

# Hims & Hers Health, Inc.

Alex Kirley (SA)

Jacqueline Raimo (SA)

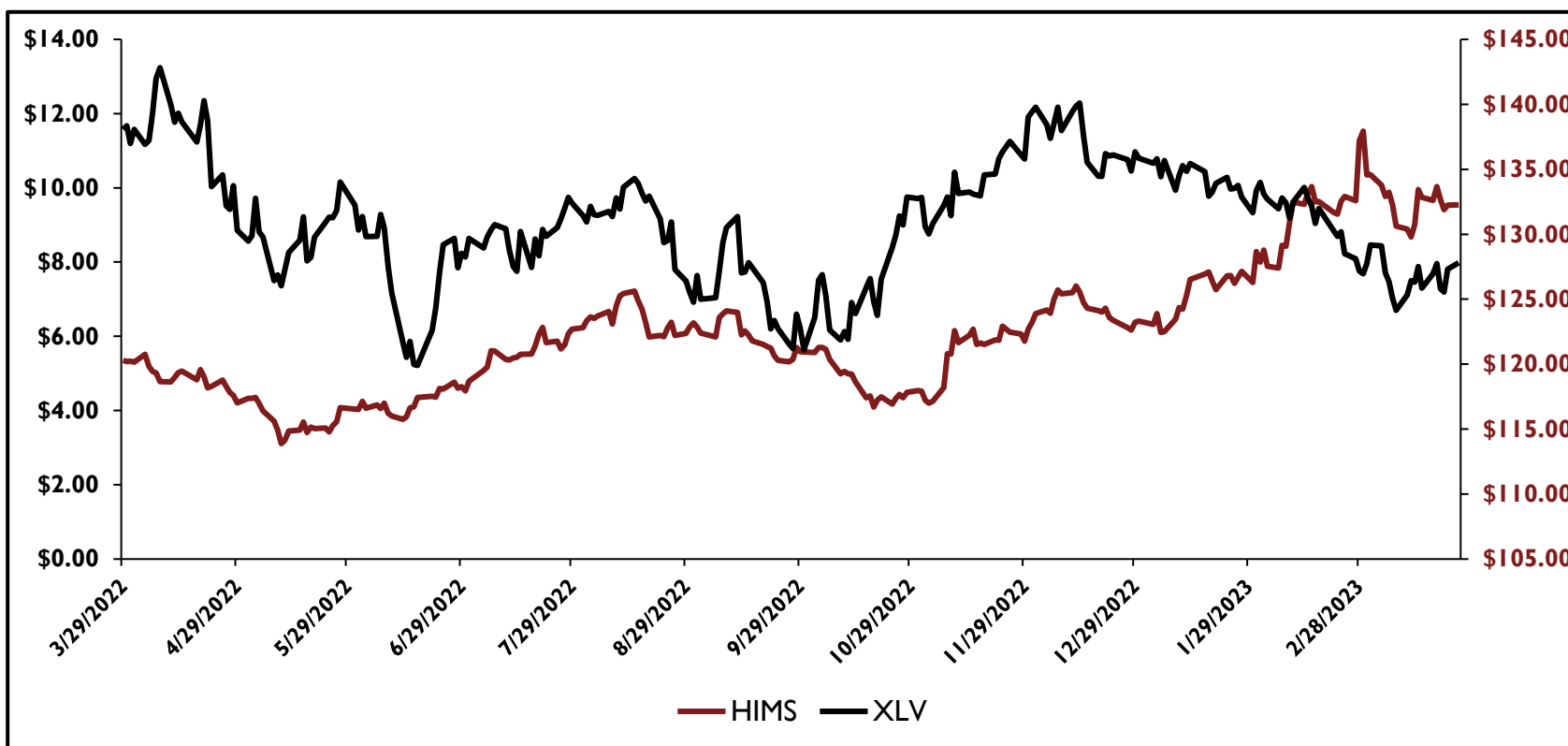
Mary Collins (JA)

Owen Connelly (JA)

Drew Pesko (JA)

# Company Background

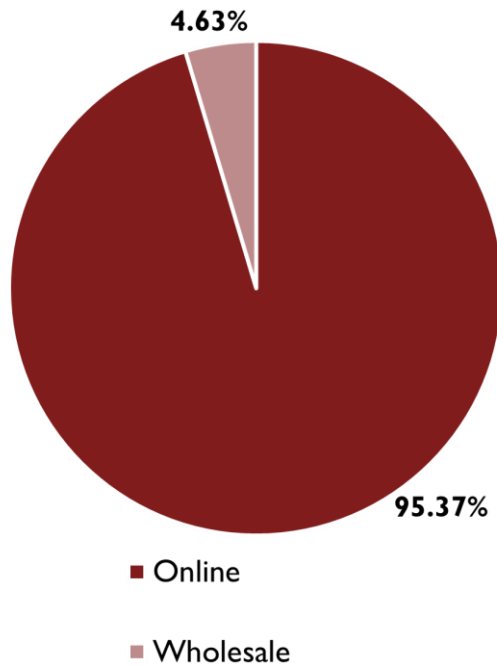
Hims and Hers Health, Inc. is a multi condition digital health platform that distributes treatments related to sexual health, hair loss, dermatology, mental health, and primary care. They offer prescription drugs filled through licensed pharmacies on a subscription basis, as well as other OTC drugs, device products, cosmetics, and supplement products. Their products are mainly ordered through online, mail-in orders, yet they have expanded into some in-store options as well. Hims products contain a white label prescription bottle, with an intent to appeal to a Gen Z and Millennial target market.



<b>Share Price (\$USD)</b>	<b>10.03</b>
Market Cap*	2.09bn
Revenue 2022 FY	526.92mn
Marketing Expenses 2022 FY	272.59mn
EV/Sales	4.1x
Beta (VS XLV; TTM)	1.001
EPS (TTM)	-0.32

# Company Overview

## Revenue Split



## Main Competitors



## Product Offerings

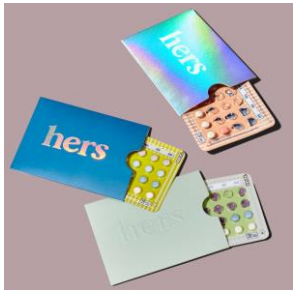
<u>Prescription Drugs</u>	<u>Non-Prescription Drugs</u>	<u>Other</u>
<ul style="list-style-type: none"><li>Escitalopram (Lexapro)</li><li>Fluoxetine (Prozac)</li><li>Birth control</li><li>Finasteride</li></ul>	<ul style="list-style-type: none"><li>Melatonin</li><li>Probiotics</li><li>Vitamins</li><li>Creams</li></ul>	<ul style="list-style-type: none"><li>Device products</li><li>Cosmetics</li><li>Sexual health products</li><li>Serums</li></ul>

