



ASX / MEDIA RELEASE

Limeade Reports Significant Growth in Subscription Revenues in First Half

Highlights:

- Subscription revenues up 26% on the prior corresponding period (pcp) to \$27.4 million
- Gross margins of 77.1% up 1% on the pcp
- Significant improvement in pro forma EBITDA loss of \$0.7 million, up 58% on pcp
- Strong financial position with cash balance of \$28.4 million and no debt
- Total pipeline up 61% from 30 September 2019
- Maintain FY20 guidance with revenues of \$56.1 million and EBITDA loss of \$5.5-\$6.5 million

SYDNEY, Australia and Bellevue, Washington. – 28 August, 2020 – [Limeade](#) (ASX: LME, or the Company), an employee experience software company today announces the Appendix 4D half year financial results for six months ended 30 June 2020.

Limeade Founder and CEO Henry Albrecht said, “Despite the global COVID-19 pandemic and recession, customer retention remains strong and long-term demand for our employee experience solutions has grown significantly. I’m thrilled to see the blue-chip enterprise Limeade customer base – and expert market influencers – recognize Limeade as a pioneer in accelerating both the digital and cultural transformation of work. We play in a huge, global market where modern technology is needed more than ever. And we have built a highly resilient and purpose-driven culture – one that innovates and delivers real customer value in all economic climates.”

Strong Revenue Growth

Limeade recorded 1H20 subscription revenue growth of 26% to \$27.4 million with total revenue growing 24% to \$28.0 million, reflecting revenue from new customers and additional sales to existing customers. Recurring revenue represented 98% of total revenue recorded in 1H20, up 1% on the pcp.

Despite the global impact of COVID-19, the Company did not experience an increase in customer terminations or non-renewals over internal forecasts. Net Revenue Retention (NRR)ⁱ was 98% as at 30 June 2020, down 4% on the pcp. The decrease was due to reduced upsell and expansion opportunities as a result of COVID-19.

Limeade continues to diversify its customer base, with low reliance on any single industry or customer. No single industry contributes greater than 23% of Limeade total revenue. As at 30 June 2020, the largest Limeade customer represented approximately 10% of revenue, while the next four largest customers collectively represent 14% of revenue. The majority of our customers will be under contract in 2021, and the average Limeade customer relationship lasts over seven years.

COVID-19

The COVID-19 pandemic has materially impacted traditional business practices across the globe, which has expedited the need for both digital and cultural transformations in the world of work. Despite the tremendous human and economic costs and ongoing market uncertainty relating to the pandemic, Limeade believes COVID-19 will engender significant and lasting positive effects on the employee experience software industry. According to Global Work Analytics, up to 35-30% of the entire US workforce will be working from home on multiple days a week by the end of 2021.

Although these structural trends are favourable to the business model of Limeade over the long term, COVID-19 did result in some delays in finalizing contracts during the half, with 7 new customer contracts during the half, down from 10 in the pcp, reflecting continued enterprise customer uncertainty related to budgets and timing. Limeade does expect to finalize a high percentage of current contracts under negotiation.

During the half, Limeade promoted over 160 activities designed specifically to navigate employees through crisis, including many new COVID-19-specific activities, and experienced material increases in product participation, as measured by monthly active users (MAU). The company also released 18 major new platform enhancements – new features focused on reaching dispersed workforces, employee listening, recognition and more.

Pipeline Growth & Diversification

The Company's total pipeline was \$219 million as at 30 June 2020, up 61% on the 30 September 2019 pipeline provided to the market in the Limeade IPO prospectus. Of the qualified pipeline, \$18 million sits within the 'Finalist & Verbal' pipeline and \$57 million in 'Develop & Prove' pipeline.

Relating to the impact of COVID-19 on corporate priorities and budgetary decision making, Limeade has experienced some slowdown in progression to the later stages of the qualified (sales) pipeline with Finalist and Verbal pipeline down 5%. However, Develop & Prove was up 12% versus 30 September 2020.

Limeade has seen significant growth in the qualifying (marketing) pipeline. Customer prospect meetings increased 124% and our webinar attendee rate increased 372% versus the pcg. Currently, the market penetration of the addressable global enterprise market by Limeade as measured by contracted enterprise customers is less than 1% of the estimated \$18.2B employee experience software market.

Historically, Limeade has experienced an increase in the signing of customer contracts in the second half of the calendar year, with most services launching the following year.

Gross Profit Margins, Operating Expenses, and Cash Flows

Gross profit margins improved by 1% relative to pcg to 77.1%. The increase in gross margins reflects improvements in customer mix attributes, higher value contracts and operational efficiencies.

