2022 Shareholder Letter

trupanion™

TABLE OF CONTENTS

INTRODUCTION & GLOSSARY

This letter, like all previous shareholder letters, has been written with the assumption (well, hope, really!) that the reader has consumed the previous letters in sequential order. Attached to this letter is our 2020 letter, which outlined our 60-month plan, month 1 being January 2021 and month 60 being December 2025. If you are an existing owner of Trupanion, or you are seriously considering becoming an owner of Trupanion, I urge you to consume all of our previous letters. If you have read them all before, it is probably still a good idea to re-familiarize yourself with our 60-month plan, which is attached to the end of this document in the form of my 2020 Annual Shareholder Letter. Thank you in advance.

Throughout this letter, I reference ways in which we have earned capital, raised capital and deployed capital. In context of these discussions, here are some terms that you are going to see throughout this year's letter:

Adjusted operating income ("AOI"): Non-GAAP term for the discretionary profit (pre-tax) we earn from our existing pets before we often choose to spend money to acquire new pets or invest in new growth initiatives.
Pet acquisition spend: Our total sales and marketing expense shown on our income statement for our subscription business, minus stock-based compensation expense and a sign-up fee. When divided by the total number of new subscription pets enrolled in a given period, we refer to this as our pet acquisition cost ("PAC"). This is a one-time expense.
Internal rate of return ("IRR"): Calculation used to evaluate the return on an investment over time. Referred commonly throughout this letter in relation to our estimated return on our pet acquisition cost for a single, average pet. Calculated on a trailing twelve-month basis.
Development expense: Expenditures related to new products, partnerships and distribution channels that are pre-revenue and expensed on our income statement.
Non-pet acquisition spend: Combination of development expenses, capital expenditures, acquisitions of new companies and equity investments in initiatives pertaining to our 60-month plan.
Capital Expenditures ("CAPEX"): Capitalized investments, mainly internally-developed software, that are capitalized on our balance sheet and then depreciated over time on the income statement.
Free cash flow: Cash we generate from operations, net of any cash used on capital expenditures.
Investing cash flow: Cash spent or generated relating to investment activities, including acquisitions, fixed-income securities and investments in long-term assets that will deliver value in the future.
Financing cash flow: Cash used or generated to fund the company and its capital, including debt and equity financing, as well as dividends and share repurchases.
Cash generated / used: Sum of our cash flows from operations, investing and financing.
Intrinsic value: Our calculation of how much our business is worth, irrespective of the public markets. Calculated as the sum of 15-years of estimated future cash flows and discounted back to present. Also presented on a per share basis to account for dilution.

TO OUR SHAREHOLDERS

October 26th, 2020, we raised approximately $192 million of capital from Aflac, a strategic partner. With fresh capital and a new 5-year plan in hand, we hit the ground running in 2021. Twenty-four months into our 60-month plan, our annual revenue has grown from $502 million to $905 million. During these 24 months, we have produced $168 million of discretionary profit (our non-GAAP term which refers to adjusted operating income "AOI"). Since the $192 million equity infusion, we have invested $150 million acquiring new subscription pets at strong internal rates of return, as well as an additional $121 million doubling our addressable market for the next few decades.

2020 – 2022 Cash Inflow / (Outflow)	
Capital expenditures	($37)
Development	($12)
Changes in working capital and other	$3
Acquisitions	($64)
Other Investing	($6)
Financing excluding equity infusion	($5)
Total	**($121)**

The $121 million has primarily been invested in pre-revenue development expenses, capital expenditures in the form of capitalized software investments, and the acquisition of three companies. As a result of these investments, we now have enrolled pets in Germany, Switzerland, the Czech Republic, and Slovakia. A partnership agreement, through our strategic alliance with Aflac, has been signed in Japan and the team is working on our go-to-market as I write. We have launched two suites of white label partner products ("Powered by Trupanion") that are being sold in new and distinct distribution channels to us. In addition, we have created, and are learning to sell, two fully-owned, direct-to-consumer brands with low and medium levels of coverage.

I expect that 2022 will be the high water mark on these outsized investments, with our 2022 cash consumption at $54.1 million. As shown below, in our 9 years as a public company, we are bookended with having net cash outflows in the early years, followed by 5 years of net cash inflows, then 2 more years of cash outflows. 2023 should see a slowdown of our non-pet acquisition spend as we transition from foundation building in our 60-month plan to the early growth stages.

Looking specifically at 2022, total revenue grew 29% over the prior year to $905 million. Adjusted operating income grew 14% year-over-year to $89 million. We deployed $80 million of this discretionary profit within our subscription business at an estimated internal rate of return (IRR) of 30%.

Evaluating these metrics, in a year marked by widespread volatility, revenue growth and IRR were remarkably consistent, while the year-over-year growth of adjusted operating income was disappointing to me. In last year's letter, I highlighted the importance of our adjusted operating income, writing:

"The single most important period-over-period financial metric that I look at is our adjusted operating income. Our Adjusted Operating Income (AOI) - our own self defined non-GAAP term - is a financial metric that we use to manage the business. It represents discretionary profit (pre-tax) we earn from our existing pets before we spend money to acquire new pets or invest in new growth initiatives."

Adjusted operating income also serves as a proxy for our value creation. Two years ago, when we introduced our 60-month plan, we outlined a path to a stretch goal of 25% year-over-year growth in intrinsic value per share. Our adjusted operating income has grown from $57 million to $89 million over this time, which turns out to be a 25% compounded annual growth rate—BUT it is important to note that our margin compression in 2022 meant that our one-year growth rate was only 14%.

As I have stated in previous shareholder letters, I am happy when we grow intrinsic value per share at 20% year-over-year. I am ecstatic when we grow 25%+. I am disappointed when growth is below 15%. I hold these expectations not because we anticipate world-class execution, but rather because we operate in a very large (and through our acquisitions, doubling) under-penetrated market. We solve a growing problem for pet owners and veterinarians. We have worked decades to create unique moats around the business, and most importantly we have a business model that with the appropriate focus, delivers strong internal rates of return.

In my 2018 letter, I noted the following, which remains true today:

"In short, although execution is hard for any company, we are fortunate to live in a world where we solve a complex problem in a large, under-penetrated market, with a direct-to-consumer monthly recurring revenue business model. These three attributes of our business hide many of our short-term tactical mistakes. In other words, our business model makes us look good!

For me, I am less concerned with wins or losses over a short period of time or in a particular subject. I am more focused on monitoring our progress in pursuit of long-term goals. We're always juggling, always measuring, always learning. Two steps forward and one step back is progress."

With this in mind, stepping back and taking a multi-year viewpoint, we are on track to achieve most of the goals we set out in our 60-month plan. Our adjusted operating income has grown 56% over the last two years. In this letter, you will hear how we've grown the number of active hospitals in North America to nearly 16,000, that our retention rates remain strong and that our brand continues to grow in a healthy way, with increased conversion rates as well as strong growth of pet owners referring friends and adding pets. You'll hear more about our new brands and new channels to reach, and help, more pet owners, and our progress in doubling our addressable market adding Europe and, fingers crossed, Japan as new territories. By my estimation, our foundational work is two-thirds completed. The next 36 months will see us narrow our focus to the deployment of new pet acquisition spend in a disciplined way across all products, distribution channels, regions, and countries.

With this as a backdrop, I present our key consolidated business metrics on a historical basis:

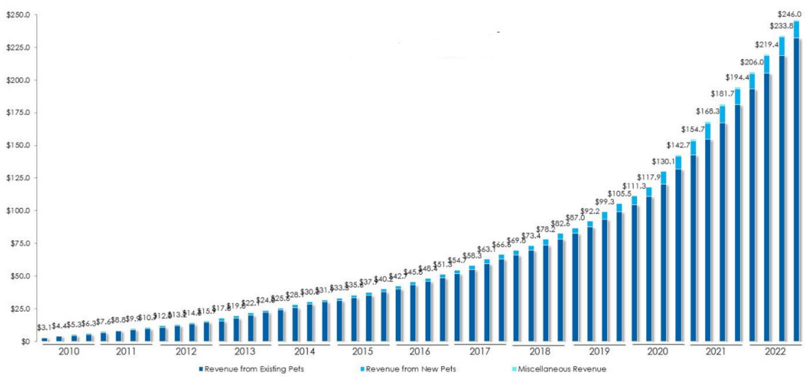
Consolidated	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	**$115,900,000**	**$147,000,000**	**$188,200,000**	**$242,700,000**	**$304,000,000**	**$383,900,000**	**$502,000,000**	**$699,000,000**	**$905,200,000**
YoY Change	38%	27%	28%	29%	25%	26%	31%	39%	29%
Minus paying veterinary invoices	($79,700,000)	($103,100,000)	($133,300,000)	($169,800,000)	($214,000,000)	($270,200,000)	($350,000,000)	($481,500,000)	($645,700,000)
Minus paying variable expenes	($16,000,000)	($18,400,000)	($21,400,000)	($29,300,000)	($37,700,000)	($47,700,000)	($68,500,000)	($106,000,000)	($131,000,000)
Minus paying fixed expense	($19,300,000)	($21,900,000)	($18,800,000)	($20,300,000)	($20,400,000)	($21,700,000)	($26,400,000)	($33,000,000)	($39,200,000)
Discretionary Profit (AOI)	**$900,000**	**$3,600,000**	**$14,800,000**	**$23,400,000**	**$31,900,000**	**$44,200,000**	**$57,100,000**	**$78,500,000**	**$89,300,000**
YoY Change	N/A	310%	317%	58%	36%	39%	29%	37%	14%
Discretionary Profit Margin (AOM)	*0.7%*	*2.4%*	*7.9%*	*9.6%*	*10.5%*	*11.5%*	*11.4%*	*11.2%*	*9.9%*
Capital deployed to acquire new pets (PAC)	**$11,100,000**	**$14,800,000**	**$14,700,000**	**$18,400,000**	**$23,700,000**	**$33,300,000**	**$45,100,000**	**$69,500,000**	**$80,400,000**
YoY Change		34%	0%	25%	29%	41%	35%	54%	16%
Estimated IRR of PAC			**33%**	**43%**	**46%**	**40%**	**41%**	**36%**	**30%**
Cash after new pet aquisition	**($10,200,000)**	**($11,200,000)**	**$100,000**	**$5,000,000**	**$8,200,000**	**$10,900,000**	**$12,000,000**	**$9,000,000**	**$8,900,000**
Capital expenditures - All others	($5,600,000)	($4,900,000)	($1,900,000)	($3,100,000)	($4,370,000)	($5,400,000)	($7,500,000)	($12,400,000)	($17,100,000)
Capital expenditures - Building					($52,530,000)				
Development	$0	$0	$0	$0	$0	$0	$0	($3,700,000)	($7,800,000)
Changes in operating assets and liabilities	$1,100,000	$1,300,000	$5,000,000	$4,900,000	$4,600,000	$5,400,000	$11,200,000	$4,700,000	($8,700,000)
Other	($1,700,000)	($500,000)	($100,000)	($300,000)	($200,000)	($100,000)	($1,600,000)	($2,500,000)	($400,000)
Free Cash Flow	**($16,400,000)**	**($15,300,000)**	**$3,100,000**	**$6,500,000**	**($44,300,000)**	**$10,800,000**	**$14,100,000**	**($4,900,000)**	**($25,100,000)**
Investing cash flows	**$1,900,000**	**($700,000)**	**($300,000)**	**($2,100,000)**	**($7,200,000)**	**($7,200,000)**	**($48,200,000)**	**($2,000,000)**	**($19,600,000)**
Financing cash flows	**$76,000,000**	**$700,000**	**$3,100,000**	**$1,400,000**	**$67,700,000**	**$1,300,000**	**$197,200,000**	**($1,100,000)**	**($7,900,000)**
Effect of Fx	$0	($600,000)	$100,000	$400,000	($800,000)	$400,000	$0	$300,000	($1,500,000)
Cash generated / (Cash used)	**$61,500,000**	**($15,900,000)**	**$6,000,000**	**$6,200,000**	**$15,400,000**	**$5,300,000**	**$163,100,000**	**($7,700,000)**	**($54,100,000)**
Cash & Investments									
Piggy Bank - Insurance Co's	$30,900,000	$38,800,000	$50,200,000	$63,300,000	$78,400,000	$97,900,000	$ 129,000,000	$ 167,800,000	$ 203,600,000
Piggy Bank - Holding Company	$45,500,000	$6,800,000	$6,200,000	$3,800,000	$7,700,000	$6,700,000	$ 112,600,000	$ 58,300,000	$ 36,400,000
New Ins Co Funding							$ -	$ 7,800,000	$ 9,300,000
Building Value					$ 62,000,000	$ 61,700,000	$ 61,000,000	$ 60,400,000	$ 59,200,000
Minus Debt - Holding Company	$ (14,900,000)	$ -	$ (4,800,000)	$ (9,300,000)	$ (12,900,000)	$ (26,100,000)	$ -	$ -	$ (69,500,000)
Cash and building minus debt[1]	**$ 61,500,000**	**$ 45,600,000**	**$ 51,600,000**	**$ 57,800,000**	**$ 135,200,000**	**$ 140,200,000**	**$ 302,600,000**	**$ 294,300,000**	**$ 239,000,000**
Statutory Capital & Surplus - Insurance Co's	**$ 23,700,000**	**$ 28,100,000**	**$ 32,900,000**	**$ 40,400,000**	**$ 60,100,000**	**$ 78,300,000**	**$ 98,600,000**	**$ 131,700,000**	**$ 171,400,000**
Required Statutory Capital & Surplus - Insurance Co's[2]	**$ 23,700,000**	**$ 27,800,000**	**$ 29,500,000**	**$ 26,500,000**	**$ 60,000,000**	**$ 62,600,000**	**$ 88,500,000**	**$ 129,300,000**	**$ 158,700,000**

1) The ending cash balance (cash and building minus debt) plus / (minus) the cash generated / (cash used) in a given period will not reconcile to the subsequent year balance due to the decline in our building value period-over-period as a result of depreciation.

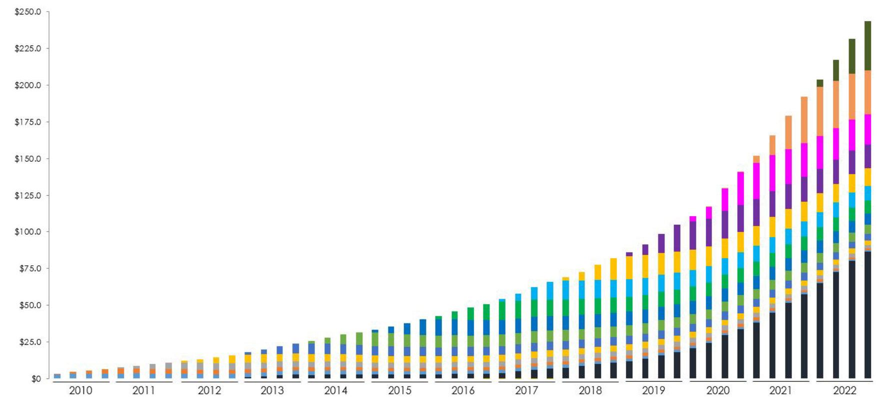
2) Approximate amount required by different departments of insurance; these amounts may change over time.

Those familiar with prior shareholder letters will recognize the following charts. As we've noted before, our business model and large, underpenetrated market makes us look good.

Total Revenue by Quarter ($ in millions)



Quarterly Premium by Policy Start Year Cohorts ($ in millions)



To best understand our 2022 performance in isolation, we need to break the company into 3 sections:

1. *Our core Trupanion direct-to-consumer, monthly subscription business in North America.*
2. *Our other business, which are our business-to-business partner offerings with different margin profiles than our subscription segment.*
3. *New initiatives, which include additional products and distribution channels in North America, as well as international expansion.*

TRUPANION NORTH AMERICA SUBSCRIPTION BUSINESS

Our Trupanion direct-to-consumer, monthly subscription business in North America grew its revenue 20% year-over-year from $495 million to $595 million. Adjusted operating income grew 11% to $79 million. We invested $78 million acquiring approximately 249,000 new pets at an estimated 30% internal rate of return.

Looking at the chart below, you will see that our year-over-year revenue growth has averaged about 25% over the last 9 years. You will also notice that our adjusted operating margin dropped by approximately 110 basis points this year. This was due to challenges we faced to effectively price for the inflationary cost of veterinary care coming out of Covid. While our goal coming into the year was to hit our long-standing adjusted operating margin target of 15% in 2022, we instead achieved 13.3%. This was the first time we have seen margin compression since being a publicly traded company.

