in the earlier part of the quarter, in reaction to uncertainty related to the onset of the

COVID-19 pandemic. We began to reaccelerate hiring and growth investment in the later part of the quarter, and expect that trend to continue into the second half of the year.

Net Loss

Net loss of $21.0 million ($1.77 per share) for the second quarter decreased 9% as compared to $23.1 million ($2.09 per share) in the second quarter of 2019, as the improved operating performance was partially offset by an increase in non-cash stock-based compensation expense of $2.0 million.

Adjusted EBITDA

Adjusted EBITDA loss of $18.2 million improved by $4.8 million or 21% as compared to the second quarter of 2019, as continued strong marketing efficiency enabled more growth at lower customer acquisition cost as compared to second quarter of 2019.

Adjusted EBITDA is a non-GAAP metric. Reconciliations of GAAP to non-GAAP financial measures, as well as definitions for the non-GAAP financial measures included in this letter and the reasons for their use, are presented at the end of this letter.

Cash

The Company's cash, cash equivalents, and investments totaled $295.4 million at June 30, 2020 as compared to $330.9 million as of December 31, 2019, primarily reflecting the $35.3 million of cash used in operations.

As of June 30, 2020, approximately $111.6 million in cash, cash equivalents, and investments, was held in accounts owned by our U.S. and Dutch insurance company subsidiaries, and our Dutch insurance holding company, which are restricted by statute as to the amount of dividends they may pay without the prior approval of their respective regulatory authorities. Approximately $86.2 million of this balance is required reserve capital in support of insurance operations.

Key Operating and Financial Metrics

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions, except Premium per Customer)			
Customers (end of period)	814,160	442,752	814,160	442,752
In force premium (end of period)	$ 155.1	$ 72.1	$ 155.1	$ 72.1
Premium per Customer (end of period)	$ 190	$ 163	$ 190	$ 163
Total revenue	$ 29.9	$ 13.8	$ 56.1	$ 24.8
Gross earned premium	$ 35.3	$ 16.0	$ 65.8	$ 28.5
Gross profit	$ 5.4	$ 1.7	$ 10.0	$ 2.9
Adjusted gross profit	$ 7.0	$ 2.3	$ 12.4	$ 4.1
Net loss	$ (21.0)	$ (23.1)	$ (57.5)	$ (44.7)
Adjusted EBITDA	$ (18.2)	$ (23.0)	$ (40.6)	$ (44.6)
Gross profit margin	18%	12%	18%	12%
Adjusted gross profit margin	23%	17%	22%	17%
Ratio of Adjusted Gross Profit to Gross Earned Premium	20%	14%	19%	14%
Gross loss ratio	67%	82%	70%	85%
Net loss ratio	70%	74%	71%	75%

Q3 2020 Guidance & Notables

Health Insurance for Pets

Early in Q3, we launched health insurance for cats and dogs, a hassle-free digital experience with lightning-fast claim payments, best-in-class customer service, and a donation of leftover premium going to animal-focused charities customers care about. Starting at $10 per month, Lemonade's pet insurance is available to both new and existing Lemonade customers, with the latter eligible for a discount of up to 10% off their monthly premium when they bundle their renters or homeowners policy with a pet policy. This is one of the only opportunities for consumers to bundle home insurance policies with pet health coverage.

Lemonade's unique take on pet health insurance couldn't be easier, or faster. This includes getting claims paid in seconds, accessing preventative care, receiving live health and wellness recommendations, and supporting animal nonprofits - all from the comfort of the phone. Few insurers offer any of these features, and none offers them all.

Lemonade's new pet health insurance product is available on lemonade.com/pet and through the Lemonade mobile app.

