



ASX / MEDIA RELEASE

Quarterly Activities Report and Appendix 4C

Highlights¹:

- FY21 financial guidance maintained; \$50-53 million in revenue; EBITDA loss of \$5-8 million, and net loss after tax of \$7 to \$10 million
- Three new enterprise contracts signed during the quarter, including the US operations of a large global banking group
- Late stage pipeline (finalist and verbal) up 78% to \$16.1 million versus Q2 2021 as Company has made significant progress in new customer development in the quarter
- Cash position of \$15.1 million as at 30 September 2021 and no drawn debt
- Q3 2021 operating cash outflows of \$4.1 million, reflects the timing effect of a large upfront enterprise subscription expected in Q3 (received in early October)
- Strong Q4 2021 contract signings and growth in 2H 2021 CARR² anticipated
- Expect to launch a mid-market well-being offering in Q4 2021

SYDNEY, Australia and Bellevue, Washington. – 19 October 2021 – [Limeade](#) (ASX: LME, or the Company), an immersive employee well-being company that creates healthy employee experiences, today announces the quarterly activities report and Appendix 4C quarterly cash flow report for the three months ended 30 September 2021.

Limeade CEO Henry Albrecht commented “During the quarter we focused on serving our core enterprise well-being customers, integrating the TINYpulse acquisition and readying for the launch of an immersive well-being entry into the mid-market. Whether a company has 2,000 or 200,000 employees, they seek to listen better and do more for their people to maximize business performance. We were very pleased at the acceleration of our late-stage enterprise sales pipeline to finalist and verbal stages as well, providing Limeade with a solid platform for growth in 2022.”

During the quarter, the Company recorded cash receipts from customers of \$16.1 million, down 32% versus the prior corresponding period (pcp), reflecting the timing effect of a large annual subscription payment from a significant enterprise customer expected in Q3 2021 (collected in October) and lower overall contracted annual recurring revenue (CARR) compared to FY20 for the Limeade core business. Had this enterprise customer payment been received during Q3 2021 as per prior year, the Company would have recorded positive operating cash flows for the quarter.

¹ All amounts are expressed in US\$ unless otherwise stated.

² CARR – Contract Annual Recurring Revenue

Net cash receipts from customers after adjusting for payments made in relation to the sale of third-party products and services was \$12.0 million, down 37% versus the pcp. Third party payments of \$4.0 million were down 14% versus the pcp though sequentially were up 21% when compared to Q2 2021, reflecting an increase in customer employee incentive funding payments.

Cash payments during the quarter were primarily directed towards the following costs: staff (\$10.3 million), administration & corporate (\$3.4 million), operating (\$1.0 million), marketing (\$0.7 million) and research & development (\$0.8 million).

The 18% increase in staff costs relative to Q2 2021 reflects the additional headcount acquired as part of the TINYpulse acquisition, which completed on 29 July 2021. The increase in Limeade R&D of 56% versus Q2 2021 in part reflects the acquisition of TINYpulse R&D center in Vietnam and additional investments into the Limeade platform during the quarter.

The Company recorded operating cash outflows of \$4.1 million for the quarter, an increase of 104% on Q2 2021. Investing cash flows for the quarter of \$9.6 million was driven by the \$8.9 million payment to acquire TINYpulse, representing the final adjusted price for the business. Limeade capitalized software development costs incurred during the quarter, decreased 1% to \$0.8 million.

During the quarter, the Company made related third-party payments of \$86 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 2021 was \$15.1 million, with the Company remaining debt-free and well-positioned to capitalize on both organic and inorganic growth opportunities through the remainder of 2021 and into 2022. In addition, the Company maintains a \$15 million undrawn debt facility credit facility with Comerica Bank.

Cash and recurring subscription revenue from the existing customer base remains strong with the top 20 customers on average having 19 months remaining on their contracts (up from 17 months at Q2 2021).

Overall year to date Net Revenue Retention (NRR)³ was 84% as at 30 September 2021. Limeade direct customer NRR was 86%, a decline of 10% versus the pcp, while indirect (partner) NRR was 65%. Direct customer NRR was impacted by the termination of a top ten customer, American Airlines, during the period (\$1.9 million in CARR) and the continued impact of COVID-19 on customer retention. As per previous quarters, the indirect channel, which tends to focus on midmarket companies, continued to experience persistent customer churn. Limeade is now focused on pursuing healthier channel relationships with more strategic partners moving

³ Net revenue retention (NRR), 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.

forward. As at 30 September 2021, indirect CARR represented 6.7% of total Company CARR, versus 10.3% as at FY20.

