

Hims & Hers

February data: Alternative data tracking above guidance

Reiterate Rating: BUY | PO: 17.25 USD | Price: 14.88 USD

Revenue growth appears strong through February

We have begun tracking Bloomberg Second Measure data, Sensor Tower, and Similar Web data to gauge HIMS' online revenue growth trends. HIMS' Bloomberg Second Measure data indicates HIMS is tracking toward 1Q'24 sales of 11% growth q/q, slightly above the Street's estimate of 10%. Importantly, Bloomberg's Second Measure data has generally tracked ~2%+ below HIMS reported revenue growth, which may be driven by the data's focus on debit cards and over-indexing to the Midwest region where growth may be slower. Additionally, Sensor Tower Monthly Active User (MAU) data is pointing to aggregate February MAUs at an all-time high, another positive, though we note that Sensor Tower's growth rates are not representative of HIMS' actual growth rate because the mobile app was only released a few years ago. Web traffic visit trends also point to potential conservatism in consensus revenue estimates with 1Q'24 run-rate web visits tracking 9.1% q/q. Historically, web traffic visits have trended on average 10.7% lower than HIMS reported revenue growth likely due to the exclusion of mobile app activity as the data tracks site visits only. All together, HIMS could exceed 1Q'24 total revenue guidance of \$267-\$272MM, representing growth of 8-10% q/q. We note that while MAU and web traffic growth saw a strong start to 2024, February m/m MAU growth decelerated and web traffic declined which will be an important trend to monitor. We continue to track observed sales, MAU, and web traffic trends through the remainder of the quarter and view HIMS as differentiated from other digital health peers. We remain optimistic on HIMS' growth story due to its brand value, strong product portfolio, and ability to drive operating leverage. In the past quarter, the company provided substantial line of sight into intermediate-to-long-term margin expansion and our new \$17.25 PO (was \$14.50) represents 11x 2027E EBITDA and 3x EV/2024E revenue (vs. 2.5x prior).

Catalysts going forward

Going forward, we look for further momentum in newer categories as the company continues to track towards emerging specialties delivering +\$100MM of revenues in 2025. We also look for greater line of sight into 2025 targets of \$1.2Bn in revenue and \$100MM of adj. EBITDA as execution in FY24 will be key. We also look for broader script trends and progress on driving ongoing operating leverage. We do note that February MAU growth was just 0.4% while combined web traffic visits declined 14.8% m/m, highlighting that this type of growth is worth monitoring.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.31)	(0.10)	0.13	0.26	0.45
GAAP EPS	(0.40)	(0.11)	(0.11)	0.02	0.21
EPS Change (YoY)	43.6%	67.7%	NM	100.0%	73.1%
Consensus EPS (Bloomberg)			0.21	0.36	0.81
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	114.5x	57.2x	33.1x
GAAP P/E	NM	NM	NM	744.0x	70.9x
EV / EBITDA*	NM	58.7x	26.6x	18.1x	12.7x
Free Cash Flow Yield*	-1.1%	1.5%	3.1%	4.5%	6.3%

* For full definitions of *IQmethod*SM measures, see page 9.

18 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	14.50	17.25

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Stock Data

Price	14.88 USD
Price Objective	17.25 USD
Date Established	18-Mar-2024
Investment Opinion	C-1-9
52-Week Range	5.65 USD - 15.38 USD
Mrkt Val (mn) / Shares Out (mn)	3,063 USD / 205.9
Free Float	67.2%
Average Daily Value (mn)	89.34 USD
BofA Ticker / Exchange	HIMS / NYS
Bloomberg / Reuters	HIMS US / HIMS.N
ROE (2024E)	7.3%
Net Dbt to Eqty (Dec-2023A)	-28.1%

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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Timestamp: 18 March 2024 11:44AM EDT

iQprofileSM Hims & Hers

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-18.0%	-7.3%	5.2%	10.3%	14.5%
Return on Equity	-19.5%	-6.4%	7.3%	11.9%	15.9%
Operating Margin	-12.5%	-3.1%	2.3%	4.8%	7.2%
Free Cash Flow	(34)	47	96	136	194

