

Lemonade, Inc. (NYSE: LMND)

Equity Research Report | Interim review | 16 September 2026 | Insurance / Financial Technology | Reference price USD 49.74 (close, 15 September 2026)

WATCHLIST

Reference price **USD 49.74** · Probability-weighted fair value **USD 60.35** (+21.3%) · Investment score **60 / 100**
Reconsideration zone on price alone **USD 46 to 48** · Upgrade trigger: Q4 2026 adjusted EBITDA positive
Rating **unchanged** since 26 August 2026. Valuation improved, the technical base failed, and the two roughly cancel.

A cheaper stock and a worse chart

Lemonade has fallen 8.6 percent since the last note, from 54.42 dollars on 25 August to 49.74 dollars on 15 September, and there is no company-specific reason for it. No results have been published, no guidance has been revised, no broker has changed a rating or a target since Morgan Stanley's cut to 56 dollars on 19 August, and the only corporate news of the period is a continuation of the state-by-state rollout: car insurance launched in Florida on 26 August and in Missouri on 2 September, renters insurance in Kansas on 1 September and Kentucky on 8 September. On any operating reading the last three weeks were mildly positive.

The decline is therefore best read as what it appears to be: a pre-profit, small-capitalisation growth company being marked down as the discount rate applied to it rose. The ten-year Treasury closed at 4.96 percent on 11 September, a fifty-two week high, after the annual producer price rate jumped to 5.4 percent, and futures now carry roughly 90 percent odds of a quarter-point increase at the policy meeting concluding on 16 September. A business whose entire equity value sits in cash flows from 2028 onward is precisely the asset that repricing hits first, and Lemonade fell on every one of the three sessions between 3 and 8 September on which that repricing did most of its work.

That leaves two changes to record and they point in opposite directions. The valuation has improved: at a market capitalisation of 3.85 billion dollars the shares trade at 3.17 times full-year revenue guidance against 3.44 times three weeks ago, and the gap to estimated fair value has widened from 10.9 percent to 21.3 percent. The technical position has deteriorated: the base that the August note described as forming above the reaction-day low of 46.16 dollars has given way, the twenty-day average has been lost, the MACD histogram has crossed back below its signal line, and volume has fallen 27 percent against its fifty-day average. A stock drifting lower on shrinking volume is being distributed, not accumulated.

The rating is reaffirmed at Watchlist. The reconsideration zone the last note named, 46 to 48 dollars, has not been reached; the price sits 3.6 percent above the top of it. The event that would actually settle the investment case, the first positive adjusted EBITDA quarter guided for the fourth quarter of 2026, has not moved closer in substance, only in the calendar. Buying a cheaper version of an unresolved question is still buying an unresolved question.

1. Do the published levels still hold?

Level from the 26 August note	Then (25 Aug)	Now (15 Sep)	Status
Reference price	USD 54.42	USD 49.74	Down 8.6% on no company news.
Probability-weighted fair value	USD 60.35	USD 60.35	Carried forward unchanged. No scenario's operating assumptions have been touched.
Implied upside to fair value	+10.9%	+21.3%	Widened entirely because the price fell.

Level from the 26 August note	Then (25 Aug)	Now (15 Sep)	Status
Reconsideration zone on price alone	USD 46 to 48	Not reached	Price is 3.6% above the top of the zone. The 52-week low of 46.16 still stands untested since 29 July.
Upside trigger: break of the 50/100-day cluster near USD 59	Not reached	Cluster now at 56.63 and 57.38	Recomputed. The ceiling has fallen with the price and is now 14% overhead rather than 8%.
Price / FY26 revenue guidance	~3.44x	~3.17x	An 8.6% de-rating. Guidance midpoint unchanged at USD 1.215bn.
Price / in-force premium	~2.93x	~2.69x	On the reported USD 1.43bn in force at 30 June 2026.
Upgrade trigger: Q4 2026 adjusted EBITDA positive	One quarter away	Still the whole case	Third-quarter results on 4 November are the last read before the test itself.

Market capitalisation of USD 3.85bn is now taken directly from 77.40m shares outstanding at the reference price, rather than scaled from an implied figure as in the previous two notes; the two methods agree to within 1%. The moving-average levels and the fair-value comparison have been recomputed rather than carried forward at their August values.