> *"Our direct-to-consumer monthly subscription business is the largest component (of our current business) and where most of the value is created... For me, our core monthly subscription business is like 'groundhog month'. The recurring nature of our business model allows for incremental improvements of individual initiatives. Higher ARPU, more active hospitals, improved same store sales, expansion in our adjusted operating margin, reduced churn, and greater member referrals and new pets added are the key metrics that will help us outperform."*
>
> *– Darryl Rawlings, 2019 Shareholder Letter*

Trupanion - North America	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	**$103,500,000**	**$133,400,000**	**$173,400,000**	**$218,400,000**	**$263,700,000**	**$321,200,000**	**$387,700,000**	**$494,800,000**	**$595,300,000**
YoY Change	35%	29%	30%	26%	21%	22%	21%	28%	20%
Minus paying veterinary invoices	($74,000,000)	($95,200,000)	($124,400,000)	($155,200,000)	($190,500,000)	($231,700,000)	($277,900,000)	($351,900,000)	($432,300,000)
Minus paying variable expenes	($10,900,000)	($14,000,000)	($16,600,000)	($21,100,000)	($24,600,000)	($29,400,000)	($35,400,000)	($48,500,000)	($58,100,000)
Minus paying fixed expense	($17,300,000)	($19,900,000)	($17,300,000)	($18,200,000)	($17,700,000)	($18,200,000)	($20,400,000)	($23,400,000)	($25,800,000)
Discretionary Profit (AOI)	**$1,300,000**	**$4,300,000**	**$15,000,000**	**$23,800,000**	**$31,000,000**	**$41,900,000**	**$54,000,000**	**$71,000,000**	**$79,100,000**
YoY Change		210%	247%	59%	30%	35%	29%	31%	11%
Discretionary Profit Margin (AOM)	*1.3%*	*3.2%*	*8.7%*	*10.9%*	*11.7%*	*13.0%*	*13.9%*	*14.4%*	*13.3%*
Capital deployed to acquire new pets (PAC)	**$10,900,000**	**$14,700,000**	**$14,500,000**	**$18,400,000**	**$23,300,000**	**$32,900,000**	**$44,200,000**	**$68,800,000**	**$77,600,000**
YoY Change		34%	-1%	25%	27%	41%	34%	55%	13%
Estimated IRR of PAC			**33%**	**43%**	**46%**	**40%**	**41%**	**36%**	**30%**
Cash after new pet aquisition	**($9,600,000)**	**($10,400,000)**	**$500,000**	**$5,400,000**	**$7,700,000**	**$9,000,000**	**$9,800,000**	**$2,200,000**	**$1,500,000**
Capital expenditures	($5,300,000)	($500,000)	$17,800,000	$24,900,000	$32,000,000	$2,200,000	($7,500,000)	($11,400,000)	($13,200,000)
Cash generated / (Cash used)	**($16,400,000)**	**($15,300,000)**	**$3,100,000**	**$6,500,000**	**$8,300,000**	**$10,800,000**	**$2,300,000**	**($9,200,000)**	**($11,700,000)**

Multiple factors made hitting a 15% adjusted operating margin more challenging this year. It started several years ago with the decrease in the number of visits per 1,000 enrolled pets during Covid. As a reminder, the combination of invoice size (what veterinarians charge) and the frequency of accident and illness (number of visits per 1,000 pets per month) related to veterinary visits, make up our cost of claims.

The temporary drop in frequency reflected challenges faced by veterinarians as they moved to curbside service, experienced staffing challenges, and had reduced capacity. This meant pet owners who would otherwise visit the veterinarian for non-life-threatening clinical symptoms instead monitored health issues at home, only to visit the veterinarian if their pet's symptoms became worse. As we typically use our historical data to predict future cost of veterinary care, this prolonged drop in frequency had us underestimate the number of visits we should have expected coming out of Covid.

At the same time, this temporary drop in frequency masked rising average invoice size across our existing book. This was easier to overlook at first, especially when relying on backwards looking data, but less so as the rate of inflation in veterinary care accelerated through the year.

The second challenge was the impact of the change in our mix of business. As we continued to price our product at a more granular level, in particular moving to neighborhood pricing, we lowered prices in areas with a lower cost of care and raised prices in higher cost of care areas—always with the goal of providing the same value proposition (71%) to our average cohort. As a result, we saw increased growth in lower priced, and typically lower income areas, and slower growth in higher income, higher cost areas, as our value proposition was priced more accurately to our 71% target. An increase in the percentage of veterinary invoices from these lower cost pets muted our year-over-year blended cost of goods making it less obvious that year-over-year inflation was occurring. Our focus on neighborhood pricing necessitates that we look at our cost of claims in a much more granular way.

The third and final factor was the rapid percentage increase in the number of invoices coming through our software, as well as an increased percentage of veterinary invoices being fully automated during 2022. As we are paying more hospitals directly, on day one of the invoice, it changes our invoice arrival patterns making it more difficult for us to determine when we have received the total number of invoices for a given period. I'll explain.

In any given month, we incur an average number of claims per thousand pets. Generally, this number doesn't fluctuate much month to month (outside of some very minor seasonality) because pets don't get sick or injured more often. We typically receive the majority (but not all of these claims) in the month the claim incident is incurred. We then must make an estimation for the remaining claims we will receive. In insurance talk, we refer to this estimation as "IBNR", or "incurred but not reported".

When we install our software, we speed up the process of receiving claims. Normally this just shifts arrival patterns into the current month, but because we were relying on data from a period of time where claims frequency was temporarily reduced, it caused us to under-estimate our IBNR, or number of invoices we should have expected.

With the combination of these challenges, it is understandable why we had less success in hitting our AOM target, but that does not make it OK. Pricing is a core competency of ours—we pride ourselves on it—and we came away with many learnings. First and foremost, we must take advantage of one of our core moats—our relationships with the veterinary community. Through our territory partners and their associates, we have eyes and ears on the ground and a direct line of communication with veterinarians and their staff. Second, we must use all sources of data, not just historical claims data, to help us predict the future cost of veterinary invoices. Last, and most importantly, we need to segment our business into many more P&L's, with distinct and empowered leaders to give us the appropriate magnification into each area of our business. You'll recall this shift from one to many P&L's was a core strategy in our 60-month plan.

While I am disappointed that we took a step backwards from our margin target this year, as with most anything, these executional challenges are not a zero sum game. If in five years from now, our ability to monitor and predict trends in veterinary care is exponentially ahead of where we'd otherwise have been, then great! While I am disappointed today, I'll be thrilled if we learn our lesson and collectively become a better company because of it.

Relatively speaking, our 110 basis points of margin compression and 170 basis point miss to our target would be, by most standards, considered "little". We however, operate (or try to operate) within very tight guardrails.

As the impacts of inflation took hold and the frequency of visits normalized, our margins began to be impacted, reducing our lifetime value of a pet in the back half of the year. Staying true to our IRR guardrails of 30-40%, we pulled back on our planned pet acquisition spend. On a per pet basis, the contraction in our margin translated into lower lifetime value and lower allowable PAC spend.

Consider the following:

	Lifetime Value of a Pet (LVP)		Pet Acquisition Cost (PAC)	
	$	% YOY	$	% YOY
Q1	$730	7%	$301	8%
Q2	$713	5%	$309	9%
Q3	$673	(3%)	$268	(4%)
Q4	$641	(11%)	$283	(8%)

Our total pet acquisition cost for our Trupanion brand was $78 million in 2022, up from $69 million in 2021, an increase of just 13%. Our calculated internal rate of return—which is determined by our adjusted operating income, retention rates, lifetime value of a pet and average pet acquisition cost—was at the bottom end of our guardrails at 30%. If we had hit our margin target, we would have expected to deploy $78 to $90 million acquiring pets, with less pressure on our internal rate of return.

This is why I am disappointed in our margin performance. Our inability to effectively price coming out of Covid means significantly less capital available to grow our business. As you know, growing our discretionary profit and deploying greater sums at our high internal rates of return, is what drives our value creation. For the benefit of future growth in revenue, adjusted operating income and intrinsic value per share, we would have liked to have deployed more pet acquisition spend in 2022! I'll circle back to this point in a bit.

OUR OTHER BUSINESS

Our other business in 2022 grew revenue 51% year-over-year. Adjusted operating income grew 32% year-over-year to $10 million. The majority of the business in this segment has been driven from a third party which we have partnered with for several years. Earlier in our lifecycle, underwriting this business helped provide scale in our data and fixed expenses. When we originally structured our deal, we didn't fully contemplate the impact of higher growth rates on our required capital.

As insurance revenues grow, so does the need for capital reserves. The amount of capital that is required is greater when growth rates are higher. Historically, we have had our underwriting company(s) put aside approximately 5% of revenue each year. The table to the right shows the approximate amount of money that needs to be put aside if we were to self-fund our capital requirements with zero debt or re-insurance.

Revenue growth*	% of revenue required to self-fund capital requirements**	% of revenue held to meet minimum capital requirements**
10%	1.4%	14%
15%	2.3%	15%
20%	3.2%	16%
25%	4.3%	17%
30%	5.4%	18%
35%	6.7%	19%
40%	8.0%	20%

**The risk-based capital calculation is based off of a three-year average revenue growth rate.*
***Assumes risk-based capital target remains the same year-over-year. Estimated based on 2022 experience. Minimum capital requirements are subject to change.*

As you can see, if growth rates are 25% or less, then holding 5% would eventually build up a surplus of capital (more than we would otherwise need to meet consistent risk-based capital requirements). If growth is 30% or more a year, then 5% would be insufficient, and we would need to transfer money from our holding company(s) piggy bank to our insurance company(s) piggy bank. This has been occurring for several years.

If revenue growth had been 10-15%, this partnership could have been accretive to our cash flow. At their actualized rates of growth, however, this was not an effective way to grow our balance sheet. Partnering with them when their growth is high requires extra money to sit in a dedicated insurance company piggy bank which we cannot easily access.

The rationale for this reserve makes sense given that many companies grow quickly by selling insurance that is underpriced—meaning that they therefore typically have a greater need to access the cash in the piggy bank in order to live up to their member promises.

Over the last three years, we have been required to add approximately $43 million to this piggy bank. After paying for an estimated $27 million in fixed expenses over that same time period, this business generated only $13 million in AOI.

"As we have already said, this segment on its own produces OK results, but I would certainly not describe it as compelling."

– Darryl Rawlings, 2019 Shareholder Letter

Other Revenue - North America	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	**$12,400,000**	**$13,600,000**	**$14,900,000**	**$24,300,000**	**$40,200,000**	**$62,800,000**	**$114,300,000**	**$204,100,000**	**$308,600,000**
YoY Change	67%	9%	10%	63%	65%	56%	82%	79%	51%
Minus paying veterinary invoices	($5,700,000)	($7,900,000)	($8,900,000)	($14,600,000)	($23,500,000)	($38,500,000)	($72,100,000)	($129,600,000)	($212,900,000)
Minus paying variable expenes	($5,200,000)	($4,400,000)	($4,700,000)	($8,200,000)	($13,100,000)	($18,300,000)	($33,100,000)	($57,400,000)	($72,500,000)
Minus paying fixed expense	($2,100,000)	($2,000,000)	($1,500,000)	($2,000,000)	($2,700,000)	($3,600,000)	($6,200,000)	($9,600,000)	($13,400,000)
Discretionary Profit (AOI)	**($600,000)**	**($800,000)**	**($200,000)**	**($500,000)**	**$900,000**	**$2,400,000**	**$3,000,000**	**$7,500,000**	**$9,900,000**
YoY Change		33.3%	-70.0%	97.0%	-305.0%	-157.0%	29.0%	146.0%	32.0%
Discretionary Profit Margin (AOM)	-4.8%	-5.7%	-1.5%	-1.8%	2.3%	3.8%	2.7%	3.7%	3.2%
Capital deployed to acquire new pets (PAC)	$100,000	$100,000	$200,000	$200,000	$400,000	$400,000	**$800,000**	**$500,000**	**$600,000**
YoY Change		-25%	134%	0%	64%	20%	70%	-58%	42%
Cash after new pet aquisition	**($700,000)**	**($900,000)**	**($400,000)**	**($700,000)**	**$500,000**	**$2,000,000**	**$2,200,000**	**$7,000,000**	**$9,300,000**
Other uses of Cash									
Cash generated / (Cash used)							**$2,200,000**	**$7,000,000**	**$9,300,000**

For these reasons, we began working with our third-party partner in 2021 to come up with a mutually agreeable way to move forward. The compromise that we ultimately arrived at was to have our partner agree to keep its existing business with us for a minimum of three years and in exchange, they would move future business to a new underwriter or pay us a higher percentage of revenue for any new business underwritten by us moving forward. This will negatively impact our year-over-year total revenue growth, but will strengthen our balance sheet—not to mention the more immediate benefit of freeing up cash which we can re-invest at higher internal rates of return or use to satisfy regulatory requirements in our higher margin subscription business.

The growth rate in our low margin, B2B business applies to the capital surplus needs for our overall business. Said another way, when our other business drives our overall growth above 30%, it requires more capital reserves for our aggregate business. As the growth of our low margin, B2B business is expected to slow and decline over the next 3-5 years, we expect the opposite to occur. Our capital requirements will switch from a shortfall to a surplus, freeing up growth capital over the next few years.

For illustrative purposes, and based on the above table, if over the next twelve months we were to grow total revenue to $1 billion, we estimate we would need to hold approximately $170 million, compared to the approximate $171 million we held in statutory capital at the end of 2022. As a reminder, our surplus capital requirements are based on a 3-year average revenue growth rate. At this revenue level, we expect to hold sufficient capital to meet our requirements as currently defined and assuming our experience is in line with 2022. Also for illustrative purposes, if we were to grow revenue to $1.1 billion, we estimate we would need to hold approximately $198 million, or approximately $27 million more in statutory capital than what we held at year-end. This additional capital would equate to 2.5% of revenue.

NEW INITIATIVES

Subscription Products North America

In 2022, we launched our worksite benefit program in partnership with Aflac. Through this partnership, employers are able to offer a suite of three pet insurance products to employees as a payroll-deducted voluntary benefit. In the same year, in partnership with pet retailer Chewy, we launched a suite of five products that they began to introduce and sell to Chewy customers.

Lastly, we spent 2022 getting our arms around our two newer insurance products offering low and medium coverage, PHI Direct and Furkin, designed to be sold direct to consumers online. At the writing of this letter, both products are live in Canada with the goal of ensuring we can be disciplined in our approach to pet acquisition to earn a 30% – 40% internal rate of return before further North American expansion.

In totality, the revenue in 2022 from these new products and distribution channels was $1.1 million and we spent approximately $1.3 million on pet acquisition. Our negative internal rate of return shows why we have limited our spend! In 2022, the average LVP of our new subscription pets was just $64, driven by low retention. To optimize our returns, we will need to improve our conversion (i.e. lower PAC) and keep pets longer (increase LVP). With these products in market for just one year, we see a roadmap to doing so. But until we optimize our returns, we will not put our foot on the accelerator. Being disciplined in capital allocation is absolutely critical to building a sustainable business. You can't spend more than you expect to earn sustainably, and you certainly can't make it up with volume!

PHi DIRECT
Fluff-free Pet Health Insurance

Furkin
PET INSURANCE

Other Subscription Products - North America	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue									**$1,100,000**
YoY Change									
Minus paying veterinary invoices									($500,000)
Minus paying variable expenes								($100,000)	($400,000)
Minus paying fixed expense									$0
Discretionary Profit (AOI)								**($100,000)**	**$100,000**
YoY Change									-200%
Discretionary Profit Margin (AOM)									11%
Capital deployed to acquire new pets (PAC)							**$100,000**	**$200,000**	**$1,300,000**
YoY Change								69%	433%
Estimated IRR of PAC									**-68%**
Cash after new pet aquisition							**($100,000)**	**($300,000)**	**($1,700,000)**
Capital expenditures								($1,000,000)	($3,900,000)
Development								($2,800,000)	($5,200,000)
Cash generated / (Cash used)							**($100,000)**	**($4,100,000)**	**($10,800,000)**

Note: In the above view, we have isolated PAC spend to variable spend tied to these products. Starting salaries of approximately $0.5 million have been excluded from the above as the products are sub-scale. Cash after new pet acquisition is inclusive of the approximate $0.5 million in spend for starting salaries as it was a use of cash in the periods presented.

A quick note about scale.

Across all of these products in our 60-month plan, we will be targeting a 15% adjusted operating margin at scale. But how do we define scale, and when do we expect these businesses to achieve it?

Recall from my inaugural 2014 Annual Shareholder Letter our prior definition of scale:

"In the next five years, we plan to achieve scale, which we define as 650,000-750,000 pets. At scale, our target is to have 5% fixed expenses and a 15% discretionary margin from our subscription business (before sales and marketing), with our discretionary income funding all our growth, including our capital requirements."

At that point in our history, with our outsized fixed expenses, we were restricted in the use of IRR as a method to measuring the effectiveness of our capital deployment. Instead, we relied on PAC to LVP, but noted the limitations of this approach long-term. Also from our 2014 Shareholder Letter:

"Internally, we think the PAC/LVP ratio is a little overstated as it uses the average contribution dollar and omits the cost of our fixed overhead. It is useful to show the potential before we are fully at scale and that is why we report it, BUT it is flawed because it does not account for the cash required to operate our fixed expenses. For these reasons, we are most concerned with the internal rate of return (IRR) for incrementally adding an average pet."

As we think about capital deployment for our new businesses and products, we intend to deploy a similar approach, omitting the costs of fixed overhead while these businesses are sub-scale. In essence, we'll once again leverage LVP: PAC to help guide our spend.