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	4.6x	2.9x	2.2x
Asset Replacement Ratio	1.0x	2.8x	2.8x	2.3x	1.8x
Tax Rate	0.1%	NM	22.5%	25.0%	25.0%
Net Debt-to-Equity Ratio	-15.0%	-28.1%	-38.0%	-46.9%	-54.7%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	527	872	1,196	1,496	1,839
% Change	93.8%	65.5%	37.2%	25.0%	23.0%
Gross Profit	409	715	980	1,199	1,442
% Change	99.9%	74.9%	37.1%	22.4%	20.3%
EBITDA	(16)	50	109	161	228
% Change	47.5%	NM	120.4%	47.4%	41.9%
Net Interest & Other Income	3	8	10	9	9
Net Income (Adjusted)	(63)	(21)	29	60	106
% Change	38.5%	66.7%	NM	110.6%	75.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(63)	(21)	29	60	106
Depreciation & Amortization	7	10	13	16	20
Change in Working Capital	(14)	21	22	24	29
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	43	64	69	73	76
Capital Expenditure	(7)	(26)	(36)	(37)	(37)
Free Cash Flow	-34	47	96	136	194
% Change	14.3%	NM	105.1%	41.6%	42.3%
Share / Issue Repurchase	1	(11)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	47	97	168	270	414
Trade Receivables	0	0	0	0	0
Other Current Assets	170	168	184	201	223
Property, Plant & Equipment	11	36	62	86	108
Other Non-Current Assets	139	140	162	194	239
Total Assets	366	441	576	751	983
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	48	88	122	161	208
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	7	9	12	15	18
Total Liabilities	55	97	134	176	226
Total Equity	312	344	442	575	757
Total Equity & Liabilities	366	441	576	751	983

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Healthcare Technology & Distribution

Company Description

Hims & Hers is a technology-enabled pharmacy designed to primarily address various chronic conditions with a heavy focus on a younger "millennial" patient population. The company pursues targeted direct marketing for drug classes that have a high degree of generic drug prevalence, using a tele-pharmacy model to prescribe and ship drugs directly to a member's home.

Investment Rationale

We see an opportunity for HIMS to capitalize on its core market, targeting primarily cash-pay/generic drugs. We also see the ramp in categories such as hair loss, erectile dysfunction, and dermatology as strong places to start, while primary care serves as a sizable opportunity. Given the scale in these core markets, the breakeven EBITDA is impressive and should set HIMS up for ongoing profitable growth.

Stock Data

Average Daily Volume 6,003,986

Quarterly Earnings Estimates

	2023	2024
Q1	-0.05A	NA
Q2	-0.03A	NA
Q3	-0.03A	NA
Q4	0.01A	NA

Updating PO on February data trends

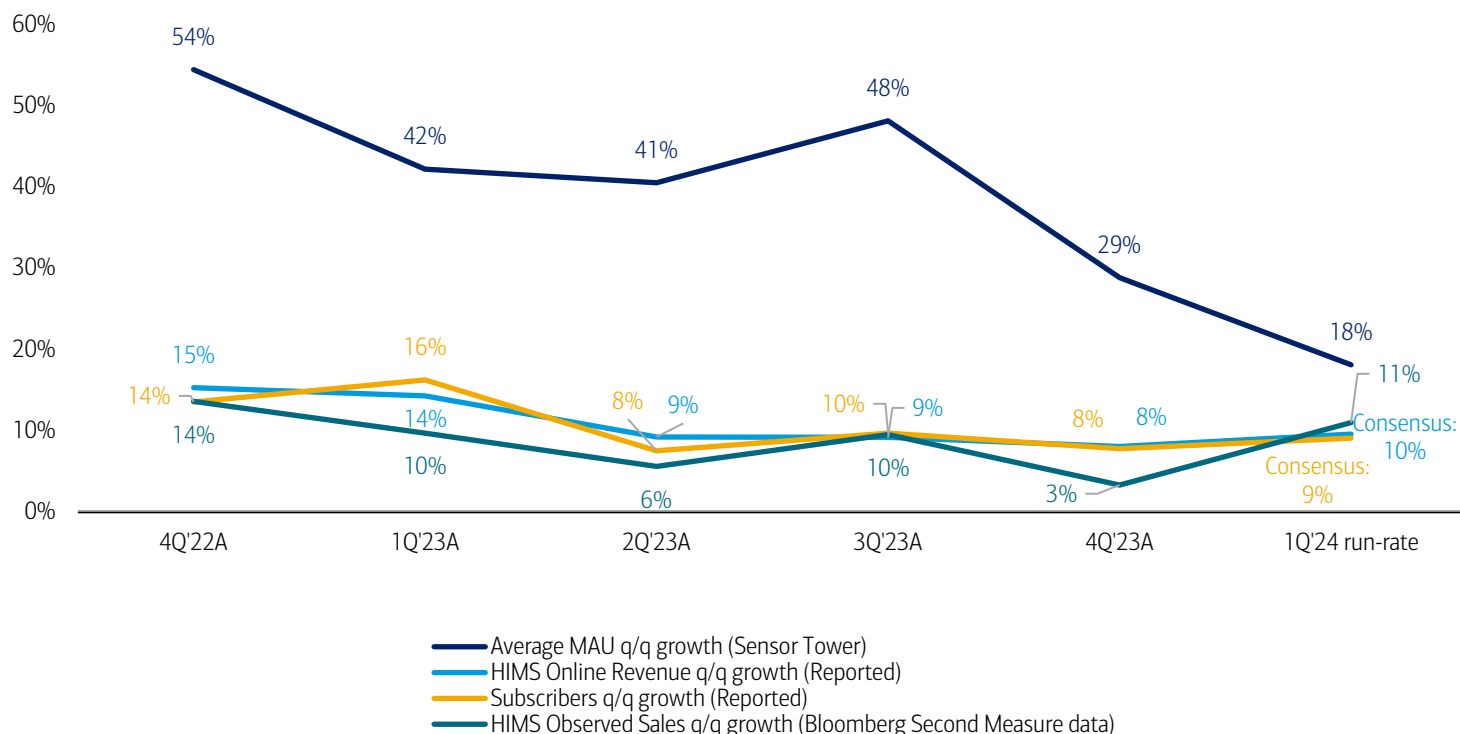
We have begun tracking Sensor Tower Monthly Active User (MAU) trends and Bloomberg Second Measure credit and debit card data to gauge online revenue growth trends. We believe these trends provide a valuable metric for intra-quarter analysis given the vast majority of revenues (online revenues represented 97% of total revenues in FY23) are derived from sales on HIMS' websites and mobile applications. It is important to note that the underlying Bloomberg Second Measure data aggregates analytics from a consumer panel that is normalized to broadly represent consumer spending in the U.S., but skews towards debit cards and concentrations in specific regions (i.e. the Midwest). Thus, we look to February data trends for directional color rather than representative of actual revenue growth.

