2020 Annual Report

hims & hers

2020 Annual Report

hims & hers


rip it. rip it good.
hims&hers
LELO HEX

we believe that healthcare should be simple, affordable, and enjoyable.

it’s our mission to connect people with the care they need to be well.


hims

take care of you.
all of you.

10-K Financial Report

hims & hers

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 2)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

HIMS & HERS HEALTH, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-38986	98-1482650
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

2269 Chestnut Street, #523 San Francisco, California	94123
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (415) 851-0195

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol:	Name of Each Exchange on Which Registered:
Class A Common Stock, $0.0001 par value per share	HIMS	New York Stock Exchange
Redeemable warrants, each whole warrant exercisable for one share of Class A Common Stock	HIMS WS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer, "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Class A ordinary shares outstanding, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the closing sales price for the Class A ordinary shares on June 30, 2020, as reported on the New York Stock Exchange, was approximately $204,671,250 (based on the closing sales price of the Class A ordinary shares on June 30, 2020 of $10.17). The Class A ordinary shares automatically converted into Class A common stock in connection with the Domestication, as defined herein.

As of May 12, 2021, 183,424,155 shares of Class A Common Stock, par value $0.0001, and 8,377,623 shares of Class V Common Stock, par value $0.0001, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

Hims & Hers Health, Inc. (the "Company") is filing this Amendment No. 2 on Form 10-K/A (this "Form 10-K/A" or "Report") to amend its Annual Report on Form 10-K for the year ended December 31, 2020, originally filed with the Securities and Exchange Commission (the "SEC") on March 22, 2021 ("Original Filing"), as amended by that certain Amendment No. 1 on Form 10-K/A filed with the SEC on April 30, 2021 (which includes the information required by Part III of Form 10-K), to restate the financial statements and related footnote disclosures as of December 31, 2020 and 2019, for the year ended December 31, 2020 and the period from April 9, 2019 (inception) through December 31, 2019 included in the Original Filing. This Form 10-K/A also amends certain other Items in the Original Filing, as listed in "Items Amended in this Form 10-K/A" below.

Restatement Background

On April 12, 2021, the Staff of SEC issued a public statement (the "Staff Statement") that highlighted the complex nature of warrants issued in connection with the formation and initial public offering of a special purpose acquisition company ("SPAC") and the potential related accounting and reporting considerations. The Staff Statement informed market participants that warrants issued by SPACs may require classification as a liability of the entity measured at fair value, rather than equity.

As previously announced, on January 20, 2021, Hims, Inc. and Oaktree Acquisition Corp. ("OAC"), a SPAC, completed their merger. Immediately following the merger, OAC changed its name to Hims & Hers Health, Inc. Consistent with market practice among SPACs, OAC had been accounting for the public warrants and private placement warrants (collectively, the "Warrants") issued in connection with its initial public offering within equity, and recorded the Warrants as equity in its pre-merger, historical consolidated financial statements. Based on the Staff Statement, the Company re-evaluated the accounting treatment of the Warrants.

On May 3, 2021, the board of directors of the Company (the "Board"), after considering the recommendations of management and the audit committee of the Board (the "audit committee"), determined that in light of the Staff Statement it was appropriate for the Company to restate the following financial statements previously filed with the SEC: (i) the audited financial statements as of December 31, 2020 and 2019, for the year ended December 31, 2020 and for the period from April 9, 2019 (inception) through December 31, 2019 included in the Original Filing, and (ii) the condensed consolidated unaudited financial statements included in the Quarterly Reports on Form 10-Q filed by OAC for (a) the three months ended March 31, 2020, (b) the three and six months ended June 30, 2020, and (c) the three and nine months ended September 30, 2020, the three months ended September 30, 2019 and the period from April 9, 2019 (inception) through September 30, 2019 (collectively, the "Non-Reliance Periods"). Accordingly, the financial statements referred to in the preceding sentence should not be relied upon. Similarly, the related press releases, the Report of the Independent Registered Public Accounting Firm on the financial statements as of December 31, 2020 and 2019, for the year ended December 31, 2020 and the period from April 9, 2019 (inception) through December 31, 2019 and the stockholder communications describing the relevant portions of the Company's financial statements for the Non-Reliance Periods should no longer be relied upon.

Consequently, the Company has restated the financial statements identified above in this Form 10-K/A. As discussed in further detail below and in Note 9 to the accompanying financial statements, the restatement is the result of a misapplication of the guidance on accounting for the Warrants, which was brought to light by the Staff Statement. Based on Accounting Standards Codification 815-40, *Contracts in Entity's Own Equity* ("ASC 815-40"), warrant instruments that do not meet the criteria to be considered indexed to an entity's own stock or equity classification criteria shall be initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. In periods subsequent to issuance, changes in the estimated fair value of the derivative instruments should be reported in the statement of operations. Also, in accordance with ASC 825-10, *Financial Instruments* ("ASC 825-10"), the Company has concluded that a portion of the transaction costs which directly related to OAC's initial public offering, which were previously charged to shareholders' equity, should be allocated to the Warrants based on their relative fair value against total proceeds, and recognized as transaction costs in the statement of operations. All amounts in this Form 10-K/A affected by the restatement adjustments reflect such amounts as restated. These restatements result in noncash financial statement corrections and will have no impact on the Company's historical liquidity, cash flows, revenues, or the investments held in the trust account. The restatement will also have no impact on the historical financial statements of Hims, Inc.

In connection with the restatement, management has re-evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2020 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 framework). Management has concluded that the Company's internal controls over financial reporting were not effective as of December 31, 2020 due to a material weakness in internal control over financial reporting related to the accounting for the Warrants. Our Chief Executive Officer and Chief Financial Officer have also concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2020. For a discussion of management's consideration of the Company's disclosure controls and procedures, internal controls over financial reporting, and the material weakness identified, see Part II, Item 9A, "Controls and Procedures" of this Form 10-K/A.

Items Amended in this Form 10-K/A

This Form 10-K/A presents the Original Filing, as amended by Amendment No. 1 to the Original Filing, amended and restated with modifications as necessary to reflect the restatements. The following items have been amended to reflect the restatement:

Part I, Item 1A. Risk Factors

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part II, Item 8. Financial Statements

Part II, Item 9A. Controls and Procedures

In addition, the Company's Chief Executive Officer and Chief Financial Officer have provided new certifications dated as of the date of this filing in connection with this Form 10-K/A (Exhibits 31.1, 31.2, 32.1 and 32.2).

Except as described above, this Form 10-K/A does not amend, update or change any other items or disclosures in the Original Filing, as amended by Amendment No. 1 to the Original Filing, and does not purport to reflect any information or events subsequent to the filing thereof. As such, this Form 10-K/A speaks only as of the date the Original Filing was filed, and we have not undertaken herein to amend, supplement or update any information contained in the Original Filing to give effect to any subsequent events, except as set forth in Amendment No. 1 to the Original Filing. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original Filing, including Amendment No. 1 on Form 10-K/A filed with the SEC on April 30, 2021 and any other amendments to our SEC filings.

TABLE OF CONTENTS

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CERTAIN TERMS

Unless otherwise stated in this Form 10-K/A, references to:

- "founder shares" are to the Class B ordinary shares initially issued to Oaktree Acquisition Holdings, L.P. in private placements prior to the initial public offering of Oaktree Acquisition Corp. and the Class A ordinary shares that were issued upon the automatic conversion of the Class B ordinary shares at the time of the business combination with Hims, Inc.;
- "OAC" are to Oaktree Acquisition Corp.;
- "private placement warrants" are to the warrants issued to Oaktree Acquisition Holdings, L.P. in a private placement simultaneously with the closing of the initial public offering of Oaktree Acquisition Corp.;
- "public warrants" are to the warrants that were included in the initial public offering of Oaktree Acquisition Corp.;
- "sponsor" are to Oaktree Acquisition Holdings, L.P., a Cayman Islands exempted limited partnership; and
- "we," "us," "Company," "our Company," "Hims & Hers" are to Hims & Hers Health, Inc., a Delaware corporation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K/A, including, without limitation, statements under the headings "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continue," or "should," or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. Such statements include, but are not limited to, any statements relating to our financial and business performance, implementation, market acceptance and success of our business model, our ability to expand the scope of our offerings, and our ability to comply with the extensive, complex and evolving regulatory requirements applicable to the healthcare industry. These statements are based on management's current expectations, but actual results may differ materially due to various factors.

The forward-looking statements contained in this Form 10-K/A are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the Item 1A: "Risk Factors." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. These risks and others described under Item 1A: "Risk Factors" may not be exhaustive.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Report. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

BASIS OF PRESENTATION

As previously announced, OAC (and, after the Domestication as described below, "Hims & Hers"), a Cayman Islands exempted company, entered into that certain Agreement and Plan of Merger, dated as of September 30, 2020 (the "Merger Agreement"), by and among OAC, Rx Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of OAC ("Merger Sub"), and Hims, Inc., a Delaware corporation ("Hims").

On January 20, 2021, as contemplated by the Merger Agreement and described in the section titled "Domestication Proposal" beginning on page 126 of the final prospectus and definitive proxy statement, dated December 29, 2020 (the "Proxy Statement/Prospectus") and filed with the SEC, OAC filed a notice of deregistration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which OAC was domesticated and continued as a Delaware corporation, changing its name to "Hims & Hers Health, Inc." (the "Domestication").

As a result of and upon the effective time of the Domestication, among other things, (1) each of the then issued and outstanding Class A ordinary shares, par value $0.0001 per share (the "OAC Class A ordinary shares"), and Class B ordinary shares of OAC, automatically converted, on a one-for-one basis, into a share of our Class A Common Stock, par value $0.0001 per share (the "Class A Common Stock"); (2) each then issued and outstanding warrant of OAC (the "OAC warrants") automatically converted into a warrant to acquire one share of our Class A Common Stock (i.e., the Warrants); and (3) each of the then issued and outstanding units of OAC that had not been previously separated into the underlying OAC Class A ordinary shares and underlying OAC warrants upon the request of the holder thereof (the "OAC units"), were cancelled and entitled the holder thereof to one share of Class A Common Stock and one-third of one Warrant. No fractional shares will be issued upon exercise of the Warrants.

On January 20, 2021, as contemplated by the Merger Agreement and described in the section titled "Business Combination Proposal" beginning on page 97 of the Proxy Statement/Prospectus, OAC consummated the merger transaction contemplated by the Merger Agreement, whereby Merger Sub merged with and into Hims, the separate corporate existence of Merger Sub ceasing and Hims being the surviving corporation and a wholly owned subsidiary of OAC, now known as Hims & Hers Health, Inc. (the "Merger" and, together with the Domestication, the "Business Combination").

Immediately prior to the effective time of the Merger, each share of Hims preferred stock, par value $0.000001 per share, and Hims Class F common stock, par value $0.000001 per share ("Hims Class F Common Stock"), converted into one share of Class A common stock, par value $0.00001 per share, of Hims (the "Hims Class A Common Stock" and such conversion, the "Hims Recapitalization"). In connection with the Hims Recapitalization, a portion of shares of Hims Class A Common Stock held by the Chief Executive Officer of Hims, Andrew Dudum (the "CEO") and any entities, directly or indirectly, wholly-owned by the CEO (collectively, the "CEO Affiliates" and, together with the CEO, the "CEO Group") representing approximately 33% of the sum of (a) the number of shares of Hims Class A Common Stock held by the CEO Group plus (b) underlying vested and unvested equity interests held by the CEO, were exchanged pursuant to a share exchange agreement for Hims Class V common stock, par value $0.000001 per share (the "Hims Class V Common Stock"), which had equivalent economic rights, including dividend and liquidation rights, as the Hims Class A Common Stock, but carried an additional number of votes per share. Under the terms of the Merger Agreement, the Hims Class V common stock received by the CEO Group converted into the right to receive shares of our Class V common stock, $0.0001 per share (the "Class V common stock") such that, immediately following the closing of the Merger (the "Closing"), the shares of our Class A Common Stock, which are entitled to one vote per share, and our Class V common stock, which are entitled to 175 votes per share, held by the CEO Group represented approximately ninety percent (90%) of the aggregate voting power of all of our outstanding capital stock.

Immediately prior to the effective time of the Merger and following the Hims Recapitalization, Hims repurchased and cancelled approximately $22.0 million of shares of Hims Class A Common Stock at a price of $4.56 per share.

As a result of and upon the Closing, among other things, (i) each share of Hims Class A Common Stock (including restricted Hims Class A Common Stock) and Hims Class V Common Stock outstanding as of immediately prior to the effective time of the Merger was cancelled and converted into the right to receive the applicable portion of the merger consideration comprised of our Class A Common Stock (or in the case of Hims Class V Common Stock, our Class V Common Stock), restricted Class A Common Stock that will vest in equal thirds if the trading price of our Class A Common Stock is greater than or equal to $15, $17.50 and $20 for any 10 trading days within any 20-trading day period during a period of five years after the Closing and will also vest in connection with any Company Sale (as defined in the Proxy Statement/Prospectus) if the applicable thresholds are met in such Company Sale (such restricted Class A Common Stock, the "Earn Out Shares"), and warrants to acquire shares of Class A Common Stock, each as determined in the Merger Agreement, (ii) all equity awards of Hims were assumed by us and converted into comparable equity awards that are settled or exercisable for shares of our Class A Common Stock, earn out restricted stock unit awards, and warrant restricted stock unit awards with a value as if such Hims equity awards were exercised or settled immediately prior to the Closing and (iii) each warrant of Hims that was unexercised was assumed by us and represents the right to receive the applicable portion of the merger consideration upon exercise of such warrant as if such warrant was exercised prior to the Closing. Each Hims equityholder received its applicable portion of the 16 million Earn Out Shares (or equivalent equity award) described above that will vest (in part) as described above. As of the date of this Report, the vesting conditions applicable to the Earn Out Shares have been satisfied in full. The securities issued to former Hims equityholders pursuant to the Merger Agreement have been registered for resale under the Securities Act.

Holders of 6,193 OAC Class A ordinary shares elected to have their shares redeemed in connection with the Business Combination.

Additionally, as previously announced, on September 30, 2020, concurrently with the execution of the Merger Agreement, OAC entered into subscription agreements (the "Subscription Agreements") with certain investors (collectively, the "PIPE Investors") pursuant to, and on the terms and subject to the conditions of which, the PIPE Investors collectively subscribed for 7,500,000 shares of our Class A Common Stock at $10.00 per share for aggregate gross proceeds of $75,000,000 (the "PIPE Investment"). The PIPE Investment was consummated substantially concurrently with the Closing.

Immediately after giving effect to the Business Combination and the PIPE Investment, there were 181,487,235 shares of our Class A Common Stock, 8,377,623 shares of our Class V common stock and 10,608,958 Warrants (including public and private placement warrants) outstanding. Our Class A Common Stock and warrants trade on the New York Stock Exchange (the "NYSE") under the symbols "HIMS" and "HIMS WS," respectively.

The audited financial statements included herein are those of OAC prior to the consummation of the Merger and the name change. Prior to the Merger, OAC neither engaged in any operations nor generated any revenue. Until the Merger, based on OAC's business activities, it was a "shell company" as defined under the Exchange Act.

The audited consolidated financial statements of Hims, which is considered our accounting predecessor, are included in our Current Report on Form 8-K, which was filed with the SEC on March 22, 2021.

PART I

ITEM 1.BUSINESS

Overview

Launched in 2017, Hims & Hers has built a proprietary solution that connects consumers to licensed healthcare professionals for care across numerous specialties, including mental health, sexual health, dermatology, and primary care, among others. Since its founding, the Company has facilitated more than two million telehealth consultations, enabling greater access to high quality, convenient, and affordable care for people in all 50 states.

During the year ended December 31, 2020 and prior to the Merger, OAC was a blank check company incorporated as a Cayman Islands exempted company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses.

Recent Developments

On January 20, 2021, we consummated the Merger. At the effective time of the Domestication, among other things, each stockholder of OAC received one share of our Class A Common Stock for each Class A ordinary share of OAC. Each outstanding warrant exercisable for OAC Class A ordinary shares became exercisable for an equal number of shares of our Class A Common Stock.

The PIPE Investment was consummated substantially concurrently with the Closing. Immediately after giving effect to the Business Combination and the PIPE Investment, there were 181,487,235 shares of our Class A Common Stock, 8,377,623 shares of our Class V Common Stock and 10,608,958 Warrants (including public and private placement warrants) outstanding.

In connection with the Closing, OAC changed its name to Hims & Hers Health, Inc. Our Class A Common Stock is now listed on the NYSE under the symbol “HIMS” and warrants to purchase the Class A Common Stock at an exercise price of $11.50 per share are listed on the NYSE under the symbol “HIMS WS.”