And also true to how we've managed the business historically, we'll have guardrails in place to ensure we are on track to deliver scale within a "reasonable" timeframe. As with anything, the big question is what is considered "reasonable"?

Certainly it would be reasonable to expect we're able to achieve scale much quicker and more efficiently than that of our core business. Recall from our 2020 Annual Shareholder Letter:

> ***"Our ability to operate at scale means that we are now able to support the development of new brands and accelerate their growth curve—which also allows the broader Trupanion family to grow."***

With this in mind, we think about scale in a couple of different ways:

- By number of pets. By the time we reach approximately 10,000 – 15,000 total enrolled pets in each of our new products, we would expect to achieve scale.
- By time spent relative to cash burn. We are fortunate that our large, underpenetrated market affords us a long runway for growth. We're happy to grow slower and invest at a more measured pace—similar to our approach in Australia. If the rate of burn is at a fraction of our AOI (think less than half a percent), we can invest for years ahead of achieving scale. Of course, it is our hope that our current structure will allow us to get to scale quicker than if these businesses were run independently. The more cash we burn, the quicker we must achieve scale to ensure a return on our investment.

Once scale is achieved, and adjusted operating margins approximate 15%, we will use our target IRR to back into our desired PAC spend for a pet.

International Business

In our 60-month plan, we outlined our goal to double our addressable market (defined by number of veterinary hospitals) by the end of 2030. In terms of our strategy, it is simple: we will look to geographies where we can leverage our moats and our vet-centric approach to solve the problem faced by so many pet owners – how to budget for unexpected veterinary costs.

A little over 24 months into our 60-month plan, I am excited to say that we have laid the groundwork for the doubling of our addressable market. Our international business made especially good strides in 2022 with the purchase of two small, like-minded marketing companies that provide pet insurance in cooperation with veterinarians. As these are currently organized as marketing companies writing their business through a 3rd party insurance underwriter, the revenue and adjusted operating margins will look different than that of our traditional subscription business. In the next 18 to 24 months, we intend to get our own underwriter licensed in Continental Europe, at which point we would recognize 100% of revenue on our P&L instead of the approximate 30% of revenue we report today.

At the end of 2022, we had approximately 29,000 pets enrolled in Germany, Switzerland, the Czech Republic, and Slovakia. By the end of this year, we expect to be live in several more European countries and we will have grown our addressable market (calculated by veterinary hospitals) from 28,000 at the start of 2022 to over 50,000.

In addition to our European efforts, we have two joint ventures in Asia. A 50/50 partnership in Australia with Petsure and a similar arrangement in Japan with Aflac. Australia had approximately 3,300 pets at the end of 2022 and the Aflac joint venture in Japan is still being developed. If we are successful in moving forward with our partnership in Japan, we'll add another 10,000 plus veterinary hospitals to our addressable market. As joint ventures, the revenue, adjusted operated income, pet acquisition spend, and profit and loss won't be reported in our GAAP financials the same way as our typical subscription business. Nonetheless, we are pleased with the progress being made in bringing the Trupanion brand, and the quality of member experience it is known for, to the Australian market and look forward to seeing the continued expansion in the years ahead.

International	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue									**$200,000**
YoY Change									
Minus paying veterinary invoices									$0
Minus paying variable expenes									($100,000)
Minus paying fixed expense									$0
Discretionary Profit (AOI)									**$100,000**
YoY Change									
Discretionary Profit Margin (AOM)									54%
Capital deployed to acquire new pets (PAC)									**$400,000**
YoY Change									
Estimated IRR of PAC									
Cash after new pet aquisition									**($300,000)**
Development								($400,000)	($2,100,000)
Investing Cash Flows						($200,000)		($200,000)	($16,100,000)
Cash generated / (Cash used)						**($200,000)**		**($600,000)**	**($18,500,000)**

In totality, we have invested approximately $19 million in our international efforts, with the bulk of that spend occurring in 2022. It is my expectation that 2022 will be the biggest year of investment in our international expansion, with non-pet acquisition spend tailing off to under $10 million, in aggregate, in 2023 and through 2024.

NON-PET ACQUISITION SPEND

Non-Pet Acquisition Spend vs Pet Acquisition Spend

Throughout this letter, I have referred to our pet acquisition spend, which has totaled approximately $150 million over the last two years, and our non-pet acquisition spend, which has totaled $121 million since the Aflac equity infusion (also occurring a little over two years ago). With our pet acquisition spend, we have demonstrated consistent and repeatable evidence of our ability to deploy (invest) greater sums of capital year-over-year at consistently high rates of return. Said another way, we have a high degree of confidence that when we deploy capital to acquire new pets, we are increasing our intrinsic value per share. The more we deploy, assuming we remain within our 30% – 40% IRR guardrails, the more value we create.

I have considerably less visibility on the internal rates of return we may or may not earn from our non-pet acquisition spend. Let me dig into this a bit.

Non-Pet Acquisition Spend, Area 1

Of the $121 million in non-pet acquisition spend, the biggest percentage was invested in a software company we purchased for approximately $48 million (or approximately 40% of all non-pet acquisition spend). At the time of the acquisition, this software company had approximately $7 million of revenue, earned by providing software solutions (SAAS) via a monthly recurring revenue business model to companies like Trupanion, and $1 million in positive cash flow. Through the acquisition, we gained over 40 full-time team members, predominately developers, and access to another 60+ contract developers, with experience creating software to sell products in multiple countries and languages. Our expectation going into the acquisition was that we would have our Trupanion product up and running on a next generation software platform, “Vision”, going into 2022. A bonus of the deal was our expectation that the company’s existing revenues would largely cover the development costs. This was intended to be a strategic and net neutral purchase.

In 2021, when some of our partner initiatives became a reality, we used this platform to launch them—eventually coming to market in 2022. Both Aflac and Chewy were launched on the new platform—which was a good step forward. However, their prioritization over and above our core business caused us to be behind both in time and budget on the migration of Trupanion’s existing North American business to Vision.

We now expect the build to be completed in 2023, over a year behind schedule, and significantly over-budget. By the time we come to market on the platform, we will have invested approximately $22 million more in capitalized software investments than we initially budgeted for.

Over the coming decade, this may turn out to be a great investment with returns manifesting in lower operating expenses, better member and partner communications and services, and ease of entry into new products, channels and markets. In short, we hope that it will set us up to be the definitive global player. Currently, it has proved more expensive and slower than we initially anticipated. Time will tell!

Non-Pet Acquisition Spend, Area 2

In our international expansion, we have invested approximately $16 million in two acquisitions in Europe. In the case of international expansion, we are fortunate to have our North American experience to help guide us and it is our plan to implement Trupanion's unique distribution strategy, centered on Territory Partners and veterinarians.

Our goal is to have continental Europe, Japan and Australia running at operational scale within about five years of coming to market, but as I mentioned earlier, this timeline may be a little longer or shorter depending on our level of cash burn. If we are able to deliver on this rough timeline, it would be well ahead of the 20 years it took us to achieve scale in North America. As a reminder, at operational scale, our adjusted operating margin is approximately 15% of revenue. We will need to be exceptionally diligent and focused to achieve this goal but we have a good plan to get us there.

Non-Pet Acquisition Spend, Area 3

Development expenses, which are the expenditures related to new products, partnerships and distribution channels that are pre-revenue, have consumed approximately $12 million over the last two years. These include our worksite benefits, online partners such as Chewy, and our new lower coverage brands. We believe these products and partnerships have strong potential to increase the acceptance of higher-quality pet insurance and offer the industry greater transparency. If successful, they are structurally designed such that our new pet acquisition spend will hit our internal rate of returns within a few years post-launch. While I have strong conviction in the teams' abilities to manage to our guardrails, it is more difficult for me to predict the time and likelihood of these areas becoming a meaningful part of our overall business.

Non-Pet Acquisition Spend, Areas 4 & 5

Two other areas where we have made investments are with our pet food initiative and our perpetually powered GPS pet tag. In total, we have invested approximately $14 million in these two areas over the last 5 years. The biggest investment was in equity of a small therapeutic pet food company working to develop a portion controlled, direct-to-consumer monthly subscription wellness food. If successful, over time we will have actuarial data to demonstrate the cost savings of feeding pets a healthy diet and can pass these savings along to members feeding our diets to their pets. It is our plan to have these wellness diets sold exclusively through partnering veterinarians and their staff. This opportunity is very large if we get it right. Pet owners spend 2x more on wellness diets than veterinary visits!

At this stage, our food partner has spent 4 years developing this new food. In January of this year, I personally attended the first pre-production manufacturing of this non-kibble formulation in Nebraska. Fingers crossed that like my earlier WD-40 example of innovation (2016 shareholder letter), we end up with a new product that is difficult to emulate and that will significantly improve the health of the pets we love so much.

Staying with the WD-40 example, it takes time to get the right formulation, and we've been humbled by the delays in bringing a worthy, high-quality product to market. I am, however, encouraged by the discipline we've approached the investment with, which I believe is appropriate given the size of the market we are addressing.

We are not limited to a winner-takes-all approach in our hypothesis that a good healthy diet actuarially deserves lower monthly cost of health insurance. In our view, any monthly subscription food (needs to be a monthly subscription so we will be assured that the pet is eating the food as their primary diet) where we can measure lower health costs compared to our average member will be able to earn a justifiable discount. We plan to introduce this concept to our members in the next 12 to 18 months and test our ability to sell top-quality, breed-specific kibble from a well-established and veterinary respected brand directly to our members—ultimately adding the cost of the food to their existing monthly charge. I expect many learnings from this effort!

Efforts on our GPS tag have stalled as we wait for technology to catch up with our intent—this means our patent-pending working prototype device will need to reduce in size and cost before we develop this further.

As was first laid out when we released our 60-month plan a couple years back, we have a lot to be excited about. With incremental growth levers like our international endeavors, we are playing within our wheelhouse, and with others, such as food, we will learn more about our company's ability to innovate in ways that make our members and their pets lives even better. Our international initiatives alone double the number of veterinary hospitals in our addressable market. The expansion of products and distribution channels have the potential to double it once again.

For these reasons, we feel that the collective $121 million investment we have made over the past two years with shareholders' money to be well thought out. I don't expect every investment will work, but in no single investment have we bet the farm either! Relatively speaking, we've made a handful of smaller bets that will undoubtedly provide us the opportunity to learn, innovate and become a much bigger, more defensible company as a result.

PET ACQUISITION SPEND

In 2022, we invested $80 million acquiring new pets, up from $69 million in the prior year. This small increase was only a 16% year-over-year growth rate and far below our 5-year average of 35%. As I had alluded to earlier, going into the year, we would have hoped to have deployed more. At our revenue growth rate, had AOM hit our target, the amount of capital deployed would have been in the range of $78 to $90 million (assuming we were spending within our guardrails). I'll reiterate, deploying greater sums of capital at our high internal rates of return is what drives our value creation.

We're hopeful we can accelerate our spend in 2023 to within these levels and at an average 35% internal rate of return. However, until we see margin expansion year-over-year, we will need to be cautious with our spend. This is especially true in today's capital markets. While growth is wonderful, cash is king...

We are agnostic to which product, distribution channel, region, or country we deploy this spend. The only thing we deeply care about is that our internal rates of return are above 30%. If we are able to deploy greater sums of capital than our 2023 or 2024 roadmap affords us, then we will prioritize those products, channels, regions, countries that earn internal rates of greater than 35%.

There is another factor that I have touched on in earlier shareholder letters that I think is timely to re-introduce. A pet is not just "a pet". I bring this up because some observers of Trupanion can get excited about the number of new pets added in a period of time. I would caution against coming to that conclusion in isolation!

A pet, and their corresponding lifetime value, can—and will—vary dramatically based on the individual characteristics of that pet. And that's before introducing varying levels of coverage (like Trupanion's 2.0 product), products (like our suite of products with Chewy and Aflac) and new markets (like Continental Europe). To illustrate with a simple example, if we added 10,000 new pets and they were all cats instead of dogs, then it would be ridiculous for us to assume these 10,000 new cats are going to have the same lifetime value as dogs. Of course, we know this today, and our understanding of lifetime value is extremely granular. But our growth aspirations have us thinking about our approach to calculating our estimated internal rates of return for our mix of new pets in a much more granular way. Recall this discussion from our 2016 Annual Shareholder Letter:

"Beyond having the same value proposition for each subcategory, we also try to get the same IRR on the money we invest to acquire pets in each subcategory.... What we report to our shareholders is our blended total for all of our subcategories. We will be really good when we can modulate our mix of business and accelerate our growth in high LVP subcategories, while slowing growth in our lower LVP subcategories."

Take our goal to enroll thousands of new pets in Czech Republic as another example. In this example, our approach to pricing will not be unlike that of our approach in North America. We will start off broad and get more granular, largely by neighborhoods. What we do know, is that the average cost of veterinary care in the Czech Republic is considerably lower than in North America. For purposes of this exercise, we'll assume costs are 50% lower. Assuming the same retention rates and the same adjusted operating margin, we would expect the lifetime value to be half of that of our North American business. Therefore, our allowable pet acquisition spend would also need to be 50% lower if we are to earn the same targeted internal rate of return.

The same can be said with our low and medium coverage products, PHI Direct and Furkin. If they have 40% of the coverage of our Trupanion product, with the same value proposition and margin target, they will have 40% of the ARPU and 40% of the adjusted operating income. In addition, with lower coverage, we would expect to see lower average retention rates (we make the assumption that a pet owner will be less satisfied with the lower coverage and is therefore more likely to cancel at an increased rate). So in this example, the lifetime value, and thus allowable PAC may be 25% of that of our historical pet.
In 2022, the lifetime value of these pets was just $64.

Back to my earlier point, a pet is not just "a pet". 10,000 new pets with an average lifetime value of $700 are worth 100% more than 10,000 new pets with an average lifetime value of $350. So, although we are agnostic to where we invest to acquire new pets, each channel, product, or region must stand on their own and hit our internal rate of return target. We will do our best to transparently share this information to the owners of the company at our upcoming shareholder meeting and other such appropriate venues.

INTRINSIC VALUE PER SHARE

In this section of the letter, we will share with you all of the pieces needed to replicate our discounted cash flow model that generates our year-over-year change in intrinsic value. At the end, I will share the estimate of our intrinsic value per share for 2022, give you my assessment of our performance and inform you of how this calculation impacted our stock compensation pool for the year.

The chart below outlines the primary drivers of our intrinsic value calculation and showcases the importance of our key moat—relationships with veterinarians. Since 2012, the number of veterinary clinics in our addressable markets has grown from 25,000 to nearly 41,000. This is important to note as per our 2019 shareholder letter, where we first laid out our 15-year discounted cash flow (DCF) model, it was apparent that by year 2033 our long-term growth would slow when we ran out of the ability to add new clinics. Our runway has grown dramatically with our international expansion!

	Number of countries we are in	Number of hospitals in those countries	Number of territory partners and associates	Estimated number of hospitals we are visiting every 60-90 days*	Estimated aggregate number of face-to-face visits	Actual average number of active hospitals	Actual average number of new pets per active hospital per month	Number of hospitals with software**
2012	2	25,000	34	15,000	262,000	5,034	0.918	n/a
2013	2	25,000	40	16,200	324,000	5,531	1.008	n/a
2014	2	25,000	58	15,400	404,000	6,098	1.053	n/a
2015	2	25,000	84	19,000	490,000	7,359	1.093	n/a
2016	2	25,000	105	21,300	577,000	7,875	1.066	n/a
2017	2	25,000	107	19,800	662,000	8,242	1.063	n/a
2018	2	25,000	123	20,200	751,000	9,279	1.133	3,184
2019	3	28,000	130	21,600	852,000	10,315	1.141	4,534
2020	3	28,000	152	17,200	909,000	11,517	1.199	5,442
2021	3	28,000	161	17,000	971,000	14,736	1.260	6,430
2022	7	41,000	159	22,900	1,066,000	15,942	1.332	7,965

**Per the data available. Hospitals are added when we get a new enrollment from a new hospital that we haven't seen before or if we're alerted by a Territory Partner that a new hospital has opened up in the their area.*
***Includes all hospitals with the ability to pay the veterinarian directly, through vet portal (software), vet portal lite (software lite) and PIMS integrations. Previously, reported numbers were limited to hospitals partnered with account managers.*

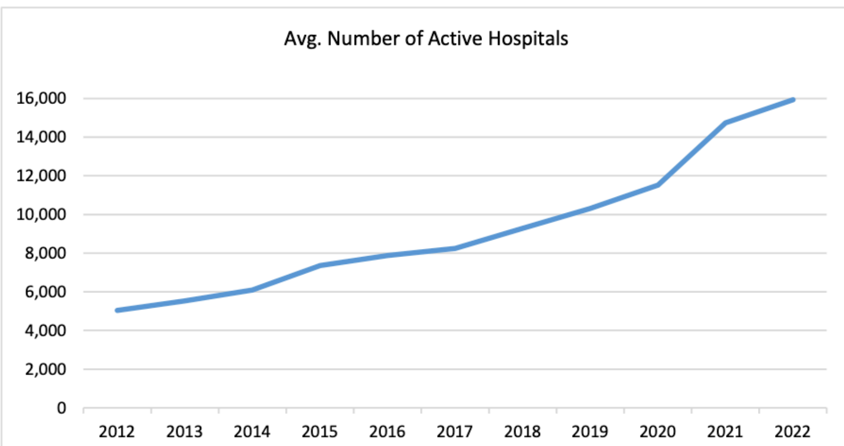
We are proud to align ourselves with the veterinary community. What the veterinary industry went through (and is still going through) these past few years was so tough. Their duty and dedication is remarkable, and the way they rose up to support all of our beloved pets throughout the course of the pandemic, and continuing today in the face of increasing costs, staffing shortages, and ongoing COVID disruptions, is truly admirable.

