Lemonade

Shareholder Letter

Q1 2024

$794M

IN FORCE PREMIUM (IFP)

↑ 22% YOY

$379

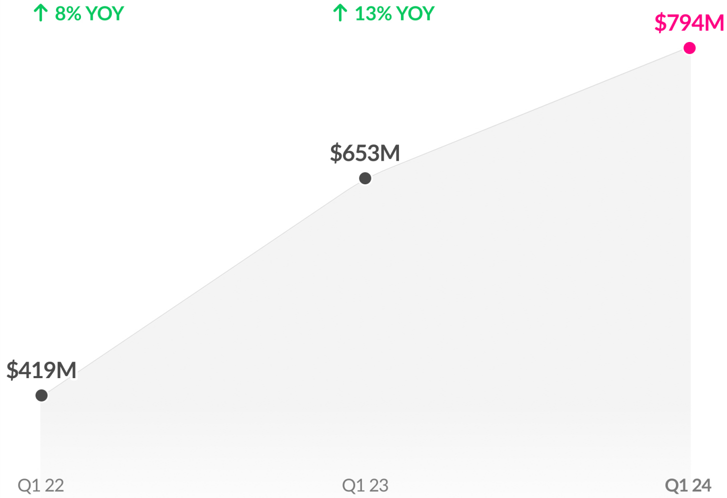
PREMIUM PER CUSTOMER

↑ 8% YOY

2,095,275

TOTAL CUSTOMERS

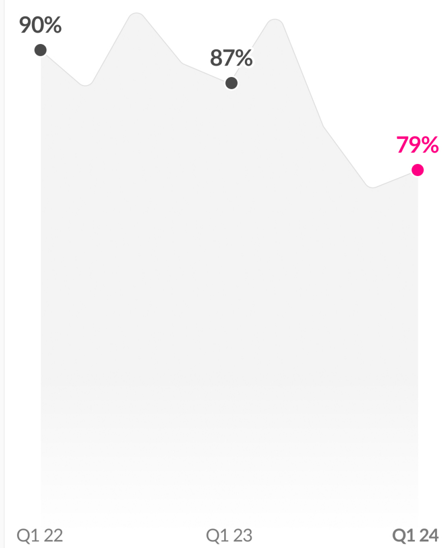
↑ 13% YOY

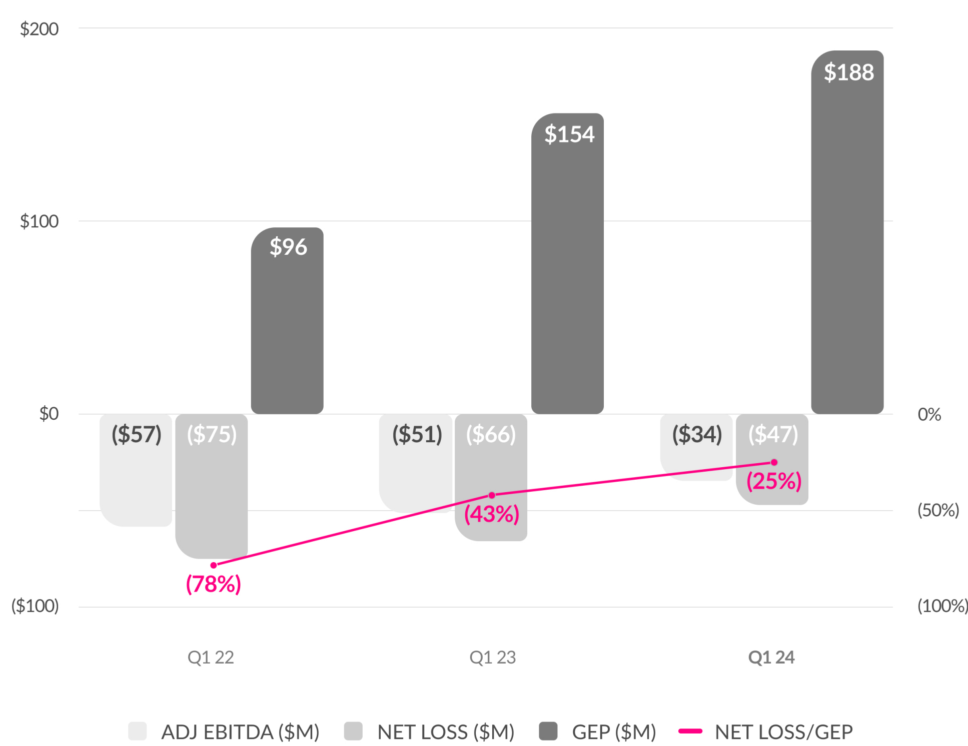


79%

GROSS LOSS RATIO

↓ 8% YOY





Dear Shareholders,

Our first quarter results were excellent, and we're pleased to note that we now expect cash flow breakeven by year-end 2024.

Here's a quick look at our operating metrics for Q1:

- **Top line:** At $794 million, in-force premium (IFP) grew 22% year on year, while total revenue grew 25%.

- **Loss Ratio:** At 79%, gross loss ratio showed an 8 point year on year improvement.

- **Gross Profit:** Climbed 110% year on year, while **Gross Profit Margin** improved by 12 points to 29%.

- **Operating Expense:** Increased just 2% year on year.

- **Bottom line:** At ($34) million, Adjusted EBITDA loss improved 33% year on year, while Net Loss at ($47) million, improved 28%.

The Power of Tech

In her blog post titled “How AI Is Revolutionizing the Financial Industry,” Adena Friedman, President and CEO of Nasdaq, wrote that “in the financial industry, artificial intelligence is not just a tool; it’s a strategic imperative. Companies that leverage AI to optimize operations, mitigate risks, and deliver superior customer experiences will emerge as leaders in the digital economy.”

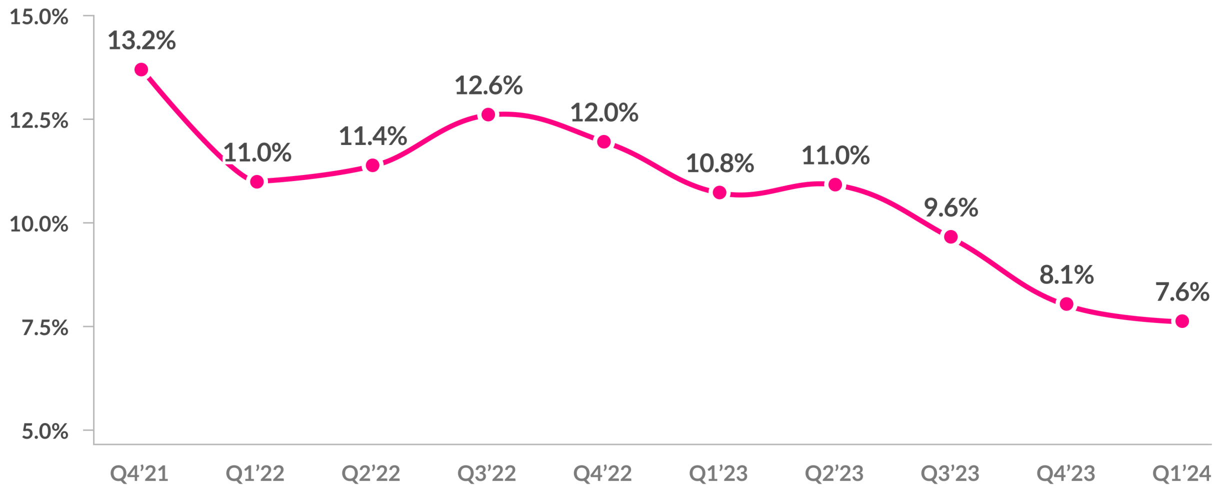
We agree with that premise entirely, and always have. In our 2020 IPO prospectus, we described technology as the primary and most critical pillar of our strategy, speaking of our ambition to “leverage technology in everything we do.” Indeed we believe that AI has the potential to completely redefine what good looks like in insurance.

