

Lemonade, Inc.

NYSE: LMND | Insurance / Financial Technology | Coverage update | 2 October 2026

Last close (1 Oct 2026)	\$46.76	Recommendation	WATCHLIST (unchanged)
Previous report (16 Sep)	\$49.74, Watchlist	Investment score	60 / 100 (prior 60)
Price / FY26 revenue guidance	2.97x (prior 3.17x)	Weighted fair value	\$58.35 (prior \$60.35); +24.8%
10-year Treasury	5.24% (11 Sep: 4.96%)	Price that becomes interesting	\$44 (prior \$46-\$48)
52-week low	\$43.28 (24 September 2026)	Buy range, stop, targets	Not published under this rating
Market capitalisation	\$3.62bn	Next results	Q3 2026, expected 4 November

The \$48 Level Was Reached. It Does Not Justify a Buy

The previous report named \$46 to \$48 as the zone where Lemonade would offer enough margin of safety to begin buying ahead of the evidence. The shares are there now, at \$46.76, and on a literal reading the test has been met. This report does not upgrade, and the reasons are specific rather than general caution. The zone was built on two things: the \$46.16 reaction-day low of 29 July as support, and a discount of roughly 20 to 24 percent to a probability-weighted fair value of \$60.35. Both have moved. The support failed on 23 and 24 September, when the shares fell to \$43.28 intraday and closed at \$43.91 on 28 September. And the fair value is lower, because the force that pushed the price into the zone also lowers what the shares are worth.

No company announcement, guidance change or broker action accompanied the slide. The largest single move, a 7.0% fall to \$44.36 on 23 September on the heaviest volume since early August, came on a day when a manufacturing survey shock pushed the ten-year Treasury yield to 5.11% and small-capitalisation shares lower across the market. The ten-year went on to a 2007 high of 5.18% on 24 September and closed at 5.24% on 1 October, 28 basis points above the 4.96% the last report described, after the Federal Reserve raised its policy rate on 16 September. For a company whose equity value rests on cash flows from 2028 onward, a higher risk-free rate is a valuation input, not noise. This report trims each scenario multiple by 0.1 times forward revenue, which takes the weighted fair value to \$58.35. At \$46.76 the discount to that value is 19.9%, short of the roughly 24% the previous report attached to the zone. Applying the same margin to the new fair value gives about \$44.35, so the level at which the name becomes interesting on price alone moves to **\$44**, just above the September lows.

The operating picture has not changed. Guidance has not been revised since July, the company still expects its first positive adjusted EBITDA quarter in the fourth quarter (implied at about \$8m), and it launched two more state products in the period. One external factor has improved: no Atlantic hurricane had formed by 21 September, the first such season since 1914, and the Florida car launch has so far passed the peak of the season without a Florida landfall. That lowers the risk of a catastrophe-driven miss in the third quarter, but it does not settle the fourth, and it is offset in the scenarios by the higher discount rate. Third-quarter results, expected on 4 November, are five weeks away and are the last read on the inflection before it is reported. A clean quarter that keeps the fourth-quarter guidance intact would support a Buy up to about \$50 without any further fall in price.

1. Do the Published Levels Still Hold?

Level from the 16 September report	Then (15 Sep)	Now (1 Oct)	Status
Reference price	\$49.74	\$46.76	Down 6.0% on no company news.
Reconsideration zone on price alone	\$46 to \$48	Reached	Closed inside it from 18 September. The \$46.16 anchor broke on 23 September; low \$43.28 on 24 September. Reset to \$44.
Probability-weighted fair value	\$60.35	\$58.35	Lower on the discount rate; scenario multiples trimmed 0.1x.

Level from the 16 September report	Then (15 Sep)	Now (1 Oct)	Status
Implied upside to fair value	+21.3%	+24.8%	Wider, but less than the price fall alone would suggest.
Upside trigger: 50/100-day cluster	\$56.63 / \$57.38	\$51.18 / \$55.85	Recomputed. The averages have fallen and separated; the 50-day alone now caps.
20-day average	\$51.90	\$48.09	Price 2.8% below; not yet reclaimed.
ATR (14)	2.35 (4.7% of price)	2.06 (4.4% of price)	Recomputed. Volatility has eased slightly.
Price / FY26 revenue guidance	~3.17x	~2.97x	Guidance midpoint unchanged at \$1.217bn.
Price / in-force premium	~2.69x	~2.52x	On \$1.434bn in force at 30 June 2026.
Upgrade trigger: Q4 2026 adjusted EBITDA positive	Unchanged	Unchanged	Q3 results, expected 4 November, are the last read before it.

