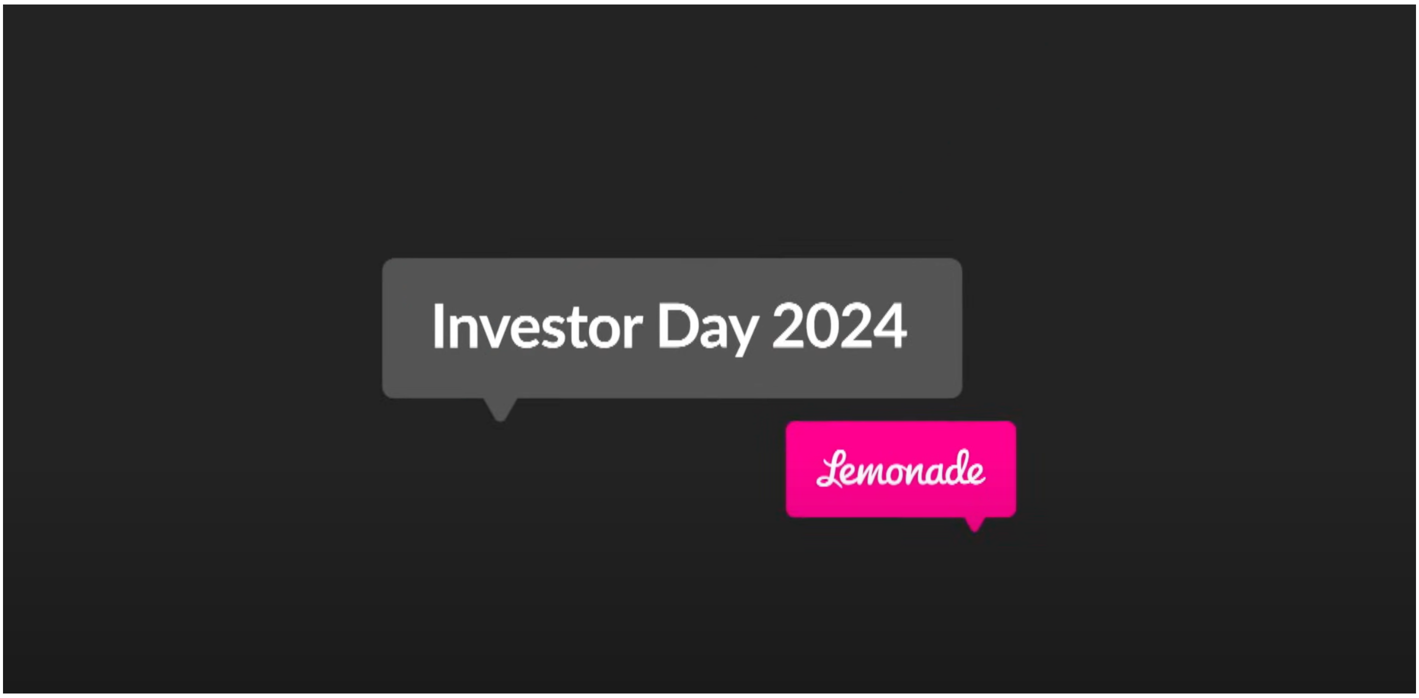

[Music] okay good morning my name is y El Wier Levy and I am Lemonade's vice president of communication on behalf of our co-founders Shai Wininger and Daniel Schreiber I'd like to welcome you all to Lemonade's investor day 2024 before we begin I would like to remind you that Management's remarks in this presentation may contain forward-looking statements within the meaning of the private Securities litigation Reform Act of 1995 actual results May differ materially from those indicated by these forward-looking statements as a result

of various important factors including those discussed in the risk factor section of Reform 10K filed with the SEC on February 28th 2024 and our other filings with the SEC any forward-looking statements May during this presentation represent our views only as of today and we undertake no obligation to update them we will be referring to certain non-GAAP Financial measures during today's presentation such as adjusted EBITDA adjusted free cash flow and adjusted gross profits which we believe may be

important to investors to assess our operating performance this presentation also includes information about our key performance metrics including enforced premium per customer annual dollar retention gross loss ratio net loss ratio and growth spend definitions of kpis and non-GAAP measures can be found in the appendix reconciliations of non-GAAP financial measures to the most directly comparable Gap Financial measures are included in the appendix to this presentation which will be posted

shortly uh in our on our investor relations website investor. lemonade.com okay so thank you again for joining us here in person from our offices in New York and welcome to all of you joining us online from around the world today you're going to hear from our leadership how we're going to to 10x the company you're going to get a front row seat to our plan to grow from $1 billion in enforce premium IFP to 10 on our agenda for today you're going to hear first from our CEO and co-founder Daniel Schreiber who will lay out Lemonade's

vision and strategy next our chief business officer Maya Prosor will talk us through the growth plan from 1 to 10 billion she's going to hand it off to Adina Xin our chief operating officer who will share how Ai and infinite scale following that you're going to hear from Nick St our SVP Finance who's going to present our model and key metrics and then tin Bixby our CFO will share the view ahead Daniel is going to end the day with some parting thoughts and just to level set everyone around some of Lemonade's facts and

figures before we begin we sold our first policy a renters policy here in New York in late 2016 and after we went public in 2020 we went from a mono line to a multi-product line insurer ensuring products like pet car and life today a lemonade policy is available for 92% of the US population and nearly 50% of Europe our more mature products renters home and pet show our diverse and balanced book while car as you're going to hear today is well on its way in just over eight years we've grown to nearly

$1 billion dollar in inforce premium with more than 2.3 million customers internally we are a tech company a quarter of us uh are in product and Tech another quarter in sales and marketing and GNA and the rest are in customer operations so we are ready and prepared to 10x ourselves we've done it before and we're going to do it again and for that let's begin with our vision Daniel Schreiber thank you [Applause] [Music] good morning thanks to everyone present both in person here in New York and from

around the world we value your time we value your interest in lemonade and we hope these will be amply rewarded during the course of the next couple of hours I'm going to start by zooming out and try and put Lemonade's ambition and opportunity in its broadest possible context and then zoom in a bit from there but let's start as I say with a big zoom out picture the world spends more money on insurance than just about anything else more money on insurance than on artificial intelligence than on Automotive cloud computing entire

defense budgets don't amount to how much we spend on insurance oil and gas as a sector is smaller than Insurance semiconductors software the list goes on in Short Insurance is a prize worth fighting for and we'll try and make the case today that it's a prize that is up for grabs now I say that not withstanding the fact that the incumbents the reigning insurers have been on top for centuries and they have massive heft they do often times sometimes closer to $200 billion doar a year in Revenue but longevity should never be

confused for immortality and I actually think that insurance may be the most disruptable industry on the planet I say that because of structural changes that the world has gone through insurers forged in a bygone era are structurally disadvantaged in the age of the machine their assets suddenly reveal themselves to be liabilities 40,000 agents is that good in the age of the app based director consumer distribution their cultures developed over centuries for legacy preservation suddenly appear maladapted when what we really need is

business transformation and their legacy systems behave a lot more like black holes that devour time and cash than what they need which is black boxes that make everything faster and cheaper which brings us to Lemonade's founding thesis our thesis is very simple it is that a new kind of insurance company built from scratch Legacy free on AI as a core component a plank from day one will enable us to Delight consumers quantify risk and collapse costs in a way that no other structure allows you to

do lemonade was founded to do exactly that by the end of this morning I hope you will find that proposition investable let's begin and I'd like to begin with two things that have changed since we met in this room on this feed two years ago almost to the day for our very first investor day they're pretty simple today as compared to two years ago LM and represents far less downside far far more upside on the downside a couple of years ago there were questions hovering in the air what's the liquidity risk for

lemonade this past quarter we contributed $48 million to our cash balance but two years ago in the same quarter we lost $63 million now that $11 million swing is not just a change in degree it's a change in kind since we last met we have shifted from being a company that burns cash to one that generates cash if ever there was a concern about our liquidity and our ability to continue as a going concern there no longer is there were question marks in the air a couple of years ago when at the same

quarter we reported a 94% loss ratio does lemonade really get insurance can they Master the Art and Science of loss ratios and insurance well just a couple of weeks ago we reported a 73 smack bang in the middle of where we guided to where we want to be 21 points reduced over the course of two years if it's not unprecedented it's close to that if questions hovered in the air a couple of years ago about do these guys get insurance I think we can lay those concerns to rest as well and we laid out some pretty

ambitious plans we showed you models for multi-year compound in growth and all different goodness cash flow positivity and people had questions about can they pull off what they're telling us folks two years on we've done everything that we said and then some and Tim will cover some of that later but let me just say we've been a public company for 17 quarters for 17 out of 17 quarters we have delivered on the guidance that we've given or handily beaten it so if were there were concerns about the execution machine that is lemonade I think these two are materially derisked or entirely put to bed and then there's the upside this time two years ago we spoke about a 20% CAGR going forward today we're going to update that for 30% more growth this time last year we spoke about certain efficiency metrics that we thought AI would deliver for us AI has been moving much faster than we anticipated and the dividends from AI are much greater and more dramatic and you'll see that in Spades and I would put it to you that LM and on a risk reward basis has never

been more affordable than it is right now so some things have changed less risk more reward but those changes themselves are really byproducts of something incredibly steady bankable something that hasn't changed and I'll go through a few of those things because the trajectories are not new the impact is the trajectories are constant what you're seeing on the screen right now is our inforce premium those are the tall columns that you see and at the bottom the small line is our operating expenses this dates back not just two

years ago but since our IPO our business has grown sixfold since our IPO but if I look at two years ago we had just completed the metromile acquisition which is the single kind of jump that you see everything else is very Steady As She Goes you'll see that two years ago we reported a roughly $600 million in in force premium two years later Just shy of 900 million almost a 50% growth in a two-year period what happened to the corresponding costs expenses folks they declined this time two years ago

reported $87 million of operating expenses net of growth spend will come back to that later this quarter you look at the underlying cost structure of lemonade it is smaller than it was when we were far smaller ourselves there's some magic Happening Here of us being able to grow dramatically while keeping expenses absolutely flat this geometric shape technically it's called angle Rays I'm told this shape is the most compact Visual and perhaps memorable point I want to make to today and you'll see it recurring throughout

our presentations I hope you take away many facts and figures and insights from the different presentations and different angles that we deliver but the principles captured in this image will underlay them all grow the business scale the operation this is the shape of our expense ratio some of you will remember I showed this image this cartoon a couple of years ago to explain our expense ratio this image of a young girl struggling under the weight of a backpack and then growing into it and really the point I was making