This was our founding thesis, and we’re increasingly seeing results that back it up. One clear example: our loss adjustment expense ratio, or LAE ratio. LAE ratio - defined as loss adjustment expenses divided by gross earned premium - measures the operational overhead of managing claims. Since LAE is generally unaffected by growth spend and underwriting results, it is an excellent measure of *operational efficiency*, and so is a particularly helpful way to benchmark Lemonade's efficiency to the industry.

An LAE ratio of ~10%[1] is typical of leading insurers with tens of billions in premium. Despite our relatively small size, Lemonade’s LAE ratio, at 7.6% in Q1, is notably better than that benchmark, showcasing how technology can dramatically drive efficiency even before the benefits of scale kicks in. Indeed, we have nearly halved this ratio in just two years.

[1] Per Capital IQ S&P.

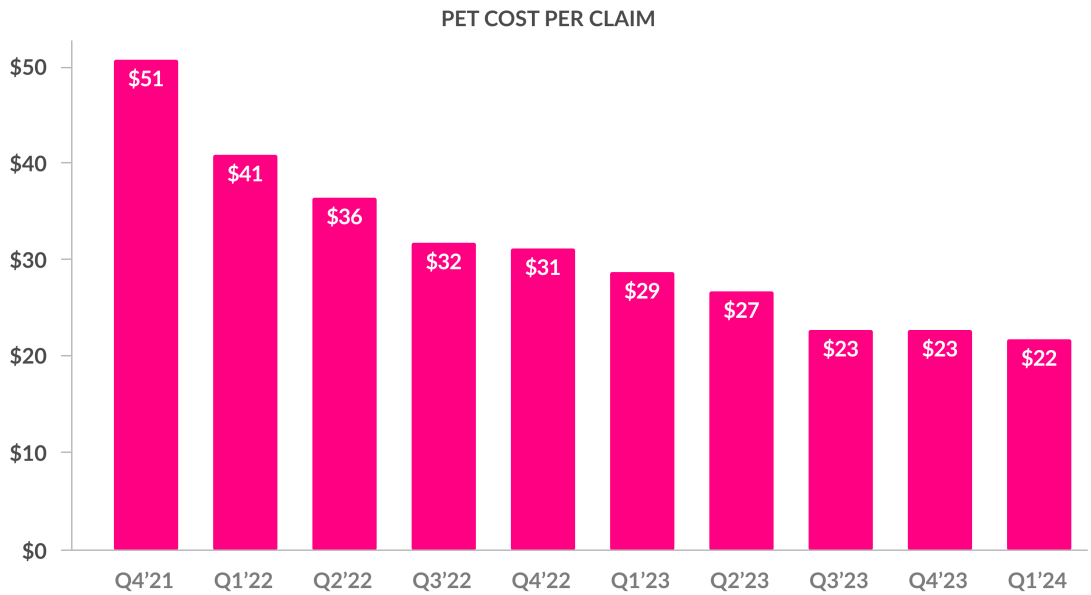
LAE RATIO OVER TIME



The unlock of this performance has been our continuous and broad deployment of AI and other technologies across customer interactions, which has driven a material reduction in the cost of managing each claim, while delighting customers.

Our pet business is a great place to see this in action. With its high frequency/low severity claim dynamic, the pet line of business enjoys an accelerated feedback loop - operating in 'dog years' if you like - allowing our tech to iterate rapidly.

As a result, we've seen a step change improvement in efficiency. In the past two years, inline with the rapid growth of the book, we saw a near doubling of the number of claims submitted - *but a less than 15% increase in claims support team headcount*. The chart shows how our cost per claim has declined by nearly 60% since Q4'21:



This playbook - the relentless pursuit of automation at every stage, enabled by a range of AIs - is actively being applied in all our lines of business, and all parts of the company. Case in point: our headcount shrank 11% year on year, even as our total book surged by 22%. This speaks volumes for the widespread impact of technology throughout the company.

Cash Flow Breakeven and Acceleration & Beyond

Previously, we indicated our expectation that net cash flow breakeven would occur during the first half of 2025. We are pleased to note that our expectations have improved due to (a) sustained strength in our underlying unit economics, (b) impact of technology on various expense categories, and (c) working capital benefits of our reinsurance structure.

Our expected net cash flow breakeven date has therefore **accelerated to year-end 2024,** such that by Q1 2025, we expect to be generating positive net cash flow on a consistent basis.

Net cash flow breakeven, while an important milestone, is certainly not our final destination. We are increasingly focused on **what comes next**. Once generating positive cash flow, we expect to benefit from an increasing cash and investments balance, with growing investment income contribution. This will enable us to lean in and reinvest in cash-flow generative, capital-light growth with maximum confidence.

Q1 2024 Results, KPIs and Non-GAAP Financial Measures

In Force Premium

IFP, defined as the aggregate annualized premium for customers as of the period end date, increased by 22% to $794.2 million as compared to the first quarter of 2023.

Customers

Customer count increased by 13% to 2,095,275 as compared to the first quarter of 2023.

Premium per Customer

Premium per customer, defined as in force premium divided by customers, was $379 at the end of the first quarter, up 8% from the first quarter of 2023.

Annual Dollar Retention

ADR, defined as the 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, was 88% at the end of the first quarter, an increase of 1 percentage point from first quarter of 2023.

Gross Earned Premium

First quarter gross earned premium of $187.9 million increased by $33.7 million or 22% as compared to the first quarter of 2023, primarily due to the increase of IFP earned during the quarter.

Revenue

First quarter revenue of $119.1 million increased by $23.9 million or 25% as compared to the first quarter of 2023, primarily due to the increase of gross earned premium, ceding commission income and net investment income.

Gross Profit

First quarter gross profit of $34.7 million increased by $18.2 million or 110% as compared to the first quarter of 2023, primarily due to higher earned premium and improved loss ratio in the first quarter this year.

Adjusted Gross Profit

First quarter adjusted gross profit of $36.7 million increased by $16.1 million or 78% as compared to the first quarter of 2023, primarily due to higher earned premium and improved loss ratio in the first quarter.

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 net loss and loss adjustment expense, of $98.4 million increased by $2.1 million or 2% as compared to the first quarter of 2023. The increase was primarily driven by higher growth spend for customer acquisition, offset by lower employee related costs. Growth acquisition spend, part of sales and marketing expense, was $19.8 million in the quarter.

Net Loss

Net loss in the first quarter was ($47.3) million, or ($0.67) per share, as compared to ($65.8) million, or ($0.95) per share, in the first quarter of 2023.

Adjusted EBITDA

Adjusted EBITDA loss of ($33.9) million improved by $16.9, or 33%, as compared to an Adjusted EBITDA loss of ($50.8) million in the first quarter of 2023, primarily due to higher revenue in the first quarter.

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 & Investments

The Company's cash, cash equivalents, and investments totaled approximately $927 million at March 31, 2024.

As of March 31, 2024, approximately $186 million is carried by our insurance subsidiaries as regulatory surplus.