Market capitalisation uses 77.40m shares outstanding at the reference price. Moving averages and ATR are recomputed from 299 completed sessions to 1 October 2026. Multiples and fair values are this report's calculations, not company measures.

2. Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Pet insurance launched in Kentucky	Launched, 22 Sep 2026	Accident and illness cover with preventative add-ons; Lemonade Pet now available in 44 states plus DC. No pricing disclosed.	None published.	Low
Renters insurance launched in Alaska	Launched, 29 Sep 2026	Continues the state-by-state renters rollout after Kansas and Kentucky in early September.	None published.	Low
Florida car launch through the peak of hurricane season	Launched 26 Aug 2026; season to date	No Atlantic hurricane had formed by 21 September, the first such season since 1914, and no storm made landfall in Florida.	Forecasters attribute the quiet season to a very strong El Nino; the season runs to 30 November.	Medium
CFO transition	Announced 29 Jul 2026; effective year end	Chief Financial Officer Tim Bixby steps down at the end of 2026 under the succession plan announced with Q2 results.	None.	Low
Q4 2026 adjusted EBITDA guidance	Reaffirmed 29 Jul 2026; no change since	Full-year adjusted EBITDA guided to -\$51m to -\$47m; Q3 to -\$23m to -\$20m.	Management expects positive adjusted EBITDA in Q4, implied at about \$8m.	Medium

Company figures from the Q2 2026 shareholder letter and company press releases. Hurricane-season facts are as reported by established weather and news outlets.

No High-materiality development occurred in the period. The two launches extend existing products into new states and are individually too small to move the revenue base. The most consequential item is an absence: the Florida car launch, flagged last time as adding catastrophe exposure at the height of the season, has so far met no Florida landfall. That moves the catastrophe risk for the third quarter from medium toward low, but the fourth quarter still includes October and November, and the bear case rests on growth spend as much as on weather. The verdict and levels would be the same without any of these items.

3. Growth Drivers and Catalysts

Driver	Status and date	Likelihood	Impact	Read
First positive adjusted EBITDA quarter	Guided for Q4 2026; reported early 2027	Medium-High	High	The whole case. Management's implied figure is about \$8m.
Q3 2026 results	Expected 4 Nov 2026	Certain	High	Last read on the trajectory; Q3 guidance is revenue \$323m-\$326m, adjusted EBITDA -\$23m to -\$20m.
In-force premium growth	Q2 +32%; FY guide \$1.632bn-\$1.639bn	High	High	Justifies a revenue multiple at all.
Car insurance expansion	Florida 26 Aug, Missouri 2 Sep 2026	Ongoing	Medium	Growth engine and the largest source of acquisition spend.
Pet and renters rollout	Kentucky Pet 22 Sep, Alaska renters 29 Sep 2026	Ongoing	Low	Cheapest customer acquisition; adds reach.

Guidance figures are company forecasts from the Q2 2026 shareholder letter. Likelihood is this report's assessment.

4. Valuation

Metric	Value	Assessment
Price (1 October 2026 close)	\$46.76	53.2% below the 52-week high of \$99.90; 8.0% above the 24 September low.
Market capitalisation	\$3.62bn	77.40m shares outstanding.
Revenue, trailing twelve months	\$975m, +62.3%	Inflated by the reinsurance retention change, which moves premium onto the revenue line.
Net income, trailing twelve months	-\$138.4m	EPS of -\$1.83. Priced on revenue because there is no return on equity to capitalise.
Price / FY26 revenue guidance	~2.97x	Down from 3.17x. Close to the 2.9x the previous report said the zone implied.
Price / in-force premium	~2.52x	Down from 2.69x. The more conservative denominator.
Consensus price target	\$59.22, 11 analysts	Median \$55, range \$37-\$92. Consensus rating Hold.
Probability-weighted fair value	\$58.35	+24.8% above the price, against +21.3% at the last report.