## Wholesale Locations



# Products

# hims



## Sexual health

- Erectile Dysfunction
- Premature Ejaculation
- Birth control

## Everyday health

- Hair loss
- Skincare, acne, and anti-aging
- Cold, flu and daily medicine

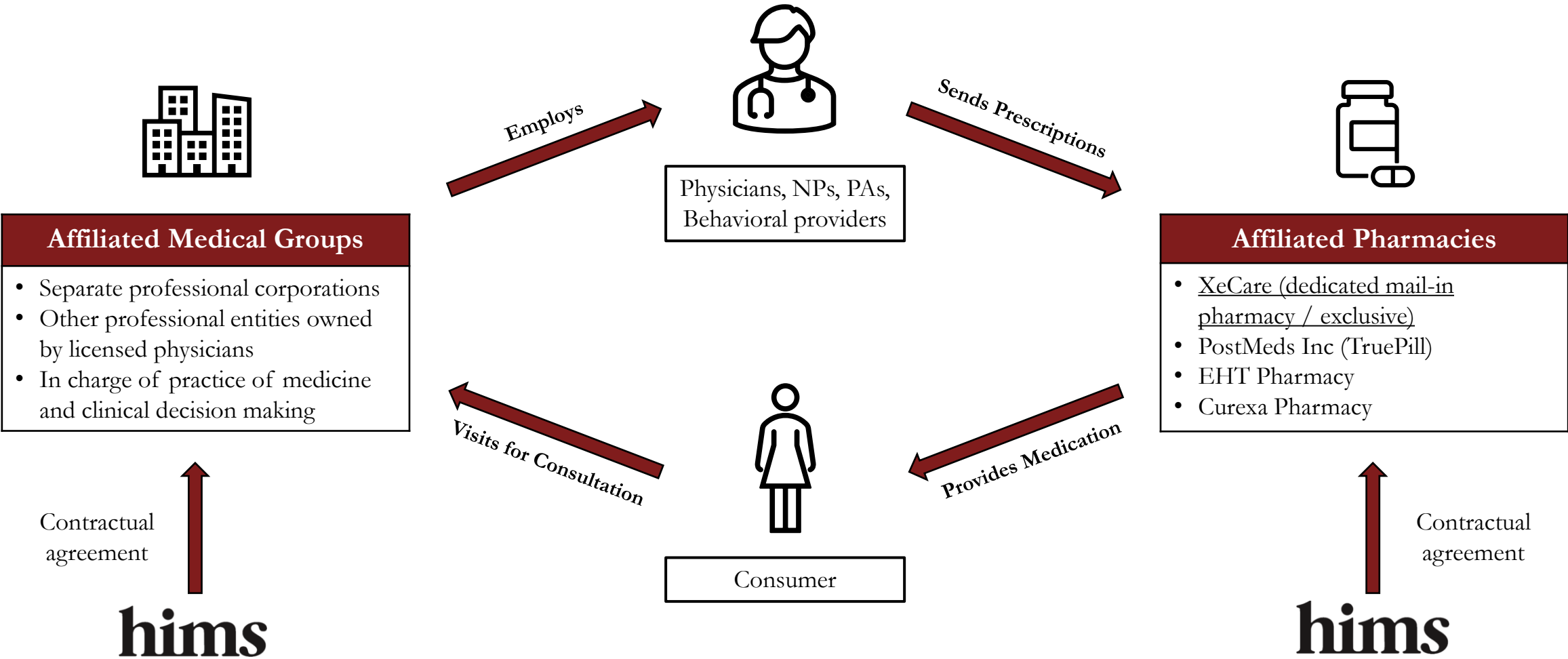
## Mental health

- Anxiety and depression
- Online therapy
- Performance anxiety

# Comparable Companies

Comparable Company Analysis																
Company	Price (\$)	Market Cap	EV	EBITDA			EV/Sales			Estimated Sales Growth			EV/EBITDA		P/E Ratio	
				2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2023	2024
				0FY	1FY	2FY	0FY	1FY	2FY	0FY	1FY	2FY	0FY	1FY	0FY	1FY
<b>HIMS &amp; HERS HEALTH INC</b>	<b>10.03</b>	<b>2,090.9</b>	<b>1,916.5</b>	<b>(61.2)</b>	<b>26.1</b>	<b>60.1</b>	<b>4.1x</b>	<b>2.9x</b>	<b>2.3x</b>	<b>44.2%</b>	<b>29.8%</b>	<b>25.0%</b>	<b>73.5x</b>	<b>31.9x</b>	<b>N/A</b>	<b>125.4x</b>
<b><u>HCIT Companies</u></b>																
I LIFE HEALTHCARE INC	16.47	3,401.7	3,787.0	(273.0)	(95.0)	(45.3)	3.2x	3.x	N/A	25.6%	25.7%	N/A	N/A	N/A	N/A	N/A
TELADOC HEALTH INC	25.03	4,070.3	4,739.0	(13,378.7)	293.1	334.7	1.9x	1.8x	1.6x	8.5%	7.7%	6.9%	16.2x	14.2x	N/A	N/A
AMERICAN WELL CORP-CLASS A	2.33	646.8	143.1	(246.0)	(155.5)	(111.3)	.7x	1.x	1.3x	1.2%	13.5%	18.0%	N/A	N/A	N/A	N/A
TALKSPACE INC	0.68	110.9	(27.7)	(81.8)	(30.4)	(9.1)	2.x	1.6x	1.3x	8.9%	16.2%	15.7%	N/A	N/A	N/A	N/A
BABYLON HOLDINGS LTD- CL A	4.94	122.8	107.0	(357.7)	(125.8)	(47.8)	.1x	.x	.1x	8.8%	9.3%	26.6%	N/A	N/A	N/A	N/A
GOODRX HOLDINGS INC-CLASS A	6.02	2,393.4	2,353.2	55.9	198.6	233.0	3.x	2.9x	2.5x	3.0%	13.3%	13.0%	11.9x	10.1x	23.6x	18.9x
<b>Peer group average</b>		<b>1,833.8</b>	<b>1,859.7</b>	<b>(2,048.9)</b>	<b>15.9</b>	<b>59.2</b>	<b>2.2x</b>	<b>1.9x</b>	<b>1.5x</b>	<b>14.3%</b>	<b>16.5%</b>	<b>17.5%</b>	<b>33.8x</b>	<b>18.7x</b>	<b>23.6x</b>	<b>72.2x</b>
<b><u>Pharmacy/Retail</u></b>																
WALGREENS BOOTS ALLIANCE INC	34.15	29,464.5	65,359.5	6,094.0	5,997.6	6,642.4	.3x	.3x	.3x	2.2%	4.9%	4.9%	10.9x	9.8x	7.6x	7.1x
CVS HEALTH CORP	74.09	95,139.8	150,448.8	14,511.0	20,254.3	20,843.7	.4x	.4x	.4x	6.1%	-2.5%	5.3%	7.4x	7.2x	8.4x	8.1x
RITE AID CORP	2.15	121.5	6,217.9	604.2	411.3	368.5	.1x	.1x	.1x	-3.2%	-4.2%	3.1%	15.1x	16.9x	N/A	N/A
TARGET CORP	158.11	72,788.2	89,632.2	6,996.0	8,504.2	9,568.2	.8x	.8x	.8x	2.4%	2.8%	3.9%	10.5x	9.4x	18.x	14.8x
<b>Peer group average</b>		<b>49,378.5</b>	<b>77,914.6</b>	<b>7,051.3</b>	<b>8,791.8</b>	<b>9,355.7</b>	<b>.4x</b>	<b>.4x</b>	<b>.4x</b>	<b>1.9%</b>	<b>0.3%</b>	<b>4.3%</b>	<b>11.x</b>	<b>10.8x</b>	<b>11.3x</b>	<b>10.x</b>
<b>Aggregate peer group average</b>		<b>19,122.8</b>	<b>29,516.0</b>	<b>1,260.2</b>	<b>3,207.1</b>	<b>3,439.7</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.1x</b>	<b>9.8%</b>	<b>10.6%</b>	<b>12.2%</b>	<b>20.8x</b>	<b>14.2x</b>	<b>14.4x</b>	<b>34.9x</b>

