Progyny

Look through the noise, growth algo remains intact

Reiterate Rating: BUY | PO: 46.00 USD | Price: 40.79 USD

27 February 2024

Equity

Increasingly scaled and generating strong cash flow

We continue to like Progyny as a differentiated growth story in healthcare services, with long tailwinds for growth. Our channel checks continue to indicate that demand for fertility remains robust in 2024, although we note some employers have pushed out benefits to 2025. Progyny is uniquely positioned as a scaled player generating significant cash flow to reinvest and add new services (i.e., menopause, male infertility, pharmacy benefits, etc.) to maintain its strong retention levels. Outside of the treatment mix shift in 1Q (more on this in the body of the note), utilization trends, client adds, and commentary on a record early season pipeline suggests Progyny's growth algorithm remains intact. While there are some unique risks in FY24 (revenue ramp, first potential year where GLP-1 costs come into focus), we view both the fertility end-market and Progyny's competitive position favorable to support a ~20% revenue CAGR in the mid-term. Maintain Buy with $46 PO ($47 prior) on ~19.5x CY24 EV/EBITDA (19.6x previously).

Adjusting our estimates following 4Q results

Following results, we increase our FY24 revenue estimate from $1,277.2MM to $1,300.5MM and our FY25 revenue estimate from $1,552.2MM to $1,598.9MM. The revenue increase is driven by higher revenues across both Medical and Pharmacy Benefits revenue. We are also increasing our FY24 adjusted EBITDA estimate from $222.3MM to $227.1MM and our FY25 adjusted EBITDA estimate from $271.3MM to $279.5MM. The increase in adjusted EBITDA is a driven primarily by higher incremental revenue. With this note, we also roll out our quarterly FY24 and annual FY27 estimates.

Key themes for FY24: Treatment mix through FY24

Following results, the focus will shift to the embedded ramp in the FY24 guide and execution through the upcoming quarters. Commentary about trends in the treatment mix will be particularly important given the shift in treatment mix embedded in 1Q. We look to continue and track utilization, timing of go-lives, incremental partnerships, and client expansion as it contributes to the company's growth algorithm. We also look for potential updates on service expansion to broaden PGNY's capabilities and incremental commentary on the FY24 selling season as quarters progress. Lastly, we'll keep an eye on legislative changes that may impact the IVF market.

Estimates (Dec) (US$)	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EPS	0.30	0.62	0.68	0.95	1.30
GAAP EPS	0.11	0.63	0.68	0.95	1.30
EPS Change (YoY)	-69.7%	106.7%	9.7%	39.7%	36.8%
Consensus EPS (Bloomberg)			1.00	1.34	1.21
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	136.0x	65.8x	60.0x	42.9x	31.4x
GAAP P/E	370.8x	64.7x	60.0x	42.9x	31.4x
EV / EBITDA*	29.0x	19.5x	16.0x	13.0x	10.7x
Free Cash Flow Yield*	2.0%	4.7%	4.8%	5.7%	7.0%

* For full definitions of *iQmethod*SM measures, see page 10.

Key Changes

(US$)	**Previous**	**Current**
Price Obj.	47.00	46.00
2024E EPS	0.60	0.68
2025E EPS	0.89	0.95
2026E EPS	1.23	1.30
2024E EBITDA (m)	222.3	227.1
2025E EBITDA (m)	271.3	279.5
2026E EBITDA (m)	329.3	339.2

Allen Lutz, CFA
Research Analyst
BofAS
+1 646 855 4380
allen.lutz@bofa.com

Dev Weerasuriya
Research Analyst
BofAS
+1 646 855 5707
dev.weerasuriya@bofa.com

Hanna Lee
Research Analyst
BofAS
+1 646 855 3682
hanna.y.lee@bofa.com

Stock Data

Price	40.79 USD
Price Objective	46.00 USD
Date Established	27-Feb-2024
Investment Opinion	C-1-9
52-Week Range	29.44 USD - 44.95 USD
Mrkt Val (mn) / Shares Out (mn)	3,909 USD / 95.8
Free Float	86.0%
Average Daily Value (mn)	27.43 USD
BofA Ticker / Exchange	PGNY / NAS
Bloomberg / Reuters	PGNY US / PGNY.OQ
ROE (2024E)	10.7%
Net Dbt to Eqty (Dec-2023A)	-17.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Refer to important disclosures on page 11 to 13. Analyst Certification on page 9. Price Objective Basis/Risk on page 9. **12664757**