Giveback 2020

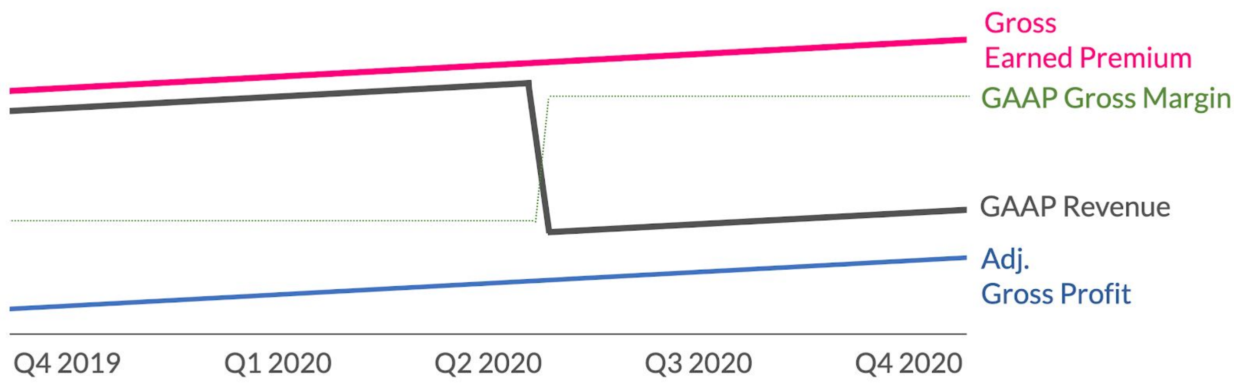
Giveback Day this year fell on August 6. Our steadily improving loss ratio and growing business resulted in Giveback 2020 being larger than the three previous years combined. We are happy to share that under the 2020 Giveback, $1,128,110 was donated to 34 nonprofit organizations chosen by customers, including the Direct Relief Covid Response, Malala Fund, UNICEF, Pencils of Promise, Born This Way, the Trevor Project, Objective Zero, March for Our Lives, ACLU's Criminal Justice, and 350.org.

Giveback Day is one of the more festive days in the Lemonade calendar, and as shareholders we hope you will join us in feeling some pride of ownership on Giveback Day! Our team puts a lot of love into (and often wins design accolades for) our annual Giveback page. Please visit this year's at www.lemonade.com/giveback-2020 to see all the numbers and impact - and to help spread the word.

Mind The GAAP

The end of Q2 marked the end of our three-year reinsurance agreements, and their replacement with our new and improved reinsurance contracts. While these leave our unit economics and risk profile largely unchanged, they do mark an important shift from an 'excess of loss' architecture to one based largely on 'proportional reinsurance.' The motivation for this restructuring is the capital efficiency it delivers, with every dollar of surplus now expected to support roughly three times the amount of premium that it did in Q2, rendering Lemonade a capital-light business. As shareholders, we imagine you'll share our enthusiasm for making every dollar go further.

While this restructuring doesn't change our In Force Premium, Gross Earned Premium, Adjusted Gross Profit, or other KPIs and Non-GAAP metrics, it does result in a significant change in GAAP Revenue, as GAAP excludes all ceded premiums (and proportional reinsurance is fundamentally about ceding premium). We believe that the change in our reinsurance contracts marks a significant improvement in the fundamentals of our business, but we want to prepare you that we expect it will result in a dip in GAAP Revenue and a spike in GAAP Gross Margin during the third quarter - even though no corresponding change in the size or profitability of our business took place at midnight June 30. As the following chart indicates, GAAP metrics change considerably as Q3 begins, while our non-GAAP KPIs do not.



In the years to come we expect to periodically revisit and optimize our reinsurance architecture in ways that may compound or reverse some of these GAAP swings, which is why we generally focus the evaluation of our business on our KPIs and Non-GAAP metrics (which are normalized for reinsurance) rather than exclusively on GAAP (which is not).

Locking Up or Locking Down?

Q3 is, historically, a moving season, and has typically been our strongest growth quarter as many people move in time for the new school year. The pandemic has put school openings in question - and we don't know how this may change the migratory patterns of Americans. Our guidance and planning assume that some of this historical seasonal pattern will persist, but that the impact may be less pronounced or more gradual as compared to prior years.