Business Strategy after the Merger

Hims & Hers offers a range of health and wellness products and services available for purchase on its websites directly by customers. The offerings generally focus on chronic conditions, where treatment typically involves use of prescription medication on a recurring basis and ongoing care from healthcare providers. Hims & Hers also offers over-the-counter drug and device products and cosmetics and supplement products, which are primarily focused on wellness, sexual health, skincare, and hair care. These curated non-prescription products include vitamin C, melatonin, biotin, collagen protein and teas in the wellness category, moisturizer, fragrances, face wash and anti-wrinkle cream in the skincare category, condoms and lubricants in the sexual health category and shampoos, conditioners, scalp scrubs and topical treatments such as minoxidil in the hair care category. The over-the-counter drug and device products and some of the cosmetics and supplement products Hims & Hers sells are “white-labeled” products, where Hims & Hers sells the manufacturer-developed product under the Hims & Hers brand name or co-branded along with the manufacturer’s brand. Several cosmetics and supplement products have been developed by Hims & Hers in partnership with the manufacturer. For these products, the manufacturer develops the formulation with input from the internal Hims & Hers Product Research & Development team. In all cases, the manufacturer is responsible for obtaining and maintaining the FDA authorization, if required, and complying with current Good Manufacturing Processes (cGMP) adopted and enforced by the FDA. Hims & Hers maintains an internal Quality program, under which it ensures independent laboratory testing of non-prescription products for compliance with quality standards, periodically evaluate non-prescription product suppliers for compliance with cGMP and other quality standards, and address product complaints and adverse events reported by customers.

Most of the offerings on the Hims & Hers websites are sold to customers on a subscription basis. Subscription plans provide an easy and convenient way for customers to get the ongoing treatment they need while simultaneously providing the company with predictability through a recurring revenue stream.

For subscription plans, customers select a desired cadence to receive products, which can range from every month to every two to twelve months, depending on the product. The customer is billed on a recurring basis based on the selected cadence and a specified quantity of product is shipped at each billing. Customers can cancel subscriptions in between billing periods to stop receiving additional products and can reactivate subscriptions to continue receiving additional products. Hims & Hers’ integrated technology platform allows it to serve its customers efficiently from start to finish: initially from customer discovery and purchase of offerings on its websites, to connecting customers with medical providers for telehealth consultations, to the fulfilment and delivery of customer orders, and finally through ongoing clinical management by medical providers. This technology-driven efficiency provides cost advantages that allow Hims & Hers to offer customers affordable prices and to generate robust gross margins.

Hims & Hers acquires new customers and drives brand awareness through various marketing channels, including social media, online search, television, radio, and other media channels. The Company intends to invest in growth in its current offerings and additionally in new products and services. The Hims & Hers platform is purpose-built to scale efficiently and to accommodate the seamless addition of new products and services. Hims & Hers plans to launch new subscription-based offerings which it expects will have a similar margin profile and unit economics to current offerings. As it implements its product roadmap, Hims & Hers expects to grow revenue through additional subscription-based recurring revenue offerings. The recent launches of new products and services in behavioral health, dermatology, and primary care demonstrate the scalability of the platform.

Growth Opportunities

Continue to acquire more customers

Customers serve as ambassadors for the Hims & Hers brand, further driving organic growth through word of mouth and user-generated content. The convenience of the Hims & Hers websites allows the Company to reduce stigma and access-related barriers that frequently prevent consumers from seeking medical care, expanding the Company's market opportunity. Organic growth is enhanced by sophisticated omni-channel acquisition strategies meant to target future customers with condition specific on-ramps at profitable returns on investment. In addition, Hims & Hers' brand positioning has afforded significant partnerships with leading talent whose promotional efforts drive meaningful awareness of the products and services Hims & Hers makes available. As its portfolio of products and services grows across categories, Hims & Hers believes that its market presence and brand recognition will expand, driving more consumers to seek out the Company for future healthcare needs.

Grow within existing customer base

Hims & Hers' customer base represents the future of healthcare and differentiates the Company. Approximately 80% of customers to date indicate that they came to Hims & Hers to learn about and find options for their condition and are seeking treatment for their particular conditions for the first time. In addition, the majority of Hims & Hers' customers are millennials at the beginning of their healthcare journey and Hims & Hers intends to grow with them as their healthcare needs evolve. Hims & Hers believes this demographic will make up the majority of healthcare spend in the coming decades, and as such it has intentionally built its brand and technologies to align with the expectations of this consumer group.

Category expansion into new chronic conditions

Hims & Hers is pursuing a roadmap of rapid category expansion into new chronic and often stigmatized conditions that can be treated safely via telehealth, require ongoing and recurring customer relationships, and for which generic medication has been established as an effective means of treatment. Future chronic care opportunities that show high prevalence within Hims & Hers' existing customer base and offer traits similar to its existing categories in terms of business model characteristics include sleep disorders, infertility, diabetes, cholesterol, and hypertension, which represent significant opportunities. With approximately 130 million individuals in the United States currently suffering from chronic conditions, Hims & Hers sees a large market opportunity for its current and future offerings.

Leverage existing capabilities to penetrate new sales channels and further improve operations

The strength of the Hims & Hers brand affords the Company numerous opportunities to partner with and offer new solutions to help transform existing healthcare stakeholders. Hims & Hers has relationships with leading health systems including Ochsner Health and Mount Sinai Health System to provide a clinically focused, telehealth-enabled patient care collaboration, providing customers with access to applicable in-person care within these systems to enhance their overall healthcare experience. These collaborations, which are intended to help Hims & Hers customers obtain in-person care not accessible through the Hims & Hers platform, do not involve any monetary exchange, compensation or other financial incentives between the parties.

Hims & Hers also recently opened an approximately 300,000 square foot facility in Columbus, Ohio that will house a dedicated pharmacy, enable seamless drug delivery, and drive increased operating leverage across the platform. This pharmacy will also provide an opportunity to incorporate insurance reimbursement into Hims & Hers' system, increasing drug coverage and allowing the Company to provide access to treatment for a broader range of conditions with enhanced treatment flexibility for customers.

Expand into new geographies

Hims & Hers' strong brand and digital-first, cloud-based business model has driven rapid adoption in the U.S. Additionally, the Company's model has been developed to be scalable and applicable across new markets and languages which would allow Hims & Hers to expand internationally. The global market for chronic diseases is expected to grow significantly over the next decade, and Hims & Hers believes the consumer-focused services it provides are applicable to a range of geographies across the world.

Affiliated Medical Groups, Providers and Partner Pharmacies

Affiliated Medical Groups

Due to the prohibition on the corporate practice of medicine adopted by a majority of states in the U.S., Hims & Hers has contractual arrangements with Affiliated Medical Groups to enable their provision of clinical services to Hims & Hers' customers. The Affiliated Medical Groups are separate professional entities owned solely by licensed physicians. Hims & Hers is prohibited from owning a professional entity such as the Affiliated Medical Groups under the rules prohibiting the corporate practice of medicine. However, the Affiliated Medical Groups were incorporated and established with Hims & Hers' assistance for the specific purpose of providing clinical services to patients through the Hims & Hers platform and have no other operations or activities outside of the provision of services through the Hims & Hers platform.

The Affiliated Medical Groups contract with or employ physicians, nurse practitioners, and physician assistants to provide telehealth consultations and related services on the Hims & Hers platform. Hims & Hers enters into certain contractual agreements with the Affiliated Medical Groups and their physician owners, including administrative services agreements and continuity agreements, under which Hims & Hers serves as an administrative services manager for the Affiliated Medical Groups for the non-clinical aspects of their operations and receives a fixed administrative fee from each Affiliated Medical Group for these services. The administrative services and support Hims & Hers provides include IT products and support, including the Hims & Hers platform and electronic medical record system, billing and collection services, non-clinical personnel, customer service support, administrative support for provider credentialing and quality assurance, and other non-clinical items and services, including access to a line of credit Hims & Hers makes available to the Affiliated Medical Groups as necessary to support their operations. The Affiliated Medical Groups retain sole control of clinical decision-making and the practice of medicine and pay the providers on an hourly basis for clinical services provided through the platform. Hims & Hers is the exclusive administrative services provider for the Affiliated Medical Groups, and the Affiliated Medical Groups provide services to patients exclusively through the platform. Hims & Hers' arrangements with the Affiliated Medical Groups generally have initial 10-year terms with renewal options. The arrangements between Hims & Hers and the Affiliated Medical Groups are reviewed and updated periodically to address changing regulatory or market conditions. Hims & Hers consolidates all of the financial results of the Affiliated Medical Groups with its own based upon its determination that the Affiliated Medical Groups are variable interest entities and that Hims & Hers is the primary beneficiary of the Affiliated Medical Groups for accounting purposes.

Partner Pharmacies

Hims & Hers has entered into contractual arrangements with two licensed pharmacies, PostMeds, Inc. (dba TruePill) and EHT Pharmacy, LLC (dba Curexa Pharmacy) for fulfillment and distribution of certain prescription and non-prescription products available through its platform. Hims & Hers is not bound by any exclusivity or minimum order requirements with respect to its use of either pharmacy, and has the ability to utilize other pharmacies at its discretion. The contractual arrangements with the pharmacies are typically for one-year terms with automatic renewals, subject to standard termination rights of the parties. The pharmacies' rates are fixed in the contractual arrangements and changes require the mutual agreement of the parties.

In October 2020, the Company also entered into service agreements with XeCare LLC (XeCare), a licensed mail order pharmacy which is expected to provide prescription fulfillment services solely to the Company's customers beginning in 2021. As such, XeCare was also determined to be a variable interest entity and Hims and Hers consolidates all of the financial results of XeCare as the primary beneficiary of the entity.

Regulatory Environment

As a consumer-driven healthcare organization delivering comprehensive telehealth technologies and services, in addition to the typical legal and regulatory considerations faced by a technology-based company, Hims & Hers is required to comply with complex healthcare laws and regulations at both the state and federal level. Hims & Hers' business and its operations are subject to extensive regulation, including with respect to the practice of medicine, the use of telehealth, relationships with healthcare providers, and privacy and security of personal health information.

Government regulation of healthcare generally

Generally speaking, the healthcare industry is one of the most highly regulated industries in the United States. Healthcare businesses are subject to a broad array of governmental regulation at the federal, state and local levels. While portions of Hims & Hers' business are subject to significant regulations, some of the more well-known healthcare regulations do not apply to the Company because of the way its current operations are structured. Hims & Hers currently accepts payments only from its customers—not any third-party payors, such as government healthcare programs or health insurers. Because of this approach, Hims & Hers is not subject to many of the laws and regulations that impact other participants in healthcare industry.

Irrespective of Hims & Hers' business model, the healthcare industry is subject to changing political, economic and regulatory influences that may affect healthcare companies like Hims & Hers. During the past several years, the healthcare industry has been subject to an increase in governmental regulation and subject to potential disruption due to legislative initiatives and government regulation, as well as judicial interpretations thereof. While these regulations may not directly impact Hims & Hers or its offerings in any given case, they will affect the healthcare industry as a whole and may impact customer use of the Company's solutions. If the government asserts broader regulatory control over companies like Hims & Hers or if Hims & Hers determines that it will accept payment from and/or participate in third-party payor programs, the complexity of the Company's operations and its compliance obligations will materially increase.

Government regulation of the practice of medicine and telehealth

The practice of medicine is subject to various federal, state and local certification and licensing laws, regulations, approvals and standards, relating to, among other things, the qualifications of the provider, the practice of medicine (including specific requirements when providing health care utilizing telehealth technologies and the provision of remote care), the continuity and adequacy of medical care, the maintenance of medical records, the supervision of personnel, and the prerequisites for the prescription of medication and ordering of tests. Because the practice of telehealth is relatively new and rapidly developing, regulation of telehealth is evolving and the application, interpretation and enforcement of these laws, regulations and standards can be uncertain or uneven. As a result, Hims & Hers must continually monitor legislative, regulatory and judicial developments regarding the practice of medicine and telehealth in order to support the Affiliated Medical Groups.

Physicians and midlevel providers (e.g., physician assistants, nurse practitioners) who provide professional medical services via telehealth must, in most instances, hold a valid license to practice medicine in the state in which the patient is located. Hims & Hers has established systems to assist the Affiliated Medical Groups in ensuring that its providers are appropriately licensed under applicable state law and that their provision of telehealth to Hims & Hers customers occurs in each instance in compliance with applicable rules governing telehealth.

In response to the COVID-19 pandemic, some state and federal regulatory authorities lowered certain barriers to the practice of telehealth in order to make remote healthcare services more accessible. Due to the Hims & Hers business model, these changes did not dramatically change the Company's operations, but these changes did introduce many people to the practice of telehealth. It is unclear whether these changes will have a long-term impact on the adoption of telehealth services by the general public or legislative and regulatory authorities.

Corporate practice of medicine laws in the U.S.; Fee splitting

In certain jurisdictions, the corporate practice of medicine doctrine generally prohibits non-physicians from practicing medicine, including by employing physicians to provide clinical services, directing the clinical practice of physicians, or holding an ownership interest in an entity that employs physicians. Other practices, such as professionals splitting their professional fees with non-professional persons or entities, is also prohibited in some jurisdictions. These laws are intended to prevent unlicensed persons from interfering with or unduly influencing a physician's professional judgment. State laws and enforcement activities related to the corporate practice of medicine and fee-splitting vary dramatically. In some states, even activities not directly related to the delivery of clinical services may be considered an element of the practice of medicine. For example, in some states the corporate practice of medicine restrictions may be implicated by non-clinical activities such as scheduling, contracting, setting rates and the hiring and management of non-clinical personnel.

Because of the restrictions on the corporate practice of medicine doctrine and fee-splitting in various jurisdictions, Hims & Hers does not employ the healthcare providers who provide clinical services on the Hims & Hers platform. Instead, the Affiliated Medical Groups provide services on the platform and Hims & Hers contracts with but does not own the Affiliated Medical Groups. The Affiliated Medical Groups and their providers maintain exclusive authority regarding the provision of healthcare services (including consults that may lead to the writing of prescriptions) and remain responsible for retaining and compensating their physicians and midlevel providers, credentialing decisions regarding their providers, maintaining professional standards, maintaining clinical documentation within medical records, establishing their own fee schedule, and submitting accurate information to Hims & Hers so that it can bill customers. Despite Hims & Hers' care in structuring arrangements with the Affiliated Medical Groups, it is possible that a regulatory authority or another party, including providers affiliated with Affiliated Medical Groups, could assert that Hims & Hers (or other organizations with similar business models) is engaged in the corporate practice of medicine or that the contractual arrangements with Affiliated Medical Groups violate a state's fee-splitting prohibition. Failure to comply with these state laws could lead to materially adverse consequences.

U.S. Federal and State fraud and abuse laws

Participants in the United States healthcare industry are subject to extensive federal and state regulation with respect to kickbacks, physician self-referral arrangements, false claims and other fraud and abuse issues. For example, the federal anti-kickback law (the "Anti-Kickback Law") prohibits, among other things, knowingly and willfully offering, paying, soliciting, receiving, or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing, arranging for, or recommending of an item or service that is reimbursable, in whole or in part, by a federal health care program. The federal False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment to the federal government. The penalties for violating these laws can be severe, including criminal and civil penalties, imprisonment, and possible exclusion from the federal health care programs.

Given Hims & Hers' current operations and the current state of this federal law, the Anti-Kickback Statute, federal False Claim Act and other laws that are tied to federal health care program or commercial insurer reimbursement should not apply to Hims & Hers' business. If the scope of these laws is extended to include a broader spectrum of activities or if Hims & Hers changes it business model to accept payments from third-party payors such as a government program, it could become subject to these laws and need to modify its business model.

FDA regulation

The products available through the Hims & Hers platform are regulated by the US Food and Drug Administration ("the FDA") and are subject to the limitations placed by the FDA on the approved uses in the product prescribing information. The FDA regulates product promotion and noncompliance with the FDA's regulations could result in the FDA requesting that Hims & Hers modify product promotion or subjecting it to regulatory and/or legal enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine and criminal penalties. Other federal, state or foreign enforcement authorities monitor product promotion and have the authority to levy significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement, if violations of applicable law or regulations occur.

U.S. State and Federal Health Information Privacy and Security Laws

Numerous state and federal laws and regulations govern the collection, dissemination, use, privacy, confidentiality, security, availability, integrity, and other processing of health information. Hims & Hers believes that, because of its operating processes, it is not a covered entity or a business associate under the Health Insurance Portability and Accountability Act and the implementing regulations ("HIPAA"), which establishes a set of national privacy and security standards for the protection of protected health information by health plans, healthcare clearinghouses and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. Notwithstanding that Hims & Hers does not believe that it meets the definition of a covered entity or business associate under HIPAA, it has executed business associate agreements with certain other parties and has assumed obligations that are based upon HIPAA-related requirements. Because Hims & Hers needs to use and disclose customers' health and personal information in order to provide its services, it has developed and maintains policies and procedures to protect that information, including administrative, physical and technical safeguards.