Timestamp: 27 February 2024 08:15PM EST

iQprofile℠ Progyny

*iQ*method℠ – **Bus Performance***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	35.1%	35.5%	26.7%	22.9%	21.4%
Return on Equity	9.7%	13.3%	10.7%	11.3%	12.1%
Operating Margin	15.8%	17.0%	17.3%	17.3%	17.4%
Free Cash Flow	77	185	188	224	275

*iQ*method℠ – **Quality of Earnings***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	2.6x	3.0x	2.7x	2.3x	2.0x
Asset Replacement Ratio	2.0x	1.6x	1.4x	1.3x	1.3x
Tax Rate	NM	12.2%	22.5%	27.5%	27.5%
Net Debt-to-Equity Ratio	-31.9%	-17.6%	-37.3%	-50.2%	-59.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	787	1,089	1,301	1,599	1,929
% Change	57.2%	38.3%	19.5%	22.9%	20.6%
Gross Profit	193	273	327	404	489
% Change	59.6%	41.4%	19.7%	23.4%	21.2%
EBITDA	126	187	227	279	339
% Change	86.6%	48.8%	21.4%	23.0%	21.4%
Net Interest & Other Income	(100)	(114)	(134)	(138)	(142)
Net Income (Adjusted)	**30**	**62**	**71**	**100**	**141**
% Change	**-69.5%**	**104.4%**	**13.7%**	**42.2%**	**40.3%**

Free Cash Flow Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	30	62	71	100	141
Depreciation & Amortization	2	2	3	3	3
Change in Working Capital	(59)	(17)	(23)	(23)	(19)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	108	142	142	148	154
Capital Expenditure	(3)	(4)	(4)	(4)	(4)
Free Cash Flow	**77**	**185**	**188**	**224**	**275**
% Change	**222.7%**	**140.0%**	**1.6%**	**19.1%**	**22.7%**
Share / Issue Repurchase	3	0	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	120	97	285	509	784
Trade Receivables	240	242	314	368	423
Other Current Assets	74	301	275	276	276
Property, Plant & Equipment	8	10	12	15	17
Other Non-Current Assets	101	106	110	115	116
Total Assets	**543**	**757**	**997**	**1,283**	**1,617**
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	160	186	213	252	291
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	6	17	17	17	17
Total Liabilities	**166**	**203**	**231**	**269**	**308**
Total Equity	**377**	**553**	**766**	**1,014**	**1,309**
Total Equity & Liabilities	**543**	**757**	**997**	**1,283**	**1,617**

* For full definitions of *iQmethod*℠ measures, see page 10.

Company Sector

Healthcare Technology & Distribution

Company Description

PGNY is an independent provider of fertility benefits management for self-insured employers. It contracts directly with employers to offer a flexible range of treatment bundles designed to enhance the overall fertility benefit for its customers and ease the burden of family planning, including an add-on pharmacy benefit and consultation services. It currently provides services for more than 260 self-insured employers and approximately 4MM total members.

Investment Rationale

Our Buy rating is due to our view that the total offering PGNY provides and fast-growing fertility market should provide for strong growth over the next few years, with a differentiated service that is growing in popularity among corporate benefit managers. We also see increased utilization as a potential upside driver, which has strong pullthrough given a low fixed cost infrastructure.

Stock Data

Average Daily Volume	672,384

Quarterly Earnings Estimates

	2023	2024
Q1	0.18A	0.12E
Q2	0.15A	0.19E
Q3	0.16A	0.21E
Q4	0.13A	0.16E

Digging into the treatment mix shift

Progyny is experiencing a short-term shift in treatment mix which is resulting in a $15MM headwind to revenue in the first quarter. This is the second time Progyny has experienced an adverse mix shift since it went public, with the first instance taking place in 2021.

As we understand it, Progyny offers about 20 different treatment bundles, all of which have different reimbursement rates. The different prices are driven by the cost of medical services and the use of prescription drugs, among other things. The major cycle options priced from highest to lowest include:

Exhibit 1: Progyny offerings by type of in vitro fertilization (IVF)
IVF Fresh Cycle represents the highest price offering with intrauterine insemination (IUI) representing the lowest price offering by Progyny

