Twitter Thread by Mike Vestergaard



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$LMND – Lemonade insurance, MEGA THREAD! ■

One of the longer ones, but we will come around the company, numbers, bull/bear-case, 2021 expectations, products, etc.

Always apricate a comment, retweet, and dialogue about these threads■

Hope you are ready■

1/x What they do

”Lemonade Insurance Company is transforming the very business model of insurance… Unlike any other insurance company, we gain nothing by delaying or denying claims (we take a flat fee!), so we handle and pay as many claims instantly as possible.”

2/x The company

■4 years old
■Hyper-scaleup
■Not profitable
■Using AI is their biggest advantage
■+1M customers
■They have 0 debt
■+300 employees
■+50 job openings atm
■90 seconds to sign up
■down to 3 seconds to get paid for a claim (avg. 1 day)

How they do:

3/x Funding■

Lemonade Inc. is backed by investors including:

- Aleph
- General Catalyst
- GV (formerly Google Ventures)
- Sequoia Capital
- Thrive Capital
- SoftBank (biggest investor today, 21,18%)

The total money raised by the company to $480 million before IPO■■

4/x Data

- 87% of their customers are first-time policyholders
- 75% are younger than 34 years of age
- Biggest age group are 25-34 years with 63%
- 23,5% female / 76,5% male
- Customers Per human are outstanding
- Their prices are on average 68% cheaper than their competitors

5/x The industry

■ 5 trillion dollar industry worldwide
■ No one in the market has more than a 4% market share
■ Traditional and old companies lead the industry; the average age of their competitors is 125 years
■ 12 of the fortune 500 companies are insurance companies

6/x Customers ■■■■■

Lemonade has earned 4.9 stars in the App Store and on Google Play and is also top-rated by Supermoney, Clearsurance, and others. One of the few insurances which can brag about this.

And looking at the picture, it sure looks like the customers love Lemonade!

7/x The data structure ■■

Lemonade delivers insurance policies and handles claims through desktop and mobile apps using chatbots and AI.

Datapoints > Refinement > More accurate claims > Cheaper insurance > Delighting customers > More data datapoints > Circle again.

8/x Numbers ■

- Premiums worth $188M in Q3, which is +99% upside YoY
- Gross profit increased 83% YoY
- Adjusted gross profit grew 138% YoY
- Gross loss ratio fell from 87% to 72%

Rapid growth: grew its customer base by 46% in the first nine months of 2020 and 108% in 2019■

9/x Numbers■

Premium per customer, defined as in force premium divided by the number of customers, was $201 at the end of the third quarter, up 19% from the third quarter of 2019, which show upsell is going very well and can be further improved with more products■

10/x Product line

■Renters insurance
■Pet insurance
■Home insurance
■Liability insurance
■Life Insurance (coming very soon)

Not access for all countries on all of these*

Get upsell opportunities and still huge TAM on new product lines.

11/x 2021 x Countries

- Looking to expand into new countries
- Probably 2M customers when 2021 are done
- Looking to expand product lines (there is a lot of buzz around car insurance)

Countries they have launched: US (but not all US), France, Germany, and the Netherlands■

12/x Countries coming■

Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Portugal, Cyprus, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and United Kingdom.

13/x News flow

Offering 3M shares to the public market (insider stockholders will sell another 1,5M). It will be for “general corporate purposes”. It will probably be the same as $SE and $TSLA did. They finance their growth through their raising stock price instead of debt.

14/x News flow

Lemonade won a case against @deutschetelekom in France, where the $DTE had trademarked the color pink. The ruling was on December 15, 2020. Own view: This is badass winner-mentality. I love the approach.

https://t.co/eDs6f5u59H

15/x Small thing

When CEO, Daniel Schreiber, gets interviewed, he is very focused on telling the story about becoming an “ironic company in the 21century”, it really gives a feeling about the vision. Own view: He knows he can become the most acknowledged leader in insurance■

16/x Glassdoor reviews

The Trustpilot for employees, Glassdoor, where Lemonade has one of the best profiles I have seen. 97% of the reviews will recommend a job at Lemonade to their friends, and 99% will give the CEO thumbs up. Based on 147 reviews.

https://t.co/EQ6apUBHGv

17/x The management team

Directors and executive officers owned 36,9% of the outstanding shares (after the new offering, the number will be 36,5%). CEO Daniel Schriber owns 15M shares. They have skin in the game, no doubt.

