

Lemonade, Inc. (NYSE: LMND)

Equity research report · 15 October 2026 · Price \$43.86, close of 14 October 2026

Verdict	Price	Fair value (base)	Watch price	Investment Score
Watchlist (unchanged)	\$43.86	\$48.94 (+11.6%)	\$39	55.4 / 100 (was 61.3)

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The shares are in a breakdown, below every major average and at a fresh 60-session closing low; watch for a reclaim of the 50-day average near \$49.52 followed by a higher low before treating the chart as turning. The tag reflects the price chart only and does not change the verdict.

Summary

Lemonade closed at \$43.86 on 14 October, 6.2% below the \$46.76 of 1 October and 56% below the January high of \$99.90. The price has reached the \$44 level the last report named. It does not turn the stock into a Buy, because the value has moved down too. Rebuilt from today's inputs, the base case is worth \$48.94, about 11.6% above the price, while the bear case at \$26.99 sits 38% below it. That balance does not pay for a loss-making insurer three weeks before the quarter that decides whether its first profitable quarter arrives on time.

The operating story has not changed. In-force premium grew 32% in the second quarter to \$1.43bn, guidance points to about \$1.64bn by year end, and management still expects positive adjusted EBITDA in the fourth quarter, implied at about \$8m. What has changed is the price the market will pay for that path. The 10-year Treasury yield sits near 5.2%, the 30-year touched its highest level since 2002 on 7 October, and Morgan Stanley and KBW both now carry \$48 targets with neutral ratings. The fair value is lower than in the last report mainly because this report values the shares on year-end 2027 in-force premium at a lower multiple, for reasons set out in section 9.

The name becomes interesting near \$39, where the base case would pay about 26%. The other route is the third-quarter report, expected on 4 November: results that keep the fourth-quarter profit guidance intact would support a Buy up to about \$45. An Investor Day on 17 November is the next dated event after that.

1. What has changed since the last report

Item	1 October 2026	14 October 2026	Comment
Price	\$46.76	\$43.86	-6.2%; a new 60-session closing low
Base-case fair value	\$61	\$48.94	Valued on year-end 2027 in-force premium at 1.9x; see section 9
Probability-weighted value	\$58.35	\$48.49	Bear case weight 25%, bull 25%
Watch price	\$44	\$39	Reset to restore a 26% gap to the new base case
Investment Score	61.3	55.4	Five factors one point lower; see section 11
Broker targets	Morgan Stanley \$56	Morgan Stanley \$48, KBW \$48	Both neutral ratings
Company guidance	Q4 adjusted EBITDA positive	Unchanged	No update since 29 July

Prior figures from the report of 2 October 2026 (data to 1 October). The prior score is restated on the current seven factors for comparability. Fair values are this report's estimates.

The last report set \$44 as a price-only entry, about 24% below a \$58.35 fair value. That fair value rested on a revenue multiple of about 2.7x. Measured on today's inputs, \$44 leaves the base case only about 12% away, so this report resets the level rather than acting on it. Nothing the company did in the period explains the 6.2% fall. The moves line up with the Morgan Stanley target cut on 5 and 6 October and the hot September inflation report on 14 October, but the cause cannot be shown with certainty.

2. How this business makes money and what drives the shares

Lemonade sells renters, homeowners, pet, car and life insurance through its own app, in the United States and parts of Europe. It earns premium, cedes part of it to reinsurers, and keeps an underwriting result after claims, which it handles largely through software. Revenue grew 79% in the second quarter against 32% growth in earned premium because the company now keeps a larger share of the premium it writes. The model's claim is simple: lower acquisition and handling costs per policy, and customers who start with cheap renters cover and move up to home, car and pet as their lives change.

Four variables decide returns over the next two years: in-force premium growth (32% in Q2, guided to about 33% for the year); the gross loss ratio, which ran 60% in Q2 and 59% over twelve months; the cost of growth, meaning marketing and the financing that pays for it; and the timing of the first profitable quarters, guided to begin with positive adjusted EBITDA in Q4 2026. Catastrophe weather sits across all four, because home and car books concentrate exposure.