In addition to HIPAA, numerous other federal, state, and foreign laws and regulations protect the confidentiality, privacy, availability, integrity and security of health information and other types of personal information. These laws and regulations can be more restrictive than, and may not be preempted by, HIPAA and its implementing rules. These laws and regulations are often uncertain, contradictory, and subject to changed or differing interpretations, and Hims & Hers expects new laws, rules and regulations regarding privacy, data protection, and information security to be proposed and enacted in the future.

Marketing

Hims & Hers is building brands that represent the front door to the healthcare system for a new generation of healthcare customers. From the launch of the Company, Hims & Hers has used a diverse marketing strategy to reach its customers. Hims & Hers advertises on social media, online search, television, radio, out-of-home, and other media channels. Hims & Hers believes advertising in a diversified set of media channels is important to prevent over reliance on any single channel and to maximize the exposure of its brands to its desired customers. Hims & Hers also reaches its customers through its own social media accounts, press coverage and public relations, and internally developed educational and lifestyle content. This overall strategy drives significant customer traffic to its websites, including direct type-in traffic and organic online search traffic.

Hims & Hers' marketing strategy is underpinned by a focus on analytics and data. Hims & Hers has built its team and systems to measure consumer behavior: which types of consumers generate more revenue in their first purchase, generate more revenue over time, generate more gross profit from their purchases, and which types of consumers are most valuable over their lifetime. Hims & Hers also rigorously measures the effectiveness of its marketing budgets and the rate of return it generate from its marketing campaigns. The marketing team is accountable for driving a sufficient rate of return from their budgets. Hims & Hers views its marketing capabilities as a core strength of the Company and key differentiator in the market.

People and Culture

People and culture

Hims & Hers strives to hire the best and brightest talent across the industry with a focus on like-minded individuals determined to improve the health of millions. Hims & Hers' team is highly diverse and as of December 31, 2020, was comprised of 181 full-time employees across various functions. Hims & Hers' work environment is one of mutual trust, confidence, and inclusion to provide opportunity for growth and recognition, with the ultimate goal of delivering better healthcare to more consumers.

Hims & Hers has a strong focus on building a diverse and inclusive workforce and seek individuals who are differentiated in their excitement to be leading the charge into a consumer-focused healthcare future. Hims & Hers is also a remote-first organization that has heavily invested in the software, tools, and culture that allow it to be a leading force in the new remote-oriented work environment. Not only has this allowed Hims & Hers to maintain and enhance its commitment to quality, it has also provided a real competitive advantage by attracting top talent and garnering new geographic exposure.

Commitment to highest standards of provider quality

In addition to its employees, as of December 31, 2020, approximately 220 medical providers located throughout all 50 states in the U.S. provided services on Hims & Hers' platform through the Affiliated Medical Groups. These medical professionals adhere to a rigorous set of assessments and all credentials, licenses, and qualifications are cross-checked against federal, state, and other agencies. The Affiliated Medical Groups implement comprehensive processes, including written testing, to ensure adequate clinical skill and quality. Testing results are reviewed by an advisory board of physicians, with only the most qualified applicants approved by the Affiliated Medical Groups to provide consultations on Hims & Hers' platform. This rigor in provider selection ensures a strong culture of high standards focused around improving healthcare outcomes for Hims & Hers' customers.

Competition

Consumers have historically accessed the healthcare system in the U.S. through an antiquated model focused around brick-and-mortar healthcare providers and cost coverage through commercial and government payor programs. At the same time, many consumers are not aware of the relative affordability, convenience, and accessibility of care through the use of telehealth. Much of Hims & Hers' marketing efforts since its founding have thus focused on consumer education around these capabilities and the underlying chronic and often stigmatized conditions that providers on its platform can help treat. The relatively low (albeit rapidly increasing) penetration of telehealth implies that there is a significant market opportunity as consumers continue to shift their behavior.

While Hims & Hers does not believe there are currently any direct competitors that offer the full suite of solutions and direct-to-consumer touch points as it does, there are several companies that offer components of telehealth or address chronic conditions that compete with Hims & Hers' solutions.

- In direct-to-consumer healthcare, Hims & Hers' competition is largely fragmented and consists of many competitors that are smaller in scale and/or are more niche in focus with respect to the conditions they treat. Within parts of the sexual health and hair loss market, Hims & Hers also competes mostly with private organizations with similar product offerings for consumers.
- In telehealth and chronic disease management, Hims & Hers competes with other providers that are larger in scale and generally provide telehealth on behalf of self-insured employers and insurance plans.

Intellectual Property

Hims & Hers' ability to obtain and maintain intellectual property protection for its proprietary technology platform, preserve the confidentiality of its trade secrets, and operate without violating the intellectual property rights of others is important to its success. Hims & Hers has a number of measures to protect its intellectual property and brand, including trademarks, confidentiality procedures, non-disclosure agreements, and employee non-disclosure and invention assignment agreements, to establish and protect its proprietary rights. Despite these efforts, there can be no assurance that it will adequately protect its intellectual property.

As of December 31, 2020, Hims & Hers held 10 registered trademarks in the U.S. and 10 in non-U.S. jurisdictions, and 13 pending trademarks in the U.S. and eight in non-U.S. jurisdictions, including pending trademarks for its brand, Hims & Hers. In addition, Hims & Hers has registered domain names for websites that it uses in its business, such as www.forhims.com and www.forhers.com. Hims & Hers holds no patents at this time.

Item 1A. Risk Factors

An investment in our securities involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this Report, before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Summary of Principal Risk Factors

- Our limited operating history and evolving business make it difficult to evaluate our current business and future prospects and increases the risk of your investment.
- Our quarterly results of operations, as well as our key metrics, may fluctuate on a quarterly and annual basis, which may result in us failing to meet the expectations of industry and securities analysts or our investors.
- We identified a material weakness in our internal control over financial reporting. If we do not adequately address this material weakness or if other material weaknesses or significant deficiencies in our internal control over financial reporting are discovered, this could adversely affect our business and if we fail to maintain effective internal control over financial reporting, the market price of our Class A Common Stock may be adversely affected.
- If we are unable to expand the scope of our offerings, including the number and type of products and services that we offer, the number and quality of healthcare providers serving our customers and the number and types of conditions capable of being treated through our platform, our business, financial condition and results of operations may be materially and adversely affected.
- If we are unable to successfully market to new customers and retain existing customers, or if evolving privacy, healthcare or other laws prevent or limit our marketing activities, our business, financial condition, and results of operations could be harmed.
- We operate in highly competitive markets and face competition from large, well-established healthcare providers and more traditional retailers and pharmaceutical providers with significant resources, and, as a result, we may not be able to compete effectively.
- Our brand is integral to our success. If we fail to effectively maintain, promote, and enhance our brand in a cost-effective manner, our business and competitive advantage may be harmed.
- If we are unable to attract and retain high quality healthcare providers for our customers, our business, financial condition and results of operations may be materially and adversely affected.
- The COVID-19 pandemic has increased interest in and customer use of telehealth solutions, including our platform, and we cannot guarantee that this increased interest will continue after the pandemic.
- Our pharmacy business will subject us to regulations in addition to those we face with our core telehealth business.
- Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies.
- If we fail to comply with applicable healthcare and other governmental regulations, we could face substantial penalties, our business, financial condition and results of operations could be adversely affected, and we may be required to restructure our operations.
- Evolving government regulations and enforcement activities may require increased costs or adversely affect our results of operations.
- Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or customers, or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.
- We may be subject to legal proceedings and litigation, including intellectual property disputes, which are costly to defend and could materially harm our business and results of operations.
- We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

Risks Related to Hims & Hers' Business

Our limited operating history and evolving business make it difficult to evaluate our current business and future prospects and increases the risk of your investment.

Our limited operating history and evolving business make it difficult to evaluate our current business and future prospects and plan for our future growth. We began offering products and services in 2017. Since that time, our business has expanded and we have increased the ways that we can address customer needs. We have encountered and will continue to encounter significant risks and uncertainties frequently experienced by new and growing companies in rapidly changing and heavily regulated industries, such as attracting new customers and healthcare providers (sometimes referred to herein as "providers"), to our platform, retaining our customers and encouraging them to utilize new offerings we make available, increasing the number of conditions that can be treated by providers through our platform, competition from other companies, whether online healthcare providers or traditional healthcare providers, hiring, integrating, training and retaining skilled personnel, verifying the identity of customers and credentials of providers serving our customers, developing new solutions, determining prices for our solutions, unforeseen expenses, challenges in forecasting accuracy, and new or adverse regulatory developments affecting the use of telehealth, pharmaceutical products, or other aspects of the healthcare industry. Additional risks include our ability to effectively manage growth and process, store, protect, and use personal data in compliance with governmental regulation, contractual obligations, and other legal obligations related to privacy and security. If our assumptions regarding these and other similar risks and uncertainties that relate to our business, which we use to plan our business, are incorrect or change as we gain more experience operating our platform or expand into the treatment of new conditions, or if we do not address these challenges successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

We may not be successful in our women's health and wellness initiatives.

Our offerings originally catered towards men seeking treatment for conditions specifically affecting the male population, such as hair loss and erectile dysfunction. A substantial majority of our annual revenue to date has come from male customers. Although we recently began offering products and services for women as well, this part of our business is new and still developing. We have less experience marketing our platform and its capabilities to women as compared to men. As a result, our efforts to attract new female customers and to retain existing customers may not be as successful.

If we are unable to expand the scope of our offerings, including the number and type of products and services that we offer, the number and quality of healthcare providers serving our customers and the number and types of conditions capable of being treated through our platform, our business, financial condition, and results of operations may be materially and adversely affected.

We provide customers with access to non-prescription products, telehealth-based medical consultations with providers, and applicable pharmaceutical products prescribed by the providers for specific medical conditions. In order for our business to continue growing and expanding, we need to continue expanding the scope of products and services we offer our customers, including telehealth consultations and prescription and non-prescription medication for additional conditions. The introduction of new products, services, or technologies by market participants, including us, can quickly make existing products and services offered by us obsolete and unmarketable. Additionally, changes in laws and regulations (or enforcement thereof) could impact the usefulness of our platform and could necessitate changes or modifications to our platform or offerings to accommodate such changes. We invest substantial resources in researching and developing new offerings and enhancing our solutions by incorporating additional features, improving functionality, and adding other improvements to meet our customers' evolving demands. The success of any enhancements or improvements to our services or any new offerings depends on a number of factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies and overall market acceptance. We may not succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or improvements to our services or any new offerings that respond to continued changes in market demands or new customer requirements, and any enhancements or improvements to our services or any new offerings may not achieve market acceptance. Since developing enhancements to our services and the launch of new offerings can be complex, the timetable for the release of new offerings and enhancements to our existing services is difficult to predict, and we may not launch new offerings and updates as rapidly as our current or prospective customers require or expect. Any new offerings or service enhancements that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. Moreover, even if we introduce new offerings, we may experience a decline in revenue of our existing offerings that is not offset by revenue from the new offerings. In addition, we may lose existing customers who choose a competitor's products and services. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

If we are unable to successfully market to new customers and retain existing customers, or if evolving privacy, healthcare, or other laws prevent or limit our marketing activities, our business, financial condition, and results of operations could be harmed.

We generate revenue from our platform by selling non-prescription health and personal care products to consumers and offering consumers access to telehealth consultations with providers and certain prescription medications that may be prescribed by the providers in connection with the telehealth consultations. We also rely on selling our products through wholesale partnerships. Unless we are able to attract new customers, retain existing customers, and maintain our wholesale partnerships, our business, financial condition, and results of operations may be harmed.

In order to attract new customers and incentivize existing customers to purchase more of our offerings, we use social media, emails, text messages, celebrity influencers, and other marketing strategies to reach new and existing customers. State and federal laws and regulations governing the privacy and security of personal information, including healthcare data, are evolving rapidly and could impact our ability to identify and market to potential and existing customers. Similarly, certain federal and state laws regulate, and in some cases limit, the use of discounts, promotions, and other marketing strategies in the healthcare industry. If federal, state, or local laws governing our marketing activities become more restrictive or are interpreted by governmental authorities to prohibit or limit these activities, our ability to attract new customers and retain customers would be affected and our business could be materially harmed. In addition, any failure, or perceived failure, by us, to comply with any federal, state, or local laws or regulations governing our marketing activities could adversely affect our reputation, brand, and business, and may result in claims, proceedings, or actions against us by governmental entities, consumers, suppliers or others or other liabilities or may require us to change our operations and/or cease using certain marketing strategies.

Changes to social networking, advertising platforms' or mobile device or other operating systems' terms of use; terms of service or traffic algorithms that limit promotional communications, impose restrictions that would limit our ability or our customers' ability to send communications through their platforms; disruptions or downtime experienced by these platforms; or reductions in the use of or engagement with social networking or advertising platforms by customers and potential customers could also harm our business. As laws and regulations rapidly evolve to govern the use of these channels, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential, or sensitive personal information of our business, employees, consumers or others. Any such inappropriate use of social media, emails and text messages could also cause reputational damage and adversely affect our business.

Additionally, we use emails and text messages to communicate with customers and we collect consumer data, including email addresses and phone numbers, to further our marketing efforts with such consenting consumers. If we fail to adequately or accurately collect such data or if our data collection systems are breached or information therein is misused, our business, financial condition, and results of operations could be harmed. Further, any failure, or perceived failure, by us, or any third parties processing such data, to comply with privacy policies or with any federal or state healthcare, privacy or consumer protection-related laws, regulations, industry self-regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand, and business, and may result in claims, proceedings or actions against us by governmental entities, consumers, suppliers or others or other liabilities or may require us to change our operations and/or cease using certain data sets.

If we are unable to expand our marketing infrastructure, we may fail to increase the usage of our platform to meet our forecasts.

We first launched our services in 2017. As a result, we have only limited experience marketing our offerings and engaging customers at our current scale. We derive a substantial majority of our revenue from customers' subscription-based purchases of prescription products made available through our platform. We expect to expand the conditions for which customers can seek treatment from providers through our platform, including fulfillment of prescription medication and, as a result, new customer acquisition is integral to our business. Our financial condition and results of operations are and will continue to be highly dependent on the ability of our marketing function to adequately promote, market, and attract customers to our platform and offerings in a manner that complies with applicable laws and regulations and at a cost that does not exceed our current budget allocated to marketing.

A key element of our business strategy is the continued expansion of our marketing infrastructure to drive customer enrollment. As we increase our marketing efforts in connection with the expansion of our platform offerings, we will need to further expand the reach of our marketing networks. Our future success will depend largely on our ability to continue to hire, train, retain, and motivate a skilled marketing workforce with significant industry-specific knowledge in various areas, including direct-to-consumer business models, ecommerce, technology, healthcare, and the regulatory restrictions related thereto, as well as the competitive landscape for our solutions.

If we are unable to expand our marketing capabilities, we may not be able to effectively expand the scope of our platform to attract new customers and give our existing customers additional treatment options. Relatedly, if any of our marketing platforms significantly increase their advertising fees, our ability to expand our marketing reach will be greatly impeded. Any such failure could adversely affect our reputation, revenue, and results of operations.

The failure of our offerings to achieve and maintain market acceptance could result in us achieving revenue below our expectations, which could cause our business, financial condition, and results of operation to be materially and adversely affected.

Our current business strategy is highly dependent on our platform and offerings achieving and maintaining market acceptance. Market acceptance and adoption of our model and the products and services we make available depend on educating potential customers who may find our services and these products and services useful, as well as potential partners, suppliers, and providers, as to the distinct features, ease-of-use, positive lifestyle impact, cost savings, and other perceived benefits of our offerings as compared to those of competitors. If we are not successful in demonstrating to existing and potential customers the benefits of our services, our revenue may decline or we may fail to increase our revenue in line with our forecasts.

Achieving and maintaining market acceptance of our model and our services could be negatively impacted by many factors, including, to the extent they arise:

- perceived risks associated with the use of our platform, telehealth or similar technologies generally, including those related to privacy and customer data;
- our inability to expand into new conditions and to attract providers qualified to treat those conditions;
- regulatory developments that affect our business, including in healthcare, data privacy and security, and consumer protection;
- competitors offering telehealth options or technologies for customers and the rate of acceptable of those solutions as compared to our platform;
- perceived difficulty or complexity of obtaining a medical consultation or prescription on our platform; and
- negative reviews of providers treating our customers.

