

GoodRx

Good 4Q results with 2024 outlook likely driven by ISP adoption

Maintain Rating: UNDERPERFORM | PO: 4.50 USD | Price: 6.47 USD

Focus will be on contribution from PBM partnerships

GoodRx reported a strong 4Q23 and issued 2024 guidance that was ahead of Street expectations. Heading into the quarter, we expected upside to the Street ([link to our preview note here](#)), driven in large part by contributions from new Integrated Savings Plan (ISP) partnerships. The biggest focus of the call will be understanding what adoption rates are for GoodRx's biggest PBM partners as well as commentary about GoodRx's win rate at the pharmacy counter in January and February. GoodRx also announced a new share repurchase authorization of up to \$450MM and the company repurchased \$78MM of shares in the quarter. Given the strong cash flow performance and outlook, we would view redeploying cash into new revenue streams more favorably than repurchasing shares at current levels due to some of the longer-term risks to the business. We maintain our Underperform rating ahead of this morning's 8AM ET call.

4Q adj revenue and adj EBITDA above consensus

Total adj revenue of \$196.6MM was above Visible Alpha consensus estimates of \$194.2MM and BofA's estimate of \$196.1MM. Prescription transactions revenue of \$143.9MM was above consensus estimates of \$138.2MM and BofA's estimate of \$139.6MM. Monthly active consumers of 6.4MM was above consensus estimates of 6.23MM and BofA's estimate of 6.37MM. Subscription revenue of \$23.1MM was in-line with consensus estimates of \$23.1MM and slightly above BofA's estimate of \$23.0MM. Adj EBITDA of \$57.3MM was above consensus estimates of \$54.2MM and BofA's estimate of \$55.6MM.

FY24 revenue/EBITDA guidance ahead of consensus

FY24 adj revenue guidance was updated from the preliminary expectation of mid-single digit growth to ~7% growth (~\$800MM of adj. revenue) vs consensus estimates of \$790.9MM and BofA's estimate of \$797.9MM. FY24 adj EBITDA margins were updated from the "high 20% range" to \$250MM (implying 31.3% adj EBITDA margins). This compares to consensus estimates of \$225.8MM and BofA's estimate of \$222.6MM. 1Q'24 revenue guidance was updated from preliminary expectations of mid-single of growth to 6-8% growth (~\$195-198MM) above consensus estimates of \$192.7MM. 1Q'24 adj EBITDA guidance was updated from the "high 20% range" to the "high 20% range, potentially up to 30%" margins implying \$53.6-54.5MM at the midpoint of 27.5% margins vs the Street's estimate of \$55.4MM.

Key topics for the call

The most important topic will be the building blocks to FY24 guidance, profitability progress, and commentary around potential contributions from recent PBM partnerships. The partnerships could drive upside to FY24 consensus and will depend on the number of lives, conversion rate, and adoption. Understanding the adoption rate by customers and GoodRx's win rate at the pharmacy counter will be the main focus.

29 February 2024

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Stock Data

Price	6.47 USD
Price Objective	4.50 USD
Date Established	2-Jan-2024
Investment Opinion	C-3-9
52-Week Range	4.14 USD - 9.37 USD
Mrkt Val (mn) / Shares Out (mn)	2,686 USD / 415.1
Free Float	80.8%
Average Daily Value (mn)	7.41 USD
BofA Ticker / Exchange	GDRX / NAS
Bloomberg / Reuters	GDRX US / GDRX.OQ
ROE (2023E)	14.0%
Net Dbt to Eqty (Dec-2022A)	-12.1%
ESGMeter™	Medium

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Glossary

ISP – Integrated Savings Plan
PBM – pharmacy benefit manager

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Timestamp: 29 February 2024 07:03AM EST

Exhibit 1: GDRX Variance Analysis

Overall revenue and adj EBITDA beat consensus and BofA's estimates

(\$ in millions, except per share data)

