

# Trupanion Inc. (NASDAQ:TRUP)

*Buy Pitch (~18% 4-Year IRR, 1.5x r/r)*

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I.

Fundamentals

## *Key Terms*

### **Premium**

The payment a customer makes to an insurance company in exchange for their insurance policy.

### **Deductible**

The amount you agree to pay for covered health care services before your insurance plan starts to pay.

### **Underwriter**

Those who accept or reject risks (insurance applications on behalf of an insurance company).

### **Payout Limits**

The highest amount of money an insurance policy will pay in the event of a claim.

### **Loss Ratio**

Insurance claims paid plus adjustment expenses divided by total earned premiums.

### **Frictional Costs**

Sum of all costs that exceed the normal level for conducting the insurance business.

### **Economic Euthanasia**

A condition in which euthanasia is elected due to the cost of veterinary medical care.

### **PAC (Pet Acquisition Cost)**

Total net acquisition cost for a period of time divided by number of newly enrolled pets.



# II.

## Thesis Summary

# Thesis Summary

*TRUP shows attractive risk/reward at reasonable multiples, at consensus estimates we still get paid*

## Scenario Output

	2024E	2025E	2026E	2027E
<b>Worst Case</b>	\$991	\$1,041	\$1,075	\$1,099
<b>Bear</b>	\$1,109	\$1,224	\$1,323	\$1,411
<b>Consensus</b>	\$1,317	\$1,580	\$1,886	\$2,242
<b>Base</b>	\$1,604	\$2,026	\$2,496	\$3,023
<b>Bull</b>	\$1,715	\$2,232	\$2,836	\$3,550
Base Variance Vs. Cons.	22%	28%	32%	35%
Bull Variance Vs. Cons.	30%	41%	50%	58%

## IRR Table & Risk/Reward <sup>(1)</sup>

Multiple	2026 EV/NTM Sales			
	2.0x	3.5x	4.3x	5.5x
<b>Worst Case</b>	(21%)	(9%)	(4%)	2%
<b>Bear</b>	(17%)	(4%)	1%	7%
<b>Consensus</b>	(9%)	5%	10%	17%
<b>Base</b>	(3%)	12%	18%	25%
<b>Bull</b>	1%	16%	22%	30%
Worst Case Gain / Loss	(61%)	(32%)	(16%)	7%
Consensus Gain / Loss	(32%)	19%	47%	87%
Base Gain / Loss	(10%)	58%	94%	148%
Bull Gain / Loss	2%	79%	120%	182%
<b>R/R Cons. / Worst Case 2.0x EV/Sales</b>			<b>0.8x</b>	<b>1.4x</b>
<b>R/R Base / Worst Case 2.0x EV/Sales</b>			<b>1.5x</b>	<b>2.4x</b>
<b>R/R Bull / Worst Case 2.0x EV/Sales</b>			<b>2.0x</b>	<b>3.0x</b>

## How We Make Money

Even at consensus numbers we get a reasonable IRR a few years out. If things go well for Truppanion, our IRR is good. **If they really execute, (modelled in base/bull case), our IRR is great.** We've built conviction believing in them taking share in a growing TAM as a best-in-class operator. We believe they will accelerate revenue growth higher than consensus.

Assuming 29% revenue CAGR in the base case, we get an IRR of -3% to 25% at 2.0-5.5x 2026 EV/NTM Sales. We still make an IRR of -9% to 17% at 2.0-5.5x 2026 EV/NTM Sales on consensus numbers. We think if management continues to execute, and grow revenue, the multiple can be similar in 2026 due to TRUP's long growth runway.

## How We Lose Money

Revenue growth slows, as the company fails to add as many pets. **Per pet economics worsen.** Trust in management's targets breaks. From this, the multiple compresses to ~2.0-3.0x range.

Compressing to ~2.0x EV/Sales equates to ~26.0x earnings power and 13.3x adj. income. We think this is pretty unlikely, and in the worse case, the company probably gets bought out.

(1) IRR is calculated as January 1<sup>st</sup> 2022 to January 1<sup>st</sup> 2026.



# III.

## Business Overview



# Business Overview



*TRUP is a leading pure-play pet insurance provider in North America*

## Business Overview

- Trupanion (TRUP) is one of the largest pure-play, vertically-integrated, pet medical insurance providers for cats and dogs in the U.S.
- The company operates two business segments: “Subscription Business,” which comprises fees related to Trupanion branded products, and an “Other Business” segment comprised of revenue from other product offerings
- The core product, Trupanion, is a monthly subscription product priced for a pet’s unique characteristics, designed by veterinarians

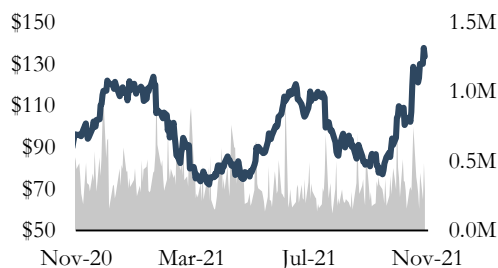
### Key Financial Metrics

Ticker	NASDAQ: TRUP
Share Price	\$136.52
Enterprise Value	\$5,770M
Market Cap	\$5,534M
NTM EV / Sales	6.2x

### Key Performance Indicators

	3Q21	2Q21	1Q21	4Q20	3Q20
Total Pets Enrolled	<b>1,104,376</b>	1,024,226	943,854	862,928	744,727
Subscription Pets	<b>676,463</b>	643,395	609,835	577,957	522,909
Monthly ARPU	<b>\$63.60</b>	\$63.69	\$62.97	\$62.03	\$60.87
Monthly Avg Retention	<b>98.72%</b>	98.72%	98.73%	98.71%	98.69%

### 52 Week Performance



### Two Core Offerings

#### Subscription Business

*77% of Total Revenue  
14% Adjusted Operating Margin*



#### Other Business

*23% of Total Revenue  
3% Adjusted Operating Margin*

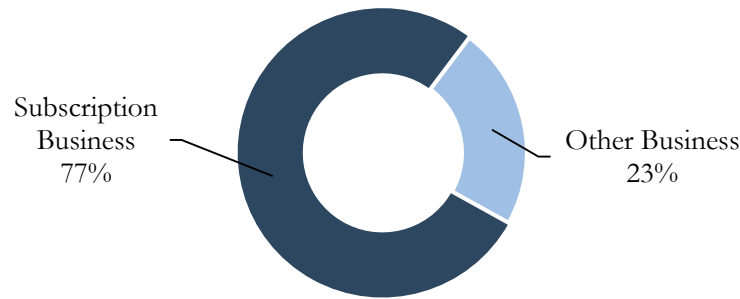


*All data as of November 19<sup>th</sup>, 2021.  
All financial data shown are in U.S. dollars, unless otherwise stated.*

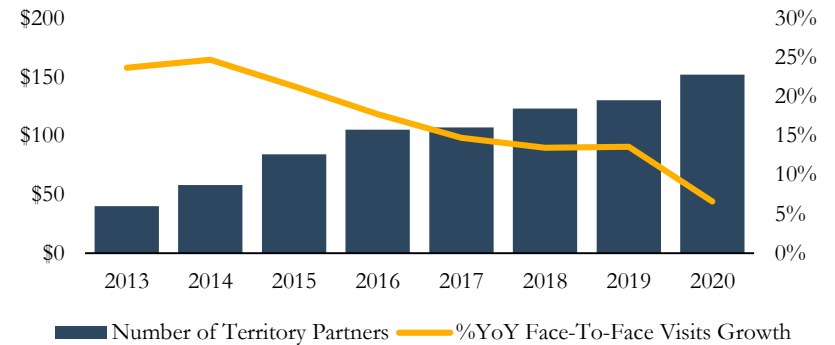
# Business Overview

*TRUP provides medical insurance for cats and dogs throughout Canada, U.S., Puerto Rico, and Australia*

Revenue Contribution by Channel <sup>(1)</sup>



Veterinary Clinic Metrics <sup>(2)</sup>



## Acquisition Channels

### Vet Partnerships

Approximately 2/3 of new pet leads are from the veterinary channel by which vet hospitals encourage pet insurance

### Territory Partners

Territory Partners are compensated on a commission basis, earning \$20 for each new pet signed up

### Customer Referral

TRUP gets approximately 1/5 of new pets through its customer referral - Add a Pet, Friend

### Online Leads

11% of leads come through the online channel, driven primarily by SEM and SEO

### Point of Sale

Point of Sale and all other acquisition channels make up ~5% of leads

**TRUP offers a comprehensive, yet simple coverage plan priced specifically for the distinct characteristics of a pet**

(1) Company filings - 2020 Annual Report.

(2) Ibid.



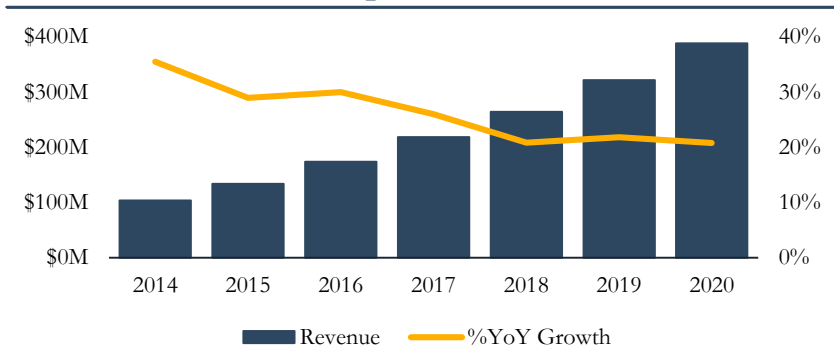
# How Does Trupanion Make Money?

