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Hims & Hers Health, Inc. (HIMS)

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to the Hims & Hers second quarter 2024 earnings conference call. Please note that this call is being recorded. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn today's call over to Bill Newby, Head of Investor Relations. Please go ahead.

Bill Newby

Director-Investor Relations, Hims & Hers Health, Inc.

Good afternoon, everyone, and welcome to the Hims & Hers Health second quarter 2024 earnings call. Today, after the market closed, we released this quarter's shareholder letter, a copy of which you can find on our website at investors.hims.com.

On the call with me today is Andrew Dudum, our Co-Founder and Chief Executive Officer; as well as Yemi Okupe, our Chief Financial Officer.

Before I hand it over to Andrew, I need to remind you of legal Safe Harbor and cautionary declarations. Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on, among other things, our current market, competitors and regulatory expectations, and are subject to risks and uncertainties that could cause actual results to vary materially.

We take no obligation to update publicly any forward-looking statement after this call, whether as a result of new information, future events, changes in assumptions, or otherwise. Please see our most recently filed 10-K and 10-Q reports for a discussion of risk factors as they relate to forward-looking statements.

In today's presentation, we also have certain non-GAAP financial measures. We refer you to the reconciliation tables to the most directly comparable GAAP financial measures contained in today's press release and shareholder letter. You can find this information, as well as a link to today's webcast, at investors.hims.com. After the call, this webcast will be archived on the website for 12 months.

And with that, I will now turn the call over to Andrew.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

Thanks, Bill. The second quarter marked one of the most exciting points in our company's history, as momentum continued to rapidly accelerate in the fulfillment of our mission to help the world feel great through the power of better health. The long-term trend toward the consumerization of healthcare continues, and the belief is that this trend will only accelerate.

Consumers are increasingly expecting the same quality and level of service that technology has unlocked across other areas of their lives. This includes speed, convenience, transparency, affordable pricing, and a personalized experience. I'm excited by the progress we have made on our platform in unlocking these capabilities for consumers across a broader set of conditions and specialties. We believe that our platform is capable in the long

term of delivering a new type of healthcare, where consumer preference and needs, insights and data is at the foundation of a hyper-personalized set of offerings, treatments, and care. We're more energized than ever to deliver this innovation on behalf of the hundreds of millions of people trying to live their happiest and healthiest lives.

Several elements continued to come together in the second quarter to bring us one step closer in making this vision a reality. First, we broadened the number of personalized offerings across our specialties, with four out of five specialties now carrying at least 10 personalized solutions. Second, we expanded our weight management offering with the launch of GLP-1s. Weight is a particularly strategic category for us, and that enables us to scale the value that comes from personalized solutions to over 100 million potential consumers. Lastly, we brought on world-class talent across multiple levels of the organization, from the board to ML leaders that will enable us to further refine our capabilities and scale them to increasingly broader audiences.

Christopher Payne, who most recently served as President and COO of DoorDash, brings a great depth of experience helping organizations scale their operations globally. Our ambition is to make the world feel great through the power of better health. Foreign policy and regulatory expertise from Anja Manuel will help us broaden the geographic scope of our platform in the coming years. And Kåre Schultz brings over three decades of experience in the pharmaceutical industry that can help us effectively navigate the challenges of higher acuity and more complex specialties, inclusive of weight, may present.

Our platform has rapidly scaled, from thousands of interactions to millions. And with greater personalized capabilities comes the ability to leverage, as appropriate, our structured data to further refine and improve our customers' experience on the platform. We recently kicked off our search for a CTO with expertise in AI and machine learning. We believe this hire will help put us at the forefront of the many exciting opportunities AI can bring in healthcare.

Strong progress across these areas are translating into incredible business performance. During the quarter, revenue increased 52% year-over-year to \$316 million, yielding \$39 million of adjusted EBITDA. The primary driver of our growth continues to be the expansion of our subscriber base. We ended the quarter with nearly 1.9 million subscribers, adding more than 155,000 net new users to the platform.

Our focus on providing access to high-quality, personalized solutions at an affordable price continues to resonate with consumers. Over 40% of subscribers in the second quarter were utilizing a personalized solution, representing close to a 30-point increase in just two years. An evolving portfolio of personalized offerings that providers can utilize to meet the unique needs of individual consumers was a key catalyst behind this expansion. This innovation is informed in part by feedback from our users, and development occurs through collaboration with our internal specialists, leading medical organizations, and external advisers.

Increasingly, we are driving value for consumers across a broader set of specialties. Consumer feedback has been resoundingly positive, as we've launched access to treatments that address multiple concerns within a specialty, and even more exciting, we now have solutions that span across specialties. This shows up in the ability to target multiple sexual health concerns, support cardiovascular health through a more simplified daily routine, or address concerns across our most popular specialties concurrently in one solution.

The combination of these multi-condition capabilities and access to a broader set of form factors is having a profound impact on the value we can provide to consumers. In dermatology, providers can prescribe users personalized sprays, serums, or oral medications based on their unique needs. These capabilities enable us to cover a broader spectrum of user profiles. The individuals seeking to proactively prevent hair loss and an

individual seeking to actively regrow hair each now have access to a distinct set of solutions that better meet their needs. As a result, more than 85% of new subscribers in our dermatology specialties were utilizing a personalized solution in the second quarter.

The impact of personalization extends beyond simply consumer preference. By addressing the needs of different user profiles, we are able to remove barriers to treatment for a broader set of individuals, ultimately yielding stronger customer acquisition. Additionally, we expect stronger retention of consumers on these offerings, especially as they continue to be placed at more mass market price points.

Investment in the expansion of these offerings will increase in the second half of the year. We expect to launch access to new multi-condition treatments, with a particular focus on those that are interspecialty or enable expansion into adjacent markets. Additionally, new form factors across our specialties are expected in the second half. We believe this will allow us to scale our new verticals even faster, while also maintaining robust growth for even our longest tenured specialties.

Our strong financial profile has enabled us to capitalize on unique opportunities in order to position our platform for future growth. In 2021, we acquired Apostrophe, an Arizona-based 503A facility. This acquisition provided compounding capabilities and expertise that serve as the foundation for many of our personalized offerings today. We are excited to have recently signed an agreement to purchase an FDA-registered 503B facility. Over the long term, this acquisition will present additional opportunities across specialties, such as for monotherapy and other treatments that require sterile compounded medications. In the near term, this further enhances the durability of our supply chain for compounded GLP-1s and positions us to improve accessibility as we verticalize these operations.