Revenue guidance and in-force premium as reported by the company. Trailing figures and consensus as at 2 October 2026. Multiples and fair value are this report's calculations.

The shares are cheaper than at any point in this coverage, at 2.97 times this year's revenue guidance, and the argument for waiting is no longer that the multiple is demanding. It is that the multiple is still a bet on one quarter, and that the price has fallen for a reason that also lowers fair value. An insurer that does not yet earn a return on equity is valued on what it will earn from 2028, and every basis point on the long bond comes off that value before any operating evidence arrives. The 0.1x trim to each scenario multiple is a deliberately modest allowance for a 28 basis point move. A full duration adjustment would be larger, so the revised fair value is, if anything, generous.

Macro drivers. Two variables matter here. The first is the long end of the Treasury curve, the discount rate on the whole equity value. The ten-year closed at 5.24% on 1 October after touching about 5.33% intraday, its highest since 2002, following a 25 basis point increase in the federal funds range to 3.75%-4.00% on 16 September. Futures put the odds of another increase at the 27-28 October meeting at about 39%. Higher short rates partly offset this by lifting investment income on roughly \$1.2bn of cash and investments, which flows into the adjusted EBITDA line the case turns on. The second is catastrophe weather. A very strong El Nino has suppressed the Atlantic season, which helps a company that chose to retain more underwriting risk at its July reinsurance renewal and then entered Florida car insurance. Housing is a lesser third: new home sales rose 6.4% in August, which supports homeowners demand, while consumer confidence fell to 81.9, a twelve-year low, a caution for discretionary spending.

5. Scenario Analysis

Case	Prob.	Path	Implied fwd revenue	Multiple	Fair value
Bull	25%	Q4 adjusted EBITDA positive on schedule; in-force premium compounds above 30%; 2027 the first full positive year.	\$1.82bn	3.3x (was 3.4x)	\$78
Base	45%	Guidance met with no upgrade; Q4 turns positive and operating leverage arrives gradually.	\$1.74bn	2.7x (was 2.8x)	\$61
Bear	30%	Catastrophe losses or growth spend push the inflection into 2028; the multiple compresses.	\$1.55bn	1.9x (was 2.0x)	\$38
Weighted	100%				\$58.35

Forward revenue paths are carried forward from the previous report, derived as fair value times shares divided by multiple; multiples trimmed 0.1x for the higher discount rate. Probability-weighted value computed in code. All figures are this report's estimates.

Probabilities are unchanged at 25, 45 and 30. The quiet hurricane season argues for a lower bear weight, but it is one half of the bear case and the season is not over, and moving probabilities on two months of weather would be the kind of weak-evidence adjustment this coverage avoids. From \$46.76, the base case pays 30.5% and the bear case costs 18.7%. At \$44 those become 38.6% and 13.6%, which is the asymmetry a pre-evidence entry needs. No High development is assumed in any case, because none occurred.

6. Sentiment

Analysts are unmoved and divided. The consensus is Hold across 11 analysts, with an average target of \$59.22 and a median of \$55. No broker has changed a rating or target since Morgan Stanley's cut to \$56 on 19 August, so the September decline has had no published analyst cause. Insider activity in the period was limited to small officer sales and related filings in early September; no insider purchase was identified. Market positioning swung sharply around the 23 September low, with heavy put activity on the day of the fall and above-normal call activity the next, which is consistent with a rate-driven sell-off rather than a change in view on the company.

7. Technical Position

Indicator	Value	Reading
Price of record	\$46.76 (1 October 2026)	Below every moving average; up 6.5% from the 28 September closing low.
SMA 20 / EMA 20	48.09 / 47.67	Price 2.8% and 1.9% below. The first level a recovery has to clear.
SMA 50 / EMA 50	51.18 / 51.34	Price 8.6% and 8.9% below. Down from 56.63.
SMA 100 / EMA 100	55.85 / 54.80	Price 16.3% and 14.7% below.
SMA 200 / EMA 200	61.92 / 57.89	Price 24.5% and 19.2% below. The long-term trend is down.
RSI (14)	43.3	Weak, not oversold. Was 41.0 at the last report.
MACD (12,26,9)	-2.10, signal -2.09, histogram -0.01	Flat against the signal line after the rebound; no positive crossover yet.
ATR (14)	2.06, 4.4% of price	Down from 4.7%.
Volume, 20-day vs 50-day	1.1m vs 1.2m, -11%	The 23 September fall came on 2.1m shares, the heaviest session since early August.
52-week range	43.28 to 99.90	New low on 24 September; the July low of 46.16 has been broken.

