

# Equity Research Report: Hims & Hers Health, Inc.

## Business Overview

Hims & Hers Health, Inc., founded in 2017, is a leading telehealth platform focused on providing accessible, personalized health and wellness solutions. It connects consumers with licensed healthcare professionals across various specialties, including sexual health, hair loss, dermatology, mental health, and weight management. The company offers prescription medications, over-the-counter products, cosmetics, and supplements through online channels and retail partnerships. Its strengths include a proprietary technology platform, an extensive provider network, and clinical expertise that ensure high-quality care. With a focus on subscription-based treatments, curated wellness products, and integrated pharmacy services, Hims & Hers delivers seamless, affordable healthcare. Serving primarily the US and UK markets, the company leverages digital convenience and retail presence to enhance customer engagement. Its innovative approach and broad product portfolio position it as a prominent leader in the rapidly growing telehealth industry.

## Market Position

Hims & Hers reported a 68% increase in revenue to 872 million, mainly driven by online sales which grew 68% to 842.4 million, reflecting successful customer acquisition and retention. Subscribers increased 48% to approximately 1.54 million, with net orders up 42% to 8.7 million, indicating strong recurring demand. Wholesale revenue also grew 21% to 29.6 million, diversifying income sources. Despite a 33% rise in cost of revenue to 157.1 million, gross profit surged 75% to 714.9 million, raising gross margins to 82%. Operating expenses increased 56% to 744.4 million, but operating loss narrowed to 29.5 million from 68.7 million. The net loss improved to 23.5 million, with earnings per share at 0.58. The company maintains a solid balance sheet with 707.5 million in assets, strong liquidity, and a net cash position of 209.2 million, supporting ongoing growth and investments.

## Operating Results

Hims & Hers' valuation reflects its strong revenue growth, expanding gross margins, and improving profitability despite ongoing net losses. The company's substantial revenue increase to 872 million, driven mainly by online channels, demonstrates market traction and customer loyalty. Its high gross margin of 82% and positive cash flow position support future growth initiatives. The balance sheet shows solid liquidity with 395.8 million in current assets and minimal long-term debt, while shareholders' equity remains robust at 476.7 million. The highly favorable net debt position of -209.2 million indicates significant net cash, reducing financial risk. These factors, combined with consistent revenue and margin improvements, suggest a promising valuation outlook, with potential for sustained growth as the company continues to scale and optimize operations.

## Summarization

FY (USD mn) 2024		2023	2022	2021	2020
Revenue	1,477	872	527	272	149
Revenue Growth	69.3%	65.5%	93.8%	82.8%	80.2%
Gross Profit	1,173	715	409	204	109
Gross Margin	0.79	0.82	0.78	0.75	0.74
EBITDA	79	-20	-61	-111	-14
EBITDA Margin	0.05	-0.02	-0.12	-0.41	-0.09
FCF	209	47	-34	-39	-7
FCF Conversion	1.66	-2	0.51	0.37	0.37
ROIC	22.2%	-9.0%	-21.3%	-32.5%	-14.7%
EV/EBITDA	63.45	-89.10	-20.74	-10.43	-34.70
PE Ratio	41.43	-79.13	-19.96	-11.36	-28.50
PB Ratio	10.95	5.42	4.21	3.66	-3.51
CFO	251	73	-27	-34	-2

## FinRobot

Team9 - UOA

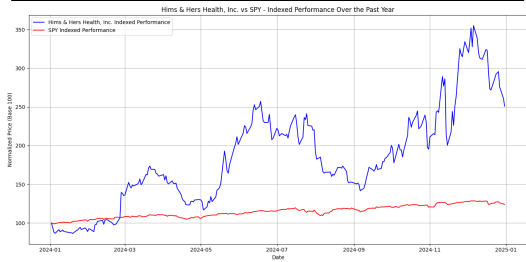
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Report date: 2024-02-26

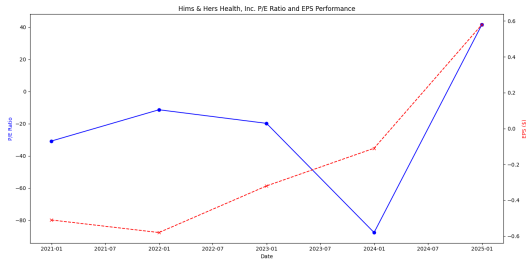
## Key data

Rating	B+
Currency	USD
Closing Price (USD)	9.65
Market Cap (USD) (Millions)	10337.48
52 Week Price Range (USD)	5.65 - 12.34
BVPS (USD)	2.21