In addition, our business model and the services and products we make available may be perceived by potential customers, providers, suppliers, and partners to be less trustworthy or effective than traditional medical care or competitive telehealth options, and people may be unwilling to change their current health regimens or adopt our offerings. Consumers who have healthcare insurance coverage may not wish to use the platform to access healthcare services or products for which insurance reimbursement is not available. Moreover, we believe that providers can be slow to change their treatment practices or approaches because of perceived liability risks or distrust of departures from traditional practice. Accordingly, we may face resistance to our offerings from brick-and-mortar providers until there is overwhelming evidence to convince them to alter their current approach.

The market for our model and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the United States is undergoing significant structural change and consolidation, which makes it difficult to forecast demand for our solutions.

The market for our model is new and rapidly evolving and we are expanding our business by offering access to consultation and treatment options for new conditions, and it is uncertain whether our offerings will achieve and sustain high levels of demand and market adoption. Our future financial performance depends in part on growth in this market, our ability to market effectively and in a cost-efficient manner, and our ability to adapt to emerging demands of our customers. It is difficult to predict the future growth rate and size of our target market. Negative publicity concerning telehealth generally, our offerings, customer success on our platform, or our market as a whole could limit market acceptance of our business model and services. If our customers do not perceive the benefits of our offerings, or if our offerings do not drive customer use and enrollment, then our market and our customer base may not continue to develop, or they may develop more slowly than we expect. Our success depends in part on the willingness of providers and healthcare organizations to partner with us, increase their use of telehealth, and our ability to demonstrate the value of our technology to providers, as well as our existing and potential customers. If providers, healthcare organizations or regulators work in opposition to us or if we are unable to reduce healthcare costs or drive positive health outcomes for our customers, then the market for our services may not continue to develop, or it might develop more slowly than we expect. Similarly, negative publicity regarding customer confidentiality and privacy in the context of telehealth could limit market acceptance of our business model and services.

The healthcare industry in the United States is continually undergoing or threatened with significant structural change and is rapidly evolving. We believe demand for our offerings has been driven in part by rapidly growing costs in the traditional healthcare system, difficulties accessing the healthcare system, patient stigma associated with sensitive medical conditions, the movement toward patient-centricity and personalized healthcare, and advances in technology. Widespread acceptance of personalized healthcare enabled by technology is critical to our future growth and success. A reduction in the growth of technology-enabled personalized healthcare could reduce the demand for our services and result in a lower revenue growth rate or decreased revenue. Additionally, the majority of our revenue is driven by products and services offered through our platform on a subscription basis, and the adoption of subscription business models is still relatively new, especially in the healthcare industry. If customers do not shift to subscription business models and subscription health management tools do not achieve widespread adoption, or if there is a reduction in demand for subscription products and services or subscription health management tools, our business, financial condition, and results of operations could be adversely affected.

Additionally, if healthcare or healthcare benefits trends shift or entirely new technologies are developed that replace existing offerings, our existing or future services could be rendered obsolete and require that we materially change our technology or business model. If we are unable to do so, our business could be adversely affected. In addition, we may experience difficulties with software development, industry standards, design or marketing that could delay or prevent our development, introduction, or implementation of new options on our platform and any enhancements thereto. Any such difficulties may have an adverse effect on our business, financial condition, and results of operations.

Competitive platforms or other technological breakthroughs for the monitoring, treatment or prevention of medical conditions may adversely affect demand for our offerings.

Our ability to achieve our strategic objectives will depend, among other things, on our ability to enable fast and efficient telehealth consultations, maintain comprehensive and affordable offerings, and deliver an accessible and reliable platform that is more appealing and user-friendly than available alternatives. Our competitors, as well as a number of other companies and providers, within and outside the healthcare industry, are pursuing new devices, delivery technologies, sensing technologies, procedures, treatments, drugs, and other therapies for the monitoring and treatment of medical conditions. Any technological breakthroughs in monitoring, treatment, or prevention of medical conditions that we could not similarly leverage could reduce the potential market for our offerings, which could significantly reduce our revenue and our potential to grow certain aspects of our business.

The introduction by competitors of solutions or offerings that are or claim to be superior to our platform or offerings may create market confusion, which may make it difficult for potential customers to differentiate between the benefits of our offerings and competitive solutions. In addition, the entry of multiple new products may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of products and services we make available. If a competitor develops a product or business that competes with or is perceived to be superior to our offerings, or if a competitor employs strategies that place downward pressure on pricing within our industry, our revenue may decline significantly or may not increase in line with our forecasts, either of which could adversely affect our business, financial condition, and results of operations.

We operate in highly competitive markets and face competition from large, well-established healthcare providers and more traditional retailers and pharmaceutical providers with significant resources, and, as a result, we may not be able to compete effectively.

The markets for healthcare are intensely competitive, subject to rapid change and significantly affected by new product and technological introductions and other market activities of industry participants. We compete directly not only with other established telehealth providers but also traditional healthcare providers, pharmacies, and large retailers that sell non-prescription products, including, for example, nutritional supplements, vitamins, and hair care treatments. Our current competitors include traditional healthcare providers expanding into the telehealth market, incumbent telehealth providers, as well as new entrants into our market that are focused on direct-to-consumer healthcare. Our competitors include enterprise-focused companies who may enter the direct-to-consumer healthcare industry, as well as direct-to-consumer healthcare providers. Many of our current and potential competitors may have greater name and brand recognition, longer operating histories, significantly greater resources than we do and may be able to offer products and services similar to those offered on our platform at more attractive prices than we can. Further, our current or potential competitors may be acquired by third parties with greater available resources, which has recently occurred in our industry. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements and may have the ability to initiate or withstand substantial price competition. In addition, our competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies, or services to increase the availability of their solutions in the marketplace.

New competitors or alliances may emerge that have greater market share, a larger customer base, more widely adopted proprietary technologies, greater marketing expertise, and greater financial resources, which could put us at a competitive disadvantage. For example, some state and federal regulatory authorities lowered certain barriers to the practice of telehealth in order to make remote healthcare services more accessible in response to the COVID-19 pandemic. Although it is unclear whether these regulatory changes will be permanent or that they will have a long-term impact on the adoption of telehealth services by the general public or legislative and regulatory authorities, these changes may result in greater competition for our business. The lower barriers to entry may allow various new competitors to enter the market more quickly and cost effectively than before the COVID-19 pandemic. Additionally, we believe that the COVID-19 pandemic has introduced many new users to telehealth and further reinforced its benefits to potential competitors. We believe this may drive additional industry consolidation or collaboration involving competitors that may create competitors with greater resources and access to potential customers. The COVID-19 pandemic may also cause various traditional healthcare providers to evaluate and eventually pursue telehealth options that can be paired with their in-person capabilities. These industry changes could better position our competitors to serve certain segments of our current or future markets, which could create additional price pressure. In light of these factors, even if our offerings are more effective than those of our competitors, current or potential customers may accept competitive solutions in lieu of purchasing from us.

Our ability to compete effectively depends on our ability to distinguish our company and our offerings from our competitors and their products, and includes factors such as:

- accessibility, ease of use and convenience;
- price and affordability,
- personalization,
- brand recognition;
- long-term outcomes;
- breadth and efficacy of offerings;
- market penetration;
- marketing resources and effectiveness;
- partnerships and alliances;
- relationships with providers, suppliers and partners; and
- regulatory compliance recourses.

If we are unable to successfully compete with existing and potential competitors, our business, financial condition, and results of operations could be adversely affected.

We have experienced rapid growth in recent periods and expect to continue to invest in our growth for the foreseeable future. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service, or adequately address competitive challenges.

We have recently experienced a period of rapid growth in our headcount and operations. The historical revenue of Hims & Hers grew from $26.7 million for the year ended December 31, 2018, to $82.6 million for the year ended December 31, 2019, to $148.8 million for the year ended December 31, 2020. Our number of full-time employees has increased significantly over the last few years, from 41 employees as of December 31, 2018 to 181 employees as of December 31, 2020. During this period, we also established operations in the United Kingdom and significantly increased the size of our customer base.

We anticipate that we will continue to significantly expand our operations and headcount in the near term, including internationally. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively and execute our business plan. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures, and we will need to ensure that we maintain high levels of customer support. Failure to effectively manage growth and execute our business plan could result in difficulty or delays in increasing the size of our customer base, declines in quality of customer support or customer satisfaction, increases in costs, difficulties in introducing new products or features, or other operational difficulties, and any of these difficulties could adversely affect our business performance and results of operations.

Our brand is integral to our success. If we fail to effectively maintain, promote, and enhance our brand in a cost-effective manner, our business and competitive advantage may be harmed.

We believe that maintaining and enhancing our reputation and brand recognition is critical to our relationships with existing customers, providers, strategic partners, and partner pharmacies, and to our ability to attract new customers, providers, strategic partners, and partner pharmacies. The promotion of our brand may require us to make substantial investments, and we anticipate that, given the highly competitive nature of our market, these marketing initiatives may become increasingly difficult and expensive. Brand promotion and marketing activities may not be successful or yield increased revenue, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur and our results of operations could be harmed. In addition, any factor that diminishes our reputation or that of our management, including failing to meet the expectations of our customers, providers, or partners, could harm our reputation and brand and make it substantially more difficult for us to attract new customers, providers, and partners. If we do not successfully maintain and enhance our reputation and brand recognition in a cost-effective manner, our business may not grow and we could lose our relationships with customers, providers, and partners, which could harm our business, financial condition, and results of operations.

We are dependent on our relationships with the Affiliated Medical Groups, which we do not own, to provide medical consultation services, and our business could be adversely affected if those relationships were disrupted.

In certain jurisdictions, the corporate practice of medicine doctrine generally prohibits non-physicians from practicing medicine, including by employing physicians to provide clinical services, directing the clinical practice of physicians, or holding an ownership interest in an entity that employs or contracts with physicians. Other practices, such as professionals splitting their professional fees with a non-professional, are also prohibited in some jurisdictions. Many states also limit the extent to which nurse practitioners and physician assistants can practice independently and require that they practice under the supervision of or in collaboration with a supervising physician.

Through our platform, our customers gain access to one or more licensed providers, including medical doctors, physician assistants, and nurse practitioners, for telehealth consultations conducted by video, phone, and/or store-and-forward technology. These providers are employed by or contracted with Affiliated Medical Groups to provide telehealth consultations and related services, including applicable physician supervision of nurse practitioners and physician assistants. We enter into certain contractual arrangements with the Affiliated Medical Groups and their physician owners, including an administrative services agreement with each Affiliated Medical Group for the exclusive provision by us of non-clinical services and support for the Affiliated Medical Groups. While we expect that these relationships with the Affiliated Medical Groups will continue, we cannot guarantee that they will. We believe that our arrangements with the Affiliated Medical Groups have been structured to comply with applicable law and allow the healthcare providers the ability to maintain exclusive authority regarding the provision of clinical healthcare services (including consults that may lead to the writing of prescriptions), but there can be no assurance that government entities or courts would find our approach to be consistent with their interpretation of, and enforcement activities or initiatives related to, these laws and the corporate practice of medicine doctrine. If our arrangements are deemed to be inconsistent with any applicable government entity's interpretation of a law or regulation prohibiting the corporate practice of medicine or a fee-splitting law, we would need to restructure the arrangements with the Affiliated Medical Groups to create a compliant arrangement or terminate the arrangement. A material change in our relationships with the Affiliated Medical Groups, whether resulting from a dispute, a change in government regulation or enforcement patterns, a determination of non-compliance, or the loss of these agreements or business relationships, could impair our ability to provide products and services to our customers and could have a material adverse effect our business, financial condition and results of operations. Violations of the prohibition on corporate practice of medicine doctrine and fee-splitting may impose penalties (e.g., fines or license suspension) on healthcare providers, which could discourage professionals from entering into arrangements with the Affiliated Medical Groups and using our platform and could result in lawsuits by providers against the Affiliated Medical Groups and us. These laws and regulations are subject to change and enforcement based upon political, regulatory, and other influences. More restrictive treatment of healthcare professionals' relationships with non-professionals such as our company in the healthcare services delivery context could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to attract and retain high quality healthcare providers for our customers, our business, financial condition, and results of operations may be materially and adversely affected.

Our success depends on our continued ability to maintain customer access to a network of qualified healthcare providers, which include medical doctors, physician assistants, and nurse practitioners. If the Affiliated Medical Groups are unable to recruit and retain licensed physicians and other qualified providers to perform services on our platform, it could have a material adverse effect on our business and ability to grow and could adversely affect our results of operations. In any particular market, providers could demand higher payments from the Affiliated Medical Groups or take other actions that could result in higher medical costs, less attractive service for our customers, or difficulty meeting regulatory requirements. Our ability to develop and maintain satisfactory relationships with providers and the Affiliated Medical Groups also may be negatively impacted by other factors not associated with us, such as pressures on healthcare providers, consolidation activity among hospitals, physician groups, and other healthcare providers, changes in the patterns of delivery and payment for healthcare services, and any perceived liability risks associated with the use of telehealth. The failure to maintain or to secure new cost-effective arrangements with the Affiliated Medical Groups that engage the providers on our platform may result in a loss of, or inability to grow, our customer base, higher costs, less attractive service for our customers and/or difficulty in meeting regulatory requirements, any of which could have a material adverse effect on our business, financial condition, and results of operations.

The activities and quality of healthcare providers treating our customers, including potentially unethical or illegal practices, could damage our brand, subject us to liability, and harm our business and financial results.

Our business entails the risk of professional liability claims against the Affiliated Medical Groups, the providers, and us. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful professional liability or other claims could result in substantial damage awards that exceed the limits of our insurance coverage. In addition, professional liability insurance is expensive and insurance premiums may increase significantly in the future, particularly as we expand the scope of our services and the number of conditions for which we provide access to treatment. As a result, adequate professional liability insurance may not be available to the Affiliated Medical Groups, the providers, or to us in the future at acceptable costs or at all.

Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us, and divert the attention of our management, Affiliated Medical Groups, and/or providers from our operations, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, claims against us, even if covered by insurance, may adversely affect our business, brand, or reputation, and divert the attention of our management, Affiliated Medical Groups, and/or providers from our operations. If our customers have negative experiences on our platform as a result of the activities or quality of providers, including any allegations of potentially unethical or illegal practices, such negative experiences could subject us to liability and negatively affect our brand, our ability to attract new customers, and our ability to retain existing customers.

Any failure to offer high-quality support may adversely affect our relationships with customers and healthcare providers, and in turn our business, financial condition, and results of operations.

In using our platform, our customers depend on our customer support to resolve issues in a timely manner. We may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. We also may be unable to modify the nature, scope, and delivery of our offerings or customer support to compete with changes in solutions provided by our competitors. Increased customer demand for support could increase costs and adversely affect our business, financial condition, and results of operations. Our revenue is highly dependent on our reputation and on positive recommendations from our customers, providers, and partners. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation, our ability to sell the offerings on our platform, and in turn our business, financial conditions, and results of operations.

Our business could be adversely affected if healthcare providers were classified as employees of the Affiliated Medical Groups instead of independent contractors.

The Affiliated Medical Groups with which we have relationships typically engage providers that perform services through our platform as independent contractors. The Affiliated Medical Groups believe that the providers are independent contractors because, among other things, they can choose whether, when, and where to provide services on our platform and are free to provide services on our competitors' platforms. Nevertheless, recent legislative and judicial activity have in some jurisdictions created more restrictive standards or enforcement uncertainty with respect to the classification of workers within certain industries. The Affiliated Medical Groups may not be successful in defending the independent contractor status of providers in some or all jurisdictions in which we and/or they operate. Furthermore, the costs associated with defending, settling, or resolving pending and future lawsuits (including demands for arbitration) relating to the independent contractor status of providers could be material to the Affiliated Medical Groups. Foreign, state, and local laws governing the definition or classification of independent contractors, or changes thereto, or judicial decisions regarding independent contractor classification, could require classification of providers as employees (or workers or quasi-employees where those statuses exist) of the Affiliated Medical Groups. If the Affiliated Medical Groups are required to classify providers as employees (or as workers or quasi-employees where applicable), it could result in significant additional expenses, potentially including expenses associated with the application of wage and hour laws (including minimum wage, overtime, and meal and rest period requirements), employee benefits, social security contributions, taxes, and penalties. Further, any such reclassification could add significant complexity to our business model and could force us to have to modify or renegotiate our relationships with the Affiliated Medical Groups, which may not be possible on mutually agreeable terms, and could have an adverse effect on our business, financial condition, and results of operations.

Acquisitions and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact our business, financial condition, and results of operations. Additionally, if we are not able to identify and successfully acquire suitable businesses, our results of operations and prospects could be harmed.