Prior to signing this acquisition, we expanded the capabilities of our weight loss specialty with the launch of compounded GLP-1s across 21 states in the second quarter through a partnership with an FDA-registered 503B facility. Since then, we have expanded access to the offering to more than 30 states covering over 60% of the US population, and we anticipate nationwide availability before year-end.

We believe that our platform was already having a meaningful impact across society prior to this launch, by helping close to 2 million consumers access treatment for many of the most emotionally resonant conditions. We expect that the value we bring to consumers within our weight loss specialty will further enable us to have a transformative impact on society.

Over 100 million individuals suffer with weight-related challenges in the US alone, and those challenges don't simply impact an individual's appearance. These challenges can also erode confidence and lead to serious health-related conditions, including cardiovascular disease, diabetes, and cancer. Given the impact obesity can have on an individual and the severity of conditions it can lead to, we expect weight loss as a specialty to be foundational over the coming decade in the way Hims & Hers impacts the lives of our consumers and the way we influence the healthcare industry.

Historically, weight-related challenges have been viewed simply as a matter of lifestyle preference. GLP-1s have driven broader awareness that weight-related issues can also be a medical condition. This has empowered more consumers to actively seek treatment, even when GLP-1s are not the right fit.

In the fourth quarter of last year, we launched our weight loss specialty with personalized oral-based solutions. This offering utilizes different combinations of personalized compounds to address the underlying conditions clinically tied to obesity, including metabolic disorders, depression, and overeating habits. It has been incredibly

successful. Within less than a year, it has scaled to a run rate of \$100 million in annual revenue, becoming our fastest specialty ever to do so. Our approach centers on equipping providers with the ability to offer consumers access to a breadth of personalized solutions, and we expect the ability to personalize oral formulations will remain central to our weight loss offering and continue to evolve.

We also believe our ability to provide consumers with access to personalized GLP-1 solutions will offer an experience and level of service that today is only available to the most privileged segments of our society. This approach is informed by Dr. Craig Primack, our SVP of Weight Loss, who has seen firsthand in his Scottsdale clinic the impact a personalized care model can have on providing a more sustainable path for a wider spectrum of consumers to reach the desired outcome.

Side effects and misalignment of expectations drive a meaningful reduction in adherence for these solutions, alongside issues like cost and accessibility. We believe adherence to these medications can be improved considerably through consistent communication between providers and consumers to manage expectations, personalized titration schedules, and personalized end dosing to mitigate side effect concerns.

Each of our subscribers have the ability to communicate concerns to a licensed provider and receive a response in a timely manner for no extra charge across all of our specialties today. Personalization for GLP-1 solutions will be supported by two fundamental components. The first is the breadth of products offered on the platform. Recently, we launched personalized dosages for compounded semaglutide the providers can prescribe in response to side effect concerns and desired levels of weight loss.

Patient feedback to their provider during the titration process can inform the appropriate end state dose for users. Additionally, we are excited to expand the scope of offerings available on the platform, and we'll look to add tirzepatide and liraglutide to the existing compounded semaglutide offering in the near future. We expect this portfolio of solutions will be inclusive of branded offerings when supply allows.

A second component is continuing to scale our technology investments across weight loss by activating MedMatch by Hims & Hers for providers in the specialty. Machine learning and AI models anchored on consumer preferences and prior experiences across our provider network have been built for weight loss. We are also moving toward integrating explainability into the EMR, further empowering providers with these groundbreaking tools. The value of this technology will be vital, as the range of solutions, dosages and treatment options continue to expand over the coming quarters. With scale, we expect these models will continue to improve, helping providers to optimize initial medication selection, titration schedules and end-state dosing to help each user reach their desired outcome.

By leveraging this approach, we are providing a weight loss program that can continuously improve over time. Having said that, we've already started [audio gap] (14:36). Based upon self-reported data from approximately 12,000 customers subscribed a holistic Hims & Hers weight loss offering, customers report having lost on average 10.2 pounds while on compounded GLP-1 injections and 6.3 pounds while on compounded oral medication kits between their initial weight loss consultation and their first check-in approximately four weeks later.

During the same period, less than 10% of customers using our compounded GLP-1 offering have reported side effects that they feel they can't tolerate. This progress underlines the importance of a holistic approach, as each of our subscribers has access to personalized treatment plans based on lifestyle, eating pattern, health history and weight loss goals, and includes medications in addition to diet, exercise and weight loss counseling and support.

We believe these figures are just the starting point for what we can help our customers achieve. By continuing to invest strategically in our technological infrastructure and further refining our approach, we believe we can deliver access to better outcomes than any other in-person or digital provider over the long term.

We are in a transformative moment in healthcare delivery in this country, and Hims & Hers is uniquely positioned to meet that moment and set the standard for what truly personalized care can look like for every household in the United States. We believe that we are transforming the way that consumers engage with their health, and I look forward to extending this experience to an ever growing audience in the second half of 2024.

With that, I will pass it over to Yemi to walk through our financials in greater detail.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

Thanks, Andrew. I will start by providing an overview of our second quarter financial performance, and then discuss our updated outlook for 2024. In the second quarter, we continue to strengthen our leadership position across our specialties: mental health, sexual health, men's and women's dermatology, and weight loss. Our strategy of democratizing access to high quality, personalized solutions on our platform at an affordable price continues to resonate with consumers. A rapidly evolving weight loss specialty that is inclusive of personalized oral solutions tailored to the underlying drivers [ph] and the (00:16:57) individuals' weight challenges and the recently launched compounded GLP-1 offering is serving as an accelerant to what was already a phenomenal trajectory.

In the second quarter, we were able to drive north of \$300 million of revenue from our suite of offerings outside of GLP-1s. Fully consolidated revenue in the second quarter grew 52% year-over-year to \$315.6 million, representing a 6-point acceleration in year-over-year growth relative to the prior quarter.

Expansion of our online subscriber base continues to be the primary catalyst behind our incredible growth. Our subscriber base grew 43% year-over-year to 1.9 million. Growth in our subscriber base is being powered by two primary drivers. The first is an evolution of personalized solutions that continues to attract a broader base of consumers to the platform, as well as offer unique value propositions to our existing consumer base. As our offerings expand to encompass more multi-condition solutions, a broader set of form factors and customized dosages, we are seeing an increasing number of our existing subscribers switch to a personalized solution.

Additionally, we are seeing new customers overwhelmingly utilize these options, with more than 55% of new users in the second quarter subscribing to a personalized solution. This has not only driven strong retention across several specialties, but has also enabled higher engagement levels in others. Prior to the launch of personalized solutions in sexual health, over 95% of consumers on the platform were using an on-demand solution, reflective of broader market dynamics.

