

INVESTOR UPDATE

Lemonade.shop X Legacy Investment

Thursday, 16 January 2025

Hi All, warm greetings on the new year. 2024 was a foundation-stabilising year for us, and we look forward to acceleration mode in 2025. Excited to share our annual investor update

Strategic Update

- We started Lemonade as a Multi Category business and played across several supply chains, and then Textile/Clothing emerged as our dominant category with menswear category PMF-ing, which is where we steered our focus.
- We started our “sell first make later” offering in partnership with top global factories, but the supply chain was breaking due to inconsistent demand, and we decided to set up our own factory. What started as a cost center, became a profit center as we started monetizing our B2B offering to other apparel brands too. Twig is now up & running.
- We started the business as a “India cost, International revenue” business for eventual higher margin advantage. Although we could not prioritize this business objective in 2024, we remain bullish on our thesis for the long term, and will bring back focus to this with our upcoming US launch this year.
- While we’re now a fullstack B2B + B2C business, B2C is where we think the value creation lies in the long term, with our B2B becoming a strong enabler for our B2C.

Financial Summary

- We recognize the modest topline growth, but we’re happy to achieve profitability in an early lifestage of a consumer business.
- Within 2024, H2 has been stronger than H1, more indicative of recent performance.

| <i>Table 1 (USD)</i> | | | | | |
|----------------------|----------------|----------------|-----------------|-----------------|----------------------|
| Metric | CY 2023 | CY 2024 | H1, 2024 | H2, 2024 | Annual Growth |
| GMV | 467,786 | 864,902 | 425,754 | 454,537 | 85% |
| Gross Sales | 388,178 | 660,930 | 314,300 | 357,991 | 70% |
| Net Sales | 340,626 | 605,148 | 283,263 | 332,124 | 78% |
| EBITDA | -420,514 | 7,303 | -27,806 | 34,104 | 102% |
| EBITDA % | -123.45% | 1.21% | -9.82% | 10.27% | |
| | | | | | |
| <i>Table 2 (INR)</i> | | | | | |
| Metric | CY 2023 | CY 2024 | H1, 2024 | H2, 2024 | Annual Growth |
| GMV | 37,422,846 | 71,786,907 | 34,060,324 | 37,726,583 | 92% |
| Gross Sales | 31,054,279 | 54,857,194 | 25,143,976 | 29,713,218 | 77% |
| Net Sales | 27,250,089 | 50,227,303 | 22,661,052 | 27,566,251 | 84% |
| EBITDA | -33,641,094 | 606,133 | -2,224,475 | 2,830,608 | 102% |
| EBITDA % | -123.45% | 1.21% | -9.82% | 10.27% | |

What we did well this year

- Setting up our own manufacturing has enabled us to:
 - o Have control over supply chain, which is essential for long term value creation and establish a moat.
 - o Turn a cost center into a revenue center, which has been instrumental in our early profitability.
 - o With our proprietary Just-in-time technology, we're one of the first digitally advanced apparel factories globally.
- Our AI integration in catalogue has delivered strong conversion metrics (1.3% traffic to booking, compared to 0.8% in direct to consumer). We are at a \$15 CAC on a \$38 AOV, starting to implement AI in performance marketing as well now to reduce CAC further.
- Lean team- we're a full time team of 6 people (down from 16 people earlier this year) which means our CM2 to EBITDA waterfall is strong. Almost all other cost elements are variable. We will continue to stay super lean, forever.

- We have one of the strongest captables globally in early-stage consumer, and we continue to be thankful to you all for your continued belief in us.

What we didn't do well this year

- We had a slow Q4 and didn't deliver the quarterly, and resultantly the annual revenue we targeted. We will fix this revenue fluctuation next year.
- Our supply chain was broken, leading to delayed deliveries to consumers, leading to us slowing down sales till the factory gets past teething troubles.
- We took time to identify PMF. The womenswear x basics bet in India was a mistake. Thankfully we got out of it, and are reconstructing this with a design-first approach for the US market. Although running a tad delayed, we're staring at a Q1 launch- and the progress on designs, fabrics, silhouettes ++ is exciting.
- We didn't give ourselves a good enough shot at scaling the Singapore market. This sucks. Having said that, we will rectify this in future.

What next year looks like for us.

- Our 2023 focus on trailblazing traction and discovering PMF, and our 2024 focus was on efficiency and profitability. In 2025, we need to combine the best of both years- so strong growth + strong profitability.
- Way too much effort has gone in to justify where we stand today, but the foundation has been built and now the compounding needs to start.

The future of apparel industry is on-demand and Tech/AI enabled- and we're here to power it in different shapes and forms for different contexts. Wish you all a successful 2025.

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Best,

Sambuddha Bhattacharya
Founder & CEO, Lemonade Luxury Inc