3. Financial position

Metric	Q2 2026	Year-on-year	FY2026 guide (management)
In-force premium	\$1,434.3m	+32%	\$1,632-1,639m
Customers	3.31m	+23%	Not guided
Premium per customer	\$433	+8%	Not guided
Gross earned premium	\$332.4m	+32%	\$1,374-1,378m
Revenue	\$294.4m	+79%	\$1,214-1,220m
Gross loss ratio	60% (58% excluding catastrophes)	TTM 59%	Not guided
Adjusted EBITDA	-\$18.7m	-\$40.9m a year earlier	-\$51m to -\$47m (Q4 about +\$8m implied)
Net loss	-\$43.4m (-\$0.56 a share)	-\$43.9m a year earlier	Not guided
Car in-force premium	\$239m	\$150m a year earlier	Not guided

Company shareholder letter for Q2 2026 (29 July 2026). Adjusted EBITDA is a company non-GAAP measure. Q3 guide: in-force premium \$1,537-1,540m, revenue \$323-326m, adjusted EBITDA -\$23m to -\$20m.

The balance sheet carries about \$1.2bn of cash and investments at 30 June, and operating cash flow was close to break-even at -\$3.4m for the quarter. That gives runway, but a large share of the money sits inside regulated insurance subsidiaries to support the policies written, so it is not free to spend. Growth marketing is partly financed by an outside partner that is repaid from future premium. A new agreement provides up to \$250m for growth spend in 2027 and 2028 at a cost of roughly 9.8%, which management says is more than six points cheaper than before. The improvement is real, but it is still expensive money, and it ties future margins to the efficiency of today's marketing.

4. Competitors

Competitor	Lines	Model	Read for Lemonade
Progressive, GEICO, State Farm, Allstate	Car, home, renters	Scale incumbents with large direct and agent distribution	Set car pricing; Lemonade competes on experience, not cost of capital
Root	Car	App-based car insurer using telematics	The closest listed comparison for the car push
Hippo	Home	Tech-led homeowners insurer with heavy catastrophe exposure	Shows how quickly home losses can overwhelm a young book
Trupanion and pet specialists	Pet	Monthly pet medical cover	Vet cost inflation affects all of them

Descriptions are this report's summary.

Lemonade's edge is in renters and pet, where its brand and cost of handling claims matter most and policies are small. Car is the line that has to work for the long-run case, and that is where the competition is hardest: the large incumbents have decades of loss data and a lower cost of capital. Car in-force premium grew about 60% to \$239m, and management says the car loss-adjustment ratio is 7%, but car is still only about a sixth of the book.

5. Management

Guidance has been met through the year, and the path to positive adjusted EBITDA has not been moved since it was set. On the second-quarter call, chief executive Daniel Schreiber said the company is on track for its first positive adjusted EBITDA quarter in Q4. Analysts pressed on growth spend rising about as fast as in-force premium (Q2 growth spend \$64m, up 30%). Management answered that the gap is an artefact of the 2023 spending pause and that efficiency has not slipped, with lifetime value to acquisition cost above 3x. That answer is plausible but not yet proven by results. Chief Financial Officer Tim Bixby moves to the board on 1 January 2027 and is succeeded by Nick Stead, the senior vice president of finance. Several officers, including the CFO, filed share sales in early September after Rule 144 notices; no purchases were reported.

6. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Autonomous Car adds Tesla FSD v14 Lite (HW3)	Announced and live 8 Oct 2026	HW3 Teslas running FSD (Supervised) v14 Lite get 30% off miles driven with FSD engaged; HW4 on v14.2 or newer keeps 50%. Arizona, Colorado and Tennessee. No customer or premium figures.	None disclosed	Medium
Q3 2026 results	Expected 4 Nov 2026 (not yet announced by the company)	Q3 guide: in-force premium \$1,537-1,540m, adjusted EBITDA -\$23m to -\$20m.	Management: positive adjusted EBITDA in Q4, about \$8m implied	Medium
Investor Day	Scheduled 17 Nov 2026, New York	Date published on the company's investor page.	Longer-range targets possible; none announced	Medium
Hurricane season	Runs to 30 Nov 2026	The Atlantic ended September without a hurricane for the first time in 32 years.	Forecasters link the quiet season to El Nino	Medium
Renters expansion	Alaska 29 Sep, Hawaii 6 Oct 2026	Continues the state-by-state renters rollout.	None	Low
CFO succession	Effective 1 Jan 2027	Tim Bixby moves to the board; Nick Stead becomes CFO.	Not applicable	Low

Company news releases of 29 September, 6 October and 8 October 2026; company investor page; Form 8-K filed 29 July 2026; weather press reports of late September and early October 2026.