then is that our fixed costs are fine they're not going to grow we are going to grow into them the denominator will take care of the expense ratio that's exactly what happened our expenses have not shifted but our business has grown growth for us is the gift that keeps on giving so if two years ago we were uncomfortably burdened by our cost structure today we're much more comfortable with it and two years from now when we're profitable it will be a breeze to walk around with this backpack the same geometry the same

shape underpins our gross profit and this is interesting I spoke about a 50% growth in our top line but our gross profit has three x during that time 3x increase in gross profit without any movement on their expense structure this is somewhat gravity defying as fast as a business has been growing our profitability has been outpacing it dramatically and all of that has led to this line which is our EBITDA margin our EA over gross eared premium this in the most literal sense is our path to profit our EBITDA margin today is more

than twice as good as it was when we last met it has been improving for about five years at a rate of almost 10% a year plus minus and it's been improving pretty much like clockwork in 2021 we told our investor community that we expected to be EIT profitable in 2026 we're still saying that now and you can see the Milestones along the way the dependability the bankability of our performance as we near that I've been showing you two year Horizons I've shrunk it down to one year because a year ago we started reaccelerating our

business and this line shows you our acceleration curve as well Q3 of last year we grew 18% then 19 then 20 then 22 this last quarter 24 the quarter we're in right now we've guided to 26% growth that's pretty rapid acceleration how often do you see rapid acceleration and expenses staying flat to declining in the years ahead we expect that to continue 25 will grow faster than 24 30 26 will grow faster than 25 as we grow into that 30% CAGR you might not hit that entirely in 25 but from 26 onwards we

expect to be at that cruising altitude the upshot is that we're cash flow positive we had guided to being cash positive in mid 2025 I can tell you now that 20 24 will be cash flow positive as a year as a whole and we will cash flow positive in Q3 by any metric operating cash flow free cash flow net cash flow you name it it was positive in Q3 what's next well with cash flow materially behind us we're going to be focusing as we continue to do what we're doing on EBITDA profitability in 26 net profit in 27 and massive profitability

thereafter these are all Milestones on our way to the 10x they are all byproducts of maintaining that shape as we 10x they inexorably follow from us continuing to do what we've been doing which is why we're going to maintain that shape we're going to keep doing what we're doing accelerate Top Line hold expense line wash rinse and repeat so while the strategy the geometry the physics of our business is unch changing notably our product mix has continuously shape-shifted in order to match the stage of the business and as we go from 1 billion to 10 we will see that change manifest pretty powerfully as well most notably while renters and pet were able to propel us to 1 billion car has to start revving up in order to propel us from 1 to 10 we bought metromile as I say two years ago and we've been busy absorbing all of their data all of their experience it's been a huge unlock for a lot of what you're going to see in my presentation and ones that follow but we have not rushed to scale this business we have been buying our time we

have been building experimenting tinkering and perfecting while lemonade car has played a supporting role in our financials to date it has been Primary in our investments for some years now behind the scenes we have invested far more in car more Engineers more Insurance Specialists more product and design people more data scientists than in any other line of our business by 2025 during the upcoming year we think we will be feature complete we'll never rest on our Laurels we'll we keep developing stuff but we

will get to the point where we feel that this is ready for prime time that we can start really growing aggressively and that will happen as the year progresses what do you need to know all of that tinkering all of that building all of those Investments what's important for you to take away from what I'm saying here lemonade car promises to have unrivaled experience at unbeatable prices now you might say unrivaled experience okay lemonade has always had unrivaled experience let's focus in a minute on that unbeatable price and in a

sense it's what we've done already for other products we launched renters insurance in 2016 with a promise of killer prices monthly subscriptions it's been our most well performing campaign pretty much ever since we haven't always waved the flag of being a price leader but it has always been part of you are reasonably entitled to expect from Lemonade so let's touch on a couple of things around these killer prices for car the first is why are we motivated to have killer prices and this may be self-evident but our empirical results

have shown that a 10 point change in price can yield a 50 all the way up to 150% change in conversion this is incredibly price elastic this is an incredibly price sensitive Market being able to get to price leadership has massive dividends for whoever can pull it off okay you say I I get the motivation that's pretty clear but Lemonade's car business is roughly hundred million dollar today GEOS and progressives are like 50 60 billion dollars today so the guys are going up against or 500 times your size how can you possibly hope to

outprice them fair enough I want to talk to you about three things that we have that nobody else has in car insurance telematics and those of you who think well everybody has telematics I'll address that later on telematics we have it nobody else does take my word for it for a minute suspend disbelief I'll make my point later distribution we have unique distribution advantage is that Maya will talk about so

I'm going to talk about telematics Maya about distribution and the way we use AI to automate across our

business will yield tremendous cost Savings in the car insurance to a place that is oftentimes very very costly so I said I'm going to talk about telematics let me dive in the way most of you have your car insurance priced is based on proxies insurers don't really know how you drive so they look at your gender your marital status your education level in Most states your credit score these are kind of disappointing ways to price how somebody drives uh under that kind of lens Humanity looks like much of a muchness

very much alike under this crude lens diverse people are combined in this low resolution image I kind of end up with this two Di dimensional outline of a humanoid or a cardboard cutout that's the best you can do when you're using things like your gender and your age to price Insurance telematics changes the game in dramatic fashion at least the lemonade version of telematics it's not a low resolution 2D cutout it's the full HD it's the 4K it's the 8K in a very deep and real sense it's virtual reality

because at High Fidelity with Precision Instruments we capture every mile driven near every foot or inch driven every tap of the brake every swerve of the steering wheel every time somebody texts while driving marital status credit scores they don't hold a candle to the kind of insights that we glean what's that got to do with killer prices everything so let's have a look some illustrative data here I've charted here 100 people who are being priced as cardboard cutouts and no wonder they have roughly similar on average proxies

and therefore they end up with roughly similar average prices the average price is 2348 a national average price pretty much and there is some variation but not much now the actual variation of these self-same drivers as captured by Telemetry would make that curve look more like this people are wildly different in how they drive the gender doesn't begin to capture that so Jill should actually be paying 400 no sorry $600 more than average you can see she's got that phone in her hand she may look good by way of her proxies but

she's a distracted driver Telemetry will pick that up the cardboard cut out misses it entirely on the other hand J Jack who's a young driver and maybe his proxies aren't so great is actually a cautious person the true price for Jack should be $400 lower than the average both of these entirely missed by the bulk of the industry now to put some proportionality around this about a third of drivers are working than average they're the ones who ruin it for everyone else the problem is that traditional methods

can't identify them so we price them as average when Jill comes to Lemonade she will not be delighted with the price she gets she will tweet out that this is not unbeatable price this isn't killer prices it's so much it's 20% more expensive that I got quoted at Geico or Progressive or State Farm and she's right we're able to identify that she's a worse than average risk she's better off being mispriced as average elsewhere good riddens that will manifest itself as negative selection for our competitors Jack on the other hand is

one of a huge cohort in fact Jack is the majority 2third of people are subsidizing oneir again insurers just can't identify them as such Jack comes to Lemonade we see how he drives we give him a 177% discount a rate commensurate with the risk he saves $400 he feels like he got killer prices welcome on board Jack that's exactly what positive selection looks like all told our telematics can lower premiums by about 15% for 2third of customers this is not a niche play this is the big game this is the

game if 15% has a ring bring to it it's because somebody built a 4050 billion do business promising that they could save you 15% in 15 minutes mind you but we'll leave that one aside 15% is a game changer it's how leadership is established in this market okay I said I was going to come back to this doesn't everyone do telematics hasn't it around since the '90s didn't Progressive invent it fair enough let me take you through this one bit at a time and try to unpack it does everyone do telematics well it really

depends on how you're using those words what does do mean and what does telematics mean I'll show you three or four Vantage points onto that let's just start with how many companies are actually doing telematics data on this is a little bit Spark The Wall Street Journal did a big cover story on this three years ago and they claimed that less than 4% of policies in the US use telematics I've seen five and six it's been growing I've rounded it up to nine I don't know what the precise number is but we are 10

times more in terms of our telematics use than industry average now among incumbents there are some who in some channels do better than 9% some who do worse fine but taken as a whole broad Strokes lemonade is 10x on telematics than the whole industry not 10% 10x but honestly this is just the beginning because what we mean by telematics changes what we mean by do Chang but what we mean by telematics changes because those telematics policies of our competitors aren't continuously in use those 9% invariably will run telematics for

you for two weeks three weeks four weeks and then stop the progressive program is called snapshot because they take a snapshot they price you and they're done so when somebody else says they're doing telematics best case they mean we're doing it for a couple of weeks pricing you and then we discontinue it that's not what lemonade means when we say telematics for us for 92% of our business it is continuously generating and streaming data on how you're driving this isn't a 10x this is a 100x for the rest of the industry why is this so meaningful two things first is on price it is true that you get some good data in those first 30 days and it's better than nothing at all but it's nowhere near as good as continuous telematics I can tell you empirically from our data the telematics score for the median user changes as 23% between when those 30 days are up and when the first year is up 23% is huge in a market as sensitive as ours 23% and then there's the claims if you don't use continuous telematic then at the moment of impact

when an accident happens you know nothing you're back to Old School ways of adjudicating a claim in our case it's radically different we had in your car streaming in real time High Fidelity High Precision Instruments measuring everything that you did at that moment of impact and we get the impact Dynamics we get the location and the timing of the accident we get the speed and the direction and we can do a lot with that first of all we can help you your phone will jump up have you had an accident do

you need us to save send help secondly do you want us to start a claim for you and when you do start a claim we already have so much of the information that we radically reduce fraud think how many lies you can tell when we have that level of X-ray into how you driving and we radically reduce the time and the cost of adjudicating your claim there's one more layer in which when we say telematics we mean something different to everybody else Lemonade's telematics is proprietary we are a data science

company what I'm doing here is I'm taking I'm normalizing the no telematics approach so if you look along the horizontal axis we're moving from low risk to high risk and the vertical axis is showing the system's ability to to match and to detect the fact that the risk has changed now I'm somewhat artificially flatlining as a baseline those cardboard cutouts the proxy so I'm holding that flat in order to show you the relative strength of different systems traditional telematics the industry standard telematics I'm not

talking about now whether it's continuous or not I'm talking about the data science behind it if you have an insurance company and you now want to know somebody tap the break what risk does that represent how should I translate that into rates what does that even mean mapping Behavior onto risk is a data science machine learning deep learning challenge to the best of my knowledge there is only one incumbent in the country out of tens if not hundreds who are using telematics have done this hard work themselves everybody