Total operating expenses were \$22.3 million, up 19% on the pcg.

Sales and Marketing expenses were up 26% versus the pcg to \$9.6 million, which represents 34% of revenue. The increase is attributed to the growth in headcount (115 v 95 in the pcg) to support brand awareness, pipeline growth and sales execution.

Research and Development (R&D) expenses of \$8.6 million, were up 18% on the pcg. During the half year, Limeade capitalised \$1.5 million in development costs (1H19: \$1.4 million). The increase in R&D expenditure was attributable to headcount expansion from 85 to 96 during the half versus the pcg. Also during the half, the company released 18 major platform initiatives and 100 product enhancements.

Pro forma EBITDA loss of \$0.7 million was a \$0.9 million decrease from the pcg representing an improvement of 58%. The narrower EBITDA loss was due to increases in revenues for the half and operational and marketing efficiencies through lower sales and marketing costs associated with a reduction in travel, face-to-face marketing events and a slowdown in the rate of new hires consistent with COVID-19 restrictions and uncertainty.

Pro forma operating cash flows were -\$0.5 million, driven by an improved EBITDA performance during the half year. 1H20 operating cash flow was flat versus the pcg. The Company's cash balance as at 30 June 2020 was \$28.4 million and the company remains debt free. Limeade is well positioned with cash and recurring subscription revenue from the Company's customer base.

Outlook

The Company remains focused on the execution of its growth strategy, which focuses on adding new customers, expanding into key markets, expanding and upselling its products to existing

customers, and expanding the Limeade platform offering and accelerate growth through acquisitions.

Limeade anticipates a material increase in pipeline execution through new enterprise contract signings in the second half of the financial year, commensurate with historical trends observed in the business.

Limeade re-affirms 2020 financial guidance as follows:

- Revenue of \$56.1 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of \$5.5-\$6.5 million
- Net loss after tax of \$7-8 million

Webcast / Conference Call Details

Mr Henry Albrecht, CEO and Mr Toby Davis, CFO will host the conference call commencing today at 9.00am Australian Eastern Standard Time (AEST) (4.00pm PDT on Thursday, 27 August), followed by a question and answer session. In order to pre-register for the conference call, please follow the link below. You will be given a unique pin number to enter when you call, providing immediate access to the event.

<https://s1.c-conf.com/DiamondPass/10009376-invite.html>

An audio dial-in facility has been established for the purposes of the meeting, as set out below. Due to high demand for operator moderated calls, investors are advised to register for the conference in advance by using the Diamond Pass link above to avoid delays in joining the call directly through the operator. Alternatively, investor can elect to dial-in (noting the delays above) on the morning of the meeting. Please allow up to 5-10 minutes for this process.

Conference ID: **10009376**

Participant Dial-in Numbers:

Australia Toll Free: 1800 908299

Australia Local: +61 2 9007 8048

New Zealand: 0800 452 795

Canada/USA: 1855 624 0077

Hong Kong: 800 968 273

Japan: 006 633 868 000

China: 108 001 401 776

Singapore: 800 101 2702

United Kingdom: 0800 0511 453

The presentation and audio can also be accessed via the webcast link:

<https://services.choruscall.com.au/webcast/limeade-200828.html>

This release dated 28 August 2020 has been authorised for lodgement to ASX by the Board of Directors of Limeade and lodged by Mr Todd Richards, the Limeade ASX Representative.

– ENDS –

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About Limeade

Limeade is an employee experience software company that helps build great places to work. The Limeade platform unifies employee well-being, engagement and inclusion solutions with robust communications capabilities. Recognized for its own award-winning culture, Limeade helps every employee know their company cares. To learn more, visit www.limeade.com.

Limeade, Inc. Australian Registered Business Number 637 017 602, a public limited company registered under the Washington Business Corporation Act (UBI Number: 602 588 317).

Disclosure

This ASX release does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of any securities referred to herein in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. Any securities referred to herein have not been registered under the US Securities Act of 1933, as amended (the "US Securities Act") and may not be offered or sold in the United States or to US persons absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. In addition, any hedging transactions involving the securities referred to herein may not be conducted unless in compliance with the US Securities Act.

¹ Defined as CARR at the beginning of the period plus any CARR added in that period through sale of new solutions to customers who were customers at the beginning of the period (existing customers) or expansion in the number of employees of existing customers; less any reduction in CARR in that period through existing customers who terminate, decide not to renew their subscription or reduce usage of Limeade solutions amongst their employee population, divided by CARR at the beginning of the period.