During the second quarter, stronger value propositions resulted in over 40% of new sexual health users subscribing to solutions oriented around building a daily habit. Continued innovation and launches of new capabilities that will continue in the second half of the year gives us conviction that there is a long runway of durable growth across even our most tenured specialties.

A second primary driver of growth is our ability to combine our brand, breadth of personalized capabilities and past learnings to more rapidly scale new specialties. Our historical timeframe for a new category to reach meaningful scale has been 1.5 to 2 years. In the fourth quarter of last year, we launched our weight loss specialty with a personalized set of oral-based treatments designed to address the underlying root cause of an individual's

weight gain. Almost 100,000 consumers have subscribed to our weight loss offering in just over seven months since launch.

In the middle of the second quarter, we expanded this offering with the launch of compounded GLP-1 injections on the platform. We expect meaningful contributions from this entire suite of solutions as we continue to evolve the personalized oral-based solutions, as well as our GLP-1 offering.

We believe that we are in the early innings of utilizing our platform to have a transformative impact on the way consumers receive treatment for some of the most emotionally resonant conditions. As a result, we continue to invest in growth, but remain committed to adhering to our rigorous capital allocation framework. We believe that adherence to this framework will enable us to continue to scale our platform while also expanding margins over the long term. Our performance in the second quarter is a sound demonstration of our ability to do so.

In the second quarter, adjusted EBITDA was \$39.3 million. Adjusted EBITDA margins expanded 6 points year-over-year to north of 12%, as efficiency gains and operating expenses offset a slight degradation in gross margin. Gross margins were 81% in the second quarter. The addition of GLP-1s and growth of our broader weight loss specialty resulted in slight margin degradation. Early in a new offerings lifecycle, margins are typically less favorable than the expected steady state margin profile.

As we scale, we continue to see gains in efficiency on our cost structure. G&A costs improved 2 points year-over-year to 13%, and operations and support costs improved 1 point year-over-year to 13%. We expect continued efficiency gains in these areas over the mid to long term.

Marketing as a percentage of revenue improved nearly 6 points year-over-year to 46%, marking the lowest point in our history as a public company. A shifting mix toward personalized solutions, combined with the [ph] seasoning (00:21:08) of newer cohorts on favorable pricing, is yielding stronger retention. We also continue to benefit from customer acquisition through lower cost channels as our brand continues to strengthen, and we scale in categories that consumers are more open to speak with others about.

Outstanding execution across the organization is resulting in strong free cash flow. This has allowed us to simultaneously strengthen our balance sheet, strategically invest and return capital to shareholders. Free cash flow in the second quarter was \$47.6 million, exceeding the entire amount of free cash flow generated in 2023. Cash and short-term investments expanded \$24 million quarter-over-quarter to \$227 million as a result.

Before going into our outlook for the remainder of the year, I'd like to reiterate our capital allocation priorities and give additional insight into how we intend to utilize our balance sheet. As previously mentioned, we believe we are in the early innings of the adoption curve of a market with over \$100 million potential users in the US alone. As such, our first priority will remain on ensuring that our platform has the ability to serve tens of millions of users across an expanding set of specialties.

In addition to scaling overall capacity, this can take the form of many investments. Investments in Affiliated Pharmacies can unlock the ability to enable capabilities such as additional form factors, multi-condition treatments with greater manufacturing complexity, and a broader set of personalized dosages on the platform. Scale allows us to automate affiliated facilities and we are excited to embark on the next phase of that journey in the second half. Automation drives greater efficiency, enabling us to unlock more value for consumers in the platform and further strengthen our competitive position.

Lastly, we will unlock new specialties and capabilities on the platform through both organic and inorganic means. The bar for M&A will remain high for us and we are willing to deploy our balance sheet towards high value assets that we feel will accelerate execution of our broader corporate strategy. As Andrew mentioned, we have entered into an agreement to acquire an FDA-registered 503B facility. This sets the foundation for us to efficiently enter new specialties that require sterile compounded injectable and oral medications while also providing optionality for increased efficiency in the cost structure for compounded GLP-1s. Our expectation is that the deal will close by the end of this year.

A rapidly expanding free cash flow profile will enable us to efficiently return capital to shareholders. In November of last year, we announced a \$50 million share repurchase program. Market dynamics enabled us to repurchase 3.9 million shares at an average price of just under \$13 since the inception of the program. In the second quarter, we purchased 1.6 million shares at an average price of \$12.39, fully completing the program.

The momentum of the business has enabled us to establish a new share repurchase program of \$100 million to be utilized over the course of the next three years. This program will enable us to partially offset the effect of dilution from stock-based compensation, as well as continue to take advantage of moments when we believe our share price is disconnected from its intrinsic value. We are confident that we can deliver across each of these objectives while also continuing to strengthen our balance sheet.

With that backdrop, I'd like to detail our updated outlook for 2024. In the third quarter, we are anticipating revenue in the range of \$375 million to \$380 million, representing a year-over-year increase of 65% to 68%. We expect adjusted EBITDA to be between \$35 million to \$40 million, representing an adjusted EBITDA margin of 10% at the midpoint of both ranges. For the full year, we are anticipating revenue of between \$1.37 billion to \$1.4 billion, representing a year-over-year increase of 57% to 61%. Lastly, we expect adjusted EBITDA will be between \$140 million and \$155 million. These adjusted EBITDA revenue ranges imply an adjusted EBITDA margin of 11% at the midpoint of both ranges.

In the second half, we expect to have a broader set of personalized capabilities across our specialties. As a result of this and a more comprehensive weight loss offering, we anticipate more strategic investment in marketing in the back half of the year. This investment will still maintain our typical standard of a one-year payback period. Our guidance last quarter of \$1.2 billion to \$1.23 billion of revenue and \$120 million to \$135 million of adjusted EBITDA in 2024 was, in our view, already ambitious. Given this is a meaningful revision from that, I will spend a brief moment outlining some of the underlying assumptions behind our revised outlook.

We anticipate continued consumer adoption of personalized solutions for the remainder of the year. Our expectation is that we will have north of 1 million subscribers with a personalized subscription by the end of the year, close to the total number of subscribers we have on the platform just two years ago. Our weight loss specialty will continue to evolve throughout the year to leverage both our technology and personalized capabilities. As this happens, we expect rapid growth across the entire portfolio of offerings within the specialty. Utilization of third parties and other dynamics are expected to result in near-term gross margin erosion of 3 to 4 points that we expect to revert over the mid-term. Long-term revenue retention is expected to remain north of 85%, ensuring durability while we scale the platform.

