



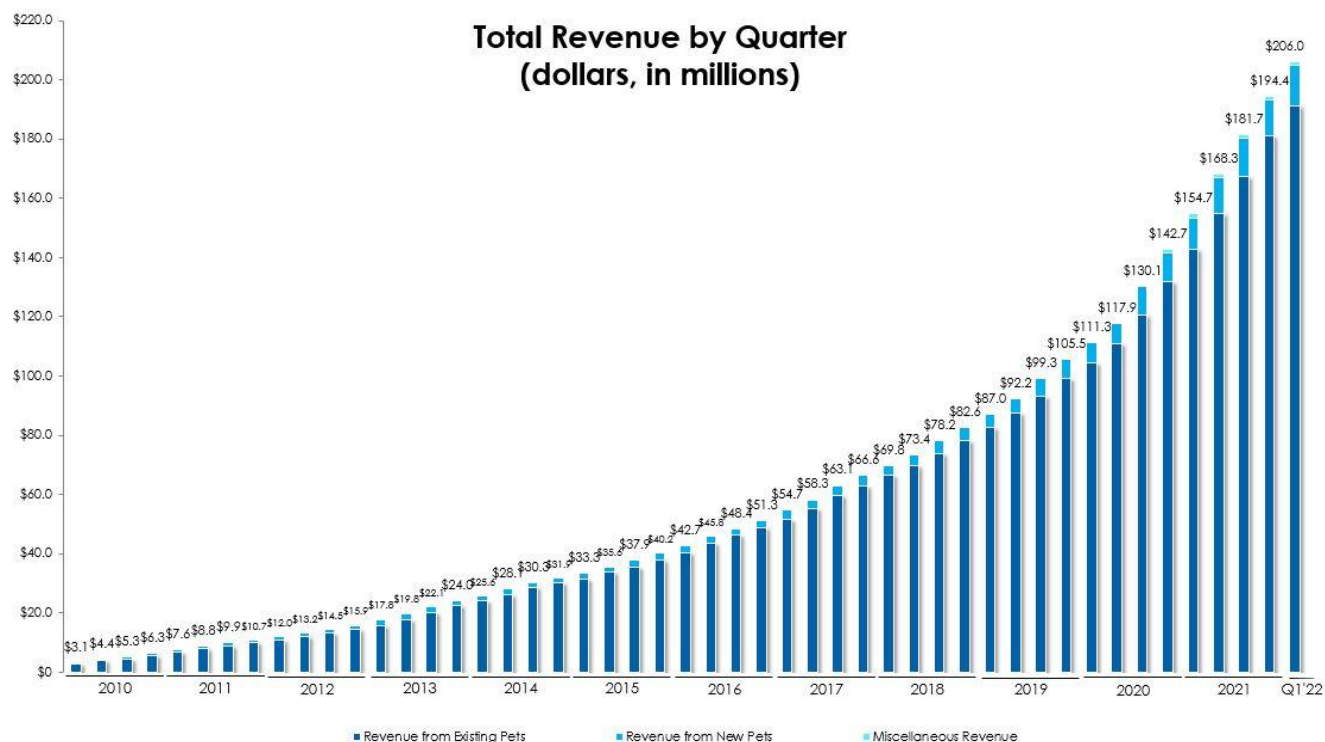
Trupanion Reports First Quarter 2022 Results

SEATTLE, WA. April 28, 2022 -- [Trupanion](#), Inc. (Nasdaq: TRUP), the leading provider of medical insurance for cats and dogs, today announced financial results for the first quarter ended March 31, 2022.

“Q1 was a solid growth quarter, benefiting from another quarter of record pet additions and consistently strong levels of retention in our subscription business,” said Darryl Rawlings, founder and chief executive officer of Trupanion. “A quarter of the way through our 60-month plan, we continue to advance several long-term initiatives.”