2. What actually happened in the last three weeks

Date	Event	Assessment
26 August	Car insurance launched in Florida	The largest catastrophe-exposed personal lines market in the country, entered at the peak of the Atlantic season. Growth-positive and risk-positive at the same time, which is the whole Lemonade question in miniature.
1 September	Renters insurance launched in Kansas	Routine continuation of the state rollout. Renters is the lowest-severity, highest-frequency line and the cheapest customer acquisition.
2 September	Car insurance and autonomous car product launched in Missouri	The autonomous product continues to appear alongside conventional car in new states, which is consistent with the accelerating car-insurance growth reported in Q2.
3 to 4 September	Chief Insurance Officer sold 3,108 shares for roughly USD 169k	Mechanical rather than a signal: the first tranche covered tax withholding on vesting restricted stock units and the second executed under a Rule 10b5-1 plan. He retains 73,834 shares.
8 September	Renters insurance launched in Kentucky	Routine.
8 September	Chief Financial Officer to appear at investor conferences	Notable only because the CFO handover flagged in the last note is in progress; the incoming officer fronting investor meetings is the normal shape of that transition.
Throughout	No results, no guidance revision, no rating or target change	The absence is the finding. The last broker action remains Morgan Stanley's 19 August cut to 56 dollars, which the previous note already covered.

3. Valuation

Metric	Value	Assessment
Price (15 September 2026 close)	USD 49.74	50.2% below the 52-week high of 99.90 and 38.8% below the 100-session high of 81.23.
Market capitalisation	USD 3.85bn	77.40m shares outstanding at the reference price.

Metric	Value	Assessment
Revenue, trailing twelve months	USD 975m, +62.3%	The growth rate is inflated by the reinsurance retention change, which moves premium onto the revenue line without a matching change in economics.
Net income, trailing twelve months	-USD 138.4m	EPS of -USD 1.83. The company is priced on revenue because there is no return on equity to capitalise.
Price / FY26 revenue guidance	~3.17x	Down from 3.44x. A software multiple on an insurance balance sheet, but a less demanding one than three weeks ago.
Price / in-force premium	~2.69x	Down from 2.93x. The more conservative denominator, and the one that ignores the reinsurance distortion.
Consensus price target	USD 59.22, 11 analysts	Roughly 19% above the price. The recent revision cluster of USD 48 to 56 now sits above the market rather than straddling it.
Probability-weighted fair value	USD 60.35	21.3% above the price, against 10.9% three weeks ago.

FY26 revenue guidance midpoint of USD 1.215bn and in-force premium of USD 1.43bn at 30 June 2026 are as reported by the company. The multiples and the probability-weighted fair value are this report's own calculations and are not company-reported measures.

The valuation argument has not changed in kind, only in degree. Lemonade is priced on revenue because it does not yet earn a return on equity, and the reinsurance retention decision that inflated reported revenue simultaneously moved the business toward the end of the spectrum where revenue multiples are least appropriate. At 3.17 times forward revenue and 2.69 times in-force premium the price now sits closer to what a conventional insurer would command than at any point since the July results, without having yet arrived there. Whether that is cheap remains a function of the fourth quarter, and the honest observation is that an 8.6 percent de-rating with no operating news attached is worth roughly 8.6 percent of improved risk-reward and nothing more.

Macro drivers. Two variables matter here, and the first explains most of the last three weeks. Lemonade is a pre-profit company whose equity value rests on cash flows from 2028 onward, so the long end of the Treasury curve is the discount rate applied to the whole of it. The ten-year closed at 4.96 percent on 11 September, a fifty-two week high, and the policy meeting concluding on 16 September carries roughly 90 percent odds of a quarter-point increase after August core consumer prices rose 0.3 percent against a 0.2 percent forecast. Partly offsetting that, higher short rates raise the investment income earned on roughly 1.2 billion dollars of cash and investments, which flows straight to the adjusted EBITDA line the entire investment case turns on. The second variable is housing. Existing-home sales fell 2.0 percent in August to a 3.98 million annual rate, the slowest since June 2025, with inventory at 4.9 months of supply and the binding constraint now the cost of the mortgage rather than a shortage of listings. That cuts both ways for Lemonade: fewer transactions means slower homeowners policy growth, while a housing market people cannot enter keeps them renting, which is the line where Lemonade acquires customers most cheaply.