The Company's current expectations for the third quarter and full year 2020 are as follows:

Guidance for Third Quarter 2020

- In force premium at September 30 of $170 - $175 million
- Gross earned premium of $37 - $39 million
- Revenue of $14 - $15 million
- Adjusted EBITDA loss of $(32) - $(33) million
- Stock-based compensation expense of approximately $3 million
- Capital expenditures of approximately $1 million

Guidance for Full Year 2020

- In force premium at December 31 of $190 - $195 million
- Gross earned premium of $147 - $151 million
- Revenue of $86 - $88 million
- Adjusted EBITDA loss of $(106) - $(109) million
- Stock-based compensation expense of approximately $11 million
- Capital expenditures of approximately $4 million

A full reconciliation of Adjusted EBITDA guidance to net loss on a forward-looking basis cannot be provided without unreasonable efforts, as we are unable to provide reconciling information with respect to income tax expense, depreciation and amortization, interest income, net investment income, and other transactions that we consider to be unique in nature, all of which are adjustments to Adjusted EBITDA. We estimate that stock-based compensation expense for the third quarter and full year 2020 is approximately $3 million and $11 million, respectively. We have provided a reconciliation of GAAP to non-GAAP financial measures for the second quarter in the reconciliation tables at the end of this letter.

Non-GAAP financial measures and key operating metrics

The non-GAAP financial measures used in this letter to shareholders are Adjusted Gross Profit, Ratio of Adjusted Gross Profit to Gross Earned Premium, and Adjusted EBITDA. We define Adjusted EBITDA as net loss excluding interest expense, income tax expense, depreciation, amortization, stock-based compensation, net investment income, and other transactions that we consider to be unique in nature. We exclude these items from Adjusted EBITDA because we do not consider them to be directly attributable to our underlying operating performance. We use Adjusted EBITDA as an internal performance measure in the management of our operations because we believe it gives our management and other customers of our financial information useful insight into our results of operations and our underlying business performance. Adjusted EBITDA should not be viewed as a substitute for net loss calculated in accordance with GAAP, and other companies may define adjusted EBITDA differently. We define Adjusted Gross Profit as gross profit excluding net investment income, plus fixed costs and overhead associated with our underwriting operations including employee-related costs and professional fees and other, and depreciation and amortization allocated to cost of revenue. After these adjustments, the resulting calculation is inclusive of only those variable costs of revenue incurred on the successful acquisition of business and without the volatility of investment income. We use Adjusted Gross Profit as a key measure of our progress towards profitability and to consistently evaluate the variable contribution to our business from underwriting operations from period to period. We define Ratio of Adjusted Gross Profit to Gross Earned Premium as the ratio of adjusted gross profit to gross earned premium. The Ratio of Adjusted Gross Profit to Gross Earned Premium measures the relationship between the underlying business volume and gross economic benefit generated by our underwriting operations, on the one hand, and our underlying profitability trends, on the other. We rely on this measure, which supplements our gross profit ratio as calculated in accordance with GAAP, because it provides management with insight into our underlying profitability trends over time.

The non-GAAP financial measures used in this letter to shareholders have not been calculated in accordance with GAAP and should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. In addition, Adjusted Gross Profit and Adjusted EBITDA should not be construed as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Therefore, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Our management uses these non-GAAP financial measures, in conjunction with GAAP financial measures, as an integral part of managing our business and to, among other things: (i) monitor and evaluate the performance of our business operations and financial performance; (ii) facilitate internal comparisons of the historical operating performance of our business operations; (iii) facilitate external comparisons of the results of our overall business to the historical operating performance of other companies that may have different capital structures and debt levels; (iv) review and assess the operating performance of our management team; (v) analyze and evaluate financial and strategic planning decisions regarding future operating investments; and (vi) plan for and prepare future annual operating budgets and determine appropriate levels of operating investments.

Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the tables accompanying this letter to shareholders.

This letter to shareholders also includes key performance indicators, including customers, in force premium, premium per customer, gross earned premium, gross loss ratio and net loss ratio.

We define customers as the 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. We view customers as an important metric to assess our financial performance because customer growth drives our revenue, expands brand awareness, deepens our market penetration, creates additional upsell and cross-sell opportunities and generates additional data to continue to improve the functioning of our platform.