Quarterly MAUs have grown faster than online rev growth

In February, aggregate HIMS MAUs were at an all-time high growing 219% y/y (Exhibit 5) and 0.4% m/m. February run-rate MAUs are tracking 18% above the 4Q'23 average. However, we have observed that Sensor Tower MAUs tend to track much higher than reported HIMS Online Revenue growth. Meanwhile, Bloomberg Second Measure data shows an R-squared value of 0.78 with observed sales tracking on average ~2% below reported HIMS quarterly Online Revenue growth from 4Q'22 to 4Q'23 (Exhibit 1). For example, in 4Q'23 HIMS reported Online Revenue grew 8% q/q well below Sensor Tower MAUs growth of 29% q/q and above Bloomberg Second Measure data sales growth of 3% q/q. While Bloomberg Second Measure data has generally shown a stronger correlation to HIMS reported metrics compared to Sensor Tower MAUs, we believe Bloomberg data may be understating revenue growth due to the underlying data skew to debit cards and regional concentration in the Midwest. For 1Q'24, consensus is estimating \$260.1MM in Online Revenues representing growth of 10% q/q while the Bloomberg Second Measure data run-rate is tracking 11% q/q. This could indicate that the Street's 1Q'24 Online Revenue estimates may be conservative.

Exhibit 1: Comparison of quarterly HIMS reported metrics (online revenue and subscribers), Sensor Tower MAUs, and Bloomberg Second Measure data

We have observed a stronger correlation with HIMS reported metrics and observed sales (Bloomberg Second Measure data) compared to Sensor Tower MAUs



