



ASX / MEDIA RELEASE

Quarterly Activities Report and Appendix 4C

Highlights:

- Significant improvement in FY20 EBITDA loss. EBITDA loss guidance to \$5.5-6.5 million, net loss after tax to \$7-8 million. Revenue guidance of \$56.1 million remains unchanged from previous¹
- Despite COVID-19 uncertainty, 98% NRR² as customer retention remains strong, with lower customer churn as at 30 June 2020
- \$2.9 million in operating cash outflows for the three months ended 30 June 2020, ahead of expectations
- Strong cash position of \$28.4 million to fund organic growth initiatives and strategic acquisitions that complement the Limeade employee experience platform and contribute to CARR³ growth

SYDNEY, Australia and Bellevue, Washington. – 31 July 2020 – [Limeade](#) (ASX: LME, or the Company), an employee experience software company, today announces a quarterly activities report and Appendix 4C quarterly cash flow report for the three months ended 30 June 2020.

Limeade CEO Henry Albrecht said “I am pleased with the resilience of our business despite COVID-19 impacting our core North American market and the broader world economy. Reflecting the quality of our platform in times of crisis, we have observed a significant increase in the utilisation of our employee experience solutions from existing customers, in the period 1 April to 30 June versus the prior corresponding period. Indeed, several of our largest enterprise customers consider Limeade a vital partner during this period of uncertainty.”

Mr Albrecht continued “Our upgraded financial guidance provided today highlights our strong customer relationships and the adaptability of our business. Costs are lower than previously forecast due to 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

All amounts are expressed in US\$ unless otherwise stated

¹ Previous financial guidance issued was revenue of \$56.1m, EBITDA loss of \$10.7m and Net loss after tax of \$12.4m

² Net Revenue Retention

³ Contracted Annual Recurring Revenue

restrictions and uncertainty. We are also observing *increases* in longer-term demand for solutions that empower more effective communication with increasingly remote and distributed global workforces; that support employees' physical, emotional and financial well-being; and that drives increased employee engagement, connection, safety and performance."

During the quarter, the Company recorded cash receipts from customers of \$17.3 million. Net cash receipts from customers after adjusting for payments made in relation to the sale of third-party products and services was \$10.5 million. Receipts from direct customers are typically higher in Q1 of each year due to the seasonality of annual payments, with a significant level of invoicing having occurred in Q4 2019 and Q1 2020. Third party payments of \$6.8 million were flat versus Q1 2020.

Cash payments during the quarter were primarily directed towards the following costs: staff (\$8.5 million), administration & corporate (\$2.8 million), operating (\$0.8 million), advertising & marketing (\$0.6 million) and research & development (\$0.3 million). Staff costs declined 32.9% over Q1 2020, reflecting the payment in the first quarter of staff bonuses earned in the prior financial year. Net operating cash outflow for the quarter was \$2.5 million (Q1 2020: +\$1.9 million), reflecting the timing effect of customer transitions to annual upfront subscription fees, which are typically collected in Q1 of each year.

Investing cash flows of -\$1.6 million reflect software development costs during the quarter.

During the quarter, the Company made related third-party payments of \$89,000 representing fees paid to non-executive directors for performance of their required duties as disclosed in the prospectus and annual report.

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 their customer base. Consistent with the first quarter, the Company has not experienced a material increase in customer terminations or non-renewals (i.e. churn) as a result of COVID-19, with Net Revenue Retention (NRR) at 98% as at 30 June 2020.

Despite COVID-19, total sales and marketing pipeline at Q2 2020 remains consistent with the total pipeline at Q1 2020.

Limeade has experienced some delays in finalizing contracts, reflecting customer uncertainty related to enterprise budgets and timing due to COVID-19. Despite these delays, Limeade does expect to finalize a high percentage of current contracts under negotiation. During the quarter, Limeade signed an additional 2 new contracts (Q1 2020: 5), representing growth in the EU of Engagement solution offerings. Overall, Limeade expects an increase in the signing of customer contracts in the second half of the calendar year, with most services launching the following year, consistent with prior years.

Limeade continues to carefully monitor its expenditures, while making selective strategic investments that meet increased long-term demand.

In June, Limeade announced that industry leader Martin Zelger was appointed as Vice President (VP) of International Sales, headquartered in Zurich, Switzerland. Martin was formerly a Senior Vice President, International at Virgin Pulse and will be responsible for all EU direct sales for Limeade, a key growth driver for the company. He will focus on expanding the footprint of the pioneering Well-Being and award-winning Engagement solutions.

Additionally, in April Larry Colagiovanni was hired as VP of Research & Development. Larry was previously at eBay as their VP, Marketing Technology & Platform Product and General Manager, eBay Seattle. Larry will focus on the expansion of the Limeade platform and solutions. The Company's headcount at the end of Q2 was up nearly 7% to 275 versus 258 as at 31 December 2019.

In April, Limeade was proud to deliver "Care in Crisis" solutions to over 200,000 people in North America – at no cost – to help populations struggling in the face of COVID-19.

Limeade is committed to a growth strategy focused on providing solutions to large enterprise employers globally that contribute to a positive employee experience. The Company continues to evaluate market opportunities and remains open and well positioned to pursue strategic, technologically aligned and culturally compatible acquisitions to accelerate growth.

