

## ASX / MEDIA RELEASE

### **21% Growth in Subscription Revenues in FY20 and EBITDA of US\$1.2 Million**

#### **Highlights:**

- Exceeded FY20 guidance for revenue, EBITDA and Net Loss After Tax
- Subscription revenues up 21% on the prior corresponding period (pcp) to US\$54.9 million and total revenue US\$56.6 million
- Gross margins of 77.9% up 1.3% on the pcp
- EBITDA of US\$1.2 million and net loss after tax of US\$0.3 million; ahead of guidance
- Strong financial position with cash balance of US\$31.5 million and no debt
- Total pipeline up 20% versus the pcp to US\$226 million
- FY21 guidance: revenues of US\$50-53 million and EBITDA loss of US\$5-8million

**SYDNEY, Australia and Bellevue, Washington. – 26 February, 2021** – [Limeade](#) (ASX: LME, or the Company), an employee experience software company today announces the Appendix 4E full year financial results for the twelve months ended 31 December 2020.

Limeade CEO Henry Albrecht said, "I am extremely proud of the way Limeade faced the COVID-19 pandemic and its chilling effects on the world economy. The Company showed care for our employees, who in turned showed care for our customers and shareholders in a challenging year. Our financial discipline, strong customer relationships, pioneering technology and award-winning culture set us up for future growth in an employee experience software market that has never been in higher demand. Recent entry by Microsoft is a strong signal that helping create the future of work is a massive opportunity. Limeade has 15 years of experience helping large employers build great places to work, emphasizing employee well-being, engagement, inclusion and communications as core elements in serving the workforces of tomorrow."

#### **Strong Revenue Growth, Direct CARR<sup>1</sup> flat, Direct Churn Contained**

Limeade recorded FY20 subscription revenue growth of 21% to US\$54.9 million with total revenue growing 19% to US\$56.6 million, reflecting revenue from new customers and additional upsell and

expansion sales to existing customers. Recurring revenue represented 97% of total revenue recorded in FY20, up 1% on the pcp. Over the last five years, the compound annual growth rate in revenue has been 24%, highlighting the growth opportunities of the Company's core well-being business.

The Company recorded FY20 CARR of \$55.0 million, down 4% on FY19 due largely to COVID-19 and its effect on enterprise HR and Benefits budgets in North America and Europe. The Company signed 18 new enterprise contracts in FY20 versus 30 in FY19.

The Direct channel customer base remains strong. The economic impact of COVID-19 slowed new customer growth, but Limeade maintained its direct book of business with FY20 direct channel growth of 1% on a CARR basis versus the pcp to US\$49.3 million as at 31 December 2020. The Company continued to grow the average size of enterprise customer contracts in FY20. The average CARR per Limeade direct well-being customer was up 2% to US\$651k and the average CARR per customer of US\$367k was up 11% versus the pcp.

Recurring subscription revenue from existing customers will continue into FY21 with the top 20 Limeade customers on average having 19 months remaining on their contracts as at 31 December 2020.

Net Revenue Retention (NRR)<sup>2</sup> was 87%, down 11% versus the pcp. Limeade direct customer NRR was 90%, a decline of 6% versus the pcp. Gross churn of Limeade direct customers was 13% in FY20 versus 14% in FY19, which was in-line with Company expectations. Subscription pricing per user was also maintained and within expectations during the year. Given the macroenvironment experience in 2020, this is a pleasing result highlighting the resilience of the Company's business model.

The main driver of the overall decline in total NRR was an increase in Indirect (partner) churn resulting in partner NRR of 66% for FY20 versus 102% in the pcp. The Company has a key reseller partner focused on midmarket businesses that experienced significant churn during the year, driving overall customer count lower. In FY20, the average CARR size of indirect churned customers in FY20 was less than US\$100k. As at 31 December 2020 the Company had 102 direct customers and 48 indirect customers for a total of 150 total customers.

### **Gross Profit Margins, Operating Expenses, and Cash Flows**

Gross profit margins improved by 1.3% relative to pcp to 77.9%. The increase in gross margins reflects higher value contracts, and continued improvement in operational efficiencies.

Total operating expenses were US\$43.1 million, up 11% on the pcp. The increase in operating expenses compared to pcp was driven largely from an increase in the average headcount from 236 in FY19 to 271 in FY20. The increased staffing costs were offset by reduced sales and marketing spend on events and travel as the Company shifted to fully virtual webinars and remote meetings due to COVID-19.

Sales and Marketing expenses were up 14% versus the pcp to US\$17.8 million, which represents 31.5% of revenue, down from 33.0% in the pcp. The total increase is due to the increase in average sales and marketing headcount in FY20 to support global expansion and other enterprise growth opportunities.

Research and Development (R&D) expenses of \$16.8 million, were up 14% on the pcp. During the year, Limeade capitalised US\$3.0 million in development costs (FY19: US\$2.5 million). R&D headcount increased on average in FY20. In FY20, the Company released 560 new activities to support employee well-being and COVID-19 along with additional engagement and inclusion activities. Additionally, Limeade Product and R&D teams delivered 25+ key platform upgrades and global support capabilities. New capabilities focused on communicating care for dispersed workforces, addressing health & safety issues relating to COVID-19, emotional well-being, employee listening, recognition and more. Limeade also delivered additional key partnerships highlighted by the Microsoft Teams integration. Limeade delivers well-being activity content to Microsoft Teams users, adding a new interface for Limeade platform capabilities.

