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# Hims & Hers Health, Inc. (HIMS)

Q3 2024 Earnings Call

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

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. My name is Krista and I will be your conference operator today. At this time, I would like to welcome everyone to Hims & Hers Third Quarter 2024 Earnings Conference Call. 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]

Thank you. I would now like to turn the conference over to Bill Newby, Head of Investor Relations. Bill, you may begin.

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**Bill Newby**

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

Good afternoon, everyone, and welcome to the Hims & Hers Health third 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; Yemi Okupe, our Chief Financial Officer; and Dr. Patrick Carroll, our Chief Medical 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 will 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 the link to today's webcast at [investors.hims.com](https://investors.hims.com). After the call, this webcast will be archived on the website for 12 months.

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

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## Andrew Dudum

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

Thanks, Bill. Strong momentum from last quarter continued into the second half as we further expanded capabilities on our platform to help millions of consumers feel great through the power of better health. We made considerable progress across several dimensions that consumers value, including the speed with which they can access providers and personalized solutions to address their needs; the convenience and transparency provided by our world-class technology platform; and lastly, the breadth of personalized solutions that enables them to address concerns across our specialties in a more unique and customized way.

Ongoing success in the delivery against our mission is translating into exceptional business results. Year-over-year revenue growth accelerated 25 points quarter-over-quarter to 77% as we surpassed \$400 million in revenue in the quarter. A disciplined approach to investment enabled us to surpass \$50 million in adjusted EBITDA, reflecting a 13% adjusted EBITDA margin.

Our strategy of offering high-quality, personalized solutions at mass market prices continues to resonate with consumers. We ended the third quarter with over 2 million subscribers and north of 50% of subscribers utilizing a personalized solution. We believe there are four primary factors driving rapid adoption of personalized solutions. The first is a continuous expansion of personalized solutions within new specialties. During the third quarter, we launched access to personalized titration schedules and dosing for semaglutide within weight loss.

The second is scaling the number of compelling multi-condition solutions available on our platform that draw in a broader set of users. This includes access to personalized treatments that address multiple concerns both within and across specialties.

The third is a wider selection of form factors, unlocking access to solutions that can now be utilized via chewable or topical solution and in the near future, gummy. And finally, as these solutions and our underlying capabilities expand, we're able to offer them at more accessible price points, strengthening a high value proposition for our customers that we believe is unmatched.

Each of these developments allows us to service a broader set of consumer needs, which we believe will ultimately support more consumers sticking with their treatments and achieving positive outcomes. All of our specialties have benefited from this innovation, and we're seeing it have significant impact on the Hers brand. I've always believed that the Hers brand has the potential to eventually match, if not surpass, the size of the Hims brand. As we surpassed 400,000 Hers subscribers in the third quarter across specialties such as dermatology, it is becoming increasingly clear that this area of our business is at an inflection point.

In response to this accelerating trajectory, we're excited to announce the addition of Dr. Jessica Shepherd, who recently joined us as Chief Medical Officer of Hers. A board-certified OB/GYN, Dr. Shepherd has served patients

for nearly 20 years across health issues top of mind for women, including endometriosis, sexual health, menopausal health, fibroids, and narrowing health disparities for women. More recently, she has run a clinic that has offered personalized solutions across weight management, hormonal therapy, and dermatology.

Our expanding platform continues to make significant strides in unlocking access to a level of care that has historically been available to only the most privileged segments of society. As our platform continues to scale, we are seeing an increased ability to reach some of the most vulnerable populations across America. We've seen an increase in individuals from less affluent communities joining and retaining on our platform as we have made access to personalized solutions and high-quality care available at mass market prices.

We ended the third quarter with over 400,000 subscribers on the platform from ZIP codes where the average household income is below \$50,000, with nearly 40,000 of those subscribers in weight loss. Similarly, we are seeing an increase in subscribers from older communities where we often see mobility issues, financial constraints, and in the case of weight loss, lack of Medicare coverage present barriers to treatment.

Over 100,000 of our subscribers as of quarter end are over the age of 65, with nearly 7,000 of those accessing a weight loss solution. And finally, many individuals who spend their lives caring for others and keeping our country safe and healthy often face roadblocks when seeking access to medical care. This includes teachers at educator communities, first responders that save lives, and military personnel and veterans that keep us safe.

I'm incredibly proud of our Service Appreciation Initiative, which launched on September 18. It allows us to offer US military, veterans, teachers, nurses, and first responders access to personalized compounded GLP-1 weight loss solutions for as low as \$99 per month. Underpinning our ability to bring this type of value to our consumers is scale and more importantly, scale that is supported by a continuously advancing technology platform.

Our platform is enabling us to democratize a high standard of care historically accessible by only a small population. Consumers on our platform have the ability to message providers and generally address concerns within hours as opposed to days or weeks; access follow-up care on demand, which is especially beneficial in high-touch areas like mental health and weight loss; and seamlessly access providers from the comfort of their own home outside of traditional working hours, minimizing disruption to income from time lost commuting or sitting in a waiting room. We believe this has translated into remarkable success by drawing new customers to the platform and providing the kind of personalized support we believe is critical for patient adherence and positive outcomes.

I'd like to pass it over to our Chief Medical Officer, Dr. Patrick Carroll, to briefly talk through some of the dynamics we're seeing in some of our higher touch specialties.