4. Technical position

Indicator	Value	Reading
Price of record	USD 49.74 (15 September 2026)	Below every moving average. The August note had the price above the 20-day.
SMA 20 / EMA 20	51.90 / 51.82	Price 4.2% and 4.0% below. The 20-day was reclaimed in August and has now been lost again.
SMA 50 / EMA 50	56.63 / 54.59	Price 12.2% and 8.9% below. The August note put the 50-day at 59.58; it has fallen with the price.
SMA 100 / EMA 100	57.38 / 57.16	Price 13.3% and 13.0% below. Recomputed from 58.92.
SMA 200 / EMA 200	63.78 / 58.71	Price 22.0% and 15.3% below. Computable for the first time, and it frames how far the stock has fallen from its own trend.

Indicator	Value	Reading
RSI (14)	41.0	Weak, not oversold. Was 48.9 three weeks ago.
MACD (12,26,9)	-1.45, signal -1.37, histogram -0.08	The positive crossover recorded in August has reversed. The histogram was +0.64.
ATR (14)	2.35, equal to 4.7% of price	Down from 5.2% and from 8.3% at the reaction. Volatility continues to drain out.
Volume, 20-day vs 50-day	0.9m vs 1.2m, -27.0%	Participation fading sharply. A drift lower on shrinking volume is the least constructive combination on this table.
Overhead cluster	56.63 and 57.38	The 50-day and 100-day averages, now 14% above the price rather than the 8% the August note described.
52-week range	46.16 to 99.90	The low was set on the 29 July reaction day and has not been retested since.

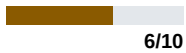
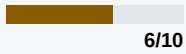
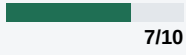
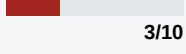
All indicators computed in code from a single Twelve Data daily OHLCV series of 300 completed sessions, 8 July 2025 to 15 September 2026. EMA seeded on SMA; RSI and ATR use Wilder smoothing; MACD signal is an EMA(9) of the MACD line. The 200-day averages appear here for the first time because the previous note's series was limited to 100 sessions.

The August note described a base forming above the reaction-day low and said plainly that it was a base forming rather than a trend reversing. It was the first of those and not the second. The price has slipped out of the band it was consolidating in, the twenty-day average has been lost, the MACD crossover has reversed, and the overhead cluster has moved no closer in percentage terms because it fell alongside the price. The one constructive feature is the average true range, which has now compressed to 4.7 percent of price from 8.3 percent at the reaction, and the one thing not yet broken is the 46.16 dollar low, which remains 7.2 percent below the market and has not been tested since 29 July. Technicals inform timing only, and here they argue that the cheaper price has not yet bought a better entry.

5. Risks

Risk	Probability	Severity	Comment
Q4 inflection deferred	Medium	High	The single event the whole case rests on. A slip into 2027 leaves a loss-making insurer on a 3.17x revenue multiple with nothing to defend it.
Catastrophe losses	Medium	High	Rising retained underwriting risk after the reinsurance change, now compounded by a Florida car launch at the peak of the Atlantic season.
Valuation	Medium	Medium	Downgraded from the previous note in degree rather than kind: 3.17x forward revenue is demanding but less so than 3.44x.
Discount-rate sensitivity	High	Medium	Demonstrated over the last three weeks. A pre-profit company reprices on the long bond regardless of its own operating progress.
Growth spend	Medium	Medium	Four new state launches in three weeks. Expansion is the growth engine and the thing most capable of pushing the inflection out by a quarter.
Financial strength	Low	High	Roughly USD 1.2bn of cash and five quarters of positive adjusted free cash flow give real runway, but the company is still loss-making at the net line.
Management transition	Low	Medium	The CFO handover flagged in the previous note is in progress, with the incoming officer now fronting investor conferences.

