

Boosting company ROI through engaging employees

Limeade Inc is a US-based SaaS technology company focused on employee experience software solutions designed to help companies attract, retain and engage employees. The company listed on the ASX in December 2019, raising A\$100m at A\$1.85 per CHES Depository Interest (CDI) and has subsequently outperformed its prospectus forecasts for CY19 and upgraded its prospectus forecasts for CY20. Limeade has invested US\$89m+ in the science and technology behind its platform since it commenced operations in 2006 and provides an app-based platform for employee engagement, well-being, communication and inclusion. At June 30, 2020, the company reported a sales and marketing pipeline of US\$219m up 61% on 30 September 2019. Revenues for H1 CY20 were US\$28.04m, up 24.3% on the previous corresponding period (pcp), of which 98% were subscription revenues. Cash at the end of the half was US\$28.4m, with no debt. Limeade has reported a slowdown in contract momentum with COVID-19 but has offset slower than expected sales by reducing sales and marketing costs including travel, face-to-face marketing and stalling new hires. LME has reaffirmed its revised-up CY20 guidance for an EBITDA loss of US\$5.5-6.5m (previously US\$10.7m) and net loss of US\$7-8m (previously US\$12.4m). It reaffirmed its revenue guidance of US\$56.1m.

Business model

Limeade is a SaaS business with ~98% of net revenues recurring. The company has 175 customers and more than 2.6m users on its platform. At June 30, average contracted annual recurring revenue per well-being customer was US\$0.641m, up 6% on the average CARR in H1 FY19. The company's net revenue retention (NRR) was 98% for the half, down 4% on prior. Gross profit margins in the business are 77%, which is in line with SaaS company gross profit margins.

Recent company commentary

Limeade has reported 1H FY20 revenue of US\$28.04m, up 24.3% on pcp and chiefly driven by a 26% lift in subscription revenues to US\$27.4m. The company reported that 98% of revenues are recurring. Limeade highlighted its pipeline of opportunities rose 61% to US\$218m at June 30, with US\$18m representing verbal and finalist and another US\$57m presenting near-term opportunities. The company signed 7 new contracts in the half versus 10 a year before. The EBITDA loss for the half was US\$0.7m, compared with a US\$1.6m operating loss one year before. The company has reaffirmed its guidance for FY20. Second half revenue is forecasted by the company to be US\$28.1m.

Consensus and prospectus forecasts

The company has improved on its prospectus forecast for FY20, and is now expecting to report an EBITDA loss in the range of US\$5.5m to US\$6.5m (previously forecast EBITDA loss of US\$10.7m) and a net loss in the range of US\$7.0m to US\$8.0m (previously net loss of US\$12.4m). Limeade is forecasting revenue of US\$56.1m for FY20 (unchanged). Consensus forecasts are for revenue of US\$55.5m, EBITDA loss of US\$6.2m and a net loss of US\$7.7m. The company is trading on 4.2x EV/prospectus revenue which puts it below Damstra and Life360, Australian listed peers of a similar market capitalisation.

Historical earnings and ratios

Year end	Revenue (US\$m)	Gross Profit	EBITDA* (US\$m)	EBITDA pre-leases (US\$m)	NPAT (US\$m)	EPS (c)	EV/Sales (x)
12/17a	34.9	24.7	(1.20)	(0.70)	(2.46)	(1.00)	na
12/18a	40.1	28.9	(1.97)	(0.87)	(3.19)	(1.30)	na
12/19a	47.4	35.8	(0.75)	0.75	(2.19)	(0.89)	6.2
12/20*	56.1	na	(5.5)-(6.5)	na	(7.0)-(8.0)	na	4.2

Source: Company data *prospectus forecast and revised guidance June 2020

Software services

4 September 2020

Share details

ASX Code	LME
Share price (3-Sep)	\$1.50
Market Capitalisation	\$378.3M
Shares on issue	245.53M
Net cash at 30/06/2020	US\$28.4M
Free float	40.1%

Share performance (since listing)



Upside Case

- 98% of revenues recurring
- Five-year revenue CAGR of 30% to CY19
- Scalable business with opportunity to expand the product offering, increase revenue streams

Downside Case

- Long lead times for enterprise customers, ~12 months
- COVID-19 has delayed some expected contract sales
- Pipeline conversion to enterprise contracts

Catalysts/upcoming events

- Delivery of EBITDA and NPAT forecasts in FY20
- Expanded product category/potential acquisitions

Comparable companies (Aust/NZ)

Life 360 (ASX:360), ELMO Software (ASX:ALO), Fineos (IntelliHR) (ASX:IHR), Damstra Holdings (ASX:DST), Total Brain (ASX:TTB)

Top 5 shareholders

Henry Albrecht (CEO/Founder)	16.49%
TVC Capital II LP	14.57%
Oak HC/FT Partners L.P.	11.20%
Perennial Value Management Ltd	9.77%
Christopher Dickinson	4.12%

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FINANCIAL SERVICES GUIDE

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