# Business Model



# Acquisitions

## Honest Health Limited



### Company Background

- Acquired **June 2021**
- Health & wellness products and services
  - Hair loss related products (**compounded products**)
- Expansion into the U.K.
  - Exclusive relationship with U.K. compounding, pharmacy, and fulfillment center

### Financing

- **\$4.8mn** purchase price
  - Cash paid up front & payable in future
  - **\$1.9mn common stock**
  - **\$1.2mn contingent consideration**
  - **\$10.0mn** earnout payable upon achievement of revenue targets

## Apostrophe (d/b/a YoDerm)



### Company Background

- Acquired **July 2021**
- Offering health & wellness products and services
  - Dermatology product and service offerings
- Expand fulfillment capabilities
  - **Increase operating leverage** through consolidated shipping
  - Reduce third party costs

### Financing

- Acquired all outstanding stock
- Potential total cash and stock consideration of approximately **\$200mn**
  - Upfront consideration of \$150mn
  - **\$50mn paid in cash** upon closing
  - Maximum additional **\$50mn** in cash is payable (upon predetermined revenue achievements)

# Demographics

## Technology Dependence

- Strong dependence on the online market
- Catered towards tech-oriented consumers
- Younger consumers can easily navigate and purchase Hims products through website and app

## Target Market

- Specific demographic of **Gen Z and Millennials**
- Heavy online presence to cater to the young generation who face **sensitive conditions**
- Attracts their target demographic by marketing through **social media**; Tik Tok, Instagram, Facebook, and YouTube
- Customized and curated pill bottles to be **discrete and aesthetic**
- Markets across many channels, stretching their marketing thin, creating a cycle of diminishing returns

## Celebrity Endorsements



- Partnerships with celebrities such as Jennifer Lopez, Alex Rodriguez, and Rob Gronkowski to attract Gen Z and Millennial consumers

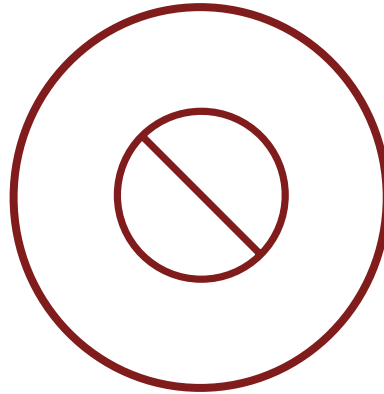




**Costly  
Advertising  
Expenses**



**Reliance on  
Other  
Companies for  
Operations**



**No Room to  
Trim Down  
Expenses**



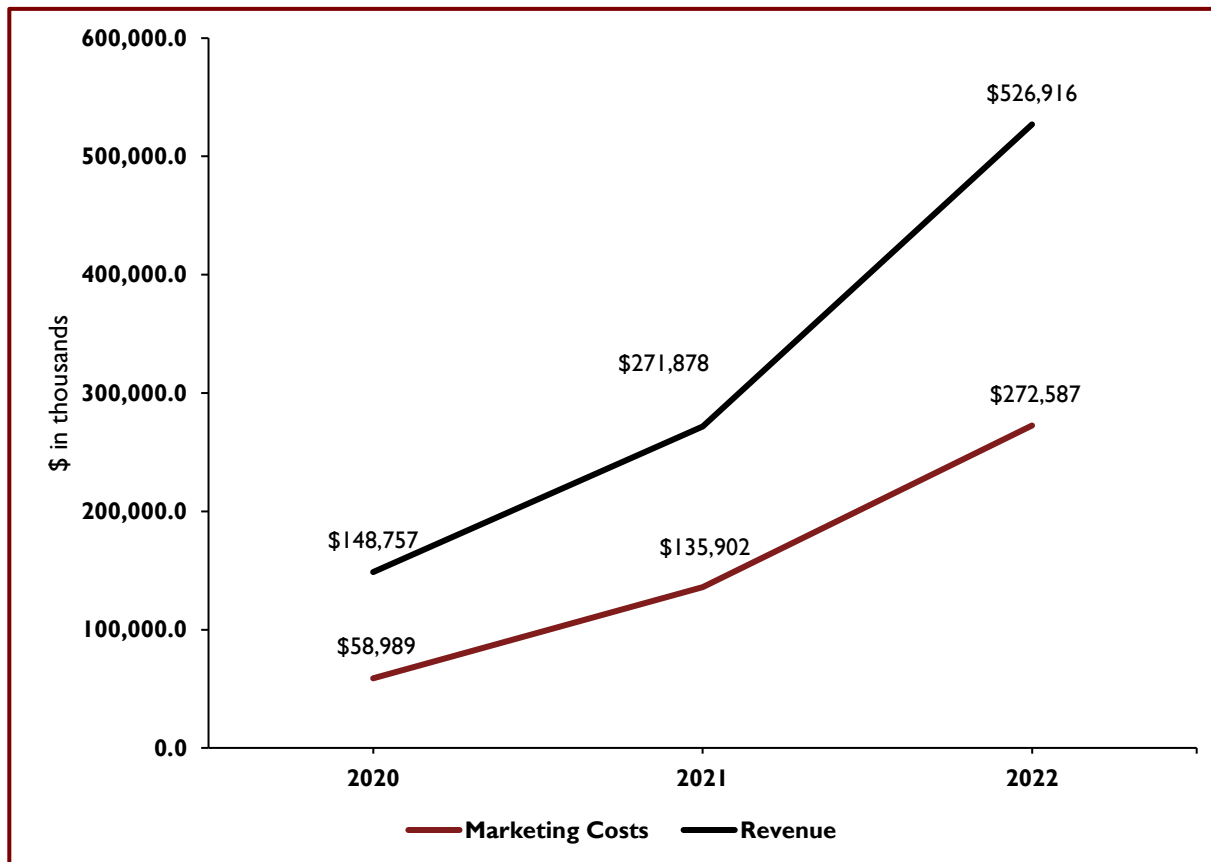
**Easy Entry into  
Market Space**



**Multiple Re-rate  
Expected**

# Costly Advertising Expenses

## Continually Increasing Expenses



## Expensive Ad Spend

- Revenue is **reliant on marketing**, difficult to cut expenses
- **Incrementally more expensive** to acquire customers
- In 2022, for every \$1.00 of new revenue generated, Hims spends \$1.07 on advertising
- In other words, **\$1.00 of marketing spend = \$0.93 of revenue**