	4Q'23E	4Q'23A	Delta - %	VA Consensus	Delta vs VA - %	4Q'22A	Y-o-Y Growth
Monthly Average Customers	6,372.0	6,400.0	0.4%	6,231.6	2.7%	5,900.0	8.5%
Rx Revenue per MAC	<u>\$7.3</u>	<u>\$7.5</u>	2.6%	<u>\$10.3</u>	(27.3%)	<u>\$7.3</u>	2.5%
Prescription Transaction Revenue	\$139.6	\$143.9	3.1%	\$138.2	4.1%	\$129.4	11.2%
Total Subscribers	901.3	884.0	(1.9%)	928.7	(4.8%)	1,030.0	(14.2%)
Revenue per Subscriber	<u>\$25.6</u>	<u>\$26.1</u>	2.3%	<u>\$24.9</u>	5.0%	<u>\$23.9</u>	9.4%
Subscription Revenue	\$23.0	\$23.1	0.3%	\$23.1	0.1%	\$24.6	(6.1%)
Other Revenue	<u>\$33.5</u>	<u>\$29.6</u>	(11.5%)	<u>\$33.1</u>	(10.4%)	<u>\$30.1</u>	(1.5%)
Total Revenue	\$196.1	\$196.6	0.3%	\$194.2	1.3%	\$184.1	6.8%
Cost of Services	16.7	13.8	(17.4%)	16.3	(15.7%)	17.0	(18.9%)
Gross Profit	\$179.5	\$182.9	1.9%	\$177.8	2.8%	\$167.1	9.4%
Product Development & Technology	25.1	24.2	(3.5%)	24.5	(0.9%)	26.3	(8.0%)
Sales & Marketing	85.3	83.8	(1.8%)	81.9	2.3%	78.9	6.2%
General & Administrative	13.4	17.6	30.9%	16.5	—	12.3	42.7%
Depreciation & Amortization	12.4	11.6	(6.9%)	—	—	9.9	17.4%
Adjusted EBIT	\$43.2	\$45.7	5.8%	\$44.2	3.3%	\$39.7	15.0%
Depreciation & Amortization	12.4	11.6	(6.9%)	10.7	8.3%	9.9	17.4%
EBITDA	\$55.6	\$57.3	3.0%	54.2	5.6%	\$49.6	15.5%
Interest Expense	14.0	14.8	5.9%	10.3	44.1%	11.9	—
Interest Income	(7.8)	(8.5)	8.6%	(6.4)	31.6%	(5.4)	—
Other	<u>0.0</u>	<u>0.0</u>	—	—	—	<u>0.0</u>	—
Pre-Tax Income	\$37.0	\$39.3	6.4%	\$36.7	7.1%	\$33.3	18.3%
Income Taxes	<u>8.8</u>	<u>8.2</u>	(6.9%)	<u>8.6</u>	(4.7%)	<u>5.9</u>	39.6%
Adjusted Net Income	\$28.2	\$31.1	10.5%	\$27.6	12.9%	\$27.4	13.7%
Adjusted EPS	\$0.07	\$0.08	13.3%	\$0.07	17.0%	\$0.07	16.6%
Fully Diluted Share Count	413.2	403.2	(2.4%)	417.5	(3.4%)	413.3	(2.4%)

Source: Company Filings, Visible Alpha, and BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

GoodRx (GDRX)

Our \$4.50 price objective is based on 8.5x our CY24E EBITDA . We used a blended multiple to arrive at our PO, evaluating both health IT companies as well as a wide range of internet companies that have a combination of technology/consumer solutions. Our target multiple is below the blended peer group to account for the outlook uncertainty that has arisen following recent announcements from large stakeholders in the pharmacy ecosystem. We think EV/EBITDA is the most appropriate metric given the profitable nature of GDRX.

Downside risks to GDRX are the inability to drive prescription volumes through pharmacies/repeatability of model as well as failure to gain traction in subscription services. The rapidly changing competitive landscape including the introduction of competing offerings from large pharmacy benefit managers (PBMs) and retail pharmacies could drive lower and unpredictable utilization trends. We also see downside risks in the inability to gain traction in telehealth and pharma manufacturing services. Finally, any meaningful shift in the drug pricing paradigm could potentially lower the value of GDRX's transparency discount model. Upside risks include higher-than-expected use of repeatability/subscription options and outperformance in utilization and scripts in a post-Covid normalization. Additionally, the shift to the new PBM partnership model could drive incremental upside.

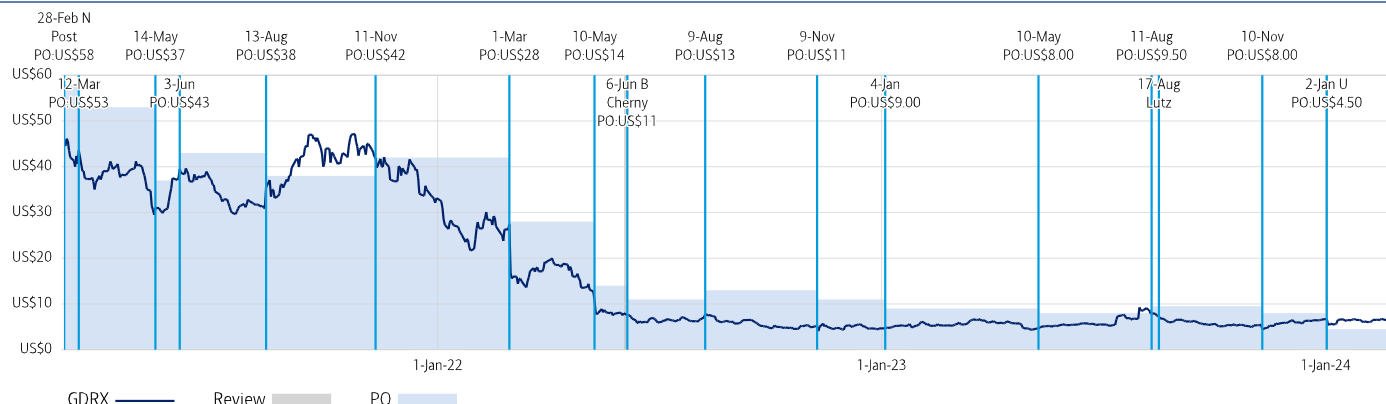
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GoodRx (GDRX) Price Chart



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

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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