*TRUP's subscription business provides a steady, stable source of revenue year after year*

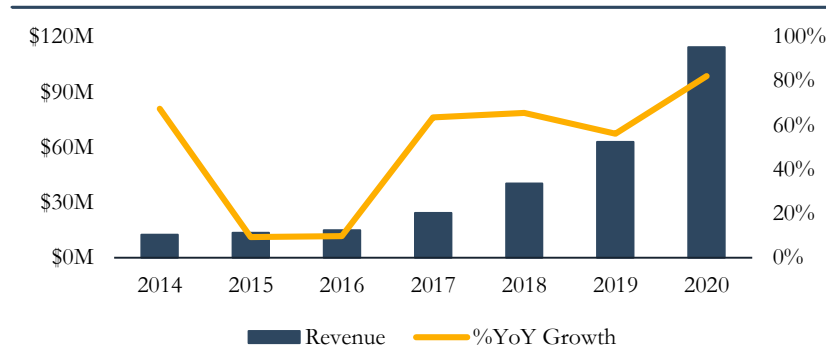
**Total Revenue Breakdown By Segment**

Revenue Segment	2014	2015	2016	2017	2018	2019	2020
Subscription Business	89.3%	90.8%	92.1%	90.0%	86.8%	83.7%	77.2%
Other Business	10.7%	9.2%	7.9%	10.0%	13.2%	16.3%	22.8%

**Subscription Business**



**Other Business**



- Generates revenue primarily from subscription fees based on a “cost plus” approach, adding a 30% margin
- For TRUP’s core medical insurance, premiums are paid at the beginning of each period on a monthly basis
- 90% of all veterinary costs are covered with no payout limits for all unexpected injuries and illnesses

- Comprised of revenue from a number of other offerings – generally these involve B2B relationships
- Markets to organizations that provide pet insurance as part of employee benefit plans, also earns revenue from underwriting policies on behalf of third parties

# Coverage & Cost Structure



*TRUP offers the most comprehensive and pertinent coverage in the pet insurance industry*

## Trupanion Pet Insurance Coverage

<b>What's Covered?</b>	Illness & Injuries, Hereditary & Congenital Conditions, Diagnostic Tests, Surgeries, Hospital Stays, Medications, Veterinary Supplements, Prosthetic Devices & Carts
<b>What's Not Covered?</b>	Exam Fees, Sales Tax Where Applicable, Wellness & Preventative Care, Pre-Existing Conditions
<b>Extra Coverage</b>	Recovery & Complimentary Care Rider (Approx. \$9.95 per month), Pet Owner Assistance Package (Approx. \$5.95 per month)

## Per Pet Monthly Economics (FY 2020)

Average Monthly Revenue per Pet (ARPU/ARPP)	\$60.37	100.0%
(-) Claims or Paying Veterinary Invoices (COGS)	(\$43.26)	(71.7%)
(-) Variable Expenses (Fast 24/7 Service)	(\$5.51)	(9.1%)
<b>Contribution Profit</b>	<b>\$11.60</b>	<b>19.2%</b>
(-) Fixed Expenses (G&A + IT)	(\$3.17)	(5.3%)
<b>Profit per Pet per Month</b>	<b>\$8.43</b>	<b>13.9%</b>

# IV.

## Internal Analysis

*Founder Darryl Rawlings is well known for his unconventional metrics that evaluate operational execution*

## How Management Evaluates The Business

1

### Same Store Sales

Measures the penetration rate of Trupanion insured pets among the existing hospital base. Two growth levers here 1) Grow active hospitals 2) Grow pets per hospital. Trupanion's been able to do both. They drive growth by high-touch account managers, and a sticky SaaS platform.

2

### Conversion Rates

Measures the percentage of pet owners that enroll after receiving a quote. The better Trupanion can communicate their value proposition, the higher this rate goes, driving revenue.

3

### TruTopia – Self Sustaining Revenue

The referrals from members adding pets or referring friends, offsetting churn in the business. In 2020, monthly average of members adding pets or referring friends was 0.82% of total book. Churn was 1.29% per month.  $1.29\% - 0.82\% = 0.47\%$  away from TruTopia (+21 bps y/y).

4

### Automated Claims

Measured as % of total claims automated. The faster claims are processed, the less burden on the vet and the pet owner, strengthening the core value proposition.

5

### Adjusted Operating Income & Margin

Target 15% AOM and settle for nothing less. 72% vet claims, 9% variable expenses, 4% fixed expenses. To strengthen the value proposition management wants to go from cost +30% to cost +28%. It'll be enabled by a data advantage, allowing for micro-category pricing.

6

### Culture & Team

Strong focus on mission. Rawlings wants to lead by example. On people, the main focuses are 1) Bring in exceptional talent 2) Offer best-in-class learning and development opportunities 3) Provide an environment that encourages team members' fulfillment.



*TRUP's management has laid out its strategic vision for the next five years*

## Key Goals

<b>Revenue Growth 25%+</b>	<ul style="list-style-type: none"> <li>Grow revenue to at least \$1.5B by 2025</li> <li>Core growth at least 25%, others faster</li> <li>Add “building blocks” of high growth revenue segments if unit economics make sense</li> </ul>
<b>Intrinsic Value Per Share 25%+</b>	<ul style="list-style-type: none"> <li>Increase intrinsic value per share by 25% per year, rewarding employees and shareholders</li> <li>In 2020, TRUP grew intrinsic value 88%</li> </ul>

## 2021-25 60 Month Business Plan

<b>1</b>	<b>Core Insurance</b> <ul style="list-style-type: none"> <li>Pay 90% of claims in 5 min ('20 – 24%), 80% with AI ('20 – 18%)</li> <li>Software penetration 90%</li> <li>99% member retention rate – Get to TruTopia</li> </ul>
<b>2</b>	<b>Other Insurance</b> <ul style="list-style-type: none"> <li>Introduce lower/medium ARPP products to N.A., sold online</li> <li>Grow and take-share in the lower/mid-level coverage market</li> <li>Same targeted margin structure</li> </ul>
<b>3</b>	<b>International Growth</b> <ul style="list-style-type: none"> <li>Partnership with Aflac – In ¼ Japanese households – then move to U.K, Brazil, possibly Western Europe</li> <li>Grow “TRUP” hospital #'s from ~25k to 35k, then 50k by 2030</li> </ul>
<b>4</b>	<b>Food-Landspath</b> <ul style="list-style-type: none"> <li>Launch healthy pet-food with Rayne Clinical Nutrition partnership</li> <li>Rolled out in 2022, extending pets' lives by 2+ years, sold directly through vet hospitals. Minimum \$100M 2025 revenue</li> </ul>
<b>5</b>	<b>Pet GPS Tracker</b> <ul style="list-style-type: none"> <li>Solve 1/3 of pets going missing in life, 80% never found</li> <li>Create start-up business unit to create a self-charging, patented GPS unit for a pet's collar – Instant locator with phone</li> </ul>
<b>6</b>	<b>Technology Solutions</b> <ul style="list-style-type: none"> <li>Acquire leading pet health tech companies</li> <li>Resell already patented software while maintaining IP moat</li> <li>\$100M 2025 target, 15% adjusted operating margin</li> </ul>

## Unit Economics – 41% IRR & ~2.5x LTV/CAC

Year	0	1	2	3	4	5	6
Months <sup>1</sup> / Year	6	12	12	12	12	12	11.5
Profit per Pet <sup>2</sup> per Month	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Profit per Pet Pet	\$47	\$94	\$94	\$94	\$94	\$94	\$90
Acquisition Cost	(\$247)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Inflows</b>	<b>(\$200)</b>	<b>\$94</b>	<b>\$94</b>	<b>\$94</b>	<b>\$94</b>	<b>\$94</b>	<b>\$90</b>
<b>IRR</b>							<b>41%</b>

(1) 2020 TTM retention was 98.71% resultant in a 77.5 month customer lifetime.

(2) Profit per pet calculated as monthly ARPU minus veterinary invoices, variable expenses (24/7 support), fixed expense allocation, and capital charge (1% of ARPU).



V.

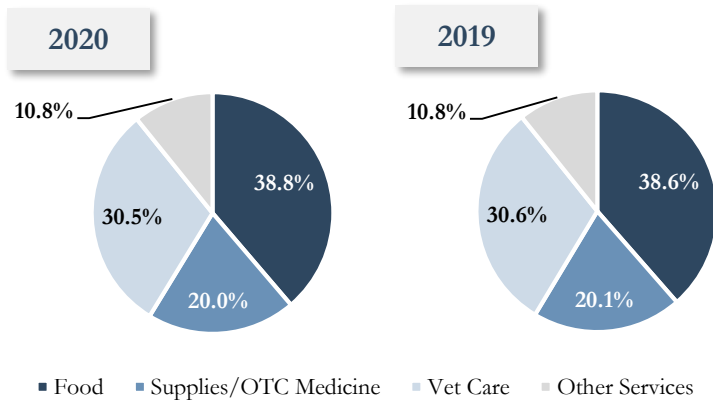
External Analysis



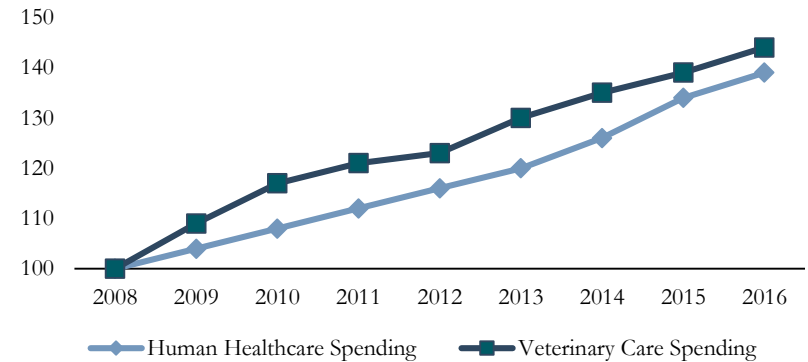
# External Analysis: Industry Trends

*The U.S. pet industry continues to experience consistent growth allowing a long runway for TRUP*

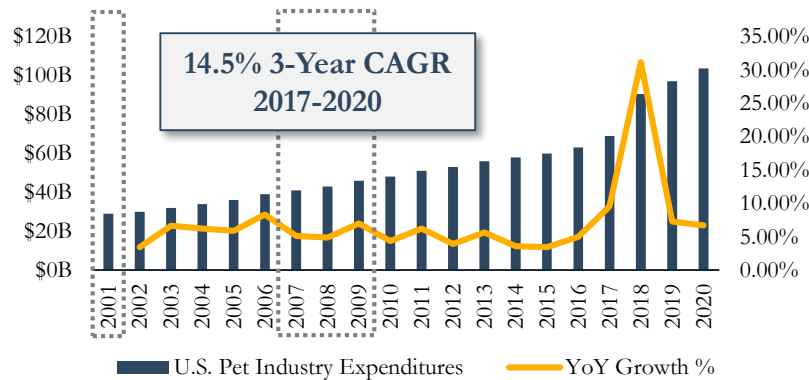
### Pet Expenditure by Category <sup>(1)</sup>



### Vet Care Costs Outpace Human Care (Indexed) <sup>(2)</sup>



### Total U.S. Pet Industry Expenditure <sup>(3)</sup>



### Number of Pets in the U.S. <sup>(4)</sup>

**1 in 5 U.S. households** acquired a pet during May 2020 – May 2021

**82M households total** in the U.S. have a dog or cat

This represents **~23M households** in the U.S.