First Quarter 2022 Financial and Business Highlights

- Total revenue was \$206.0 million, an increase of 33% compared to the first quarter of 2021.
- Total enrolled pets (including pets from our other business segment) was 1,267,253 at March 31, 2022, an increase of 34% over the first quarter of 2021.
- Subscription business revenue was \$139.8 million, an increase of 23% compared to the first quarter of 2021.
- Subscription enrolled pets was 736,691 at March 31, 2022, an increase of 21% over the first quarter of 2021.
- Net loss was \$(8.9) million, or \$(0.22) per basic and diluted share, compared to net loss of \$(12.4) million, or \$(0.31) per basic and diluted share, in the first quarter of 2021. Net loss per share is inclusive of share-based compensation expense per share of \$0.19 and \$0.21 for the periods ended March 31, 2022 and March 31, 2021, respectively.
- Adjusted EBITDA was \$1.2 million, compared to adjusted EBITDA of \$(1.1) million in the first quarter of 2021.
- Operating cash flow was \$(3.6) million and free cash flow was \$(7.1) million in the first quarter of 2022. This compared to operating cash flow of \$(1.7) million and free cash flow of \$(4.6) million in the first quarter of 2021.



Conference Call

Trupanion's management will host a conference call today to review its first quarter 2022 results. The call is scheduled to begin shortly after 1:30 p.m. PT/ 4:30 p.m. ET. A live webcast will be accessible through the Investor Relations section of Trupanion's website at <http://investors.trupanion.com> and will be archived online for 3 months upon completion of the conference call. Participants can access the conference call by dialing 1-877-407-0784 (United States) or 1-201-689-8560 (International). A telephonic replay of the call will also be available after the completion of the call, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 13728409.

About Trupanion

Trupanion is a leader in medical insurance for cats and dogs throughout the United States, Canada and Australia with over 700,000 pets enrolled. For over two decades, Trupanion has given pet owners peace of mind so they can focus on their pet's recovery, not financial stress. Trupanion is committed to providing pet owners with the highest value in pet medical insurance with unlimited payouts for the life of their pets. With its proprietary software, Trupanion is the only provider with the technology to pay veterinarians directly in minutes at the time of checkout. Trupanion is listed on NASDAQ under the symbol "TRUP". The company was founded in 2000 and is headquartered in Seattle, WA. Trupanion policies are issued, in the United States, by its wholly-owned insurance entity American Pet Insurance Company and, in Canada, by Omega General Insurance Company. Trupanion Australia is a partnership between Trupanion and Hollard Insurance Company. For more information, please visit trupanion.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to, among other things, expectations, plans, prospects and financial results for Trupanion, including, but not limited to, its expectations regarding its ability to continue to grow its enrollments and revenue, implement its alliance with Aflac and otherwise execute its business plan. These forward-looking statements are based upon the current expectations and beliefs of Trupanion's management as of the date of this press release, and are subject to certain risks and uncertainties that could cause actual

results to differ materially from those described in the forward-looking statements. All forward-looking statements made in this press release are based on information available to Trupanion as of the date hereof, and Trupanion has no obligation to update these forward-looking statements.

In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: the ability to achieve or maintain profitability and/or appropriate levels of cash flow in future periods; the ability to keep growing our membership base and revenue; the accuracy of assumptions used in determining appropriate member acquisition expenditures; the severity and frequency of claims; the ability to maintain high retention rates; the accuracy of assumptions used in pricing medical plan subscriptions and the ability to accurately estimate the impact of new products or offerings on claims frequency; actual claims expense exceeding estimates; regulatory and other constraints on the ability to institute, or the decision to otherwise delay, pricing modifications in response to changes in actual or estimated claims expense; the effectiveness and statutory or regulatory compliance of our Territory Partner model and of our Territory Partners, veterinarians and other third parties in recommending medical plan subscriptions to potential members; the ability to retain existing Territory Partners and increase the number of Territory Partners and active hospitals; compliance by us and those referring us members with laws and regulations that apply to our business, including the sale of a pet medical plan; the ability to maintain the security of our data; fluctuations in the Canadian currency exchange rate; the ability to protect our proprietary and member information; the ability to maintain our culture and team; the ability to maintain the requisite amount of risk-based capital; our ability to implement and maintain effective controls, including over financial reporting; the ability to protect and enforce Trupanion's intellectual property rights; the ability to successfully implement our alliance with Aflac; the ability to continue key contractual relationships with third parties; third-party claims including litigation and regulatory actions; the ability to recognize benefits from investments in new solutions and enhancements to Trupanion's technology platform and website; and our ability to retain key personnel.