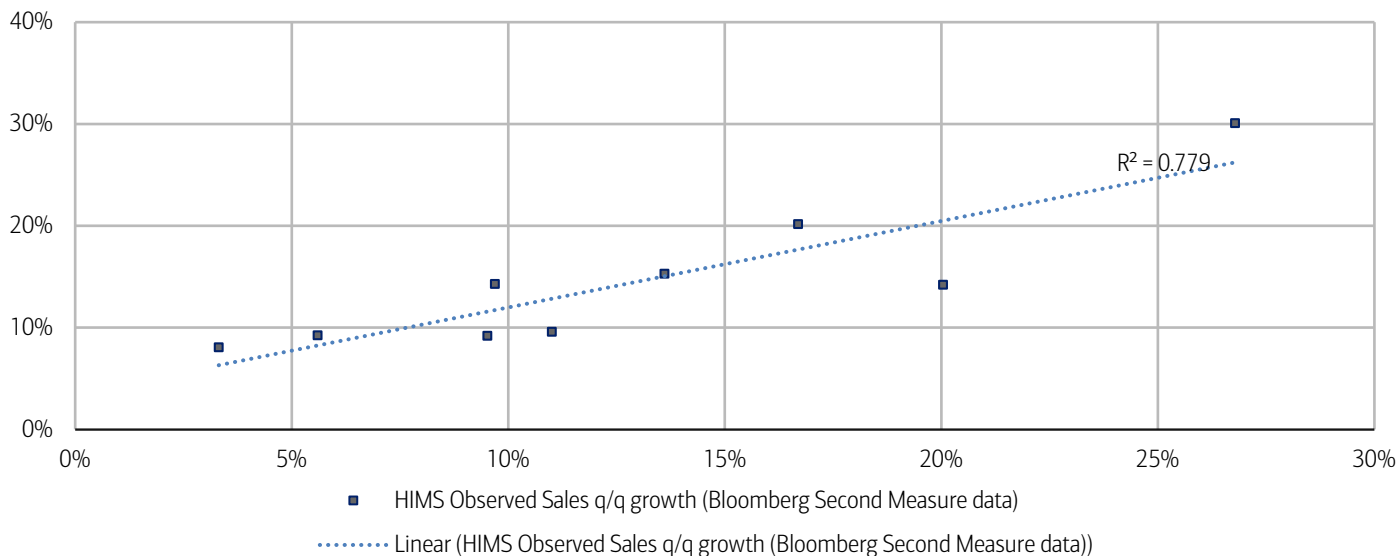
Source: Company reports, Sensor Tower, Visible Alpha, Bloomberg Financial LP – ALTD <GO>

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Exhibit 2: Bloomberg Second Measure data regression analysis

A regression on Bloomberg Second Measure data shows an R-squared value of 0.78

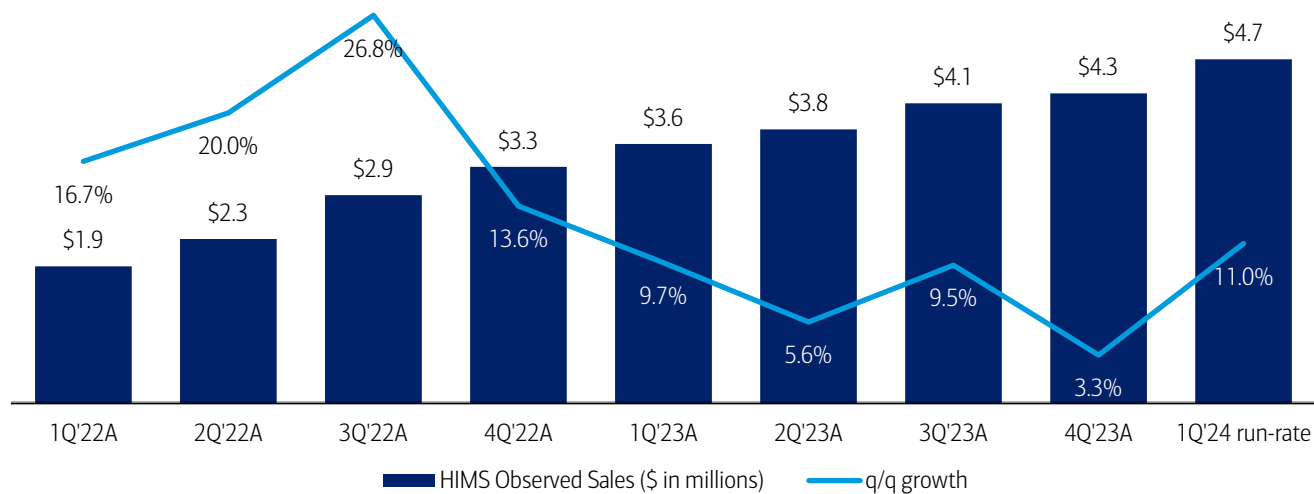


Source: Bloomberg Financial LP – ALTD <GO>

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Exhibit 3: HIMS quarterly observed sales (Bloomberg Second Measure Data), 2022-1Q'24 run-rate