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## Patrick Carroll

*Chief Medical Officer, Hims & Hers Health, Inc.*

Thanks, Andrew. Over the course of 40 years of running my own medical practice and overseeing healthcare institutions, I have heard again and again that one of the deepest desires for medical providers was to spend more time with patients and offer them a deeper level of care. There are several hurdles that impact disability for medical providers, which unfortunately only increased for many in recent years. These include, first, the time medical providers lose across their day as a result of navigating numerous administrative tasks with inefficient tools and the need to operate on a non-intuitive technological platforms that are not designed for patients or providers.

Hims & Hers' ability to remove these hurdles through thoughtful business practices and innovative technologies centered on providing exceptional care to patients has unlocked an ability for medical providers to offer a deeper level of care to patients. This has been particularly transformational in traditionally higher touch areas such as weight loss.

We believe GLP-1s have the ability to have a tremendous impact on society. However, several barriers prevent them from unlocking their full potential. Studies have shown that intolerable side effects like gastrointestinal issues and substantial muscle loss, less than desired frequency of engagement with providers, and lack of access to affordable solutions result in less than 70% of patients continuing the medication after four weeks of treatment. That number falls further to 42% by 12 weeks.

Across the Hims & Hers platform, we have seen strong retention rates for compounded GLP-1 solutions. At four weeks, 85% of GLP-1 patients are engaging with the platform, including through continuation of care, completing a check-in, a proactive engagement with a provider. By 12 weeks, we observe 70% of patients continuing with their subscription.

We believe there are four primary drivers of these great results. First, our platform enables consistent provider communication. At 4 weeks, patients have typically had at least 3 engagements with the provider on the platform, and by 12 weeks, it had an average of 5 engagements. Once a patient reaches the end of their titration schedule, providers still engage with patients on average of at least once a month. This level of service would be incredibly challenging to offer at scale to the average consumer in the typical brick-and-mortar setting.

Second, technology on our platform removes administrative overhead on providers and equips them with products and tools to better address individual patient needs. Providers on the Hims & Hers platform have access to tools with a proprietary EMR that automate notes on patients, programmatically flag certain risk and leverage structured data to help them highlight important concerns and dynamics for providers. Additionally, capabilities such as MedMatch by Hims & Hers, our proprietary AI technology, support providers in identifying ways to balance weight loss results with a side effect management, including medication and titration schedule adjustments.

Third, a wide breadth of personalized doses options means that providers on our platform can serve a broader set of patients. Standard doses will work for many patients. However, given the diversity of obesity challenges across the American population and the concerns many have with common side effects like nausea, vomiting, diarrhea, and muscle loss or sarcopenia, we expect there are millions of individuals who stand to benefit from personalized dosages.

Finally, based on customer reported data from more than 10,000 subscribers on a personalized weight loss program who have reached their 28-day check-in and several thousand of those who have reached their 56-day check-in, these patients have seen results and are indicating they are excited to continue accomplishing their goals. We have seen customers lose on average of 4.1% of their initial body weight in their first four weeks while customers who have reached the eight-week mark have lost 5.5% of their initial body weight.

We believe the clinical benefits of the care and personalized solutions available through our platform are clear as we are seeing more consumers continue with their medication schedules and report positive outcomes. While both our mental health and weight loss specialties are in their early innings, I am excited by the foundation that we are laying with capabilities that we expect will expand over time.

## Andrew Dudum

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

Thanks for those insights, Dr. Carroll. As we enter the final months of 2024, I'm so excited by the momentum we are seeing and how all of the pieces we've built over the last seven years are coming together. Our brand continues to connect with customers and is increasingly becoming known as a leader in high-quality, personalized solutions. Each of our strategic pillars, our trusted brand, leading technology platform, innovative product and services, and clinical excellence are coalescing in a way that is enabling us to bring increased value to our subscribers at a rapid pace.

We see the benefit in this with respect to how our weight loss specialty has rapidly scaled over the course of the last year. I'm impressed with how our team had come together to enable access to weight management solutions and grateful that the company can play an integral part in taking a step toward reducing the 0.5 million preventable deaths of Americans that obesity contributes to each year.

While the regulatory landscape continues to evolve, the data we are seeing on our platform suggests widespread difficulty accessing name-brand GLP-1 solutions. And a resolution of the GLP-1 shortage would not be possible without the potential disruption of care to hundreds of thousands of Americans.

In the last two months, a total of over 80,000 reports have come through our platform from consumers that have been unable to obtain name-brand GLP-1 treatments and we are seeing the number of consumers voicing their frustration increase, not decrease in recent weeks. In fact, on a single day last week, we saw nearly 2,000 indications from individuals that have been unable to obtain name-brand GLP-1s. Consumers are doing their part to ensure their voices are heard, and we are actively communicating with federal and state legislative and regulatory bodies to share the experience of our customers and the dynamics that we're seeing across our platform.

Our belief is that the principles that have unlocked success in other specialties provide a path for weight loss to continue to succeed when the shortage is ultimately resolved. Having a breadth of solutions that continue to expand enables us to fulfill different consumer requirements and needs while building a specialty that can be increasingly durable. We lost access to a holistic weight loss program last November for as low as \$79 per month, including access to personalized, oral-based solutions aimed at addressing the underlying drivers behind individuals weight gain.

Our customers using personalized oral medications as part of the holistic program have reported weight loss results that are on average at least 70% of the numbers being self-reported by customers utilizing compounded GLP-1s on the platform. The addition of GLP-1s further expanded our weight loss offering and unlocked access to these potentially life-changing solutions for a broader portion of the American population.

Next, we plan to bring liraglutide, the first generic GLP-1 in the market to the platform in 2025. We have already confirmed a core supplier for this addition, and over the next few months expect to finish completing test and batch validation, as well as confirming certificates of authenticity. Our technology platform enables us to support consumers in identifying their options and help providers match their patients with the most appropriate solution for an individual's personal clinical need.