This represents **67% of households** in the U.S.

(1) America Pet Products Association (APPA).  
 (2) APPA National Pet Owners Survey.  
 (3) America Pet Products Association (APPA).  
 (4) ASPCA Survey.

# External Analysis: Key Players

*TRUP differentiates from key players through providing the broadest coverage insurance product*

	trupanion Medical insurance for your pet.	FIGO PET INSURANCE	Petplan®	EMBRACE PET INSURANCE	ASPCA PET HEALTH INSURANCE	healthypaws® PET INSURANCE & FOUNDATION	Nationwide®
No payout caps or limits	✓	Depends on specific plan	Depends on specific plan	✗	Depends on specific plan	✓	Depends on specific plan
Covers approved surgeries, medications, & hospital stays	✓	✓	✓	✓	✓	✓	Depends on specific plan
Coverage available from birth	✓	✗	✗	✗	✗	✗	✓
Covers dietary supplements	✓	✓	✓	When Wellness Plan purchased	✓	✓	Depends on specific plan
Pay hospital directly at time of checkout for claims	✓	✗	✗	✗	✗	✗	✗
24/7 preapprovals available even from emergencies	✓	✗	✗	✗	✗	✗	✗
Pays customer based on actual veterinary bills	✓	✓	✓	✓	✓	✓	Depends on specific plan

# External Analysis: Competitor Payouts

*TRUP's core product offering aims to cover the most for the insured*



- Trupanion's policy is paying 90% of eligible expenses payout with no payout limit – this contrasts competitors that target 70%
- Trupanion has a 71% claims payout, meaning that for every dollar in premium, they target paying \$0.71 in claims
- For consumers, the difference between 70% or 90% payout can mean the difference between life or death for their pet

# VI.

## Investment Thesis

# Why Now?

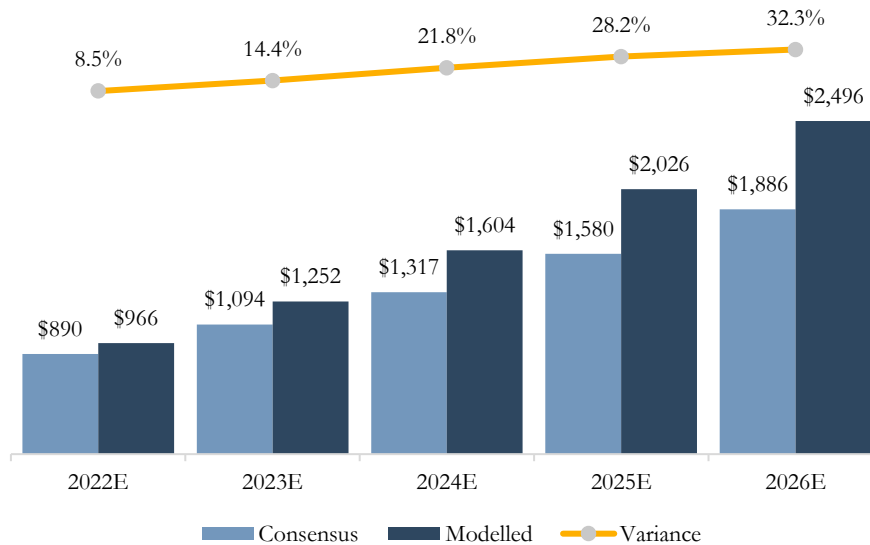
Why do we like TRUP today?

## Distilled Thesis

Truppanion can grow above consensus growth rates (~21% implied CAGR for 2025E \$1.5B), and even if it grows at consensus, the IRR and risk/reward is still attractive. Our return will come from consensus having to accelerate revenue estimates, earnings beats, and/or analysts rolling forward their targets, managing sentiment.

### Revenue Model Summary (U.S. \$M)

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Subscription	\$669	\$895	\$1,185	\$1,542	\$1,949	\$2,412	\$2,930	\$3,510	\$4,158
Other	\$297	\$357	\$419	\$484	\$546	\$611	\$677	\$742	\$807
<b>Total Rev.</b>	<b>\$966</b>	<b>\$1,252</b>	<b>\$1,604</b>	<b>\$2,026</b>	<b>\$2,496</b>	<b>\$3,023</b>	<b>\$3,607</b>	<b>\$4,253</b>	<b>\$4,965</b>



### We Gain Conviction From:

- 1 An industry leading value proposition that takes share
- 2 A growing and accelerating total addressable market
- 3 A sticky SaaS solution with a strong go-to-market
- 4 A world-class CEO that has consistently beat expectations

### And See The Following As Risks:

- 1 A possible growth slow-down weighing on the multiple
- 2 A rolling back of disclosure in key operating metrics
- 3 Failed nascent products weighing on sentiment

# Thesis I: What Estimates Imply for Share & TAM

*Current consensus estimates imply TRUP takes no share from competitors & incremental customers*

## Top-Down Assumptions

Total # of pets insured growth y/y decelerates 1% per year from 20% in '22

Veterinary cost inflation of 6% per year

## Historical Data



~183M pets in Canada and the U.S.



~3.5M pets insured growing 20% per year



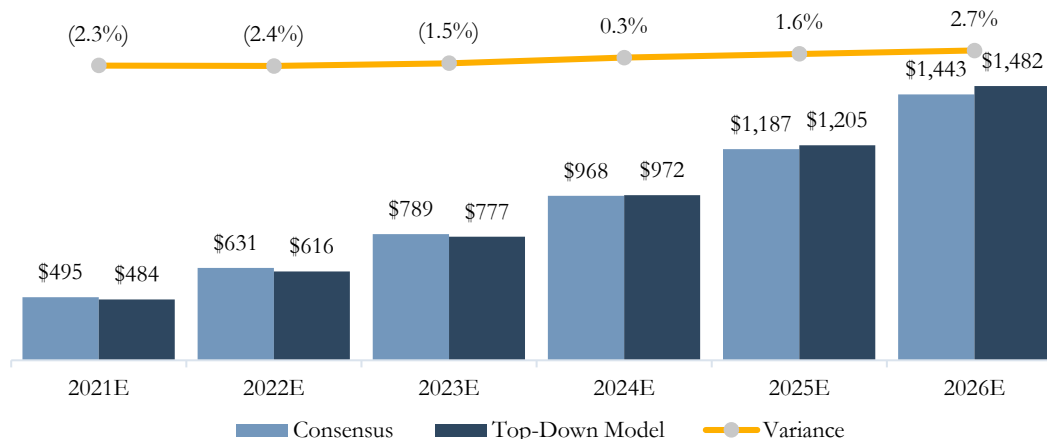
1.9% 2020 penetration rate (+34 bps y/y)



\$646 average yearly revenue per pet

## Market Implied Growth With No Share Gain

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Market Share	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%
Total Pets Insured	4.2	5.1	6.0	7.1	8.3	9.6	11.1	12.6	14.3	16.0
Total Pets	183.6	184.5	185.5	186.4	187.3	188.3	189.2	190.2	191.1	192.1
Penetration Rate	2.3%	2.7%	3.2%	3.8%	4.4%	5.1%	5.9%	6.6%	7.5%	8.3%
<b>Revenue</b>										
Consensus	\$495	\$631	\$789	\$968	\$1,187	\$1,443	\$1,745	\$2,100	\$2,517	\$2,996
Top-Down Model	\$484	\$616	\$777	\$972	\$1,205	\$1,482	\$1,807	\$2,183	\$2,615	\$3,075
Variance	(2.3%)	(2.4%)	(1.5%)	0.3%	1.6%	2.7%	3.5%	4.0%	3.9%	2.6%



At reasonable market growth rate assumptions, consensus estimates imply no share gain for a best-in-class operator and world-class management team.