1Q'24 run-rate observed sales are trending 11% above 4Q'23



Source: Bloomberg Financial LP – ALTD <GO>

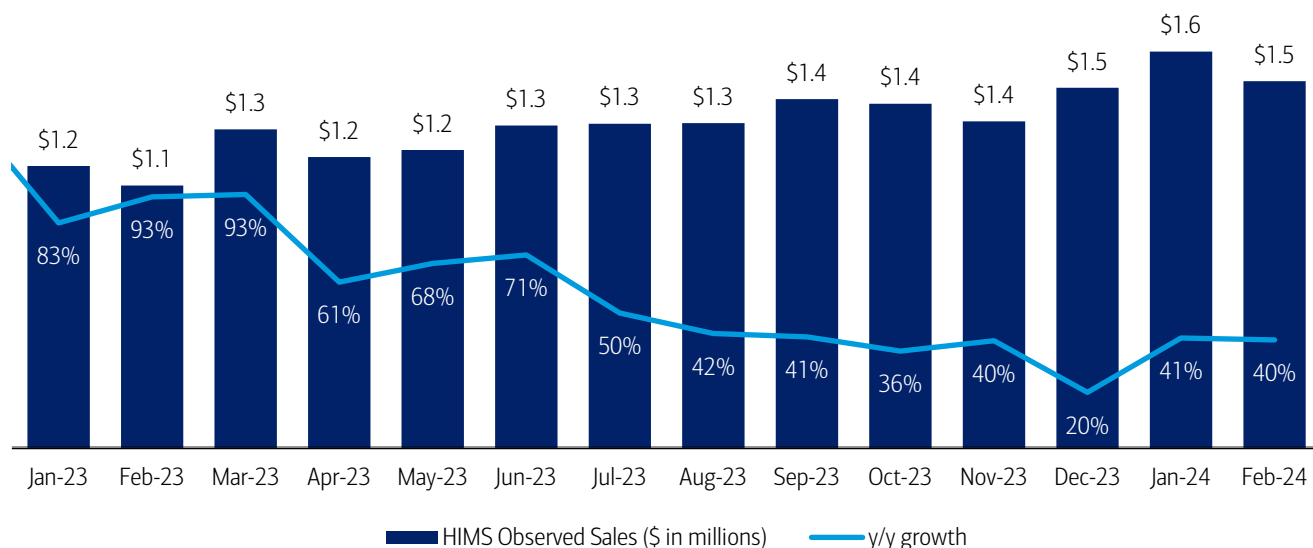
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HIMS observed sales grow 40% y/y in February

Observed sales (per Bloomberg Second Measure data) grew 40% y/y reflecting a 7% decline m/m.

Exhibit 4: HIMS monthly observed sales (Bloomberg Second Measure data), 2023-2024

In February, observed sales grew 40% y/y representing a decline of 7% m/m



Source: Bloomberg Financial LP – ALTD <GO>

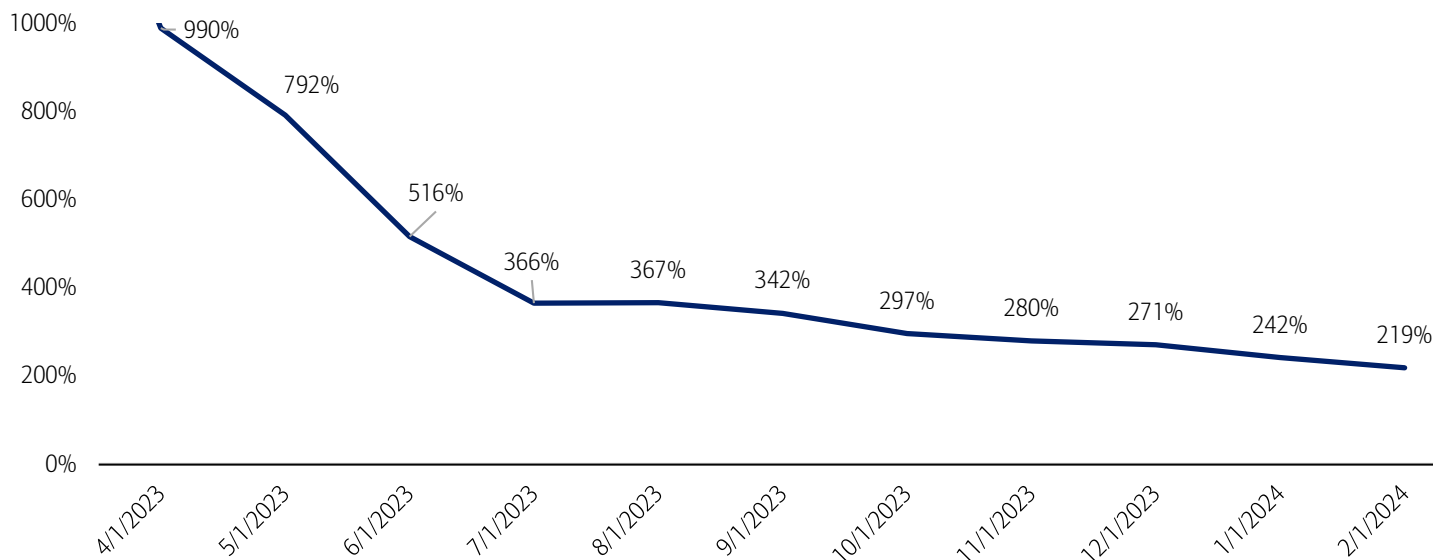
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Aggregate HIMS MAUs at all-time high

In February, aggregate HIMS MAUs reach an all-time high growing 219% y/y and 0.4% m/m. February run-rate MAUs are trending 18% above average MAUs in 4Q'23.