6. Investment scorecard

Factor	Score	Weight	Rationale
Business Quality	 6/10	14%	Record 5% loss-adjustment-expense ratio is genuine differentiation; underwriting remains hard. Unchanged.
Financial Strength	 6/10	12%	Roughly USD 1.2bn cash and five quarters of positive adjusted free cash flow, but still loss-making. Unchanged.
Competitive Advantage	 6/10	12%	Claims handling at roughly half competitors' cost; distribution advantage less clear. Unchanged.
Management	 7/10	10%	Eleven quarters of accelerating in-force premium and a halved EBITDA loss; CFO handover in progress. Unchanged.
Growth Potential	 8/10	16%	In-force premium +32.5% and accelerating; four further state launches since the last note. Unchanged.
Valuation	 6/10	16%	Raised. 3.17x forward revenue against 3.44x, an 8.6% de-rating with no operating change behind it.
Risk (10 = lowest risk)	 4/10	15%	Higher retained risk, catastrophe exposure, a 4.7% daily range. Unchanged.
Technical Setup	 3/10	5%	Lowered. The August base failed: the 20-day is lost, MACD has crossed back negative, volume is fading.
Overall investment score			60 / 100 (previously 59 / 100)

Scored 1 to 10, where 10 is always best, including Risk. A score of 10 = lowest risk. The overall score is the weighted sum of the factor scores, computed in code, with weights summing to 100. The 26 August note used this same scale and the same weights, so the two totals are directly comparable and no restatement was required.

Two factors moved and they nearly cancel, which is the accurate summary of the period. Valuation rises from 5 to 6 on an 8.6 percent de-rating that no operating development caused and none offsets. Technical Setup falls from 5 to 3 because the August base did not hold: the twenty-day average has been lost, the MACD crossover has reversed, the newly computable 200-day sits 22 percent overhead, and volume is fading. Everything else is carried at its August level because nothing disclosed in the last three weeks bears on it. A one-point improvement in the composite from a price that fell 8.6 percent is the correct result, not an omission.

7. Recommendation

Watchlist, reaffirmed from 26 August 2026 on the same grounds. Both of the conditions the previous note set out as capable of changing the view before the fourth-quarter test have moved toward being met without being met. The price is nearer the 46 to 48 dollar reconsideration zone, at 3.6 percent above it rather than 13 percent above it, and the risk-reward has improved by roughly the amount the price fell. That is a better position and not a different one.

The reason for patience is unchanged and is not general caution. Every strand of this thesis converges on one dated event. If the fourth quarter delivers the first positive adjusted EBITDA the company has ever produced, the operating-leverage argument resolves in Lemonade's favour and a Buy would be justified well above today's price. If it slips into 2027, a loss-making insurer carrying rising retained catastrophe risk on 3.17 times forward revenue has a long way to fall, and the rating would move to Avoid. Third-quarter results on 4 November are the last read on the trajectory before that test, and they are seven weeks away.

Item	Level	Reasoning
Reconsideration zone on price alone	USD 46 to 48	Unchanged. The 29 July reaction-day low of 46.16 anchors it. At that level the shares would trade near 2.9x forward revenue and roughly 24% below the probability-weighted fair value, which is margin of safety enough to act before the evidence arrives.

Item	Level	Reasoning
Upgrade trigger on evidence	Q4 2026 adjusted EBITDA positive, as guided	Unchanged and the centre of the case. Reported in early 2027. Third-quarter results on 4 November give the last read before it.
Technical confirmation	Break above the 50-day and 100-day cluster at 56.63 to 57.38 on convincing volume	Recomputed from the roughly 59 dollars published in August. The cluster fell with the price, so the break is no easier in percentage terms.
Downgrade trigger	A Q3 release showing the adjusted EBITDA trajectory flattening, or the inflection guided out of Q4	Would move the rating to Avoid. The multiple is defensible only on the inflection arriving on schedule.
Estimated fair value	USD 60.35 probability-weighted; USD 63 base case	21.3% and 26.7% above the reference price. Carried forward unchanged from August.
Suggested position size on trigger	1.0% to 2.0% of portfolio	Constrained by a 4.7% average true range, catastrophe exposure and the binary character of the inflection.
Holding horizon	1 to 2 years	The case cannot be settled before the fourth-quarter report, and the operating leverage it would demonstrate takes 2027 to show up in full.

No cut-loss or take-profit levels are published for a non-Buy rating. The position is not held, so a stop is meaningless and a profit target is a valuation estimate wearing the clothes of an instruction.