Consumers ability to maintain frequent communication with providers as they progress their treatment with products like GLP-1 can help them effectively balance side effect concerns with weight loss goals. We are continuing to actively invest in our 503A facilities, which we expect will enable us to continue offering personalized weight loss solutions on the platform over the long term. The ability to bring significant value to consumers by

democratizing access to high-quality, personalized solutions at affordable prices has enabled us to quickly achieve scale. Continued execution on this front provides me with confidence that we can fulfill our ambitious aspiration of having every household in the US using Hims & Hers for their personalized health and wellness needs.

With that, I will pass it over to Yemi to walk through our financials and outlook for the remainder of the year in greater detail.

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## Oluyemi Okupe

*Chief Financial Officer, Hims & Hers Health, Inc.*

Thanks, Andrew. I will start by providing an overview of our third quarter financial performance and then discuss our updated outlook for 2024. To-date, 2024 has shaped up to be a transformational year with exceptional momentum across several areas of our business. We are excited to see what was already a strong trajectory accelerate in the third quarter. It is becoming increasingly clear that there is tremendous consumer demand for the value that our platform brings, as well as for high-quality personalized solutions at accessible prices.

In the third quarter, revenue increased 77% year-over-year to \$401.6 million, with ongoing strength coming out of our online channel. Online revenue was \$392.6 million, up 79% from the third quarter of last year. Expansion of our online subscriber base continues to remain the primary driver of growth across the platform. Our subscriber base grew at a record level pace with over 180,000 net subscribers added in the third quarter. We ended the quarter with over 2 million subscribers representing a 44% increase from the third quarter of last year.

While our GLP-1 offering is resulting in incremental users coming to the platform, the majority of our subscriber growth is coming from our non-GLP-1 related offerings. Our subscriber base, excluding GLP-1s, grew approximately 40% year-over-year. Our continued success at growing our subscriber base can largely be attributed to continued innovation across our portfolio of personalized solutions. We are pleased to achieve our goal of bringing the value of personalized solutions and care to over 1 million consumers by year-end a quarter early.

We are seeing the value to customers of personalized solutions reflected on the platform in two primary ways. The first is through an ability to draw a broader audience of users whom we have historically struggled to find treatments that meet their clinical needs. Personalized solutions enable us to reach a broader set of consumer phenotypes that come with different clinical requirements, concerns, and goals.

For example, through innovative form factors and dosages, we are able to provide access to differentiated solutions and messaging to the individual that has suffered from hair loss for years relative to the individual earlier on in their journey and more interested in preventative measures. North of 65% of new subscribers benefited from a personalized solution in the third quarter and we believe this number can continue to grow with continued innovation to meet customer's clinical needs.

The second way we are seeing personalization demonstrate value is through higher retention, which we believe reflects increasing consumer satisfaction. User feedback around factors that prevent them from adopting or adhering to a treatment is a core part of the design process for personalized solutions. With greater customization for individual clinical needs at affordable prices, we are seeing retention drift higher across many of our specialties. For example, in some subspecialties of women's dermatology, we are seeing annual retention increased by more than 20 points year-over-year, as the mix of those utilizing a personalized solution increased 40 points year-over-year to approximately 70% of the specialty.

We believe that with continued innovation and personalization for individual clinical needs, these benefits will continue to compound across specialties in the future. Monthly online revenue per average subscriber increased 24% in the third quarter relative to last year to \$67. A continued shift to more premium personalized offerings has been one contributor towards this dynamic, which has offset headwinds from a migration toward longer duration commitments that carry a lower average monthly price.

The success of our weight loss specialty has been another key driver in the increase in monthly online revenue per average subscriber through two mechanisms. Firstly, our weight loss solutions carry a higher monthly average price relative to other product offerings. Historically, our offerings have ranged from \$35 to \$55 per month, depending on specialty and duration. Our oral weight management offering starts at \$79 per month and our GLP-1 offering generally starts at \$199 per month.

Secondarily, many of our existing subscribers to other specialties are adopting weight loss solutions, and subscribers that come to the platform initially for weight loss are subsequently adopting solutions across other specialties. In the third quarter, 20,000 subscribers that acquired a weight loss solution were pre-existing customers and 20% of weight loss subscribers having multispecialty relationship with Hims & Hers. Increased multispecialty adoption from our subscribers have been largely organic.

In the third quarter, nearly 300,000 subscribers were treated for two or more conditions on the platform, inclusive of subscribers on a single treatment with multi-condition capabilities. As we continue to broaden the variety of solutions across specialties and elevate the number of multi-condition personalized treatments, we expect the number of multi-condition subscribers to continue to increase.

In 2025, we expect to elevate the consumer experience for multi-specialty subscribers through technological advancements on our platform. We believe this carries immense potential to drive higher retention, as users receive multiple benefits. Effective execution of our capital allocation framework has enabled us to maintain a robust margin profile while simultaneously accelerating revenue growth.

In the third quarter, adjusted EBITDA was \$51.1 million, increasing 4 times relative to last year. Adjusted EBITDA margin expanded more than 7 points year-over-year to nearly 13%, as efficiency gains and operating expenses offset an expected degradation in gross margin associated with new product launches.

Gross margin declined 2 points quarter-over-quarter and was 79% in the third quarter. Scaling of the weight loss specialty was the primary driver of this margin degradation. As we highlighted last quarter, lower margins are a common dynamic we often see early in an offering's life cycle. As the offering continues to scale and we are able to unlock efficiencies from automation and verticalization, we expect to offset a portion of these gross margin headwinds in the future. Management of our operating cost structure enable us to offset pressure from gross margin headwinds.