During Q3 2021, Limeade signed 3 new enterprise contracts (Q3 2020: 3), which included two Well-Being and one Engagement customer in the financial services, tech and energy sectors, respectively.

The Company also announced a partnership with Microsoft Viva to infuse well-being into the flow of work to help employees thrive.⁴ During the quarter, Limeade was pleased to appoint Sarah Visbeek to the role of Vice President, Legal. Sarah has significant legal expertise at both the Director and Senior Corporate Counsel level and as General Counsel. Sarah is a welcome addition to the Limeade team. Sarah holds a J.D., cum laude in Law from the University of Seattle and a B.A. magna cum laude from Seattle Pacific University.

The Company's total sales and marketing pipeline (including TINYpulse) at Q3 2021 recorded a decline of 4% versus Q2 2021, to \$151 million, driven predominately by a decline in the early stage qualifying (marketing) pipeline. The Company's finalist and verbal pipeline was up 78% to \$16.1 million, reflecting a strong progression down the pipeline for core Limeade well-being solutions.

Limeade maintains financial guidance for FY21 as follows:

- Revenue of \$50-53 million
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) loss of \$5-8 million
- Net loss after tax of \$7-10 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 Todd Spartz, CFO will host a conference call commencing today at 9.00am Australian Eastern Daylight Time (AEDT), (3.00pm PDT on Monday, 18 October), 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/10016920-ugja7h.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

⁴ <https://www.limeade.com/company/newsroom/limeade-joins-microsoft-efforts-to-help-employees-thrive/>.

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: **10016920**

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 19 October 2021 has been authorised for lodgement to ASX by the Board of Directors of Limeade and lodged by Mr Danny Davies, the Limeade ASX Representative.

- ENDS -

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About Limeade

Limeade is an immersive employee well-being company that creates healthy employee experiences. Limeade Institute science guides its industry-leading software and its own award-winning culture. Today, millions of users in over 100 countries use Limeade solutions to navigate the future of work. By putting well-being at the heart of the employee experience, Limeade reduces burnout and turnover while increasing well-being and engagement — ultimately elevating business performance. To learn more, visit www.limeade.com (ASX listing: LME).

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	Q3 2021 ³	Cumulative Expenditure	Comment
Sales & Marketing	\$14.4m	\$0.2m	\$0.5m	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	\$3.5m	Under plan due to delay in hiring
General & Administrative	\$5.4m	\$0.9m	\$4.2m	Under plan due to delay in hiring and lower travel expenditure, offset by TINYpulse acquisition costs
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	\$1.9m	\$14.8m	

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

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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,084	53,405
1.2 Payments for		
(a) research and development	(824)	(2,143)
(b) product manufacturing and operating costs	(1,018)	(2,595)
(c) advertising and marketing	(656)	(2,185)
(d) leased assets	(24)	(85)
(e) staff costs	(10,180)	(29,405)
(f) administration and corporate costs	(3,390)	(8,646)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	—	—
1.5 Interest and other costs of finance paid	—	(12)
1.6 Income taxes paid	—	—
1.7 Government grants and tax incentives	—	—
1.8 Other - third-party payments	(4,041)	(13,807)
1.9 Net cash from / (used in) operating activities	(4,049)	(5,474)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	—	—
(b) businesses	(8,893)	(8,893)
(c) property, plant and equipment	(20)	(61)
(d) investments	—	—
(e) intellectual property	(781)	(2,333)
(f) other non-current assets	—	—

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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
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)	—	—
2.6	Net cash from / (used in) investing activities	(9,693)	(11,287)

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	106	367
3.4	Transaction costs related to issues of equity securities or convertible debt securities	—	—
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)	—	—
3.10	Net cash from / (used in) financing activities	106	367

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,724	31,497
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,049)	(5,474)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,693)	(11,287)

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)	106	367
4.5	Effect of movement in exchange rates on cash held	(10)	(26)
4.6	Cash and cash equivalents at end of period	15,077	15,077

5.	Reconciliation of cash and cash equivalents	Current quarter \$US'000	Previous quarter \$US'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	15,077	28,724
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)	15,077	28,724

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**

(86)

—

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

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)	(4,049)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	15,077
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)	30,077
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7

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:19 October 2021 (AEDT) / 18 October 2021 (PDT)

Authorised by:Todd Spartz, 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.