PS: Love the management team. Very strong team!

18/x AI

It sounds to everyone that the whole company only do AI and chatbots. But it was actually “only” 8% in 2018, and in 2020 it was 33% (5x, so still pretty!). But it is still a misunderstanding in the market, that the whole dialogue with the customers solely based on AI.

19/x The bull

Disruption: Being disrupter in a sector which needs it. They think costumer before they think insurance.

Value: They know how to make use of their USP. They have no reason for denying or delaying claims. Lemonade takes a fixed fee, so the structure is different.

20/x The bull

Brand: Their brand is something else. They are not afraid of taking a position in the market and show the way. They know the sector has a (very) low trust with consumers. They want to show that they are socially good.

21/x The bull

The sector is moving: So we already highlighted the disruption, but the sector itself is also moving (from a need-perspective), so Lemonade will be a trendsetter, and it always good to be an investor in something which set the trends.

22/x The bull

Growth: This one could be bearish, but it is more important to maintain growth over profit. They focus very hard on the CAC and costumers instead of margins, which give the necessary scale.

23/x The bull

Marketing: Their marketing is next to none in this sector. They have beaten the others up, and I love it!

It is simply too hard for their competitors to change their setup to modern and “hip” because of their culture, etc.

h/t: @lemonadeinvest

24/x The bear

The short volume is pretty high, 11th January is:
29.73% (https://t.co/Vg2K9djzmm). Other sources (Ycharts) say around 13%.
(pretty normal that’s the data differ on this metric).

See this for good info as well: https://t.co/z6f4iUr40E

25/x The Bear

It has run very high since October, so it is not unrealistic the stock needs a setback. EV to sales of 300x. September 17th, 2020, the market cap was $2,5B. 4 months later, the market cap has exploded to $8,5B. Crazy.

26/x The Bear

Lemonade is probably not a high-margin business with gross margins only hover 18% so far. They need to show how to be profitable at some time – But looking at Netflix, etc., they have a long runway to do so before the patient from the investors runs out.

27/x The bear

We will see an increase in insurtech-scaleups, where the others also are heavily backed by VC and even some backed by the “old” companies. Lemonade has a great head start, but they need to show number 1-seat belongs to them. The playfield will be crowded.

28/x The bear

On the last day of the year, we also saw a report from the short-seller The friendly Bear, which
Claimed 1M customer-milestones was “one of its weakest net add quarters since inception.” And a lot of other stuff.

See more here: https://t.co/VdyI4NaHiY

29/x Info and interviews with or about the company

https://t.co/561ij5MAae

https://t.co/Kbq0UVce5Q

https://t.co/VzUKE6yB7n

https://t.co/Bh3dYfDy5J

https://t.co/UlxSO3oAUR

30/x Conclusion

I love their marketing, I love the founder, and I love the product! They are trying to change something. But it is not easy; they will get more competitors with a more modern approach. They will meet some negativity when trying to change this industry.

31/x Conclusion

I like how they're creating a brand before they talk business – People who are customers brag about having their insurance there; Lemonade has created a community. The same we have seen with Tesla, Apple, etc.

32/x Conclusion

I am not so concerned with their numbers because the build-up of a business with this scale is super expensive at the start but will be worth it in the long run. If they "own" the customers, they can easily upsell to new products.

33/33 Conclusion

For now, I will set this on the bench and wait a bit to buy. But this one is for long term investing, and that is just down my alley.

I HOPE YOU ENJOY THIS ONE! I hope it is worth a retweet or a like■■ Comments are welcomed!