G&A costs as a percentage of revenue improved 5 points year-over-year and 2 points quarter-over-quarter to 11%. G&A expenses may fluctuate from quarter-to-quarter, but in the mid-term, we see continued opportunity for leverage. Operations and support costs as a percentage of revenue improved 2 points year-over-year and 1 point quarter-over-quarter to 12%. We expect continued efficiency gains in these areas over the mid to long-term as we benefit from scale efficiencies and further leverage technologies like clever routing to improve the performance of our customer support and care teams.

Marketing as a percentage of revenue improved 6 points year-over-year to 45%, marking a new record in our history as a public company for the second quarter in a row. The growing emphasis on personalized solutions,



along with the maturation of newer customer groups introduced to favorable pricing models, is enhancing our retention rates. Additionally, we are seeing continued success in acquiring customers through more cost-effective channels as awareness of the Hims & Hers brands grows.

As we expand in categories where consumers feel more comfortable discussing their experiences, these factors are driving both growth and customer loyalty. Net income was \$75.6 million in the third quarter and included a \$60.8 million tax benefit related to the release of a tax valuation allowance, partially offset by current period tax expense. Recall, I highlighted this possibility last quarter due to our improving certainty around long-term profitability, resulting in the increased likelihood and the utilization of our deferred tax assets.

Our income before taxes was \$23.6 million for the third quarter, which excludes the total income tax effects which were impacted by the valuation allowance release. Excellent execution across the business continues to result in improving cash flow dynamics putting us in a great position to strategically invest in growth, return capital to shareholders, and further strengthen our balance sheet.

Solid free cash flow of \$79.4 million in the third quarter enabled us to make strategic investments and increase cash and short-term investments on our balance sheet by nearly \$27 million quarter-over-quarter to \$254 million. In the third quarter, we saw what we believe to be a meaningful disconnect between the market value and intrinsic value of our stock. As a result, we allocated \$30 million to repurchase 1.9 million shares at an average share price of \$15.83 during the quarter. At the end of the quarter, there was \$70 million remaining on our \$100 million share repurchase authorization.

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. Given the momentum we are seeing across the business, we continue to believe our model is positioned to help tens of millions of individuals. As such, our first priority remains in ensuring that our platform has the necessary capabilities in place to meet the growing needs of our subscribers.

While CapEx investment has been moderate through the last two quarters, we expect more significant investments during the fourth quarter as we further evolve our capabilities. These investments will primarily go toward two areas of focus. First, increasing our capacity to provide more individuals with access to a personalized solution, uniquely designed to address their clinical needs. We expect these investments will position us to continue expanding the variety of form factors, multi-condition treatments, and dosage options available to our customers.

Second, increasing the level of automation at each of our affiliated facilities. We expect these investments to drive greater efficiency and allow us to unlock more value for consumers, strengthening our competitive position while allowing increasingly wider portion of the population to access the solutions available on our platform. We will continue to explore opportunities to expedite the evolution of our platform through strategic M&A transactions. While we set an extremely high bar in this regard, the Medisource acquisition is a great example of our willingness to deploy our balance sheet towards high-value assets that we feel will accelerate our corporate strategy.

With that backdrop, I'd like to provide the final update for our 2024 outlook. In the fourth quarter, we are anticipating revenue in the range of \$465 million to \$470 million, representing a year-over-year increase of 89% to 91%. We expect adjusted EBITDA to be between \$50 million to \$55 million, representing an adjusted EBITDA margin of 11% at the midpoint of both ranges. For the full year, we are anticipating revenue of between \$1.46 billion to \$1.465 billion, representing a year-over-year increase of 67% to 68%. Lastly, we expect 2024 adjusted

EBITDA will be between \$173 million and \$178 million. These adjusted EBITDA and revenue ranges imply an adjusted EBITDA margin of 12% at the midpoint of both ranges.

Embedded in our outlook is an expectation for more substantial investment in marketing in the fourth quarter relative to prior quarters. A significant portion of this increased spend will be to build general awareness for our brand, as well as to educate Americans on the evolving dynamics and solutions in the weight management space. Current momentum of the business provides us with confidence to continue to drive 1 to 3 points of marketing leverage per annum and achieve our goal of adjusted EBITDA margins of at least 20% no later than 2030.

Continued gross margin degradation is expected in the fourth quarter as our weight loss specialty continues to gain traction. Capital investment will start to re-accelerate as we invest in capabilities that we expect will enable us to fulfill an increasing portion of demand for GLP-1 solutions through our Affiliated Pharmacies and bring new solutions to the platform in 2025 such as liraglutide. We believe these investments will enable us to bring the benefit of our platform to tens of millions of users across weight loss and our other specialties.

Our business has always centered on our subscription platform, but now more than ever, the majority of our revenue is derived from recurring subscription revenue. The focus of our strategy is centered around acquiring, retaining and expanding our relationships with our subscribers. As a result, we will no longer report on orders and average order value after our 2024 10-K filing.

Our trajectory in 2024 has been nothing short of phenomenal due to excellent execution across the organization. The business trajectory, as well as the current investments in capabilities and talent are setting a robust foundation for 2025. More and more consumers are coming to the platform, as we continue to expand technological capabilities and our breadth of solutions.