Types of IVF	Pricing (ranked highest to lowest)	Description
IVF Fresh Cycle	1	IVF Fresh cycle starts by stimulating the ovaries with a course of medications. Eggs are then retrieved, fertilized, and developed into embryos in ~3-5 days. The best embryo(s) are transferred into the uterus for pregnancy and any remaining embryos may be frozen for future use.
IVF Freeze-All	2	Similar to IVF but may offer increased success rates. An IVF Freeze-All starts by stimulating the ovaries with a course of medication. Eggs are then retrieved, fertilized, the embryos are frozen. Prior to freezing, pre-implantation genetic screening (PGS) can be performed to screen for abnormalities. While the embryos are frozen, the female's body is given the opportunity to normalize prior to performing the transfer to her uterus.
Egg Freezing (Retrieval)	3	An egg freezing cycle starts by stimulating the ovaries with a course of medication. Following stimulation, the eggs are retrieved from the ovaries and frozen for later use using vitrification.
Frozen Embryo Transfer	4	Embryos preserved during an IVF freeze-all, frozen oocyte transfer, or previous fresh IVF cycle can be thawed and transferred to the uterus.
Intrauterine Insemination (IUI)	5	Artificial insemination, also called intrauterine insemination (IUI) is a process in which either with or without a course of medication, and after monitoring, sperm is inserted directly into the uterus through the use of a catheter.

Source: BofA Global Research, Progyny member guide

BofA GLOBAL RESEARCH

A typical couple may first pursue a Fresh cycle (both egg retrieval and transfer). If successful, their journey could end there. For couples that are not successful, some pursue a retrieval cycle again (if they only had one useable embryo). Others may pursue a second transfer because their retrieval produced multiple viable embryos. Every so often Progyny sees a relatively higher number of Transfer cycles. It appears that Transfer cycles occur more often than retrieval cycles as the average patient can retrieve multiple embryos during a retrieval and may not need to repeat that part of the process. Overall, the volatility that Progyny is seeing in its model appears to reflect the normal variability of patient experiences during the IVF journey. We would expect this type of volatility to continue every so often.

4Q'23 Call Takeaways

Prepared Remarks

- Expect legislative issues to be non-issue given movement from legislators after Alabama ruling to support family building services
- 4Q
    - Utilization was in-line last year
    - Guidance included consideration of lower utilization due to holiday season, but was better than expected
- Shift in treatment mix changed early in 2024, but has returned to more customary levels. Expect normalized treatment mix through rest of FY24
- Structural tailwinds remain persistent
- Family service building top of mind for employers – adding not just IVF, but adoption and other services to support family building
- 2024 selling season is very early, but early activity is very positive. Active pipeline in early part of season (carry overs from last year) is largest it has been at this time of year
- Expanded addressable market by adding labor and government
- Level of scale helps with data and driving better outcomes
- Made investments in product teams and will continue to add to that in 2024 – preconception support (PCOS for endometriosis), post-partum solutions – including in 2024 selling season for contribution in 2025

Financials

- 4Q/FY23
    - Doubled revenue over the last two years. 10-fold increase over the last 5 years
    - Number of clients/covered lives highest – 4.5MM covered lives in the 4Q, 19% growth y/y
    - Avg. lives up 24% y/y for FY23
    - Impact of earlier launches in 4Q muted revenue in 4Q
    - Majority of new clients went live in 1Q, 2Q/3Q lives will be 200k additional lives
    - Medical revenues up 33% y/y in FY23 – driven by higher number of clients in covered lives
    - Pharmacy driven by number of clients with Progyny Rx – 93% in 2023 with nearly every client choosing Rx in new selling season
    - Expect difference in growth rates between medical/pharmacy to converge

- Female utilization – increased y/y, with FY23 utilization rate up y/y from FY22. Utilization in every quarter in 2023 was ahead of FY22
    - Utilization upward trajectory reflects infertility prevalence and desire for family building
- Gross profit
    - Up 30bps y/y in 4Q, and FY23 up 60bps y/y. Reflects ongoing efficiency in care management services
    - Channel partner relationships supporting lower Sales and Marketing spend
    - Improvement in SG&A from efficiencies in back-office operations
- Adj. EBITDA margins increased y/y in 4Q
- Incremental revenue adj. EBITDA margin was 20.3% in FY23
- Increase in net income driven by higher profitability and investment income less than offset by higher taxes
- Adj. EPS included in guidance – includes non-GAAP tax adjustment
- Operating cash flow up meaningfully y/y – benefited from pharmacy partner contract resolutions
- Full Year 2024 guide:
    - Revenue is projected to be $1,285MM to $1,315MM, reflecting growth of 18% to 21%
    - Net income is projected to be $68.1MM to $73.6MM, or $0.66 to $0.71 per diluted share, on the basis of approximately 103MM assumed weighted-average fully diluted-shares outstanding
    - Adjusted EBITDA is projected to be $224.0MM to $232.0 MM
    - Adjusted earnings per diluted share is projected to be $1.54 to $1.59
    - At midpoint of guidance expecting adj. EBITDA margin expansion. Reflects continued growth and improved profitability
- 1Q'24 guide:
    - Revenue is projected to be $285.0MM to $292.0MM, reflecting growth of 10% to 13%
    - Net income is projected to be $12.4MM to $13.7MM, or $0.12 to $0.13 per diluted share, on the basis of approximately 102MM assumed weighted-average fully diluted-shares outstanding
    - Adjusted EBITDA is projected to be $49.0 million to $51.0MM
    - Adjusted earnings per diluted share is projected to be $0.33 to $0.35