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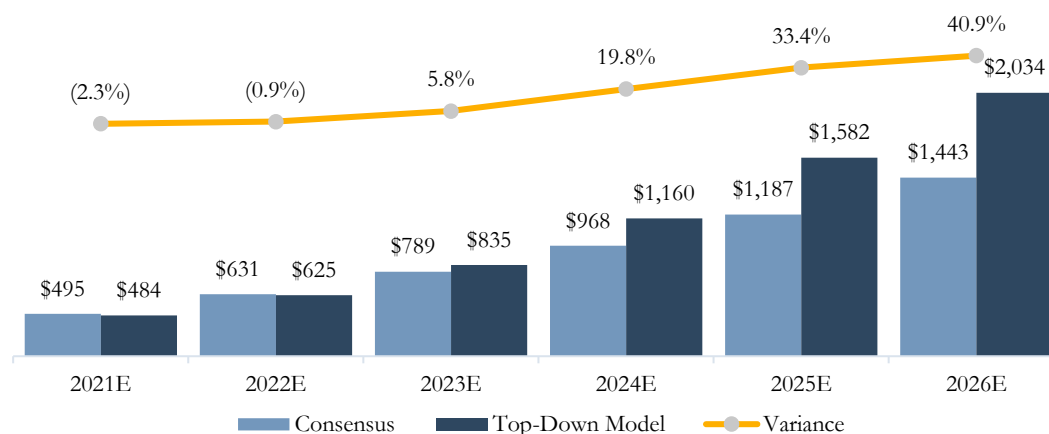
1.9% 2020 penetration rate (+34 bps y/y)



\$646 average yearly revenue per pet

## Base Case Share Gain Scenario

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Market Share	16.8%	17.0%	18.0%	20.0%	22.0%	23.0%	23.5%	24.0%	24.5%	25.0%
Total Pets Insured	4.2	5.1	6.0	7.1	8.3	9.6	11.1	12.6	14.3	16.0
Total Pets	183.6	184.5	185.5	186.4	187.3	188.3	189.2	190.2	191.1	192.1
Penetration Rate	2.3%	2.7%	3.2%	3.8%	4.4%	5.1%	5.9%	6.6%	7.5%	8.3%
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Top-Down Model	\$484	\$625	\$835	\$1,160	\$1,582	\$2,034	\$2,533	\$3,126	\$3,822	\$4,586
Variance	(2.3%)	(0.9%)	5.8%	19.8%	33.4%	40.9%	45.2%	48.8%	51.9%	53.1%



Top-down analysis shows Trupanion can accelerate revenue growth above consensus estimates if they are able to take share. As a best-in-class operator, they will.



# Thesis I: How Trupanion Grows Penetration

*What makes penetration go from 2.3% today to 8.3% in 2030?*

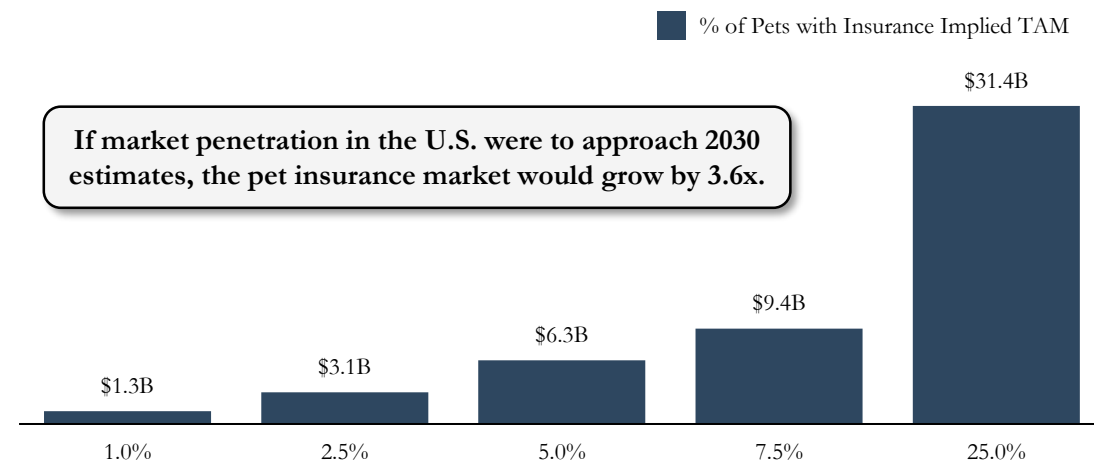
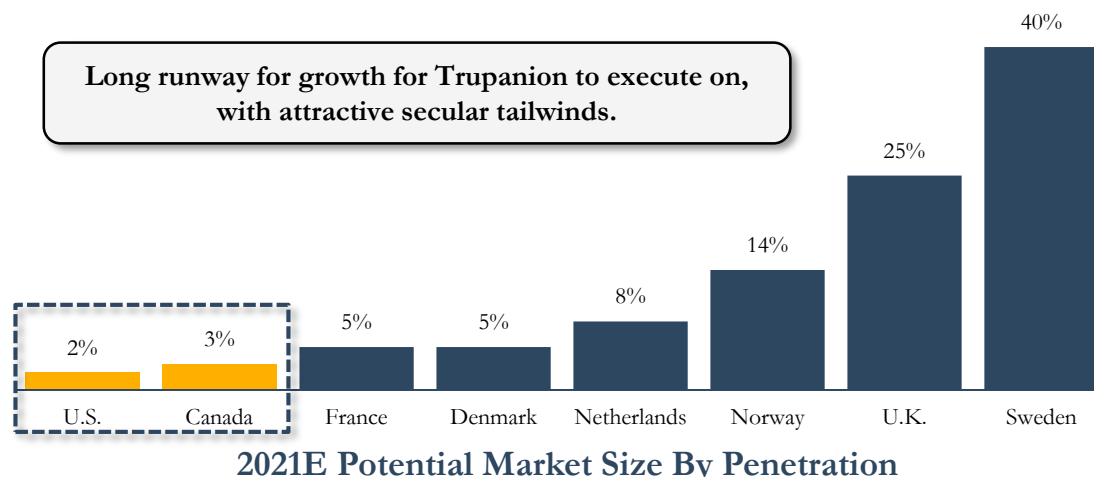
## Commentary

- As only ~2% of America's 184M pets have insurance, there is an untapped market of uninsured pets to drive growth
- Penetration will continue to be driven by increased pet adoptions, costly vet expenses, & TRUP's high-touch go-to-market strategy

## 2021E TAM Calculation <sup>(1)</sup>

<b>Total Number of Pets in the U.S.</b>	<b>183.6M</b>
<b>Monthly Revenue per Pet</b>	<b>\$57.04</b>
Annual Revenue per Pet	\$684.43
Penetration by 2030	8.30%
Penetration in the U.K.	25.00%
<b>2030 Market Size at 8.3% Penetration</b>	<b>10.4B</b>
<b>25% Penetration Total Market Size</b>	<b>31.4B</b>
2021E Market Size	2.9B
2030E 8.3% Pen. 9-Year CAGR	15.35%
<b>2030 Market Size / 2020 Market Size</b>	<b>3.62x</b>
<b>25% Pen. TAM / 2020 Market Size</b>	<b>10.89x</b>

## Underpenetrated Market



(1) All else held equal for average monthly revenue per pet.



# Thesis I: Why North America has Lower Penetration



*Nationwide's mercenary approach, extracting value from customers impaired penetration in the U.S.*

## Primary Reason for Low Penetration – Nationwide's Poor Policies Led to Customer & Veterinary Distrust <sup>(1)</sup>

“Unlike the U.K., the U.S. initially provided more “traditional insurance” products at the outset that offered **poor value** to pet owners and **alienated veterinarians**. Early policies were often sold as annual plans with **limited coverage**... There was **limited product transparency** or consumer education, and **veterinary alignment was lost**, fostering **distrust** between pet owners and veterinarians.”

“Imagine the following scenario: A pet owner of a Lab brings him to the vet with a torn ligament and learns the **cost is \$4,000**. The pet owner is **pleased to have insured the pet, authorizes the surgery, and submits the claim**. Now **imagine how the pet owner feels when the insurance company reimburses just \$1,500**, citing the national average for the same surgery and suggesting the pet owner was overcharged.”

## How did the Market Grow in the U.K.?

“Adoption across the pet community was slow, but steady. It took a decade to reach 1% penetration. Thereafter, growth accelerated by ~1% percent per year. In just over two pet generations, 1/4 pet owners had a policy for their pets.”

The practice of **insurance in vet practices was normalized, with clinics universally asking for the pets' insurer upon check-in**. Selecting the right insurance plan for a pet was **akin to choosing the right food and seeking out the best dog bed.**”

## How can the U.S. Market closely parallel that of the U.K. Market?

### Event Path

1

Vets need to feel comfortable with the provider – TRUP is the only one that takes a stance against economic euthanasia, a leading cause of vet depression.

2

Vets recommend the service to customers; #1 driver of penetration increase is vets bringing the topic up to pet owners.

3

Reach a point where it becomes “normal” and asked for at check-in. This is very powerful for behaviors, and drives the industry up the S-curve, similar to the U.K.

Source: *Veterinary Practice News*.

(1) *Nationwide's policies often contained over 500 exclusions of reimbursement.*



WESTERN INVESTMENT CLUB

# Thesis I: How Trupanion Grows Penetration



*What makes penetration go from 2.3% to 8.3% in 2030?*

## Trupanion Continues to Invest in Increasing Penetration

### High-Touch Vet Clinic Partners

- 130 Territory Partners educate vets on benefits of pet insurance & encourage vets to recommend TRUP
- Visits 21,600 vet clinics every 60 days, implying 2-3 visits to clinics daily
- Customers most likely to buy insurance when brought to attention by their vet

### Trupanion Breeder Support Program

Fastest growing channel

Youngs pets more susceptible to injury

Highest conversion and lifetime value

Special TRUP offer for breeders to sell

### Aflac & State Farm Partnerships

- Aflac, a provider of workplace benefits, is a catalyst for growth in the workplace benefit space & entering international markets such like Japan
- Partnership with State Farm, one of America's large insurance brands, to offer pet insurance through Trupanion

### Practice Information Management Systems

- PIMS provides Trupanion with access to new pet owners who make their first visit to a hospital
- TRUP has exclusive relationships with IDEXX and Covetrus, owners of 75% of PIMS used in NA
- Results in more relevant leads & higher conversion

(1) Assumes ASP was \$1 - \$2 in 2009.