We are drawing world-class providers onto the platform as a result of our technologies' ability to help them focus on treating patients versus handling administrative burdens. Exiting the year, with over 1 million subscribers on the platform benefiting from personalized solutions and many more consumers benefiting from the potential our platform can bring is a clear signal that our strategy is resonating across America.

Our ability to drive these incredible results would not be possible without the ongoing commitment and dedication from every team member at Hims & Hers. I'd like to thank them as well as all of our customers partners and shareholders for supporting us in our mission of helping the world feel great through the power of better health.

With that, I will now turn it 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 limit yourself to one question and one follow-up. Your first question comes from the line of Allen Lutz with Bank of America. Please go ahead.

**Allen Lutz**

*Analyst, BofA Securities, Inc.*

Q

Good afternoon. Thanks for taking the questions. I didn't think that I caught it on the prepared remarks, but are you providing what the GLP-1 contribution was in the quarter, either members or revenue would be fine?

**Oluyemi Okupe**

*Chief Financial Officer, Hims & Hers Health, Inc.*

A

Thanks for the question, Allen. This is Yemi. We provided the year-over-year growth rate of the subscriber base, excluding GLP-1s. So that number was north of 40% year-over-year.

**Allen Lutz**

*Analyst, BofA Securities, Inc.*

Q

Okay. Got it. And then, Andrew, you mentioned a belief that we can continue to succeed [ph] when this project is ultimately solved (00:33:34). You mentioned a lot of different opportunities in the shareholder letter, but can you kind of describe to us what do you think the GLP-1 business looks like a year from now? You mentioned different form factors, you mentioned oral business growing, mentioned liraglutide. How should we think about the way that you're thinking about GLP-1 business maybe this time next year? Thanks.

**Andrew Dudum**

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

A

Yeah. Thanks, Allen. I think, like all of our specialties, we're looking at a diverse breadth of portfolio within the product assortment. And so when you look at the weight loss business, the oral business, which we launched the fastest business to \$100 million run rate that we have on the platform, that business is delivering 70% of the weight loss of GLP-1 medicines for \$70 per month. You then have medications like liraglutide, which are generic medications now coming to the platform in 2025. You have when it comes to [ph] on-patent, off-brand (00:34:34) medications like semaglutide, the ability to hyper-personalize for the millions of patients that then need to mitigate those side effects, their muscle loss, the nausea and vomiting.

So we think the composition of all of those different avenues will enable quite a durable business across weight. And that really, I think, is regardless of whether or not that shortage dynamic happens in a couple of months or next year or years from now. I think the precedence specifically on the GLP-1 side or personalization and compounding to the 503A has existed for many, many years. And I think the regulators, the legislators, the drug companies, the healthcare system really respect the clinical need of that personalization when it's necessary for a patient. And given you're talking about north of 100 million people suffering from obesity in this country and the very, very high side effect rate with these medications, we fully expect that there's millions of patients that will need that level of personalization, that our platform over the long haul is really well equipped to deliver on.

**Allen Lutz**

*Analyst, BofA Securities, Inc.*

Great. Thanks, Andrew.



**Operator:** Thank you. Your next question comes from the line of Maria Ripps with Canaccord. Please go ahead.

**Maria Ripps**

*Analyst, Canaccord Genuity LLC*

Great. Congrats on the strong quarter and thanks for taking my questions. First, and this one's a question for Patrick, actually. So you talked about sort of healthy retention rates during the initial period of treatment, especially compared to the Blue Health Intelligence study. What are some key reasons you are sort of observing that are driving some of this patients to maybe drop out during the initial period of treatment, especially given that you're able to personalize the titration schedule? And then secondly, more broadly, how are you thinking about the average duration of the GLP-1 patients on the platform?



**Andrew Dudum**

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

Yeah. Maria, let me take the first question, Pat's not on the call. When it comes to the GLP-1 study in the whitepaper we put out last week, the numbers were really quite astounding. As you mentioned, 70% of patients on the Hims & Hers platform that are getting this type of personalized treatment or adhering and retaining on the treatment relative to just around 40% in the traditional brick-and-mortar system that has been reported. That's a 30-point delta in clinical adherence.



And when you look at the public data on GLP-1 adherence over the course of a year, the data is also staggeringly low. You're talking about 10% to 15% of people actually being retained. The reasons for these are relatively straightforward but very material. You have nearly every single person who try this medication experiencing side effects. You've got very widespread nausea, vomiting, muscle loss is a great concern, gastrointestinal issues. And for many patients, they can't bear those side effects. And so I think what's really powerful about the Hims & Hers platform is you've got the combination factors, you've got the provider communication. As we've mentioned, providers are talking to these patients and engaging with them every single month, allowing a really robust set of communication to titrate, adjust dosing, adjust treatment regimen in order to optimize for the patients' needs and for the side effects. You've got technology underpinning this where MedMatch is able to start helping providers set the right prescription treatment from day 0. So that could be a slower titration schedule in any dose that is optimized for the patients' preferences.

And then obviously under the hood, the capabilities on the platform allows for a really wide range of personalized dosages. This has continued to expand in Q3 and I think you'll continue to see us expand that like we have in other specialties. But more and more, the nuance of understanding these patients, letting the technology and the provider and then the high-touch allow for personalization is ultimately going to result in better outcomes. And for this treatment specific given the side effect rate, I think it's going to be a key driver of much better clinical outcomes and adherence.