Based on a review of the first half performance, and expectations for the second half, Limeade today has provided updated financial guidance for FY20:

- Revenue of \$56.1 million (unchanged from previous)
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of \$5.5-\$6.5 million (previous guidance: EBITDA loss of \$10.7 million)
- Net loss after tax of \$7-8 million (previous guidance: Net loss after tax of \$12.4 million)

Limeade has provided investors a snapshot on the use of funds as stated in the IPO prospectus during the quarter in the table shown in Appendix 1.

Investor Call

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), 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/10008573-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: **10008573**

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

This release dated 31 July 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 –

Contact Information

Company

Mr Toby Davis
Chief Financial Officer
toby.davis@limeade.com
+1 425 908 0216

Investor Relations / Media (AU)

Dr Thomas Duthy
Nemean Group for Limeade
thomas.duthy@limeade.com
+61 402 493 727

Media (US)

Ms Shelby Kennard
Director, Corporate Communications
shelby.kennard@limeade.com
+1 206 755 3901

To subscribe to the Limeade Email Alert Service please click [here](#).

To learn more about the response of Limeade to COVID-19 please visit:

<https://www.limeade.com/en/care-in-crisis-actions-you-can-take/>

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.

Appendix 1 – Use of Funds¹

Use of Funds	Prospectus ²	Q2 2020 ³	Cumulative Expenditure	Comment
Sales & Marketing	\$14.4m	\$0.0m	\$2.0m	Under plan due to a reduction in COVID-19 related travel expenses and transition to fully virtual Limeade marketing & customer events
Research & Development	\$7.5m	\$0.8m	\$1.3m	On track according to plan
General & Administrative	\$5.4m	\$0.4m	\$1.1m	Under plan due to delay in hiring and lower travel expenditure
Repayment of existing credit facility	\$2.8m	N/A	\$2.8m	Paid in Q4 2019
Offer Costs	\$4.0m	N/A	\$3.9m	Majority of fees paid in Q4 2019 & balance in Q1 2020
Total Uses	\$34.1m	\$1.1m	\$11.0m	

Any discrepancies between totals and sums of components in tables are due to rounding

¹ All amounts are expressed in US\$; ² A copy of the Limeade prospectus is available at: <https://www.asx.com.au/asxpdf/20191220/pdf/44crz46wm71wlh.pdf>

³ The expenditure relating to S&M, R&D and G&A represents the additional expenditure into these functions resulting from the funds raised at IPO compared to the pcg.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Limeade, Inc.

ABN

637 017 602

Quarter ended ("current quarter")

June 30, 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,311	42,756
1.2 Payments for		
research and development	(264)	(422)
product manufacturing and operating costs	(751)	(857)
advertising and marketing	(577)	(1,380)
leased assets	(42)	(90)
staff costs	(8,485)	(21,141)
administration and corporate costs	(2,849)	(5,740)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	—	—
1.5 Interest and other costs of finance paid	—	(10)
1.6 Income taxes paid	—	—
1.7 Government grants and tax incentives	—	—
1.8 Other - third-party payments	(6,794)	(13,655)
1.9 Net cash from / (used in) operating activities	(2,452)	(539)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
entities	—	—
businesses	—	—
property, plant and equipment	(69)	(142)
investments	—	—
intellectual property	(1,515)	(1,515)
other non-current assets	—	—

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	entities	—	—
	businesses	—	—
	property, plant and equipment	—	—
	investments	—	—
	intellectual property	—	—
	other non-current assets	—	—
2.3	Cash flows from loans to other entities	—	—
2.4	Dividends received (see note 3)	—	—
2.5	Other (provide details if material)	—	—
2.6	Net cash from / (used in) investing activities	(1,584)	(1,657)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	—	—
3.2	Proceeds from issue of convertible debt securities	—	—
3.3	Proceeds from exercise of options	24	30
3.4	Transaction costs related to issues of equity securities or convertible debt securities	—	(829)
3.5	Proceeds from borrowings	—	—
3.6	Repayment of borrowings	—	—
3.7	Transaction costs related to loans and borrowings	—	—
3.8	Dividends paid	—	—
3.9	Other (provide details if material)	—	(571)
3.10	Net cash from / (used in) financing activities	24	(1,371)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	32,405	31,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,452)	(539)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,584)	(1,657)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24	(1,371)
4.5	Effect of movement in exchange rates on cash held	3	—
4.6	Cash and cash equivalents at end of period	28,396	28,396

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	28,396	32,405
5.2	Call deposits	—	—
5.3	Bank overdrafts	—	—
5.4	Other (provide details)	—	—
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,396	32,405

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$US'000
(89)
—

Item 6.1 includes cash compensation paid to Board Directors & Chair

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	15,000	—
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	15,000	—

7.5 Unused financing facilities available at quarter end	15,000
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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Limeade has a credit facility with Comerica Bank of \$15M with an interest rate of LIBOR plus 3% per annum.

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,452)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	28,396
8.3 Unused finance facilities available at quarter end (Item 7.5)	15,000
8.4 Total available funding (Item 8.2 + Item 8.3)	43,396
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	17.7

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **31 July 2020**

Authorised by: **Toby Davis, Chief Financial Officer**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.