# Thesis II: How Trupanion Grows Market Share



*TRUP's wide moat supports its market leadership as a best-in-class operator*

## A Best-In Class Operator

### Patented Software

#### Trupanion Express

The company's patented software integrates with veterinarian management software

#### Transforms Payment Processing

Rather than pet owners paying out of pocket, Express involves direct automated payments of claims in as little as 5 minutes

#### Continued Uptake

Installed in over 4,000 clinics, & management expects to add a thousand annually

### Data Advantage

#### 20 Year History

With years of operating history, TRUP has collected vast amounts of proprietary data

#### Precise, Data-Enabled Pricing

This pricing approach results in efficient coverage, more affordable premiums, and better risk management.

#### Statistics

Data from over 1M processed claims, 18K vet practices & 500 breeds

### Go-To-Market

#### Vet Clinics & Hospitals

Pet owners are more likely to buy pet insurance when it comes from a vet

#### 130 Territory Partners

Contractors maintain strong relationships with veterinarians to promote Trupanion's product

#### AFL & State Farm Partnerships

Partnerships strengthen TRUP's moat, offering expansion internationally and in worksite benefits

### Subscription Model

#### Subscription

#### Enrolled Pets

Monthly subscriptions of pet medical insurance offer great visibility into future cash flows

#### 98.72% Monthly

#### Subscription Retention

High retention rates point to strong stickiness to TRUP's product

#### PHI Direct & Furkin

TRUP recently launched new lower & medium-priced subscription offerings

**TRUP has curated a trusted brand by continuing to strengthen its offerings**



# Thesis II: How Trupanion Grows Market Share



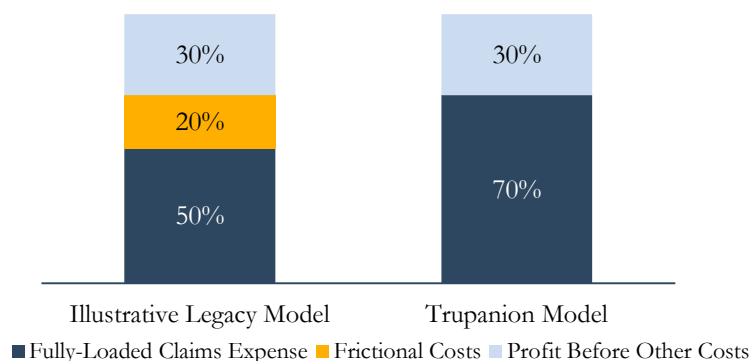
*Using a higher percentage of member's fees to pay vet invoices increases customer value proposition*

## 90% Claims Payout is an Important Competitive Advantage

Pet Bill Without Insurance		Pet Bill With 70% Reimbursement		Pet Bill With TRUP 90% Reimbursement	
<b>Total</b>	\$25,000	<b>Total</b>	\$25,000	<b>Total</b>	\$25,000
		Customer Pays Chosen Deductible	\$250	Customer Pays Chosen Deductible	\$250
<b>Customer Pays</b>	<b>\$25,000</b>	<b>Customer Pays</b>	<b>\$7,750</b>	<b>Customer Pays</b>	<b>\$2,750</b>
<b>Percentage Savings</b>	0%	<b>Percentage Savings</b>	69%	<b>Percentage Savings</b>	89%

## Trupanion Pricing Model vs. Legacy Model

## Commentary



- TRUP pays out **70% of premiums** and targets covering **90% of eligible vet expenses** with no payout limits
- TRUP's proprietary data advantage allow them to price policies accurately to get to the 70% target
- Other players may try to price higher, however, this is difficult and mispriced policies will result in pullback
- Pricing at 90% claims payout prevents economic euthanasia and incentivizes vets to sell TRUP's product

# Thesis II: How Trupanion Grows Market Share



*Direct pay, automation, & pricing are all strategically important moats for TRUP*

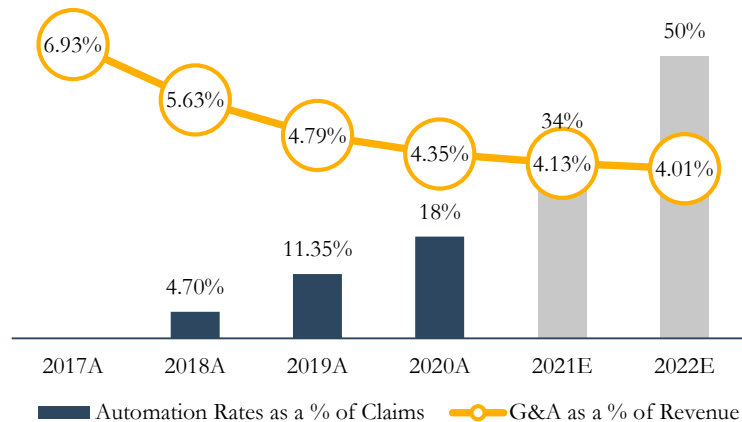
## Trupanion Model vs. Legacy Reimbursement

Legacy	You Pay <b>100%</b> of Bill	Processing Claims take approximately <b>30 Days</b>
	You Pay <b>10%</b> of Bill	Paid in less than <b>5min</b> with TRUP's Claims Automation

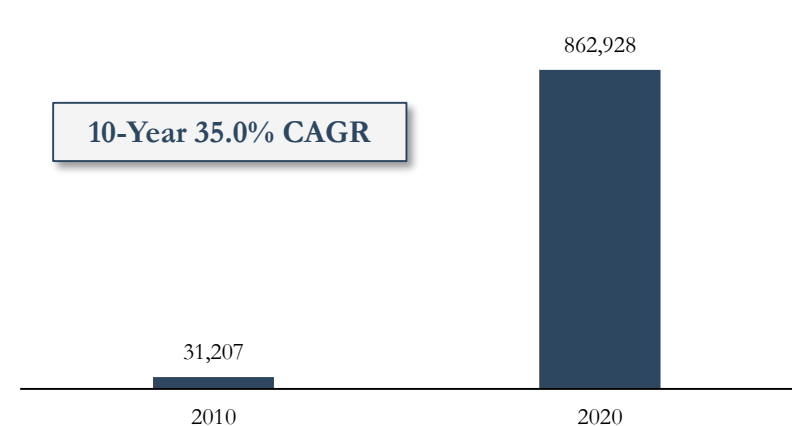
## Customer Stickiness

- TRUP has a very stable existing customer base, people that do spend money on pets will continue to do so
- Owners have an attachment to their pet and are willing to spend to take care of them, similar to a child
- TRUP is recession resilient, if a pet has a critical emergency, most owners will do anything they can no matter the market conditions
- 98.5% monthly retention rate & 1.29% monthly churn

## Automation Lowers Costs of Processing Claims <sup>(1)</sup>



## Total Enrolled Pets



(1) Analyst estimates.

# VII.

## Valuation

# Valuation: Multiples & DCF

17.8% base case IRR driven by total subscription pets growth

## Multiples & DCF

	2026 EV/NTM Revenue		
	Bear	Base	Bull
2026 Revenue	\$1,323,364	\$2,495,899	\$2,835,749
Multiple	2.0x	4.3x	5.5x
<b>Enterprise Value</b>	<b>\$2,646,729</b>	<b>\$10,732,366</b>	<b>\$15,596,619</b>
Net Debt	(\$236)	(\$236)	(\$236)
<b>Equity Value</b>	<b>\$2,646,965</b>	<b>\$10,732,602</b>	<b>\$15,596,855</b>
Shares	40,622	40,760	40,788
<b>Value / Share</b>	<b>\$65.15</b>	<b>\$263.31</b>	<b>\$382.38</b>
<b>Implied Upside</b>	<b>(52.3%)</b>	<b>92.9%</b>	<b>180.1%</b>
<b>4-Year IRR</b>	<b>(16.9%)</b>	<b>17.8%</b>	<b>29.4%</b>

## LTM 2025 DCF - 10% WACC

	Bear	Base	Bull
<b>Enterprise Value</b>	<b>\$4,821,161</b>	<b>\$7,983,730</b>	<b>\$8,795,565</b>
Less: Debt	–	–	–
Less: Minority Interest	–	–	–
Add: Cash	\$236	\$236	\$236
<b>Equity Value</b>	<b>\$4,821,397</b>	<b>\$7,983,966</b>	<b>\$8,795,802</b>
Shares	42,263	42,263	42,263
<b>Value / Share</b>	<b>\$114.08</b>	<b>\$188.91</b>	<b>\$208.12</b>
<b>Implied Upside</b>	<b>(16.4%)</b>	<b>38.4%</b>	<b>52.4%</b>
<b>IRR</b>	<b>(4.4%)</b>	<b>8.5%</b>	<b>11.1%</b>

## Key Driver Assumptions

	Base Case Key Driver Assumptions				
	2022E	2023E	2024E	2025E	2026E
<b>Total Sub. Pets</b>	0.92m	1.16m	1.43m	1.75m	2.08m
<i>Rationale:</i> Industry continues to accelerate up the S-Curve similar to the U.K.. Trupanion's industry leading value prop takes share. +23% and +28% beat on cons. in 25-26E'.					
<b>Monthly ARPP</b>	\$67.8	\$71.9	\$76.2	\$80.8	\$84.8
<i>Rationale:</i> Driver historical CAGR of 6% carried forward - Cost + 30% model. This driver only rises with the general veterinary cost inflation rate. +1.5% beat on cons. in 25-26E'. Consensus implied CAGR ~5.5-5.75%.					
<b>Retention</b>	98.89%	98.94%	98.96%	98.98%	99.00%
<i>Rationale:</i> Management hits their "TruTopia" target in 26E' - monthly retention at 99%. Implies retention months rise from 77.5 to 98.					