else uses the same off-the-shelf lookup table that we started with as well so we have a pretty good sense of how good or limited it is and it does show you some lift so it is better at detecting low risks better at detecting high risks than my Baseline but let me layer on top of that a real drawn to scale version of Lemonade's own telematics that's dramatically different we use the same word telematics but we mean something quite different this is born of a structure the benefit of having a single integrated system having our own data science in house not Outsourcing our core competencies as the rest of the industry has want to do note for many customers here the Delta between no telematics and Industry standard telematics is smaller than the Delta between telematics and lemonade detects that's how big the difference is combine those 10 times the usage of telematics a 100 times the usage of continuous telematics and a qualitative jump in every data that comes through because we can analyze it have analyzed it using all of

a trillion data points dating back to 2013 when metromile pioneered this thing now the same guiding principles we don't always have telematics but the same philosophy and principle underpin everything that we do at lemonade Adena will Pepper in an example for our pet insurance product a bit later in the morning I delayed on car for obvious reasons but nothing about car is distinct in how we approach the challenges or in our determination to offer unbeatable prices a concern I often hear when I start talking this

way is okay what about loss ratios don't killer prices sound daunting scary don't they translate into elevated loss ratios anybody can grow by selling dollars for 90 cents is that what's going on here not by a mile let me say two things about this question and they center around two concepts that I'm going to return to a couple of times this morning precision and automation let's start with Precision Precision is what I was just talking about with telematics the ability to detect with great precision

and differentiate a homogeneous group into its component parts to see every cell and judge it differently price it distinctly well if you have that and you use that to lower loss to lower prices you do not adversely affect loss ratio if I take Jack see him for the risk he is which means he's a lower risk and I price him commensurately lower the loss ratios are maintained nothing at all changes other than my conversion goes through the roof my retention goes through the roof the loss rtio will be a

constant a perhaps more interesting Insight comes to what happens when there's Automation in play what happens when you build your company on AI rather than on humans and you can scale infinitely as we'll be talking this morning because High loss ratios can of course be a signal of bad underwriting more often they're not that's what they are but they can also be The Telltale sign of extraordinary efficiency let me show you what I mean I'm taking here two illustrative um companies one is lemonade and the other one I'm calling

Acme insurance and the company on the right Acme insurance is pricing a policy at $2,000 doesn't matter if it's car or home or whatever policy this is and we're charging 30 15% less $1,700 and in my illustrative example we have a 30% Advantage when it comes to automation so our cost structures are that much more efficient as I say illustrative but I think quite reasonable set of assumptions I have held the losses constant I'm making a distinct point to the one I made earlier about ability to detect risks here we're underwriting The

Identical risk both companies are underwriting a risk which is going to cost 1,50 bucks to pay out look what happens to the loss ratios Lemonade's loss ratio here is a 70% in my example Acme insurance is 63 if this is the prism through which you look at companies like ours you'll come off quite disappointed our unit economics by this measure look worse than Acme insurance we have a higher loss ratio and even if you look at the combined ratio they're identical best case you'll say is that they're on par with the rest

of the industry but folks that is a very misleading conclusion to draw unit economics and loss ratios in particular only take you so far if we're able to price 15% less than the rest of the industry and deliver the same net margins this is a company on a rocket ship that's those 15% that can make you into a $50 billion doll business the company on the right will have growth dynamics that the rest of Industry don't know conversion Dynamics retention dynamics that are unmatched and for you as investors if you get to

choose which of these two companies to invest in 10 times out of 10 you want to invest in the one with the lot worst loss ratio on my example here all told beware of averages particularly as we lower prices follow the dollars follow the gross profit see what the machine is generating in terms of gross profit growth rather than fixating exclusively or even primarily on loss ratios but it goes deeper in fact it goes to the very core of our strategy since our founding for the very first time I want

to share with you a snapshot of a deck we shared with the team at the very first management meeting back in 2015 just as the company was being founded it hasn't been changed it hasn't been doctored this was the strategy slide you'll notice a few things one is we hadn't discovered the color pink quite yet the other one is that we hadn't realized how dumb it is to try and call ourselves the world's first peer-to-peer Technology Insurance Company what a mouthful you'll also notice some other

things that have not changed technology artificial intelligence guys not 2023 2015 who was talking about artificial intelligence as the foundation of their business in 2015 and untouchable rates those are the points that we laid out from day one why let me take those one at a time I'll talk about technology and then I'll explain how I get to Untouchable rates technology and AI give us two profound advantages it's a structural advantage and that structural Advantage begets you a competitive advantage and

I'll fly through this part I hope it's familiar the structural Advantage is that we were built as a tech company we are vertically integrated you saw the example now with telematics we get to do things that others don't get to do and the whole mourning will illustrate the advantages of our system we've got a single proprietary system it Garners and deploys data at every touch point with the customers and gets grows smarter and smarter as it goes contrast that with the incumbents this is a quote from Ajit Jin the vice chairman of Bera hathway who owns GEICO last year he said that Geico has more than 600 Legacy systems that don't really talk to one another that's a structural Advantage building a company from scratch on your own technology as opposed to Decades of layering archaeology one on top of the other systems that don't even correspond to each other how much can you contend with the AI era if that's how you built your company and Geico is considered one of the better companies in the sector but this is a distinction with a

difference it matters because I'm going back to those two key words two things matter in Insurance precision and automation Precision is the ability to use Big Data machine learning deep learning to quantify risk better than anyone else to gain dominion over the loss ratio whether it's determined to be optimal at this level or that level to own the loss ratio that's what Precision is about and Technology does that better than anything else and automation of course is about technology that allows you to Delight consumers

with 3C payment of claims and instant everything and no paperwork that boosts your B brand and it lowers your cost of acquisition and it collapses the cost to serve that's your loss ratio that's your expense ratio that's the whole kitten Kaboodle in Insurance technology is a structural advantage that manifests as a profound competitive advantage in the two things that matter in insurance okay it does not follow though that we have to cash in that Advantage as Untouchable rates that's a choice and I want to

explain it I gave you an example before Acme Insurance charging $2,000 and us because we're more efficient charging 1,700 we don't have to do that we could charge the same $2,000 get similar growth rates and just have a real margin Rich business it's a choice to cash in our technological Advantage as margins or growth and we bias growth and I want to explain why you can map out a profit Frontier margins versus growth smaller margins make it up on volume and you can map out what kind of profit potential anywhere along this

line will generate the same amount of profit so at Price X this is the profit pool if I give those now famous 15% discount this is the profit pool and lo and behold they are identical that's the nature of a profit Frontier so at any given scale we are truly indifferent to whether we make it up on volume or make it up in margins our results will look very very much alike but while that's true at any point of scale we are not indifferent to scale as we scale the business The Profit Frontier itself

moves if that was the potential profit at scale X X this is the potential profit at 2X and this two is born of us being a technological company as having that as our substrate in our DNA traditional businesses traditional architectures enjoy benefits of scale but they diminish they taper off at some scale you barely feel the advantages of the marginal scaling tech companies like ours have the opposite Dynamic for us the efficiency Returns the savings that we get at scale accelerate they don't diminish the more we grow the more marginally profitable we will be and that is why since we're planning for the long term and for maximum profit over time maximizing the Enterprise Value we going to biy us growth in order to get to levels where we can continuously increase the total profit of the business let me try and bring it all together by connecting the dots and I'll try and create a single image that hopefully coheres in your mind and captures everything that I've been saying lemonade is a tech leader in

insurance I think that is inarguably true technology begets you two things precision and Automation and we believe we're well on the way to being leaders in both as a direct result of us being technological leaders we choose to cash that in as price leadership which will beget us growth leadership which will ultimately yield the largest pool of profit we ever could that in a nutshell is our strategy there's another Dynamic at play here that Frontier moving because the more scale we get that compounds our

automation advantage and the more scale we get that compounds our Precision Advantage as we get more and more nuanced in our ability to manage our business so you saw our founding strategy it is that and staying true to that that has brought us today to being cash flow positive it is the same strategy that will deliver EIT our profitability net profit and due course Mass massive profit it is that that is propelling us to 10x our business and when we 10x it is that that will Propel us to 10x It Again by the end of this morning I hope

you will find that proposition investable thank [Applause] you thank you let me just introduce the speakers that follow and I want to do it by way of going back to my geometry I said this is going to follow us throughout the day growing the business scaling the operation if you like you can map those on to two leaders in our organization growing the business is our is Maya Prosor our chief business officer and scaling the operation is Adina X our chief operations officer and you will hear from them in succession one after

the other we will then follow that with our SVP Finance Nick who will try and model everything that we saw and try and make sense of all the plethora of examples and data points they'll he here presented in the next couple of presentations so that it all comes together for you in a simple form that you know what to do with [Music] good morning everyone it's great to see it all I'm going to focus my presentation today on why we believe lemonade is an outstanding Growth Company and our growth strategy in the

upcoming years lemonade is about to cross a very special and exciting milestone in early 25 we will reach $1 billion of inforce premiums after8 and a half years in Market this is about the same time it took Tesla Spotify and Salesforce to reach $1 billion of premiums so we're already in great company we've been accelerating our growth as Daniel mentioned in 25 we should expect to see faster growth than this year and in 2026 we're going to grow faster than we plan to grow in 25 overall we plan to grow at a CAGR in

the upcoming years of above 30% so if you stretch that straight line that means that it will take us about the same time it took us to reach $1 billion to 10ex ourselves and reach 10 billion dollar in order to 10x ourselves we're going to rely on Three core pillars that are unique to lonate the first is having a leading brand and best-in-class product experience that have redefines customers expectations in our industry and serve as a platform for our growth the second is having a proprietary GoTo