Key Operating and Financial Metrics

	Three Months Ended March 31,	
	2024	2023
	($ in millions, except Premium per customer)	
Customers (end of period)	2,095,275	1,856,012
In force premium (end of period)	$ 794.2	$ 653.3
Premium per customer (end of period)	$ 379	$ 352
Annual dollar retention (end of period)	88%	87%
Total revenue	$ 119.1	$ 95.2
Gross earned premium	$ 187.9	$ 154.2
Gross profit	$ 34.7	$ 16.5
Adjusted gross profit	$ 36.7	$ 20.6
Net loss	$ (47.3)	$ (65.8)
Adjusted EBITDA	$ (33.9)	$ (50.8)
Gross profit margin	29%	17%
Adjusted gross profit margin	31%	22%
Ratio of Adjusted Gross Profit to Gross Earned Premium	20%	13%
Gross loss ratio	79%	87%
Net loss ratio	78%	93%

Guidance

Second Quarter 2024

We expect:

- In force premium at June 30, 2024 of $839 - $841 million (~22% growth YoY)
- Gross earned premium of $197 - $199 million (~21% growth YoY)
- Revenue of $118 - $120 million (~15% growth YoY)
- Adjusted EBITDA loss of ($49) - ($47) million (~11% improvement YoY)
- Stock-based compensation expense of approximately $15 million
- Capital expenditures of approximately $3 million
- Weighted total common shares outstanding of approximately 70 million shares

Full Year 2024

We expect:

- In force premium at December 31, 2024 of $940 - $944 million (~26% growth YoY)
- Gross earned premium of $818 - $822 million (~22% growth YoY)
- Revenue of $511 - $515 million (~20% growth YoY)
- Adjusted EBITDA loss of ($155) - ($151) million (~13% improvement YoY)
- Stock-based compensation expense of approximately $62 million
- Capital expenditures of approximately $10 million
- Weighted total common shares outstanding of approximately 71 million shares

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 have provided a reconciliation of GAAP to non-GAAP financial measures for the first quarter March 31, 2024 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 EBITDA, Adjusted Gross Profit, and Ratio of Adjusted Gross Profit to Gross Earned Premium.

We define adjusted EBITDA, a non-GAAP financial measure, as 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. 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 U.S. GAAP, and other companies may define adjusted EBITDA differently.

We define adjusted gross profit, a non-GAAP financial measure, as 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. 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 gross profit margin, ratio of adjusted gross profit to gross earned premium, 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, annual dollar retention, gross earned premium, gross loss ratio, net loss ratio and gross loss ratio ex-CAT.

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

We define annual dollar retention ("ADR"), as the 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. Beginning in the third quarter of 2023, ADR included Metromile. We believe that our calculation of ADR is useful to analysts and investors because it captures our ability to retain customers and sell additional products and coverage to them over time. We view ADR as an important metric to measure our ability to provide a delightful end-to-end customer experience, satisfy our customers' evolving insurance needs and maintain our customers' trust in our products. Our customers become more valuable to us every year they continue to subscribe to our products. Other companies, including companies in our industry, may calculate ADR differently or not at all, which reduces the usefulness of ADR as a tool for comparison.

Gross earned premium ("GEP") is the earned portion of our gross written premium. Gross earned premium includes direct and assumed premium. In December 2022, we began assuming premium related to car insurance policies written in Texas, in connection with our fronting arrangement with a third party carrier in Texas, and this did not impact the key performance indicators prior to fourth quarter of 2022. 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.

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

We define net cash flow as the change in cash and investments.

We define trailing twelve month "TTM" gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium for the past twelve months.

Links

The information contained on, or that can be accessed through, hyperlinks included herein is deemed not to be incorporated in or part of this shareholder letter.

Earnings teleconference information

The Company will discuss its first quarter 2024 financial results and business outlook during a teleconference on May 1, 2024, at 8:00 AM ET.

The conference call (access code 224363) can be accessed toll-free at 1-833-470-1428, or at 1-404-975-4839.

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 on the investor relations section of Lemonade's website. Additional investor information can be accessed at https://investor.lemonade.com

About Lemonade

Lemonade offers renters, homeowners, pet, car, and life insurance. Powered by artificial intelligence and behavioral economics, Lemonade's full stack insurance carriers in the US, the UK and the EU replace brokers and bureaucracy with bots and machine learning, aiming for zero paperwork and instant everything. A Certified B-Corp, Lemonade donates to nonprofits selected by its community, during its annual Giveback. Lemonade is currently available in the United States, the UK, Germany, the Netherlands, and France, and continues to expand globally.

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

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Forward-looking statement safe harbor

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 and upgraded guidance, including our financial outlook for the second quarter and full year 2024, our future profitability, the expectations regarding the impact of increased rate filings, the expected benefits, accuracy and growth of our predictive and generative AI models, the impact of our agreement with General Catalyst as a synthetic agent, our anticipated growth, 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 that we may not achieve or maintain profitability in the future; our success and ability to retain and expand our customer base; 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; availability of reinsurance at current levels and prices; our exposure to counterparty risks; our limited operating history; our ability to manage our growth effectively; our proprietary artificial intelligence algorithms may not operate properly or as expected; the intense competition in the segments of the insurance industry in which we operate; our ability to maintain our risk-based capital at the required levels; our ability to expand our product offerings; 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; regulatory risks, related to the operation, development, and implementation of our proprietary artificial intelligence algorithms and telematics based pricing model; legislation or legal requirements that may affect how we communicate with customers; the cyclical nature of the insurance industry; our reliance on artificial intelligence, telematics, mobile technology, and our digital platforms to collect data that we utilize in our business; our ability to obtain additional capital to the extent required to grow our business, which may not be available on terms acceptable to us or at all; our actual or perceived failure to protect customer information and other data as a result of security incidents or real or perceived errors, failures or bugs in our systems, website or app, respect customers' privacy, or comply with data privacy and security laws and regulations; periodic examinations by state insurance regulators; underwriting risks accurately and charging competitive yet profitable rates to customers; our ability to underwrite risks accurately and charge competitive yet profitable rates to our customers; potentially significant expenses incurred in connection with any new products before generating revenue from such products; risks associated with any costs incurred and other risks as we expand our business in the U.S. and internationally; our ability to comply with extensive insurance industry regulations; our ability to comply with insurance regulators and additional reporting requirements on insurance holding companies; our ability to predict the impacts of severe weather events and catastrophes, including the effects of climate change and global pandemics, on our business and the global economy generally; increasing scrutiny, actions, and changing expectations on environmental, social, and governance matters; fluctuations of our results of operations on a quarterly and annual basis; our utilization of customer and third party data in underwriting our policies; limitations in the analytical models used to assess and predict our exposure to catastrophe losses; potential losses could be greater than our loss and loss adjustment expense reserves; the minimum capital and surplus requirements our insurance subsidiaries are required to have; assessments and other surcharges from state guaranty funds; our status and obligations as a public benefit corporation; our operations in Israel and the current political, economic, and military instability, including the evolving conflict in Israel and surrounding region.

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, our 10-Q to be filed on or about May 1, 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 letter to shareholders. Any such forward-looking statements represent management's beliefs as of the date of this letter to shareholders. 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.

News & Information Disclosure

Investors should note that we may use our website (investor.lemonade.com), blog (lemonade.com/blog), and our company account on Twitter and LinkedIn as a means of disclosing information and for complying with our disclosure obligations under Regulation FD. The information we post through these channels may be deemed material. Investors should monitor these channels in addition to reviewing our press releases, SEC filings, and public conference calls.