## Historical EV/NTM Sales Multiple



# VIII.

## Risks & Catalysts



*Several risks could have adverse implications on the value of TRUP*

	Details	Mitigation
Inefficient Member Acquisition Expenditures	<ul style="list-style-type: none"><li>▪ TRUP plans to continue making significant investments to grow their member base – the effectiveness of these sales and marketing initiatives are not guaranteed, and can result in weaker return on investment</li></ul>	<ul style="list-style-type: none"><li>▪ Once members are acquired, TRUP requires little further investment in marketing to maintain relationships</li><li>▪ Given the predictable nature of customer relationships, management is confident in unit economics forecasts</li></ul>
Increased Competitive Pressures	<ul style="list-style-type: none"><li>▪ TRUP faces competitive pressure from larger and better funded competitors who may reduce their market share</li><li>▪ Factors such as irrational pricing or changes in the ways others underwrite present potential threats to TRUP</li></ul>	<ul style="list-style-type: none"><li>▪ TRUP is currently the second largest pet insurance provider despite other players being backed by national underwriters</li><li>▪ Additional competition could pose a threat to TRUP – would be more headline risk than business risk</li></ul>
Claims & Pricing Risk	<ul style="list-style-type: none"><li>▪ With the nature of insurance, providers suffer the inherent risk of improperly pricing products and offerings</li><li>▪ Any policy mispricing's could lead to material losses in potential revenue and loss of customers to competitors</li></ul>	<ul style="list-style-type: none"><li>▪ TRUP has over 1.2M pricing categories based on extensive research &amp; data</li><li>▪ Price increases only happen due to inflationary costs. Otherwise, price changes are only evident across different breeds/types of pets based on research</li></ul>

# Catalysts: Event Path

*Look to see the stock move on earnings, 2021 shareholder letter, and successful Aflac partnership*

## Previous “Alpha” Days & Periods



1

### Earnings Reports – Next two years

The stock has historically moved in the  $\sim\pm 25\%$  range on earnings – We look to see revenue guidance acceleration, continued low churn, and efficient marketing spend to drive the stock higher on earnings over the next two years.

2

### Shareholder Letters & AGMs/Calls – Look to 2021 letter for an update on 60 month strategy, higher growth targets

In letters and AGM's, Rawlings has taken the opportunity to provide in-depth guidance on what he thinks the business can look like in the next few years. We look to see him continue to do this, and continue to outperform the expectations he sets out for the company.

3

### Aflac Japan Deal Rollout, Direct Through Vet Pet-Food Initiatives – Back half 22', early 23' story

Successful Aflac rollout (workplace benefits) will prove TAM can grow rapidly in N.A. through workplace benefits, and provide insight into what penetration can look like in the U.S. at scale. Pet food plans will strengthen value proposition, accelerating pet adds per hospital.



# IX.

## Thesis Summary

# Thesis Summary

*TRUP shows attractive risk/reward at reasonable multiples, at consensus estimates we still get paid*

## Scenario Output

	2024E	2025E	2026E	2027E
<b>Worst Case</b>	\$991	\$1,041	\$1,075	\$1,099
<b>Bear</b>	\$1,109	\$1,224	\$1,323	\$1,411
<b>Consensus</b>	\$1,317	\$1,580	\$1,886	\$2,242
<b>Base</b>	\$1,604	\$2,026	\$2,496	\$3,023
<b>Bull</b>	\$1,715	\$2,232	\$2,836	\$3,550
Base Variance Vs. Cons.	22%	28%	32%	35%
Bull Variance Vs. Cons.	30%	41%	50%	58%

## IRR Table & Risk/Reward <sup>(1)</sup>

Multiple	2026 EV/NTM Sales			
	2.0x	3.5x	4.3x	5.5x
<b>Worst Case</b>	(21%)	(9%)	(4%)	2%
<b>Bear</b>	(17%)	(4%)	1%	7%
<b>Consensus</b>	(9%)	5%	10%	17%
<b>Base</b>	(3%)	12%	18%	25%
<b>Bull</b>	1%	16%	22%	30%
Worst Case Gain / Loss	(61%)	(32%)	(16%)	7%
Consensus Gain / Loss	(32%)	19%	47%	87%
Base Gain / Loss	(10%)	58%	94%	148%
Bull Gain / Loss	2%	79%	120%	182%
<b>R/R Cons. / Worst Case 2.0x EV/Sales</b>			<b>0.8x</b>	<b>1.4x</b>
<b>R/R Base / Worst Case 2.0x EV/Sales</b>			<b>1.5x</b>	<b>2.4x</b>
<b>R/R Bull / Worst Case 2.0x EV/Sales</b>			<b>2.0x</b>	<b>3.0x</b>

## How We Make Money

Even at consensus numbers we get a reasonable IRR a few years out. If things go well for Truppanion, our IRR is good. If they really execute, (modelled in base/bull case), our IRR is great. We've built conviction believing in them taking share in a growing TAM as a best-in-class operator. We believe they will accelerate revenue growth higher than consensus.

Assuming 29% revenue CAGR in the base case, we get an IRR of -3% to 25% at 2.0-5.5x 2026 EV/NTM Sales. We still make an IRR of -9% to 17% at 2.0-5.5x 2026 EV/NTM Sales on consensus numbers. We think if management continues to execute, and grow revenue, the multiple can be similar in 2026 due to TRUP's long growth runway.

## How We Lose Money

Revenue growth slows, as the company fails to add as many pets. Per pet economics worsen. Trust in management's targets breaks. From this, the multiple compresses to ~2.0-3.0x range.

Compressing to ~2.0x EV/Sales equates to ~26.0x earnings power and 13.3x adj. income. We think this is pretty unlikely, and in the worse case, the company probably gets bought out.

(1) IRR is calculated as January 1<sup>st</sup> 2022 to January 1<sup>st</sup> 2026.



X.

Appendix

# Appendix: Valuation

## Current Valuation Summary

- Truppanion is trading at 6.2x NTM Sales, 1.9x above its 2 year average of 4.3x
- The Company has grown revenue at ~28% CAGR since 2014, and has not decelerated

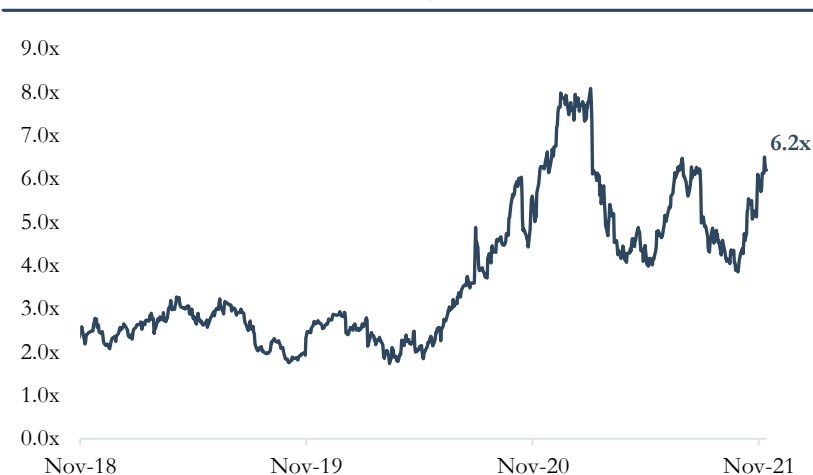
## Capitalization Table

Share Price	\$136.52
F.D. Shares Outstanding (mm)	42.3
<b>Market Capitalization</b>	<b>\$5,770</b>
Add: Debt	\$0
Less: Cash	(\$110)
Less: Short-term Investments	(\$112)
Less: Long-term Investments	(\$15)
<b>Enterprise Value</b>	<b>\$5,534</b>

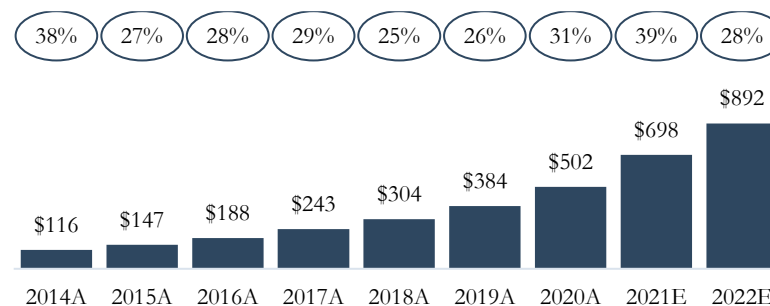
Key Financial Metrics	Value	Metrics
EV / 2021E Sales (Consensus)	\$697.7	7.9x
EV / 2022E Sales (Consensus)	\$891.9	6.2x
EV / 2021E Adj. Operating Profit (Consensus) <sup>2</sup>	\$104.7	52.9x
EV / 2022E Adj. Operating Profit (Consensus) <sup>2</sup>	\$133.8	41.4x

Leverage Multiples	Debt	Metrics
Total Debt / 2022E EBITDA	\$0	n.c.
Net Debt / 2022E EBITDA	(\$222)	n.c.

## Historical EV / NTM Sales



## Revenue & Y/Y Growth (U.S. \$M)



All data as of November 19<sup>th</sup>, 2021.

(1) 2021E-2022E revenue are consensus estimates.

(2) Adjusted Operating Profit is defined as 15% of sales, as outlined by management.