All indicators computed in code from one daily OHLCV series of 299 completed sessions, 25 July 2025 to 1 October 2026. EMA seeded on SMA; RSI and ATR use Wilder smoothing; MACD signal is an EMA(9) of the MACD line.

The July low was the one feature of the chart the last report described as intact, and it gave way in two sessions on the heaviest volume since early August. The rebound since has been orderly but has come on ordinary volume and has not reached the 20-day average at \$48.09. A retest of the \$43.28 to \$43.91 area would not be unusual for a stock in this position, and is where the new watch price sits. Technicals inform timing only; here they say the price fell into the zone by breaking the support the zone relied on.

8. Risks

Risk	Probability	Severity	Comment
Q4 inflection deferred	Medium	High	The single event the case rests on. A slip into 2027 leaves a loss-making insurer on 2.97x revenue with nothing to defend it.
Discount-rate sensitivity	High	Medium	Demonstrated again: the ten-year rose 28 basis points and the shares fell 6% with no company news.
Catastrophe losses	Low-Medium	High	Eased by a quiet Atlantic season so far, but retained risk is higher after the July reinsurance renewal and the season runs to 30 November.
Growth spend	Medium	Medium	Management guided higher marketing in Q3 to fund car expansion; the main route to a deferred inflection.
Valuation	Medium	Medium	2.97x forward revenue is no longer demanding, but it is still a multiple on a company with no earnings.
Financial strength	Low	High	About \$1.2bn of cash and investments and positive adjusted free cash flow give runway; net losses continue.
Management transition	Low	Medium	The CFO steps down at year end, the same quarter as the inflection test.

Probability and severity are this report's assessments. The Risk score of 4/10 below denotes an above-average risk business, consistent with this register.

9. Investment Scorecard

Criterion	Weight	Score		Prior	Rationale and what moved
Business Quality	14%		6/10	6/10	Unchanged. Claims handling at a record 5% loss-adjustment-expense ratio is genuine differentiation; underwriting remains hard.
Financial Strength	12%		6/10	6/10	Unchanged. About \$1.2bn of cash and investments and positive adjusted free cash flow, but still loss-making.
Competitive Advantage	12%		6/10	6/10	Unchanged. Cost advantage in claims; distribution advantage less clear. Two further state launches add reach, not moat.
Management	10%		7/10	7/10	Unchanged. Guidance unchanged since July; the CFO transition takes effect at year end.
Growth Potential	16%		8/10	8/10	Unchanged. In-force premium +32% in Q2 and guided to about \$1.64bn for the year; Pet now in 44 states plus DC.
Valuation	16%		6/10	6/10	Unchanged. 2.97x revenue guidance against 3.17x, but on a ten-year yield 28 basis points higher; fair value fell with it.
Risk (10 = lowest risk)	15%		4/10	4/10	Unchanged. A quiet hurricane season eased catastrophe risk for Q3; discount-rate risk rose by about as much.
Technical Setup	5%		3/10	3/10	Unchanged. The July low broke on 23-24 September; the rebound has not reclaimed the 20-day average.

Scored 1-10, where 10 is always best, including Risk. The 16 September report used the same direction and weights, so no restatement was required. Weighted total computed in code: 59.7, shown as 60 out of 100.

Overall Investment Score: 60 / 100 (previously 60)

No score moved, and that is a conclusion rather than an omission. Valuation would have risen on the lower multiple, but the higher discount rate lowered fair value by a similar proportion. Risk would have improved on the quiet hurricane season, but discount-rate risk rose by about as much. Technical Setup was already at 3 and the broken low is offset by the rebound. No development moved a score.