Condensed Consolidated Statements of Operations and Comprehensive Loss

$ in millions, except per share amounts, unaudited

	Three Months Ended March 31,	
	2024	2023
Revenue		
Net earned premium	$ 84.4	$ 68.2
Ceding commission income	21.0	17.2
Net investment income	7.6	5.0
Commission and other income	6.1	4.8
Total revenue	119.1	95.2
Expense		
Loss and loss adjustment expense, net	65.9	63.6
Other insurance expense	17.3	13.6
Sales and marketing	30.4	28.2
Technology development	20.9	21.8
General and administrative	29.8	32.7
Total expense	164.3	159.9
Loss before income taxes	(45.2)	(64.7)
Income tax expense	2.1	1.1
Net loss	$ (47.3)	$ (65.8)
Other comprehensive loss, net of tax		
Unrealized gain loss on investments in fixed maturities	0.7	6.0
Foreign currency translation adjustment	(0.9)	(0.7)
Comprehensive loss	$ (47.5)	$ (60.5)
Per share data:		
Net loss per share attributable to common stockholders—basic and diluted	$ (0.67)	$ (0.95)
Weighted average common shares outstanding—basic and diluted	70,284,486	69,334,103

Condensed Consolidated Balance Sheets

$ in millions, except per share amounts

	As of	
	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets		
Investments		
Fixed maturities available-for-sale, at fair value (amortized cost: $623.5 million and $632.0 million as of March 31, 2024 and December 31, 2023, respectively)	$ 619.8	$ 627.4
Short-term investments (cost: $22.1 million and $45.8 million as of March 31, 2024 and December 31, 2023, respectively)	22.1	45.8
Total investments	641.9	673.2
Cash, cash equivalents and restricted cash	285.2	271.5
Premium receivable, net of allowance for credit losses of $2.5 million and $2.5 million as of March 31, 2024 and December 31, 2023, respectively	237.1	222.0
Reinsurance recoverable	170.1	138.4
Prepaid reinsurance premium	204.5	196.3
Deferred acquisition costs	9.8	8.8
Property and equipment, net	17.2	17.4
Intangible assets	20.5	22.9
Goodwill	19.0	19.0
Other assets	41.1	63.8
Total assets	$ 1,646.4	$ 1,633.3
Liabilities and Stockholders' Equity		
Unpaid loss and loss adjustment expense	$ 264.0	$ 262.3
Unearned premium	371.3	353.7
Trade payables	0.6	0.6
Funds held for reinsurance treaties	132.4	128.8
Deferred ceding commission	46.3	41.4
Ceded premium payable	26.6	23.2
Borrowings under financing agreement	28.3	14.9
Other liabilities and accrued expenses	100.5	99.5
Total liabilities	970.0	924.4
Commitments and Contingencies		
Stockholders' equity		
Common stock, $0.00001 par value, 200,000,000 shares authorized; 70,478,088 and 70,163,703 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	1,829.5	1,814.5
Accumulated deficit	(1,143.9)	(1,096.6)
Accumulated other comprehensive loss	(9.2)	(9.0)
Total stockholders' equity	676.4	708.9
Total liabilities and stockholders' equity	$ 1,646.4	$ 1,633.3

Condensed Consolidated Statements of Cash Flows

$ in millions, unaudited

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (47.3)	$ (65.8)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5.0	5.1
Stock-based compensation	14.9	15.4
Amortization of (premium) discount on bonds	(1.3)	0.2
Provision for bad debt	3.2	2.3
Changes in operating assets and liabilities:		
Premium receivable	(18.3)	(7.7)
Reinsurance recoverable	(31.7)	3.1
Prepaid reinsurance premium	(8.2)	4.7
Deferred acquisition costs	(1.0)	—
Other assets	22.7	0.7
Unpaid loss and loss adjustment expense	1.7	(11.0)
Unearned premium	17.6	9.8
Trade payables	—	0.8
Funds held for reinsurance treaties	3.6	(6.9)
Deferred ceding commissions	4.9	(0.2)
Ceded premium payable	3.4	2.5
Other liabilities and accrued expenses	1.0	0.6
Net cash used in operating activities	(29.8)	(46.4)
Cash flows from investing activities:		
Proceeds from short-term investments sold or matured	29.3	36.6
Proceeds from bonds sold or matured	58.7	106.9
Cost of short-term investments acquired	(5.4)	(23.2)
Cost of bonds acquired	(49.2)	(102.3)
Purchases of property and equipment	(2.5)	(2.7)
Net cash provided by investing activities	30.9	15.3
Cash flows from financing activities:		
Proceeds from borrowings under financing agreement	17.5	—
Payments on borrowings under financing agreement	(4.1)	—
Proceeds from stock exercises	0.1	0.1
Net cash provided by financing activities	13.5	0.1
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(0.9)	(0.7)
Net increase (decrease) in cash, cash equivalents and restricted cash	13.7	(31.7)
Cash, cash equivalents and restricted cash at beginning of period	271.5	286.5
Cash, cash equivalents and restricted cash at end of period	$ 285.2	$ 254.8
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 0.3	$ 0.2
Cash paid for interest expense on borrowings under financing agreement	$ 0.5	$ —

Reconciliation of Non-GAAP Financial Measures to their Most Directly Comparable GAAP Financial Measures

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 March 31,	
	2024	2023
	($ in millions)	
Total revenue	$ 119.1	$ 95.2
Adjustments:		
Loss and loss adjustment expense, net	$ (65.9)	$ (63.6)
Other insurance expense	(17.3)	(13.6)
Depreciation and amortization	(1.2)	(1.5)
Gross profit	$ 34.7	$ 16.5
Gross profit margin (% of total revenue)	29%	17%
Adjustments:		
Net investment income	$ (7.6)	$ (5.0)
Interest income and other income	(2.2)	(0.7)
Employee-related expense	5.4	3.8
Professional fees and other	5.2	4.5
Depreciation and amortization	1.2	1.5
Adjusted gross profit	$ 36.7	$ 20.6
Adjusted gross profit margin (% of total revenue)	31%	22%

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 March 31,	
	2024	2023
	($ in millions)	
Numerator: Adjusted gross profit	$ 36.7	$ 20.6
Denominator: Gross earned premium	$ 187.9	$ 154.2
Ratio of Adjusted Gross Profit to Gross Earned Premium	20%	13%

Adjusted EBITDA

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

	Three Months Ended March 31,	
	2024	2023
	($ in millions)	
Net loss	$ (47.3)	$ (65.8)
Adjustments:		
Income tax expense	2.1	1.1
Depreciation and amortization	5.0	5.2
Stock-based compensation (1)	14.9	15.4
Interest expense	0.6	—
Interest income and others	(1.5)	(0.7)
Net investment income	(7.6)	(5.0)
Change in fair value of warrants liability	—	(0.3)
Amortization of fair value adjustment on insurance contract intangible liability relating to the Metromile acquisition	(0.1)	(0.7)
Adjusted EBITDA	$ (33.9)	$ (50.8)

(1) Includes compensation expense related to warrant shares of $0.9 million for the three months ended March 31, 2024, and none for the three months ended March 31, 2023.