No development in the period is large enough to move the case. The Tesla update widens the pool of cars eligible for the autonomous-driving discount, which supports the car strategy, but it applies in three states and the company gives no figures, so it cannot be sized and it moved no score. The more important facts are dated events ahead. The third-quarter report is expected on 4 November and should show whether the fourth-quarter profit guidance survives, and an Investor Day on 17 November may set longer-range targets. A quiet hurricane season lowers the risk of a catastrophe-driven miss in the third quarter, but the season is not over. The verdict and levels would be the same without any of these items.

7. Growth drivers

Driver	Status	Fact vs forecast	Likelihood	Impact
Car growth, including autonomous-driving pricing	Shipped; car in-force premium \$239m (+59%)	Fact (company); future growth is forecast	High	High
Cross-sell from renters to home, pet and car	Ongoing; premium per customer \$433 (+8%)	Fact; pace is forecast	Medium	Medium
Operating leverage from Q4 2026	Guided	Forecast (management): positive adjusted EBITDA in Q4	Medium	High
Cheaper growth financing from 2027	Signed; starts January 2027	Fact (company): up to \$250m at about 9.8%	High	Medium
State and country expansion	Ongoing	Fact; each state is small	High	Low

Company shareholder letter and call, 29 July 2026; company releases to 8 October 2026.

8. Risks

Risk	Probability	Severity	Comment
Q4 inflection deferred	Medium	High	The single event the case rests on; a slip leaves a loss-making insurer with no near-term earnings
Catastrophe losses	Low-Medium	High	Quiet season so far, but it runs to 30 November and home and car books concentrate exposure
Claims-cost inflation	Medium	Medium	Vet costs are rising across pet insurance; repair and shelter costs feed home and car
Discount-rate sensitivity	High	Medium	A company whose profits lie years ahead is priced off long yields near their highest since 2002
Growth spend outpacing premium	Medium	Medium	Growth spend rose 30% in Q2 against 32% premium growth; financing is costly
Management transition	Low	Medium	New CFO from January, in the first quarters of profitability

Probability and severity are this report's judgements over the next 12 to 24 months.

9. Valuation

At \$43.86 the market value is about \$3.40bn (our calculation on 77.5m shares, the Q2 weighted count). That is 2.08x the in-force premium guided for year end, and about 2.1x our estimate of 2027 revenue. Earnings multiples do not apply because the company does not yet earn a profit. In-force premium is the measure used here because it is the annualised book the company will earn from, it is guided, and it is how the market has priced the shares through the cycle. At the January high of \$99.90 the share price was more than twice today's.

The base case applies 1.9x to year-end 2027 in-force premium of \$2.06bn (our calculation: the \$1.64bn year-end 2026 guide midpoint grown 26%, a little below this year's pace) and divides by 80m shares, allowing for about two years of stock-based pay. The multiple is set by what the book could earn: a mature insurer keeping around a tenth of premium as profit would justify 1.5x to 1.8x premium at 15 to 18 times earnings, and 1.9x pays a small premium for growth of about 25% while profits remain a forecast and the 10-year yield sits above 5%. The result is \$48.94. The probability-weighted value across the three cases is \$48.49.

Macro drivers. Two variables matter. The first is the long-term discount rate. Lemonade's value rests on profits that start in 2027 at the earliest, so the 10-year yield at 5.19% on 14 October and a 30-year that reached its highest level since 2002 on 7 October press on the multiple more than on the business. The Federal Reserve raised its range to 3.75-4.00% on 16 September, and September core inflation at 0.3% keeps another increase on the table for 27 and 28 October. Higher yields do help at the margin: each 25 basis points on about \$1.2bn of cash and investments adds roughly \$3m a year of investment income (our calculation), small against an adjusted EBITDA loss near \$50m. The second is claims-cost inflation. Headline consumer prices rose 3.7% in the year to September, with shelter up 0.4% in the month, and management has described vet cost inflation as industry-wide and is raising pet rates. Insurers can reprice, but only at renewal, so a burst of cost inflation shows up in the loss ratio first.