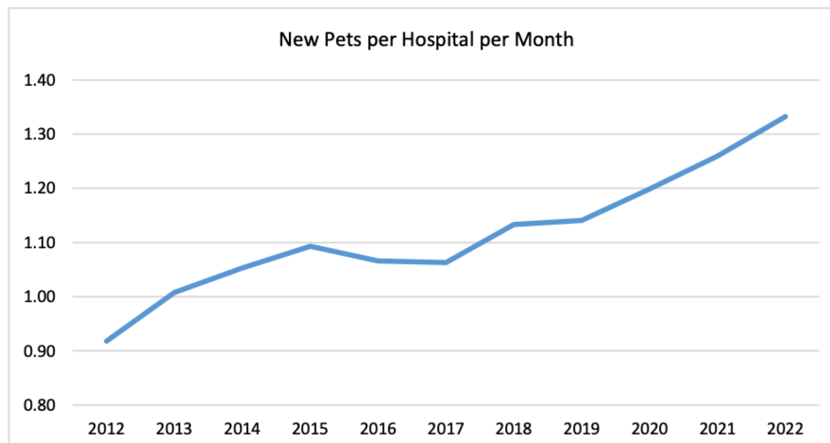
As a public company, it is my belief we need to earn and maintain the trust of all stakeholders. This includes our members, their pets, our team members, which include TP's, regulators, shareholders and of course, veterinarians and their staff.

We have built our business model around this belief. Recall from my 2015 Annual Shareholder Letter:

"We fundamentally believe that support from veterinarians is critical to driving broader acceptance of medical insurance for pets in North America. We have built our success around this belief...."

In 2022, the number of active hospitals grew 8.2% year-over-year. By our definition, in 2022 we averaged 16,000 hospitals with at least one new pet enrollment in the prior three-month period. That equates to nearly two-thirds of North American veterinary hospitals! I am thrilled with this result, especially in context of the broader veterinary environment in 2022. We did this while growing our same store sales metric by 5.8% year-over-year to 1.33 pets per month.





This combination drove a 9.5% year-over-year increase in our revenue. In addition to the number of active hospitals and same store sales, growth in refer-a-friend / add-a-pet added 5.0% to our revenue growth. Conversion increased modestly providing a 5.7% lift to revenue.

Subscription Revenue Lever	**YOY % Change**
Active Hospital Growth (leads)	8.2%
Same store sales (leads)	1.3%
Refer-a-friend / Add-a-pet	5.0%
Conversion rate	5.7%
ARPU	0.4%
New insurance products	0.0%
New channels	0.0%
New Geographies	0.0%

The combination of these factors drove our new pet enrollments in the year, which had a positive 8% impact on our DCF. When you take into account the momentum from our existing business, and model out an additional year in our DCF, the impact to our 2022 DCF was a positive 18%.

The number of partnered hospitals with software installed, allowing us to pay them directly at the time of check-out and eliminating the need for reimbursement, grew 24% year-over-year from approximately 6,400 hospitals to nearly 8,000 hospitals. This has no quantifiable impact on our DCF model, but a good member experience is always positive and something that I know the team holds as an essential part of what we do.

The year-over-year increase in our ARPU was 0.26 cents, creating a 0.4% lift to revenue. Because our DCF assumes ARPU growth in-line with our historical average of 5 – 6%, this reduced our intrinsic value by 9% in 2022.

The impact from our new insurance products, channels and geographies was immaterial to our revenue growth.

The second piece that is critical to update our DCF model is the cash generated per month for the average pet. Note that in doing so we account for a capital charge of 1%, which is the difference between the interest we earn on our capital requirements (held in cash and T-bills) minus the cost to finance those reserves via our debt facility. While we did see some leverage in our fixed expenses on a per pet basis, cost of veterinary invoices as a percent of subscription revenue ran ahead of target and increased 2.5% year-over-year. The combination resulted in a 0.63 cent, or 8%, decrease in our cash per pet number to $7.76 in 2022. The decrease in this metric negatively impacted our DCF model by 11% in 2022.

	2021		2022	
Average monthly cost (ARPU)	$63.56	100.0%	$63.82	100.0%
Less: paying veterinary invoices	($45.27)	71.2%	($46.38)	72.6%
Less: variable expenses	($6.25)	9.8%	($6.27)	9.8%
= contribution profit	**$12.04**	**18.9%**	**$11.17**	**17.5%**
Less: fixed expenses	($3.01)	4.7%	($2.77)	4.3%
= profit per pet per month	**$9.03**	**14.2%**	**$8.40**	**13.2%**
Less: capital charge requirement	($0.64)	1.0%	($0.64)	1.0%
= cash generated per month for the average pet	**$8.39**	**13.2%**	**$7.76**	**12.2%**

Retention rate remained strong in 2022. Our model uses a three year average for retention which had a positive 6% impact to our DCF model. In 2022, the average life of a subscription pet was 76 months. By my estimation, this is nearly twice that of the industry average. My estimation is informed by our history underwriting other brands and bringing to market new products with varying levels of coverage. Recall earlier that with our lower coverage products, we are seeing retention rates dramatically lower than that of our Trupanion brand and not unlike those of our competitors. Keeping our retention results in context is important when our starting bar is so high!

2022 Churn	Active pets at year end	Number of cancelled pets	Distribution	Monthly churn	Monthly retention rate	YoY change in monthly retention rate
No rate change	198,611	48,106	23.61%	2.39%	97.61%	-0.18%
Rate Change < 20%	585,043	61,828	69.56%	0.95%	99.05%	-0.03%
Rate Change >= 20%	57,385	10,594	6.82%	1.56%	98.44%	-0.14%
Total	841,039	120,528	100.00%	1.31%	98.69%	-0.05%

IRR was 30% in 2022. This would have been 36% if we maintained last year's margin, and 40% if we hit our 15% target for the year. Keep in mind that this assumption is inherently conservative as it assumes the same dollar amount of cash generated for the life of the pet. In reality, we are a cost-plus model and enrolled pets will see their monthly costs go up in-line with veterinary inflation. If we are effective in pricing to our value proposition, our margin will increase in-step with pricing.

TTM Retention	98.69%	**Year**	0	1	2	3	4	5	6		
Months	76.3	**Months**	6.0	12.0	12.0	12.0	12.0	12.0	10.3		76.3
FY PAC	289	**Profit per Pet per Month**	$8	$8	$8	$8	$8	$8	$8		
Profit per Pet	$8.40	**Profit per Pet**	$50	$101	$101	$101	$101	$101	$87		$641
Capital Charge	1%	**Capital Charge**	-$4	-$8	-$8	-$8	-$8	-$8	-$7		
FY ARPU	$63.82	**PAC**	-$289								
			-$243	$93	$93	$93	$93	$93	$80		
									IRR	**30%**	

The chart below shows scale in our fixed expenses over time as well as the historical uses of our PAC spend and annual retention rates. This is helpful in determining how much of our discretionary profit we should expect to spend in order to grow the number of enrolled pets. Keep in mind that we estimate the average cost of pets that enroll through refer-a-friend / add-a-pet at 50% of our PAC spend. In 2022, approximately 34% of our new pets enrolled in this way.

	Contribution profit	Fixed expenses	Total profit	PAC	Lead*	Convert*	Retention*	Retention rate
2016	$631	$341	$290	$123	85%	15%	0%	98.60%
2017	$727	$318	$409	$152	75%	25%	0%	98.63%
2018	$710	$261	$449	$164	60%	40%	0%	98.60%
2019	$753	$230	$523	$212	50%	50%	0%	98.58%
2020	$899	$246	$653	$247	50%	46%	4%	98.71%
2021	$956	$239	$717	$287	55%	41%	4%	98.74%
2022	$853	$212	$641	$289	54%	44%	2%	98.69%

**Historically, we have not tracked the attribution between our lead and conversion costs. Therefore, the percentages in the table above are internal management estimates.*

The last chart, which I always find illuminating, shows the impact on a per share basis. Yes, stock compensation is a real expense and this chart helps show our progress across important per share metrics. This chart shows the total number of shares including those that have been granted but have not yet vested. By this measure, revenue per share was up 30% year-over-year, adjusted operating income per share was up 14%, and cash per share was down 16%. This reflects the impact of the cash outflows we spent on our non-pet acquisition expenditures.

In 2022, we invested (hopefully wisely) an approximate $25 million on development expenses and CAPEX. These expenditures negatively impacted our DCF by 2.0%. While a slight detriment to intrinsic value growth in the short-term, over the long-term, these investments will hopefully increase our odds of sustainably growing at our high rates of growth.

In our DCF, total cash burn (defined as free cash flow + cost of debt) reduces our value by the amount of those outflows, which in the year was approximately $31.1 million. This was a negative 3.0% impact to our DCF. Changes in foreign exchange rates, and the growth of our Other Business, had a positive 5.0% impact to our DCF.

	Total share count plus options and warrants granted*	Revenue per share	YoY growth	Adjusted operating income per share	YoY growth	Cash, short-term investments, our building assets, minus debt per share**	YoY growth	Earnings (loss) per share***
2012	22,467,205	$2.47	53%	$0.13	-7%	$0.23	-30%	($9.76)
2013	24,889,316	$3.37	36%	$0.17	31%	$0.32	39%	($6.23)
2014	33,813,736	$3.43	2%	$0.03	-82%	$1.79	459%	($1.64)
2015	34,138,237	$4.31	26%	$0.11	267%	$1.27	-29%	($0.62)
2016	34,879,610	$5.40	25%	$0.42	282%	$1.40	10%	($0.24)
2017	35,444,460	$6.85	27%	$0.66	57%	$1.53	9%	($0.05)
2018	37,862,667	$8.03	17%	$0.85	28%	$3.56	133%	($0.03)
2019	37,951,839	$10.12	26%	$1.16	37%	$3.67	3%	($0.05)
2020	42,358,814	$11.85	17%	$1.35	16%	$7.03	91%	($0.16)
2021	42,842,831	$16.32	38%	$1.83	36%	$6.72	-4%	($0.89)
2022	42,755,360	$21.17	30%	$2.09	14%	$5.62	-16%	($1.10)

**Share count includes outstanding shares plus unexercised/unvested options & RSUs, as well as shares granted in subsequent years pertaining to the year's performance. Total outstanding shares also increased by 3,636,364 shares in 2020 due to Aflac's common stock purchase.*
***Beginning in 2022, we included long-term investments in this definition as we shifted our investing strategy. Prior periods have not been restated.*
****Loss per share is calculated using GAAP basic weighted-average shares at year-end.*

Grounded on our assessment of actual results, assuming a consistent 10.0% discount rate and without speculating on the potential of newer initiatives, we estimate our intrinsic value per share grew 12% in 2022 to $102. A simple shortcut that I use to double check the accuracy or effectiveness of our DCF model is to take our year-over-year growth of adjusted operating income and add or subtract our cash inflows or outflows. In 2022, our adjusted operating income grew 14% and our cash outflows brought this number down to 12%.

	Fully diluted shares	Intrinsic Value Based on our own internal discounted cash flow model	YoY growth in dollars	Intrinsic Value per share @ 10% discount rate	YoY Growth in Intrinsic Value per Share
2019	37,626,938	1,280,000,000	$320,000,000	$ 42.44	
2020	41,692,852	2,670,000,000	$1,390,000,000	$ 64.15	51%
2021	42,420,367	3,840,000,000	$1,170,000,000	$ 90.71	41%
2022	42,805,710	4,350,000,000	$510,000,000	$ 101.83	12%

In 2019, when we had revenues that were less than half of our 2022 revenues, we used a 10.8% discount rate, which included an additional risk factor we felt was appropriate given our size. In 2020, we lowered the discount rate to 10.0% to reflect a lowering of our risk profile. Assuming a 10.8% discount rate, our intrinsic value per share in 2022 would have been $81.

Recall from last year's letter...

"Our goal in our 60-month plan (which we published in last year's letter and spans from January 2021 to December 2025), is to grow our intrinsic value per share by 25% per year. As a large shareholder of the company, I would expect at least a 20% year-over-year rate of return. Based on the size of our addressable market and our business model, I would be disappointed if we achieved anything less than 15% growth in a given year."

Regardless of the discount rate one feels is most appropriate, if you apply it consistently, the year-over-year change in estimated intrinsic value per share would be below my expectations. While there are many positives to highlight in 2022, by this standard, I am disappointed in our 2022 results.

As a reminder, any change in the discount rate would not positively or negatively affect our teams' recognition. Our entry point to issue performance-based stock is an increase in the estimated intrinsic value per share of greater than 10%. To me, this is the minimum threshold to "outsized performance" or the performance required to justify investing in Trupanion (a smaller, riskier investment than say the S&P 500 index).

Anything 10% or below is zero and in the event there is an increase to be shared, the percentage allocation increases with results. Please reference my 2016 Shareholder Letter and subsequent 2021 Shareholder Letter for more details on how the performance pool is calculated.

In 2022, after we deducted new hire and promotion grants and director compensation, there was no performance-based stock grant for the team, which left 12% for you, our owners. For the team, this will undoubtedly be a tough pill to swallow, especially after two high years of growth.

I suspect we will lose a few people but we simply can't afford to pay (stock compensation) without a minimum level of performance. In the long run, we believe this is the right thing to do and we want team members to be aligned for the long-term; that is the reason for all employees owning stock in the first place.

Shareholders sometimes ask us how we think about and calculate stock based compensation, and my answer has been two-fold. First, we only issue performance-based stock (the majority of our stock-based compensation) as an output of performance. We believe that the percentage we share between team members and owners is fair, appropriate, and aligned. Second, we calculate the amount of the pool on the year-over-year increase in intrinsic value per share, not just the increase in the overall enterprise value of the company. This year's results, although disappointing, provide us with the opportunity to demonstrate clearly that we have no new performance-based stock compensation without outsized results. A hard lesson is still a lesson, and one I hope we can all learn from.

IN SUMMARY

I'll repeat my earlier comments. If I step back and take a multi-year view, we are on track to achieve most of the goals we set out in the 60-month plan. Our adjusted operating income has grown 56% over the last two years. The number of active hospitals in North America now approximates 16,000. Retention rates remain strong. Our brand continues to grow in a healthy way, with increased conversion rates as well as strong growth of pet owners referring friends and adding pets. We have added new brands and new channels to reach, and help, more pet owners. We have entered Continental Europe and are working on our go-to-market in Japan as we speak, collectively doubling our addressable market. With our foundational work now two-thirds completed, we pivot our attention over the next 36 months to the deployment of new pet acquisition spend in a disciplined way across all products, distribution channels, regions and countries.

When I re-calibrate on the longer-term, which I define as 2026 to 2035, I could not be more excited. In my opinion, we have never been in a stronger position. Here are some of my high level thoughts:

1. The cost of veterinary care is going to continue to escalate at rates higher than ordinary inflation.

2. Self-insurance, our biggest competitor, with 97% of American pet owners choosing to self-insure, is under pressure with costs of caring for unexpected accidents and illness outpacing pet owner savings accounts. Consider that in April of 2020, the U.S. savings rate, as a percentage of disposable personal income hit a record high at 33%. In December of 2022, that number fell to 3.4%! Also in the fourth quarter of 2022, credit card balances in the U.S. jumped to a new all-time high of $986 billion. TransUnion stated that the average American's balance at the end of 2022 was $5,800. (Source: Washington Post, February 2022. *Credit card debt hit new high, can balance transfer help?*)

3. Our international expansion is doubling our addressable market, both in the number of pets and veterinarians we can help. In 10 to 20 years, I expect we will look back at this as one of our most important strategies.

4. The moats we have been building for decades, along with the values that we live by, continue to resonate with all of our constituents: team members, pet owners, veterinarians, industry partners, regulators, and shareholders.

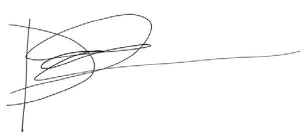
5. Our target customer, loving and responsible pet owners, continue to strengthen the bonds with their four-legged family members. As the world gets more complicated and devisive, our beloved pets remind us daily of our simple need for unconditional love.

Over the next 12 to 18 months, we will put an emphasis on strengthening our balance sheet and reducing our non-pet acquisition spend. Continually improving our ability to effectively communicate our value proposition and deliver on our pricing promise will remain a top priority. Last but not least, we need to remain diligent to expand our adjusted operating margin - this will make everything easier! So far, I've been encouraged by the team's willingness to refocus on our positioning as the industry's low cost operator.