Market machine built on learning models that constantly optimize for profitability and the third is a differentiated and defensible GoTo Market strategy for our next growth engine car which is unique to lemonade and will enable us to win and scale effectively in the upcoming years winning brand and product experience profit optimizing marketing machine and a differentiate GoTo Market strategy for car I'll now dive into each one of those and expand so what does it take to build a huge brand in the insurance industry

let's take Geico for example we don't mean to keep picking on Geico we think they're great and we have a lot of appreciation for their brand so Geo has been around for 90 years so first you can say that it takes a real long time to build a big brand in the industry they also have an attractive selling proposition that centers around value and savings and they've spent billions of dollars on marketing over decades getting awareness and attraction from customers let's not forget they also have a very cute

mascot but at a fraction of the cost and in record time lemonade has establish itself as the brand for the Next Generation Insurance buyers we set a new standard for insurance product experience proving that a customer Centric approach can win we made it easy real easy to quote bind service all the way up to getting your claims paid we and we have one of the highest customer rankings in the industry we also control the experience and to end constantly looking for more ways to optimize the experience for our

customers without having to depend on any external vendors let me give you an example of how this works every week we do about 50 code releases optimizing the experience and changing it for our customers let me repeat this every week we change our product 50 times all other insurance companies rely on off-the-shelf systems in order to make the changes to the products that they want think of the advantage that we have and see how our customers appreciate it this is what redefining the product experience looks

like our product experience has attracted an audience and a customer base that is representative of the Next Generation Insurance buyers 70% of Lemonade's customers are younger than 35 this is a great indicator of where the market is going this is also on par with other category leaders at a similar stage to Lemonade who built on this audience in order to become the iconic brand of their domain if you had to bet today who will be the next gen Insurance brand we would argue that lemonade is the want to beted on and we

believe that we are well on our way to become that chosen brand for the Next Generation Insurance buyers in fact we are already the most loved brand in our category for our Target demographic and this is now driving much of our acquisition where lemonade renters insurance is ranked number two in searches these are customers not doing generic search searching for renters insurance but lemonade renters insurance ranking above Progressive Geico Old State and many others in pet insurance in record time we're now the

number fourth most searched brand with the highest year-over-year growth and we did this efficiently punching above our weight spending 5% of what the largest incumbent spends a year on marketing even if you add up all of Lemonade's marketing spent throughout the year it doesn't add up to what some of our competitors spend in one year alone on marketing mind share translates to market share and we expect this trend to continue next year we'll bring in more than million new renters and hundreds of

thousands of new pet customers continuing to outpace the growth of these two respective markets and thus capturing more and more market share we love these products we plan to invest in them so that we can continue to drive this momentum it's important to note that these two products represents a high contribution of profit to Lemonade's bottom line but they also play a very important role in our car go to market strategy which I'll get to later to Summit up investing in our brand and product experience has created

a strong platform for growth and expansion this is now driving much of our sales with over a third of them coming in organically and getting us to the point where we have hundreds of thousands of customers signing up for our future products these are 700,000 customers signed signing up for car insurance in places we don't offer car insurance these are customers on a wait list for car insurance not the latest drop of Air Jordans this is the power of our brand and product experience the second pillar of our

growth strategy is our proprietary LTV lifetime value model and go to market machine that are both designed for profit optimization two of the biggest challenges acquiring customers directly in Insurance our risk selection getting the right risk with the relevant risk profile and managing your acquisition cost in a highly sophisticated and competitive market where all companies are going after the same customers how do you manage your acquisition cost so that you don't lose even when you win over the customers you want now imagine if you had a crystal ball that told you about every single lead what's going to be its lifetime value and how much you should actually pay for it we have it it's called our LTV model now in its 11th generation Our unique model is comprised out of 50 different learning models and uses more than 3.6 billion data points this model was built specifically for the task of optimizing our spend and enabling us to bring in the best customers we then use this model to drive all of our marketing decisions

risk targeting Channel optimization our spend decisions this model also gives us key insights when it comes to multi-line customers and cross- sell capability as this is a learning model the bigger we get the stronger the fly will and the more accurate it's going to become so this is only going to get bigger smarter and better to the best of our knowledge we are the only insurance company that is able to use LTV modeling at the lead level on a customer specific basis which gives an unfair Advantage

when it comes to customer acquisition to give you a sense of how good this model is take a look at this this is our first model prediction for the first year new cohort losses across all of Lemonade's products it ends in Q3 as we need at least one year to verify the model the dotted line represents the predicted losses of that cohort while the solid line represents the actual losses and it's looking exactly as you would hope on top of each other and going in the same direction we're not just growing faster and accelerating our

growth but we're doing it much smarter we've been accelerating our growth for the past four quarters and we don't plan on slowing down traditionally as you ramp up your marketing spend the trajectory of the spend curve is such that as you grow your spend you lose your spend efficiency the last dollar spend is always less efficient than the dollar before with the combination of our brand product experience in smart acquisition over the past four years we've managed to defy gravity we've tripled our new

sales per quarter at the same and an even better level of efficiency and what I can tell you today that I wasn't able to tell you in the past is that we expect that Trend to continue we plan to continue to accelerate our marketing spend at the same level if not even higher level of efficiency so we discussed our brand product experience and as serve as a plat for growth and our GoTo Market machine to scale effectively now let's talk about our third pillar reaching 10x which is our differentiated GoTo Market

strategy for winning in car looking into our future growth path as I said a 30% Kar rolled over would enable us to 10x and reach 10 billion at roughly the same amount of time it took us to reach $1 billion and you all can draw many different product paths from us to get there but here's one where we will continue our predictable growth with our existing product lines renters Pet Life Home and Car naturally car as it represents the largest market of all of them will need to increase its proportional share in

Linate overall portfolio and while this might seem outsized relative to the other product lines at the end of this this is less than 1.5% of the car market building on our performance in pet and renters where we grew to 5% and 8% market share respectively in record time we have the confidence in our ability to achieve this but our belief in this stems not only from past performance but also because we are now a mature company not starting from scratch and car is aligns very well to our core strengths we Excel when there's high

frequency of interactions with our customers it enables us to deliver a better experience and allows us to optimize the car pricing and deliver more value to our customers our technology Advantage is even more enhanced in car and not just in how we sell and service the product but at the core of the product itself with our unique approach to telematics that is unlike anything in the industry with our market share among young driver young consumers we know how to Target these customers and many of

them are already our customers this is why we believe that we are well positioned to win in car our GoTo Market strategy relies on two groups in particular the first channel is our customers in fact we can build a large car business from our existing customers today the second largest group the second target audience is what we call Next Generation drivers who drive better than what they're being charged on average our competitors are car first in the high cost of acquisition Market if you want to beat Patrick Mahomes

don't challenge him on the field but challenge him to a game of chess we're going to lean into the structural things that make lemonade better and unique let's start with our existing customers I have some good news we already have a lot of them lemonade has more than 2.2 million customers today that love us and want more of our future products that don't have our car product yet let's assume that slightly half of them have car cars and pay for car insurance and they pay around $2,500 a year that means that they're already

paying $3 billion today Elsewhere on car insurance these are zero cost of acquisition car customers we are not a car first company where car is a cross-sell which represents a huge untapped potential for us in fact we can build a multi-billion doll business just from our existing customers today most important to note is this is not a static number we plan to continue to utilize our GoTo Market machine to attract millions of more of customers at a low cost of acquisition and this only gets better while we continue to optimize our car

pricing and our offering we have to increase awareness to our car offering to our existing customers this graph represents percentage of lemonade new renters in states where we offer car insurance searching and looking for our car product we've gone from 3% to 15% 5x in two years and that trajectory will continue to climb but perhaps the best news is that lemonade customers buying car insurance are better in every way our initial indicators are showing that they have better retention 70% higher than new to

Lemonade customers and the far better loss ratio and another interesting point we're seeing is that traditionally new car drivers have what we call new business penalty meaning that their loss ratio in their first term is much higher than at renewal with our customers there's no new business penalty no additional acquisition cost better attention better loss ratio this means that this business is very good business for us and as Daniel mentioned our strategies to take all that goodness implement it into our filings and pass

along all of those savings to our customers winning them with unbeatable prices and that's when you're going to see conversion and growth in car really take off shifting gears to the second group we're targeting how do we reach the next Generation drivers if you're searching for another Sports analogy think of the movie Moneyball how do we do that in short using telematics and being a telematics first and out of the gate insurance company where our entire experiences product is built around it good young drivers are paying more on

average for insurance because they belong to a group that is on average riskier we need to Target the ones that will benefit the most out of the lemonade offering and price them specifically for their risk profile how do we do that we use our existing book and telematics to identify who these drivers are price for them as the good drivers that they are and repeat as Daniel presented before our own proprietary model is able to outperform for our book of business in finding higher degrees of variations but more importantly it

identifies better performing groups of drivers than originally perceived as this is a learning model with every claim it gets even more accurate and all of these signals and actual claims data are then fed real time into our LTV models that I discussed before our LTV model in turn drives our marketing machine to look for SIM for similar groups across all of our markets and channels these groups traditionally also have a lower cost of acquisition we then acquire drivers in this group we price for them and retain the better

drivers with unbeatable prices which grows our telematics group and then generates more data that is again fed into our LTV model and this is how it looks like in one of our ads when you get car insurance you get a price based on all these drivers blah blah blah but when you get car insurance with lemonade you get a price based on you if you drive less you save if you drive safely you save whatever your age we see you new drivers you can even save by customizing your policy to suit you and when you need help we've got you sign up through the lemonade app or at lemonade.com car just don't do it while driving as you can see we have a very different approach to winning in this High Cost of acquisition Market we don't plan to outspend the incumbents instead we will play to our strengths when they're going car first we're going to go car which is by the way the most expensive way to acquire customers we're going to go car as a cross cell selling to customers that we've already acquired building on their data to acquire new

ones more efficiently they Market low prices our prices for our Target customers will be lower thanks to our leadership in telematics and lifetime value Models All That with unmatched experience on par with tech leading brands that our customers use today we believe that we are well on our way to 10x our business and there are multiple paths for us to get there this slide shows one possible path to 10 billion that doesn't even include us launching any new products which we will and we have all that we need already

built to get there a brand and product experience that resonates with Next Generation customers that drives our growth an LTV model powering our acquisition machine that continues to learn and improve as we grow and a differentiated GoTo Market strategy for car that leans on our unique core strength we feel the wind in our backs and we're excited for the next chapter in our book that would no doubt also require us as we grow to keep our expenses and costs as low as in flat as we can to talk more about how we plan to

do that I'm going to hand it over to Adina our coo [Music] hi it's so great to be here today I'm going to talk to you about that flat expense line that Daniel showed you beforehand you may be wondering what's the catch what's the compromise I'm going to demonstrate the answer to you I'm going to show you behind the scenes of our technology that we've never shown before and I'm going to show you things that no other insurance company has done before that's because I'm quite confident that the back of our house is

just as beautiful as the front let's get started traditional insurance companies with their decades old or structures and fragmented Technologies see diminishing returns over time at scale without technology as the backbone of their culture and their foundations they find it near impossible to reinvent themselves for the AI lemonade has had the good sense of being founded in the digital era and we have vertically integrated technology at the core of our business we believe that we're now at an inflection point where the decisions and

