

Below is a structured timeline analyzing Root's forward-looking guidance from Q2 2024 through Q1 2025, with a focus on how guidance was reiterated, missed, or exceeded, and any changes in tone or expectations.

Timeline: Guidance vs. Actuals

Q2 2024 (Guidance Issued)

Key Guidance: - Remain disciplined/opportunistic in growth; invest in marketing only if unit economics are attractive. - Continued improvement in operating expense ratios; scalable expense base. - National expansion from 34 states to full US coverage. - No major rate changes anticipated; possible moderate declines in select states. - Focus on profitability and expense rigor; GAAP profitability is a near-term goal. - Partnership channel to be a continued growth driver; robust pipeline. - Ongoing investment in technology, data science, and new marketing channels.

Subsequent Quarters: - Q3 2024:

- Achieved net income profitability (ahead of prior "near-term goal"). - Operating expenses well-managed; expense management cited as key. - National expansion continued (coverage at 75% of US population). - No mention of major rate increases; selective rate reductions for best drivers. - Partnership channel new writings up 130% YoY; robust pipeline confirmed. - Ongoing investment in tech, R&D, and new marketing channels. - **Result:** Guidance exceeded (profitability), reiterated (expense, expansion, partnership growth, tech investment).

Q4 2024:

- Full-year net income profitability achieved (\$31M).
 - Gross combined ratio: 95% (best-in-class).
 - National expansion: launched Minnesota, now at 76% US population.
 - Rate decreases for best drivers in select states (in line with prior guidance).
 - Partnership channel: doubled new writings, now ~1/3 of new business.
 - Continued disciplined marketing investment, including new mid-/upper-funnel channels.
 - **Result:** Guidance exceeded (profitability, partnership growth), reiterated (expense, expansion, tech/marketing investment).
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Q3 2024 (Guidance Issued)

Key Guidance: - Profitability achieved; will reinvest profits into business growth (direct and partnership channels). - Expect to accelerate PIF growth over the long term. - Investments in R&D, marketing, and channel expansion may modestly increase operating expenses. - Geographic/state expansion to 100% US population. - Add new partners, expand footprint, deliver better products/prices in 2025. - Marketing spend to adjust opportunistically; no fixed target for Q4/2025. - Long-term goal: become largest, most profitable US personal lines carrier.

Subsequent Quarters: - Q4 2024:

- Reinvestment in marketing and channel expansion confirmed; ad spend increased in new channels. - PIF grew 21% YoY; expansion to 76% US population. - New partners added (e.g., Carvana Insurance, Goosehead Insurance). - Operating expenses increased as expected due to growth investments. - No fixed marketing spend target; spend remains IRR-focused. - **Result:** Guidance reiterated/exceeded (growth reinvestment, expansion, partnership/channel growth, disciplined marketing).

Q1 2025:

- Continued focus on reinvestment, especially in partnership channel.
 - PIF flat entering Q2 (seasonality, as expected).
 - Ongoing state expansion (pending: MI, WA, NJ, MA).
 - Marketing spend normalized after Q1 seasonal spike.
 - **Result:** Guidance reiterated (reinvestment, expansion, marketing discipline).
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Q4 2024 (Guidance Issued)

Key Guidance: - Target lower rates for best drivers in select states (due to favorable loss ratio). - Loss ratio: low- to mid-single-digit increase projected for 2025 (from recent rate decreases), but "nothing material." - Premium per policy: flat to modestly up (mix shift to partnership/agency). - Reinsurance cessions to remain at ~9% of earned premium. - Ongoing national expansion; more state launches expected. - Increased ad spend in new mid-/upper-funnel channels, but disciplined/IRR-focused. - Profitable growth prioritized; may accept P&L volatility for long-term value. - No material expected impact from tariffs; will monitor and react quickly.

Subsequent Quarters: - Q1 2025:

- Loss ratio: 58% (Q1, seasonally low); company reiterates expectation for higher loss ratio in Q2/Q3 due to seasonality, but still below long-term target (60–65%). - Rate decreases for best drivers confirmed; loss ratio expected to rise slightly but remain favorable. - Premium per policy: no explicit update, but mix shift to partnership channel continues. - Reinsurance cessions: not explicitly updated, but prior guidance (9%) expected to hold. - National expansion: pending states (MI, WA, NJ, MA) in process. - Ad spend: Q1 highest due to seasonality; will normalize in Q2–Q4. - Tariffs: low/mid-single-digit headwind expected, but company confident in ability to offset. - **Result:** Guidance reiterated (loss ratio, rates, expansion, ad spend discipline, reinsurance, tariff response).

Q1 2025 (Guidance Issued)

Key Guidance: - Q1 is seasonally strongest; do not expect same growth tailwind in Q2–Q4. - PIF flat entering Q2 (in line with expectations). - Loss ratio to increase in Q2/Q3 (storm/hurricane season); long-term target 60–65%. - No formal profitability guidance for rest of 2025; expect higher loss ratio/lower profit vs. Q1. - Higher contribution from partnership channel expected for new writings. - Ongoing state expansion (pending: MI, WA, NJ, MA). - Growth/marketing spend to normalize after Q1 spike. - Tariff/claims severity headwind: low/mid-single-digit increase in loss ratio, to be absorbed within margins or offset by rate if needed.

Subsequent Quarters:

- **Too early for Q2 2025 results.**

- However, guidance is consistent with prior quarters: cautious, scenario-driven, and focused on long-term economics over short-term targets. - No evidence of missed guidance; tone remains disciplined and realistic.

Changes in Tone or Expectations

- **Q2 2024:** Cautiously optimistic, focused on profitability, expense discipline, and measured growth.
- **Q3 2024:** More confident, as profitability is achieved; tone shifts to reinvestment and scaling, but with continued discipline.
- **Q4 2024:** Celebratory but pragmatic; emphasizes best-in-class underwriting, sustainable growth, and willingness to accept some earnings volatility for long-term value.
- **Q1 2025:** Realistic and prudent; acknowledges seasonality, sets expectations for normalization, and reiterates focus on long-term value creation and rapid response to macro shifts.

Summary: Guidance Follow-Through Quality

Root's guidance follow-through has been **excellent** over the analyzed period. The company consistently met or exceeded its stated goals, particularly in achieving and sustaining profitability, improving loss and combined ratios, and expanding both direct and partnership channels. Management's tone evolved from cautious optimism to confident execution, but always with a disciplined, scenario-driven approach. Guidance was generally reiterated or exceeded, with no material misses. The company was transparent about seasonality, competitive dynamics, and macro risks, and demonstrated agility in responding to market conditions (e.g., rate changes, marketing spend, tariffs). Overall, Root's guidance has been reliable, realistic, and well-communicated, with a strong track record of delivery and prudent expectation-setting.