Those that know me well know that I am more comfortable when we are trading below intrinsic value than well above. When there is excess exuberance and money, it is difficult to maintain a strong mission-based culture. As the pendulum swings from easy to hard, we have a great opportunity over the next few years to make sure everyone is aligned with our long-term strategy. If done well, our culture and company will thrive.

To the team, I say thank you for your commitment to our mission to help loving, responsible pet owners budget and care for their pets. This year, we passed a very important and big milestone, and milestones should be celebrated. Trupanion has now spent over $2 billion paying veterinary invoices! We are making big impacts on the lives of pet owners and veterinarians alike. We have done this in multiple languages, in multiple countries, 24 hours a day, every day since the company's inception. It took us twenty-two years to hit this number—we expect to pass $3 billion before 2025!

Kuyashii,



Darryl Rawlings

END NOTES

This letter and other publicly available reports include certain non-GAAP financial measures. These non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in its industry as other companies in its industry may calculate or use non-GAAP financial measures differently. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on Trupanion's reported financial results. The presentation and utilization of non-GAAP financial measures is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. Trupanion urges its investors to review the reconciliation of its non-GAAP financial measures to the most directly comparable GAAP financial measures in its consolidated financial statements, and not to rely on any single financial or operating measure to evaluate its business. These reconciliations are included within our Supplemental Financial Information provided on Trupanion's Investor Relations website.

Our internal rate of return is calculated assuming the new subscription pets we enroll during the period will behave like an average subscription pet. Cash outflows from an average pet include average pet acquisition cost for the applicable period, excluding revenue from our managing general agent product lines because their ARPU is representative of commission earnings versus underwriting premiums. Cash outflows also include a monthly capital charge, which we estimate as 1% of the monthly average revenue per pet for the four quarters preceding the period end date. Cash inflows from an average pet are calculated based on subscription revenue less cost of revenue from our subscription business segment for the 12 months prior to the period end date excluding stock-based compensation expense related to cost of revenue from our subscription business segment, sign-up fee revenue and the change in deferred revenue, minus fixed expenses related to our subscription business, which are the pro-rata portion of general and administrative and technology and development expenses, less stock-based compensation, based on revenues. Further details on the calculation for 2022 are included within our Supplemental Financial Information provided on Trupanion's Investor Relations website. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash expenses, Trupanion believes that providing various non-GAAP financial measures that exclude stock-based compensation expense and depreciation and amortization expense allows for more meaningful comparisons between its operating results from period to period. Trupanion offsets new pet acquisition expense with sign-up fee revenue in the calculation of net acquisition cost because it collects sign-up fee revenue from new members at the time of enrollment and considers it to be an offset to a portion of Trupanion's new pet acquisition expenses. Trupanion believes this allows it to calculate and present financial measures in a consistent manner across periods. Trupanion's management believes that the non-GAAP financial measures and the related financial measures derived from them are important tools for financial and operational decision-making and for evaluating operating results over different periods of time.

DISCLAIMER

This letter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and section 27A of the Securities Act of 1933, as amended (Securities Act). All statements contained in this letter other than statements of historical fact, including statements regarding lifetime values of a pet, discounted cash flows and our intrinsic value model, our 60-month plan, our capital allocation strategies, future results of operations and financial position (including ARPU, AOM, AOI, IRR, PAC, new pets enrolled, retention and churn, active hospitals, international expansion, veterinary invoices, and variable and fixed expenses) our business strategy and plans and our objectives for future operations.
In particular, this letter discusses our internal discounted cash flow model, and you should regard substantially all parts of this discussion as forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “model,” “plan,” “potentially,” “predict,” “project,” “target,” “will,” “would,” and similar expressions that convey uncertainty of future events or outcomes, are intended to identify forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including risks relating to:

- our net losses since inception, our ability to maintain revenue growth, maintain profitability, obtain returns on our investments in pet acquisition, and ther financial risks;
- our ability to attract online visitors, grow or member base, and maintain retention rates;
- our ability to maintain relationships with Territory Partners, veterinarians and strategic partners;
- our ability to remain competitive and maintain brand recognition;
- our ability to scale our infrastructure, manage our growth, budget for veterinary invoice expenses, and other business risks;
- our other business;
- security breaches, payment processing, and related technology and intellectual property matters;
- compliance with risk-based capital and other regulations;
- litigation or regulatory proceedings;
- dependence on key personnel;
- compliance with covenants in our credit agreement;
- international operations, including exchange rates;
- investments or acquisitions, owning an office building, and other strategic matters;
- tax, accounting and general economic matters;
- being a public company;
- ownership of our common stock; and
- those described under the heading “Risk Factors” in our Annual Report on Form 10-K and other filings we make from time to time with the Securities and Exchange Commission.

Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this letter may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions or guarantees of future events. Although we believe that the assumptions and expectations reflected in the forward-looking statements are reasonable based on our historical experience, these assumptions and expectations involve significant judgment and uncertainty, and in some cases these assumptions and expectations (and therefore the judgment and uncertainty) have been projected over an extended period of time. Future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements may not be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason, except as required by law.

trupanion™

2020 Shareholder Letter

To our shareholders

By the numbers, 2020 was a strong year for Trupanion.

Total revenue grew 31% over the prior year to $502 million.

Adjusted operating income grew 29% year-over-year to $57 million. We deployed $44 million of these funds within our subscription business at an estimated internal rate of return of 41%. Free cash flow, after pet acquisition and strategic investments, was $14.1 million.

Table 1. Key Metrics

	2014	2015	2016	2017	2018	2019	2020
Revenue	$115.9M	$147.0M	$188.2M	$242.7M	$304.0M	$383.9M	$502.0M
Year over Year change	38%	27%	28%	29%	25%	26%	31%
Discretionary Profit (AOI)	$0.9M	$3.6M	$14.8M	$23.4M	$31.9M	$44.2M	$57.1
Percentage of revenue	1%	2%	8%	10%	10%	12%	11%
Pet Acquisition Spend	$11.1M	$14.8M	$14.7M	$18.4M	$23.7M	$33.3M	$45.1M
Development Costs*	N/A	N/A	N/A	N/A	N/A	N/A	$0.3M
Internal Rate of Return (from new subscription pets)**	N/A	N/A	33%	43%	46%	40%	41%
Free Cash Flow***	($16.4M)	($15.3M)	$3.1M	$6.5M	$8.3M	$10.8M	$14.1M

*Development expenses are costs related to product exploration and development that are pre-revenue and historically have been insignificant. We view these activities as uses of our adjusted operating income separate from pet acquisition spend.

**In 2019, we modified our calculation of IRR to reflect the per pet unit economics of our subscription business. We have restated all prior periods in this table to reflect this change in approach. For the calculation of our internal rate of return for 2020, please see page 6.

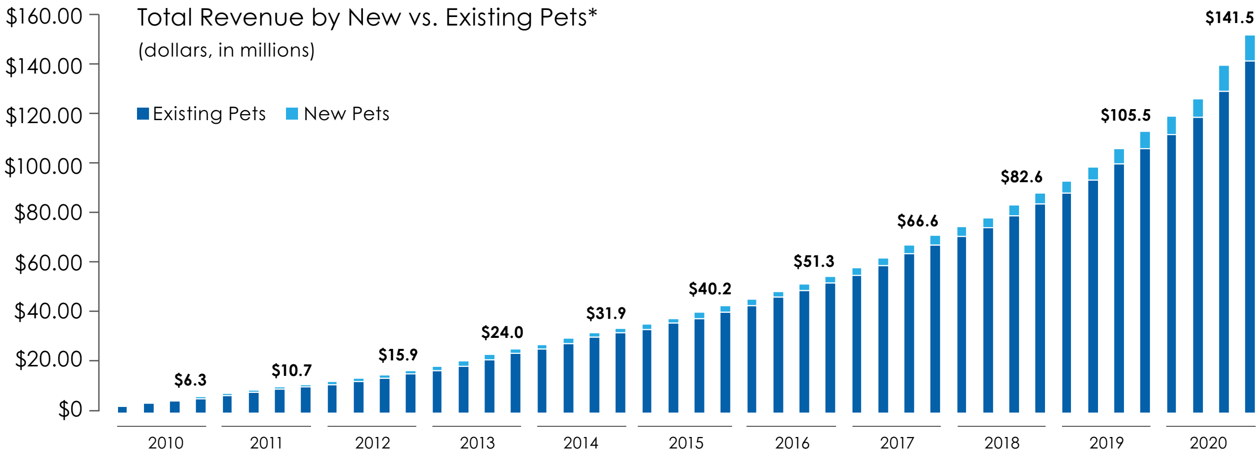
***2018 free cash flow of $8.3 million reflects free cash flow of ($44.3) million, adjusted to exclude the $52.5 million used to purchase our building.

In the fourth quarter, we significantly strengthened our balance sheet, issuing an additional 3.6 million shares of our common stock to Aflac in a strategic financing and alliance worth approximately $200 million under a 3-year lock-up.

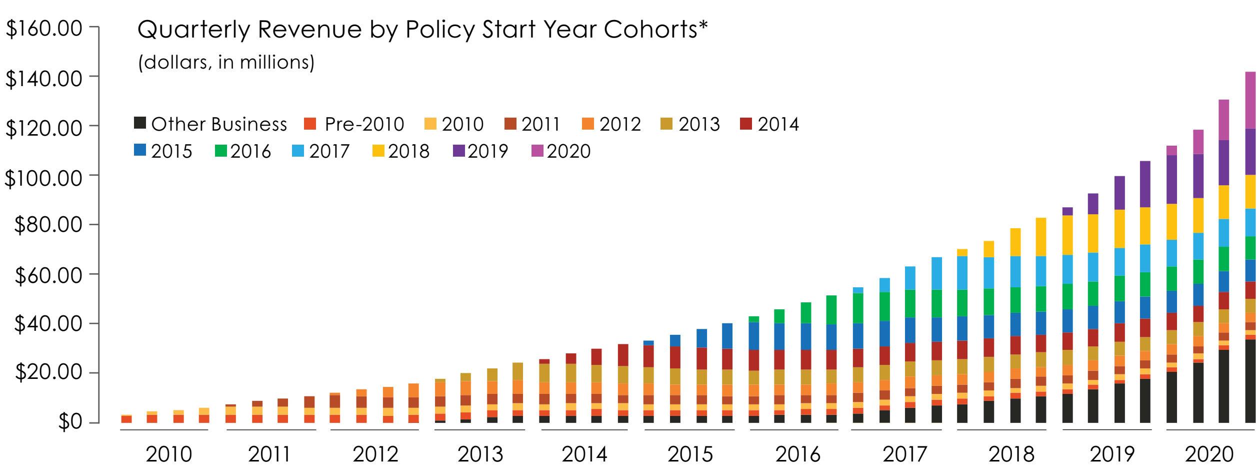
Financial Metrics / Performance

Table 2. Financial Metrics/Performance 2012-2020

Year	Enrolled pets	Revenue	YoY revenue growth	Adjusted operating income	Invested capital to acquire new pets	IRR on an average pet	Cash, short-term investments, our building assets, minus debt	Earnings (Net Loss)
2012	127,704	$55.5M	50%	$3.0M	$6.7M	N/A	$5.1M	($8.1M)
2013	182,497	$83.8M	51%	$4.3M	$8.4M	N/A	$7.9M	($8.2M)
2014	232,450	$115.9M	38%	$0.9M	$11.1M	N/A	$60.6M	($21.2M)
2015	291,818	$147.0M	27%	$3.6M	$14.8M	N/A	$43.2M	($17.2M)
2016	343,649	$188.2M	28%	$14.8M	$14.7M	33%	$48.8M	($6.9M)
2017	423,194	$242.7M	29%	$23.4M	$18.4M	43%	$54.4M	($1.5M)
2018	521,326	$304.0M	25%	$31.9M	$23.7M	46%	$134.7M	($0.9M)
2019	646,728	$383.9M	26%	$44.2M	$33.3M	40%	$139.4M	($1.8M)
2020	862,928	$502.0M	31%	$57.1M	$45.1M	41%	$297.8M	$(5.8M)



*Excludes miscellaneous revenue.



*Excludes miscellaneous revenue.

Business Segments

Today, the majority of Trupanion's business and intrinsic value is derived from our direct-to-consumer, monthly subscription business.

Of our $57 million of adjusted operating income in 2020, $54 million of this was generated from our subscription business, which is a 29% increase over 2019.

We ended the year with over 577,000 total enrolled subscription pets. During the year, we earned subscription revenue of approximately $388 million. Of this, we spent approximately $278 million paying veterinary invoices on behalf of our members, $35 million providing 24/7 support and $20 million on fixed expenses.

Our business segments as a percent of revenue in 2020:

Table 3. Business Segments as a Percent of Revenue 2020

	Subscription Business	Other Business	Total Business	Subscription Business	Other Business	Total Business
Revenue	100%	100%	100%	$387.7M	$114.3M	$502.0M
Less: Paying Veterinary Invoices	72%	63%	70%	$277.9M	$72.1M	$350.0M
Less: Variable Expenses	9%	29%	14%	$35.4M	$33.1M	$68.5M
Less: Fixed Expenses	5%	5%	5%	$20.4M	$6.0M	$26.4M
= Adjusted Operating Margin (AOM) or Income (AOI)	14%	3%	11%	$54.1M	$3.0M	$57.1M

Per Pet Economics

Below is our monthly per pet economics, or cash flow prior to new pet acquisition, for our average subscription pet in 2020.

Table 4. Per Pet Monthly Economics 2020

	2020	
Average Monthly Cost (ARPU)	$60.37	100.0%
Minus paying veterinary invoices (COGS)	($43.26)	71.7%
Minus variable expense (fast 24/7 service)	($5.51)	9.1%
Contribution Profit	$11.60	19.2%
Minus fixed expenses (G&A + IT)	($3.17)	5.3%
Profit per pet per month	**$8.43**	13.9%
Capital charge for money we are required to hold in cash or assets	($0.60)	1.0%
Cash generated per month for the average pet	**$7.83**	13.0%

In total, we added approximately 166,000 new subscription pets in 2020—year-over-year growth of 17%. Net pets, accounting for churn, increased 33% in the year.

Table 5. Pet Growth 2018-2020

Year	Gross New Pets	YoY Growth	Churn	Net New Pets	YoY Growth
2018	126,182	N/A	(67,095)	59,087	N/A
2019	141,283	12%	(78,027)	63,256	7%
2020	165,738	17%	(81,807)	83,931	33%

In 2020, we extended the average pet's life with Trupanion to 78 months, up from 70 months in 2019. Retention, as broken down by our three buckets:

Table 6. 2020 Churn By Rate Change

	Active Pets at Year End	Number of Cancelled Pets	Distribution	Monthly Churn	Monthly Retention	YOY Change in Monthly Retention
No rate change (1ST year pets)	114,846	28,814	19.87%	2.29%	97.71%	0.41%
Rate Change < 20% (Post 1ST year pets)	382,021	40,567	66.10%	0.97%	99.03%	0.03%
Rate Change ≥ 20% (Post 1ST year pets)	81,090	12,429	14.03%	1.40%	98.60%	0.01%
Total	577,957	81,810	100.00%	1.29%	98.71%	0.13%

When analyzing the three buckets, pets that are newly enrolled, and have yet to experience a rate change, have the lowest level of monthly retention. Therefore, if you were to accelerate the percentage of pets in that bucket, the overall blended rate could go down even if the retention rates by bucket remain the same.

Expansion in subscription adjusted operating income, coupled with improved retention, drove a 25% year-over-year increase in lifetime value of a pet, less fixed expenses in 2020.

Table 7. 2020 IRR Calculation

TTM Retention	98.71%	Year	0	1	2	3	4	5	6	
Months	77.5	Months	6	12	12	12	12	12	11.5	77.5
Full Year Pet Aquisition Cost (PAC)	247	Profit per Pet per Month	$8	$8	$8	$8	$8	$8	$8	
Profit per Pet	$7.83	Profit per Pet	$47	$94	$94	$94	$94	$94	$90	607
Capital Charge	1%									
FY ARPU	$60.37	PAC	-$247							
			-$200	$94	$94	$94	$94	$94	$90	
								IRR	41%	

Growth in lifetime value of a pet increases our allowable pet acquisition spend (PAC), while still operating within our targeted internal rate of return. Expansion in allowable PAC increases our ability to successfully execute our growth plans. Consider the following:

Table 8. Discretionary Cash Available for Acquisition Spend, Per Pet

Year	Contribution profit over the life of an average pet	Fixed expenses over the life of an average pet	Total profit over the life of the average pet	PAC	Lead*	Convert*	Retention*	Retention
2016	$631	$341	$290	$123	85%	15%	0%	98.60%
2017	$727	$318	$409	$152	75%	25%	0%	98.63%
2018	$710	$261	$449	$164	60%	40%	0%	98.60%
2019	$753	$230	$523	$212	50%	50%	0%	98.58%
2020	$899	$246	$653	$247	50%	46%	4%	98.71%

*Historically, we have not tracked the attribution between our lead generation, conversion and retention costs. Therefore, the percentages in the table above are internal management estimates.

Veterinary Metrics

We ended 2020 with 152 territory partners and their associates in the field "visiting" an estimated 17,200 hospitals in North America.