Supplemental Financial Information

$ in millions, unaudited

Stock-based compensation

	Three Months Ended March 31,	
	2024	2023
Loss and loss adjustment expense, net	$ 0.5	$ 0.7
Other insurance expense	0.6	0.5
Sales and marketing [1]	2.0	1.2
Technology development	6.4	6.7
General and administrative	5.4	6.3
Total stock-based compensation expense	$ 14.9	$ 15.4

(1) Includes compensation expense related to warrant shares of $0.9 million for the three months ended March 31, 2024

Written and Earned Premium

	Three Months Ended March 31,			
	2024	2023	Change	% Change
	($ in millions)			
Gross written premium	$ 205.6	$ 164.0	$ 41.6	25%
Ceded written premium	(111.7)	(81.3)	(30.4)	37%
Net written premium	$ 93.9	$ 82.7	$ 11.2	14%

	Three Months Ended March 31,			
	2024	2023	Change	% Change
	($ in millions)			
Gross earned premium	$ 187.9	$ 154.2	$ 33.7	22%
Ceded earned premium	(103.5)	(86.0)	(17.5)	20%
Net earned premium	$ 84.4	$ 68.2	$ 16.2	24%

Historical Operating Metrics

$ in millions except Premium per customer

	Mar. 31, 2022	Jun. 30, 2022	Sept. 30, 2022	Dec. 31, 2022	Mar. 31 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023	Mar. 31, 2024
Customers (end of period)	1,504,197	1,579,936	1,775,824	1,807,548	1,856,012	1,906,408	1,984,154	2,026,918	2,095,275
In force premium (end of period)	$ 419.0	$ 457.6	$ 609.2	$ 625.1	$ 653.3	$ 686.6	$ 719.0	$ 747.3	$ 794.2
Premium per customer (end of period)	$ 279	$ 290	$ 343	$ 346	$ 352	$ 360	$ 362	$ 369	$ 379
Annual dollar retention (end of period)	82%	83%	84%	86%	87%	87%	85%	87%	88%
Total revenue	$ 44.3	$ 50.0	$ 74.0	$ 88.4	$ 95.2	$ 104.6	$ 114.5	$ 115.5	$ 119.1
Gross earned premium	$ 96.0	$ 106.8	$ 136.4	$ 151.3	$ 154.2	$ 163.9	$ 173.2	$ 181.0	$ 187.9
Gross profit	$ 10.2	$ 11.3	$ 8.1	$ 12.7	$ 16.5	$ 12.1	$ 21.9	$ 33.6	$ 34.7
Adjusted gross profit	$ 16.3	$ 17.5	$ 13.2	$ 17.9	$ 20.6	$ 16.6	$ 24.9	$ 35.3	$ 36.7
Net loss	$ (74.8)	$ (67.9)	$ (91.4)	$ (63.7)	$ (65.8)	$ (67.2)	$ (61.5)	$ (42.4)	$ (47.3)
Adjusted EBITDA	$ (57.4)	$ (50.3)	$ (65.7)	$ (51.7)	$ (50.8)	$ (52.7)	$ (40.2)	$ (28.9)	$ (33.9)
Gross profit margin	23%	23%	11%	14%	17%	12%	19%	29%	29%
Adjusted gross profit margin	37%	35%	18%	20%	22%	16%	22%	31%	31%
Ratio of Adjusted Gross Profit to Gross Earned Premium	17%	16%	10%	12%	13%	10%	14%	20%	20%
Gross loss ratio	90%	86%	94%	89%	87%	94%	83%	77%	79%
Net loss ratio	89%	90%	105%	97%	93%	99%	88%	78%	78%

Appendix to the Q1 2024 Shareholder Letter

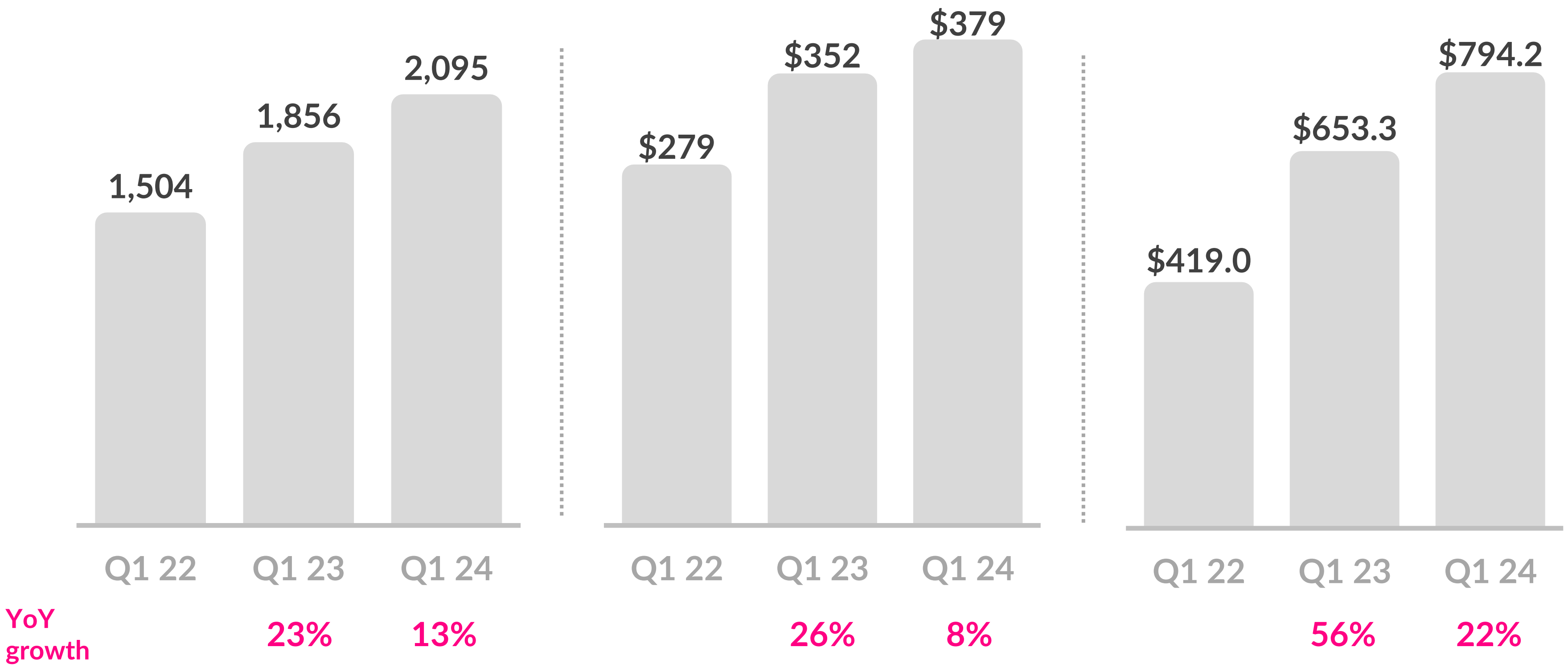
Customers
(in '000s)

*

Premium Per Customer

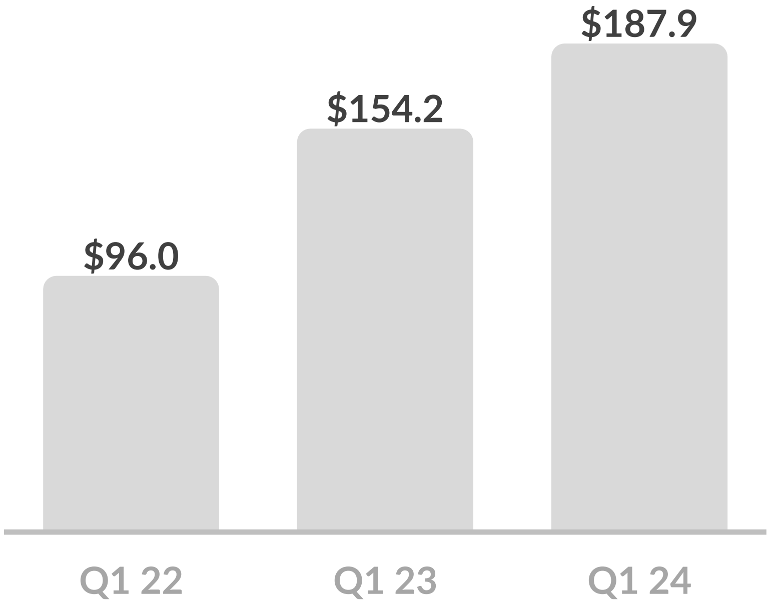
=

In Force Premium
($s in m)