Exhibit 5: U.S. HIMS Monthly Active User growth trends, 2023-2024

In February, aggregate MAUs were at an all-time high growing 219% y/y, representing 0.4% m/m growth



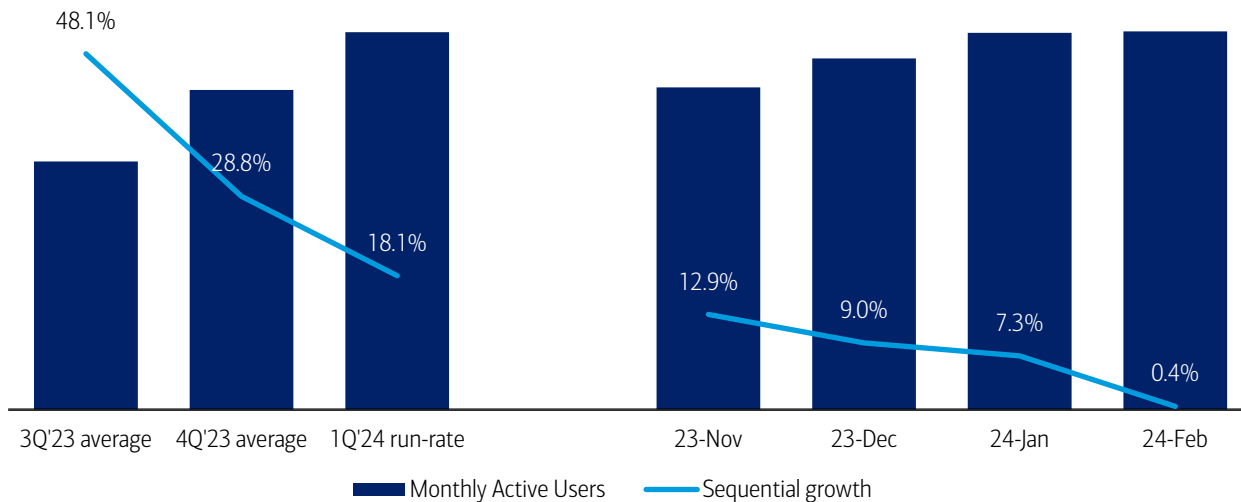
Source: Sensor Tower

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Exhibit 6: U.S. HIMS Monthly Active Users (3Q'23 to 1Q'24 run-rate)

February MAUs grew 0.4% m/m with 1Q'24 run-rate MAUs trending 18.1% above average 4Q'23 levels



Source: Sensor Tower

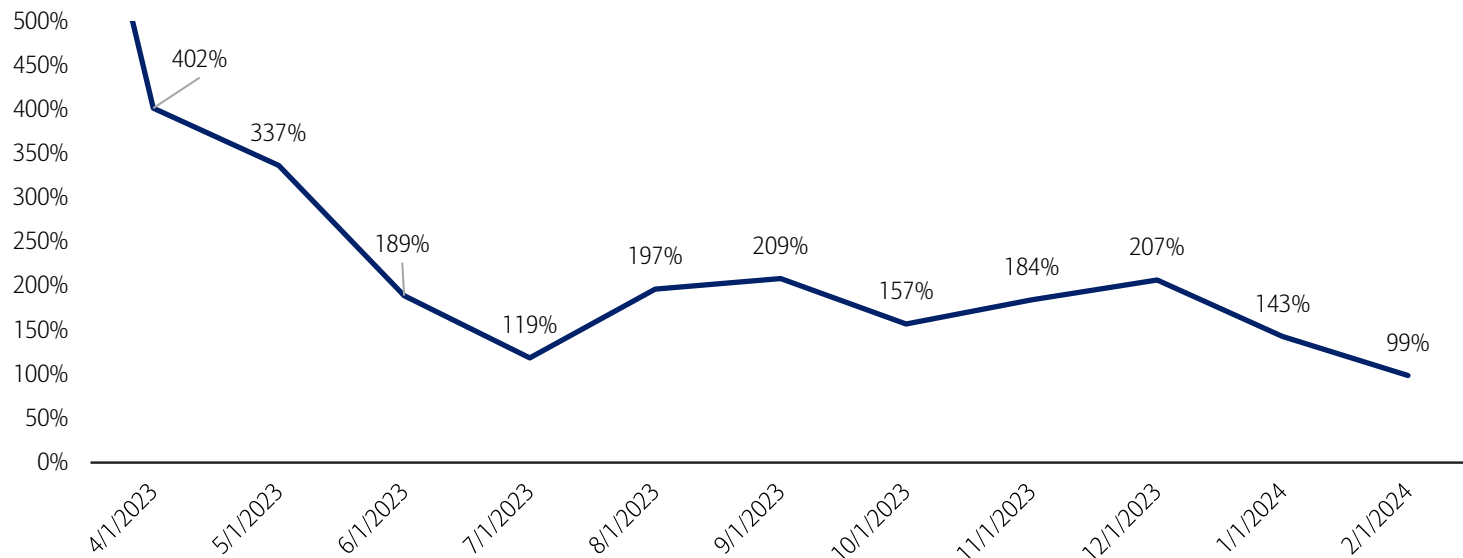
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HIMS app downloads decline 19% m/m in February