Investments that we've made in the past are paying exponential dividends these payouts have brought us to cash flow profitability and will continue to deliver accelerated returns as we outpace the burden of our fixed cost with size the bigger we are the more effective we'll become we'll grow our business and become twice as efficient I ask that you remember that Dynamic throughout our present presentation about the gift that we call growth and how it fuels operational excellence let's take another look at our IFP numbers compared to our headcount numbers our IFP has grown 25% year-over-year in the last three years this represents more than doubling our business at the same time frame our headcount has only grown 2% that's basically flat I've put the number of employees at lemonade here in absolute terms to make that very real for you I'll Focus today on our people cost as it's the singles single biggest component of our fixed costs and it's a great proxy or leading indicator for how our expenses are going to scale as our

business grows when I think about the different components of our headcount that determine our human resources needs I can categorize them into three key categories our customer interactions which we need to support the claims that we need to handle and our corporate and Technology teams that build products to better serve our customers today I'm going to take you through each and every one of these categories and I'm going to demonstrate to you how they're optimized with technology one metric that's helpful

when you think about efficiency of a company is the ratio between a company's Topline and its headcount today lemonade is just shy of 1 billion in IFP and that ratio of IFP over headcount for lemonade is $730,000 as we double our business which will be more or less when we reach net profitability we will already rise past most traditional insurers including the likes of progressive and Geico companies who at this point in time will be 20 times our size but less efficient these companies tend to get

confined and stuck in this efficiency Zone as their to scale effectively diminishes over time but you know what this isn't our peer group we're aiming higher as we double our business again with really conservative assumptions regarding any future efficiency gains we expect to be still smaller but more efficient than some of the best companies in technology and we continue down that 10 billion do path that Maya just described to you at this point our headcount numbers are perhaps more speculative and vague but the principle

still holds we expect every employee at lemonade to make four billion $4 million in IFP our foundations are well set up for infinite scale wait a minute these charts seem too good to be true at what cost is this happening is lemonade simply the Budget Airline that's always delayed and doesn't serve peanuts the answer is a whopping no we must be the most customer obsessed insurance company in the world none of these Technologies come at the detriment of our customer experience maybe in an airline there's a compromise that you

need to make between leg room and cost but not with technology we're able to serve our customers first class champagne and I'm allergic to peanuts anyway it's true our human intelligence has stayed flat but our total intelligence continues to overflow as we use AI to amplify human performance since last invested day we estimate to have already saved $120 Million by using Ai and automation across our businesses we expect to save an additional billion dollars in the next four years our IFP over employee ratio is

high that's true but we've not compromised on our quality and our customer satisfaction scores and employe satisfaction scores of the best in the tech industry and Miles Ahead of our insurance competitors let's go deep inside the first component that determines our headcount is our customer interactions servicing insurance is a high interaction business customers need to talk to us all the time before during after a quote our competitors employ tons tens of thousands tons of thousands of people to support their customers and

do you know what this is the nature of the business engagement isn't bad it's an opportunity for us to increase loyalty and ambassadorship towards the gr towards the brand just this year we're on track to solve almost 2 and a half million tickets if we improve the automation rate of our ticket handling this gives us the opportunity to Deli our customers at a lower cost in this section I'm going to demonstrate the backend that we've built that increases Ai and Automation in a scalable and compliant way but I'm also going to show

you real dollar results before I take you behind the scenes Let Me Orient you a little bit how customer operations works at lemonade since our Inception we've been using AI in servicing so the basic principle holds a customer reaches out and the ticket gets routed and classified to either be handled by a human or handled by AI in which case it'll be handled by our AI agent Maya distinct from the Maya who you just met but definitely inspired by her personality with recent developments in AI we've been given the opportunity to

handle more complex tickets with AI which means our AI component goes up and our human component goes down in order to on board these new AI onto our system we've developed a Cutting Edge AI platform within our Blender System that I'm just about to introduce to you in doing so we've also developed new roles and responsibilities within our organization and our once customer support Specialists that know everything about supporting other humans have now become specialist in training and composing AI

models our AI supervisors use our supervisor tool which you're just about to see they act like coaches and they grade every single interaction that Maya ai-bot generates for customer tickets if anything falls short of magnificent they fail this interaction and provide feedback for our AI for future learnings our AI trainers use our playground system which you're also just about to see to compose and refine The Prompt logic that Maya uses in order to answer customer tickets they then test out this Logic on a sample set of customer tickets and as the Precision rate improves these tools graduate into production use and then are used on real customer tickets this part may be a little bit easier to understand when you see it for yourself so let's take a look we're transitioning into a live system now so bear with me it's not as clean as a presentation but we really wanted to show you the real system okay this is blender or a subset of blender our proprietary back office platform that we've engineered in -house since day

one built by our Engineers but used by almost every single function at lemonade I'm showing you a subset of blender now that is used to for our customer support tool generation whereas in fact this is the same tool that's used by almost every team at lemonade quotes sales claims telematics LTV payouts internal operations if Geico has those 600 systems that Daniel mentioned beforehand we have just the one and it's really easy to integrate new technologies onto it this is supervisor here is where are AI

supervisors once customer support Specialists that have no engineering background take a look at tickets that AI Mayer has generated for custom for customer queries and grades them we're going to put on our AI supervisor hat and take a look at a few shall we help me out please okay Mia is moving to a new place she'd like to update her policy Maya responds hey congrats on the Move we can definitely help you with that you can use this link to create a quote for your address and once you got your new

coverage sorted schedule cancellation great don't worry we'll issue a private refund for any coverage you've already paid for fantastic so that was a really good comprehensive response Maya even provided more information than Mia requested so I'm happy with that I'm going to go ahead and pass it let's take a look at another Sarah would like to know if Maya is a real person so we actually get this question quite a lot and Maya should self identify as AI let's see what she's done here depends on what you consider

real I am indeed AI but I empowered by superhumans that ensure I answer everything precision speed of Lights very cute Maya best of both worlds let's go ahead and pass that okay Aaron would like to ensure he's parrot I know we do not ensure parrot so let's make sure that this answer is accurate big fans of all animals here at lemonade including your parrot at the moment we only provide policies for cats and dogs a bit of a bummer agreed but we're always looking to expand our offerings a little bit of optimism for

the future great turn of voice my I love that let's pass that okay kie would like to ensure her engagement ring yay she said yes it's a gold ring from Tiffany's what's the fast way to get covered Maya says you can easily add your engagement R right adding it to by using this link we'll keep you posted to do an update I'm actually going to take this opportunity to pause for a second and explain to you something about this link this link is not just a general how to FAQ kind of Page by clicking on this link this is a DIY link this is a do-it-yourself link and what will happen is that it will take kie deep into her account within our application and enable her to add this piece of jewelry to her policy by herself meaning the AI doesn't take this action on her behalf what I want to do now is actually click us through this link and have experience this from a customer standpoint what would happen from Carly's perspective internet bit [Music] slow we'll give it a sec Okay add extra protection for your

valuable items more coverage higher limits deductible fee sounds good okay sorry I keep zooming in and out here we'd like to cover our engagement ring right so we said we had new engage agent ring from Tiffany I know the name of the model eternity ring what a beautiful ring purchase from Tiffany I wish let's price it as $980 okay when do you want to upload a receipt for your item oh I didn't realize I needed one but luckily I can do so later and Maya says that she'll remind me if I need to submit a claim so

that's fine I guess I can continue with the flow okay so it looks like I can submit this item for under a dollar and then add extra coverage I can see that my total price will now be 2492 so I've got all the information at hand I'm going to go ahead and submit it and that all seems to be in order okay so this process was fine I managed to add extra coverage to my ring within a matter of seconds but to be honest I wasn't 100% happy with that interaction first of all it's not like Maya's personality not to

congratulate Carly on her engagement she's usually you know that's just plain rude second it would have been nice to get a heads up that I would need to have an invoice at hand that way I wouldn't had to have that little bit of inconvenience that I didn't have it so what I'm going to do is I'm going to go ahead and fail that interaction let's see Paul turn where are your manners Maya you should have congratulated kly on her engagement right maybe next time she'll improve now at this point if I'm a real

AI supervisor I'm moving on to my next ticket this is a production line and I have quarters for today but amongst this very intimate and trustworthy audience what I'm going to do is I'm going to take us actually deeper into our playground system so we can go ahead and modify the tool itself let's go ahead and do that shall we all right taking off my AI supervisor hat and putting on my AI trainer hat this is our playground system still within the same blender platform here is where we actually build

our tools that enable our Bots to generate responses what we're going to do is we're going to take a look at our extra coverage ticket which is the one that we were just using here we can see a description of the tool this is where customers active renters can use this add extra coverage for high valuable items here is a set of questions that we've delivered to our tool to sort of get a sense of what customers may ask when they want to when they want to use this tool and then we have some classifiers these are certain rules about how Maya should respond should she answer it should she escalate it to a human should she perhaps use a different tool such as this based on various different sets of criteria and we also have a set of instructions that tell her how she should respond in terms of composing the answer here on the right is the playground this is why the system is called the playground here we'll actually simulate it with real tickets and see how Maya will respond before we graduate these into production what we're going to do now is

we're going to add some rules so that we can improve Maya's response the first rule that we're going to add is when a customer adds a valuable item remind them to have a proof of purchase and value at hand like a receipt right it was okay we did the flow but it would be nice to have it at Handy the second rule we want to have is more like a condition because doesn't always occur if the customer mentions a lifechanging event say an engagement then react with empathy or excitement whoops help me with spelling

here whatever applicable great okay so now what we're going to do is we're going to take the same ticket that we just reviewed and see if Maya can answer it better now add extra coverage ticket okay here it is I'd like to add my engagement ring yeah I said yes remember ring from Tiffany hey Carly congratulations on your engagement woohoo such exciting news let's talk about getting that beautiful ring insured I already love this tone of voice much better this feels much more like her we'll need some

proof of ownership and proof of value fantastic great works but we're not going to publish just yet I just want to simulate a couple more add extra coverage um okay let's simulate this next one I was GI a new bracelet from my grandmother who passed okay this is the exact opposite not happy I'm sorry to hear about your grandmother it sounds like the bracelet she gifted you holds a lot of sentimental value I shouldn't be smiling now it's a simple process you can add your new bracelet to your policy heads

up proof event exact perfect I love how she listened to all of our instructions we're going to go ahead and publish those changes and from now on Maya has a new and improved way of answering extra coverage tickets let's go back to where we were shall we [Applause] this isn't just call AI Tech it is call AI Tech but it's not just call AI Tech it has driven real business impact that no other insurance company is doing our overall customer service automation rate has increased to over 50% I want you to notice the scale on

this chart it's a single year with a drastic Q by Q Improvement we launched this AI platform within blender less than a year ago and already it's solving a third of our tickets these numbers are already stale in Q4 we've already demonstrated a lot of improvement side by side our average handling time for handling tickets in minutes has decreased steadily Q by Q as well all of these result in a steady decrease in our cost of VE for which we can see true dollar savings our services cost continue to go down as our growing business improves our models the bigger we are the more efficient we become remember since last invested day we estimated to have saved $35 million in driving down the unit cost of our service channels through Ai and automation extrapolating that to 2028 that number will be more like a quarter of a billion dollars and this extrapolation is is only for servicing only for existing channels and only for existing technology and we all know that technology and AI are going to get compounding