## Limited Growth to Channels

- **Expensive customer acquisition** with no cheaper alternative
- Advertising across many platforms, leaving **little room for new breakthroughs** in advertising to gain market share
- Not targeting to new demographics and alternative marketing channels
- **Competitors have cut back on ad spend** and aren't seeing decreases in top-line growth

# Dependence on Affiliates

## Outsourcing Costs

- The **necessity to outsource is not cheap**, and will make it difficult for Hims to reach their desired EBITDA target
- Hims **must enter contracts with affiliates**, which stand for 10 years before renewal

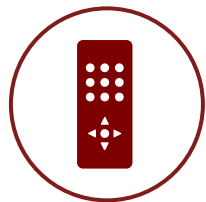
## Inability to Vertically Integrate

- Hims is **prohibited from owning affiliates** in line with the rules of corporate medicine
- These laws stem from the corporate practice of medicine doctrine, which **requires corporations to employ physicians in an outpatient clinic to adhere**

## Inability to Manage Risk

- Unable to sell drugs without production from affiliates, **they are left susceptible to operations they cannot control**
- Operation failure can **heavily impact revenue numbers**, being a risk for their EV/Sales multiple

# Inability to Expand Margins



## Marketing

- Hims cannot afford to cut their marketing expenses as they are **directly correlated with their top line**
- Decreasing advertising spend would lead to **rapid deceleration of growth**



## General & Administrative

- Hims attempts to keep cash on hand by **paying employees in stock-based compensation**
- General & Administrative expenses appear much lower than they really are, due to high SBC



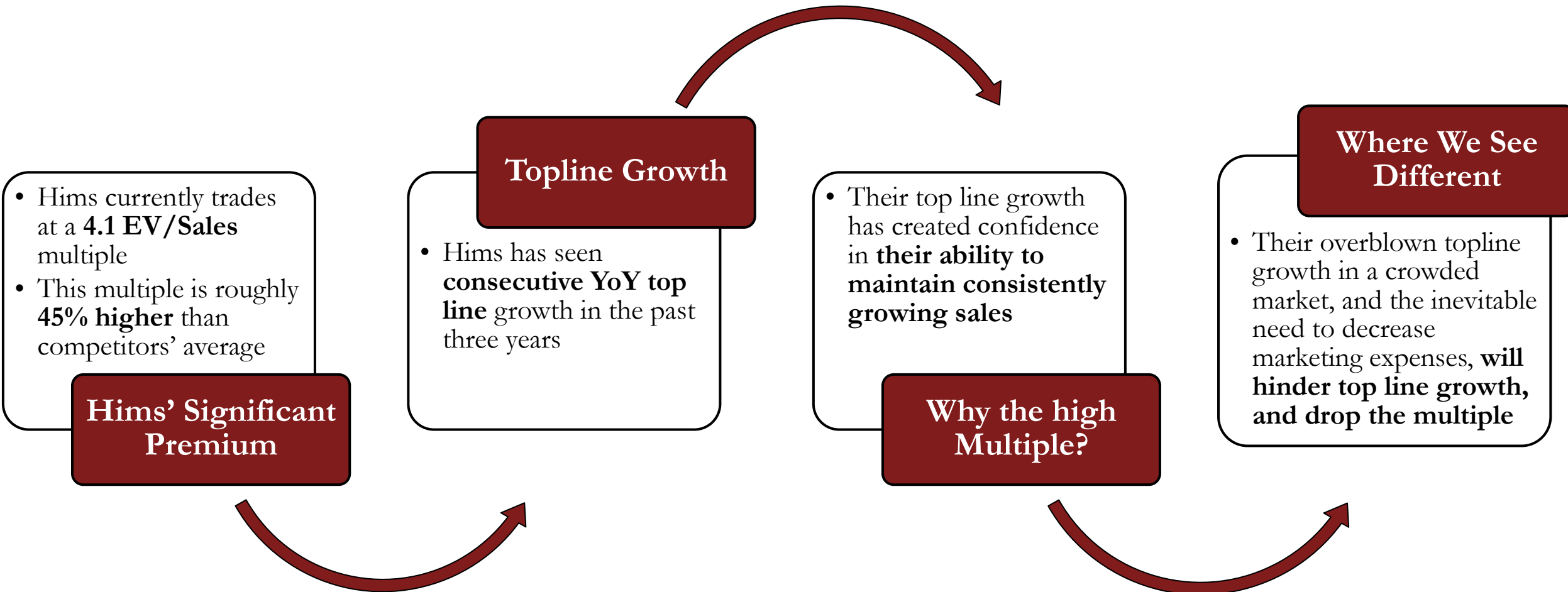
## Technology & Operations

- Hims operates as an online telehealth company, needing to **constantly update their interface**
- Their technology expenses will always be **associated with that aforementioned interface**
- Tethered to operate through medical affiliates as they are prohibited to own them

Since their IPO in 2021, Hims has met or exceeded guidance every year. Forecasts are reliant on past performance in a contrasting macro environment, and analysts and investors remain unrealistically bullish.