HIMS' app downloads in February declined 19% m/m representing a 99% y/y increase. February run-rate app downloads are trending 3.1% above the 4Q'23 average.

Exhibit 7: U.S. HIMS app downloads, 2023-2024

February app downloads increased 99% y/y, representing a decline of 18.9% m/m



Source: Sensor Tower

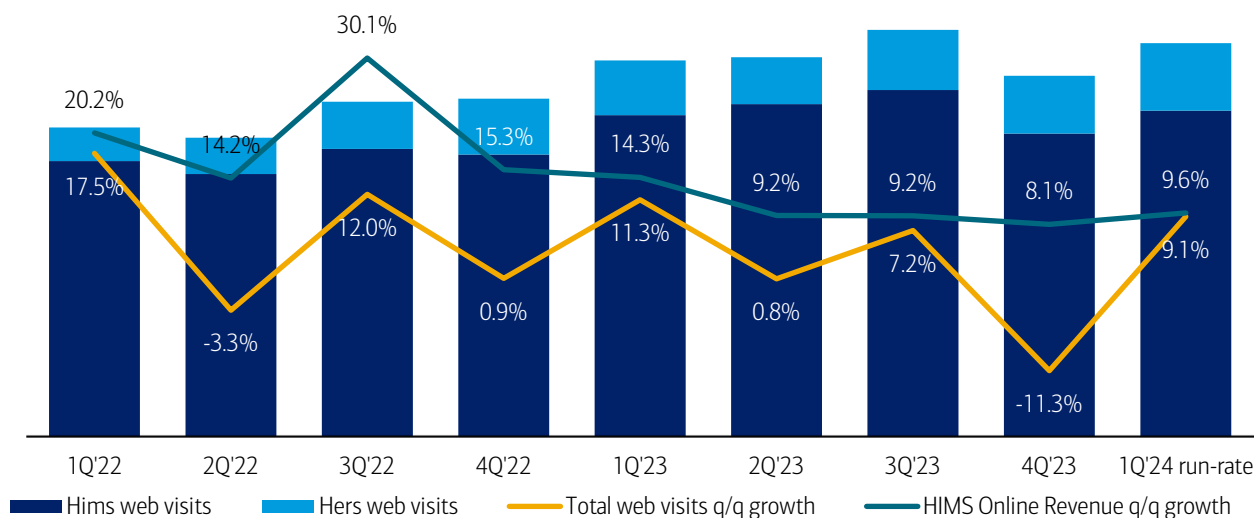
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Feb. combined web traffic visits decline 14.8% m/m

We also tracked web traffic visits for forhims.com and forhers.com for directional trends. We have observed that combined web traffic visit growth across both websites (forhims.com and forhers.com) trended well below HIMS' reported Online Revenue growth (Exhibit 8). Historically, total web visit growth has tracked on average 10.7% lower than reported revenue growth from 1Q'22 through 4Q'23. For 1Q'24, run-rate total web visits are tracking 9.1% above the 4Q'23 average while consensus is estimating 9.6% q/q growth for HIMS' Online Revenue. This datapoint could indicate some conservatism in 1Q'24 consensus revenue estimates. For February, combined web traffic visits grew 6.3% y/y reflecting a 14.8% decline m/m. More specifically, February forhims.com web traffic visits grew 5.6% y/y reflecting a 12.1% decline while forhers.com grew 10.4% y/y reflecting a 26.9% decline. We continue to monitor web traffic visit trends for directional color and note that the delta between web traffic and reported revenue growth likely reflects the exclusion of mobile app activity as the underlying data tracks site visits only.