The Company recorded FY20 EBITDA profit of US\$1.2 million, a US\$3.3 million increase from the pcp representing an improvement of 160% and ahead of recent market guidance of a \$0-2 million loss. The significant improvement in EBITDA was attributable to an increase in revenue resulting from FY19 CARR growth along with disciplined management of operating expenses and growth investments. The net loss after tax was \$0.3 million, a US\$3.1 million or 92% improvement on pcp and was also ahead of guidance provided at the recent Q4 2020 results.

Operating cash flow of US\$3.8 million increased US\$2.4 million compared to FY19. This is due to improvements in recorded EBITDA as well as continued improvement in accounts receivable collections and annual subscription payments collected in advance. Free cash flow improved by 137% from US\$1.7 million cash outflow in FY19 to US\$0.6 million cash inflow in FY20.

Limeade closed the financial year with US\$31.5 million cash at bank and no debt.

### **Pipeline Growth, Diversification and Defensive Attributes**

Limeade anticipates that the COVID-19 crisis will have significant and lasting positive effects on the employee experience software industry. The long-heralded digital and cultural transformations of work are projected to accelerate in the aftermath of COVID-19. The Company is seeing early indications of this macroeconomic shift with total pipeline of US\$226 million as at 31 December 2020, representing an increase of 20% over the pcp. Of the sales-qualified pipeline, US\$13 million sits within the latter 'Finalist & Verbal' stages and US\$48 million in 'Develop & Prove' stages.

During FY20, Limeade has seen significant growth in the qualifying (marketing) pipeline to US\$166 million, up 43% on the pcp. Customer prospect meetings increased 53%, with the webinar attendee rate increasing 120% versus the pcp. 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 US\$21.8B global employee experience software market.

## **Diversified and Defensive Enterprise Customers**

Limeade continues to maintain a highly diversified customer base with minimal reliance on any single customer or industry. Despite COVID-19, Limeade did not see customer churn concentrated to any particular industry. During the year, the Company added 15 new direct enterprise customers, down from 23 in the pcp as the economic impact of COVID-19 slowed new customer growth throughout the year.

When stratified by industry, 75% of Limeade customers are within the healthcare, government, education, not-for-profit, manufacturing and tech/consulting sectors, which are defensive by nature. The Company has minimal exposure to retail and hospitality (7% of CARR) and transportation (7% of CARR), which have been materially impacted by the pandemic.

In FY20, the Top 5 Limeade customers accounted for 28% of CARR (24% in FY19), with enterprise customers greater than 10k employees increasing to 80% from 75% in the pcp.

## **Well-Positioned for Long Term, Sustainable Growth**

A recent study<sup>3</sup> highlighted that employee well-being is quickly becoming a key priority for employers, and was listed as one of the top 5 business priorities in Q1 FY21 by roughly a third of enterprises. The study authors highlighted that with COVID-19, the unintended consequences of the rapid, global shift toward remote work have contributed to imbalances in well-being and access to opportunity. Limeade is uniquely positioned in the employee experience sector, with strong core capabilities in employee well-being along with inclusion, engagement and communications, to capitalize on these fundamental structural shifts in the workplace.

The Company maintains a strong organic growth profile, with increasing usage among existing customers, new North American and European enterprise customers and enhanced product features and capabilities to grow market share. In addition, Limeade continues to seek strategic acquisitions that complement the business.

The Company anticipates closing at least one acquisition during FY21.

## **Outlook**

The Company's strong financial position and responsible financial management shown during a period of sustained uncertainty in 2020 allows the Company to continue investing in our market-leading platform to drive long term innovation and business growth.

Limeade is pleased to provide guidance for FY21 as follows:

- Revenue of US\$50-53 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of US\$5-8 million

Limeade looks forward to a sustained recovery in its growth profile, which has exhibited five-year revenue compound annual growth rate (CAGR) of 24% and CARR CAGR of 15%.

### **Webcast / Conference Call Details**

Mr Henry Albrecht, CEO and Mr Toby Davis, CFO will host the conference call commencing at 9.00am Australian Eastern Daylight Time (AEDT) today (2.00pm PT on Thursday, 25 February), followed by a question-and-answer session.

In order to pre-register for the conference call and webcast, 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/10012345-njf954.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: **10012345**

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-210226.html>

***This release dated 26 February 2021 has been authorised for lodgement to ASX by the Board of Directors of Limeade and lodged by Mr Kobe Li the Limeade ASX Representative.***

**– ENDS –**

## Contact Information

### Company

Mr Toby Davis  
Chief Financial Officer  
[toby.davis@limeade.com](mailto:toby.davis@limeade.com)  
+1 425 908 0216

### Investor Relations / Media (AU)

Dr Thomas Duthy  
Nemean Group for Limeade  
[thomas.duthy@limeade.com](mailto:thomas.duthy@limeade.com)  
+61 402 493 727

### Media (US)

Ms Shelby Kennard  
Director, Corporate Communications  
[shelby.kennard@limeade.com](mailto:shelby.kennard@limeade.com)  
+1 206 755 3901

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

## 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.

<sup>1</sup> Contracted Annual Recurring Revenue (CARR) represents the total value of contracted subscription revenue at a point in time, expressed on an annualized basis

<sup>2</sup> 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.

<sup>3</sup> Teevan, Jaime, Brent Hecht, and Sonia Jaffe, eds. *The New Future of Work: Research from Microsoft on the Impact of the Pandemic on Work Practices*. 1st ed. Microsoft, 2021. <https://aka.ms/newfutureofwork>