We may, in the future, make acquisitions to add employees, complementary companies, products, solutions, technologies, or revenue. These transactions could be material to our results of operations and financial condition. We also expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to complete acquisitions on favorable terms, if at all. The process of integrating an acquired company, business, or technology has created, and will continue to create unforeseen operating difficulties and expenditures. The related areas where we face risks include, but are not limited to:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- loss of key employees of the acquired company and other challenges associated with integrating new employees into our culture, as well as reputational harm if integration is not successful;
- difficulties in integrating and managing the combined operations, technologies, technology platforms and products of the acquired companies, and realizing the anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical, or financial problems;
- regulatory complexities of integrating or managing the combined operations or expanding into other industries or parts of the healthcare industry;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights, or increase our risk for liabilities;
- failure to successfully further develop the acquired technology or realize our intended business strategy;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- unanticipated costs associated with pursuing acquisitions;
- failure to find commercial success with the products or services of the acquired company;
- difficulty of transitioning the acquired technology onto our existing platforms and maintaining the security standards for such technology consistent with our other solutions;
- failure to successfully onboard customers or maintain brand quality of acquired companies;
- responsibility for the liabilities of acquired businesses, including those that were not disclosed to us or exceed our estimates, as well as, without limitation, liabilities arising out of their failure to maintain effective data protection and privacy controls and comply with applicable regulations;
- failure to generate the expected financial results related to an acquisition on a timely manner or at all; and
- potential accounting charges to the extent intangibles recorded in connection with an acquisition, such as goodwill, trademarks, client relationships, or intellectual property, are later determined to be impaired and written down in value.

Future acquisitions could also result in expenditures of significant cash, dilutive issuances of our equity securities, the incurrence of debt, restrictions on our business, contingent liabilities, amortization expenses, or write-offs of goodwill, any of which could harm our financial condition. In addition, any acquisitions we announce could be viewed negatively by customers, providers, partners, suppliers, or investors.

Additionally, competition within our industry for acquisitions of business, technologies and assets may become intense. Even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or the target may be acquired by another company. We may enter into negotiations for acquisitions that are not ultimately consummated. Those negotiations could result in diversion of management time and significant out-of-pocket costs. If we fail to evaluate and execute acquisitions successfully, we may not be able to realize the benefits of these acquisitions, and our results of operations could be harmed. If we are unable to successfully address any of these risks, our business, financial condition, or results of operations could be harmed.

Expansion into international markets is important for our long-term growth, and as we expand internationally, we will face additional business, political, legal, regulatory, operational, financial, and economic risks, any of which could increase our costs and hinder such growth.

Expanding our business to attract customers, providers, and suppliers in countries other than the United States is an element of our long-term business strategy. An important part of targeting international markets is increasing our brand awareness and establishing relationships with partners internationally. Doing business internationally involves a number of risks, including:

- uncertain legal and regulatory requirements applicable to telehealth and prescription medication;
- our inability to replicate our domestic business structure consistently outside of the United States, especially as it relates to our contractual arrangement with affiliated professional entities;
- multiple, conflicting and changing laws and regulations such as tax laws, privacy and data protection laws and regulations, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;
- obtaining regulatory approvals or clearances where required for the sale of our offerings, products, devices, and services in various countries;
- requirements to maintain data and the processing of that data on servers located within the United States or in such countries;
- protecting and enforcing our intellectual property rights;
- logistics and regulations associated with prescribing medicine online and engaging with partner pharmacies to ship the prescribed medication;
- natural disasters, political and economic instability, including wars, terrorism, social or political unrest, including civil unrest, protests, and other public demonstrations, outbreaks of disease, pandemics or epidemics, boycotts, curtailment of trade, and other market restrictions; and
- regulatory and compliance risks that relate to maintaining accurate information and control over activities subject to regulation under the U.S. Foreign Corrupt Practices Act (the “FCPA”), and comparable laws and regulations in other countries.

Our ability to continue to expand our business and to attract talented employees, customers, providers, partners, and suppliers in various international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute resolution systems, regulatory systems, and commercial infrastructures. Entering new international markets will be expensive, our ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of our senior management team could harm our business, financial condition, and results of operations.

Economic uncertainty or downturns, particularly as it impacts particular industries, could adversely affect our business and results of operations.

In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain. This was especially the case in 2020 as a result of the COVID-19 pandemic. Economic uncertainty and associated macroeconomic conditions make it extremely difficult for our partners, suppliers, and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our offerings, and could limit the ability of our pharmacy partners to purchase sufficient quantities of pharmaceutical products from suppliers, which could adversely affect our ability to fulfill customer orders and attract new providers.

A significant downturn in the domestic or global economy may cause our customers to pause, delay, or cancel spending on our platform or seek to lower their costs by exploring alternative providers or our competitors. To the extent purchases of our offerings are perceived by customers and potential customers as discretionary, our revenue may be disproportionately affected by delays or reductions in general healthcare spending. Also, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers.

We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or any industry in particular. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be materially adversely affected.

The COVID-19 pandemic has increased interest in and customer use of telehealth solutions, including our platform, and we cannot guarantee that this increased interest will continue after the pandemic.

In December 2019, COVID-19 surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and then characterized it as a pandemic on March 11, 2020. The outbreak has spread globally, causing companies and various local, state, federal, and international jurisdictions to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions. The duration of the business disruptions, travel restrictions and related financial impact cannot be reasonably estimated at this time. As the COVID-19 pandemic is ongoing, the complete impact of the pandemic is still unknown and rapidly evolving.

Due to COVID-19, telehealth has seen a steep increase in use across the industry, in part due to governmental waivers of statutory and regulatory restrictions that have historically limited how telehealth may be used in delivering care in certain jurisdictions. We do not know if this relaxation of regulatory barriers resulting from COVID-19 will remain or for how long. There is renewed focus on telehealth among legislatures and regulators due to COVID-19 and the expanded use of telehealth that could result in regulatory changes inconsistent with or that place additional restrictions on our current business model or operations in certain jurisdictions. If customer adoption of telehealth generally or our platform in particular materially decreases as the COVID-19 restrictions are lifted, or if COVID-19 results in regulatory changes that limit our current activities, our industry, business, and results of operations could be adversely affected.

Our business depends on continued and unimpeded access to the internet and mobile networks.

Our ability to deliver our internet-based and mobile-application based services depends on the development and maintenance of the infrastructure of the internet by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, bandwidth capacity, and security. Our services are designed to operate without interruption. However, we may experience future interruptions and delays in services and availability from time to time. In the event of a catastrophic event with respect to one or more of our systems or those of our service providers, we may experience an extended period of system unavailability, which could negatively impact our relationship with customers, providers, partners, and suppliers. To operate without interruption, both we and our service providers must guard against:

- damage from fire, power loss, natural disasters, and other force majeure events outside our control;
- communications failures;
- software and hardware errors, failures, and crashes;
- security breaches, computer viruses, hacking, denial-of-service attacks, and similar disruptive problems; and
- other potential interruptions.

We also rely on software licensed from third parties in order to offer our services. These licenses are generally commercially available on varying terms. However, it is possible that this software may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of this software could result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Furthermore, our use of additional or alternative third-party software would require us to enter into license agreements with third parties, and integration of our software with new third-party software may require significant work and require substantial investment of our time and resources. Also, any undetected errors or defects in third-party software could prevent the deployment or impair the functionality of our software, delay new updates or enhancements to our solution, result in a failure of our solution, and injure our reputation. The occurrence of any of the foregoing events could have an adverse impact on our business, financial condition, and results of operations.

Any disruption of service at Amazon Web Services, partner pharmacies or other third-party service providers could interrupt access to our platform or delay our customers' ability to seek treatment.

We currently host our platform, serve our customers and support our operations in the United States using Amazon Web Services ("AWS"), a provider of cloud infrastructure services, and through partner pharmacies and other third-party service providers, including shipping providers and contract manufacturers. We do not have control over the operations of the facilities of partner pharmacies, AWS, or other third-party service providers. Such facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures, and similar events. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions in our ability to generate revenue through customer purchases on the platform. The facilities also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. Our platform's continuing and uninterrupted performance is critical to our success. Because our platform is used by our customers to engage with providers who can diagnose, manage, and treat medical conditions, and pharmacies who can fulfill and ship prescription medication, it is critical that our platform be accessible without interruption or degradation of performance. Customers may become dissatisfied by any system failure that interrupts our ability to provide our platform or access to the products and services offered through our platform to them. Outages and partner pharmacy closures could lead to claims of damages from our customers, providers, partners, suppliers, and others. We may not be able to easily switch our AWS operations to another cloud provider if there are disruptions or interference with our use of AWS. Sustained or repeated system failures could reduce the attractiveness of our offerings to customers and result in contract terminations, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact use of our platform. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our platform. Thus, any such disruptions could have an adverse effect on our business and results of operations.

None of our call centers, partner pharmacies, shipping providers, contract manufacturers, nor AWS have an obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with these third-party service providers on commercially reasonable terms, if our agreements with these providers are prematurely terminated, or if in the future we add additional data, call center, or pharmacy providers, we may experience costs or downtime in connection with the transfer to, or the addition of, such new providers. If these third-party service providers were to increase the cost of their services, we may have to increase the price of our offerings, and our results of operations may be adversely impacted.

We depend on a number of other companies to perform functions critical to our ability to operate our platform, generate revenue from customers, and to perform many of the related functions.

We depend on the Affiliated Medical Groups and their providers to deliver quality healthcare consultations and services through our platform. Through our platform, providers are able to prescribe medication fulfilled by a partner pharmacy. Any interruption in the availability of a sufficient number of providers or supply from our partner pharmacies could materially and adversely affect our ability to satisfy our customers and ensure they receive consultation services and any medication that they have been prescribed. If we were to lose our relationship with one of the Affiliated Medical Groups, we cannot guarantee that we will be able to ensure access to a sufficient network of providers. Similarly, if we were to lose our relationship with one of our partner pharmacies in the near term before our own affiliated pharmacy is operational at scale and able to service all geographies, we cannot guarantee that we will be able to find, perform due diligence on, and engage with a replacement partner in a timely manner. Our ability to service customer requirements could be materially impaired or interrupted in the event that our relationship with an Affiliated Medical Group or partner pharmacy is terminated. We also depend on cloud infrastructure providers, payment processors, suppliers of non-prescription products and packaging, and various others that allow our platform to function effectively and serve the needs of our customers. Difficulties with our significant partners and suppliers, regardless of the reason, could have a material adverse effect on our business.

Our pharmacy business will subject us to regulations in addition to those we face with our core telehealth business.

We are currently in the process of opening an affiliated pharmacy dedicated to our operations, which will subject us to extensive federal, state, and local regulation. Pharmacies, pharmacists, and pharmacy technicians are subject to a variety of federal and state statutes and regulations governing various aspects of the pharmacy business, including the distribution of drugs; operation of mail order pharmacies; licensure of facilities and professionals, including pharmacists, technicians, and other healthcare professionals; packaging, storing, distributing, shipping, and tracking of pharmaceuticals; repackaging of drug products; labeling, medication guides, and other consumer disclosures; interactions with prescribing professionals; compounding of prescription medications; counseling of patients; prescription transfers; advertisement of prescription products and pharmacy services; security; controlled substance inventory control and recordkeeping; and reporting to the U.S. Drug Enforcement Agency, the FDA, state boards of pharmacy, the U.S. Consumer Product Safety Commission, and other state enforcement or regulatory agencies. Many states have laws and regulations requiring out-of-state mail-order pharmacies to register with that state's board of pharmacy. In addition, the FDA inspects facilities in connection with procedures to effect recalls of prescription drugs. The Federal Trade Commission also has requirements for mail-order sellers of goods. The U.S. Postal Service (the "USPS") has statutory authority to restrict the transmission of drugs and medicines through the mail to a degree that may have an adverse effect on our mail-order operations. The USPS historically has exercised this statutory authority only with respect to controlled substances. If the USPS restricts our ability to deliver drugs through the mail, alternative means of delivery are available to us. However, alternative means of delivery could be significantly more expensive. The U.S. Department of Transportation has regulatory authority to impose restrictions on drugs inserted into the stream of commerce. These regulations generally do not apply to the USPS and its operations. Failure to successfully open our affiliated pharmacy or any failure or perceived failure by us or our affiliated pharmacy to comply with any applicable federal, state, and local laws and regulations could have a material adverse effect on our business, financial condition, and results of operations and may expose us to civil and criminal penalties.

Our payments system depends on third party service providers and is subject to evolving laws and regulations.

We have engaged third-party service providers to perform underlying card processing and currency exchange. If these service providers do not perform adequately or if our relationships with these service providers were to terminate, our ability to accept orders through the platform could be adversely affected and our business could be harmed. In addition, if these service providers increase the fees they charge us, our operating expenses could increase and if we respond by increasing the fees we charge to our customers, we could lose some of our customers.

The laws and regulations related to payments are complex and vary across different jurisdictions in the United States and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, could result in liabilities, or could force us to stop offering third-party payment systems. As we expand the availability of payments via third parties or offer new payment methods to our customers in the future, we may become subject to additional regulations and compliance requirements.

Further, through our agreement with our third-party credit card processor, we are indirectly subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard. We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. Any such difficulties or failures with respect to the payment systems we utilize may have an adverse effect on our business.

Our pricing decisions may adversely affect our ability to attract new customers, healthcare providers, and other partners.

We have limited experience determining the optimal prices for our offerings. As competitors introduce new solutions that compete with our offerings, especially in the telehealth market where we face significant competition, we may be unable to attract new customers, providers, or other partners at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our services and products and negatively impact our overall revenue. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenue, gross profit, profitability, financial position, and cash flows.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be severely disrupted if we lose their services.

Our success depends largely upon the continued services of our key executive officers. These executive officers are at-will employees and therefore they may terminate employment with us at any time with no advance notice. We rely on our leadership team in the areas of marketing, legal and regulatory compliance, telehealth, operations, finance, public policy and government relations, and other general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

We depend on our talent to grow and operate our business, and if we are unable to hire, integrate, develop, motivate, and retain our personnel, we may not be able to grow effectively.

Our success depends in large part on our ability to attract and retain high-quality management in marketing, engineering, operations, healthcare, regulatory, legal, finance, and support functions. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or an inability to attract, retain, and motivate additional highly skilled employees required for the planned expansion of our business could harm our results of operations and impair our ability to grow. To attract and retain key personnel, we use various measures, including an equity incentive program for key executive officers and other employees. These measures may not be enough to attract and retain the personnel we require to operate our business effectively.

As we continue to grow, we may be unable to continue to attract or retain the personnel we need to maintain our competitive position. In addition to hiring new employees, we must continue to focus on retaining our best talent. Competition for these resources, particularly for engineers, is intense. We may need to invest significant amounts of cash and equity for new and existing employees and we may never realize returns on these investments. If we are not able to effectively increase and retain our talent, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed. The loss of one or more of our key employees, and any failure to have in place and execute an effective succession plan for key employees, could seriously harm our business. Employees may be more likely to leave us if the shares of our capital stock they own or the shares of our capital stock underlying their equity incentive awards have significantly reduced in value, or the vested shares of our capital stock they own or vested shares of our capital stock underlying their equity incentive awards have significantly appreciated. Many of our employees may receive significant proceeds from sales of our equity in the public markets after the closing of the Business Combination, which may reduce their motivation to continue to work for us.

We also have a remote-first policy that permits most of our employees to work remotely should their particular positions allow. While we believe that most of our operations can be performed remotely, there is no guarantee that we will be as effective while working remotely because our team is dispersed and many employees may have additional personal needs to attend to or distractions in their remote work environment. To the extent our current or future remote work policies result in decreased productivity, harm our company culture, or otherwise negatively affect our business, our financial condition and results of operations could be adversely affected.

A significant portion of our non-prescription inventory is stored in our Ohio facility and any damage or disruption at this facility may harm our business.

A significant portion of our non-prescription inventory is located at a facility in Ohio. A natural disaster, fire, power interruption, work stoppage, or other calamity at this facility would significantly disrupt our ability to deliver our products and operate our business. If any material amount of our facility, machinery, or inventory were damaged or unusable, we would be unable to meet our obligations to customers and wholesale partners, which could materially adversely affect our business, financial condition, and results of operations.

Risks Related to Governmental Regulation

Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies.

The healthcare industry is subject to changing political, economic and regulatory influences that may affect companies like ours. During the past several years, the healthcare industry has been subject to an increase in governmental regulation and subject to potential disruption due to legislative initiatives and government regulation, as well as judicial interpretations thereof. While these regulations may not directly impact us or our offerings in every instance, they will affect the healthcare industry as a whole and may impact customer use of our services. We currently accept payments only from our customers—not any third-party payors, such as government healthcare programs or health insurers. Because of this approach, we are not subject to many of the laws and regulations that impact many other participants in healthcare industry. If the government asserts broader regulatory control over companies like us or if we determine that we will facilitate payment from and/or participate in third-party payor programs, the complexity of our operations and our compliance obligations will materially increase.

If we fail to comply with applicable healthcare and other governmental regulations, we could face substantial penalties, our business, financial condition, and results of operations could be adversely affected, and we may be required to restructure our operations.