Exhibit 8: Total web traffic visit growth for combined forhims.com and forhers.com vs. reported HIMS Online Revenue growth

Total web visits have trended significantly below HIMS reported Online Revenue growth



Source: Similar Web, Company reports

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Price objective basis & risk

Hims & Hers (HIMS)

Our \$17.25 price objective is based on about 3.0x our CY24 revenue estimate. We use a range of health IT companies, both newer digital health as well as more traditional software for comparison, comparing relative growth and relative margin rates, with the digital health side being more representative. Given relative growth rates, spend levels, and margin characteristics, our target multiple is in-line with some of the other digital health companies that are currently unprofitable.

Downside risks are lack of differentiation vs. more traditional pharmacy providers, a limited number of disease categories serviced, the need to continue to spend on both R&D and sales & marketing to remain competitive, and a slower return of overall market script growth post-COVID. Upside risks are increased demand from consumer-oriented disease categories, faster growth from targeted marketing spend (leading to stronger LTV/CAC), and potential upside from moving into new disease categories.

Analyst Certification

I, Allen Lutz, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accolade	ACCD	ACCD US	Allen Lutz, CFA
	American Well Corp	AMWL	AMWL US	Allen Lutz, CFA
	Cencora Inc	COR	COR US	Allen Lutz, CFA
	CVS Health	CVS	CVS US	Allen Lutz, CFA
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST US	Allen Lutz, CFA
	HealthEquity Inc	HQY	HQY US	Allen Lutz, CFA
	Hims & Hers	HIMS	HIMS US	Allen Lutz, CFA
	McKesson	MCK	MCK US	Allen Lutz, CFA
	Omniceil Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
NEUTRAL				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
UNDERPERFORM				
	GoodRx	GDRX	GDRX US	Allen Lutz, CFA
	Henry Schein	HSIC	HSIC US	Allen Lutz, CFA
	Owens & Minor	OMI	OMI US	Allen Lutz, CFA
	Premier, Inc.	PINC	PINC US	Allen Lutz, CFA
	Walgreens Boots Alliance	WBA	WBA US	Allen Lutz, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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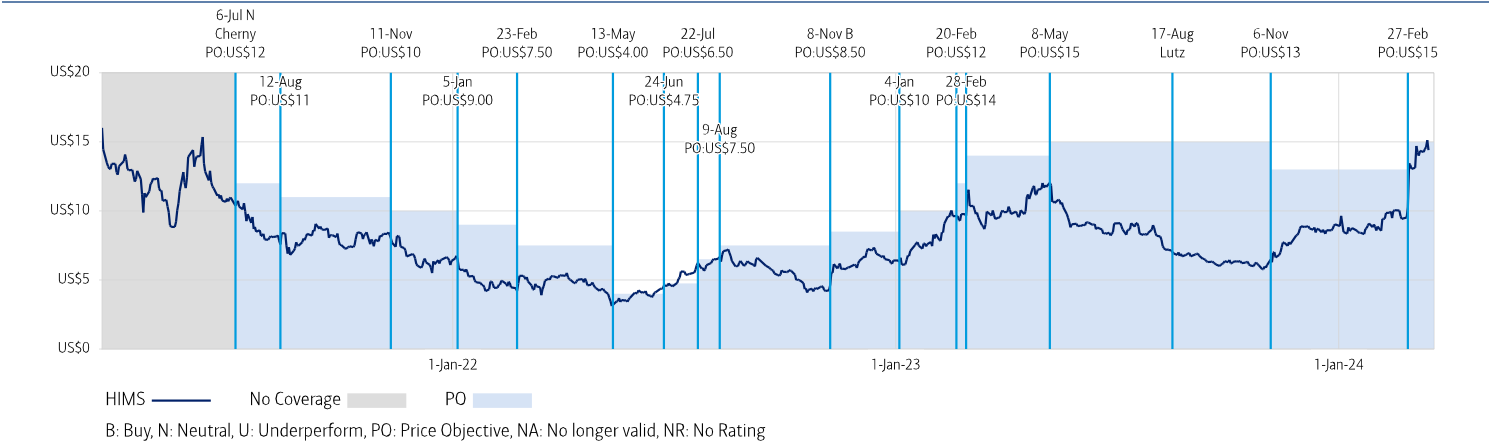
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Disclosures

Important Disclosures

Hims & Hers (HIMS) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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