Line of sight toward our first full year of net income profitability is becoming increasingly clear. As of the end of 2023, we held a tax valuation allowance of \$70.5 million. If our financial trajectory holds, it is likely to result in the reversal of the vast majority of this allowance, as more certainty around profitability and our ability to utilize our deferred tax assets will mitigate the need for this allowance. This is apt to drive a significant one-time increase in net income later this year. This will not impact any of the previously discussed ranges.

2024 is setting a strong foundation for the attainment of our mid-term goals and fulfillment of our longer term mission. Investments today give us conviction that we will achieve our goal of adjusted EBITDA margins of at least 20% no later than 2030. More exciting is that this extraordinary momentum increases our ability to have a transformative impact on society by bringing the value of our platform to tens of millions of consumers. All of this would not be possible without the hard work and dedication of our employees across Hims & Hers. I'd like to thank them, as well as our shareholders, for helping us fulfill our mission of helping the world feel great through the power of better health.

With that, I'd like to turn the call over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We ask that you please limit yourself to one question and one follow-up. Your first question comes from the line of Maria Ripps from Canaccord. Your line is open.

Maria Ripps

Analyst, Canaccord Genuity LLC

Q

Great. Thanks so much for taking my questions and congrats on the strong performance here. So, appreciate all the color around your guidance. It sounds like your core business continues to do really well. Is there any color you can able to share with us in terms of projected GLP revenue contribution for the second half of the year that's embedded in your full-year outlook? And then secondly, how would this acquisition of the outsourcing facility impact your gross margins and sort of unit economics longer term?

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Thanks for the question, Maria. This is Yemi. I'd say overall, I think we're very excited by how the core business is performing in the second quarter. As mentioned, the core business, excluding GLP-1, has delivered north of \$300 million of revenue. Well, we're expecting it in the second half of the year, as we'll continue to innovate on the suite of personalized offerings across the core business. And so we do expect the momentum to remain strong from there.

With respect to GLP-1-specific contributions, I think we're very much in the early days of the GLP-1 launch being less than three months out from the launch. In the second quarter, we did see very strong momentum. I think it's too early at this point to provide definitive guidance around a specific specialty or product. But we're very pleased off of the initial launch, and the confidence and the momentum for that specific vertical is very strong as we roll out the product nationally.

With respect to your second question around gross margins, I think that typically, as we do see specialties and products within specialty scale, we historically look for opportunities to optimize the margin for those products. That can be in the form of processes that we change, or increasingly, as you see across other specialties, the verticalization. And so I think that the acquisition that we mentioned around the 503B facility, that will do a few things, I think it will unlock the ability to enter additional specialties within the future, but also, I think it does provide opportunity for us to optimize the cost structure on the compounded GLP-1 offering.

Maria Ripps

Analyst, Canaccord Genuity LLC



Got it. Thank you so much, Yemi.

Operator: Your next question comes from the line of Allen Lutz from Bank of America. Your line is open.

Allen Lutz

Analyst, BofA Securities, Inc.



Hi. Good afternoon and thanks for taking the questions. One for Yemi, you talked about more strategic marketing investment in the back half of the year. Can you talk about just generally as we think about the total investment in the second half of the year, potential impacts from the election, how should we think about where those marketing dollars are going in GLP-1s versus the core? And then you also mentioned 30 states are live today for GLP-1s. Do you expect that to get to 50 by the end of the year? How much of the incremental marketing spend is going to new states? Just really trying to understand the breakdown as we think about the next six months. How much of your marketing dollars are going toward the GLP-1 business? Thanks.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.



Yeah. Thanks for the question, Allen. I think it's a really good question. I think that the way that we think around marketing is I think there are few dimensions. There is a component that can be GLP-1-specific that's in the form of traditional paid channels. But just stepping back, I think one of the beauties of the Hims & Hers platform is the fact that we have a multi-specialty offering. We have the ability to connect with users across a multitude of specialties.

And so I think a lot of the investment will come as we start to broaden the aperture of the number of personalized solutions that we have even across the core set of specialties, as well as in our weight loss offering. Increasingly, you'll see a meaningful portion of the spend go towards speaking to the multi-condition capabilities that you see across Hims & Hers. We have also left ourselves some room, just given the fact that we are in an election year and this is new, some flexibility in that dimension. We do anticipate a meaningful portion of that spend to come more in the form of speaking to consumers around the broader capabilities of the platform, weight and GLP-1 inclusive of that.

I think that kind of just provide a frame of reference for how we think around it. I think we will still be very disciplined with the overall spend structure. It will maintain the one-year payback period. We'll also look to position ourselves from economies of scale. And so I think it's a similar dynamic to what we saw in the back half of 2022 and the front half of 2023. Whereas we started to see new capabilities in the platform scale, we leaned in to a variety of different channels and [ph] we expect to do (00:32:39) that in the second half and then expect to see leverage of the 1 to 3 points that we mentioned on a per annum basis on marketing for the next couple of years.

Allen Lutz

Analyst, BofA Securities, Inc.



Great. And then one for Andrew, can you just talk about the broader GLP-1 strategy? I think it's obvious we've gotten a lot of questions around the durability of this opportunity. How should we think about Hims' ability to stay in the GLP-1 market in a scenario where these drugs are taken off the shortage list? Thanks.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yeah. Thanks, Allen, for the question. I'd start by saying we're currently still seeing, and wouldn't expect this to change, thousands of patients coming to us every day, struggling to get access to these GLP-1s, including tirzepatide, which has caused a lot of need in the last couple of days. I think given the breadth of the portfolio that we have, and this is inclusive of the personalized oral compounds which, as we shared in the remarks, has grown at \$100 million run rate business, our fastest specialty alone. But in addition to the oral compounds, the branded medications, the personalized GLP-1 doses, which augment the commercially available dosages for patients that need it, as well as off-patent GLP-1s like liraglutide, I think we believe the combination of that portfolio allows customers and providers a really robust range of offerings that we think is very durable, and this will exist and expand beyond the shortage dynamic. I think there's really established precedence with regard to the compounding exemption, which allows for this level of personalization that we've spoken about for patients that need it. And I would expect that the clinical necessity of that will be really clear. With these medications, as people know, there are real side effects. There are really no-one-size-fits-all dynamic. But we think there's a really robust platform that extends well beyond the shortage across a number of these avenues.