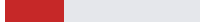
10. Sentiment

Firm	Date	Action	Target
KBW	12 Oct 2026	Market Perform maintained	\$48
Morgan Stanley	5-6 Oct 2026	Equal-weight maintained, target cut from \$56	\$48
Truist	31 Jul 2026	Buy maintained	Not stated
Piper Sandler	30 Jul 2026	Neutral maintained, target cut	\$51
William Blair	29 Jul 2026	Market Perform maintained	Not stated
Cantor Fitzgerald	26 May 2026	Overweight maintained	\$92

Broker actions as reported, May to October 2026.

The broker view is neutral and drifting lower. The two actions in October both landed at \$48, close to this report's base case, and most coverage sits on hold-equivalent ratings after the shares fell 24% on 29 July when second-quarter results came with a slightly softer premium outlook and the CFO succession. Options activity on 12 October leaned to puts. Insider activity is selling, not buying. The overall read is neutral to negative, with no new information from the company to explain it.

11. Investment Score

Criterion	Score	Weight	Basis
Business Quality		6/10 16%	Low-cost claims handling and a young customer base; underwriting still unproven at scale. (unchanged)
Financial Strength		6/10 16%	About \$1.2bn of cash and investments and near break-even operating cash flow, but losses continue. (unchanged)
Competitive Advantage		5/10 16%	Car, the line the case needs, is where incumbents are strongest; the Tesla update is unsized. (-1 vs last report)
Management		6/10 10%	Guidance met, but growth spend is keeping pace with premium and the CFO changes in January. (-1 vs last report)
Growth Potential		7/10 16%	Premium growth of 32% is strong, but it is being bought at almost the same rate. (-1 vs last report)
Valuation		5/10 16%	11.6% to the base case and 38% to the bear case. (-1 vs last report)
Risk (10 = lowest risk)		3/10 10%	A binary Q4 test, an open hurricane season and high rate sensitivity. (-1 vs last report)
Investment Score	55.4 / 100	100%	Previous report 61.3 (restated on seven factors)

Scored 1-10, where 10 is always best, including Risk. Composite is the weighted sum of the seven factors, computed in code. Default weights. The prior score is restated on the current seven factors for comparability.

Risk at 3 means a high-risk business, and the risks section describes one: no profits yet, a single dated test of the profit path, catastrophe exposure and a valuation that moves with long yields. The two agree. Five scores are one point lower than before. None of the changes comes from new company news. They reflect a stricter reading of the same facts: premium growth is being bought at almost the same rate as it arrives, car is still small against strong incumbents, and the reward to the base case has narrowed.

12. Recommendation

Watchlist, unchanged. The rating is the same as on 2 October, but the grounds have shifted. Then the shares had fallen into a range that looked cheap against a \$58 value. Now the price has fallen further, to the old \$44 level, but the value built from today's inputs is lower too, so the gap has not opened. The verdict does not depend on any company development.

Price at which the name becomes interesting: about \$39. At that level the base case of \$48.94 pays about 26%, and the shares would trade near 1.5x base-case year-end 2027 in-force premium, the low end of what a mature book would justify. The other route is the third-quarter report expected on 4 November. Results that keep positive Q4 adjusted EBITDA in the guidance would support a base multiple of about 2.1x (\$54.09) and a Buy up to about \$45. Anyone acting before that date should expect a gap in either direction on the day.

What would change the view	Direction
Shares fall to about \$39 with the Q4 guidance intact	Up
Q3 results (expected 4 November) keep positive Q4 adjusted EBITDA in the guidance	Up
Q4 2026 adjusted EBITDA reported positive	Up

What would change the view	Direction
Investor Day (17 November) sets credible 2027 profit targets	Up
Long yields retreat as the Fed signals a pause	Up
The Q4 inflection is guided out of the year	Down
A material catastrophe loss in October or November	Down
In-force premium growth slows while growth spend keeps rising	Down
Long yields keep rising alongside further Fed tightening	Down

13. Technical read

Chart as of 14 October 2026 close

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Confirms.** The chart agrees with waiting. Watch for a reclaim of the 50-day average near \$49.52, then a higher low, before reading the trend as turning; a close below the \$42.70 intraday low of 14 October would extend the breakdown.