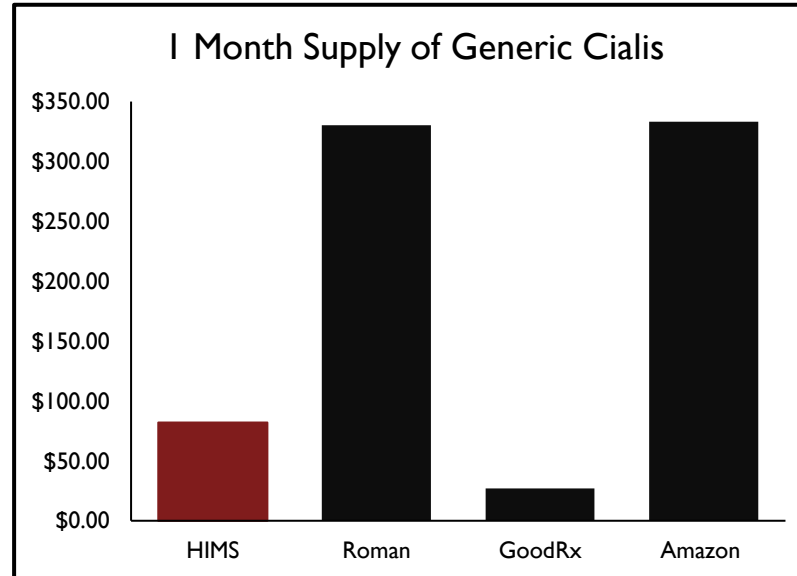
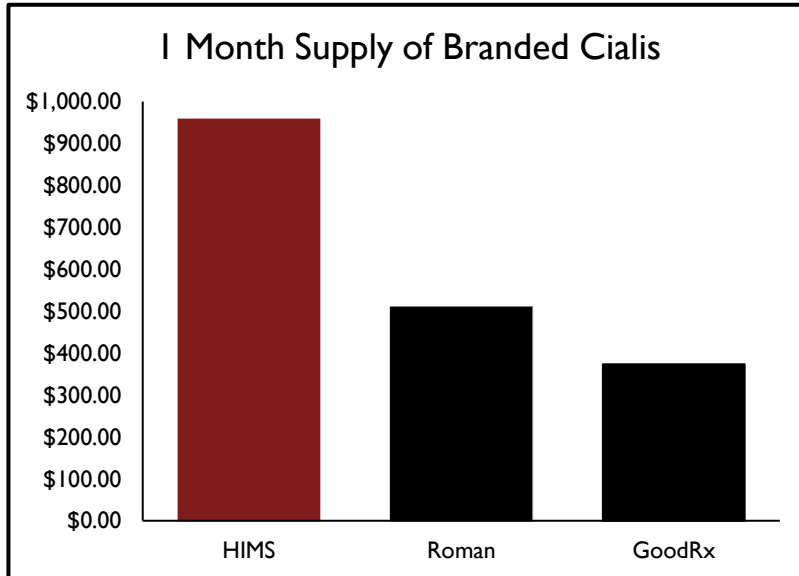
“We project 2025 revenue of at least \$1.2 billion and adjusted EBITDA of at least \$100 million.” – Q4 2022 EC

# Multiple Re-Rate



## Easy Entry into Market

### Hims Pricing at a Premium



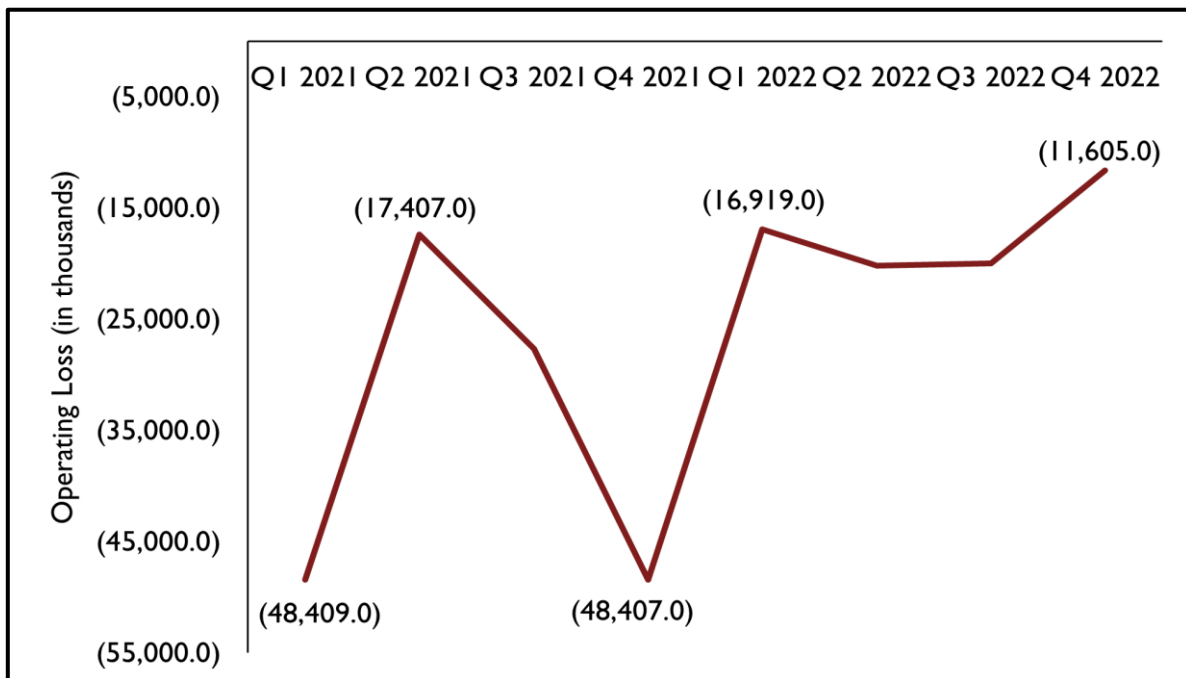
- Hims prices certain products at a premium to other channels, creating a high degree of **competitive price risk**
- If other companies enter the space, Hims will lose market share or be forced to lower their own prices

### Lack of Entry Barriers

- Market is large enough for competitor entry
- Lack of competition in the mail-in space allows Hims to **price products at a premium**
  - With new competitors entering the mail-in space, Hims will lose this edge
- Entrance of new products makes existing products **obsolete**
  - Hims will **lose market share and pricing power**

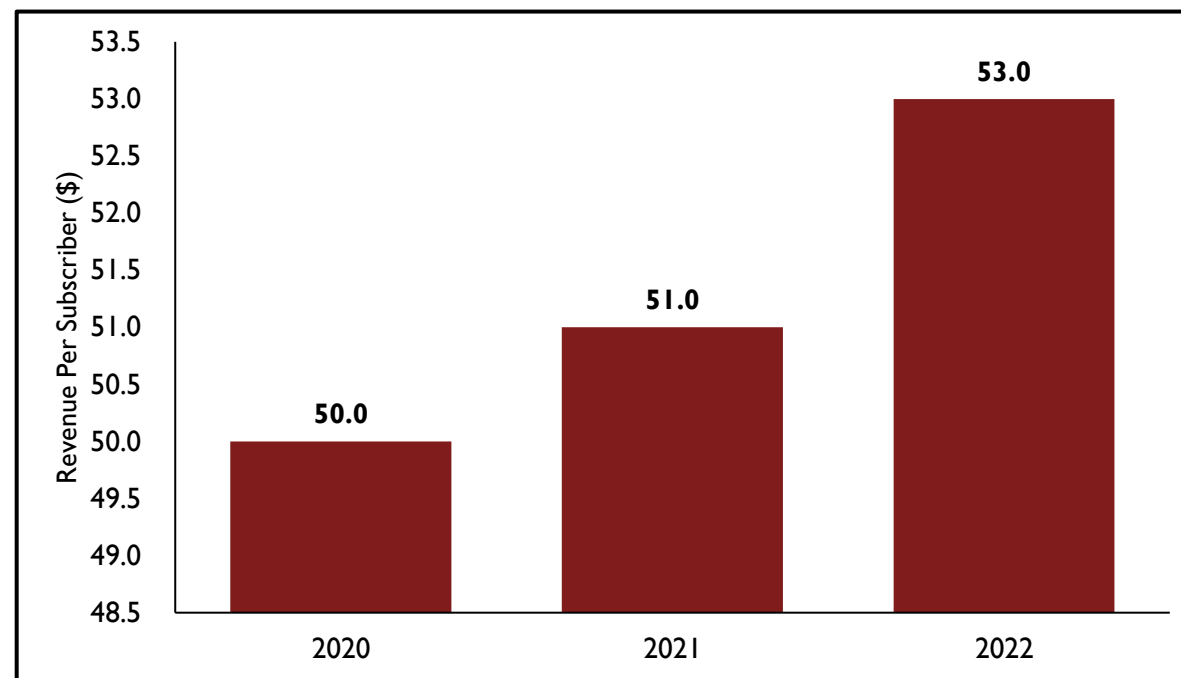
## Negative Bottom-Line

### Loss From Operations



- Yet to see a year of positive EBITDA
- Competitors like GoodRx are already EBITDA profitable and trade at a lower multiple

