



## FEATURED OPTIONS RADAR REPORT



### Bears Take Aim at Low Quality Insurtech Name into Bear Market Bounce

**Ticker/Price:** LMND (\$19.25)

#### Analysis:

**Lemonade (LMND)** on 6/27 with 5500 August \$19 puts bought to open for \$1.54M and a name with minimal notable open interest currently but has also seen buyers of July \$19 and \$16 puts and 1000 August \$20 puts. LMND rallied 25% off June lows with shares still -52% YTD and ran into falling 55-day moving average and trend resistance that also lines up with a major volume node at \$21.30, an optimal level to reload bearish bets in a low quality name. Lemonade is an insurance company positioned as an insurtech disruptor. The company sells renters' insurance and is starting to expand its footprint into homeowners', pet and term life policies. Its business is currently aimed at Millennial renters, whom the rest of the industry tends to neglect due to their perceived low price per policy and low policy life persistency. Lemonade believes that it can create economies of scale and refined technology through which it can make these customers profitable over the long-term. The addressable market for renters' insurance is small (\$3.5- 4B in U.S. premiums). The company aims to graduate customers into higher ticket homeowners' policies and cross-sell them into pet policies and eventually perhaps auto. LMND has a market cap of \$1.22B and trades 8.2X Sales and 5.2X Cash with revenues seen rising 66% in 2022 and 54% in 2023. LMND is not seen turning profitable until 2026 at the earliest. Analysts have an average target of \$27.50 and short interest very high at 33% of the float. OpCo cut its target to \$30 after last quarter noting weaker outlook for near-term loss ratio and mixed metrics. Jefferies was cautious in November saying a capital raise is likely in 2023 and sees risks from shifting its policy-in-force mix from rental and pet to auto and homeowners with higher loss ratios and reinsurance costs.

#### Hawk Vision:



**Hawk's Perspective:** LMND has been a top short pick all year so any bear market rally like this one of 25% a chance to reload bearish bets in a name I am not sure survives this downturn.

**Confidence Ranking:** \$\$