We define in force premium ("IFP") as the aggregate annualized premium for Customers as of the period end date. At each period end date, we calculate IFP 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 placed with third party insurance companies for which we earn a recurring commission payment. In force placed premium currently reflects less than 1% of IFP. The annualized value of premiums is a legal and contractual determination made by assessing the contractual terms with our customers. The annualized value of contracts is not determined by reference to historical revenues, deferred revenues or any other GAAP financial measure over any period. IFP is not a forecast of future revenues nor is it a reliable indicator of revenue expected to be earned in any given period. We believe that our calculation of IFP is useful to analysts and investors because it captures the impact of growth in Customers and Premium per Customer at the end of each reported period, without adjusting for known or projected policy updates, cancellations, rescissions and non-renewals. We use IFP because we believe it gives our management useful insight into the total reach of our platform by showing all in force policies underwritten and placed by us. Other companies, including companies in our industry, may calculate IFP differently or not at all, which reduces the usefulness of IFP as a tool for comparison.

We define Premium per Customer ("PPC") as the average annualized premium customers pay for products underwritten by us or placed by us with third-party insurance partners. We calculate PPC by dividing IFP by Customers. We view PPC as an important metric to assess our financial performance because PPC reflects the average amount of money our customers spend on our products, which helps drive strategic initiatives.

Gross earned premium is the earned portion of our gross written premium. We use this operating metric as we believe it gives our management and other users of our financial information useful insight into the gross economic benefit generated by our business operations and allows us to evaluate our underwriting performance without regard to changes in our underlying reinsurance structure. Unlike net earned premium, gross earned premium excludes the impact of premiums ceded to reinsurers, and therefore should not be used as a substitute for net earned premium, total revenue, or any other measure presented in accordance with GAAP.

We define gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium.

We define net loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense, less amounts ceded to reinsurers, to net earned premium.

Earnings teleconference information

The Company will discuss its second quarter financial results during a teleconference on August 12, 2020, at 8:00 AM ET. The conference call can be accessed in the U.S. at (888) 869-1189 or outside the U.S. at (706) 643-5902 with the conference ID# 5498817.

A live audio webcast of the call will also be available simultaneously at https://investor.lemonade.com

Following completion of the call, a recorded replay of the webcast will be available in the investor relations section of Lemonade's website. Additional investor information can be accessed at https://investor.lemonade.com

About Lemonade

Lemonade, Inc. (NYSE: LMND) offers renters, homeowners, and pet health insurance in the United States, and contents and liability insurance in Germany and the Netherlands, through its full-stack insurance carriers. Powered by artificial intelligence and behavioral economics, Lemonade set out to replace brokers and bureaucracy with bots and machine learning, aiming for zero paperwork and instant everything. A Certified B-Corp, Lemonade gives unused premiums to nonprofits selected by its community, during its annual Giveback. Lemonade is currently available for most of the United States, Germany and the Netherlands, and continues to expand globally.

For more information, please visit www.lemonade.com, and follow Lemonade on Twitter or Instagram.

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Safe harbor provision

This letter to shareholders contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this letter to shareholders that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our anticipated financial performance, including our financial outlook for the third quarter of 2020 and the full year 2020, our industry, business strategy, plans, goals and expectations concerning our market position, future operations 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, including, but not limited to, the following: our history of losses and the fact that we may not achieve or maintain profitability in the future; our ability to retain and expand our customer base; the fact that the “Lemonade” brand may not become as widely known as incumbents’ brands or the brand may become tarnished; the denial of claims or our failure to accurately and timely pay claims; our ability to attain greater value from each user; the novelty of our business model and its unpredictable efficacy and susceptibility to unintended consequences; the possibility that we could be forced to modify or eliminate our Giveback, which could undermine our business model; the results of examinations by our primary state insurance regulator that could result in adverse examinations findings and necessitate remedial actions or give rise to regulatory orders requiring remedial, injunctive, or other corrective action; our limited operating history; our ability to manage our growth effectively; the impact of intense competition in the segments of the insurance industry in which we operate on our ability to attain or increase profitability; the unavailability of reinsurance at current levels and prices, which could limit our ability to write new business; our ability to renew reinsurance contracts on comparable duration and terms to those currently in effect; our exposure to counterparty risks as a result of reinsurance; the loss of personal customer information, damage to our reputation and brand, or harm to our business and operating results as a result of security incidents or real or perceived errors, failures or bugs in our systems, website or app; our actual or perceived failure to protect customer information and other data, respect customers' privacy, or comply with data privacy and security laws and regulations; our ability to comply with extensive insurance industry regulations and the need to incur additional costs or devote additional resources to comply with changes to existing regulations; our exposure to additional regulatory requirements specific to other vertical markets that we enter or have entered, including auto, pet and life insurance, and the need to devote additional resources to comply with these regulations; and our inability to predict the lasting impacts of COVID-19 to our business in particular, and the global economy generally. These and other important factors are discussed under the caption "Risk Factors" in our Form 10-Q for the three months ended June 30, 2020 and our other filings with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this shareholder letter. Any such forward-looking statements represent management's beliefs as of the date of this press release. 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.