### Monthly Online Revenue/Avg. Subscriber



- Hims lacks the ability to increase average user **spending**, making it difficult to become profitable without raising advertising spend



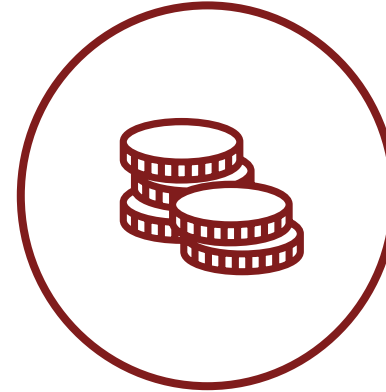
## Continued Growth

- Attain lofty projections
- **Target new customers** through marketing channels & develop new products



## New Acquisition / Product Growth

- Acquiring new companies allows them to offer a **broader product range**
- Selling new generic drugs allows for **more options**



## Decrease Expenses

- Able to **decrease advertising expenses**
- Establish **brand recognition** therefore less need for advertising



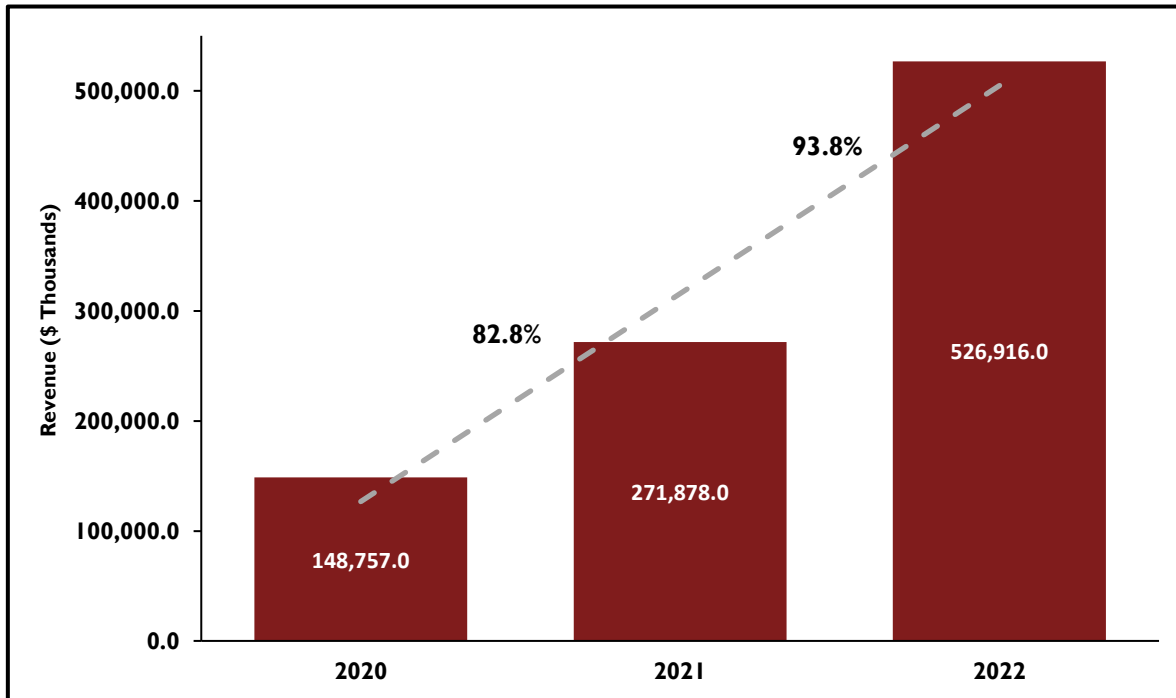
## Expansion into New Geographies

- Acquisition of Honest Health Limited (HHL)
- **Expansion** into the UK
- Allow growth into **OUS channels**



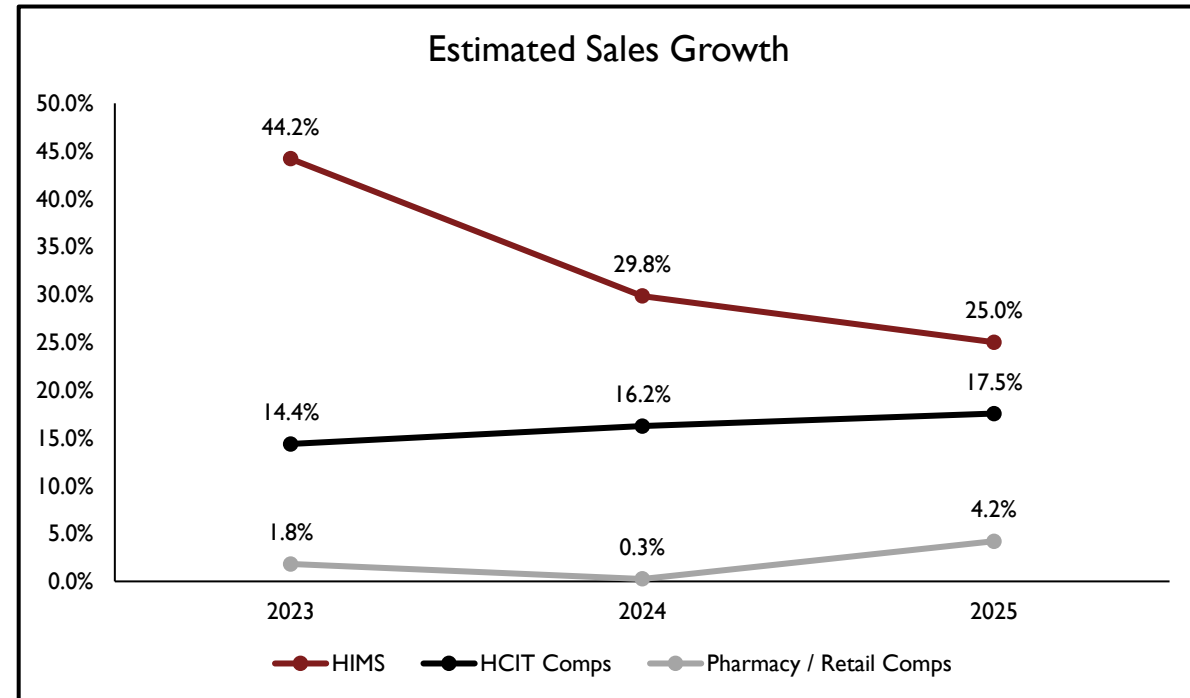
# Overblown Growth

## Unsustainable Growth



- Cannot grow at this caliber forever, going to have to **decrease** in growth at some point
- **1.2bn estimate** for 2025 is lofty based on history