# Appendix: Valuation

## Comparable Companies Analysis

- Truppanion lacks any pure-play pet insurance public comparables
- However, the revenue CAGR's of animal care peers give us conviction on the growth of the industry as a whole

### Trading Comparables (U.S. \$M, except per share data)

Company	Market Cap.	Enterprise Value	EV/Sales		P/E		2019E-2022E CAGR		2022E EBITDA	Net Debt /
			2021E	2022E	2021E	2022E	Revenue	EBITDA	Margin	2022E EBITDA
<b>Pet Insurance Peers</b>										
Lemonade	\$3,255	\$2,936	23.1x	13.8x	n/a	n/a	46.7%	n/a	nmf	n.c.
Independence HoldCo <sup>1</sup>	\$829	\$821	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Animal Care Peers</b>										
Zoetis	\$107,130	\$110,590	14.3x	13.2x	48.7x	43.7x	10.3%	13.8%	43.5%	0.9x
IDEXX Labs	\$54,884	\$55,703	17.4x	15.7x	77.5x	69.1x	13.8%	20.9%	32.6%	0.7x
Chewy	\$30,463	\$30,133	3.4x	2.8x	n/a	n/a	30.5%	n/a	3.2%	n.c.
Elanco	\$15,191	\$21,096	4.4x	4.3x	31.6x	26.0x	16.5%	20.9%	24.2%	5.0x
BARK <sup>2</sup>	\$916	\$715	1.9x	1.4x	n/a	n/a	39.1%	n/a	nmf	6.9x
<b>Mean</b>			10.8x	8.5x	52.6x	46.2x	26.1%	20.0%	0.0%	3.0x
<b>Median</b>			9.4x	8.8x	48.7x	43.7x	23.5%	20.9%	13.7%	1.5x
<b>Truppanion</b>	<b>\$5,770</b>	<b>\$5,534</b>	<b>7.9x</b>	<b>6.2x</b>	<b>n/a</b>	<b>n/a</b>	<b>32.4%</b>	<b>n/a</b>	<b>n/a</b>	<b>n.c.</b>

All data as of November 19<sup>th</sup>, 2021.

(1) No estimates available.

(2) 2021E ↔ 2022E estimates reflect a March end fiscal year.

# Appendix: Analyst Views & Targets

*Analysts are right on the quality of the business, but are wrong on the magnitude implied from estimates*

- Analysts by large value the firm on a EV/Sales basis
  - Valuation multiples have risen to reflect a higher growth profile
- Analyst's target price of \$132.60 is a 2.87% discount to the current share price of \$136.52

## Analyst Valuation Methodology and Target Price

Firm	Date	Rating	Valuation Methodology	Target Price
EVERCORE ISI	11/4/2021	Buy	~4.5x 2023E Revenue	\$127.00
NORTHLAND SECURITIES	11/4/2021	Hold	DCF, ~5.0x 2022E Revenue	\$110.00
LAKE STREET CAPITAL MARKETS	11/4/2021	Buy	~6.9x 2022E Revenue	\$150.00
GUGGENHEIM	11/3/2021	Hold	DCF	n/a
PIPER SANDLER	11/3/2021	Buy	DCF, ~4.8x 2023E Revenue	\$126.00
cg/Canaccord Genuity	11/3/2021	Buy	DCF, ~6.0x 2023E Revenue	\$150.00
<b>Consensus Target Price</b>				<b>\$132.60</b>
Current Share Price (19-Nov-21)				\$136.52
<b>Target Premium / (Discount) to Share Price</b>				<b>(2.87%)</b>

## Select Commentary

“We believe it is one of the highest quality assets in our SMID Cap coverage. We expect the company to sustain a premium 25-30%+ topline CAGR for the next several years driven by its leading position in a still very underpenetrated market, high-visibility subscription business, superior value prop, and multiple Growth Curve Initiatives (new market & new product launches, etc.)”

EVERCORE ISI

November 4, 2021

“Management continues to drive new pet growth as traditional pet acquisition programs remain strong. Trupanion also continues to build its brands as it launched its budget plans, Furkin and PetsBest, in Canada this quarter. Its partnerships with Aflac and State Farm help validate the end market while penetration rates continue to go higher, leaving the growth story in its early stages.”

LAKE STREET CAPITAL MARKETS

August 9, 2021

“TRUP has finally reached sufficient operating scale and brand recognition, to which, in management's view, they can add other areas to grow in. Landspath brand foods, TRUP's proprietary pet food brand, is their push into the multi tens of billions of dollars pet food market. Going after even 10% of that market would more than expand TRUP's TAM and increase stickiness, in our view.”

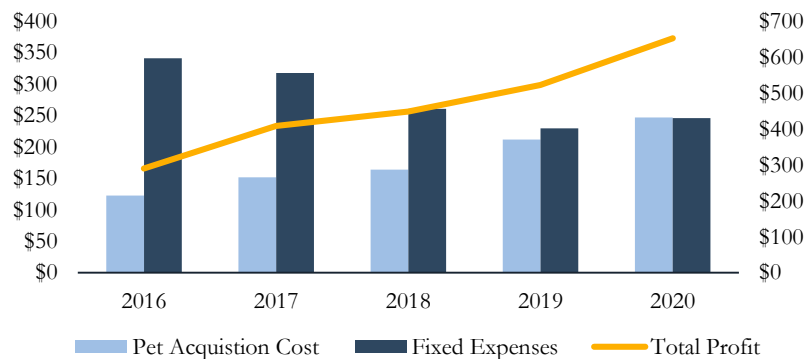
GUGGENHEIM

June 21, 2021

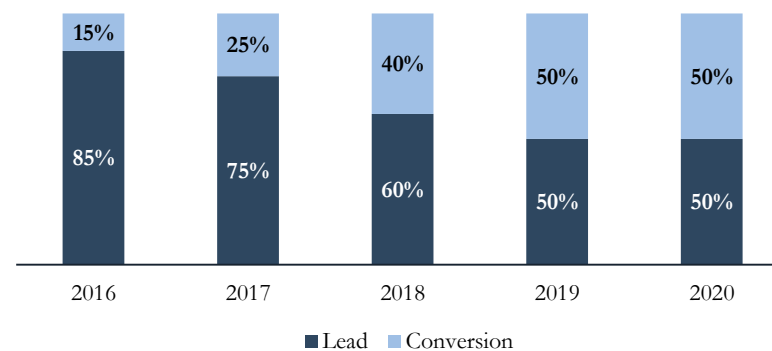


# Appendix: Operational Data

## Metrics Over The Life Of An Average Pet



## Lead vs. Conversion Generation



## Subscription Business Operational Data

	2016	2017	2018	2019	2020
Total Subscription Pets Enrolled	323,333	371,683	430,770	494,026	577,957
Monthly Average Revenue Per Pet	\$47.82	\$52.07	\$54.34	\$57.52	\$60.37
Lifetime Value of a Pet, Including Fixed Expenses	\$290	\$409	\$449	\$523	\$653
Average Pet Acquisition Cost (PAC)	\$123	\$152	\$164	\$212	\$247
<b>Average Monthly Retention</b>	<b>98.60%</b>	<b>98.63%</b>	<b>98.60%</b>	<b>98.58%</b>	<b>98.71%</b>

# Appendix: Pricing

*TRUP's policy pricing and reimbursement rates show strong position on Economic Euthanasia*

## Pricing Problem: 5-10% Inflationary Costs

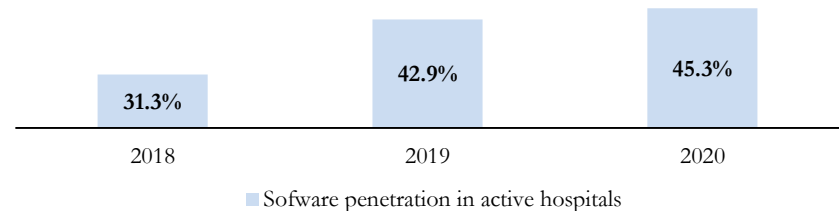
The monthly cost of veterinary care to treat all accidents and illnesses for the average pet within a specific category of pet	\$35.00
Add 30% (15% for providing services to TRUP's members 24/7 and 15% to enroll more pets and profit)	\$15.00
<b>Member's monthly cost</b>	<b>\$50.00</b>

Monthly cost of veterinary care + Inflation	\$35.00 + 10% = \$38.50
Add 30%	\$16.50
<b>Member's adjusted monthly cost</b>	<b>\$55.00</b>

- Monthly rates only increase due to inflationary costs – members' monthly rates are locked in for 12+ months and are not affected by an individual pet's claim history
- Over the last 10+ years, monthly rates have increased at an average of 6% per year