**Oluyemi Okupe**

*Chief Financial Officer, Hims & Hers Health, Inc.*

And then, Maria, this is Yemi. To take the second part of your question, the factors that Andrew mentioned really are driving stronger retention across the platform. We are seeing is that the brand, the transparency, really having



providers act as a partner in the care with consumers is also providing consumers with greater comfort upfront to commit to longer durations on the platform. And so I think that across the GLP-1 solutions, we are seeing consumers adopt on the higher end of a duration spectrum that currently sits at a roughly like around five months right now for the typical consumer.

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**Maria Ripps**

*Analyst, Canaccord Genuity LLC*

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Got it. Thank you both, and good luck with the rest of the year.

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**Operator:** Your next question comes from the line of Daniel Grosslight with Citi. Please go ahead.

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**Daniel Grosslight**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hey, guys. Thanks for taking the question and congrats on the strong quarter. You noted in your shareholder letter that you introduced the personalized dosing and titration for GLP-1, and you mentioned, I think on the call that around 10,000 folks are on that, which would make it a little less than 20% of GLP-1 members, if my math is correct. So I just wanted to confirm that I heard that correctly around 10,000 on the more personalized titration schedule? And then on that, is it your understanding that these more personalized titrated GLP-1 dosages will be able to continue to compound that once the shortages abate? Is it enough to kind of get around that personalization carve-out?

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**Andrew Dudum**

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

A

Thanks, Daniel. Regarding the 10,000, I think that was specific to a study that we put out on the patient outcomes for GLP-1. So I don't think it was the exact number of patients specifically on personalized doses in aggregate. I think more and more given the nature of our business, as you know, for many years across specialties, patients are coming to us for personalization. That's the type of person that comes to us.

And so I think our platform will continue to invest in catering to those needs. The compounding exemption, whether or not on shortage or not, has always allowed for the personalization when clinically necessary. And this can be in form factor, it can be in doses, it can be in combination therapy. There's very little documented and outlined aspects of the compounding exemption for which are allowed and necessary for clinical flexibility.

We believe that dosing specifically for this type of a treatment to mitigate side effects is very much right down the center of what that compounding exemption is built for. I think, also there's widespread clinical awareness of this level of personalization and the benefits of it, right?

When you go back to some of those whitepapers and the public data around side effects and clinical outcomes and adherence like we were talking about with Maria, these people are really struggling and we see it overwhelmingly on the platform and most just stop, right? They stop taking the medicine for many of these reasons. And so the ability to really customize that level of care we think is very well respected precedent, very much within the bounds of the compounding exemption. And we also believe is very well respected across all the parties in the industry.

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**Daniel Grosslight**

*Analyst, Citigroup Global Markets, Inc.*

Q

Yeah, makes sense. And then on the acquisition of the 503B compounding pharmacy that you recently closed, what investments do you need to make to get that operational and up and running on GLP-1s? And Yemi was that a bulk of the CapEx that you were talking about increasing in the fourth quarter?

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

A

Yeah. Thanks for the question, Dan. So, I think, that when we look at the acquisition of Medisource, I think as it stands today, it does have the capability to produce the GLP-1s. Really, the investments that we are looking to make over the course of the next couple quarters is expanding capacity as well as just the overall efficiency through leveraging the playbook of automation. We know that we will have scale with GLP-1s on our platform. And so deploying that knowledge and the playbook that we've utilized across other specialties in the past is something that we expect to do in the coming quarters to drive more and more efficiency on that front.

With respect to your second question, I think that really the CapEx will be diversified across several areas. We have received clear signal that consumers overwhelmingly are resonating with personalization, given the fact that it produces unique advantages to address their clinical needs. And so I think as we mentioned in the prepared remarks, we now have over 1 million subscribers that are benefiting from personalized solutions, more than half of the subscriber base. So, as a result, we're going to look to also, in addition to verticalizing the GLP-1 operation, start to widen the aperture both from capacity, personalized options that we can have, but also the breadth of personalized options that we can have in the coming quarters. And so, I would say that the CapEx really is a mix across those elements.

**Daniel Grosslight***Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Thank you.

**Operator:** Your next question comes from the line of Eric Percher with Nephron Research. Please go ahead.

**Eric Percher***Analyst, Nephron Research LLC*

Q

Thank you. Yemi, I'd like to follow on that line, and just as I heard 503A investment for the long-term, 503B in the near-term, how do you think about the ability to flex on those two as the regulatory environment changes? And is there any major difference in efficiency if you need to move toward 503A?

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

A

Yeah. Thanks for the question, Eric. I think that really we're going to need to be able to walk and chew gum at the same time. So, we have a very talented team across the board. We also have the strength of our balance sheet with north of \$250 million and a growing free cash flow portfolio that will enable us to invest in these things concurrently. So we would expect to continue to invest in the capabilities in both the 503A, as well as the 503B.

With respect to the efficiency across the two different operations, 503Bs are generally more efficient than 503As. Given the fact that we have 503As for numerous years, we do believe that we can drive a substantial amount of efficiency. The reality is, is that both operations will be significantly more efficient than utilizing a third-party. So we see substantial opportunity for efficiency and greater economics within that subspecialty in the coming quarters.

**Eric Percher**

*Analyst, Nephron Research LLC*

Q

And the liraglutide, is that identification of API versus a manufacturer of a generic injectable and does that then have to go into a NDA submission?

**Andrew Dudum**

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

A

Hey, Eric. Great question. Similar across all of the medications that we offer on the platform, there's a pretty extensive set of protocols that the supply team goes through. And many of the times, this is [ph] DMF (00:46:22) numbers with the FDA, [ph] FAS (00:46:24) authentication, certificates of authentication that we open source to all of the patients. We do in-house and third-party independent testing of these APIs and treatments both what is absolutely clinically necessary from a safety standpoint with the FDA, but also kind of the above and beyond that our team goes through just to get comfortable.