8. What would change the view

Condition	Consequence
Q4 2026 adjusted EBITDA turns positive as guided	The case resolves. A Buy would be justified at a materially higher price than today's.
The inflection is guided out of Q4 at the 4 November results	Downgrade to Avoid. The multiple has no defence without the inflection on schedule.
Price retreats into the USD 46 to 48 area	Roughly 24% below the probability-weighted fair value. Sufficient margin of safety to begin accumulating ahead of the evidence.
A break above the 56.63 to 57.38 average cluster on convincing volume	The market deciding the July reaction was an overreaction. Warrants reassessment on price action alone.
A material catastrophe loss in the newly entered Florida or Gulf states	Directly tests the retained-risk decision and would most likely push the inflection out by at least a quarter.
A sustained fall in long-end Treasury yields	Would lift a pre-profit, long-duration equity mechanically, and would reverse most of the last three weeks without anything operational changing.
In-force premium growth decelerating below roughly 25%	The growth rate is what justifies a revenue multiple at all. A deceleration would lower both the base and bull cases.

9. Scenario analysis

Case	Prob.	Path	Fair value	Conditions
Bull	25%	Q4 EBITDA positive on schedule	USD 80	2027 delivers the first full year of positive adjusted EBITDA; in-force premium compounds above 30%; the multiple holds near 3.4x forward revenue.

Case	Prob.	Path	Fair value	Conditions
Base	45%	Guidance met, no upgrade	USD 63	Q4 turns positive, operating leverage arrives gradually, the multiple settles near 2.8x forward revenue.
Bear	30%	Inflection deferred	USD 40	Catastrophe losses or rising growth spend push profitability into 2028; the multiple compresses toward 2.0x forward revenue.
Weighted	100%		USD 60.35	Probability-weighted fair value, computed in code. +21.3% above the reference price of USD 49.74, against +10.9% in the 26 August note. The estimate itself is unchanged; only the price moved.

Probabilities sum to 100% and are carried forward unchanged from the 26 August note, as are the three fair values. Nothing disclosed in the last three weeks bears on any of the operating assumptions behind them, and adjusting an estimate in the absence of new information would be presenting price movement as analysis. The spread between the bull and bear outcomes remains unusually wide, which is itself the argument for waiting.

10. Final verdict

The August note reported three weeks of almost nothing. This one reports three weeks of an 8.6 percent decline caused by almost nothing, which is a more interesting finding and leads to the same place. Lemonade's operating metrics are good and improving, it launched in four more states during the period, its loss ratio and claims-handling cost remain genuine points of differentiation, and it is priced entirely on an event that has not happened yet. The market has simply decided to pay a bit less for that event while the risk-free rate rose.

The single biggest concern is unchanged: the fourth-quarter inflection is binary, it is four months from being reported, and the company has spent the interval increasing its retained catastrophe exposure by entering Florida car insurance at the height of the season. What must change is either the evidence, which arrives on a fixed date, or the price, which needs another 3.6 percent of decline to reach the zone where this note would act ahead of the evidence. Neither has happened yet, and buying between the two is paying most of the price of waiting without collecting any of the benefit.

Watchlist, with the same trigger, a slightly better entry and a slightly worse chart.

Sources and basis

Price of record: Alpha Vantage GLOBAL_QUOTE, close of 15 September 2026. Daily price history and all computed technical indicators: Twelve Data time series, 300 completed sessions. Company guidance, in-force premium, loss ratio and cash position: Lemonade, Inc. Q2 2026 results and Form 10-Q, 4 August 2026. Market capitalisation, shares outstanding, trailing financials and consensus target: StockAnalysis.com, 16 September 2026. State launches, investor-conference schedule and broker actions: moomoo news search and moomoo stock digest, both run for this report, queried on the ticker after a company-name query returned items about unrelated businesses. Insider transaction detail: Investing.com coverage of the Form 4 filings of 3 and 4 September 2026. Macroeconomic figures: Bureau of Labor Statistics August consumer and producer price releases, the National Association of Realtors August existing-home sales report and the US Treasury daily yield curve. No earnings call transcript was sought or required: no earnings release has occurred since the Q2 2026 report of 29 July 2026, which was covered in the prior note, and the next results are scheduled for 4 November 2026. The valuation multiples, the investment score and the probability-weighted fair value are calculations derived from the inputs shown and are not company-reported measures.

This report is informational only and does not constitute financial advice.