Allen Lutz

Analyst, BofA Securities, Inc.

Q

Great. Thanks, Andrew.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Thanks, Allen.

Operator: Your next question comes from the line of Jack Wallace from Guggenheim Securities. Your line is open.

Jack Wallace

Analyst, Guggenheim Securities LLC

Q

Hey. Thanks for taking my questions and congrats on a great quarter. Just wanted to follow-up to that last question and maybe ask the personalization element a different way. Is there a – the existing product in the market, the existing form factor, is that enough to be personalized or is it through a personalized dosing regimen personalized enough to operate under a personalization exemption after the drugs are off the shortage list, or do they need to be further personalization enhancements to make that possible? And as a follow-up to that, how much of the MedMatch capability and the data you're collecting on the platform going to be empowering those personalization enhancements to the medication? Thank you.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yeah. Thanks. Thanks, Jack, for the question. The short answer is that the compounded exemption, it's relatively clear there's been decades of established precedent with regard to what qualifies as personalized. And this often is a form factor, as you outlined, or it could be dosing dynamics if a patient is not getting the outcome that they're hoping for or they're experiencing side effects that are intolerable. So, these types of customizations are relatively well-established. And I think the clinical necessity of compounding and the clinical necessity of personalizing medications is really well-established, right? This is not overwhelmingly the case, but in many ways, these personalized dosages augment what is commercially available. And so I think our personalization dosages that

exist on the platform today are offering fantastic high-touch care to patients that otherwise really wouldn't be able to experience the benefits of GLP-1. Now, it's expected in the future in a post-shortage world, this also continues to exist for patients as an access point.

With regard to MedMatch, I think what is happening right now is that there is an expansion of and a breadth of options that we are bringing to the market in the second half of this year and the next year across all avenues. This is oral compounds, new combination therapies on the oral side. This is branded medications when available [audio gap] (00:37:36) medications likely liraglutide. And so the breadth is only expanding the range of dosages, is only expanding on the platform, which gives providers and patients that level of nuance that we think is really, really critical. And when you match that [indiscernible] (00:37:55) the capability with MedMatch to help identify the right titration schedule, the right end dose, the right adjustments as necessary for a patient, we think that combination is incredibly strong. And the data today already suggests patients are having really world-class experiences, but long term, honestly, we believe the combination of that breadth of portfolio and MedMatch together will be able to hopefully result in clinical outcomes that are far superior than you can get not only in brick-and-mortar, but also via any online-type telemedicine provider.

Jack Wallace

Analyst, Guggenheim Securities LLC

Q

Got you. That's helpful. Thank you, Andrew. And then, Yemi, just a quick two-parter on the guide. Just wanted to make sure I heard it correctly. The gross margin erosion in the back half of the year from the launching categories, is that a second half versus first half comparison or is that a full year comparison? And I'll leave it there.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yes. Thanks for the question, Jack. Yeah. It's a first half versus second half comparison. And so I think in the near term, while we look to optimize the cost structure for our overall weight category, specifically GLP-1s, we do expect some compression, but I think that we do expect that to revert in the mid-term once some of the investments that we mentioned earlier start to come online.

Operator: Your next question comes from the line of Daniel Grosslight from Citi. Your line is open.

Daniel Grosslight

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking the question. I know you probably haven't gotten this question in about a year now, but it seems like everyone's thinking about this, at least today, a weakening economy and a potential recession. I'm curious if you've seen any signs out there of a slackening in consumer demand. And if so, if you can kind of describe where that slack might be coming in? Hello?

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. Hey, Dan, this is Yemi. Thanks for the question. I think overall, in the second quarter, we've not seen any meaningful degradation from the consumer. I think that's similar to during other periods of economic uncertainty. We do see the consumer continue to remain durable. I think there's a few reasons behind this. One is just the diversity and the breadth of the consumers that we serve across different age ranges, income levels, geographic locations. It's pretty broad. The second is that we serve consumers across a wide variety of some of the most emotionally resonant conditions that impact how they look, how they feel each and every day. And so what we've

observed historically during these moments of economic uncertainty is that consumers are very reticent to let that go.

We are continuously excited by some of the optimization around with our cost structure, being able to place even some of the most personalized products at more and more attractive price points that are transparent and provide consumers with access to a holistic solution from being able to match us their providers to being able to leverage the technology across the platform to get matched with an attractive solution at a price point that is oftentimes less than the collection of deductibles for them to do so. And so overall, we've not seen a slowdown. And I think based upon what we've seen historically during these periods of economic uncertainty, we do have very high conviction in the ability for our consumers to continue to come to the platform, and ultimately, for the platform to continue to grow.

Daniel Grosslight

Analyst, Citigroup Global Markets, Inc.

Q

Got it. Okay. And Yemi, I think, and Andrew as well, you both mentioned more folks coming to the platform, taking product that cuts across categories or a single product that cuts across categories. I'm curious if you can provide an update on how many folks are taking multiple drugs across categories or a single drug across categories? And then of the folks who have come in for GLPs, have any of them converted to other products in other categories?

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Thanks, Daniel. Again, I can take it off. On the personalization side and the cross-category side, we don't disclose specifically the specialty mixes and how are those crossed, but I would point to the pretty rapid acceleration of personalized adoption. We shared 55% of new subscribers are now signed up with personalized products and 40% of the [ph] entirety (00:42:48). This is [indiscernible] (00:42:51) astronomical speed of acceleration relative to the last [indiscernible] (00:42:57-00:43:12). So, I think there's going to be [indiscernible] (00:43:15) specialty [indiscernible] (00:43:24) customizations and aggregation across specialties.

I think specifically on the rate category, these patients have [indiscernible] (00:43:34) a really complex mix of [indiscernible] (00:43:38) the oral compounded category that we have had so quickly and have had such great success. It's because it's really treating many underlying conditions, right? And this can be depressive eating dynamics, binge eating, metabolic disorders, insulin resistance. And so I think for the obesity category in general, I would expect there to be very significant cross-category and cross-specialty concerns whereby both in oral combination through compounding therapies, as well as through bundling options, there is ability for us to treat a person more holistically, because I think the patient, frankly, will just [indiscernible] (00:44:23). I think these patients, more than many – more than maybe any patient we've seen on the platform, is requiring a more holistic approach, which I think will then be reflected in the bundled and offerings and compounds that you will see the company bring to market.

Operator: Your next question comes from the line of Jonna Kim from TD Cowen. Your line is open.