So, when it comes to liraglutide, it will be the exact same process that we've utilized across the stack. And we're really excited about that medication in particular just because I think patients are really looking for value when it comes to obesity treatment. And that medication is known, it's increasingly available. The affordability profile will be something that we think is achievable for many and similar to our oral medications where you're seeing 70% of the weight loss for \$70 per month, that type of value offering is really something we're pretty excited to bring to market. But same protocols and same safety standards when it comes to bringing that to customers and how we think about it.

**Eric Percher**

*Analyst, Nephron Research LLC*

Q

Thank you.

**Operator:** Your next question comes from the line of Ryan MacDonald with Needham. Please go ahead.

**Ryan MacDonald**

*Analyst, Needham & Co. LLC*

Q

Hi. Congrats on a great quarter and thanks for taking my questions. Maybe to start out, it seems like the oral business in weight loss continues to perform really well despite sort of the now availability of GLP-1s in your platform. Can you just talk about how you're sort of able to sort of effectively route patients or customers to the oral option versus some of the GLP-1s? And what's really the top of the funnel driving demand? Is it customers coming in looking for GLP-1s and sort of being made aware and educated on the oral option? Just any color there will be helpful. Thanks.

**Andrew Dudum**

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

A

Thanks, Ryan. Great question. In many ways, I think we see ourselves as a platform, looking a little bit like Switzerland where we offer a wide range of treatments and services and try to help patients identify what is right for them. That could be related to clinical needs. It could be related to personal preferences, something they've heard of or something they're excited by. So, there's really no, so to speak, Trojan horse where we're leveraging one medication to bring people in.

The oral treatment option, as we've shared, is an incredibly robust business within the obesity business. As we shared last quarter, it's the fastest specialty we have ever launched on the platform, just the oral medication alone. And what that's doing is something really special. It's doing something that also is very rarely accessible to the mass market, which is a hyper personalization approach to understand the underlying factors driving your weight gain. So, this could be insulin-resistant metabolic disorder, binge eating, depressive dynamics and symptoms. And our SVP of weight management, Dr. Craig Primack, has been a specialist in this for 20 years. And we've brought a lot of that expertise that is available only to the 1% or 2% to the masses at scale or at a price point that's very, very achievable.

So, I think different people have different preferences and different clinical needs. This is a treatment that is, as I was saying, delivering 70% of the weight loss of an injectable weekly gold standard GLP-1 for only \$70 per month. So, incredible value, which I think just naturally is attracting consumers. I think there's also a lot of comfort in the fact that these treatments in the oral business have been around for decades. The known side effects and safety profiles are very widely studied. And the fact that there's different formats, oral medication, chews versus an injectable is also, I think, appealing to people. So, we expect that oral business to be a large composition of the weight business regardless of GLP-1s and liraglutide and everything to come.

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**Ryan MacDonald**

*Analyst, Needham & Co. LLC*

**Q**

Appreciate all the color there, Andrew. Maybe as a follow-up, you mentioned obviously a number of options of how the way business is going to continue to evolve in the future, one obviously being as supply becomes available, offering the branded options. As we think about the incremental investments you're making, is there any sort of contemplation in the near term about sort of building out the infrastructure for sort of getting reimbursed and taking insurance or would you expect even as you start to offer the branded options continuing on the cash pay side? Thanks.

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**Andrew Dudum**

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

**A**

Yeah. Great question, Ryan. I think right now, the simplicity of the cash pay side has been relatively straightforward for patients. As most know, the actual coverage for the brand name medications when it comes to obesity is very, very low. Almost nobody without extremely high-end plans are getting coverage and you see more and more coverage drop in quarter-over-quarter, even in the last couple of weeks.

So, the simplicity, I think, of the cash pay market is probably our approach and we will continue to try to bring more branded options to the platform because again, choice is king and consumers do love that choice. But with that said, I think we're excited by some of the treatments like liraglutide and the oral treatments and the personalized semaglutide and GLP-1s that offer really effective treatment at something that is more accessible to the mass market.

And as we shared in the prepared remarks, we're now treating hundreds of thousands of Americans that are in ZIP codes and economic brackets that really, really struggle with care. And so I think it's increasingly becoming a really spirited, altruistic part of the business that we're really excited by.

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**Operator:** Your next question comes from the line of Aaron Kessler with Seaport Research. Please go ahead.

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**Aaron Kessler**

*Analyst, Seaport Research Partners*

**Q**



Great. Thanks, guys. Couple questions. In terms of new sub- verticals with kind of Dr. Shepherd joining as CMO of Hers, can you just help us think through the potential kind of for new sub-verticals within the Hers category?

And just within some of the maybe the traditional categories you've been in, including sexual health, kind of hair dermatology, just provide us an update on maybe performance of some of those within the quarter as well. Thank you.

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**Andrew Dudum**

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

A

Yeah. Thanks, Aaron. So, on the new side of the house, we're really excited by Dr. Shepherd joining. The Hers business, as we mentioned, is the fastest part of the aggregate business growing, right? It's an incredible business and it's diversified quite dramatically across mental health; dermatology, as you shared; metabolic health; obesity, so an incredible amount of diversity taking place that's actually driving that.

I think the combination of moves that we've made such as bringing Dr. Shepherd onto the team as well as the 503B Medisource in California, which allows for sterile injectable kind of lead towards categories that we've spoken about in the past that Dr. Shepherd is an expert on. And these are categories such as perimenopause, menopause, hormonal therapy, and all of the related impacts that that might have for women as they age.