Lemonade

Condensed Consolidated Statements of Operations and Comprehensive Loss

$ in millions, except per share amounts, unaudited

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue				
Net earned premium	$ 29.2	$ 13.3	$ 54.5	$ 23.8
Ceding commission income	0.4	—	0.4	—
Net investment income	0.2	0.5	1.1	1.0
Commission income	0.1	—	0.1	—
Total revenue	29.9	13.8	56.1	24.8
Expense				
Loss and loss adjustment expense, net	20.5	9.9	38.7	17.8
Other insurance expense	4.0	2.2	7.3	4.1
Sales and marketing	16.1	19.0	35.3	37.4
Technology development	4.2	2.1	7.7	3.6
General and administrative	5.8	3.6	24.0	6.4
Total expense	50.6	36.8	113.0	69.3
Loss before income taxes	(20.7)	(23.0)	(56.9)	(44.5)
Income tax expense	0.3	0.1	0.6	0.2
Net loss	$ (21.0)	$ (23.1)	$ (57.5)	$ (44.7)
Other comprehensive income, net of tax				
Unrealized gain on investments	0.2	—	0.2	—
Comprehensive loss	$ (20.8)	$ (23.1)	$ (57.3)	$ (44.7)
Per Share Data:				
Net loss per share attributable to common stockholders—basic and diluted	$ (1.77)	$ (2.09)	$ (4.89)	$ (4.05)
Weighted average common shares outstanding—basic and diluted	11,891,979	11,072,985	11,750,198	11,028,667

Lemonade

Condensed Consolidated Balance Sheets

$ in millions, except per share amounts, unaudited

	As of			
	June 30,		December 31,	
	2020		2019	
Assets				
Investments				
Fixed maturities available-for-sale, at fair value (amortized cost: $6.5 million and $5.8 million as of June 30, 2020 and December 31, 2019)	$	6.7	$	5.9
Short-term investments		29.9		54.7
Total investments		36.6		60.6
Cash, cash equivalents and restricted cash		258.8		270.3
Premium receivable, net of allowance for doubtful accounts of $0.4 million and $0.2 million as of June 30, 2020 and December 31, 2019		64.9		54.1
Reinsurance recoverable		26.2		20.3
Prepaid reinsurance premium		—		1.0
Deferred acquisition costs		2.5		1.8
Property and equipment, net		4.3		3.1
Intangible assets		0.6		0.6
Other assets		6.0		2.5
Total assets	$	399.9	$	414.3
Liabilities, Convertible Preferred Stock and Stockholders' Deficit				
Unpaid losses and loss adjustment expense	$	35.3	$	28.2
Unearned premium		86.9		68.0
Trade payables		0.6		0.7
Other liabilities and accrued expense		18.5		19.7
Total liabilities		141.3		116.6
Commitments and contingencies (Note 15)				
Convertible preferred stock (Series Seed, A, B, C and D), $0.00001 par value; 31,557,107 shares authorized, issued and outstanding as of June 30, 2020 and December 31, 2019, respectively; aggregate liquidation preference of $480.8 million as of June 30, 2020		480.2		480.2
Stockholders' deficit:				
Common stock, $0.00001 par value, 52,000,000 shares authorized as of June 30, 2020 and December 31, 2019, respectively; 12,369,701 shares and 11,784,765 shares issued and 12,369,701 shares and 11,271,228 shares outstanding as of June 30, 2020 and December 31, 2019, respectively		—		—
Additional paid-in capital		33.9		15.7
Accumulated deficit		(255.8)		(198.3)
Accumulated other comprehensive income		0.3		0.1
Total stockholders' deficit		(221.6)		(182.5)
Total liabilities, convertible preferred stock and stockholders' deficit	$	399.9	$	414.3