better AI delivers the full package accuracy efficiency and experience I'm going to demonstrate that through talking about the second component that drives our headcount our claims handling in Ence we're in the business of paying claims people buy insurance so that if something devastating and unexpected happens we're there for them paying what we owe but also doing so in an efficient way are both huge drivers of our long-term profitability there's a certain hierarchy between these three components

claims handling is a bigger opportunity than servicing but a much less obvious implementation I spoke to you about the high frequency interaction High interaction nature of the insurance business with claims it's not just about the frequency of these interactions it's also about the intelligence of them in claims you have claims adjusters and legal councils that need to review medical records and surveyor reports there's a lot of regulatory and compliance considerations and we need to make sure that our AI implementation is

a gazillion percent cocher it's really complex difficult to nail and has a huge upside to grab our pet business is powered by technology in every facet so it's a great product to take a look at when we're thinking about claims because of the frequent claim nature pet has an accelerated feedback loop working in Dogg ear if you will that chase rapid iterations of our technology and give us a glimpse into the future on how other high frequency products such as car will operate as they're at a higher scale

more claims give us more data that feeds the machine and so on our pet business grew 20x in less than 5 years this is due to our Tech stack that enables us to deliver products and coverages unbelievably fast side by side with this rapid growth our loss ratios in pet have decreased every single year from 110 to 69 this is due to our ability to select the right customers predicted by improving in our LTV model and coupled with smart data science-driven pricing techniques I'm going to double click on

that for a second here you can see how LTV models predicted cohort losses compared to how those cohorts delivered in practice now Maya showed you a very similar chart earlier but she showed you the chart for a business as a whole and I'm referring to our pet business in isolation the next chart is simply incredible in my opinion in May this year we launched a new data science-driven pricing technique since we launched it our conversion rate which is represented by the pink line increased at the same time our loss ratio relativity represented by the Gray Line decreased this means that we're becoming more attractive for profitable customers and less so for those that are more risky this is exactly where we want to be rapid growth smart growth and efficient growth at the same time we managed to decrease our variable cost of handling claims for $65 to 19 that's a 70% reduction I'm going to pause for a second and take a deep breath so we can take this in because this is a really big deal 20 Xing the business 40 points

knocking off the loss ratio and 70% more efficient how did we do this I'm going to demonstrate the answer to you I'm going to show you a single customer filing a pet claim pet claim through our app coupled with a visual abstraction of our technology working in the background beforehand I showed you our bent Blender System the back Office operating the brain what I'm going to do now is attempt to show you the brain activity itself let's take a look this is this is our app here's where our customer Emily is going to

submit a claim on behalf of her dog rofus so she's going to go ahead and do that at this point our AI gym starts having a conversation with Emily to gather basic data about the claim and Emily tells us that Rufus has been sick but luckily he's feeling a bit better now so we're all very relieved Emily tells us that Rufus has been coughing now we need to assess whether or not we can cover the condition called coughing we need to make sure that there isn't any pre-existing condition in rufus's history that would mean prior to

the purchase of the policy that would prevent us from covering for this condition under this existing policy in order to do this our AI gym takes a look at all the medical records we have at hand up to 12 months long of medical records which can be extremely long 100 pages long of documents in doing this our AI needs to decipher vet summaries take a look at Medical prescriptions test results this is an extremely tedious process that Jim can do quite easily for a human this could take hours if not days other insurance companies

charge for this service but here our AI is able to do so in a matter of seconds Jim hasn't found any pre-existing conditions in rufus's medical history so we're able to move on to the next phase of the workflow now Jim wants to make sure that all the dates check out so he asks Emily for some additional information and starts placing it on the calendar when did Rufus get sick when did Emily take him to the vet when did we file a claim that we know we're also able to place the policy purchase date

because we have that in our system still no humans in the loop all the dates check out so we're able to move on to the next phase we ask Emily to upload a copy of her infos so that we're able to see what she'd like to claim from this is classic doctor's handwriting imagine trying to decipher this yourself but our AI can decipher all of it first of all our AI determines that it is indeed an invoice then it extracts only the relevant information from the invoice and matches it one by one with coverage that we have in our Blender

System only once every single invoice item finds a match of a coverage within our blender platform and only Within the limits of payout that are defined only then can Jim go ahead and approve this claim it checks out fantastic claim approved at this point Jim can communicate to Emily that the claim has been approved and that the money is already on the way this is obviously a great experience for Emily and she's over the moon as she's managed to receive payout for her claim just within a matter of

seconds but sometimes doesn't all happen 100% perfectly let's rewind for a second let's imagine that for example one of the things AI couldn't achieve automatically for example one of the invoice items didn't find a coverage as mat within our Blender System at this point our AI gym solicits help from Mike who's a pet claims adjuster who specializes in pet illnesses he's not a random match Mike uses the same blender platform that you just saw and he's able to manually match the CT scan to a coverage that we have

in our system after he does that he hands the Baton back he hands sorry over the moon let's do it all together let's rewind do you remember what happens now hi Mike Mike is able to annual to manually approve the CT Scan and Match it with the coverage that we have in our blender platform before handing the Baton back off to Jim to then communicate the claims decision and pay hour to Emily this took a little bit longer than the instant claim that we saw beforehand but still here our AI Jim and Mike were able to collaborate to provide

a near instant experience for our customer I just showed you one claim at scale this has incredible impact our blender System enables autonomous claims to flow seamlessly in and out of manual and automated processes completing tasks and removing periods of uncertainty for our customers this means that even the most complicated Claims can be significantly automated do you remember those lowcost Airline peanuts I'm still allergic but here you can almost taste that first class champagne the instantaneous

delightful and impeccable experience in the front coupled with the depth and sophistication of the brain in the back end with technology you really do have the full package amazing efficiency gains cost a third of our original cost 5 years ago and our customer satisfaction scores of 4.7 out of five and our net promoter scores of above 75 are unparalleled in the insurance industry and I want you to note that these stats are being collected for both paid and denied claims I haven't forgotten the dollars zooming out across our businesses we've saved over $60 million in claim handling expenses since 2022 through Ai and Automation in our claims handling we expect to save nearly seven times that much by 2028 to to 410 million in loss adjustment expenses avoided this also directly contributes to our consistent improving loss ratio performance the last component of our headcount this component is the least trivial of them all this is the fixed component of our head count covering our insurance core product teams the same component that

stays fixed as our growing business outpaces it on the path to deliver unparalleled expense ratios infinite scalability means touching every single part of the organization you're only as efficient as your weakest link in order to explain how we've kept this flat I'm going to talk about something that isn't typically talked about in forums such as this the people the human element culture matters culture can be a competitive Advantage bad culture can be a strategic disadvantage at lemonade our culture is

technology and it's ingrained in our DNA the fast exponential growth of Technology makes it really difficult for companies to maintain their Competitive Edge as advancements accelerate the time between Innovation collapses meaning even the most cuttingedge companies need to constantly evolve or they'll risk falling behind it's like a ginormous wave that keeps coming at you and you're either going to surf it or you're going to drown at lemonade our culture isn't one where we hire people to do specific jobs

with rigid job descriptions we hire an attitude we hire resilience growth mindset curiosity today you're a customer support specialist but tomorrow you could be a AI trainer your roles and responsibilities need to constantly evolve as we onboard new technologies onto our platform employees at lemonade aren't threatened by the wave they're exhilarated by it take our head of procurement for example she has a team of two humans but she has countless Bots working for her amplifying her performance transitioning

her into some sort of Iron woman with superpowers that enable her to do more with less at lemonade we don't use AI only to support customer facing business functions we use it literally everywhere employees use AI to to to replace every single mundane repetitive error prone business process amplifying their performance but at the same time cultivating a deep understanding of these Technologies and ingraining it within their DNA some of you have met Cooper our internal automation bot and he's the

third and final bot that I'm going to introduce to you today with Cooper we managed to automate 95% of our it tool requests resulting in a million dollar in savings last year kooper helped us achieve 100% Automation in our purchase procure procurement purchase renewal requ Quest resulting in 3 million in savings last year Cooper help us say reduce the invoice approval time in finance to a single day even in Performance Management Cooper selects three 360 feedback from a select number of employees and then takes those inputs

and synthesizes it into a summary that our manager reviews before delivering the feedback it also issues a monthly pulse report to every manager at lemonade and ask them how are your employees doing and includes that information as well into this review summary why am I telling you this part of maintaining expenditure discipline is making sure that every person is performing at their best this may have felt a little bit overwhelming for you I get it we've been at this since 2015 it feels like a lot of AI because

it is I have hundreds of examples like this I just showed you the tip of the iceberg of what our technology can do do we're just scratching the surface and when you're constantly surrounded by Innovation and technology and inspired by how it can boost your performance you can't help but becoming an innovator yourself from day one we sought out to build a different type of company one that has less people and more code our competitors have hundreds of different systems bolted onto one another through

series of Acquisitions and merges if they want to make use of any new technology they have to seek help from third parties and then become dependent on them and their road maps to have lengthy dependent heavy implementations our singular blender platform knows everything there is to know about a customer it knows what campaign let a customer to us it has a single system of record of every single interaction the customer has had with us it's able to flag risk factors or opportunities for upsell into our models

for future learnings and predictions today I showed you a glimpse into the most inner parts of our technology and you got to get an appreciation of the interconnectedness of its components let's zoom out today I demonstrated to you how the biggest part of our fixed cost our headcount stays flat with technology while we deliver a champagne like product to our customers zooming out even further lemonade scale is demonstrated in the flywheel between our growth and our operations our top and our bottom line

the more efficient we are the more savings we can pass on to growth in the form of killer prices which in turn boost the conversion adds on more customers that better feed our machines that make us more efficient the bigger we are the more effective we become in a sec I'm going to hand over to Nick who'll talk you through the financial metrics that measure and exemplify this business Dynamic and he'll simplify how you can think about lemonade in financial terms to sum it up we've built an organization that has a bring it on culture and a technology stack that delivers unparalleled efficiencies at scale lemonade being the sum of its exceptional Parts we're well set up to deliver infinite scale for our next tenic thank you so much [Applause] [Music] hi everyone it's great to be here time to talk about your favorite topic Financial metrics we've heard lots of great material today from all of our presenters as if that wasn't enough information we typically disclose over a hundred metrics each quarter each of these adds texture as