For a detailed discussion of these and other cautionary statements, please refer to the risk factors discussed in filings with the Securities and Exchange Commission (SEC), including but not limited to, Trupanion's Annual Report on Form 10-K for the year ended December 31, 2021 and any subsequently filed reports on Forms 10-Q and 8-K. All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval system at www.sec.gov or the Investor Relations section of Trupanion's website at <http://investors.trupanion.com>.

Non-GAAP Financial Measures

Trupanion's stated results may 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 below and 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 expense. 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.

Trupanion, Inc.
Consolidated Statements of Operations
(in thousands, except share data)

	Three Months Ended March 31,	
	2022	2021
	<i>(unaudited)</i>	
Revenue:		
Subscription business	\$ 139,839	\$ 113,292
Other business	66,160	41,393
Total revenue	205,999	154,685
Cost of revenue:		
Subscription business ⁽¹⁾	115,263	95,537
Other business	60,842	38,048
Total cost of revenue ⁽²⁾	176,105	133,585
Operating expenses:		
Technology and development ⁽¹⁾	5,229	3,731
General and administrative ⁽¹⁾	9,366	7,216
New pet acquisition expense ⁽¹⁾	21,627	19,704
Depreciation and amortization	2,717	3,093
Total operating expenses	38,939	33,744
Loss from investment in joint venture	(69)	(85)
Operating loss	(9,114)	(12,729)
Interest expense	79	(2)
Other income, net	(314)	(62)
Loss before income taxes	(8,879)	(12,665)
Income tax benefit	(24)	(217)
Net loss	\$ (8,855)	\$ (12,448)
Net loss per share:		
Basic and diluted	\$ (0.22)	\$ (0.31)
Weighted average shares of common stock outstanding:		
Basic and diluted	40,581,989	39,700,454

⁽¹⁾Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2022	2021
Cost of revenue	\$ 1,836	\$ 3,234
Technology and development	908	664
General and administrative	2,423	1,819
New pet acquisition expense	2,382	2,731
Total stock-based compensation expense	\$ 7,549	\$ 8,448

⁽²⁾The breakout of cost of revenue between veterinary invoice expense and other cost of revenue is as follows:

	Three Months Ended March 31,	
	2022	2021
Veterinary invoice expense	\$ 144,926	\$ 109,870
Other cost of revenue	31,179	23,715
Total cost of revenue	\$ 176,105	\$ 133,585

Trupanion, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	March 31, 2022	December 31, 2021
	<i>(unaudited)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 122,462	\$ 87,400
Short-term investments	136,571	126,012
Accounts and other receivables, net of allowance for doubtful accounts of \$358 at March 31, 2022 and \$342 at December 31, 2021	189,035	165,217
Prepaid expenses and other assets	14,488	12,325
Total current assets	462,556	390,954
Restricted cash	13,470	13,469
Long-term investments, at fair value	7,384	7,061
Property and equipment, net	80,368	77,950
Intangible assets, net	21,317	22,663
Other long-term assets	17,722	17,776
Goodwill	31,794	32,709
Total assets	\$ 634,611	\$ 562,582
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,795	\$ 8,952
Accrued liabilities and other current liabilities	29,746	28,162
Reserve for veterinary invoices	38,524	39,671
Deferred revenue	170,990	146,911
Long-term debt - current portion	609	—
Total current liabilities	245,664	223,696
Long-term debt	53,662	—
Deferred tax liabilities	2,690	2,827
Other liabilities	4,062	3,859
Total liabilities	306,078	230,382
Stockholders' equity:		
Common stock: \$0.00001 par value per share, 100,000,000 shares authorized; 41,644,656 and 40,711,491 issued and outstanding at March 31, 2022; 41,408,350 and 40,475,185 shares issued and outstanding at December 31, 2021	—	—
Preferred stock: \$0.00001 par value per share, 10,000,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	472,878	466,792
Accumulated other comprehensive loss	2,179	3,077
Accumulated deficit	(135,745)	(126,890)
Treasury stock, at cost: 933,165 shares at March 31, 2022 and December 31, 2021	(10,779)	(10,779)
Total stockholders' equity	328,533	332,200
Total liabilities and stockholders' equity	\$ 634,611	\$ 562,582