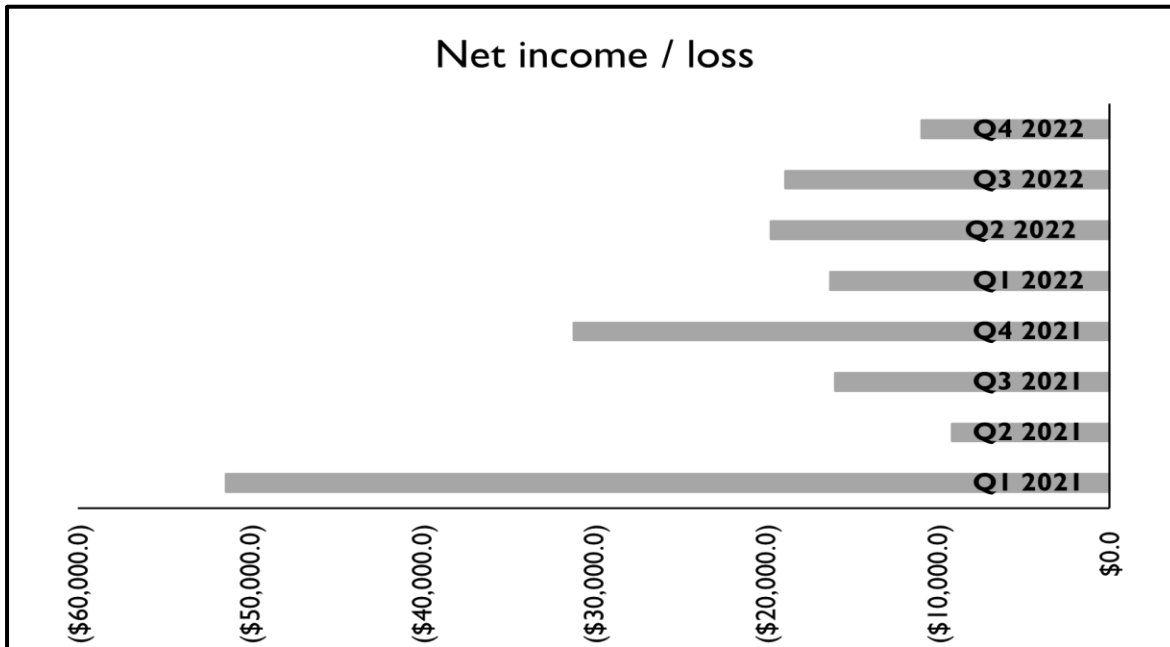
## Unattainable Guidance



- **Over-projecting** their growth compared to comps
- Missing growth estimates could lead to slashing further estimates and will ultimately lead to a **re-rate**

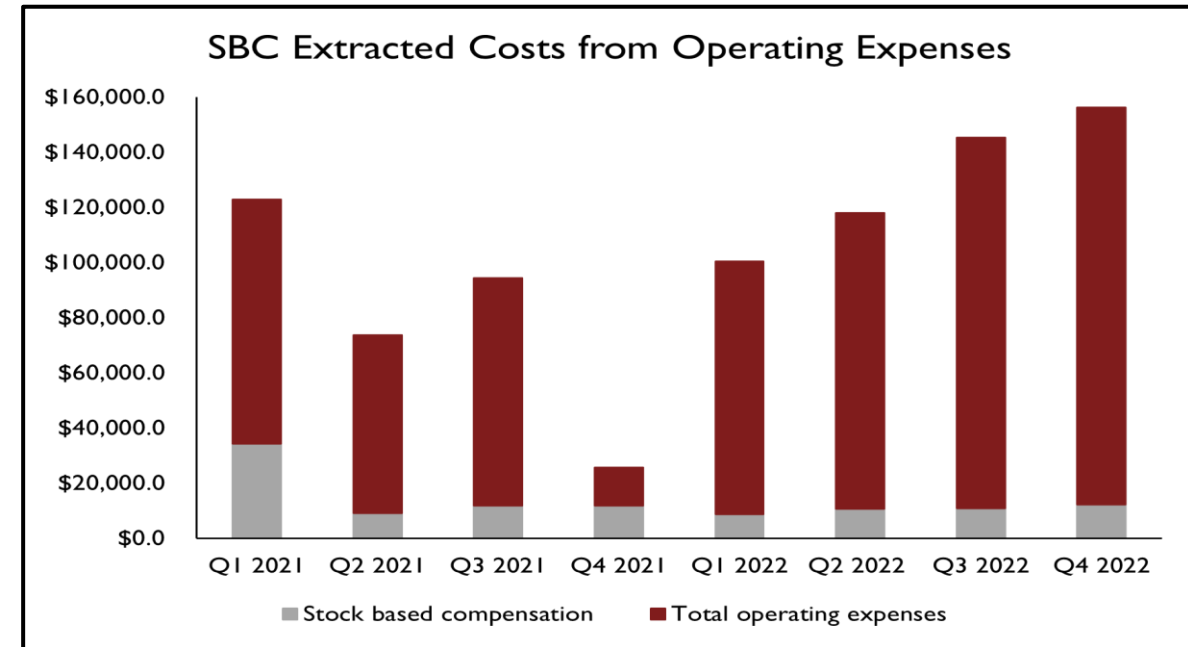
# Lack of Profit & Hidden Costs

## Operating at a Loss



- Operating at a loss, **no history of profit**
- Guidance for the future is **unrealistic** compared to past performance