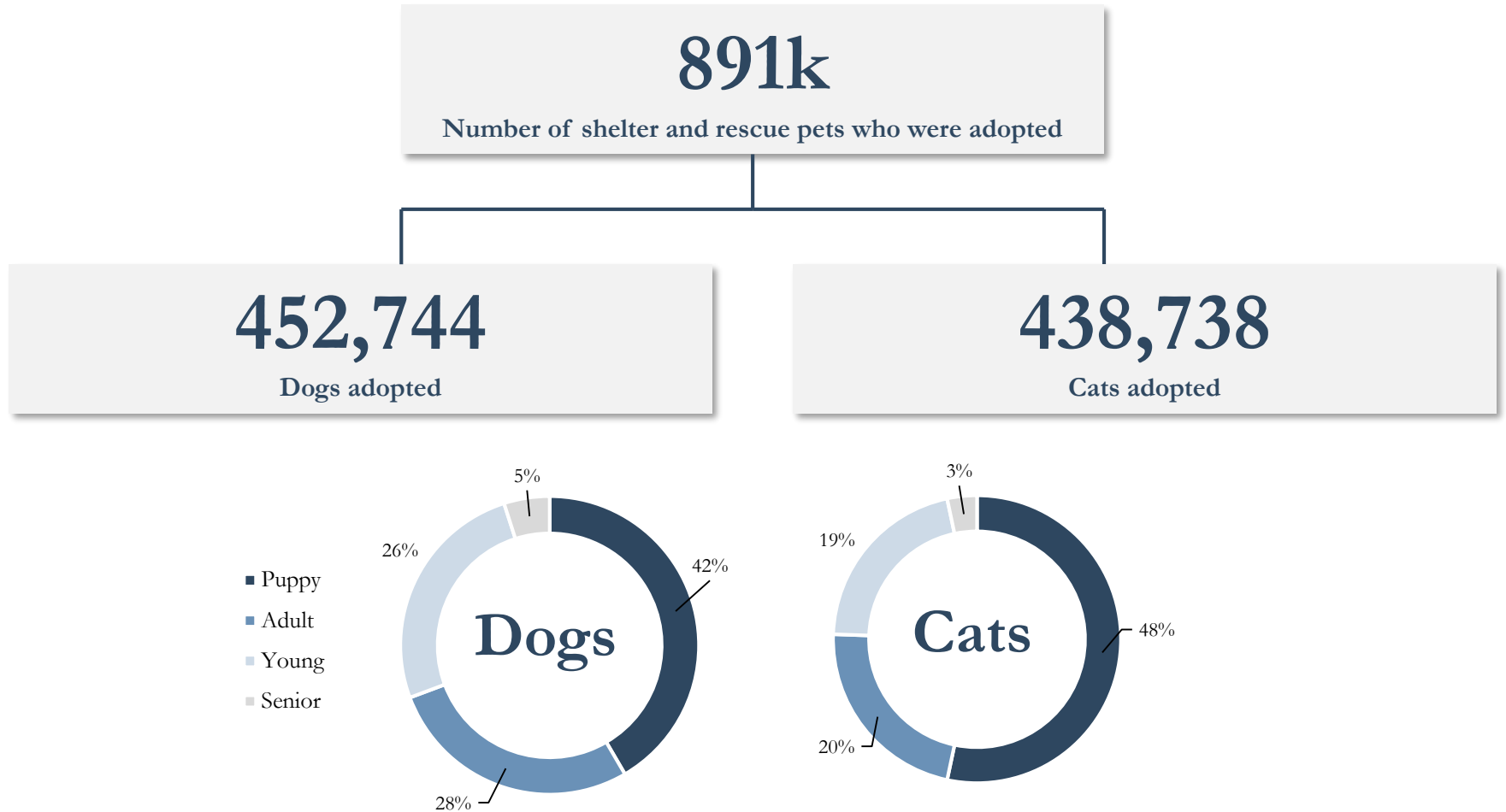
## Economic Euthanasia & Vet Dynamics

- TRUP's fixed reimbursement rate is strongly due to economic euthanasia (TRUP's 90% vs. competitor's ~70%)
- Lower % policies means higher up-front costs. Ex: \$30k surgery with a 70% policy, the pet owner pays **\$9k**. With TRUP's 90% policy, the pet owner pays **\$3k**
- Suicide rate among veterinarians are high – male and female vets are 2.1 and 3.5 times more likely to commit suicide than the general population. Few reasons include:
  - Vets care for pets and putting them down knowing that a sufficient funds could've save a life isn't easy
  - Lack of pet insurance penetration, pet owners harass and cyberbully vets demanding for free medicine or treatment
  - **Overall, TRUP aims to help vets by ensuring those who have TRUP's policy will not opt for econ. euth.**



# Appendix: Customer Reviews

Company	Avg. Rating (out of 10)	# of Reviews	Positive Customer Review	Negative Customer Review
<b>Trupanion</b>	<b>9.8</b>	40,519	I am very happy I have Trupanion... and have always had excellent customer service. The staff is very friendly... having this insurance has helped us tremendously!	Price increases and little or no help with vet expenses and very little explanation of insurance policy with appearances of a "no give a damn" attitude...
<b>Embrace</b>	<b>9.3</b>	10,185	I have been with Embrace since 2016 when I decided to get pet insurance for my two cats. All of the information about what is covered and how to file is easy to access. Prices are reasonable.	My dog has damaged her leg. We went to an urgent care and did an X-Ray. Embrace Pet Insurance said they need a medical history from that urgent care... Embrace said it will take longer time to process. And they never paid the claim off.
<b>Healthy Paws</b>	<b>9.7</b>	6,786	An affordable pet insurance company that truly cares for your dog... claims are incredibly fast, and the staff is genuinely invested with your dog.	The monthly premium increased dramatically each year... from about \$35 per month to... \$143 per month. Several other companies offered me the same coverage for my 8-year-old dog in the \$45 range. I have made only a few small claims over the 7 plus years I have had my dog insured.
<b>ASPCA</b>	<b>9.8</b>	5,554	The young lady who helped me was truly amazing. She was very patient and explained everything to me 3x over. She was understanding to all my needs and was able to assist me and get me exactly what my pet needs.	Vet sent surgical bill three times. On the fourth try they had to sit on the phone and make sure ASPCA registered the bill! Still have not been reimbursed and I bought the most expensive policy from them. Sent very few claims in the last two years
<b>Petplan</b>	<b>9.3</b>	5,392	I have had Petplan for over 10 years with 5 different dogs. The online claims is very easy and the expediency of receiving payment of claims is excellent. However, it has gotten more expensive as my pets age...	I've had nothing but trouble with this company, and both their app and website are awful. Good luck submitting a claim and the reams of documentation they require and then just get denied... no apparent appeal process.
<b>FIGO</b>	<b>9.7</b>	578	Figo's customer support seems great up front. In the beginning they are really nice on the phone, telling your everything that you want to hear. Unfortunately, it all goes down hill from there...	Even though they claim that they are direct pay. BEWARE as their loophole is it is done on a case-by-case basis. Don't waste your time looking for that statement in their ads as it is not there! Very misleading and very deceitful



# Appendix: Average Pet Procedure/Treatment Costs

## Cats

	Cost Up To...
Ear Infections	\$800
Skin Conditions	\$4,000
Eye Infections	\$6,000
Growths/Lumps/ Cancer	\$15,000
Kidney Disease	\$2,500
Stomach Issues	\$6,500
Urinary Tract Infections	\$6,000
Diabetes	\$2,000



## Dogs

	Cost Up To...
Ear Infections	\$800
Pain Management	\$3,000
Eye Infections	\$2,000
Urinary Tract Infections	\$6,000
Growths/Lumps/Cancer	\$6,000
Limping	\$20,000
Cruciate Ligament Injuries	\$6,500
Stomach Issues	\$6,500
Skin Conditions	\$4,000
Allergic Reactions	\$3,000

# Appendix: Emergency Veterinary Treatment Ranges

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## Vomiting, Diarrhea, and Gastrointestinal:

Food Bloat	\$500 - \$1,000+
Gastroenteritis	\$750 - \$3,000+
Intestinal Obstruction With Surgery	\$2,000 - \$4,000+
Pancreatitis	\$1,000 - \$5,000+
Stomach "Bloat" (GDV)	\$3,000 - \$8,000+

## Toxic Ingestion:

Antifreeze	\$2,000 - \$6,000+
Chocolate	\$250 - \$2,000+
Grapes or Raisins	\$2,000 - \$5,000+
Human Antidepressant Medications	\$1,500 - \$2,500+
Human Pain Medications	\$250 - \$2,000+
Lilies	\$1,000 - \$4,000+
Rat Poison	\$750 - \$4,000+
Slug Bait	\$1,500 - \$4,000+
Xylitol	\$750 - \$4,000+

## Trauma:

Cat Bite Abscess	\$250 - \$1,500+
Dog Bite Wounds	\$1,000 - \$10,000+
Electrical Cord Shock	\$500 - \$3,000+
Heat Stroke	\$1,500 - \$6,000+
High-Rise Fall	\$500 - \$6,000+
Hit-By-Car	\$250 - \$8,000+

## Urinary Issues:

Urinary Tract Obstruction	\$1,000 - \$3,000+
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## Uterus & Birthing Issues:

Birthing Difficulties (Caesarean Section)	\$1,500 - \$3,500+
Uterine Infection (Pyometra)	\$2,500 - \$5,000+



# Appendix: Detailed Veterinary Metrics



Year	Number of Territory Partners	Estimated Numbers 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 Or 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

Source: Emergency Vets U.S., Company filings.

# Appendix: Competitor Commentary on Industry

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One of the fastest growing insurance coverage, yet there remains tremendous growth potential as less than 2% of pets are insured in U.S. vs. 25%+ in European countries

*- 2020 Annual Meeting of Shareholders, The IHC Group*

The IHC Group speak to the low penetration rates of the pet insurance industry. Being a relatively new segment in the larger insurance market, the industry is highly unpenetrated thus far despite being fragmented with numerous players in the space. Current penetration rates provide high growth potential and a long runway for future growth as well, both in the U.S. and European countries.

Collectively, our pet division will underwrite \$117M of premium (approximately 200,000 dogs and cats) by the end of this year and we expect continued significant growth in 2021 and beyond

*- 2020 Annual Meeting of Shareholders, The IHC Group*

Trupanion is the only pure-play, meaning they are not owned by a larger insurance company. Other players in the space are backed by national and multinational underwriters,. Despite that, Trupanion still maintains strong growth and currently sits as the second-largest pet insurance provider in the U.S. market.

In 2021, we will accelerate generation of non-risk revenue through the newest brand asset to the Pet Division, TailTrax, a subscription-based app with TeleVet and other high-touch engagement features, as well as generate revenues from Petplace.com, which is one of the leading sites for veterinarian-curated pet information.

*- 2020 Annual Meeting of Shareholders, The IHC Group*





## About founder Darryl Rawlings

### CEO & Founder Darryl Rawlings



#### Details

- Darryl Rawlings is a visionary, as well as a passionate and charismatic CEO
- Trupanion was founded in 1999 by CEO Rawlings under the name VetInsurance Ltd. operating in Vancouver, British Columbia, Canada
- In 2000, TRUP enrolled its first pet in Canada, in 2007 the company was rebranded to Trupanion, and in 2008, they enrolled their first pet in the U.S.
- TRUP IPO'd in 2014 and is now headquartered in Seattle, WA

**“He’s a great salesman... he’s tenacious. He’s bold. He’s frank. He’s able to get partnerships with the VPAs and the State Farms of the world.”**

*– Former Chief Member Experience Officer at Trupanion*

#### Shareholder Alignment

- The CEO owns approximately 4% of the company’s total shares outstanding
- Rawling’s compensation plan is heavily tied to the performance of TRUP’s shares, incentivizing him to increase the value of TRUP’s stock



# Trupanion Inc. (NASDAQ:TRUP)

*Buy Pitch (~18% 4-Year IRR, 1.5x r/r)*

## **Financial Institutions Group**

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*November 24th, 2021*