Lemonade

Condensed Consolidated Statements of Cash Flows

$ in millions, unaudited

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	$ (57.5)	$ (44.7)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	0.7	0.1
Stock-based compensation	4.6	0.8
Amortization of discount on bonds	(0.3)	—
Bad debt expense	0.9	—
Noncash interest	—	(0.3)
Common share contribution to the Lemonade Foundation	12.2	—
Changes in operating assets and liabilities:		
Premium receivable	(11.6)	(13.0)
Reinsurance recoverable	(5.9)	(5.4)
Prepaid reinsurance premium	1.0	1.5
Deferred acquisition costs	(0.7)	(0.2)
Other assets	(3.5)	(2.9)
Unpaid loss and loss adjustment expense	7.1	7.6
Unearned premium	18.9	16.2
Trade payables	0.1	(0.2)
Other liabilities and accrued expense	(1.3)	2.8
Net cash used in operating activities	(35.3)	(37.7)
Cash flows from investing activities:		
Proceeds from short-term investments sold or matured	40.0	6.0
Proceeds from bonds sold or matured	2.2	—
Cost of short-term investments acquired	(14.9)	(14.8)
Cost of bonds acquired	(2.9)	(2.3)
Purchases of property plant and equipment	(1.9)	(1.4)
Net cash provided by (used in) investing activities	22.5	(12.5)
Cash flows from financing activities:		
Proceeds from release of shares upon repayment	1.3	—
Issuance of Preferred stock, net	—	174.4
Proceeds from stock exercises	0.1	0.3
Net cash provided by financing activities	1.4	174.7
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.1)	—
Net (decrease) increase in cash, cash equivalents and restricted cash	(11.5)	124.5
Cash, cash equivalents and restricted cash at beginning of period	270.3	102.4
Cash, cash equivalents and restricted cash at end of period	$ 258.8	$ 226.9
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 0.8	$ —

Lemonade

Reconciliation of Non-GAAP Financial Measures to GAAP

$ in millions, except for per share information, unaudited

Adjusted Gross Profit and Adjusted Gross Profit Margin

The following table provides a reconciliation of total revenue to adjusted gross profit and the related adjusted gross profit margin for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Total revenue	$ 29.9	$ 13.8	$ 56.1	$ 24.8
Adjustments:				
Loss and loss adjustment expense, net	20.5	$ 9.9	$ 38.7	$ 17.8
Other insurance expense	4.0	2.2	7.3	4.1
Depreciation and amortization	—	—	0.1	—
Gross profit	$ 5.4	$ 1.7	$ 10.0	$ 2.9
Gross profit margin (% of total revenue)	18 %	12 %	18 %	12 %
Adjustments:				
Net investment income	$ (0.2)	$ (0.5)	$ (1.1)	$ (1.0)
Employee-related expense	0.9	0.6	1.8	1.0
Professional fees and other	0.9	0.5	1.6	1.2
Depreciation and amortization	—	—	0.1	—
Adjusted gross profit	$ 7.0	$ 2.3	$ 12.4	$ 4.1
Adjusted gross profit margin (% of total revenue)	23 %	17 %	22 %	17 %

Ratio of Adjusted Gross Profit to Gross Earned Premium

The following table sets forth our calculation of the Ratio of Adjusted Gross Profit to Gross Earned Premium for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Numerator: Adjusted gross profit	$ 7.0	$ 2.3	$ 12.4	$ 4.1
Denominator: Gross earned premium	$ 35.3	$ 16.0	$ 65.8	$ 28.5
Ratio of Adjusted Gross Profit to Gross Earned Premium	20 %	14 %	19 %	14 %