Jonna Kim

Analyst, TD Cowen

Q

Thanks for taking my question. Could you just provide additional color around the unit economics of the GLP-1s and how you're able to offer the GLP-1s that are at current price point that are way below others in the market? And Yemi, would love to get additional color around how – what you're assuming around monthly revenues and subscriber adds in your guide. Thank you so much.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. Thanks so much for the question, Jonna. I think what we – how we're able to offer the structure that we are or the pricing that we are around GLP-1s is really just a reflection of the benefits from the scale that we have today, just given how the number of consumers on our platform that enables us when we do partnerships with third parties to negotiate across the supply chain, a cost structure that enables us to place it at these price points. I think what's even more exciting is with our scale, with our balance sheet, we're able to make investments in the future that provide line of sight to an increasingly strong set of unit economics.

And so I think as the cost structure stands today, on a gross margin basis, GLP-1s do you have a dilutive effect on the gross margins. I think we're confident that as we continue to make investments in verticalization, optimizing processes, continuing to look for optimization opportunities across the logistics, the economics and what we've observed in other specialties as they started to season a bit will only mature. And so I think that the price points that we put the GLP-1s at are a reflection of us being able to utilize this muscle historically in the past.

With respect to some of the dynamics in the back half of the year around gross subscriber adds and monthly average revenue per subscriber, we don't necessarily give specific guidance there, but can speak to what are some of the broad trends and things that we do expect. Overall, I think resoundingly, we do expect the vast majority of growth to continue to come from subscribers, coming onto the platform at increasingly stronger and stronger levels.

That said, I think there are a few different dynamics that we do expect will lead to growth in the monthly average revenue per subscriber. The price point of the overall weight category on a monthly basis, roughly \$79 a month for the oral compounds, to as low as \$199 per month on the GLP-1 offering, while that is very attractive for the overall market, it is accretive to the price points that the rest of the core business is offered at. And so as the weight offering continues to scale, we would expect upward dynamics on the monthly average revenue per subscriber in the back half of the year.

Additionally, we do see more and more users each quarter opt for personalized solutions. That's coming from new users that increasingly are opting for those solutions, as well as existing users making the switch as there's more and more value offered to consumers. And so as we look to launch more unique form factors, as we also look to launch more personalized offerings that cut across multiple conditions, we would expect that trend to continue to accelerate in the back half of the year, which would again, lead to some tailwinds on the monthly average revenue per subscribers. But that is an element on monthly average revenue per subscriber that we do expect to elevate and increase in the back half of the year, but we still do expect the vast majority of growth to come from new subscriber additions onto the platform.

Jonna Kim

Analyst, TD Cowen

Q

Got it. Thank you so much.

Operator: Your next question comes from the line of Aaron Kessler from Seaport. Your line is open.

Aaron Kessler

Analyst, Seaport Global Securities LLC

Q

Hi, guys. Great. A couple of questions. Maybe first, just on the guidance, I heard kind of on the personalized solutions in terms of the increased revenue, would you attribute it to any categories as well? Is it mostly weight

loss or is it really across categories? And then just any updates on some of your other key categories, including dermatology, mental health and sexual health as well? Thank you.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Well, maybe let Andrew speak to like the broader dynamics and I can cut into some of the more detailed nuances there.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yeah. Great. Aaron, thanks for the question. I think across categories, it's been [indiscernible] (00:49:30). We talked about the [indiscernible] (00:49:37) now offering and engaging with personalized products is up three times year-over-year. In particular, what's really interesting is it's not just personalized, but it's actually more engaged behavior. So on the men's side of the business [indiscernible] (00:49:53-00:50:13) population [indiscernible] (00:50:15-00:50:26) which we think is really powerful, and this is [ph] taking place (00:50:29) across the spectrum. [indiscernible] (00:50:32) 80%, 90% of our business now is opting for a personalized solution. [indiscernible] (00:50:40) in some of the other categories [indiscernible] (00:50:45-00:50:50) we're seeing really robust [indiscernible] (00:50:54-00:51:01) you have the weight loss business really unlocking that function on top of what is already a very robust set of categories.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. I think just to follow up on that, Aaron, I think, because Andrew was breaking up a bit. I think we do expect the adoption of personalization to cut across most of the specialties. What we have seen is as we continue to elevate the breadth of choices, both in terms of new form factors or offering products within conditions that offer multiple sources of value within a specialty, we see more and more consumers opt to switch to those.

What we also do expect is in the back half of the year, the innovation will accelerate across multiple of our specialties. Additionally, we do expect in the back half of the year is for the ability to bring solutions that cut across popular specialties concurrently. And so with that, we do expect more and more consumers to either revert to that, whether that's new users that are opting for more of the solutions with greater frequency, or our existing users switch.

And so, an example of what we've seen that we – that Andrew had mentioned in his prepared remarks is in the sexual health business, we've seen a rapid uptick in the adoption of personalized products as we brought on solutions like the Hard Mints or the multi-condition solution, such as the heart health products. As a result of that, we've seen more and more folks opt to switch to a daily habit in a specialty that's historically been more of an on-demand type of dynamic. And so we're confident in the back half of the year, but as that value continues to broaden, more and more users across all of our specialties will do so.

In the weight management category, I think we're very excited by that. And similar to our mental health category, when you're able to combine our ability to offer a very broad set of personalized solutions with technology that can assist providers in matching consumers to the solution that is likely to yield [ph] successful (00:53:24) results with potentially less side effects, we generally see that that yields to few things.

One is it just fosters a greater build of consumer trust. Also, what we do see is that the retention, as a result of a stronger value proposition, as well as the dynamics of being able to mitigate side effect concerns or meet

consumers with their preferences, that generally yields to both stronger retention, as well as acquisition. So we're very excited by the portfolio that's to come in the second half of the year.

Aaron Kessler

Analyst, Seaport Global Securities LLC



Great. That's helpful. Thank you.

Operator: Your next question comes from the line of Michael Cherny from Leerink Partners. Your line is open.

Michael Cherny

Analyst, Leerink Partners LLC



Good afternoon, and thanks for taking the question. I want to come back to this dynamic of the, I guess, called multi-year long-term components of your GLP-1 business within weight management. I know some questions have been asked about the patent protection and where you sit. If you can maybe give us some examples, given this is obviously still an evolving market, on where you've seen some of these dynamics put in place. I mean, you obviously have the ability to scale well, but I think also, companies like Lilly and Novo are clearly going to go out of their way to protect the franchises they have. And also, I know that you have the ability to offer branded components over time.