our business is multi-product multi-regional and unique in our application of technology to the insurance business that has its own important and nuanced metrics but I'd like to help you digest all of that information I'll provide a framework to monitor our business that I hope you'll find simple and practical as you deepen your understanding of our model and perhaps look to build your own I'd like to recommend that you prioritize your focus on just two metrics adjusted gross profit and adjusted free cash flow

tracking those two rather conventional metrics will give you a great sense of how we're doing as a business now we're not taking any disclosures away in fact we just shared new helpful granular info in a supplement to the Q3 shareholder letter and we continue doing that but today I'm focused on synthesizing all of the information and orienting you to what we find most important why those two metrics well it's essentially how we manage the business and captures all of the beautiful work Maya and Adena just

presented adjusted gross profit is the money we're left with after growing the business and paying variable cost and adjusted free cash flow is what we're left with after paying fixed costs that's the full picture those two metrics capture growth retention loss ratio automation efficiency adjusted gross profit and adjusted free cash flow are the output metrics by which to measure the execution of our strategy to grow the business and scale the operation our model can be represented as a cycle that builds to those two critical

metrics the flow begins with capital injection which comes from our own cash flow generation and synthetic agents our synthetic agents program is an Innovative growth financing structure that has unlocked Capital light growth it's rather unique and enables us to turn $1 into five I think that magic deserves the spotlight so I'm going to come back to it a bit later in my presentation and do a deep dive Capital flows through to new business acquisition example we write a check to Google cohorts of customers then stack

on top of each other yielding a growing book of business we pay to cover our customers claims and other variable costs to get to adjusted gross profit we then pay expenses and are left with adjusted free cash flow which flows back to the beginning of the cycle and allows this flow to continue I'll go over each of these steps in a bit more detail I'll start with our investment in growth we invest in new customer acquisition with attractive unit economics to maximize total new business as you can see and as Maya covered we

notably accelerated the in investment Pace in 2024 and we were able to do so while PR preserving attractive and stable unit economics as measured by a three times LTV toac ratio growth spend generates a cohort of new business once that cohort is on the lemonade book we retain and cross-sell that business to maximize the size of the total book this chart shows a new versus existing breakdown with and gross earned premium as you can see the existing book has scaled really nicely in the past few years this cohort stacking concept is

critical to our path to profitability as each cohort added drives its own discrete stream of gross profit that flows to the bottom line after growing the Top Line we pay claims and variable cost and the gross loss ratio is the key metric in the variable cost structure you can think of it as our cogs our trajectory has been stunning since we last met two years ago as we have now realized our target range in the low 70s this is particularly impressive due to mixed shift to newer product lines that has taken place

during the same period in the past couple of years there was a notable Tailwind as regulatory approvals for rate caught up to inflation in the next phase technology will continue to play a pivotal role automation will enable us to deliver best-in-class Lae ratios that's the cost of managing claims and will leverage our ever smarter AI models to become increasingly granular and precise in underwriting an important note and our rationale for showing a range in the forecast as you can see here the loss

ratio is simply an input we are not pursuing the lowest loss ratio rather we're pursuing the highest gross profit we constantly optimize for pricing given the trade-off between conversion rates and the loss ratio premium less variable cost yields adjusted gross profit we focus on adjusted gross profit because it's the best measure of profitable growth we think it reflects everything that matters customers premium per customer the total premium base the loss ratio other variable cost unlike premium

premium or Revenue which can paint a partial picture gross profit shows you if we're growing sustainably if we were to grow unprofitably premium or Revenue would rise but gross profit might be flat or decline and we don't think that's attractive this metric holds us to a higher standard not growing for the sake of growth but growing to create true profitable value the growth rate of adjusted gross profit in the past 3 years has been over 50% and we're expecting over 70% growth this year you might hear the phrase

shrinking to Excellence in Insurance circles as it is a notable challenge in this industry to pair sustained growth with profitability but we have been able to grow the premium base rapidly alongside an improving loss ratio and as a result gross profit growth materially outpaces premium growth next we incur expenses we've seen fantastic progress on all of our expense efficiency metrics in the past couple of years and the driver is consistent automation which has been a powerful lever for the business because synthetic agents

Finance our growth spend and I'm building to a cash flow view I'll review operating expense excluding our growth spend I'm expressing Opex here as a percentage of earned premium and as you can see since we last met in 2022 we've seen dramatic Improvement in this ratio and we're expecting that Trend to continue how have we done it well look at the track record this chart shows Opex over time next to gross earned premium as you can see for nine straight quarters since before our last investor day Opex has not grown and that's

alongside a consistently scaling book of business after incurring expenses we're left with adjusted free cash flow the best representation of our business activity in aggregate in a period the net impact of all of the inflows and outflows this is a new metric we're introducing today that will continue to disclose moving forward it is the cash flow metric that's the highest fit with how we manage the business as Daniel mentioned in Q3 all types of cash flow were positive whether you're focused on

net cash flow free cash flow or cash flow from operations in our definition of adjusted free cash flow we include cash flows from our synthetic agents program to capture the true cash impact of our growth spend in a period since those inflows and outflows are directly linked to Core Business activity in a period this approach provides a clear and comprehensive View view of cash performance and operations adjusted free cash flow Break Even is here as you can see we're expecting a positive year in

2024 this materially precedes p&l profitability due to the working capital Dynamic that is built into our model where premium collections precede claim payouts cash flow performance has powered strength in the balance sheet due to synthetic agents and faster than expected growth we now expect to end 2025 with nearly double the cash and Investments balance as we expected when we last met in 20122 we have a billion dollars of cash and Investments on the balance sheet today expected to grow with positive

cash flow generation so our balance sheet is very nicely poised to power the next phase of the business I've touched on synthetic agents a number of times now and I wanted to spend a couple of minutes on what it is how it works and why you should care about it in short it's a novel and creative financing structure that was custom design for our growth strategy and has proven powerful for the business the mechanics are that our partners Advance us 80% of growth spend upfront and in exchange we pay them a fractional stream

16% of premiums that they helped finance for a finite period until they're made whole typically two to three years incumbent insurers including Liberty Mutual Allstate and State Farm all leverage agents to drive their growth as agents bear the cost of customer acquisition in exchange for commissions but with traditional agents there are a couple of notable downsides first there is disintermediation between the customer and the carrier and second obligation to pay commissions to agents are Perpetual in

nature well neither of those facts apply here we simply call the program synthetic agents because we have mirrored the benefit of the traditional agent model in efficiently funding growth without any of the downsides let's work through an example to paint a clearer picture I'll start with a case where we invest $100 in growth through our direct channels without synthetic agents we're $100 out of pocket and it takes two years to realize payback that's quite a capital intensive strategy by the end of the customer's

lifetime we've generated $200 of net positive cash flow that $200 equates to LTV minus CAC so in this case we have $300 of LTV generated per $100 of investment and there's your 3:1 ratio but I'd like to suggest a different metric to measure marketing efficiency irr should be a metric that is very familiar to many of you but for those who aren't it estimates the annual rate of return of an investment we find irr to be a useful metric as it captures nuances related to cash flow timing that are very important

in this context let's Analyze This investment through an irr lens or a CAC irr without synthetic agents in place our growth spend typically yielded a 56% irr already a strong return I'm sure few investors in the room today would pass up as I mentioned synthetic agents Finance 80% of our investment allowing us to buy $500 of growth while still deploying just 100 of our dollars upfront in other words we're able to turn a dollar into five this unlocks a multiplier effect for our Capital efficient and a whole new level of growth

potential for the business and have a look at CAC IR it has doubled to the triple digits we think that's incredible and I hope you agree this program gives us a menu of options in growth Capital planning we can ramp up growth as I've shown here or the other extreme is that we can leave investment levels unchanged now with the same $100 investment we are only out of pocket $20 significantly reducing The Upfront cash flow Gap by the end of the lifetime you can see we have slightly less net cash flow generation and that

difference represents the cost of capital transferred to the synthetic agent over the life of the customer and again you see the same irr unlock as this business is now generated with a fraction of The Upfront Capital outlay so those two examples are the ends of the spectrum invest five times as much to maximize growth or leave growth investment unchanged and maximize cash in reality we choose to play somewhere in the middle in 2024 we more than doubled the pace of gross invest growth investment and will continue to put our foot on the gas next year and Beyond let's have a look at the impact of new business on our two critical metrics before and after launching this program in the 12 months prior to deal launch we generated $20 million of new gross profit but have a look at cash flow new business was a significant drag in 2024 our first full year with this program in place we have significant growth in new gross profit and the cash flow drag is gone the impact to our business since launching this deal is significant have

a look at this chart that compares adjusted free cash flow to adjusted ebit da and net income I'm highlighting when we launch the deal with the dotted vertical line as you head to the right of this chart post deal launch we have accelerating pace of growth investment remember that's an investment with a tripled digit irr and we should do as much of that as possible but have a look at IA and net income which become increasingly negative as higher growth spend burdens the p&l adjusted free cash flow on on the other hand which captures

the fact that 80% of our growth investment is now financed shoots ahead of EBITDA and into the positive in most businesses the p&l leads cash flow and investors are rightly focused on the p&l our business is the other way around EBITDA and net income will follow adjusted freec cash flow into the positive and the driver of lag is simply the accounting treatment of our growth spend it's our perspective that with this Divergence cash is King we focus on adjusted free cash flow for the same reason IIT da became

popular in the first place to capture Core Business cash flows and to adjust for discretionary Investments like Capital expenditures for our B business growth spend is the new capex 56% to 112% that sounds too good to be true so what's the catch well there isn't one we've gained this efficiency while adding exactly zero risk to the business the synthetic agents program is designed so that our partners commissions are solely linked to premium streams that they financed if those premiums aren't realized the synthetic agents bear the

downside risk my fellow model junkies in the room and online will be pleased to hear that right now Shai will tweet an Excel file that captures the math behind this unlock the analysis will use a simplified approach and only relies on information we've already disclosed I hope you'll find it interesting or helpful or both coming back to the flywheel let me now work through an example that resembles 2024 using rough directional numbers and I'll build from growth investment all the way to cash flow

covering each of the steps we just reviewed I'll highlight in Pink as we build synthetic agents Finance 80% of our growth spend seen here as an inflow of $96 million we then invested $120 million in growth which generated three times the premium and as we earn that premium translates to $180 million of new business impact as cohorts stack the renewal business contributes 820 million and the total premium base here is a billion dollars we pay claims and variable costs to yield $200 million of adjusted

gross profit at a 20% margin we pay expenses and to get to adjusted free cash flow we need to include impacts related to working capital synthetic agents and capex so to conclude this illustrative case a billion dollars of Premium yields $200 million of adjusted gross profit at a 20% margin and with the expense structure shown here positive cash flow what happens when we double the business to2 billion of Premium and maintain 20% margins and stability in expenses would cash flow double no cash flow would multiply by 20 times we will

be generating hundreds of millions of dollars in positive adjusted free cash flow let me say that again the next doubling of the business will unlock massive cash flow generation so in 2024 we more than doubled the pace of growth investment which helped drive over over 70% growth in adjusted gross profit and our first adjusted free cash flow positive year the model is humming really nicely and is materially de-risk relative to where we were just a couple of years ago our CFO Tim will walk you through what it looks

like when you simply draw a straight line and extrapolate some of these Trends to the future he will share some thoughts on the path to profit our view of the next phase of the business and some thoughts on value action thank [Applause] you [Music] next Lemonade's remaining path to profit is getting awfully short squint a bit from wherever you're sitting and we're essentially there this shows our remaining path from an EBITDA perspective as compared to our gross earned premium with just a few quarters

remaining if you layer in the cash flow benefits that Nick just walked us all through you'll see why we are confidently planning for both growth acceleration and no change in our pace of progress to break even and Beyond if you look here you'll see our actual progressions since 2021 which is quite something in Broad Strokes in 21 this ratio was in the60s a year later 50s then below 30 this year likely below 20 and next year we expect the teens and by 2026 in the single digits on its way to positive Steady As She