Trupanion, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2022	2021
	<i>(unaudited)</i>	
Operating activities		
Net loss	\$ (8,855)	\$ (12,448)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	2,717	3,093
Stock-based compensation expense	7,549	8,448
Other, net	(79)	(230)
Changes in operating assets and liabilities:		
Accounts and other receivables	(23,815)	(18,805)
Prepaid expenses and other assets	(2,060)	(1,331)
Accounts payable, accrued liabilities, and other liabilities	(1,806)	35
Reserve for veterinary invoices	(1,213)	1,179
Deferred revenue	23,972	18,324
Net cash used in operating activities	(3,590)	(1,735)
Investing activities		
Purchases of investment securities	(22,892)	(12,157)
Maturities of investment securities	12,199	10,478
Purchases of property and equipment	(3,553)	(2,883)
Other	(5)	(40)
Net cash used in investing activities	(14,251)	(4,602)
Financing activities		
Proceeds from debt financing, net of financing fees	54,463	—
Proceeds from exercise of stock options	600	1,238
Shares withheld to satisfy tax withholding	(2,298)	(1,881)
Net cash provided by (used in) financing activities	52,765	(643)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash, net	139	230
Net change in cash, cash equivalents, and restricted cash	35,063	(6,750)
Cash, cash equivalents, and restricted cash at beginning of period	100,869	146,197
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 135,932</u>	<u>\$ 139,447</u>

The following table sets forth our key operating metrics:

	Three Months Ended							
	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020
Total Business:								
Total pets enrolled (at period end)	1,267,253	1,176,778	1,104,376	1,024,226	943,854	862,928	804,251	744,727
Subscription Business:								
Total subscription pets enrolled (at period end)	736,691	704,333	676,463	643,395	609,835	577,957	552,909	529,400
Monthly average revenue per pet	\$ 64.21	\$ 63.89	\$ 63.60	\$ 63.69	\$ 62.97	\$ 62.03	\$ 60.87	\$ 59.40
Lifetime value of a pet, including fixed expenses	\$ 730	\$ 717	\$ 697	\$ 681	\$ 684	\$ 653	\$ 615	\$ 597
Average pet acquisition cost (PAC)	\$ 301	\$ 306	\$ 280	\$ 284	\$ 279	\$ 272	\$ 261	\$ 199
Average monthly retention	98.75 %	98.74 %	98.72 %	98.72 %	98.73 %	98.71 %	98.69 %	98.66 %

The following table reflects the reconciliation of cash provided by operating activities to free cash flow (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net cash used in operating activities	\$ (3,590)	\$ (1,735)
Purchases of property and equipment	(3,553)	(2,883)
Free cash flow	\$ (7,143)	\$ (4,618)

The following table reflects the reconciliation between GAAP and non-GAAP measures (in thousands except percentages):