So, I guess, along all those lines, how should we expect all of this dynamic to develop relative to your product availability, the mix of compounded versus traditional brand over time, and where you sit in the marketplace knowing some of the dynamics around their focus on their patent thickets?

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.



Thanks. Thanks, Michael. I'll take a crack. I think at a high level, you should expect some degree of fluidity right over the next couple of years, just given, I think, there's going to be not only a changing market dynamic with the current medications that are on shortage, but I think there's also probably going to be 5 or 10 new medications that come to market in the next few years, just given if you look at the clinical studies and the FDA pipeline.

So I think you're looking at 5 to 10 years of [indiscernible] (00:55:47) innovation all kind of expanding off of the initial GLP-1 learning and that first medication out there with liraglutide now coming off patent. So, I think what you can expect is some fluidity without question. Where I think we get a lot of confidence is that there's a really broad set of offerings under the hood that we believe in combination results in a really durable business line.

As we talked about, the oral compounds that we have launched, that, in and of itself, is the fastest growing specialty we've ever launched on the platform, achieving north of \$100 million run rate just in six or seven months. We expect huge evolutions in that platform and expansion of offerings there, that patients really do love and are having great outcomes.

And then on the injectable side, I think there's going to be, without question, a long horizon of on and off availability just given the demand. We see thousands of patients coming every single day saying that they can't get access to these medications. And so, we suspect that we'll be able to offer commercially available dosages in some form for extended periods.

I think on top of that, as you said, as supply grows, we are excited to bring the branded medications for patients that are interested onto the platform, as well as the personalized dosages. The [indiscernible] (00:57:13) titration

and end dose customization exists and operates regardless of shortage. This is an exemption for which we operate entire business under and have for the last six or seven years, and there's really established precedent, where everybody in market really respects the clinical need of personalization and realizes that often these personalized dosages augment what is commercially available and are not directly cannibalizing large pharma.

So when you think about, very few, if any, examples where large pharma comes after legitimate, clinically necessary compounding, and what we're seeing on our platform is that for these medications, that clinical customization is definitely needed for some patients. And we believe in combination with the rest of the portfolio, that will be included and available to patients for over a long period of time.

Michael Cherny

Analyst, Leerink Partners LLC

Q

So maybe if I could ask one more quick question, especially given your future offerings, what is your current [ph] day-to-day (00:58:19) relationship like with Lilly and Novo, and how much are you preparing for that branded offering, as some of their products come off shortage?

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yeah, it's a great question. As you guys probably saw, we recently brought on Kåre Schultz to the board, who's there for north of 20, 25 years as President and COO. I think we are sitting in the same place as almost everybody in market, which is trying to get supply for the branded medication. We knew that some customers will, without question, want easy, quick application of the self-inject pen. They know the brand, they trust the brand, and they see all the benefits of that medication and they want those medications.

So we, I think, like many others, if not almost everybody, are trying our best to source supply. I think what we can tell you is that it's not easy. There's not really any available in volume, but we are doing our best to try to aggregate some and have a durable supply of that for our customers.

Operator: Your next question comes from the line of Jailendra Singh from Truist Securities. Your line is open.

Jailendra Singh

Analyst, Truist Securities, Inc.

Q

Thank you and thanks for taking my questions. One follow-up on gross margin trends. I know I'm making some assumptions here, but I'm getting low to mid 50% gross margin on GLP-1 offering in the quarter. Just to confirm if I'm in the ballpark. It seems you expect the margins to improve on this offering as you kind of bring a 503B outsourcing facility on board.

So on that point, does owning that facility in any way impact your relationship and economics with BPI Labs, the facility you currently have agreement with, and how quickly can you ship volume to your own facility? Just trying to understand if there are any contractual agreements with your existing partner, which would put any restrictions on how aggressively you can leverage your own facility.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah, thanks for the question, Jailendra. I think we don't comment on the specific gross margins for any individual product. Like most other products in the near term, we do see some degree of gross margin degradation. I think that as products tend to season in their tenure, there's a multitude of different levers that we have to pull to

improve the unit economics. This is everything from being able to intelligently adjust information and product dynamics about the consumer to reduce customer service costs, to being able to optimize on the logistics of the supply chain, automate some of the facilities through verticalization. Those have been historical levers that we've pulled in the past. And I think we're confident in our ability to do each of those over time with GLP-1s. In the near term, we do expect to see some gross margin compression, but as we start to go out into next year, the ability to start to deploy multiple of those levers does come into play.

And so, I think as Andrew has mentioned, historically in the past, as we make investments, we tend to think about them on multi-year horizons and look to have multiple different angles to do so. And so, while GLP-1s scale near term, there's roughly the couple points of margin degradation in the back half of this year that we're expecting. We do expect in the mid-term, as we start to optimize some of those efficiency levers inclusive of the verticalization, that we have the ability to revert that, but there's no like individual lever, it's only verticalization or it's only optimization in terms of our processes. We have the ability to pull multiple levers and expand the margins over time.

Jailendra Singh

Analyst, Truist Securities, Inc.

Q

But just to clarify, there's no restriction from your existing pharmacy partner to ship any volume, right?

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

We don't speak to the specific dynamics around what happens or what the partnership arrangement looks like for any individual partner. That said, I think that what we do expect is there's a period of time for us to close [ph] the deal (01:02:30). There's also the period of time for us to invest accordingly to be able to scale up appropriately. I think that those dynamics we do expect to occur more in the mid-term. And so, as those occur, we would expect the gross margins to expand.

Operator: Your next question comes from the line of Glen Santangelo from Jefferies. Your line is open.

Glen Santangelo

Analyst, Jefferies LLC

Q

Yeah, thanks for taking my questions. Just a couple for me. Hey, Yemi, I want to follow up, on these incremental subscribers to the compounded GLP-1 product, are many of the subscribers taking advantage of multi-month subscriptions? Could you give us a little bit more about the demographic of these types of subscribers? And like, on average, how many months are they buying at a time? Anything you can tell us to help us think about that, and then I have a quick follow-up.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah, thanks for the question, Glen. We do see the vast majority of subscribers on the – just the overall weight management solution, both inclusive of oral as well as GLP-1s up for multi-months. What you do see is I think that the price points, as you make longer-term commitments, tend to be more attractive. What we also do see is that this is a product across all of weight, both oral and GLP-1s, that does require multiple months of commitment to really get to the appropriate titration schedule and see the effects emerge. And so as a result of that, we do see the overwhelmingly majority of consumers opt for a multi-month solution.