Adjusted EBITDA

The following table provides a reconciliation of adjusted EBITDA to net loss for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Net loss	$ (21.0)	$ (23.1)	$ (57.5)	$ (44.7)
Adjustments:				
Income tax expense	$ 0.3	$ 0.1	$ 0.6	$ 0.2
Depreciation and amortization	0.4	0.1	0.7	0.1
Stock-based compensation	2.4	0.4	4.6	0.8
Contribution to the Lemonade Foundation	—	—	12.2	—
Interest income	(0.1)	—	(0.1)	—
Net investment income	(0.2)	(0.5)	(1.1)	(1.0)
Adjusted EBITDA	$ (18.2)	$ (23.0)	$ (40.6)	$ (44.6)

Lemonade

Supplemental Financial Information

$ in millions, unaudited

Stock-based compensation

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Loss and loss adjustment expense, net	$ 0.1	$ —	$ 0.1	$ —
Other insurance expense	0.2	0.1	0.4	0.2
Sales and marketing	0.6	0.1	1.3	0.2
Technology development	0.7	0.1	1.3	0.1
General and administrative	0.8	0.1	1.5	0.3
Total stock-based compensation expense	$ 2.4	$ 0.4	$ 4.6	$ 0.8

Written and Earned Premium

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	($ in millions)			
Gross written premium	$ 46.7	$ 25.4	$ 84.8	$ 44.7
Ceded written premium	(6.0)	(2.7)	(10.3)	(3.2)
Net written premium	40.7	22.7	74.5	41.5
Change in unearned premium	(5.4)	(6.7)	(8.7)	(13.0)
Gross earned premium	35.3	16.0	65.8	28.5
Ceded earned premium	(6.1)	(2.7)	(11.3)	(4.7)
Net earned premium	$ 29.2	$ 13.3	$ 54.5	$ 23.8

Lemonade

Historical Operating Metrics

	Three Months Ended								
	Jun. 30, 2018	Sept. 30, 2018	Dec. 31, 2019	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020
	($ in millions, except Premium per Customer)								
Customers (end of period)	168,491	257,367	308,835	371,571	442,752	562,251	643,118	729,325	814,160
In force premium (end of period)	$ 23.4	$ 35.6	$ 44.9	$ 57.2	$ 72.1	$ 94.9	$ 113.8	$ 133.3	$ 155.1
Premium per Customer (end of period)	$ 139	$ 138	$ 145	$ 154	$ 163	$ 169	$ 177	$ 183	$ 190
Total revenue	$ 4.2	$ 6.8	$ 9.0	$ 11.0	$ 13.8	$ 19.0	$ 23.5	$ 26.2	$ 29.9
Gross earned premium	$ 4.8	$ 7.5	$ 10.1	$ 12.5	$ 16.0	$ 21.0	$ 26.0	$ 30.5	$ 35.3
Gross profit	$ 0.4	$ 1.5	$ 1.3	$ 1.2	$ 1.7	$ 4.0	$ 4.8	$ 4.6	$ 5.4
Adjusted gross profit	$ 0.9	$ 1.6	$ 1.6	$ 1.8	$ 2.3	$ 3.9	$ 5.1	$ 5.4	$ 7.0
Net loss	$ (13.4)	$ (12.3)	$ (16.9)	$ (21.6)	$ (23.1)	$ (31.1)	$ (32.7)	$ (36.5)	$ (21.0)
Adjusted EBITDA	$ (13.0)	$ (12.1)	$ (16.8)	$ (21.6)	$ (23.0)	$ (30.4)	$ (31.4)	$ (22.4)	$ (18.2)
Gross profit margin	10 %	22 %	14 %	11 %	12 %	21 %	20 %	18 %	18 %
Adjusted gross profit margin	21 %	24 %	18 %	16 %	17 %	21 %	22 %	21 %	23 %
Ratio of Adjusted Gross Profit to Gross Earned Premium	19 %	21 %	16 %	14 %	14 %	19 %	20 %	18 %	20 %
Gross loss ratio	132 %	105 %	99 %	87 %	82 %	78 %	73 %	72 %	67 %
Net loss ratio	71 %	68 %	73 %	75 %	74 %	71 %	69 %	72 %	70 %