The healthcare industry in general is subject to numerous federal, state, and local laws and regulations that carry substantial criminal and civil fines and penalties. Under our current business model, we currently accept payments only from our customers, and not from any third-party payors, such as government healthcare programs or health insurers. Because of this approach, we are not subject to many of the laws and regulations that impact many other participants in healthcare industry. If the government asserts broader regulatory control over companies like ours or if we determine that we will change our business model and accept payment from and/or participate in third-party payor programs, the complexity of our operations and our compliance obligations will materially increase. Failure to comply with any applicable federal, state and local laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

Even within the narrowed band of applicable healthcare laws and regulations, because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our activities could be subject to challenge under one or more of such laws. Any action brought against us for violations of these laws or regulations, even if successfully defended, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Although we have adopted policies and procedures designed to comply with these laws and regulations and conduct internal reviews of our compliance with these laws, our compliance is also subject to governmental review. The growth of our business and sales organization and our future expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. The risk of our being found in violation of these or other laws and regulations is further increased by the fact that many have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the federal, state, and foreign laws described above or any other current or future fraud and abuse or other healthcare laws and regulations that apply to us, we may be subject to penalties, including significant criminal, civil and administrative penalties, damages and fines, disgorgement, additional reporting requirements and oversight, imprisonment for individuals, and exclusion from participation in government healthcare programs, such as Medicare and Medicaid, as well as contractual damages and reputational harm. We could also be required to curtail or cease our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Our ability to offer access to telehealth services internationally is subject to the applicable laws governing remote care and the practice of medicine in the applicable jurisdiction. Each country's interpretation and enforcement of these laws is evolving and could vary significantly. We cannot provide assurance that we have accurately interpreted each such law and regulation. Moreover, these laws and regulations may change significantly as this manner of providing services and products evolves. New or revised laws and regulations (or interpretations thereof) could have a material adverse effect on our business, financial condition, and results of operations.

If our business practices are found to violate federal or state anti-kickback, physician self-referral, or false claims laws, we may incur significant penalties and reputations damage that could adversely affect our business.

The healthcare industry is subject to extensive federal and state regulation with respect to kickbacks, physician self-referral arrangements, false claims, and other fraud and abuse issues. For example, the federal anti-kickback law (the "Anti-Kickback Law") prohibits, among other things, knowingly and willfully offering, paying, soliciting, receiving, or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing, arranging for, or recommending of an item or service that is reimbursable, in whole or in part, by a federal healthcare program. "Remuneration" is broadly defined under the Anti-Kickback Law to include anything of value, such as, for example, cash payments, gifts or gift certificates, discounts, or the furnishing of services, supplies, or equipment. The Anti-Kickback Law is broad, and it prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry.

The penalties for violating the Anti-Kickback Law can be severe. These sanctions include criminal and civil penalties, imprisonment, and possible exclusion from the federal healthcare programs. Many states have adopted laws similar to the Anti-Kickback Law, and some apply to items and services reimbursable by any payor, including private insurers.

In addition, the federal ban on physician self-referrals, commonly known as the "Stark Law," prohibits, subject to certain exceptions, physician referrals of Medicare patients to an entity providing certain "designated health services" if the physician or an immediate family member of the physician has any financial relationship with the entity. A "financial relationship" is created by an investment interest or a compensation arrangement. Penalties for violating the Stark Law include the return of funds received for all prohibited referrals, fines, civil monetary penalties, and possible exclusion from the federal healthcare programs. In addition to the Stark Law, many states have their own self-referral bans, which may extend to all self-referrals, regardless of the payor.

Given our current operations and the current state of this federal law, the Anti-Kickback Law and False Claim Act should not apply to our business. If the scope of the Anti-Kickback Law, the Stark Law, or the False Claims Act changes or a state analog of the Anti-Kickback Law, the Stark Law, or the False Claims Act includes a broader spectrum of activities than the federal statutes, or if we change our business model to accept payments from third-party payors such as a government program, our failure to comply with such laws, or an allegation that we have not complied, could have a material adverse effect on our business, financial condition and results of operations.

State-based laws governing kickbacks and physician self-referrals can apply in some cases regardless of whether it is a third-party payor or the customer paying. The interpretation, application, and enforcement of these laws by governmental authorities is a developing area, and there is little precedent to determine how these laws would be applied to companies like ours. Moreover, the safe harbors and exceptions to these laws are often not as well developed as they are at the federal level. Our business practices and marketing activities include certain components that are common among e-commerce and other technology companies, such as the use of social media influencers. While we have structured our business practices and marketing activities in ways that we believe comply with state laws governing kickbacks and physician self-referrals and the policies behind those laws, given the lack of healthcare regulatory precedent specific to these practices, a governmental authority could disagree with our position. If a governmental authority alleged or determined we are not in compliance with these laws, or if new laws or changes to these laws created additional limits on our business practices or marketing activities, we could face fines or other penalties or damages and we may need to modify or terminate certain arrangements, any of which could have a material adverse effect on our business, financial condition, and results of operations.

State legislative and regulatory changes specific to the area of telehealth law may present the Affiliated Medical Groups on our platform with additional requirements and state compliance costs, which may create additional operational complexity and increase costs.

The Affiliated Medical Groups and their providers' ability to provide telehealth services to patients in a particular jurisdiction is dependent upon the laws that govern the provision of remote care, professional practice standards, and healthcare delivery in general in that jurisdiction. Laws and regulations governing the provision of telehealth services are evolving at a rapid pace and are subject to changing political, regulatory, and other influences. Some states' regulatory agencies or medical boards may have established rules or interpreted existing rules in a manner that limits or restricts providers' ability to provide telehealth services or for physicians to supervise nurse practitioners and physician assistants remotely. Additionally, there may be limitations placed on the modality through which telehealth services are delivered. For example, some states specifically require synchronous (or "live") communications and restrict or exclude the use of asynchronous telehealth modalities, which is also known as "store-and-forward" telehealth. However, other states do not distinguish between synchronous and asynchronous telehealth services. Because this is a developing area of law and regulation, we continually monitor our compliance in every jurisdiction in which we operate. However, we cannot be assured that our or the Affiliated Medical Groups' or providers' activities and arrangements, if challenged, will be found to be in compliance with the law or that a new or existing law will not be implemented, enforced, or changed in manner that is unfavorable to our business model. We cannot predict the regulatory landscape for those jurisdictions in which we operate and any significant changes in law, policies, or standards, or the interpretation or enforcement thereof, could occur with little or no notice. The majority of the consultations provided through our platform are asynchronous consultations for customers located in jurisdictions that permit the use of asynchronous telehealth. If there is a change in laws or regulations related to our business, or the interpretation or enforcement thereof, that adversely affects our structure or operations, including greater restrictions on the use of asynchronous telehealth or remote supervision of nurse practitioners or physician assistants, it could have a material adverse effect on our business, financial condition, and results of operations.

Evolving government regulations and enforcement activities may require increased costs or adversely affect our results of operations.

In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. This risk is especially acute in the healthcare industry given the level of government spending, oversight, and control over the industry as a whole. Compliance with these evolving laws, regulations, and interpretations may require us to change our practices at an undeterminable and possibly significant initial monetary and annual expense. These additional monetary expenditures may increase future overhead, which could have a material adverse effect on our results of operations.

There could be laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

In the states in which we operate, we believe we are in material compliance with all applicable material regulations, but, due to the uncertain regulatory environment, certain states may determine that we are in violation of their laws and regulations. If we must remedy such violations, we may be required to modify our business and services in such states in a manner that undermines our platform's attractiveness to customers, we may become subject to fines or other penalties or, if we determine that the requirements to operate in compliance in such states are overly burdensome, we may elect to terminate our operations in such states. In each case, our revenue may decline and our business, financial condition, and results of operations could be adversely affected.

Additionally, the introduction of new products, services or solutions to our platform may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate federal, state, or local licenses or certificates, increasing our security measures and expending additional resources to monitor developments in applicable rules and ensure compliance. The failure to adequately comply with these future laws and regulations may delay or possibly prevent our products or services from being offered to customers, which could have a material adverse effect on our business, financial condition, and results of operations.

Changes in public policy that mandate or enhance healthcare coverage could have a material adverse effect on our business, operations, and/or results of operations.

Our mission is to make healthcare accessible, affordable, and convenient for everyone. It is reasonably possible that our business operations and results of operations could be materially adversely affected by public policy changes at the federal, state, or local level, which include mandatory or enhanced healthcare coverage. Such changes may present us with new marketing and other challenges, which may, for example, cause use of our products and services to decrease or make doing business in particular states less attractive. If we fail to adequately respond to such changes, including by implementing effective operational and strategic initiatives, or do not do so as effectively as our competitors, our business, operations, and results of operations may be materially adversely affected.

We cannot predict the enactment or content of new legislation and regulations or changes to existing laws or regulations or their enforcement, interpretation or application, or the effect they will have on our business or results of operations, which could be materially adverse. Even if we could predict such matters, we may not be able to reduce or eliminate the potential adverse impact of public policy changes that could fundamentally change the dynamics of our industry.

Changes in insurance and healthcare laws, as well as the potential for further healthcare reform legislation and regulation, have created uncertainty in the healthcare industry and could materially affect our business, financial condition, and result of operations.

The Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, generally known as the "Health Care Reform Law," significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payers. Since then, the Health Care Reform Law has prompted legislative efforts to significantly modify or repeal the Health Care Reform Law, which may impact how the federal government responds to lawsuits challenging the Health Care Reform Law. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on our business. While we currently only accept payments from customers—not any third parties or insurance providers—and our business model may not be directly impacted by healthcare reform, healthcare reform will impact the healthcare industry in which we operate. If we are required to comply with the Health Care Reform Law and fail to comply or are unable to effectively manage such risks and uncertainties, our financial condition and results of operations could be adversely affected.

The products we sell and our third-party suppliers are subject to FDA regulations and other state and local requirements and if we or our third-party suppliers fail to comply with federal, state, and local requirements, our ability to fulfill customers' orders through our platform could be impaired.

The products available through our platform, and the third-party suppliers and manufacturers of these products, are subject to extensive regulation by the FDA and state and local authorities, including pharmaceuticals, over-the-counter drugs, over-the-counter devices, cosmetics, and dietary supplements. These authorities can enforce regulations related to methods and documentation of the testing, production, compounding, control, quality assurance, labeling, packaging, sterilization, storage, and shipping of products. Government regulations specific to pharmaceuticals are wide ranging and govern, among other things: the ability to bring a pharmaceutical to market, the conditions under which it can be sold, the conditions under which it must be manufactured, and permissible claims that may be made for such product. Failure to meet—or significant changes to—any federal, state, or local requirements attendant to the sales and marketing of a regulated product could result in enforcement actions, impede our ability to provide access to affected products, and have a material adverse effect on our business, financial condition, and results of operations.

We may be subject to fines, penalties, and injunctions if we are determined to be promoting the use of products for unapproved uses.

Certain of the products available through our platform require approval by the FDA and are subject to the limitations placed by FDA on the approved uses in the product prescribing information. Some of these products are prescribed by providers on the platform for "off-label" uses (i.e., for a use other than that specifically authorized by the FDA for the medication in question). While providers are legally permitted to prescribe medications for off-label uses, and although we believe our product promotion is conducted in material compliance with FDA and other regulations, if the FDA determines that our product promotion constitutes promotion of an unapproved use of an approved product or of an unapproved product, the FDA could request that we modify our product promotion or subject us to regulatory and/or legal enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine, and criminal penalties. It is also possible that other federal, state, or foreign enforcement authorities might take action if they consider the product promotion to constitute promotion of an unapproved use of an approved product or of an unapproved product, which could result in significant fines or penalties under other statutes, such as laws prohibiting false claims for reimbursement.

The information that we provide to healthcare providers, customers, and our partners could be inaccurate or incomplete, which could harm our business, financial condition, and results of operations.

We collect and transmit healthcare-related information to and from our customers, providers and partner pharmacies in connection with the telehealth consultations conducted by the providers and prescription medication fulfillment by our partner pharmacies. If the data that we provide to our customers, providers, or partner pharmacies are incorrect or incomplete or if we make mistakes in the capture or input of these data, our reputation may suffer and we could be subject to claims of liability for resulting damages. While we maintain insurance coverage, this coverage may prove to be inadequate or could cease to be available to us on acceptable terms, if at all. Even unsuccessful claims could result in substantial costs and the diversion of management resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition, and results of operations.

Our use, disclosure, and other processing of personally identifiable information, including health information, is subject to federal, state, and foreign privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm and, in turn, a material adverse effect on our customers, providers, and revenue.

Numerous state and federal laws and regulations govern the collection, dissemination, use, privacy, confidentiality, security, availability, integrity, and other processing of health information and other types of personal data or personally identifiable information ("PII"). We believe that, because of our operating processes, we are not a covered entity or a business associate under HIPAA, which establishes a set of national privacy and security standards for the protection of protected health information by health plans, healthcare clearinghouses, and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. Notwithstanding that we do not believe that we meet the definition of a covered entity or business associate under HIPAA, we have executed business associate agreements with certain other parties and have assumed obligations that are based upon HIPAA-related requirements.

We have developed and maintained policies and procedures with respect to health information and personal information that we use or disclose in connection with our operations, including the adoption of administrative, physical, and technical safeguards to protect such information.

In addition to HIPAA, numerous other federal, state, and foreign laws and regulations protect the confidentiality, privacy, availability, integrity, and security of health information and other types of PII, including the California Confidentiality of Medical Information Act. These laws and regulations in many cases are more restrictive than, and may not be preempted by, HIPAA and its implementing rules. These laws and regulations are often uncertain, contradictory, and subject to changed or differing interpretations, and we expect new laws, rules and regulations regarding privacy, data protection, and information security to be proposed and enacted in the future. This complex, dynamic legal landscape regarding privacy, data protection, and information security creates significant compliance issues for us, the Affiliated Medical Groups, and the providers, and potentially exposes us to additional expense, adverse publicity, and liability. While we have implemented data privacy and security measures in an effort to comply with applicable laws and regulations relating to privacy and data protection, some health information and other PII or confidential information is transmitted to us by third parties, who may not implement adequate security and privacy measures, and it is possible that laws, rules, and regulations relating to privacy, data protection, or information security may be interpreted and applied in a manner that is inconsistent with our practices or those of third parties who transmit health information and other PII or confidential information to us. If we or these third parties are found to have violated such laws, rules, or regulations, it could result in government-imposed fines, orders requiring that we or these third parties change our or their practices, or criminal charges, which could adversely affect our business. Complying with these various laws and regulations could cause us to incur substantial costs or require us to change our business practices, systems, and compliance procedures in a manner adverse to our business.

We also publish statements to our customers through our privacy policy that describe how we handle health information or other PII. If federal or state regulatory authorities or private litigants consider any portion of these statements to be untrue, we may be subject to claims of deceptive practices, which could lead to significant liabilities and consequences, including, without limitation, costs of responding to investigations, defending against litigation, settling claims, and complying with regulatory or court orders. Any of the foregoing consequences could seriously harm our business and our financial results. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to us may limit customers' use and adoption of, and reduce the overall demand for, our platform. Any of the foregoing consequences could have a material adverse impact on our business and our financial results.

Public scrutiny of internet privacy and security issues may result in increased regulation and different industry standards, which could deter or prevent us from providing services to our customers, thereby harming our business.

The regulatory framework for privacy and security issues worldwide is evolving and is likely to remain in flux for the foreseeable future. Various government and consumer agencies have also called for new regulation and changes in industry practices. Practices regarding the registration, collection, processing, storage, sharing, disclosure, use, and security of personal and other information by companies offering an online service like our platform have recently come under increased public scrutiny.

For example, the California Consumer Privacy Act ("CCPA"), which went into effect on January 1, 2020, requires, among other things, covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information. Similar legislation has been proposed or adopted in other states. Aspects of the CCPA and these other state laws and regulations, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them. Additionally, a new privacy law, the California Privacy Rights Act ("CPRA"), recently was certified by the California Secretary of State to appear on the ballot for the November 3, 2020 election. If this initiative is approved by California voters, the CPRA would significantly modify the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses.

Our business, including our ability to operate and to expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our websites, mobile applications, solutions, features, or our privacy policies. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to responsibly gather and use data from data subjects. Therefore, our business could be harmed by any significant change to applicable laws, regulations, or industry standards or practices regarding the storage, use, or disclosure of data our customers or providers share with us, or regarding the manner in which the express or implied consent of customers or providers for such collection, analysis, and disclosure is obtained. Such changes may require us to modify our platform, possibly in a material manner, and may limit our ability to develop new offerings, functionality, or features.

Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or customers, or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect, store, use and disclose sensitive data, including health information and other types of PII. We also process and store, and use additional third parties to process and store, confidential and proprietary information such as intellectual property and other proprietary business information, including that of our customers, providers, and partners. Our customer information is encrypted but not always de-identified. We manage and maintain our platform and data utilizing a combination of managed data center systems and cloud-based computing center systems.

We are highly dependent on information technology networks and systems, including the internet, to securely process, transmit, and store this critical information. Security breaches of this infrastructure, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, and employee or contractor error, negligence or malfeasance, can create system disruptions, shutdowns, or unauthorized disclosure or modifications of information, causing sensitive, confidential or proprietary information to be accessed or acquired without authorization, or to become publicly available. We utilize third-party service providers for important aspects of the collection, storage, transmission, and verification of customer information and other confidential, and sensitive information, and therefore rely on third parties to manage functions that have material cybersecurity risks. Because of the nature of the sensitive, confidential, and proprietary information that we and our service providers collect, store, transmit, and otherwise process, the security of our technology platform and other aspects of our services, including those provided or facilitated by our third-party service providers, are important to our operations and business strategy. We take certain administrative, physical, and technological safeguards to address these risks, such as requiring outsourcing subcontractors who handle customer, user, and patient information for us to enter into agreements that contractually obligate those subcontractors to use reasonable efforts to safeguard sensitive, confidential, and proprietary information. Measures taken to protect our systems, those of our third-party service providers, or sensitive, confidential, and proprietary information that we or our third-party service providers process or maintain, may not adequately protect us from the risks associated with the collection, storage, and transmission of such information. Although we take steps to help protect sensitive, confidential, and proprietary information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses, failures or breaches due to third-party action, employee negligence or error, malfeasance, or other disruptions.

A security breach or privacy violation that leads to disclosure or unauthorized use or modification of, or that prevents access to or otherwise impacts the confidentiality, security, or integrity of, sensitive, confidential, or proprietary information we or our third-party service providers maintain or otherwise process, could harm our reputation, compel us to comply with breach notification laws, and cause us to incur significant costs for remediation, fines, penalties, notification to individuals and governmental authorities, implementation of measures intended to repair or replace systems or technology, and to prevent future occurrences, potential increases in insurance premiums, and forensic security audits or investigations. As a result, a security breach or privacy violation could result in increased costs or loss of revenue. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, or if it is perceived that we have been unable to do so, our operations could be disrupted, we may be unable to provide access to our platform, and could suffer a loss of customers or providers or a decrease in the use of our platform, and we may suffer loss of reputation, adverse impacts on customer, provider, and partner confidence, financial loss, governmental investigations or other actions, regulatory or contractual penalties, and other claims and liability. In addition, security breaches and other inappropriate access to, or acquisition or processing of, information can be difficult to detect, and any delay in identifying such incidents or in providing any notification of such incidents may lead to increased harm.

Any such breach or interruption of our systems or any of our third-party information technology partners, could compromise our networks or data security processes and sensitive, confidential, or proprietary information could be inaccessible or could be accessed by unauthorized parties, publicly disclosed, lost, or stolen. Any such interruption in access, improper access, disclosure or other loss of such information could result in legal claims or proceedings, liability under laws and regulations that protect the privacy of customer information or other personal information, such as the California Consumer Privacy Act or the General Data Protection Regulation, and regulatory penalties. Unauthorized access, loss or dissemination could also disrupt our operations, including our ability to perform operate our platform and perform our services, provide customer assistance services, conduct research and development activities, collect, process, and prepare company financial information, provide information about our current and future offerings, and engage in other user and clinician education and outreach efforts. Any such breach could also result in the compromise of our trade secrets and other proprietary information, which could adversely affect our business and competitive position. While we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a security incident.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the FCPA and other anti-corruption, anti-bribery, and anti-money laundering laws in the jurisdictions in which we do business, both domestic and abroad. These laws generally prohibit us and our employees from improperly influencing government officials or commercial parties in order to obtain or retain business, direct business to any person, or gain any improper advantage. The FCPA and similar applicable anti-bribery and anti-corruption laws also prohibit our third-party business partners, representatives, and agents from engaging in corruption and bribery. We and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure that our employees and agents will not take actions in violation of our policies or applicable law, for which we may be ultimately held responsible. Our exposure for violating these laws will increase as we expand internationally and as we commence sales and operations in foreign jurisdictions. Any violation of the FCPA or other applicable anti-bribery, anti-corruption, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, substantial diversion of management's attention, drop in stock price, or overall adverse consequences to our business, all of which may have an adverse effect on our reputation, business, financial condition, and results of operations.

Risks Related to Intellectual Property and Legal Proceedings

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

Our intellectual property includes the content of our website, our application, our software code, our electronic medical record system, our unregistered copyrights, and our trademarks. We believe that our intellectual property is an essential asset of our business. If we do not adequately protect our intellectual property, our brand and reputation could be harmed and competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could materially harm our business, negatively affect our position in the marketplace, limit our ability to commercialize our technology, and delay or render impossible our achievement of profitability. A failure to protect our intellectual property in a cost-effective and meaningful manner could have a material adverse effect on our ability to compete. We regard the protection of our trade secrets, copyrights, trademarks, trade dress, databases, and domain names as critical to our success. We strive to protect our intellectual property rights by relying on federal, state, and common law rights and other rights provided under foreign laws. These laws are subject to change at any time and could further restrict our ability to protect or enforce our intellectual property rights. In addition, the existing laws of certain foreign countries in which we operate may not protect our intellectual property rights to the same extent as do the laws of the United States. We also have a practice of entering into confidentiality and invention assignment agreements with our employees and contractors, and often enter into confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. In addition, from time to time we make our technology and other intellectual property available to others under license agreements, including open-source license agreements and trademark licenses under agreements with our partners for the purpose of co-branding or co-marketing our products or services. However, these contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation of our proprietary information, infringement of our intellectual property rights, disclosure of trade secrets, and other proprietary information, or deter independent development of similar or competing technologies or duplication of our technologies, and may not provide an adequate remedy in the event of such misappropriation or infringement.

Obtaining and maintaining effective intellectual property rights is expensive, as is the costs of defending our rights. We make business decisions about when to file applications or registrations to protect our intellectual property and rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. We are seeking or may seek to protect certain of our intellectual property rights through filing applications for copyrights, trademarks, and domain names in a number of jurisdictions, a process that is expensive and may not be successful in all jurisdictions. Even where we have intellectual property rights, they may later be found to be unenforceable or have a limited scope of enforceability. In addition, we may not seek to pursue such protection in every jurisdiction. In particular, we believe it is important to maintain, protect, and enhance our brand.

Accordingly, we pursue the registration of domain names and our trademarks and service marks in the United States and in some jurisdictions outside of the United States. We may, over time, increase our investment in protecting innovations through investments in filings, registrations or similar steps to protect our intellectual property, and these processes are expensive and time-consuming.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. We may not always detect infringement of our intellectual property rights, and defending or enforcing our intellectual property rights, even if successfully detected, prosecuted, enjoined, or remedied, could result in the expenditure of significant financial and managerial resources. Litigation may be necessary to enforce our intellectual property rights, protect our proprietary rights, or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and results of operations. We may also incur significant costs in enforcing our trademarks against those who attempt to imitate our brand and other valuable trademarks and service marks. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, countersuits, and adversarial proceedings such as oppositions, inter partes review, post-grant review, re-examination, or other post-issuance proceedings, that attack the validity and enforceability of our intellectual property rights. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

If we fail to maintain, protect, and enhance our intellectual property rights, our business, financial condition, and results of operations may be harmed.

We may be in the future subject to claims that we violated intellectual property rights of others, which are extremely costly to defend and could require us to pay significant damages and limit our ability to operate.

Companies in our industry, and other intellectual property rights holders seeking to profit from royalties in connection with grants of licenses, own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. Our future success depends in part on not infringing upon the intellectual property rights of others. We have in the past and may in the future receive notices that claim we have misappropriated, infringed, or otherwise misused other parties' intellectual property rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, that later result in issued patents that could cover our technology.

Any intellectual property claim against us or parties indemnified by us, regardless of merit, could be time consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party's rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense, be infeasible, or make us less competitive in the market. Such disputes could also disrupt our business, which would adversely impact our customer satisfaction and ability to attract customers. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. If we cannot license or develop technology, content, branding or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively. Additionally, we may be obligated to indemnify our customers in connection with litigation and to obtain licenses or refund subscription fees, which could further exhaust our resources. In the case of infringement or misappropriation caused by technology that we obtain from third parties, any indemnification or other contractual protections we obtain from such third parties, if any, may be insufficient to cover the liabilities we incur as a result of such infringement or misappropriation. Any of these results could harm our results of operations.

We may be subject to legal proceedings and litigation, including intellectual property disputes, which are costly to defend and could materially harm our business and results of operations.

We may be party to lawsuits and legal proceedings in the normal course of business. These matters are often expensive and disruptive to normal business operations. We may face allegations, lawsuits, and regulatory inquiries, audits, and investigations regarding data privacy, security, labor, and employment, consumer protection, practice of medicine, and intellectual property infringement, including claims related to privacy, patents, publicity, trademarks, copyrights, and other rights. A portion of the technologies we use incorporates open-source software, and we may face claims claiming ownership of open-source software or patents related to that software, rights to our intellectual property, or breach of open-source license terms, including a demand to release material portions of our source code or otherwise seeking to enforce the terms of the applicable open-source license. We may also face allegations or litigation related to our acquisitions, securities issuances, or business practices, including public disclosures about our business. Litigation and regulatory proceedings, and particularly the healthcare regulatory and class action matters we could face, may be protracted and expensive, and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our solution or require us to stop offering certain features, all of which could negatively impact our acquisition of customers and revenue growth. We may also become subject to periodic audits, which could likely increase our regulatory compliance costs and may require us to change our business practices, which could negatively impact our revenue growth. Managing legal proceedings, litigation and audits, even if we achieve favorable outcomes, is time-consuming and diverts management's attention from our business.

The results of regulatory proceedings, litigation, claims, and audits cannot be predicted with certainty, and determining reserves for pending litigation and other legal, regulatory, and audit matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements. These matters, and the time and resources necessary to litigate or resolve them, could harm our reputation, business, financial condition, and results of operations.

We may face litigation and other risks as a result of the material weakness in our internal control over financial reporting and the restatement of our financial statements.

Following the issuance of the Staff Statement, our Board, after considering the recommendations of management and the audit committee, determined that it was appropriate to restate our previously filed financial statements for the Non-Reliance Periods. See "*—Our Warrants are being accounted for as a warrant liability and are being recorded at fair value upon issuance with changes in fair value each period reported in earnings, which may have an adverse effect on the market price of our Class A Common Stock*." As part of this restatement, we identified a material weakness in our internal control over financial reporting.

As a result of such material weakness, such restatement, the change in accounting for the Warrants, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and material weaknesses in our internal control over financial reporting and the preparation of our financial statements. As of the date of this Form 10-K/A, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition.

We face the risk of product liability claims and may not be able to maintain or obtain insurance.

Our business involves third-party medical providers performing medical consultations and, if warranted, prescribing medication to our customers. This activity, as well as the sale of other products on our platform, exposes us to the risk of product liability claims. We may be subject to product liability claims if products obtained or prescribed through our platform cause, or merely appear to have caused, an injury. Claims may be made by customers, third-party service providers or manufacturers of products and services we make available. Although we have product liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage limitations. Our current product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, the coverages may not be adequate to protect us against any future product liability claims. If we are unable to obtain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may harm our business. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could result in significant costs and significant harm to our business.

We may be subject to claims against us even if the apparent injury is due to the actions of others or misuse of the prescribed medication or other product. These liabilities could prevent or interfere with our growth and expansion efforts. Defending a suit, regardless of merit, could be costly, could divert management attention, and may result in adverse publicity or result in reduced acceptance of our platform and offerings.

Our business could be disrupted by catastrophic events and man-made problems, such as power disruptions, data security breaches, and terrorism.

Our systems are vulnerable to damage or interruption from the occurrence of any catastrophic event, including earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunction, cyber-attack, war, terrorist attack, or incident of mass violence, which could result in lengthy interruptions in access to our platform. In addition, acts of terrorism, including malicious internet-based activity, could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, access to our platform could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver our platform and solution to our customers would be impaired or we could lose critical data. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business, financial condition, and results of operations could be harmed.

We have implemented a disaster recovery program that allows us to move website traffic to a backup data center in the event of a catastrophe. This allows us the ability to move traffic in the event of a problem, and the ability to recover in a short period of time. However, to the extent our disaster recovery program does not effectively support the movement of traffic in a timely or complete manner in the event of a catastrophe, our business and results of operations may be harmed.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business, financial condition and results of operations that may result from interruptions in access to our platform as a result of system failures.

Risks Related to Our Results of Operations and Additional Capital Requirements

We have a history of net losses, we anticipate increasing expenses in the future, and we may not be able to achieve or maintain profitability.

Hims & Hers has incurred net losses on an annual basis since its inception. Hims & Hers incurred net losses of $75.2 million, $72.1 million, and $18.1 million in the years ended December 31, 2018, 2019, and 2020, respectively. Hims & Hers had an accumulated deficit of $171.3 million as of December 31, 2020. We expect our costs will increase substantially in the foreseeable future and we expect our losses will continue as we expect to invest significant additional funds towards growing our platform, growing our provider network, enhancing our pharmacy fulfillment system, operating as a public company, and as we continue to invest in increasing our customer base, hiring additional employees, and developing new products and technological capabilities to enhance our customers' experience on our platform. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. To date, we have financed our operations principally from the sale of our equity, revenue from our platform, and the incurrence of indebtedness. Hims & Hers' historical cash flows from operations were negative for the years ended December 31, 2018, 2019, and 2020. We may not generate positive cash flows from operations or achieve profitability in any given period, and our limited operating history may make it difficult to evaluate our current business and our future prospects.

We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing and highly regulated industries, including increasing expenses as we continue to grow our business. If we are not able to achieve or maintain positive cash flow in the long term, we may require additional financing, which may not be available on favorable terms or at all and/or which would be dilutive to our stockholders. If we are unable to successfully address these risks and challenges as we encounter them, our business, results of operations, and financial condition would be adversely affected.

Our quarterly results of operations, as well as our key metrics, may fluctuate on a quarterly and annual basis, which may result in us failing to meet the expectations of industry and securities analysts or our investors.

Our results of operations have in the past, and could in the future, vary significantly from quarter-to-quarter and year-to-year and may fail to match the expectations of securities analysts because of a variety of factors, many of which are outside of our control and, as a result, should not be relied upon as an indicator of future performance. As a result, we may not be able to accurately forecast our results of operations and growth rate. Any of these events could cause the market price of our common stock to fluctuate. Factors that may contribute to the variability of our results of operations include:

- new developments on our platform or in our product offerings;
- our ability to attract and retain providers to our platform;
- changes in our pricing policies and those of our competitors;
- our ability to execute our plans to add treatment options and provider expertise for additional medical conditions;
- long-term treatment outcomes of customers on our platform;
- medical, technological, or other innovations in our industry or in connection with specific products that we make available on our platform;
- our ability to maintain relationships with customers, partners, and suppliers;
- our ability to retain key members of our executive leadership team;
- breaches of security or privacy;
- the amount and timing of operating costs and capital expenditures related to the expansion of our business;
- costs related to litigation, investigations, regulatory enforcement actions, or settlements;
- changes in the legislative or regulatory environment, including with respect to practice of medicine, telehealth, privacy or data protection, or enforcement by government regulators, including fines, orders, or consent decrees;
- announcements by competitors or other third parties of significant new products or acquisitions or entrance into certain markets;
- our ability to make accurate accounting estimates and appropriately recognize revenue for our platform and offerings for which there are no relevant comparable products;
- instability in the financial markets;
- global economic conditions;
- the duration and extent of the COVID-19 pandemic; and
- political, economic, and social instability, including terrorist activities, and any disruption these events may cause to the global economy.

The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, we believe that quarter-to-quarter comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance.

We rely significantly on revenue from customers purchasing subscription-based prescription products and may not be successful in expanding our offerings.

To date, the vast majority of our revenue has been, and we expect it to continue to be, derived from customers who purchase subscription-based prescription products through the platform. In our subscription arrangements, customers select a cadence at which they wish to receive product shipments. These customers generate a substantial majority of our revenue. The introduction of competing offerings with lower prices for consumers, fluctuations in prescription prices, changes in consumer purchasing habits, including an increase in the use of mail-order prescriptions, changes in the regulatory landscape, and other factors could result in changes to our contracts or a decline in our revenue, which may have an adverse effect on our business, financial condition, and results of operations. Because we derive a vast majority of our revenue from customers who purchase subscription-based prescription products, any material decline in the use of such offerings could have a pronounced impact on our future revenue and results of operations, particularly if we are unable to expand our offerings overall.

