



ASX / MEDIA RELEASE

## Quarterly Activities Report and Appendix 4C

### Highlights:

- FY20 revenue guidance of \$56.1 million maintained
- Further significant improvement in FY20 EBITDA loss expectations to \$0.0-2.0 million (previous: \$5.5-6.5 million) and upgraded net loss after tax to \$1.5-3.5 million (previous: \$7-8 million)
- \$5.7 million in operating cash inflows for the three months ended 30 September 2020, ahead of internal expectations
- Cash position remains strong at \$33.5 million (no debt)
- The Company continues to evaluate a select number of strategic acquisitions that could complement the Limeade platform and contribute to CARR<sup>1</sup> growth

SYDNEY, Australia and Bellevue, Washington. – 30 October 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 September 2020.

Limeade CEO Henry Albrecht said “Limeade made excellent progress during the quarter, strengthening our leadership team and delivering customer-focused innovation. Our overall contract signings were lower than expected, reflecting the continued effect of COVID-19 and the global recession on enterprise budgets and decision making. We continue to manage our costs with discipline through this challenging period of business uncertainty, which shows up in our strong Q3 operating cash flows and the material improvement in our EBITDA and NPAT loss expectations for the full year. We have rationalised our expenditures and reduced the rate of new hires commensurate with the current operating environment.”

During the quarter, the Company recorded cash receipts from customers of \$23.7 million. Net cash receipts from customers after adjusting for payments made in relation to the sale of third-party products and services was \$19.0 million, up 81% versus Q2 2020. Third party payments of

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<sup>1</sup> Contracted Annual Recurring Revenue

\$4.7 million were down 31% versus Q2 2020 due to a reduction in demand from COVID-19 for one-time purchases of in-person biometric screening events.

Cash payments during the quarter were primarily directed towards the following costs: staff (\$9.3 million), administration & corporate (\$2.5 million), operating (\$0.6 million), marketing (\$0.7 million) and research & development (\$0.2 million). Staff costs increased 9.2% over Q2 2020, due to lower capitalized software development costs in Q3 2020. Overall, headcount was lower than prospectus forecasts due to reduction in hiring associated with general business uncertainty and activity during the COVID-19 pandemic.

Net operating cash inflow for the quarter was \$5.7 million (Q2 2020 cash outflow: \$2.5 million), which exceeded Company expectations and reflects an accelerated receipt of an annual subscription payment from a large customer.

Investing cash flows of -\$0.7 million reflect software development costs incurred during the quarter.

During the quarter, the Company made related third-party payments of \$89 thousand 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 September 2020 was \$33.5 million and the company remains debt free, with the overall cash position having increased 4.7% since the IPO on ASX in December 2019. Limeade is well positioned with cash and recurring subscription revenue from the existing customer base remaining controlled with the top 20 customers on average having 21 months remaining on their contracts.

During the quarter, the Company did experience some customer terminations or non-renewals (i.e. churn) with Net Revenue Retention (NRR) declining from 98% to 93% as at 30 September 2020 versus Q2 2020. Churn was related to the economic pressures of the COVID-19 pandemic, and related layoffs, furloughs, and employee experience related budget cuts. However, the overall level of customer terminations or non-renewals remains within overall Company expectations for the nine months of the FY20 financial year. During the quarter, the Company secured a large contract expansion with a Global Top 5 technology customer.

Despite persistent COVID-19 uncertainty, the Company's total sales and marketing pipeline at Q3 2020 remains similar to the total pipeline at Q2 2020, which stood at US\$219 million. As with Q2 2020, during the quarter Limeade continued to experience delays in finalizing both new sales and upsell/expansion contracts, reflecting prospect and customer uncertainty related to enterprise budgets due to COVID-19.

Although Limeade does expect to finalize a high percentage of current contracts under negotiation, the timing effect associated with securing some of these contracts may result in a commencement date beyond 31 December 2020, and therefore impact overall CARR growth for

FY20. During Q3 2020, Limeade signed three new enterprise contracts (Q2 2020: 2), representing two Well-Being and one Engagement customer in the financial services, energy, and healthcare sectors, respectively.

Limeade continues to monitor its expenditures carefully, while making selective strategic investments that meet increased long-term demand for the Company's employee experience suite of product offerings.

The Limeade platform unifies employee well-being, engagement and inclusion solutions with industry-leading communications capabilities. Limeade solutions are mobile-first, grounded in science and help organizations reach and show care for all employees — no matter where they work.

During the quarter, Limeade launched a number of platform innovations along the following three themes:

Listening – Enhanced Employee Listening dashboard, Safety Incident Reporting, Health Checks and Ask a Question features

Reach – COVID-19 Activity Library, Leadership Spotlight, Return-to-Work Guide, Onboarding, Emergency Notifications, Resources, Benefits Wallet and Employee Resource Group (ERG) support

Recognition – Automated Milestones and Living Company Values features

On 30 September 2020, Erick Rivas, Limeade co-founder and VP, Corporate Development retired from the Company. Larry Colagiovanni, who has been the Vice President of Research & Development at Limeade since March 2020, is being promoted to the role of CTO, having worked closely with Erick since April 2020 on completing the transition of technology leadership at the company. Larry has provided significant leadership to the Limeade R&D team and to the company as a whole.