Glen Santangelo
Analyst, Jefferies LLC

Q

Yeah, that's what I thought. And so my follow-up question is, I guess, how many months of this compounded semaglutide can you ship at once? And then when I think about the revenue recognition sort of related to that, if you ship three months at once, do you book all three months of the revenue upfront? Or any sort of clarity on how that works, I mean, I think that would help us a lot from a modeling perspective. Thanks, and I'll stop there.

Oluyemi Okupe
Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. So I think that the short answer is I think that the number of months that we ship does vary state to state. Typically, depending on the duration that the individual selects, we do typically ship between three months or no more than six months historically. What we do see as an effect of that across the oral, as well as the GLP-1 solution, that as more and more consumers are opting for longer duration subscriptions that exceed 90 days, you do see the deferred revenue component start to increase on the balance sheet as a result of that as well.

So, typically, it's going to be within the three to six-month timeframe. Beyond that, particularly given the product cost specifically for GLP-1s, we typically don't extend beyond that type of cadence. And so, the effect of that would be is if consumers continue to take longer and longer cadences, you would expect to see the deferred revenue expand from quarter to quarter on the balance sheet.

Operator: Your next question comes from the line of George Hill from Deutsche Bank. Your line is open.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

Good afternoon, guys. Thanks for taking the question. First, just a point of clarification, I want to make sure I heard you guys right, you said you're tracking towards 1 million weight loss subscribers by the end of the year. And then if I have that number and if I'm wrong, you can just correct me on what it was, but I'm just interested in the mix, I guess, if you can talk about how many of those people are on GLP-1s or buying GLP-1s versus other drugs. And then within the GLP-1 category, there's the compounded products versus the injection product. You guys draw a differentiation there, and then looking forward, Yemi or Andrew, I'd love to hear you guys talk a little bit about like how you expect the business mix to evolve in that category.

Oluyemi Okupe
Chief Financial Officer, Hims & Hers Health, Inc.

A

Maybe I can take the front half of that question, just to clarify. So I think it was – George, it was 1 million personalized subscribers, and then I think Andrew can go into the weight specifics.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Then I misheard, sorry about that.

Oluyemi Okupe
Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yeah, thanks, George. I think long term, I would suspect like we see across almost every one of our specialties, pretty vast diversity within the offerings. You see that already within the weight loss specialty as we talked about the oral compounds in and of themselves growing very, very quickly, the fastest we've ever had as a specialty, north of \$100 million run rate just in six or seven months.

And I think as we continue to expand the options on that side, as well as off-patent medications like liraglutide and the branded mix, we've always seen historically great variation. When we look back, for example, on our sexual health side of the business, we had branded Viagra, we had generic Viagra, we had custom compounds, and you see just really no concentration. And I think if we're doing our job well, there is no concentration because we are expanding into further segments that better serve each customer. And I think that's really how we think about our product road map approach, which is if there's a large segment of customers that is on a current medication, let's really get to know their customers. Let's figure out how we can make their experience better, what other conditions or specialties they're struggling with, what other types of concerns do they have, and how can we optimize even further the adherence and the clinical outcomes.

So, I would suspect, like all other specialties, you'll get to pretty wide variation. What is abundantly clear is that while GLP-1s are incredible medications, I think what's even more incredible is that they have really changed the cultural conversation around obesity management. You now have tens of thousands of people coming to us every week that are looking to get treated for obesity as a disease. And I think that stigma and that shame associated with taking action and pharmaceutical action to treat weight loss has really been diminished, which is fantastic, because I think it just really empowers people to get care.

And so, the awareness of the disease state as something that is treatable, in and of itself, is driving really tremendous interest and exploration. And then I think on top of that, what we're seeing is there's a lot of people that come in, who are at very different stages of their process, right. Many people have come in and have tried everything, and they want to be the most [ph] aggressive possible (01:09:04), and often that means going with something like a Zepbound, right, highest chance of weight loss, self-inject, right, these things are actually quite scary for a lot of people.

And many of them come in and say, hey, I want to go a little bit slower. I want something that involves an oral medication or something that I can chew or dissolve on the tongue, that might not be as extreme but is much more known and it's been around for decades. And we see every customer in and between that spectrum. So, there's not only a product mix that takes place, but there's really a customer mix. Because in this category, it is so large that it really represents such a massive part of the country and everybody is coming in at a very different point in their cycle and is looking to be different levels of aggressive with different types of caution and perspectives.

George Hill

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Operator: Your next question comes from the line of Korinne Wolfmeyer from Piper Sandler. Your line is open.

Korinne Wolfmeyer

Analyst, Piper Sandler & Co.

Q

Hey, thanks for taking the question. Could you provide a little bit of color on the cadence of sign-ups with the GLP-1s that you saw right after launching? I know you're still in early days, but have you seen any change in kind of the monthly sign-ups since that launch? And then how has the retention been for those GLP-1 patients so far? Thanks.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. I think – thanks for the question, Korinne. I think what we have seen since the launch, and we saw this with the oral medications as well, is the vast majority or overwhelming majority of folks are selecting multi-month cadences across the platform. Again, I think a lot of that is just due to the nature of to truly see the benefits from these medications. Oftentimes, it does take longer than an individual month. Consumers do recognize that in the education process, from providers and throughout the flow as they're going through the journey, I think that that dynamic, paired with the more favorable economics of the consumer with longer-term cadences that you commit to, as resulting in overwhelmingly majority of the consumers opting for longer duration cadences.

We're very much in the early days where the product has been in market for a little less than three months at this point. I think that what we are seeing is, based upon the cadences that users are selecting, as well as the feedback that users are giving to their providers and they check in, we are confident that retention will be very strong and sound. But that said, I think we have less than three months of data at this point. So, it's really hard to get a meaningful read there.

Korinne Wolfmeyer

Analyst, Piper Sandler & Co.

Q

Great. Thank you. And then, could you just let us know that regarding the news from Lilly last week and the improvement in capacity there, did you alter your internal expectations, I guess, for both this year and next year following that announcement, or is that kind of a non-event related to your guidance? Thank you.

Andrew Dudum

Chairman, Chief Executive Officer & Co-Founder, Hims & Hers Health, Inc.

A

Yemi might be on mute, but I would say, Korinne, I don't think there's any material expectations that that alters guidance. As you can tell from the current business, semaglutides are the only GLP-1s currently on the offering and platform today. And so I think all of that was built into the existing forecast.

Operator: And there are no further questions at this time. This concludes today's conference call. Thank you for your participation. You may now disconnect.

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