	Three Months Ended March 31,	
	2022	2021
Veterinary invoice expense	\$ 144,926	\$ 109,870
Less:		
Stock-based compensation expense ¹	(1,173)	(2,299)
Other business cost of paying veterinary invoices	(44,336)	(26,144)
Subscription cost of paying veterinary invoices (non-GAAP)	\$ 99,417	\$ 81,427
% of subscription revenue	71.1 %	71.9 %
Other cost of revenue	\$ 31,179	\$ 23,715
Less:		
Stock-based compensation expense ¹	(631)	(935)
Other business variable expenses	(16,506)	(11,904)
Subscription variable expenses (non-GAAP)	\$ 14,042	\$ 10,876
% of subscription revenue	10.0 %	9.6 %
Technology and development expense	\$ 5,229	\$ 3,731
General and administrative expense	9,366	7,216
Less:		
Stock-based compensation expense ¹	(3,226)	(2,483)
Business combination transaction costs	—	(82)
Development expenses ²	(1,258)	(821)
Fixed expenses (non-GAAP)	\$ 10,111	\$ 7,561
% of total revenue	4.9 %	4.9 %
New pet acquisition expense	\$ 21,627	\$ 19,704
Less:		
Stock-based compensation expense ¹	(2,328)	(2,731)
Other business pet acquisition expense	(109)	(171)
Subscription acquisition cost (non-GAAP)	\$ 19,190	\$ 16,802
% of subscription revenue	13.7 %	14.8 %

¹Trupanion employees may elect to take restricted stock units in lieu of cash payment for their bonuses. We account for such expense as stock-based compensation according to GAAP, but we do not include it in any non-GAAP adjustments. Stock-based compensation associated with bonuses was approximately \$0.2 million for the three months ended March 31, 2022.

²As we enter the next phase of our growth, we expect to invest in initiatives that are pre-revenue, including adding new products and international expansion. These 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.

The following table reflects the reconciliation of new pet acquisition expense, previously called "sales and marketing", to acquisition cost and net acquisition cost (in thousands):

	Three Months Ended							
	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020
New pet acquisition expense	\$ 21,627	\$ 19,845	\$ 19,708	\$ 19,390	\$ 19,704	\$ 14,809	\$ 13,344	\$ 9,242
Excluding:								
Stock-based compensation expense	(2,328)	(2,136)	(2,112)	(2,181)	(2,731)	(801)	(741)	\$ (675)
Acquisition cost	19,299	17,709	17,596	17,209	16,973	14,008	12,603	\$ 8,567
Net of:								
Sign-up fee revenue	(1,202)	(1,162)	(1,268)	(1,260)	(1,264)	(919)	(827)	\$ (781)
Other business segment pet acquisition expense	(109)	(76)	(134)	(118)	(171)	(201)	(265)	\$ (191)
Net acquisition cost	\$ 17,988	\$ 16,471	\$ 16,194	\$ 15,831	\$ 15,538	\$ 12,888	\$ 11,511	\$ 7,595

The following table reflects the reconciliation of adjusted EBITDA to net income (loss) (in thousands):

	Three Months Ended							
	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020
Net (loss) income	\$ (8,855)	\$ (7,042)	\$ (6,819)	\$ (9,221)	\$ (12,448)	\$ (3,502)	\$ (2,558)	\$ 1,353
Excluding:								
Stock-based compensation expense	7,358	6,808	6,443	6,527	8,448	2,602	2,430	2,227
Depreciation and amortization expense	2,717	2,770	2,944	3,158	3,093	2,301	1,666	1,723
Interest income	(97)	(80)	(85)	(84)	(88)	(83)	(74)	(134)
Interest expense	79	9	—	3	(2)	337	324	341
Other non-operating expenses	—	—	(1)	3	—	1	2	44
Income tax (benefit) expense	(24)	1,034	(312)	(195)	(217)	44	26	17
Business combination transaction costs	—	—	—	—	82	522	—	—
(Gain) loss from equity method investment	—	—	—	6	—	—	—	(117)
Adjusted EBITDA	\$ 1,178	\$ 3,499	\$ 2,170	\$ 197	\$ (1,132)	\$ 2,222	\$ 1,816	\$ 5,454

Contacts:

Investors:

Laura Bainbridge, Vice President, Corporate Communications

206.607.1929

InvestorRelations@trupanion.com