Q&A

- Why headwinds on the treatment mix? Why do you expect the recovery through remainder of the year? Even recovery or step up in 2Q?
    - Expectations based on history. 4-year history, utilization mix is pretty consistent. There has been period (summer of 2021) – anomalies where treatment mix was off for a short period of time
    - Treatments done and scheduled in January where mix was off, and scheduled/claims in February onward was more normalized
    - Treatment pathways are relatively consistent in a longer duration – so expecting mix to normalize beyond march
- Added benefits to FY24 selling season – how receptive are employers to this?
    - Early in season but conversations have been very good
    - Good amount of interest- logical extensions given success in fertility side. Maternity and post-partum. Interest is good and pipeline is good
- Color on the mix dynamic and how you landed at $15MM – pretty solid guide for the rest of the year?
    - Q1 has seasonality – compared Q1 mix to last year and previous Q1 years, and calculated mix change to size impact
- Dynamics of the pharmacy benefit – high level of penetration. How does growth opportunity change in intermediate term? Any way to grow outside volume/member adds?
    - Penetration is close to 100%, 93% this year. Little bit more to go on upsell
    - Will reflect normal growth consistent with medical revenue
    - Annual increases on drug increases in formulary could continue to contribute to growth
- Alabama court ruling – any impact on business? Anything you are watching on this?
    - When Roe v. Wade was overturned – no impact
    - No legislative change – just a ruling that impacted some of the practices, but seeing bi-partisan comments from states including Alabama talking about protecting IVF
    - If you look at publicly available data – Alabama is less than 1% of IVF cycles
- End of period 12/31 member size? How much is there to roll on from clients adds?
    - Expect approx. 6.1MM lives in 1Q
    - 300k or so lives from department of health and 200k or so in 2Q/3Q
    - Not baking in much organic growth in lives
- Where was the mix-shift occurring in the business?

  - More types of IVF with different revenue contributions
  - Variations of treatments (20 different models, couple of Intrauterine insemination IUI solutions, but mostly IVF)
  - Different contributions within IVF mix
- Female utilization up y/y – what is embedded in FY24 guide?
  - For Q1 and FY24 – essentially flat utilization embedded in the guide
- Treatment mix from egg-freezing or other?
  - Different treatments have different levels of pharmacy contribution
  - So combination is what is driving mix. Not higher initial consults than normal
  - Do normally expect to see higher proportion of initial consults – beginning of year. Step up from Q1 to Q2 typically due to this.
- Should see a re-ramp up in medications in 2Q?
  - Blip in first-half of the quarter is reverting and lift could benefit both medical and pharmacy benefit
- If we ignore anomaly in 1Q, how is revenue per cycle trending in FY24 vs. FY23?
  - Don't normally comment on guidance for revenue per cycle, but coming down generally historically
  - Higher concentration of East/West coast prior vs. diversified now – so pricing based on mix came down
  - Higher attach rate on Pharmacy helps with higher revenue on a per member basis
- Capital deployment?
  - Optionality – looking to explore opportunities
  - Going to take a harder look at if there is other uses for that capital
- What is the related EBITDA headwind in 1Q? what is impact mix in medical vs. pharmacy?
  - In 2021- this was attributed to vacation/holiday mix
  - When happened before – was not in summer, but happened before public as well
  - Not sure why there is a change – due to treatment journey. Anomalies because they are short in duration
  - EBITDA contribution would be normal drop through
  - Impact b/w medical vs. pharmacy – not guiding to that
- Expectations for 2024 and beyond?