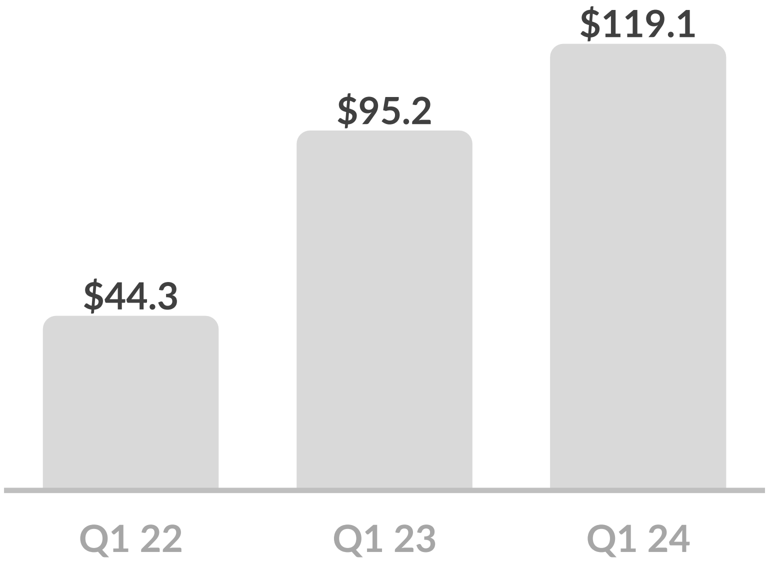
Gross Earned Premium (“GEP”)

($s in m)



Revenue

($s in m)

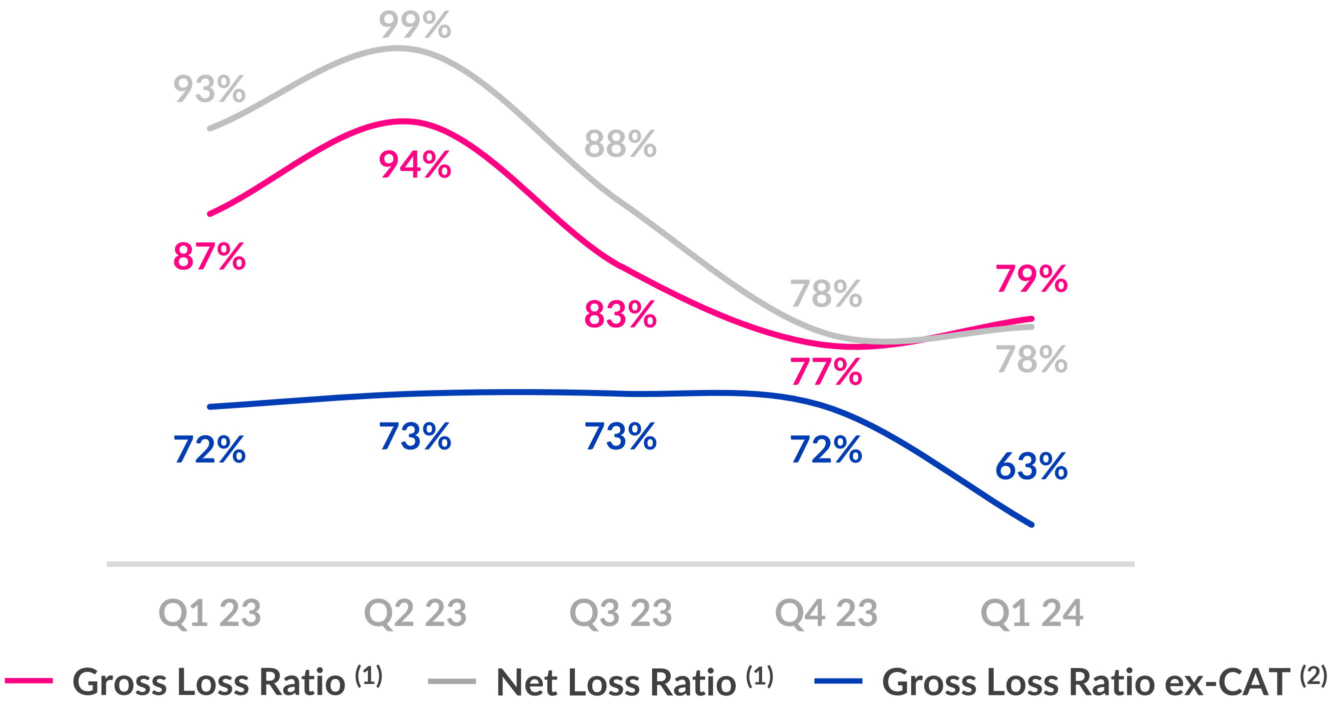


YoY growth

GEP: 61% (Q1 23), 22% (Q1 24)

Revenue: 115% (Q1 23), 25% (Q1 24)