## Hidden Costs

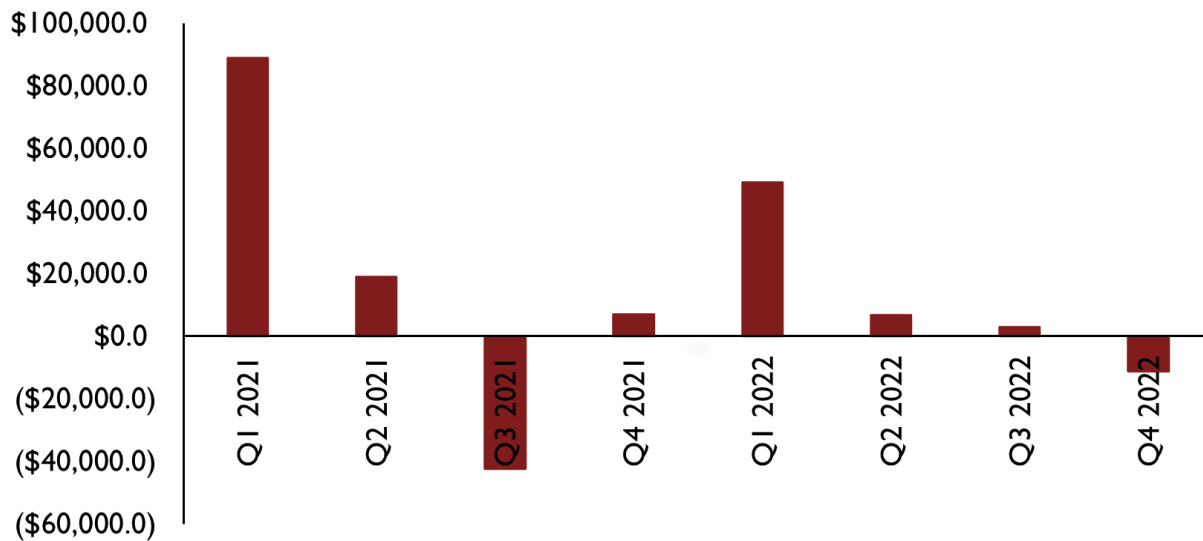


- Pay employees with **SBC**, deducting expenses from total operating expenses (**not allocated to SG&A**)
- Allows them to hold cash for other purposes but operating at a loss

# False Sense of Liquidity

## Recent Cash Burn

Total change in cash, cash equivalents, and restricted cash



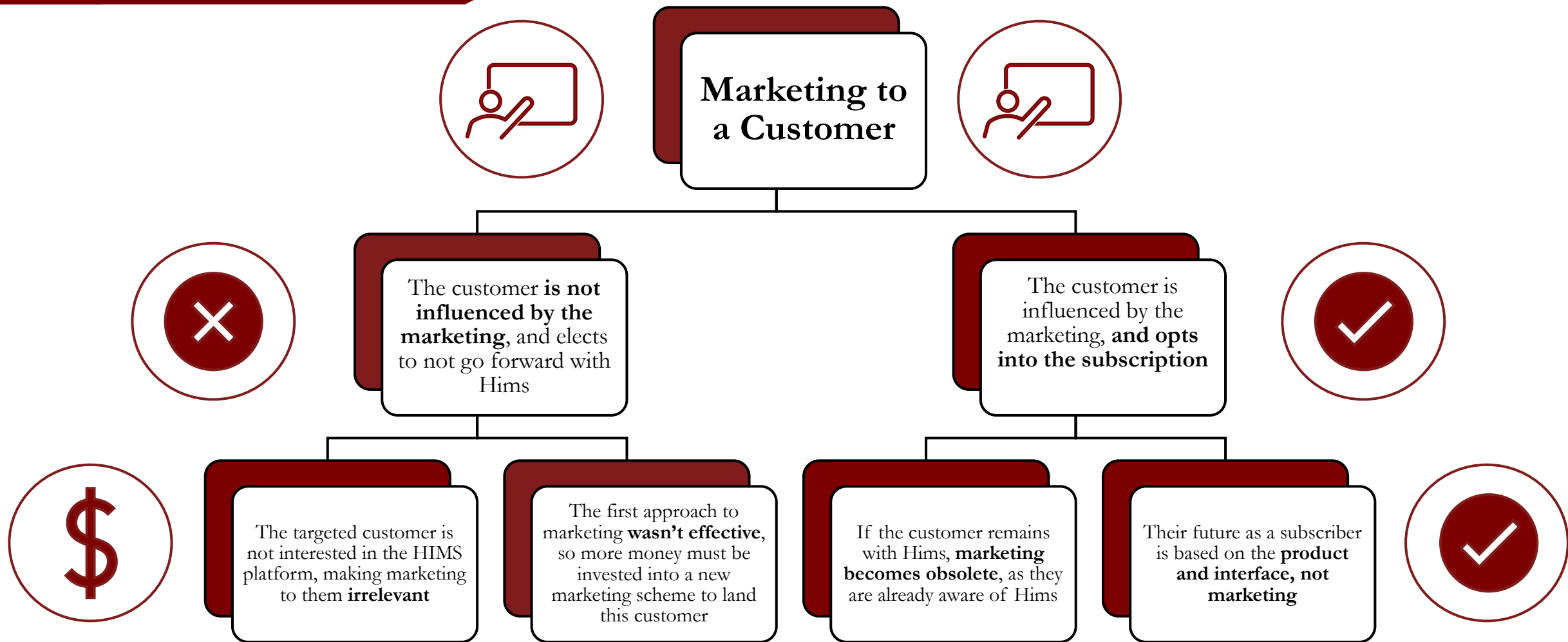
## What's Happening?

- Held a stable amount of cash after their initial IPO
- Holding onto that cash now, but **continuing to operate at a loss**
- Eventually going to **burn through cash** because not bringing in profit from continuing operations

## What Will the Future Hold?

- Will **need to raise capital** in the future in order to afford ongoing operations
- Raising capital will be **expensive** due to:
  - Current macro environment
  - They are a young, tech-based company

# Diminishing Returns



# Key Marketing Metrics



## Total Subscribers

- Represents all subscribers to Hims, as of 2022, divided by their marketing
- Number cannot express how many marketing outreaches it took to land the subscriber

## Value

- Avg cost to gain a subscriber ~\$450



## Incremental Subscribers

- Represents the change of subscribers Hims gains YoY
- Total marketing expenses tallied over the entrance of new subscribers in 2022 comes out to Hims paying roughly **\$962 for a new subscriber**

## Value

- Avg cost to gain incremental subscriber 2022 ~ \$962



## Cost of New Subscribers

- The cost of gaining a new subscriber is **significantly higher than in past years**
- Hims acquisition of a **subscriber in 2020 was over 400% cheaper** than it is for them today, this value highlights the diminishing returns Hims will deal with

## Value

- Cost of a new subscriber in 2020 ~\$200

# Recommendation

We recommend a **short** position in Hims & Hers Health, Inc. with a **19.2%** downside based on a **\$7.71** price target with a timeframe of **1 year**.

# Appendix

# Management



**Andrew Dudum**  
*Chief Executive Officer*

Co-founder of Hims, has been the CEO and a director since September 2016. Before Hims he co-founded a startup studio and investment fund called Atomic Labs, as well as assisted in the development of additional innovative companies.



**Melissa Baird**  
*Chief Operating Officer*

Joined in February of 2018, prior to Hims she served as VP of Systems and Procedures for Draper James. She also has experience in building DTC mainstays and conducting scientific research.



**Soleil Boughton**  
*Chief Legal Officer & Corporate Secretary*

Oversees legal, compliance, and public policy activities. Joined Hims in October of 2018 and brings with her over 16 years of healthcare law experience. She has had HC experience at Google's Cloud Healthcare & Life Sciences.



**Yemi Okupe**  
*Chief Financial Officer*

Has past financial leadership in many business to consumer companies. He holds previous divisional CFO experience at Uber. In addition, he has served in financial leadership positions at eBay, PayPal, and Google.