Same thing on the men's side of the business. We expect that business to be something that is rolling out in the next couple of years and something that our customers really have been wanting for some time. So, that's maybe a little bit color on kind of the new vertical to come.

With regard to the core, as Yemi shared, there was 40-plus percent year-over-year growth in our subscribers excluding the GLP-1 business. So, the core is growing very robustly. You're seeing mass market adoption of the personalization options across all of these categories with, I think, it's 65%, 70% of new customers now opting for personalization, which is really bringing a level of clinical excellence, adherence, stickiness, retention, and customer demand. It's kind of all-time highs across the core, which we think has been an exciting contributor, which is even more exciting when you add in obviously the scale of the obesity opportunity. So, it's a combination of the factors that are driving all of this growth.

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**Aaron Kessler**

*Analyst, Seaport Research Partners*

Q

Great. Thank you.

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**Operator:** Your next question comes from the line of Jonna Kim with TD Cowen. Please go ahead.

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**Jonna Kim**

*Analyst, TD Cowen*

Q

Thank you for taking my question. Have you focused on creating more efficiency around your platform? How are you thinking about the pricing structure overall and do you plan to lower any price in 2025? And also, as you think about the weight loss side, will you be able to lower your pricing on that specialty as well?

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**Oluyemi Okupe**

*Chief Financial Officer, Hims & Hers Health, Inc.*

A

Yeah, Jonna. Thanks so much for the question. I think what we constantly do as we unlock efficiency gains, as we look for the best vehicles to pass that through to consumers, some of this you're seeing in the rollout of some of

the newer products like the multi-condition treatments in sex and hair. We were able to roll that out for as low as \$49 per month for both conditions.

I think that as we unlock additional efficiencies, we will definitely test price as a lever. But as we see the technological capabilities across the platform expand and we also have numerous specialties, we're very excited about some of the additional creative opportunities that we can do beyond price to pass value back to consumers.

**Jonna Kim**

*Analyst, TD Cowen*

Q

Got it and just one follow-up. You mentioned GLP-1 users are also using other offerings that you have. What is the strategy to further grow that sort of the cross-selling of your platform? Thank you so much.

**Oluyemi Okupe**

*Chief Financial Officer, Hims & Hers Health, Inc.*

A

Yeah. To date, it's largely been organic. What we do see is as we have a wide breadth of specialties across the platform, users are organically opting into multiple treatments. As we look at 2025, I think that subscriber growth will largely be the continued focus in aggregate, but what we can do is make it easier for users to opt and select into multiple bundles through removing friction points that we're aware of today. And so, we would expect that number over time to go up, but largely in the next quarter or two will be mainly organic.

**Jonna Kim**

*Analyst, TD Cowen*

Q

Great. Thank you.

**Operator:** Your next question comes from the line of Jailendra Singh with Truist Securities. Please go ahead.

**Jailendra Singh**

*Analyst, Truist Securities, Inc.*

Q

Thank you and congrats on a strong quarter. I want to go back to GLP-1-related contribution in the quarter. It seems like GLP-1 related subscriber count was around 47,000 to 48,000 in the quarter. Is there any additional color you can provide us to frame the revenue contribution in the quarter? You said \$12 million in 2Q. Just trying to understand the growth there. Basically, the AOV was up pretty strong sequentially and trying to understand how much is driven by GLP-1 contribution versus like other tailwinds in the quarter.

**Oluyemi Okupe**

*Chief Financial Officer, Hims & Hers Health, Inc.*

A

Yeah. I think I can kind of take that few questions. So, I think that we largely see the subscriber growth coming from the core. That said, we do see accelerating GLP-1 growth. Some of that was a result of the fact that we started to roll out GLP-1s across a broader number of states.

Additionally, as consumers become more aware of the capabilities that we offer and we expand those capabilities, we do see GLP-1 adoption accelerating and increasing on the platform. I think just kind of doing the math on the subscriber count and looking at the rough average approximation of the monthly average revenue per subscriber can get you within the ballpark of what the GLP-1 contribution looks like.

### Jailendra Singh

*Analyst, Truist Securities, Inc.*



Okay. And then going back to the comment earlier made about only 13% of GLP-1 cancelled their treatment in the first month, of the remaining 87%, are you seeing customers renewing for the same duration? Are you seeing them opting for higher duration subscription? Are you seeing like people getting comfortable signing for 3, 6, 12 months? Just trying to understand the mix of the duration and the subscription here.

### Oluyemi Okupe

*Chief Financial Officer, Hims & Hers Health, Inc.*



Yeah. I think what we do see is really, I think, is the hurdle. Like most of our other specialties, the cancellations come early on in the lifecycle of a given user. As a user, particularly for medication like GLP-1s, starts to cross the 12-week or 3-month milestone, you generally do see that the overall platform becomes sticky and we would expect that.

With respect to the duration of weight, what we mentioned in a question earlier is that we're seeing a duration kind of in the ballpark of five months and that really is just a testament to consumers are enjoying the transparency that our platform is bringing. They're enjoying having providers act as partners and walk them through how to get effective care, how to manage side effects Andrew mentioned earlier such as muscle loss or nausea. Providers walking consumers through that is really resulting in strong in some results. And as a result, we're seeing very strong performance on the typical durations that consumers are signing up for.

### Jailendra Singh

*Analyst, Truist Securities, Inc.*



Great. Thanks a lot.

**Operator:** And that's all the time we had for questions today. And ladies and gentlemen, that does conclude today's conference call. Thank you for your participation and you may now disconnect.

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