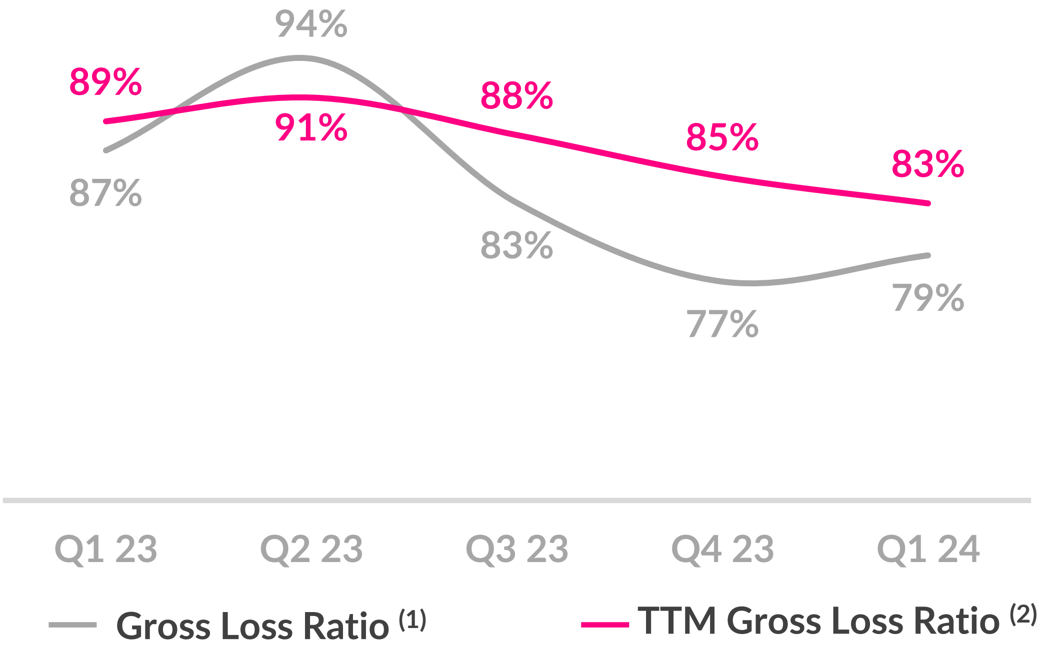
Loss Ratio



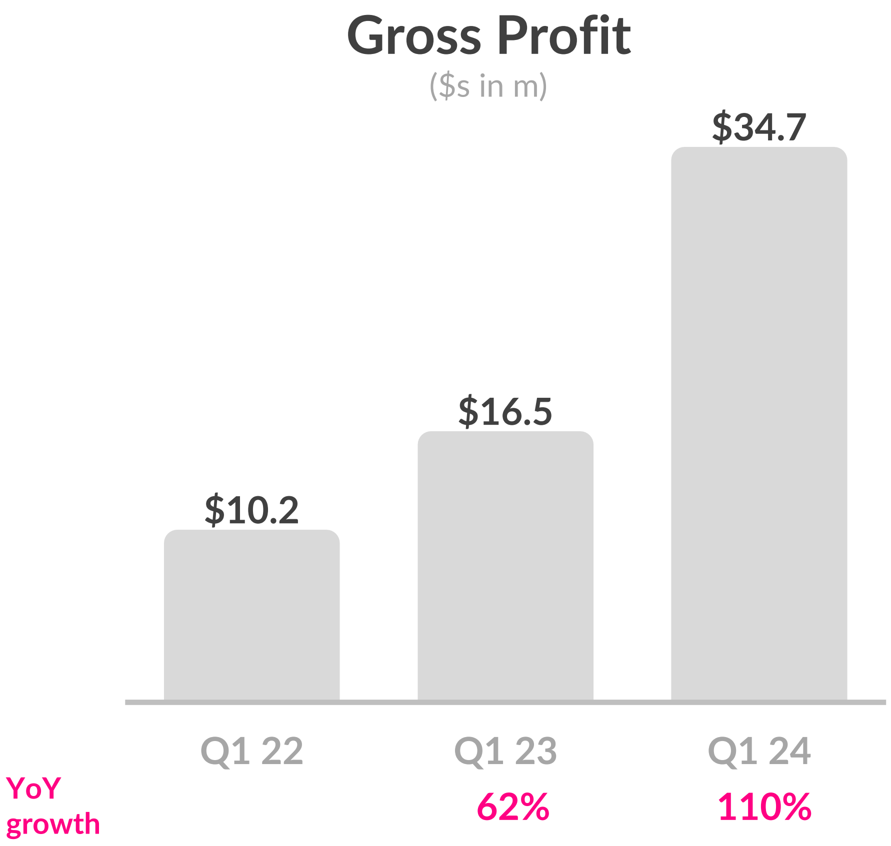
(1) We define gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium, and net loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense, less amounts ceded to reinsurers, to net earned premium.
(2) We define gross loss ratio ex-CAT, expressed as a percentage, as the ratio of losses and loss adjustment expense excluding catastrophic losses to gross earned premium.

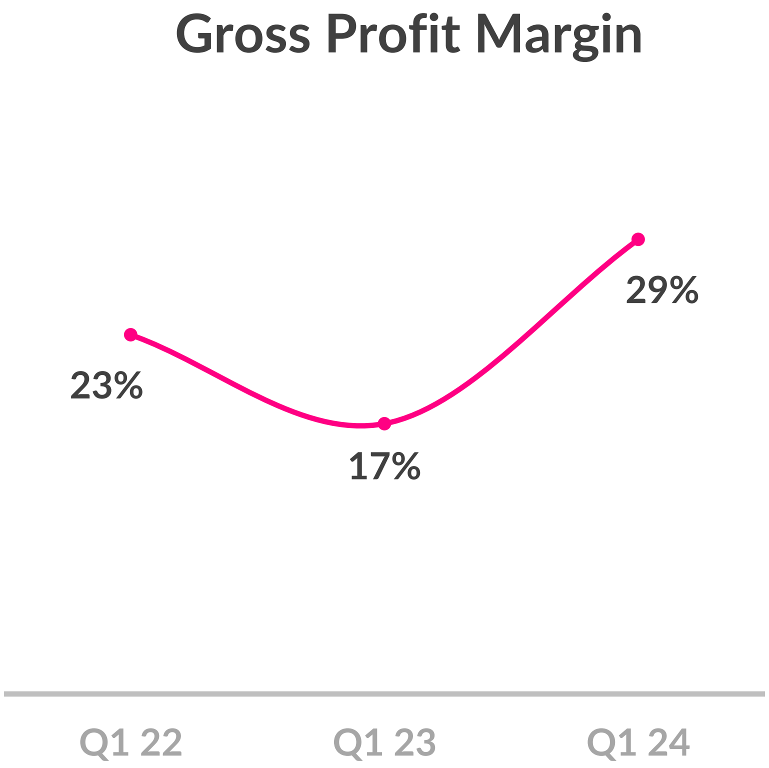
Loss Ratio

Quarterly vs. Trailing Twelve Month ("TTM")



(1) We define gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium.
(2) We define trailing twelve month "TTM" gross loss ratio, expressed as a percentage, as the ratio of losses and loss adjustment expense to gross earned premium for the past twelve months.


Gross Profit
($s in m)
$10.2
$16.5
$34.7
Q1 22
Q1 23
Q1 24
YoY growth
62%
110%


Gross Profit Margin
23%
17%
29%
Q1 22
Q1 23
Q1 24

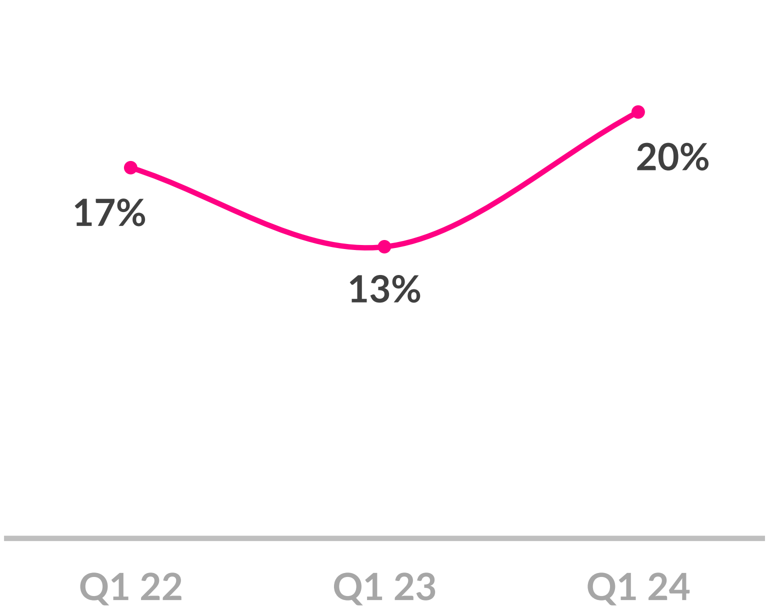
Adj. Gross Profit (1)

($s in m)