The chart state is breakdown. Price sits below the 20, 50, 100 and 200-day averages, 27.4% under the 200-day, the 50-day is falling, and 14 October set a new 60-session closing low on volume about 50% above the 20-day average. RSI at 34 is low but not oversold, and the MACD line has edged above its signal, a small sign that selling is slowing. The Technical read looks only at the price chart. It does not change the verdict or the Investment Score and only guides timing.

Measure	Value	Reading
Trend	Breakdown	Below all four averages; new 60-session closing low
20-day SMA / EMA	\$45.98 / \$46.50	Price -4.6% / -5.7%
50-day SMA / EMA	\$49.52 / \$49.68	Price -11.4%; 50-day falling
100-day SMA / EMA	\$55.08 / \$53.33	Price -20.4%
200-day SMA / EMA	\$60.40 / \$57.34	Price -27.4% / -23.5%
RSI (14)	34.1	Weak, not oversold
MACD (12,26,9)	-1.40 vs signal -1.51	Negative, just above signal
ATR (14)	\$1.85	4.2% of price
Volume	14 Oct 1.9m; 20-day 1.2m; 50-day 1.0m	Participation rising into the low
Support / resistance	\$42.70 / \$49.52, \$49.85	14 October low below; 50-day and 20-session high above

Computed in code from a 300-session daily series, 6 August 2025 to 14 October 2026, all averages from one series, not dividend-adjusted; distances against the price of record. Chart state classified by fixed rules.

14. Scenario analysis

Case	Prob.	Outlook to end-2027	IFP end-2027	Multiple	Fair value	vs \$43.86
Bull	25%	Q4 turns positive on schedule and 2027 is the first profitable year; car keeps compounding; premium grows 30%	\$2.13bn	2.6x	\$69.10	+57.5%
Base	50%	Guidance met without an upgrade; Q4 turns positive and leverage arrives gradually; premium grows 26%	\$2.06bn	1.9x	\$48.94	+11.6%
Bear	25%	Catastrophe losses or growth spend push the inflection into 2028; premium growth slows to 20%	\$1.96bn	1.1x	\$26.99	-38.5%
Weighted	100%	Probability-weighted			\$48.49	+10.6%

Our calculations: IFP end-2027 = \$1.6355bn year-end 2026 guide midpoint x (1 + growth); fair value = IFP x multiple / 80m shares. Weighted value computed in code. Not company measures.

The bull multiple of 2.6x is still well below what the market paid in January, and assumes the first profitable year lands. The bear multiple of 1.1x is roughly half today's, for a book whose route to profit is back in question. Equal weight on the two tails reflects a quiet catastrophe season so far against a stock that has already shown it can lose a quarter of its value on one report.

15. Final verdict

Would an investor put money into Lemonade at \$43.86? Not yet. The business is growing premium at more than 30%, its claims engine is efficient, and the first profitable quarter is guided for the fourth quarter. But the company has not made a profit, growth is still being bought at almost the rate it arrives, and the shares are priced off long yields near their highest in more than two decades. With 11.6% to the base case and the bear case 38% below, the reward does not yet pay for the risk. The single biggest concern is whether the Q4 inflection arrives as guided. A price near \$39, or a third-quarter report on 4 November that keeps that guidance intact, would change the answer.

Sources

- Company: Lemonade shareholder letter Q2 2026 and Form 8-K (sec.gov, 29 July 2026); Form 8-K on CFO succession (sec.gov, 29 July 2026); news releases of 29 September, 6 October and 8 October 2026 (lemonade.com/investor); Investor Day date (lemonade.com/investor)
- Q2 2026 earnings call transcript (The Motley Fool, published 7 August 2026)
- Insider filings: SEC Forms 4 and 144, 3 to 8 September 2026, via moomoo notices channel
- Broker actions: moomoo news and research channels and TipRanks, May to 12 October 2026
- Hurricane season: Fox Television Stations reports (30 September 2026); Boston Globe (22 September 2026); WGCU (2 October 2026)
- Price of record: Alpha Vantage global quote, 14 October 2026 close. Technicals: Twelve Data daily series of 300 completed sessions to 14 October 2026, computed in code
- Macro: Beating The Bull economic data posts of 17, 29 and 30 September and 2, 7, 8, 9, 13 and 14 October 2026

This report is informational only and is not financial advice, nor a recommendation to buy or sell any security. It reflects the author's assessment as at 15 October 2026 and may change without notice. Scenario values and fair values are this report's calculations and are not company measures.