Additionally, Scott Fletcher will assume the role of General Counsel. Scott has served as VP, Legal since joining Limeade in July 2019 and has been instrumental in company governance and risk management since he joined our team. Scott brings more than 27 years of senior legal experience in a number of different leadership roles involving everything from litigation, business contracts, IP licensing and privacy. He will continue to lead the Limeade legal department and will provide counsel on key strategic initiatives focused on continued growth.

Recently, Limeade made two new senior executive appointments with Padmashree Koneti appointed VP of Product and Julie Nyberg, VP of People. These executives bring to Limeade a significant level of senior management experience across the technology sector including with eBay, Amazon and Microsoft and are a welcome addition to the Limeade team.

In September, Limeade was certified by Great Place to Work for the fourth time, named one of Washington's 2020 Best Workplaces by the Puget Sound Business Journal for the seventh time,

and honoured as one of Washington's 2020 Best Companies to Work For by Seattle Business Magazine for the fourth time. By creating a world-class employee experience for its own employees, Limeade is well suited to deliver software that helps other companies create great places to work.

Shortly after the close of the quarter, Limeade founder and CEO Henry Albrecht was named an Entrepreneur Of The Year® 2020 Pacific Northwest Region Award winner. The Entrepreneur Of The Year Awards program is one of the preeminent competitive awards for entrepreneurs and leaders of high-growth companies. The award recognizes those entrepreneurial leaders who are excelling in overcoming adversity; financial performance; societal impact and commitment to building a values-based company; innovation; and talent management.

Limeade remains committed to a growth strategy focused on providing solutions to large enterprise employers globally that contribute to a positive employee experience. During the quarter, the Company continued to evaluate market opportunities and, with a strong cash position and no debt, is well-positioned to pursue strategic, technologically aligned and culturally compatible acquisitions to accelerate growth in CARR over the longer term.

Limeade is pleased to provide updated financial guidance for FY20:

- Revenue of \$56.1 million (unchanged)
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of \$0-2 million (previous: \$5.5-\$6.5 million)
- Net loss after tax of \$1.5-3.5 million (previous: \$7-8 million)

The upgrade to EBITDA and Net loss after tax guidance reflects a slowdown in the rate of new hires and expenditure related to travel and moving to virtual marketing and customer events.

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.

*This release dated 30 October 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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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](http://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 Funds<sup>1</sup>

Use of Funds	Prospectus <sup>2</sup>	Q3 2020 <sup>3</sup>	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	(\$0.3m)	\$1.0m	Under plan due to delay in hiring
General & Administrative	\$5.4m	\$0.2m	\$1.3m	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
<b>Total Uses</b>	<b>\$34.1m</b>	<b>(\$0.1m)</b>	<b>\$10.9m</b>	

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

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

<sup>3</sup> 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 pcip.

## 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")**

September 30, 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	23,700	66,455
1.2 Payments for		
(a) research and development	(180)	(602)
(b) product manufacturing and operating costs	(606)	(1,463)
(c) advertising and marketing	(717)	(2,097)
(d) leased assets	(35)	(125)
(e) staff costs	(9,266)	(30,407)
(f) administration and corporate costs	(2,476)	(8,217)
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	(4,702)	(18,357)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>5,717</b>	<b>5,178</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	—	—
(b) businesses	—	—
(c) property, plant and equipment	(24)	(166)
(d) investments	—	—
(e) intellectual property	(708)	(2,223)
(f) other non-current assets	—	—

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	—	—
	(b) businesses	—	—
	(c) property, plant and equipment	—	—
	(d) investments	—	—
	(e) intellectual property	—	—
	(f) 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)	—	—
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(732)</b>	<b>(2,388)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	82	112
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)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>82</b>	<b>(1,289)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	28,396	31,962
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,717	5,178
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(732)	(2,388)



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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	82	(1,289)
4.5	Effect of movement in exchange rates on cash held	8	9
4.6	<b>Cash and cash equivalents at end of period</b>	<b>33,471</b>	<b>33,471</b>

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	33,471	28,396
5.2	Call deposits	—	—
5.3	Bank overdrafts	—	—
5.4	Other (provide details)	—	—
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>33,471</b>	<b>28,396</b>

**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

**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.*

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

7.5 **Unused financing facilities available at quarter end** 15,000

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	5,717
8.2 Cash and cash equivalents at quarter end (Item 4.6)	33,471
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)	48,471
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5*

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

8.6.1 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:

8.6.2 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:

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

Answer:

*Note. where item 8.5 is less than 2 quarters, all questions 8.6.1, 8.6.2, and 8.6.3 above must be answered*

**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: **29 October 2020 (PDT)**

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

**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.