YoY growth

Q1 22	Q1 23	Q1 24
	26%	78%

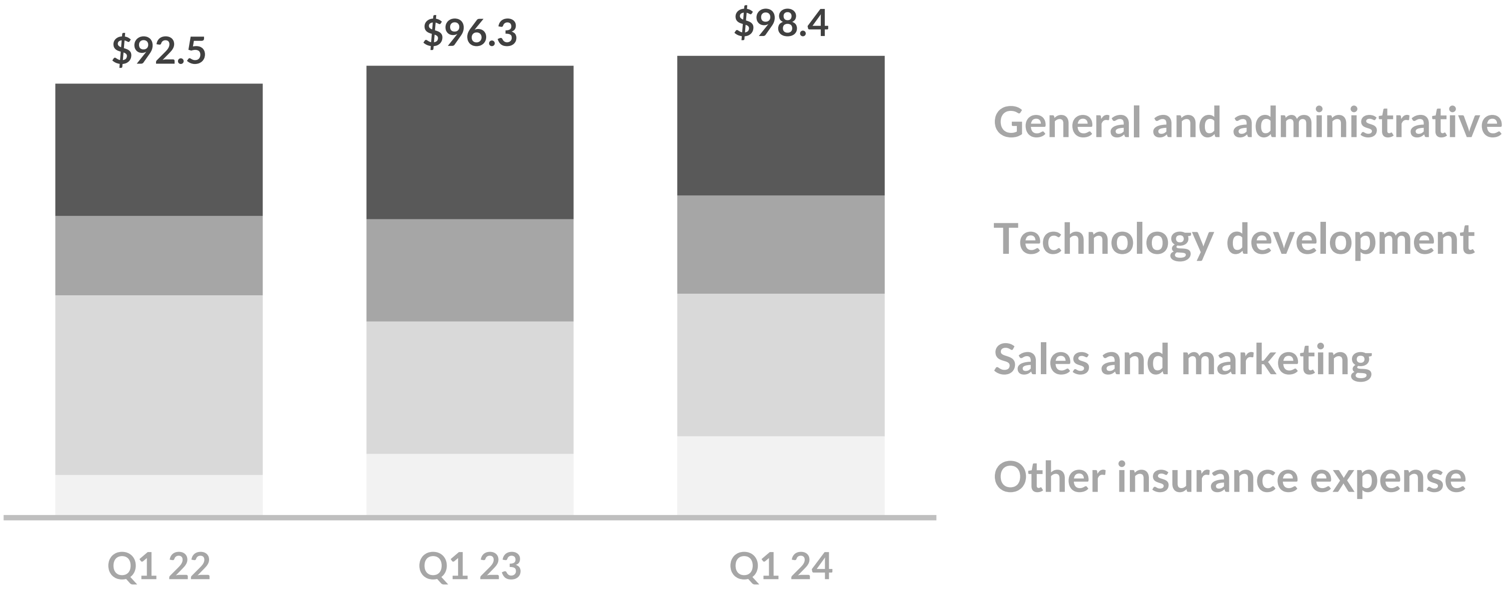
Ratio of Adj. Gross Profit to GEP



(1) This is a non-GAAP metric. For a description of these metrics and a reconciliation to the most directly comparable GAAP measure, please see "Reconciliation of Non-GAAP Financial Measures to GAAP" and "Non-GAAP financial measures and key operating metrics".

Operating Expenses [1]

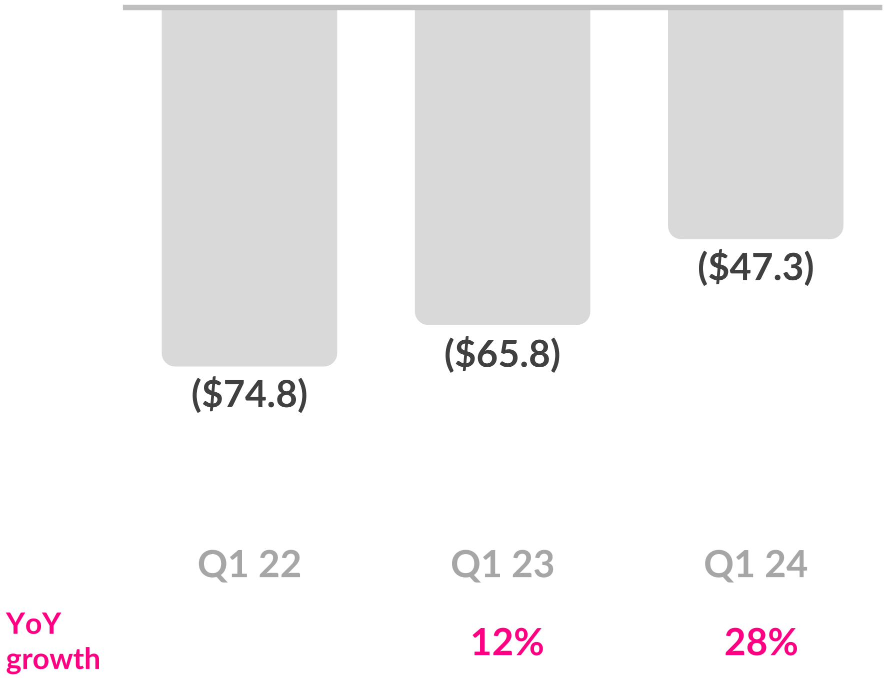
($s in m)

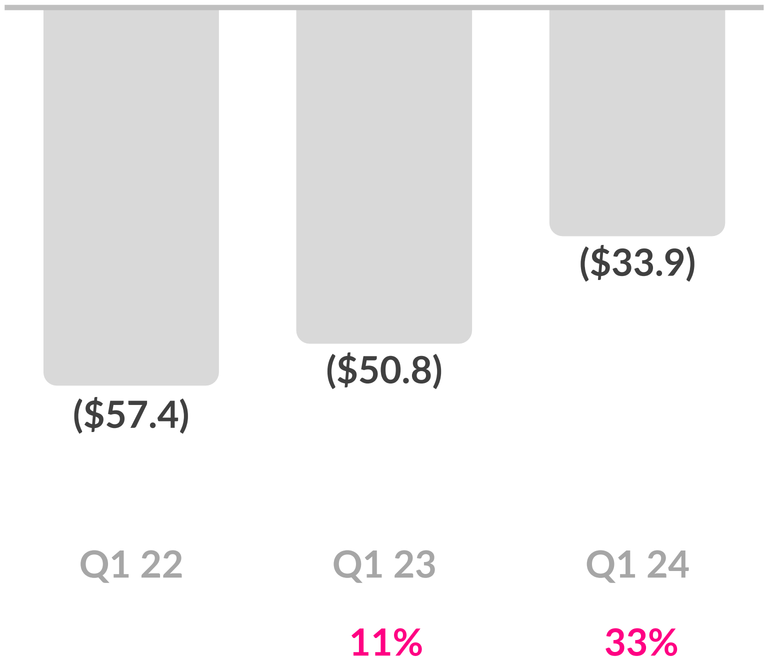


(1) *Represents total expense less loss and loss adjustment expense, net.*

Net Loss
($s in m)

Adj. EBITDA [1]
($s in m)





(1) This is a non-GAAP metric. For a description of these metrics and a reconciliation to the most directly comparable GAAP measure, please see "Reconciliation of Non-GAAP Financial Measures to GAAP" and "Non-GAAP financial measures and key operating metrics".

Guidance

	Q2 2024		Full Year 2024	
	Low	High	Low	High
In force premium (as of end of period)	$839	$841	$940	$944
Gross earned premium	$197	$199	$818	$822
Revenue	$118	$120	$511	$515
Adj. EBITDA [1]	($49)	($47)	($155)	($151)

(1) Adj. EBITDA is a non-GAAP metric. A full reconciliation of Adj. 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 Adj. EBITDA. We estimate that stock-based compensation for the second quarter and full year 2024 is approximately $15m and $62m, respectively. We estimate that capital expenditures for the second quarter and full year 2024 is approximately $3m and $10m, respectively. We estimate weighted total common shares outstanding for the second quarter and full year 2024 is approximately 70m and 71m, respectively.