Goes now all that said we have been listening to our investors and our potential investors and candidly there remains a bit of skepticism about this path to profit or so we've heard so I'd like to hit that question headon with a few different takes on what drives our confidence and perhaps we can make our confidence your confidence first this view you've seen this in a few different ways and a few times today one proof point of our consistent scaling over eight plus quarters flat expenses with every

marginal dollar of gross profit closing the Gap to profitability wash rinse and repeat essentially flat operating expenses outside of our growth spend in a period where we've accelerated Topline growth from the teens to the high 20s and going forward as you've heard we expect our growth rate to head towards 30% with modest expense growth second we've highlighted the benefit that visibility into our adjusted free cash flow can provide as a leading indicator of how the p&l is developing adjusted free cash flow leads followed by EBITDA

followed by net income in a fairly orderly fashion and it's mostly just math it's hard to begin to generate cash at an increasing rate without iidon profit to follow two years ago with a fair distance to cash flow positive it was a little easier and more reasonable to ask the question when are these lines going to cross zero when does any of these lines cross zero today the cash flow view is now changed and with it our confidence in this path we can see here as free cash flow becomes positive for the full year in

2024 followed by iua by year in 2026 and Then followed by net income in the following year third let's look under the hood a little bit and we can see that we're essentially a profitable business today absent our increasing growth spend that's increased our growth rate this investment into growth is wholly discretionary and if we halted that spend entirely we'd be e up positive now in Q4 and even just spending at a nominal pace of growth rate to just maintain our Top Line we'd result in a break even

business next year in 2025 the underlying business where cohorts have been added one on the other gives us additional confidence in this trajectory and finally a fourth consistent and reliable execution two years ago we stood we stood on this stage and told you a few things about our expectations we said we'd expected to grow about 20% we'll hit 26% before the year is out we expect we set a long-term gross loss ratio Target of about 70% last quarter most recently we just reported 73% right on track with that Target each

quarter since going public we have spoken about our expect for all of our key metrics and we found ourselves in or above our own guidance range every quarter 17 out of 17 quarters two years ago we did a long-term model and we looked out and we expected a trough a low in our total balance of cash and Investments of about $600 million today that number looks more like about a billion dollars right around the level we're at today we told told you we planned and expected to drive continuous efficiency

lo and behold a 70% increase in our Top Line our enforce premium per employee in just those two years with no plateau in sight finally perhaps most importantly we told you we expected cash flow positive right around 20125 and in fact we've achieved that a year ahead of schedule in 2024 hopefully this gives you a bit better feel for what drives our confidence in that path so here we are just days away from 2025 how are we thinking about the coming year on the growth side our consistent growth acceleration has been notable beginning in Q3 a year ago 2023 we were growing about 18% a quarter later it was 20 then it was 21 then it was 22 and 24% in just the most recent quarter and we expect to be on track for 26% growth in Q4 we expect this acceleration to continue into 2025 and expect to Reise our reach our cruise growth rate of about 30% in 2026 and for the foreseeable future thereafter all of this would take us to an IFP of about $1.2 billion in 2025 with gross profit growing significantly faster

still and on the cash flow side solid free cash flow continued nominal expense growth as we planned uh and on track as we've planned since 2021 for eah break even before 2026 is out let's look out a little bit further two years ago we laid out our expectations for the next several years we did a multi-year Model that we shared with folks and the difference if we look at our updated version of those plans is pretty dramatic a 50% increase in our Topline growth rate from 20 to 30% a 25% increase in our expected 2027 looking

out a few years inforce premium to about $2 billion and despite a generation inflation shock that rocked the insurance sector and other sectors over the last few years essentially no change in our expected timing to ebab break even by the end of 2026 with a bigger business growing at a faster Pace at that time Studies have shown that the vast majority of CFOs and CEOs believe that their Shares are undervalued big surprise but to be fair it's not my job to estimate the value of our shares it's really

yours that said I'm going to share a few thoughts on valuation that we've derived from a couple of our more thoughtful investors uh and maybe just look at a couple different ways about how you might think about a framework for valuation so let's start out heading towards a billion dollars in grosser and premium likely in early 2025 let's grow that at say 30% does that number sound familiar for seven years optimistic and doable let's apply a let's say a 12% EA ratio to that Top Line seven years out

and then maybe a 14 times I multiple you've probably got a multiple you like better or a methodology you like better but let's just go with it for the moment maybe we'll discount that back to today using a rate that you like we come up with an answer of about $90 a share now I get it in your head you've got your own valuation metrics with your own multiples and your own discount rates and your own approach we did the same thing we did it a number of different ways and came back to a similar range each time of between

about $80 and $100 a share now we don't say this so that you'll write it down and take it home we say say this so that you'll appreciate that we think about running our business day to day and not so much about valuation but once in a while it helps to throw out some of our thoughts so where does all this leave us everything that you've heard today from my view a couple things a notably Derisk plan an unchanged strategy and a resilient investment thesis the industry as we all know is right for disruption and I believe no one is ahead of lemonade and disruptive potential one thing I say a lot is we've done the hard part first a market leading product and an unbelievable user experience high growth reliable operating leverage a tiptop balance sheet on a clear path to profit and a market leader to boot in closing I've been doing this a long time uh uh uh I've been a CFO for 25 or so years I think I'm on earnings call number 75 um so it's been a while um but I can honestly say I have never been more confident of the next phase of the

business I'm in the middle of than now and if I can maybe repre a couple thoughts that Daniel shared it goes something like this in my head we are structurally advantaged we are a new kind of insurance company and it is without question a prize worth fighting for thank you [Applause] [Music] thank you Tim by way of closing i' just like to share a few thoughts I'd like to kick it off on behalf of shine myself with a big thank you thank you to my fellow speakers thank you to the team who helped us format edit gather fact check

and prepare the presentations that you saw today thank you to the broader lemonade team whose amazing work it's been our privilege to Showcase today and I want to thank all of you are investors and are soon to be investors as I said at the outset we value your time we value your attention and we hope these have been amply rewarded I said that I hope you'll find the proposition investable I'd like to try and encapsulate it distill it down to just three propositions really simply in order to try and put some structure

around what you've heard today three propositions the first one is in Insurance nothing is more important than precision and automation they map onto expense ratio and loss ratio and that's the whole nine yards proposition number one proposition number two nothing does Automation and precision better than technology find that kind of inarguably true proposition number three lemonade is the best in technology in insurance it's as simple as that that is the proposition that I hope you find investable we find these truths to be

self-evident what that does that technology difference that you saw manifested in so many different ways today that manifests as a competitive advantage and eel something that is deep and defensible it is structural it is cultural and that Gulf between us and what others can do is growing not shrinking I'd issue a small warning a kind of a buer beware around this all insurers use some of the words that we use today all of them will talk about Ai and apps and telematics you might even hear machine

learning learning thrown in here and there when I hear everyone is doing AI my answer is simply no they are not no they are not some of you will have been to presentations by other insurance companies I would wager that nobody has seen anything remotely like what you saw today nobody else is doing AI George Bernard Shaw said that the United Kingdom and the United States are two Nations separated by a Common Language the mere fact that we use the same words doesn't make us the same so do look beyond the slogans lemonade didn't discover AI in 2023 I showed you our decks from 2015 when we were founded artificial intelligence and Technology are not for us some pixie dust to be sprinkled on our quarterly earnings they aren't an afterthought they aren't a graft that we're desperately hoping the body won't reject you saw today AI Maya you saw AI Jim you saw Cooper you saw how our people train them Wranglers of AI you saw our 11th generation of LTV itself and am mulam of 50 other AIS and its incredible presence as we showed

you historical results mapping on to actual predictions and I hope you understand the profound difference multi-layered profound difference between what we mean when we say doing telematics and what that term usually means to people all of this amounts to a change in degree that truly amounts to a change in kind a tech company doing insurance is a different species than an insurance company doing Tech take note also of the pace of change we met in November 2022 I showed you at the time Foundation

models and gpts but chat GPT launched only two weeks later and burst into everybody's awareness GP chat GPT 3 was ranked at about the level of a fourth grader GPT 4 is a high schooler open ai's latest model o1 which is still in preview mode is already performing at PhD levels in many many areas in the meantime during those same two years the cost per million tokens has dropped 99% this is just staggering and world changing stuff that's happening we see no empirical or theoretical limit to that or to its impact on our business

and we were absolutely born for this moment as I hope you've seen exemplified time and again throughout the day it's not merely that we're running faster than our competitors it's that we are running on a conveyor belt that is itself accelerating to dangerous speeds it's hard to jump on to that if you weren't there in the first place jack Welsh cautioned incumbents at large with the words if the rate of change on the outside exceeds the rate of change on the inside the end is near if ever those words were true they're

true of insurance today you are investors you are always looking for investment opportunities and all of this Ai and its deep transformation has attracted a lot of investment for good reason Nvidia has done what it's done and so have other air related stocks but I put it to you that if you're looking for Alpha today you can't look for it in the same places that were discovered two years ago in fact I think a lot of the value creation is going to shift from the foundation models to the application

layer that harnesses all of that goodness in order to do business transforming things in the real world in that context no one is wielding AI in Insurance the way lemonade is and if you're going to harness AI to slay any dragon insurance is a big dragon as you're going to find I hope you find that image investable and as that image set sets up shop in your mind mind I'd like to thank you once more for your interest in lemonade and to wish you all a wonderful day thank you so much [Applause] [Music]