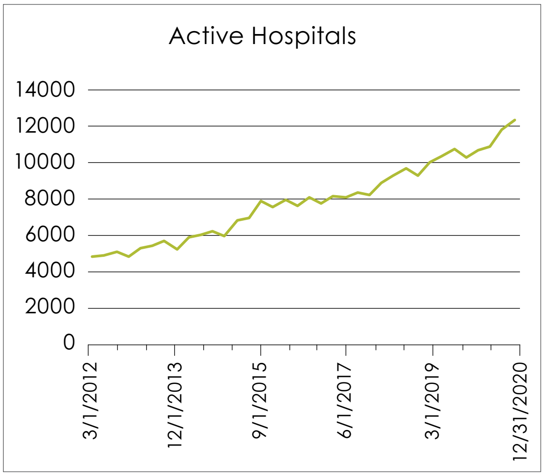
Table 9. Veterinary Clinic Metrics

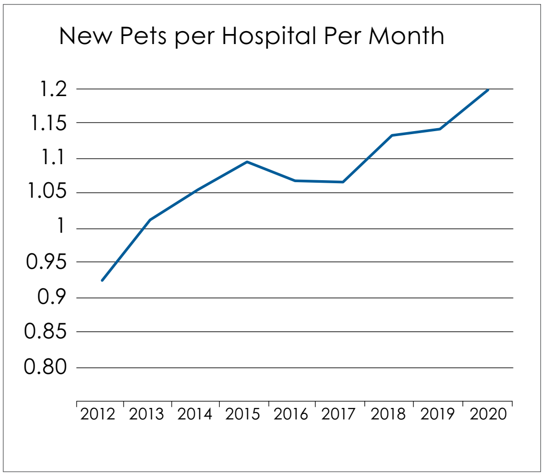
Year	Number of territory partners	Estimated number of clinics we are visiting every 60-90 days*	Estimated aggregate number of face-to-face visits	Actual average number of active hospitals	Actual average number of new pets per active hospital per month	Number of partnered clinics with software & account manager
2012	34	15,000	262,000	5,034	0.918	n/a
2013	40	16,200	324,000	5,531	1.008	n/a
2014	58	15,400	404,000	6,098	1.053	n/a
2015	84	19,000	490,000	7,359	1.093	n/a
2016	105	21,300	577,000	7,875	1.066	n/a
2017	107	19,800	662,000	8,242	1.063	n/a
2018	123	20,200	751,000	9,279	1.133	2,908
2019	130	21,600	852,000	10,315	1.141	4,426
2020	152	17,200	909,000	11,517	1.199	5,220

*Per the data available, this represents hospitals that have been visited at least once during the year. Given we don't have perfect tracking of visits, this is the definition used to approximate visits every 60-90 days.

In a year where care moved curb-side and in-person visits were limited, overall engagement was solid, but compared to the prior year, the growth in face-to-face visits declined.

We averaged 11,517 active hospitals during the year—a number that has since continued to climb. As a reminder, we define active hospitals as those that have had at least one pet enroll with Trupanion in the prior three month period. We were able to deliver this 12% increase in active hospitals, while increasing the number of pets that enrolled per active hospital to 1.2, up from 1.1 in 2019.





We ended the year with our software and a partnered account manager in approximately 5,200 hospitals, up from approximately 4,400 at the end of 2019. We had hoped to make more progress with our software deployments in 2020. COVID presented a challenge to doing so.

Increasing the deployment and utilization of our software is important. It allows us to pay hospitals directly, and in an automated way. It's also an important part of our customer value proposition.

Members who experience the brand and our product this way are more likely to add-a-pet or refer-a-friend. In 2020, 0.82% of our subscription book of business was from our add-a-pet, refer-a-friend channel, up from 0.73% in 2019.

The Importance of Key Metrics

Higher ARPU, more active hospitals, improved same-store-sales, expansion in adjusted operating margin, reduced churn, greater member referrals and new pets added are the metrics that when we outperform relative to our expectations, drive outsized growth in intrinsic value.

Team

Trupanion's culture is unique.

Some might call it a moat—I do. Maintaining our culture as we grow will be important and is an area I am personally focused on.

We have several feedback mechanisms at Trupanion, but one of my favorites is what I've historically called the Stupid Box (now re-branded TruSolutions). The Stupid Box is available to all team members in order to identify policies, actions or behaviors in our organization that are, well, stupid. It's also one way I maintain a pulse on our culture. I personally review and assign an owner for each and every submission.

Earlier this year, the Stupid Box received a submission from a new team member, Cami, on one of my favorite topics—Nirvana. I'll let you read her passage:

"After hearing about Trupanion's usage of "nirvana" in today's session, I wondered if anyone has suggested that this term and the context in which this term is being used may be considered culturally insensitive? I understand the casual usage of the term, as well as the pop cultural reference to the Seattle-born band, Nirvana. However, I feel that it must be recognized as a more meaningful term for some. As a Buddhist myself, I have to admit that I was a little taken aback when I first received emails about "reaching Nirvana". The usage of "Nirvana" in this context does not necessarily offend me; rather, it indicates a cultural ignorance or disregard. I know I am new to the company, but it is precisely because of the transparency and welcoming attitudes I have encountered during my first couple of weeks that I feel comfortable speaking about this. I believe changing the term "Nirvana" will create a more inclusive atmosphere for employees and prospective employees. If I were told about "Nirvana" during my interviewing process, I think I would've thought of Trupanion in a more negative light. Thank you."

Following her feedback, I had the chance to talk with Cami and understand her point of view. Cami's submission was courageous, her perspective valuable and the take-away clear. Our term "Nirvana" had to change. From here on, when you hear me refer to the state of self-sustaining growth, in which members adding pets or referring friends is offsetting churn, it will be under our newly coined term, "TruTopia". Thank you Cami.

I've always believed that diversity makes Trupanion stronger, more effective. Simply put, diversity provides better outcomes for all our constituents, pet owners, veterinarians and their co-workers, Trupanion team members, strategic partners and shareholders. Diversity also provides the opportunity to learn from one another. Cami's submission is a perfect example of that.

In some areas of diversity we've done well, and in other areas where we've fallen short, we're making changes. Currently, Trupanion is focused on ensuring gender and racial diversity. This will be a goal in every team within the organization and it begins with our board of directors.

First, I'll give you some history of how the board was comprised. At the beginning of 2020, we had 8 board members, myself, Dan, Murray, Hays, Howard, Mike, Robin and Jackie. 6 males, 2 females, all Caucasian. I am on the board because I founded the company. Dan, Murray, Mike & Hays all led investments to finance Trupanion in 2007, which enabled our expansion from Canada to the United States. At this point, I acknowledge that while important, diversity was not at the top of my priority list. Howard joined the board in connection with his service as Trupanion's Chief Operating Officer. Our post IPO board members were Robin and Jackie, adding much needed gender diversity.

Over the past year, as we were looking to add a new Board member, I chose to interview candidates only if they would increase our diversity. Recently we added Eric. Eric grew up in Texas, is a father of two, pet guy, lawyer and the Mayor of Dallas. We appointed Eric because of his character and life experiences. We interviewed Eric because of a strong recommendation and because he increased our diversity.

As board members retire, we are being deliberate in appointing new non-Executive board members who add to our diversity. My goal, that I would be personally proud of, is to achieve at least 1/3 representation across race, gender and age (including over 60 & under 50) among independent board members.

This means we will not advance board candidates unless they meet the diversity requirements. At the same time, we will only add board members who meet our standards based on their individual character.

More broadly, diversity should be a focus in teams across the company. All managers need to access the diversity of their team and build upon it with new hires. This needs to be deliberate and thoughtful but also practical.

Once a team has racial and gender diversity, we want to continue our never ending goal of becoming diverse in even more ways. The dimensions of diversity are vast. Age, nationality, physical ability, languages spoken—we want our organization to increasingly represent all these facets and more!

Trupanion's culture prioritizes individuality and inclusivity. We want to foster an environment where all voices are heard, and where team members feel empowered to bring their truest self to work. Our entry way hall holds the quote by Oscar Wilde, "Be yourself, everyone else is taken."

Once an individual is on the Trupanion team, their success should be 100% based on their achievements and contributions at Trupanion. Existing team members should never be promoted because of their diversity. Nobody wants to second guess if the advancements of one's career are due to their gender or skin color.

Equity is important. Our policies and programs were designed to ensure all team members have the same benefits, access to resources, and opportunities to build meaningful careers at Trupanion. This approach extends throughout the way we work together; for example, each team member has the same size desk. We want every employee to think and act like an owner of the Company. To build this alignment, each team member is granted equity in Trupanion at the time of hire.

Trupanion is a mission driven organization, and our team of over 1,100 individuals (and growing!) unifies around our collective goal of helping pets. No year is a better example of that than 2020.

It is hard to succinctly explain how I feel about the team and what we accomplished together in 2020. During one board meeting, I found myself literally brought to tears when describing the efforts of the team. At the time, I had no words to describe my gratitude. In fact, there is no word in the English language that succinctly captures this sentiment. Fortunately, there is one in Japanese: Kanrui.

As we cross over the one year mark—in which we transitioned all team members to a remote work environment—I believe that our culture is healthy and vibrant. Team member retention is strong, nearly 15% of team members advanced their careers internally, and we increased the level and quality of our communications. I look forward to seeing what we can accomplish together in the days, months and years ahead.

Intrinsic Value & Per Share Performance

In 2020, we calculated an increase in Trupanion's estimated intrinsic value per share of 88% before stock grants.

As a reminder, our calculation of intrinsic value is based on our discounted cash flow model.

Our intrinsic value model is informed by historical metrics—metrics we work hard to improve upon. Higher ARPU, more active hospitals, improved same-store-sales, expansion in adjusted operating margin, reduced churn, greater member referrals and new pets added are the metrics that when we outperform relative to our expectations, drive outsized growth in intrinsic value.

Each year, in addition to updating our inputs for another year of performance, we also evaluate other assumptions in our model such as the discount rate. For example, as we become a larger, more dependable company, we believe a lower risk premium is appropriate, resulting in a slight decrease to our discount rate.

This change, along with our strong performance in 2020, resulted in the 88% increase in our estimated intrinsic value per share stated above.

In addition to highlighting what metrics have a material impact on the value of our company and informing how we run the business and make decisions, our intrinsic value model helps guide how we compensate our team—with some adjustments discussed below.

Although our discounted cash flow model evolves over time, with the goal of becoming more and more accurate, for purposes of team member compensation and the calculation of our overall stock pool, we apply an apples to apples comparison. Inputs like discount rates, that can go up or down based on interest rates and risk profile, and are outside of the control of employees, are not factored in when determining compensation.

Under this approach, which isolates proven performance within the control of team members, we calculated an estimated increase to intrinsic value per share of 29% in 2020. Further, when determining the overall stock pool, we use the two-year compounded annual growth rate (CAGR) in calculated intrinsic value per share, rather than a single year, to better reflect long-term sustainable performance. For the 2020 performance year, the two-year CAGR of our calculated intrinsic value per share was 31%.

In accordance with our Intrinsic Value Incentive Plan, a portion of this intrinsic value growth is shared with team members. Please see my 2016 shareholder letter for additional details.

In 2020, our fully diluted share count, which includes options and unvested restricted stock units, increased by 4,406,975 shares to 42,358,814. Of this increased share count, approximately 80% was based on the capital raise with Aflac, and the remaining 20% balance was shared with the team based on our results.

Given the calculated increase in intrinsic value of 31% (based on a two-year CAGR for compensation purposes), we were able to share 2.6% of the increase with the team, with the remaining benefitting shareholders.

In order to share 2.6% with the team, the total size of the grant pool was 850,608 shares. 202,668 shares were allocated during the year for new hire grants, individual performance awards and board compensation, leaving 647,940 shares that were issued in 2021 for our performance grant program related to the 2020 year.

50,350 shares within our performance pool were set aside as a charitable contribution to MightyVet.org, which is a non-profit founded to support veterinary professionals and aligns closely with our mission.

Our key financial metrics on a per share basis:

Table 10. Key Financial Metrics Per Share

Year	Total share count plus options & warrants granted*	Revenue per share	YoY growth	Adjusted operating income per share	YoY growth	Cash, short-term investments, our building assets, minus debt per share	YoY growth	Earnings (loss) per share**
2012	22,467,205	$2.47	53%	$0.13	-7%	$0.23	-30%	($9.76)
2013	24,889,316	$3.37	36%	$0.17	31%	$0.32	39%	($6.23)
2014	33,813,736	$3.43	2%	$0.03	-82%	$1.79	459%	($1.64)
2015	34,138,237	$4.31	26%	$0.11	267%	$1.27	-29%	($0.62)
2016	34,879,610	$5.40	25%	$0.42	282%	$1.40	10%	($0.24)
2017	35,444,460	$6.85	27%	$0.66	57%	$1.53	9%	($0.05)
2018	37,862,667	$8.03	17%	$0.85	28%	$3.56	133%	($0.03)
2019	37,951,839	$10.12	26%	$1.16	37%	$3.67	3%	($0.05)
2020	42,358,814	$11.85	17%	$1.35	16%	$7.03	91%	($0.16)

*Share count includes outstanding shares plus unexercised options and unvested restricted stock, as well as shares granted in subsequent year pertaining to the year's performance. In addition, total outstanding shares increased by 3,636,364 shares in 2020 due to Aflac's common stock purchase.

**Loss per share is calculated using the GAAP basic weighted-average shares at year-end.

Looking Ahead

Over the last 20 years, we have worked hard to build the foundation of our company and bring it to operating scale.

We've forged our own path, and we've led the industry.

2020 marked the completion of our 5 year plan, the vision for which was laid out in my 2014 Shareholder Letter. For those interested in assessing our performance, I encourage you to go back and re-read the 2014 Shareholder Letter. Every year since then, I've attached the 2014 Shareholder Letter to that of the current years' letter. Beginning 2021 and through 2025, you can expect I'll do the same with our 2020 letter.

2021 marks the start of our next 5 years—or as we at Trupanion call it—our 60 month plan.

Included herein are the contents of our 60-month plan. For competitive reasons, select information has been edited out, but I've left much of the document in its original form. Unlike prior shareholder letters, the content of our 60-month plan was not written solely by me, nor was it originally intended for an external audience. Rather, it was written by my team, led by Tricia Plouf and Margi Tooth, who were recently promoted to Co-Presidents, and will be closely overseeing the execution of the plan—with team members as the intended audience, to share our vision of where we are headed over the next 60 months.

In totality, our 60-month plan describes how we intend to increase the value proposition for our members while dramatically increasing our service levels over the next five years. It describes how we plan to add distribution channels, and expand on our partnerships with State Farm and Aflac, and access the 1 million puppies and kittens that are visiting the veterinarian for the first time every year.

Our 60-month plan details how we plan to expand our insurance product lines to include PHI Direct and Furkin (our low and medium ARPU products, respectively), expand our geographies by entering Japan and Europe, as well as add a new monthly subscription pet food where we hope to verify our hypothesis that pets eating a healthy diet in the right amount of calories will be healthier.

In addition to all of the above, we outline how we are going to organize our existing "Trupanion" subscription business into distinct regions, how we will continue to drive high rates of growth in the breeder channel; and how we are continuing to harness the benefits of social media and other direct-to-consumer marketing channels.

If we achieve the goals in our 60-month plan, we'll grow revenue to over $1.5 billion, reach over 3.5 million pets and deliver growth in intrinsic value of over 25% per year. Doing so will not be easy—it will require a lot of hard work, decent execution and perhaps a bit of luck. But as one shareholder recently observed, at Trupanion we just work harder than most. We do not shy away from tough goals!

In totality, our 60-month plan sets the stage for an exciting growth story at Trupanion. I hope that in sharing this 60-month plan, you'll be as excited as we are about where we are headed.

Kuyashii,

DARRYL RAWLINGS

Founder & Chief Executive Officer

trupanion™

Medical insurance for the life of your pet.

2021-2025

Our 60-Month Strategic Plan

OUR MISSION

To help loving, responsible pet owners budget and care for their pets.

What you will read in this document is our plan for the next 5 years for Trupanion. It follows a very successful 20 years, during which time a significant effort by the team enabled us to achieve operational scale—growing to a size where we can operate efficiently. We've done a good job in this respect—thank you! That work has laid the foundation for us to take Trupanion forward and given us more opportunities than ever before. To reflect this, we've refreshed our mission statement.

What has not changed since Day 1 is our singular focus on helping pets. We remain committed to this, and we hope that as you read this document and see what Trupanion aspires to become by the end of 2025, you will be as excited and motivated as we are about what lies ahead.

Today Trupanion is a monthly subscription business grown primarily through the sale of our core product, "Trupanion," which is sold through the veterinary channel. Our strength to date has been our collective ability to create, market, sell and service an intangible product that does what it says, both from the pet owner and veterinary perspective.

Trupanion Inc. (the company consisting of all our brands and entities) is a high-growth company, with revenue consistently increasing around 25% each year. As a team we have continued to be nimble and determined—it's this agility from our people that will set us up well for the future.