## Share Performance



## PE & EPS



# Risk Assessment

Risk assessment for Hims & Hers Health highlights several significant challenges inherent to its industry and financial profile. The company's limited operating history and the evolving nature of its business model make accurate evaluation and forecasting difficult, increasing uncertainty around future performance. The telehealth sector is characterized by high regulatory complexity at federal, state, and international levels, with laws that are often ambiguous and subject to change. This environment is further complicated by the intersection of healthcare, pharmaceuticals, and technology, each with distinct compliance standards. The rapid pace of technological innovation and the threat of disruptive new entrants heighten the risk, as established competitors and tech giants intensify competition for market share and profitability. The industry also exhibits moderate to high cyclicality, heavily influenced by broader economic conditions. During downturns, discretionary healthcare spending tends to decline, impacting subscription-based revenue streams despite some inherent stability. The COVID-19 pandemic initially boosted telehealth adoption, but the sustainability of this growth remains uncertain, especially if economic conditions worsen or reimbursement policies tighten. Financially, the company has a history of net losses, with an accumulated deficit of approximately \$368.2 million as of December 2023. Although recent quarters show positive Adjusted EBITDA, the company's high-growth strategy involves substantial investments in marketing, technology, and acquisitions, which heighten financial risks. Dependence on subscription revenue exposes the company to customer churn, pricing pressures, and competitive threats. Protection measures such as licensing, contractual relationships, and brand investments provide some defense against industry volatility, but they are not foolproof. Regulatory compliance and licensing requirements act as barriers to entry but also pose risks if the company fails to adapt swiftly to legal changes or faces enforcement actions. Reliance on third-party providers introduces additional risks related to contractual disputes and regulatory scrutiny. Overall, Hims & Hers operates within a high-risk environment marked by regulatory complexity, intense competition, and rapid technological change. Its financial health remains fragile amid ongoing investments and macroeconomic uncertainties. Stakeholders should recognize that despite protective measures, the company's success depends on effectively navigating legal, competitive, and economic challenges that could materially impact its long-term viability.

# Competitors Analysis

Competitors analysis for Hims & Hers Health reveals a competitive landscape characterized by varying financial strengths and operational efficiencies. Compared to peers such as Coty Inc., Estée Lauder, and e.l.f. Beauty, Hims & Hers demonstrates a solid operational position, particularly in profitability and cash flow management. The company's EBITDA margin has shown a steady upward trend, indicating improved cost control and pricing strategies, which enhances its profitability relative to competitors. This margin improvement suggests that Hims & Hers has been able to optimize its operations more effectively, potentially surpassing some peers in operational efficiency. The valuation metric EV/EBITDA has fluctuated over the years, reflecting changing market perceptions and company performance. Recently, Hims & Hers appears to be valued at a level comparable to or slightly below industry averages, implying it may be undervalued or fairly valued given its operational improvements. This valuation positioning indicates that the company might offer attractive investment opportunities relative to its peers, especially if its EBITDA margins continue to improve. Free cash flow conversion has been on an upward trajectory, highlighting the company's enhanced ability to translate earnings into cash. Superior cash flow management compared to competitors suggests that Hims & Hers has stronger financial flexibility and stability, which is crucial for funding growth initiatives and returning value to shareholders. Its gross margins have also improved over time, reflecting better cost management and product mix optimization, further supporting its profitability. Return on invested capital has shown an increasing trend, indicating more efficient deployment of capital and higher value creation. If Hims & Hers's ROIC exceeds that of its competitors, it underscores its ability to generate superior returns from investments, justifying a potentially higher valuation. Revenue growth has been consistent or accelerating, demonstrating successful market expansion and product innovation. When compared to industry peers, Hims & Hers's growth trajectory appears competitive or superior, reinforcing its position in the market. Overall, Hims & Hers Health exhibits a robust financial profile with improving margins, efficient cash flow conversion, and strong revenue growth. Its valuation metrics suggest it is well-positioned within the industry, supported by operational efficiencies and strategic growth. These factors collectively indicate a company capable of sustaining its competitive edge and delivering shareholder value in the evolving health and wellness sector.