  - Lot of dollars for margin expansion have come from sales and marketing
  - Not going to comment on margin expectations
- Concerns around the election year, any protections that support pharmacy benefit?
  - Regulatory stuff discussed is mostly around transparency – not around any change to economics of Pharmacy Benefit Manager
  - Model for clients/members is different- there is no rebate check
  - Nothing of concern regarding economic impact to model
- Margin expansion has slowed down? Is that due to pharmacy penetration saturation?
  - It's the overall business with revenue growth supporting margin expansion
  - Not just pharmacy driven
  - Before 2023- one product company, now investing in becoming a multi-product company.
- Competition – mentioned market share is pretty low – Mid-single digits? Are most wins from competitive wins?
  - In prior selling seasons (including 2023/22/21) – wins come from almost 50/50 from competitive wins or clients without fertility benefits
  - Before that it was more 2/3 and 1/3
  - Each sale/each win – competing mostly with health plans benefit. Had lot of success winning against that. Market/industry has picked up – do see and compete against some of the other point solutions – nothing new – have been competing on that front for a while
  - Early in the year – seeing consistent/nothing new from competitive position
- Could some of the now decisions become tailwinds in 2024?
  - See "not nows" – strategic decision around prioritization
  - Now nows make up a majority of the pipeline early in the year – in strong position
  - Not nows become opportunities for new year

Price objective basis & risk

Progyny (PGNY)

We have a $46 price objective on shares of PGNY, based on about c19.5x CY24E EV/EBITDA. PGNY does not have any pure-play comps, and we use a mix of high-growth healthcare services / healthcare IT companies, including recently public companies. We use the median of the comp group primarily as comparison given the wide diversion of the companies used in our group. Our valuation assumes a slight premium to the broad health IT/digital health comp universe but a discount to some of the other high-growth names, as the balance of high-end revenue growth is offset by rate-limiting gross margins (as more of a service with tech-enablement vs. a more pure technology company). However, we still see PGNY's long-term EBITDA margins as appealing.

Downside risks are potential competition from traditional health insurers vs. the carve-out plan, a potential slowdown in utilization (including ongoing pressure tied to the COVID-19 impact and recessionary concerns), and the inability to maintain its growth rate in attractive new customers. Upside risks are better cross-sell of additional services (notably Progyny Rx and more Smart Cycles), increased awareness of fertility offerings driving better utilization, a faster rebound in volumes as part of the broad economic reopening, and new business opportunities due to a competitive labor market.

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
	Omnicell 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

iQmethod SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A

Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt – Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense

Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

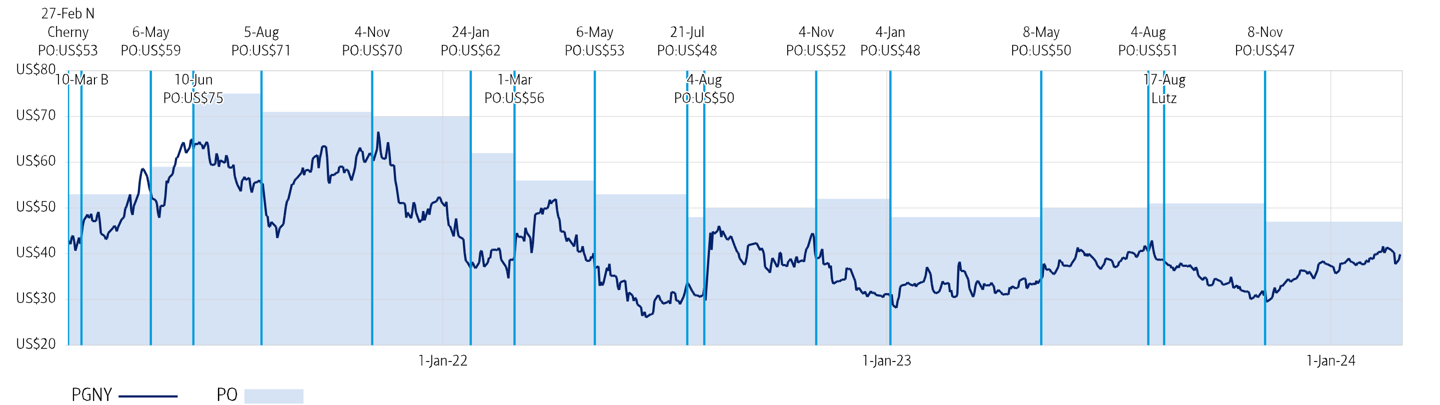
iQmethod SM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase ® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

Disclosures

Important Disclosures

Progyny (PGNY) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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%

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