Between now and 2025, we will redefine many of our working practices. We will need to create new teams and new processes. We will learn new techniques and rise to new challenges. We will grow, evolve and reorganize. We will look very different in 5 years!

Our way of working and areas of focus that we know today will evolve to take on different meanings or play new and different roles in the company growth. This exciting phase will present more opportunities than ever before and we invite you, our team, to immerse yourself and make the most of this thriving company that we've created together. We will only be successful if our entire team is driving towards the same goal: achieving our mission.

> *For a **seed** to achieve its greatest expression, it must come completely undone. The shell cracks, its insides come out and everything changes. To someone who doesn't understand **growth,** it would look like complete destruction.*
>
> –CYNTHIA OCCELLI,
> Author, Mentor, & Entrepreneur

By 2025 we plan to create new growth initiatives to help us expand the reach of our core Trupanion product globally and begin the growth of new pet care brands in the animal health arena. Each of these initiatives will be underpinned by world-class subject matter experts supported with technology that will enable more effective solutions across the business. Combining operational excellence and growth-focused business units will enable us to help millions of pets and pet owners.

At all times we shall remain committed to our mission, our people, and our stakeholders; pets, pet owners, veterinarians, team members, territory partners and associates, strategic partners and investors.

We also remain dedicated to being bold, being nimble and being determined. We look forward to building our next 5 years together.

KUYASHII

The Japanese concept of being fueled by the doubting of others.

THE BOTTOM LINE—TARGETED GROWTH RATE & INCREASE IN INTRINSIC VALUE

Our 5-year goal is to achieve a consistent **annual revenue growth rate of 25% or greater.** This would equate to annual revenue for Trupanion Inc. of $1.5 billion by December 31ST, 2025. This revenue growth will also enable us achieve another goal: **to increase our intrinsic value[1] per share by approximately 25%** each year.

To achieve a collective annual growth rate of 25% we will target higher growth rates for each individual business segment–building in some room for error. This will help give us a higher degree of confidence that we can consistently grow our revenue at a rate of 25% or more each year. While some areas, such as the core Trupanion product in North America, may be seeking a 25% growth rate, others that are smaller or just beginning, such as Worksite Benefits or PHI Direct, will likely have a faster rate of growth. In aggregate, if every business unit achieves their goal, our overall growth may be much larger than 25%. This "building block" approach allows us to be more certain of success as it increases our likelihood of achieving our collective goal.

Nothing, however, will be more important than the combined effort of our people—the cement between our building blocks. Our strength to date has been our team and as we look to nurture, grow and add to Team Trupanion, we feel confident that we are creating an organization built for brilliance.

OUR 6 BUILDING BLOCKS

These building blocks are our planned areas of growth over the next 5 years. Some of these build on our current business model and expertise, and others leverage the same skills and knowledge to expand into new and exciting opportunities. Now that we have reached operational scale, not only can we continue to hone our existing member experience, we can also look to add more ways to support loving, responsible, and informed pet owners and their pets, for life. Here's the list we plan to focus on:

1. INSURANCE

- Grow our core "Trupanion" product in North America

2. INSURANCE

- Introduce PHI Direct and Furkin to North America. These are new pet medical insurance products designed to be offered primarily online. They will offer the same high value proposition as the Trupanion product but at different price points (we call these Low and Medium ARPU products)

3. INSURANCE

- Expand our sales of pet medical insurance to countries beyond the US, Canada and Australia—both with and potentially without the Trupanion brand

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1 Intrinsic Value is the value an informed and educated individual or entity would typically pay for a company under stable market conditions. We are always looking to increase this at a rate faster than 20%.

4. FOOD

- Introduce Landspath (a high-quality monthly subscription wellness diet, sold exclusively via veterinarians) in North America to try to prove our hypothesis that feeding pets a high quality diet, in what their veterinarian believes is the appropriate number of calories, will lead to healthier lives and therefore justify lower premiums for their medical insurance

5. PET CARE

- Introduce a GPS-based device that is perpetually powered to immediately locate lost pets—a global opportunity

6. TECHNOLOGY

- Enhance and expand our technology solutions, including through acquisitions, to dramatically expand our technology capabilities. As we become experts in technology in the pet space, we may also enter into a technology re-sale space (global opportunity).

THESE BUILDING BLOCKS ARE NOT LISTED IN ORDER OF PRIORITY–EACH BLOCK WILL HAVE OWNERS DEDICATED TO GROWING THEIR BUSINESS UNITS AND AS SUCH, EACH ONE SHOULD BE CONSIDERED AS IMPORTANT AS THE NEXT. AN IN-DEPTH DETAIL OF EACH BLOCK FOLLOWS.

BUILDING BLOCK 1—INSURANCE-GROW OUR NORTH AMERICAN TRUPANION PRODUCT[2]

We believe that any informed, responsible pet owner would want to buy Trupanion for their pet. Being well-informed removes the uncertainty and confusion around product selection, and Trupanion ultimately becomes the obvious choice for those that are knowledgeable. Our flagship product is widely acknowledged as having the best and the broadest coverage available and it is our goal to grow the adoption of this comprehensive product and the associated revenue by **25% each year from 2021 to 2025.**

Historically, the entire company has worked together to support the growth of this product. This has been an effective way of working over the past 20 years, however our size and scale mean that it is no longer sustainable to take such a broad market approach and expect to be as effective, especially as we start to introduce new products and channels into our eco-system.

Therefore, during our next 5-year chapter, we will adjust our organizational structure to provide a dedicated focus on all markets our core and much loved Trupanion-branded product is present in. We will build upon the framework of the Market Leader model to create alignment, ownership and depth of regional understanding to drive the best experience for all stakeholders. The Market Leader role will evolve to become a General Manager. By 2025 we expect to have up to 5 North American markets, each with a General Manager.

These General Managers will be responsible for the growth in their geography in support of the Territory Partners and their Associates. They will work across business units and partner with support

2 In 2020, Trupanion is our core product. It is the one product the business hinges around and it is where we are all focused. By 2025, this will dramatically change as other business areas around us grow and expand.

teams to drive lead growth, conversion improvements and achieve TruTopia. They will own the expansion and reach of the Trupanion product, Landspath (see page 11) and, most critically, support Territory Partners in maintaining close relationships within the veterinary community. These relationships are essential to our success and have created immense barriers for our competitors to overcome—sustaining them will be critical to achieving our growth plans.

Key aspects of our core Trupanion product strategy remain essential within the General Manager construct. We must: expand our reach to every new pet owner (lead growth), find new ways to educate and sell Trupanion (convert) and deliver on an exceptional member experience (keep). Over the next 5 years we will strive to maintain a state of TruTopia—where the number of pets enrolling through friend recommendation or pets added by existing members offsets the number of pets that are cancelled each month.

To successfully achieve these goals in North America, we will need to **(A) strengthen our moats**[3], i.e. things we have or do that would be really hard for any competitor to have or do as well as us, **(B) increase the distribution** of the Trupanion brand, and associated brands, **(C) increase the rate at which we convert** these pet owners and, **(D) continue to enhance our member experience.** We'll explore these goals over the following pages before picking back up with our building blocks.

A) Strengthening our moats

Trupanion moat—low-cost operator with high value proposition. To be clear, "low-cost" certainly does not mean low quality or lowest price. Being a low-cost operator means that we are operating with efficiency, enabling us to provide exceptional service at a cost that helps us to enhance our competitive advantage by being able to give more back to our members. **Our goal by 2025 is to pay over 90% of veterinary invoices within 5 minutes.** In 2020, we paid approximately 24% in 5 minutes.

This exceptional member and hospital experience will primarily be delivered through our software. We also plan to significantly increase the rate of claims automation for those hospitals that, for reasons outside of our control, do not or cannot have access to our software. In 2020 our automation rates are around 18% of all claims, **by 2025 we are targeting 80% of claims handled through automation.**

Automation, which importantly includes our software and non-software claims, allows us to pay invoices faster without sacrificing accuracy due to our post-claim audit process by our claims team. Automation will mean we are spending less per claim overall to deliver outstanding service. Today, we target spending 71% of our members' monthly cost on paying invoices. In addition, we spend 9% of members' monthly costs to offer our high-quality service.

Our goal is to dramatically increase our service levels and to do so, we will leverage our automation and software patents. Our investment in technology will ensure we can continue to support our claims team members and allow them the time to focus on more complex claims, coverage summaries, and supporting our new products. We are committed to providing this group with the tools they need to carry out exciting, technical work—all of which will improve our member experience.[4]

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3 Trupanion Moat: A feature of our business that would take a competitor over 3 – 5 years to replicate. They require deep sustained level of effort and time to build and maintain and often can hinge on deep relationships.

4 Note that lowering our average cost per claim by increasing claims automation does not mean we will be eliminating our claims department or reducing the size of the team. In many cases it will enable current processes to be more efficient and also allow team members to have more time to focus on the more complex work as well as coverage summaries and new products.

When we use our patented software and claims automation to pay directly, our total cost to process a claim is reduced. This reduction in cost will allow us to pass this money back to the pet owner in the form of an even greater value proposition.

By 2025 we want to **improve our total claims ratio** (claims payments + cost to process a claim) for all members from **71 to 72%.**

SOFTWARE

Our patented software is a key part of our low-cost operator moat. Over the past five years we have been learning how to streamline installing our software in hospitals, or to have hospitals frequently use the software after installation. We realize it's not easy.

At the start of 2021 we anticipate that close to 6,000 hospitals will have our software installed—a little under 25% of the total hospital population. These 6,000 hospitals provide a good foundation for the next five years as the benefits of direct and immediate payment become known to more pet owners. By the end of 2025, we expect the **penetration rate of our software to be over 90%.** Our approach to generating demand for our software will need to adjust to reach this milestone; here's how we plan to achieve this:

We will increase our investment in the software to fund a product redesign—both in terms of look and feel as well as functionality. Our software will become the "bee's knees" of hospital software providing real-time opportunities to engage with the hospital team to create an increase in utilization.

We will launch a robust awareness campaign with our existing member base. Now that we have approximately 600,000 pets enrolled, we will connect with our hundreds of thousands of pet owners, to develop awareness of our unique ability to pay their invoice for them. We plan to create ways for our members to initiate conversations with their hospitals about direct payment. We believe many of our members do not even know this service exists and we see this as a huge opportunity to grow our software penetration while increasing the number of members and veterinary teams experiencing the benefits.

In meeting this goal we anticipate it will result in us achieving a **99.00% member retention rate,** which is a critical element for achieving TruTopia with our core Trupanion product.

TRUPANION MOAT—PRICING OF OUR SUB-CATEGORIES

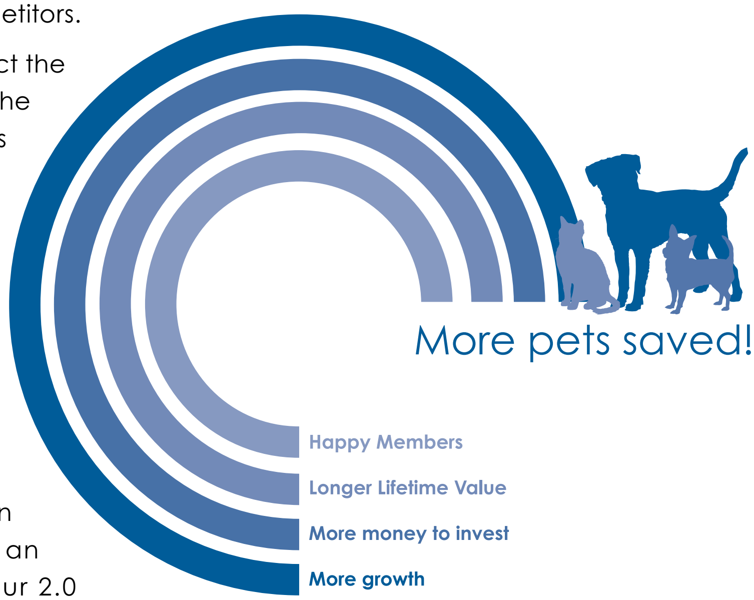
As with any moat, it takes hard work and sustainable effort to build and maintain it (if it was easy, it wouldn't be a moat)! A core tenet of our business model is our pricing promise to treat all pet owners fairly. This means the owner of a retriever in Seattle should pay a different amount AND receive the same value as the owner of a poodle in Phoenix. No matter the species, breed, age or location, the value returned to our members when they make a claim should be consistent if their pet is "average". It's important to note that our intangible product provides value by helping a pet owner budget and care for their pet in the event it's needed. The amount we return is the average amount we spend paying our members' invoices, currently 71% and targeting 72%.

Said another way, imagine that for every $1 we receive, we spend 71 cents (targeting 72 cents) to pay invoices. Every time we can improve our efficiency, more of that $1 can be spent paying invoices, which increases the value to the member. The better the experience, the happier our members.

The more accurately we can price, the more we can deliver on this pricing promise. The better we can do this up-front (rather than having to make dramatic changes later) the more likely members will remain members.

We are proud that we already have more focus and talented, dedicated actuaries than any of our competitors.

We believe that rate increases should reflect the trend in a given geographical area where the cost of care and overall inflation increases between 5-8% each year. We have learned that when our members experience rate increases over 20%, retention is lower. We know retention reduces further if a member receives 20+% increases year after year. To provide exceptional member experience we will smooth out our rate adjustments with an enhanced approach to pricing. To do this we will become more focused on the expansion of our neighborhood pricing approach, an approach started with the launch of our 2.0 product in Florida.



Neighborhood pricing ensures we have better pricing data to develop rates that are appropriate—ultimately helping to avoid large swings in pricing due to changes in the data that could have been anticipated. We are able to do this more effectively due to data that we can pull from our software, through information shared through our partnerships with practice management system providers and analysis of cost trends of pet owners in general, not just Trupanion members.

Our goal between 2021 and 2025 is for our members to experience rate increases in-line with local inflation in their neighborhood. This will likely be an increase between 5-12% each year as we learn to adjust and sharpen our approach. In the event that we need to increase rates more, this will be as a result of changes shown in our data that are driven by the market (e.g., significant increase in cost of care in a neighborhood). In any situation, our pricing and member-facing teams will partner to craft deeper communication and training moments to help support and guide our members and partners through proactive rate adjustment conversations.

Having more data sources allows us to target **98% pricing accuracy across our top 5,000 sub-categories** by 2025 (up from 50% across our top 100 subcategories in 2020).

B) Increasing Our Reach to New Pet Owners—Our distribution strategy

One great benefit to having built the Trupanion brand into what it is today is that we attract the interest of potential new strategic partners and distribution channels. These companies want to be involved in the growth of the category, and they recognize the value of our brand and our expertise. Over the next five years we will have big opportunities to dramatically increase the number of pet owners learning about Trupanion as a brand, the core Trupanion product, and in some instances the assurance of quality the Trupanion brand represents. These opportunities include entering into new or enhancing existing partnerships with other industry leaders to expand the distribution of the Trupanion brand.

Between now and 2025, we will look to significantly increase the infrastructure and support dedicated to growing our channels and as such will look to build out a new area of our business related entirely to maximizing distribution. Each of our distribution channels will be operated as a business unit with a clearly defined owner—resourced with dedicated teams—focused on delivering the best returns. This ownership will be critical to success. The owners will operate as partners to the General Managers, creating new channels of distribution for each market to support mutual growth. They will also be responsible for driving growth through partner brands, such as Aflac, helping to reinforce the assurance the Trupanion brand presents when in partnership with others.

The biggest distribution opportunities for new or incremental lead growth can be summarized as follows:

E-LEADS

Trupanion has exclusive relationships with IDEXX and Covetrus, the owners of over 75% of practice information management systems (PIMS) used in North America today. PIMS are important for us because they can provide us with access to the **new pet owners** who make their first visit with their pet to a hospital each month. This is approximately **one million people—potentially one million leads per month!** We refer to these as e-leads.

A core part of our 5-year strategy is to understand how to operationalize the e-leads channel to reach this group of one million new pet owners every month.

We are confident that the combination of our current partnerships—and the opportunity of new partnerships ahead of us—will help us to maximize our reach to new pet owners during the next 5 years.

STATE FARM

We are proud of our exclusive relationship with America's largest insurance brand, State Farm. With access to over 18 million homes—and likely 9+ million pet owners—we have huge opportunity for growth. We have started to make progress in 2020 with the launch of Trupanion across the State Farm website, yet still have to develop a robust agent engagement program to fully appreciate the value of this huge US brand.

With such a large addressable market, we feel this target is distinctly achievable with partnership buy-in. To do this, we will need to enhance our resourcing and support of this major potential channel in 2021. As with all major distribution channels, we will be scaling our support and working cross-functionally with subject matter experts to provide the necessary resources in terms of infrastructure to excite State Farm agents and grow this business unit to meet its potential.

BREEDER

As our fastest-growing channel over the last 5 years, our goal for the next 5 will be to continue to expand our reach across the breeder community. Breeder has proven to be a fantastic channel for the Trupanion product with strong lead growth, the highest conversion rates and exceptional lifetime value. These three components indicate a very strong future for the breeder channel.