10. Recommendation

Rating: WATCHLIST, unchanged. The \$48 watch price has been reached, and it does not justify a Buy. That level was set as a margin of safety against a fair value of \$60.35, anchored on a July low that has since broken, and the same rise in yields that pushed the price into the zone has pulled fair value down to \$58.35. At \$46.76 the discount is 19.9%, below what the zone was meant to provide, with a binary-leaning results date five weeks away. The verdict rests on the same event as before, but on new grounds: it is no longer that the price is too high, it is that the margin of safety has moved with the discount rate.

Two routes lead to a Buy. On price alone, the name becomes interesting at **\$44**, about 24% below the revised fair value and 2.80 times revenue guidance, just above the September lows; at that level the base case pays 39%. On evidence, a third-quarter release on 4 November that keeps the fourth-quarter adjusted EBITDA guidance intact would support a Buy up to about **\$50**, where the base case still pays 22%, with entry, stop and targets set at that point. Before 4 November, any entry carries the result in full, and a miss could gap the shares well through the \$43.28 low. Position size on either trigger is 1.0% to 2.0% of a portfolio, constrained by a 4.4% average true range and the binary character of the inflection. No entry range, stop or target is published under this rating.

Condition	Direction	Why it changes the view
Q3 results on 4 November keep the Q4 positive adjusted EBITDA guidance intact	Toward Buy	Removes most of the pre-evidence risk; Buy supported up to about \$50
Price falls to about \$44 with guidance intact	Toward Buy	Restores a 24% discount to the revised fair value
Q4 2026 adjusted EBITDA reported positive	Toward Buy	The case resolves
The inflection is guided out of Q4 on 4 November	Toward Avoid	The multiple has no defence without it
A material catastrophe loss in Florida or the Gulf states in October or November	Toward Avoid	Tests the retained-risk decision in the inflection quarter
In-force premium growth decelerating below roughly 25%	Lower fair value	The growth rate is what justifies a revenue multiple
Reclaiming the 50-day average at \$51.18 on convincing volume	Toward Buy	Would show the September break was a rate event, not a re-rating
Long yields keep rising alongside further Fed tightening	Lower fair value	A discount-rate effect, not a business effect
Long yields retreat as the Fed signals a pause	Higher fair value	The compression was mechanical and can reverse

Macro rows are directional. Price levels come from the revised probability-weighted fair value and the scenario base case.

11. Final Verdict

Would an investor put new money into Lemonade today? Not yet, and the reason is narrower than it was. The business has done nothing wrong in the period: guidance is intact, the rollout continues, and the hurricane season the last report worried about has produced no hurricane by late September for the first time since 1914. The single biggest concern is still the fourth-quarter inflection, and it has not moved. What has moved is the discount rate, which pushed the price into the watch zone and lowered fair value at the same time, so the zone no longer offers the margin it was set to offer. A Buy is one clean third quarter on 4 November, or a further fall to about \$44, away. No development decided this answer.

Sources

- Company: Lemonade Q2 2026 shareholder letter and results release, 29 July 2026 (lemonade.com/investor); press releases of 22 September 2026 (Pet insurance, Kentucky) and 29 September 2026 (renters insurance, Alaska) (prnewswire.com, lemonade.com/investor/news)
- Price of record: Alpha Vantage global quote, 1 October 2026. Technicals: Twelve Data daily series of 299 completed sessions to 1 October 2026, computed in code
- Consensus, trailing financials and shares outstanding: StockAnalysis.com (S&P Global), 2 October 2026; MarketBeat, 23 September 2026
- Ratings, notices and company headlines: moomoo news, notice and research channels and stock digest, 2 October 2026
- Options activity, 23 and 24 September 2026: The Fly via TipRanks. CFO transition: Insurance Business, 29 July 2026; Yahoo Finance, 30 July 2026
- Hurricane season: WCAX, 21 September 2026; Wikipedia, 2026 Atlantic hurricane season; CBC News, September 2026
- Macro: Beating The Bull economic data posts of 17, 24, 29 and 30 September and 1 October 2026
- No earnings call has taken place since 29 July 2026; that call was reviewed for an earlier report

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 2 October 2026 and may change without notice. Scenario revenues, multiples and fair values, the investment score and the materiality ratings are this report's calculations and are not company measures.