WORKSITE BENEFITS (FORMERLY CORPORATE BENEFITS)—AFLAC—POWERED BY TRUPANION

This is a distribution channel that enables employers to offer pet medical insurance to their team members as a benefit. We believe that Worksite Benefits can exceed $100m in revenue by 2025.

In 2020, we have seen solid growth generated by our internal team, but to be successful long-term, we believe that strategic partnerships in the worksite space are essential. With that in mind, we are very excited to be beginning our relationship with the leading provider of worksite benefits, Aflac.

As a key shareholder in Trupanion, Aflac will be a committed partner with full alignment, eager to support the growth of medical insurance for pets as a Worksite Benefit.

We will look to Aflac to be our catalyst for growth in this space. We will need to think differently and will leverage their extensive knowledge and partnerships with all leading benefit platforms to help redefine our product offering to take advantage of a market currently dominated by our competitors. We don't yet know the details around how this will look but we do know that our Worksite Benefit product, starting in 2021, will be very different. It will be one of the first products to be launched to market as "Powered by Trupanion". We're excited to launch into a several-year growth plan incorporating Aflac's extensive broker network, partnering with their new direct to consumer brand and ultimately, joining forces with the 20,000 strong 'Aflac Army' of agents.

We are confident that with Aflac alongside us, we can increase this emerging channel to achieve **$100m in revenue by 2025.**

SOCIAL MEDIA

Facebook and other digital platforms are shifting from conversion tools to fast becoming lead generation channels. These channels have the ability to target responsible, loving pet owners with a new pet at home, to initiate conversations about the need for high quality medical insurance.

As we continue to mature as a business, some of the skills we have been learning will start to become further embedded into our business units. Converting our leads and retaining our members will be essential skills needed across all business units: geographies, product lines, and distribution channels. While we are currently dedicated to supporting the core Trupanion product, we will adjust to support our new products and partners, speed up the learning process, and ultimately help these new lines of business to grow faster. We've spent 20 years learning how to do this for Trupanion; now we can take that learning and apply to other products and brands.

C) Conversion

Growing our ability to educate and inform pet owners "Why Trupanion" will continue to be a major focus for many teams in the business.

Conversion is measured as a blend of pet owners converting both online and over the phone. Our phone conversion rates have been consistently strong in past years and we have come to expect more than 1 in 2 pet owners will enroll this way. As we look to continue to grow the core Trupanion product, phone conversion will play a key role in establishing the first "brand cuddle." We are committed to call-driving initiatives to maximize our opportunities. This high-touch experience gives us a rare chance to connect directly with our members and to hear about their pets! This will remain a key part of our strategy. It's why we love what we do!

Online conversion is more challenging. We have made good progress to improve this—most significantly in 2020—and will continue to focus in this area. We will adjust our lens further to fully support complete digital conversion to encapsulate all device-type experiences that a future member may have access to—text, mobile, chat, email, web, tablet, etc. We intend to increase our digital conversion rates from 11% to well over 20% by the end of 2025.

This increase in digital conversion will significantly increase our blended conversion—web and phone conversion rates combined—from over 15% in 2020 to **over 25% by 2025.** We set this goal because we believe that 1 in 4 pet owners is a potential Trupanion member, and we are targeting a blended conversion rate that is representative of that.

As well as supporting the core Trupanion product, our conversion skills will be applied to support new geographies, products, and distribution channels. We will inevitably require growth in this space to support so many new business partners across the company.

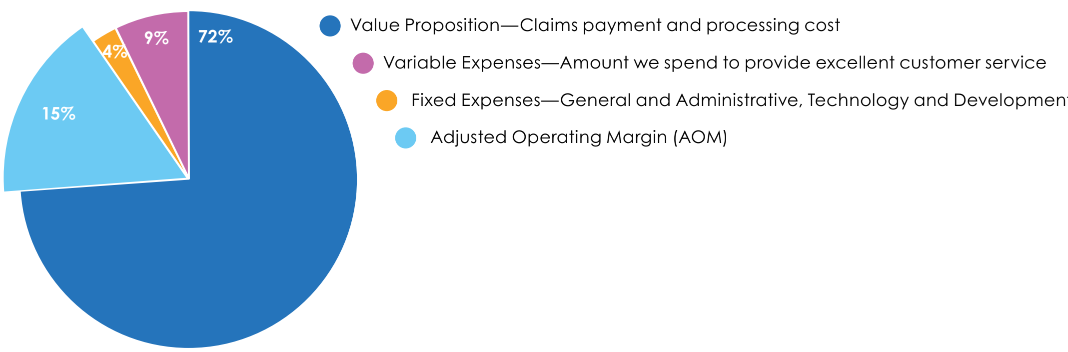
D) Enhance our member experience

In addition to increasing access to our software, paying invoices faster, and pricing more accurately, we will continue to invest time and resources into further enhancing our member experience.

Developing technologies and finding ways to engage, surprise, and delight our members will be key to create an increase in lifetime value, referrals, and pets added to support TruTopia.

While we look to grow our Trupanion-brand product substantially, our target Adjusted Operating Margin (AOM) will remain at 15%. We expect to miss this target at the end of the current 5-year Plan by about 1%. For the next 5-year chapter, we anticipate achieving the 15% goal as follows by 2025:

Targeted Adjusted Operating Margin



To support this operational efficiency, we will look to invest more in our financial systems and teams, such as introducing a new accounting and human resources information system and working with leading technology providers to give access to tools that allow for quicker decision making and easier reporting for all. As we increase the need to support a growing number of brands, countries and products, we will invest in our people and technology to do this the right way.

ANCILLARY PRODUCT GROWTH

As well as driving the growth of the core Trupanion product, we will look at expanding our expertise to support the development and launch of new products. The products below will be focused in the North American markets initially. Depending on launch metrics and growth acceleration, we may choose to deploy these in other geographies before the end of 2025 too—time will tell.

BUILDING BLOCK 2—INSURANCE-PHI DIRECT AND FURKIN

Over the next 5 years we are excited to launch two new subscription products—PHI Direct and Furkin—into the North American market. Our ability to operate at scale means that we are now able to support the development of new brands and accelerate their growth curve—which also allows the broader Trupanion family to grow. Many of our operational teams will be involved in bringing these two brands to life—we will be expanding our contact center, claims, finance, communications, marketing, IT, people ops, legal and facilities teams in support of these product additions.

These new pet medical insurance products will offer pet owners different price point choices. Critically, each will offer the **same high value proposition** as our Trupanion-brand product (the targeted 72% spent paying invoices). The brands will not be marketed together but by being available, they will help pet owners to clearly understand the difference in coverage.

We believe that when we can educate pet owners about the real differences between high, medium and low ARPU products—Trupanion (high ARPU = broadest and most comprehensive coverage), Furkin (med ARPU = mid-level coverage) and PHI Direct (low ARPU = lowest level coverage)—we can grow penetration of the industry and Trupanion Inc.'s overall share of market. In short, we know that some consumers may enroll in brands other than Trupanion, which is OK if they are informed and understand the difference in coverage. If that occurs, we want them to make an educated decision and enroll with a brand that we own that provides high value and is not misleading.

We plan to launch these products in Canada and then the US. The products will be marketed as direct-to-consumer brands and will not be sold through our Territory Partners and Associates, nor will they be Powered by Trupanion.

BUILDING BLOCK 3—INSURANCE: INTERNATIONAL GROWTH-HOSPITALS & PET GROWTH

The more hospitals we partner with, the more pets we help. Over the next 5 years we intend to take advantage of opportunities to expand into countries other than the U.S, Canada and Australia. Our partnership with Aflac presents us with a direct opportunity to enter into Japan where Aflac has customers in 1 in 4 households! We have plans to explore this early into our next 5-year chapter.

In addition to Japan, we don't know exactly which countries we'll move to next. We anticipate **potential** expansion into countries such as the UK, Brazil, and potentially parts of Western Europe. In keeping with our approach in the North American market and Australia, we will create leadership positions to oversee the general management and growth for each of these new geographies.

Our goal for entering into these additional markets is to double the number of hospitals where pet owners can learn about our Trupanion-branded product from about 25k today to 35k by the end of 2025, and then to 50k by the end of 2030.

For each hospital we enter, we will use the same unit of measurement for success—striving for consistent growth in same-store-sales to maximize our reach to each new pet entering a hospital. Naturally, the core elements of a growth model to drive leads and increase conversion and member retention will be critical ingredients for sustainable brand growth and increased contribution to the Trupanion Inc. growth curve.

We may also move forward with international partners and use our expertise to grow non-Trupanion brand products as well, should an appropriate and meaningful opportunity arise.

BUILDING BLOCK 4—FOOD-LANDSPATH

Our wellness food initiative is based on the theory that pets who are fed portion-controlled, high-quality food will live longer, healthier, and happier lives. We have a hypothesis based on third-party health and nutritional studies that these pets could have up to 2 years extended life. We are very excited to launch this new product—named Landspath—which will be sold directly through the veterinary channel.

In 2021, after over two years of research, we anticipate launching this venture in partnership with leading therapeutic food company, Rayne Clinical Nutrition. We will initially launch to our member-base and expect to begin working with partner hospitals across North America within the first 6 months of the year.

If our hypothesis is true, members with pets eating Landspath will enjoy the benefits of savings on our insurance products because we will have data to demonstrate that they are less prone to illnesses. This integrated product approach will be a fantastic member benefit and experience.

Landspath creates a much-needed source of recurring revenue that supports the veterinary channel and creates additional value for our members.

The market for pet owners who want to invest in their pet's health via high quality food is substantial: We aim to be selling **$100m in revenue of food** each year by the end of 2025.

BUILDING BLOCK 5—PET CARE-GPS TRACKER

There are around 180 million cats and dogs in North America. About one third will go missing at some point in their lives. Eighty percent will not be recovered. Rather than anxiously waiting and hoping someone takes a lost pet to a shelter or veterinarian to scan a microchip that may or may not be there, our solution is to enable pet owners to instantly locate their pet using an app on their phone through a self-charging, patented GPS unit which attaches to the pet's collar.

We will create a GPS team that will operate as a start-up business unit, separate to the core Trupanion business. We feel we can leverage our operating scale to support this business to accelerate growth, but acknowledge that it is equally important for the GPS owner to be able to move with pace outside of the core business.

BUILDING BLOCK 6—TECHNOLOGY SOLUTIONS

To help the growth of Trupanion and associated brands we will be making investments to significantly bolster our internal—and external-facing technology systems in direct support of our ever-expanding IT team. The value of this incremental technology investment will be a key advantage to drive support, efficiencies and a smarter way of working for the entire business.

We anticipate that through acquisitions of leading pet health technology companies such as Aquarium and BabelBark, we will be able to rapidly increase our pace of technology growth across Trupanion Inc.

In addition to adding value internally, we will also consider how technologies can be shared and re-sold to others in the pet space—building on the infrastructure and expertise we have already developed through our patented software while also ensuring the technology that we consider a competitive moat is maintained. As with all opportunities, the revenue target will be $100m with an AOM of 15% or $15m of adjusted operating income.

Much like GPS, the technology support for the Trupanion brand and associated products is our biggest motivation and the main value-driver for this initiative.

TRUPANION INC. & OUR BRAND FAMILY

The next 5 years will open up a whole new approach to the way we think about 'Trupanion', our much loved brand.

Historically, the vast majority of our company has been focused on the growth of one product and because of this we have referred to our entire business as Trupanion. Through the hard work and strong execution of our team, we have earned the right to represent far more of the brands in the insurance market and the broader pet space. The core Trupanion product will continue to be the largest and biggest revenue generator for the next 5 years. However, as we grow we have the opportunity to extend that reach and to help more pets.

We believe Trupanion Inc. (our parent company[5]) can drive the growth of products outside of insurance such as GPS, Food and Technology. As experts in the pet world, we are confident in our ability to help support our mission in more ways than just insurance and we're excited to do so!

OUR BRAND & PRODUCT ECOSYSTEM

With the introduction of so many brands into our family, it's important to be clear when we are talking about our core Trupanion product versus things the **Trupanion Inc.** team might be involved in. The visual below demonstrates the consumer facing brands that will exist in our ecosystem between 2021 and 2025.

"Powered by Trupanion"

A brand mark applied to products that carry the following features:

- Payment, direct to the veterinarian at the time of check-out
- 24/7 customer support
- TP Nation support

"Trupanion" 1.2, 2.0, 3.0...

We should expect our core product, referred to as "Trupanion" to always be the best possible product avilable. We will continue to iterate on the features and coverage and allow our product to evolve and grow as the pet, pet owner and veterinarian needs adjust.

It will have the highest Lifetime Value and the highest allowable Pet Acquisition Cost.

5 All brands and entities roll into Trupanion, Inc. overall and our stock and shareholders are in the parent company.

POWERED BY TRUPANION

As our brand grows and our referral rates increase, we are becoming more widely recognized as providing pet owners and veterinarians with a quality and unrivalled member experience. As this positive brand association gains momentum we will begin to allow use of our brand in support of new entrants to the insurance market—brands looking for the best possible association with an expert partner. This approach unlocks the **power of Trupanion** for many other products. The tagline "Powered by Trupanion" will sit proudly alongside brands in the future—starting with Aflac in 2021.

"Powered by Trupanion" will become a brand reference serving as a hallmark of quality indicating to pet owners and veterinarians that whenever Trupanion is involved, the pet owner should expect a best-in-class experience. This will include:

- Payment direct to the hospital at the time of invoice and access to our world-class claims team
- 24/7/365 customer care and support
- Retention support from TP Nation to help drive greater retention at the hospital level *(This is for retention only. Brands will not be leveraging TP Nation as a sales team but as an ongoing resource of support. TPs help to create the brand assurance for which Trupanion has become known).*

Some brands may also look to us to offer services in addition to the core "Powered by" elements, such as sales, marketing and communications. Unlike the three core elements, other support services can be provided on an individual basis and decided on by the brand. Think of it like a continuum where our brand partners can choose the level of involvement they have to suit their needs.

Third-party Partners Service Level Spectrum

"Powered by Trupanion"

*24/7 Customer Care must be avilable for all brands carrying "Powered by Trupanion" but it does not mean it needs to be conducted by Trupanion.

We are looking forward to expanding the reach of the Trupanion brand into new product lines to help provide assurance to more pets, pet owners, and veterinarians around the world.

HOW WE MAKE GROWTH DECISIONS

Aside from reinforcing our moats and working on creating our building blocks to growth, there will continue to be many opportunities to grow our current business or to expand into new areas. To ensure we remain focused and committed to our strategic plan, we have outlined key decision criteria that will be applied ahead of moving forward with an opportunity:

- We will not move forward with an initiative unless it benefits all of our key stakeholder groups:
  - Pets
  - Pet Owners
  - Veterinarians
  - Team Members, Territory Partners, and Associates
  - Strategic Partners
  - Investors
- The opportunity must be worth our time and investment. Specifically, after 5 years we want it to be able to generate $100m + in annual revenue with Adjusted Operating Income of at least $15m. (These financial results could be generated directly from the opportunity or indirectly by benefitting an existing brand).
- We have and are willing to invest the resources (people, funds) in order to be successful. If something is worth doing, we will do it the right way.
- We have alignment with a potential partner regarding their approach to diversity, equity and inclusion.
- We will consider the impact to our current business and create a clear roadmap and prioritization framework to help our teams to understand the "why." We want people to enjoy these opportunities and to feel ready and able to execute on them.
- We won't move forward with an opportunity if it's going to negatively impact one of our moats.
- We won't move forward with an opportunity if we believe it will negatively impact one of our brand tenents or core beliefs (such as selling our data or adding wellness to the core Trupanion product).

To set ourselves up to handle new products, new geographies, and new distribution channels our core operational teams will receive significant investments in systems, people, infrastructure, and training. Some of these investments will be made in enterprise technologies such as accounting and human resource information system (HRIS), policy administration, BI platforms, digital asset management, training and communication platforms, remote working advancements, financial reporting, and many more.

OUR PEOPLE AND OUR CULTURE

Our 5-Year Plan would not be complete without talking about our best asset: our people. A lot will determine whether we achieve the goals in this Plan, none more so than whether we have the right people in the right roles, whether we help them be the best they can be, and whether we offer an environment that makes Trupanion *the* destination to build a career.

We are committed to establishing a company-wide diversity, equity, and inclusion strategy to create an increasingly fulfilling and engaging workplace for everyone. We believe that diversity, equity, and inclusion are critical to supporting our team members and improving our ability to achieve our mission. We will define key corporate goals to ensure these ideals become fully embedded in who we are.

For our team members, the work reflected in this 5-year Plan should mean many career growth opportunities and the benefits that come from being a part-owner of a successful growth company. To help so many more pets with more products in more places, we know our organization will **look very different** at the end of 2025. We will be a lot bigger and we will need to develop more leaders to keep us moving forward. Doing this well will be the single biggest driver of our success.

Finally, while this Plan is devoted to looking forward, we also want to preserve the great parts of how we got to this place where we can even contemplate these ambitious goals. We want everyone who joins us in the future to know the first pet we insured, about how the conference rooms got their names, about why we ring the bell, and all the other things that make us who we are.

We look forward to sharing your energy and enthusiasm for this next generation of Trupanion and your commitment to bringing this plan to life.

Thank you for being with us.