We will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

We are subject to the reporting requirements of the Exchange Act, the listing standards of The New York Stock Exchange, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

The new rules and regulations applicable to public companies has made it more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantially higher costs to maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible than they have been in the past, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products or services, or enhance our existing platform and associated offerings, enhance our operating infrastructure and acquire complementary businesses and technologies. In order to achieve these objectives, we may make future commitments of capital resources. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and our key metrics require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes and amounts reported in our key metrics. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, valuation of warrant liability, fair value of stock-based compensation, and consolidation of variable interest entities. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors.

Our Warrants are being accounted for as a warrant liability and are being recorded at fair value upon issuance with changes in fair value each period reported in earnings, which may have an adverse effect on the market price of our Class A Common Stock.

Under U.S. GAAP, we are required to evaluate the Warrants to determine whether they should be accounted for as a warrant liability or as equity. We have concluded that the Warrants contain provisions requiring liability classification. Therefore, as described in our financial statements included in Part II, Item 8, of this Form 10-K/A, we are accounting for the Warrants as a warrant liability and are recording that liability at fair value. We record any changes in fair value in earnings. The impact of changes in fair value on earnings may have an adverse effect on the market price of our Class A Common Stock and may cause fluctuations in our results of operations based on factors that are outside of our control.

We identified a material weakness in our internal control over financial reporting. If we do not adequately address this material weakness or if other material weaknesses or significant deficiencies in our internal control over financial reporting are discovered, this could adversely affect our business and the market price of our Class A Common Stock.

We identified a material weakness in our internal control over financial reporting as of December 31, 2020, the disclosure of which may have an adverse impact on the price of our Class A Common Stock (please refer to Part II, Item 9A of this Form 10-K/A for further discussion). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of December 31, 2020, and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2020. The material weakness led to incorrect presentation of our Warrants in prior periods, which has resulted in restatement of (i) the Company's audited financial statements as of December 31, 2020 and 2019, for the year ended December 31, 2020 and for the period from April 9, 2019 (inception) through December 31, 2019 and (ii) the condensed consolidated unaudited financial statements included in the Company's Quarterly Reports on Form 10-Q for (a) the three months ended March 31, 2020, (b) the three and six months ended June 30, 2020, and (c) the three and nine months ended September 30, 2020, the three months ended September 30, 2019 and the period from April 9, 2019 (inception) through September 30, 2019. See Note 9 of the Notes to the consolidated financial statements included herein for additional information.

Although no material misstatement of Hims' historical financial statements was identified, we are required to restate the consolidated financial statements of the Company. We have taken, and intend to continue to take, certain remedial actions intended to address the identified material weakness in our internal control over financial reporting. However, we can give no assurance that such measures will remediate the material weakness identified or that any additional material weaknesses or restatements of financial results will not arise in the future. Additionally, significant costs and resources may be needed to remediate any material weakness (including the material weakness identified) or any internal control deficiencies that may arise in the future.

If we cannot produce reliable and timely financial reports, investors may lose confidence in our financial reporting and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Moreover, if we are unable to remediate, evaluate, and test our internal controls on a timely basis in the future, management will be unable to conclude that our internal controls are effective and our independent registered public accounting firm will be unable to express an unqualified opinion on the effectiveness of our internal control over financial reporting. Any actual or perceived weaknesses or deficiencies that need to be addressed in our internal control over financial reporting, or disclosure of management's assessment of our internal control over financial reporting, could have an adverse impact on our business and the market price of our Class A Common Stock.

We may not be able to timely and effectively implement controls and procedures required by Section 404(a) and/or 404(b) of the Sarbanes-Oxley Act.

We are required to provide management's attestation on internal controls pursuant to Section 404 of the Sarbanes-Oxley Act. The standards required for a public company under Section 404(a) of the Sarbanes-Oxley Act are significantly more stringent than those previously required of us as a privately-held company. If our Class A Common Stock held by non-affiliates exceeds $700 million as of June 30 in the upcoming five years, we will also be subject to auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act and the relevant increased disclosure obligations.

Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements. If we are not able to implement the additional requirements of Section 404(a) and/or 404(b) in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our Class A Common Stock.

Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could subject us to additional tax liability and related interest and penalties, increase the costs of our solution, and adversely impact our business.

The application of federal, state, local, and international tax laws to services provided electronically is evolving. New income, sales, use, value-added, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect) and could be applied solely or disproportionately to services provided over the internet or could otherwise materially affect our financial position and results of operations.

In addition, state, local, and foreign tax jurisdictions have differing rules and regulations governing sales, use, value-added, and other taxes, and these rules and regulations can be complex and are subject to varying interpretations that may change over time. Existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect). If we are required to collect and pay back taxes and associated interest and penalties, and if the amount we are required to collect and pay exceeds our estimates and reserves, or if we are unsuccessful in collecting such amounts from our customers, we could incur potentially substantial unplanned expenses, thereby adversely impacting our results of operations and cash flows. Imposition of such taxes on our services going forward or collection of sales tax from our customers in respect of prior sales could also adversely affect our sales activity and have a negative impact on our results of operations and cash flows.

One or more states may seek to impose incremental or new sales, use, value added, or other tax collection obligations on us, including for past sales by us or our resellers and other partners. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, value added, or other taxes on our solutions could, among other things, result in substantial tax liabilities for past sales, create significant administrative burdens for us, discourage users from utilizing our solutions, or otherwise harm our business, results of operations, and financial condition.

Certain U.S. state tax authorities may assert that we have a state nexus and seek to impose state and local income taxes which could harm our results of operations.

There is a risk that certain state tax authorities where we do not currently file a state income tax return could assert that we are liable for state and local income taxes based upon income or gross receipts allocable to such states. States are becoming increasingly aggressive in asserting a nexus for state income tax purposes. If a state tax authority successfully asserts that our activities give rise to a nexus, we could be subject to state and local taxation, including penalties and interest attributable to prior periods. Such tax assessments, penalties, and interest may adversely impact our results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Hims & Hers' address is located at 2269 Chestnut Street, #523, San Francisco, California 94123. Hims & Hers' workforce is currently working on a fully remote basis with the exception of those employees serving our affiliated pharmacy, whose presence is required for operation of the pharmacy, including fulfillment and distribution.

Item 3. Legal Proceedings

From time to time, we are party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows, or financial position. We are not presently party to any legal proceedings that, in the opinion of management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The OAC Class A ordinary shares, units, and warrants were historically traded on the NYSE under the symbols "OAC," "OAC.U" and "OAC WS," respectively. In connection with the Domestication, the OAC Class A ordinary shares converted into shares of Class A Common Stock on a one-for-one basis. On January 20, 2021, our Class A Common Stock and Warrants were listed on the NYSE under the new trading symbols of "HIMS" and "HIMS WS," respectively.

Holders

On March 15, 2021, there were 154 holders of record of our Class A Common Stock and 84 holders of record of our Warrants. We believe a substantially greater number of beneficial owners hold shares of Class A Common Stock or Warrants through brokers, banks or other nominees.

Dividends

We have not paid any cash dividends on our Class A Common Stock to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends will be within the discretion of our Board. In addition, our Board is not currently contemplating and does not anticipate declaring any share dividends in the foreseeable future. Further, if we incur any indebtedness, our ability to declare dividends may be limited by restrictive covenants we may agree to in connection therewith.

Securities Authorized for Issuance under Equity Compensation Plans

As of December 31, 2020, we did not have any securities authorized for issuance under equity compensation plans. In connection with the Merger, our shareholders approved the Hims & Hers Health, Inc. 2020 Equity Incentive Plan and Hims & Hers Health, Inc. 2020 Employee Stock Purchase Plan. We also assumed all outstanding awards under the Hims, Inc. 2017 Stock Plan.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings.

The disclosure set forth in "Basis of Presentation" above is incorporated herein by reference. The securities issued in connection with the Business Combination and PIPE Investment were not registered under the Securities Act in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The disclosure set forth in "Basis of Presentation" above is incorporated herein by reference.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to the "Company," "our," "us," "we," or "Hims & Hers" refer to Hims & Hers Health, Inc. (formerly known as Oaktree Acquisition Corp.) The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Overview

During the year ended December 31, 2020 and prior to the Merger, OAC was a blank check company incorporated for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. For more information on the Merger, see "Basis of Presentation" elsewhere in this Report.

Following the Merger, we offer a range of health and wellness products and services available for purchase on our websites directly by customers. Most of the offerings on the Hims & Hers websites are sold to customers on a subscription basis. Subscription plans provide an easy and convenient way for customers to get the ongoing treatment they need while simultaneously providing the company with predictability through a recurring revenue stream.

For subscription plans, customers select a desired cadence to receive products, which can range from every month to every two to twelve months, depending on the product. The customer is billed on a recurring basis on the selected cadence and a specified quantity of product is shipped at each billing. Customers can cancel subscriptions in between billing periods to stop receiving additional products and can reactivate subscriptions to continue receiving additional products. Hims & Hers' integrated technology platform allows it to serve its customers efficiently from start to finish: initially from customer discovery and purchase of offerings on its websites, to connecting customers with healthcare providers for telehealth consultations, to the fulfilment and delivery of customer orders, and finally through ongoing clinical management by healthcare providers. This technology-driven efficiency provides cost advantages that allow Hims & Hers to offer customers affordable prices and to generate robust gross margins.

Hims & Hers acquires new customers and drives brand awareness through various marketing channels, including social media, online search, television, radio, and other media channels. The Company intends to invest in growth in its current offerings and additionally in new products and services. The Hims & Hers platform is purpose-built to scale efficiently and to accommodate the seamless addition of new products and services. Hims & Hers plans to launch new subscription-based offerings which it expects will have a similar margin profile and unit economics to current offerings. As it implements its product roadmap, Hims & Hers expects to grow revenue through additional subscription-based recurring revenue offerings. The recent launches of new products and services in behavioral health, dermatology, and primary care demonstrate the scalability of the platform.

Key Factors Affecting Results of Operations after the Merger

New Customer Acquisition

Hims & Hers' ability to attract new customers will be a key factor for our future growth. To date we have successfully acquired new customers through marketing and the development of our brands. As a result, Hims & Hers' historical revenue has increased each year since our launch. If we are unable to acquire enough new customers in the future, revenue might decline. New customer acquisition could be negatively impacted if our marketing efforts are less effective in the future. Increases in advertising rates could also negatively impact our ability to acquire new customers. Consumer tastes, preferences, and sentiment for our brands may also change and result in decreased demand for our products and services. Changes in law or regulatory enforcement could also negatively impact our ability to acquire new customers.

Retention of Customers

Hims & Hers' ability to retain customers will be a key factor in our ability to generate revenue. Most of our customers purchase products through subscription-based plans, where customers are billed and sent products on a recurring basis. The recurring nature of this revenue provides us with a certain amount of predictability for future revenue if past customer behavior stays consistent in the future. If customer behavior changes, and customer retention decreases in the future, then future revenue will be negatively impacted. The ability of our customers to continue to pay for our products and services will impact the future results of our operations.

Investments in Growth

Hims & Hers expects to continue to focus on long-term growth through investments in product offerings and customer experience. We are working to enhance our offerings and expand the breadth of the products and services offered on our websites. We expect to make significant investments in marketing to acquire new customers. Additionally, we intend to continue to invest in our fulfillment and operating capabilities, including by opening our own affiliated pharmacy dedicated to our operations. In the short term, we expect these investments to increase our operating expenses; however, in the long term, we anticipate that these investments will positively impact our results of operations. If we are unsuccessful at improving our offerings or are unable to generate additional demand for our offerings, we may not recover the financial investments we make into the business and revenue may not increase in the future.

Expansion into New Categories

Hims & Hers expects to expand into new categories with our offerings. Category expansion allows us to increase the number of customers for whom we can provide products and services. It also allows us to offer access to treatment of additional conditions that may already affect our current customers. Expanding into new categories will require financial investments in additional headcount, marketing and customer acquisition expenses, additional operational capabilities and may require the purchase of new inventory. If we are unable to generate sufficient demand in new categories, we may not recover the financial investments we make into new categories and revenue may not increase in the future.

Key Business Metrics after the Merger

- Average Order Value ("AOV") is defined as Online Revenue divided by Net Orders (each as defined below). Hims & Hers' Online Revenue is driven by a combination of AOV and Net Orders.
- Net Orders ("Net Orders") are defined as the number of online customer orders minus transactions related to refunds, credits, chargebacks and other negative adjustments. Net Orders represent transactions made on Hims & Hers' platform during a defined period of time and exclude revenue recognition adjustments recorded pursuant to accounting principles generally accepted in the United States of America ("U.S. GAAP"). We monitor the absolute number of Net Orders as a key indicator of our performance. Our Online Revenue is driven by a combination of AOV and Net Orders. Net Orders are driven primarily by the number of new customers acquired and the number of returning customers that make additional purchases. In the third quarter of 2019, we began implementing a strategy to acquire higher value and higher AOV customers and to enhance the customer experience with new offerings and subscription options.

In order to reconcile the key business metrics described above to total revenue, Hims & Hers' management tracks the following financial results:

- Online Revenue ("Online Revenue") represents the sales of products and services on our platform, net of refunds, credits, chargebacks and includes revenue recognition adjustments recorded pursuant to U.S. GAAP, primarily relating to deferred revenue and returns reserve.
- Wholesale Revenue ("Wholesale Revenue") represents non-prescription product sales to retailers through wholesale purchasing agreements.

Non-GAAP Financial Measures after the Merger

In addition to financial results determined in accordance with U.S. GAAP, Hims & Hers believes Adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance. Adjusted EBITDA is a key performance measure that our management uses to assess our operating performance. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes. "Adjusted EBITDA" is defined as net loss before depreciation and amortization, provision for income taxes, interest expense, interest income, noncash debt issuance expense, stock-based compensation and warrant mark-to-market expense (income).

Results of Operations

OAC's entire activity since inception through December 31, 2020 related to formation, the preparation for its initial public offering, and since the closing of its initial public offering, the search for a prospective initial business combination. It neither engaged in any operations nor generated any revenues.

For the year ended December 31, 2020, OAC had a net loss of approximately $40.3 million (as restated), which consisted of approximately $4.8 million in general and administrative expenses primarily related to the Merger and $37.2 million of change in fair value of warrant liability, which was partially offset by $1.7 million in interest earned on investments and marketable securities held in the trust account.

For the period from April 9, 2019 (inception) through December 31, 2019, OAC had net income of approximately $6.0 million (as restated), which consisted of approximately $1.9 million in interest earned on investments and marketable securities held in the trust account and $5.5 million of change in fair value of warrant liability, partially offset by approximately $1.3 million in general and administrative expenses.

Liquidity and Capital Resources

Unless noted otherwise, the below discussion of liquidity and capital resources refers to OAC prior to the closing of the Merger and to Hims & Hers after the closing of the Merger.

As of December 31, 2020, OAC had approximately $1.1 million in its operating bank account and approximately $3.0 million of interest income available in the trust account for Regulatory Withdrawals (as defined herein and subject to an annual limit of $325,000) and for our tax obligations, if any. Subsequent to December 31, 2020, OAC used these funds to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete a business combination.

Prior to the Merger, OAC's liquidity needs were satisfied prior to the completion of the initial public offering through receipt of a $25,000 capital contribution from its sponsor in exchange for the issuance of the Founder Shares to its sponsor, the advancement of funds by its sponsor of approximately $62,000 to cover for offering costs in connection with the initial public offering, and the proceeds from the consummation of the private placement not held in the trust account. On November 18, 2019, OAC repaid the advance in full to its sponsor. In addition, in order to finance transaction costs in connection with the Merger, its sponsor or an affiliate of its sponsor, or its officers and directors were permitted but not obligated to provide OAC working capital loans. As of December 31, 2020 and 2019, there were no amounts outstanding under any working capital loan, and no working capital loans were provided in connection with the Merger.

Hims & Hers historically incurred negative cash flows from operating activities and significant losses from operations. We expect to continue to incur operating losses at least for the next 12 months due to the investments that we intend to make in our business and, as a result, we may require additional capital resources to grow our business. We believe that current cash, cash equivalents and investments will be sufficient to fund our operations for at least the next 12 months. As of December 31, 2020, Hims & Hers' principal sources of liquidity were cash and cash equivalents in the amount of $27.3 million, which were primarily invested in money market funds; and short-term investments in the amount of $72.9 million, which were primarily invested in corporate, government and asset backed bonds. Subsequent to December 31, 2020, Hims & Hers received gross proceeds of $197.7 million from the Merger and $75.0 million from private investors. In connection with the Merger, Hims & Hers paid $11.5 million of closing costs as well as $22.0 million for the repurchase of Class A Common Stock.

We expect to purchase up to approximately $3 million in property and equipment for the purposes of building our own pharmacy operations and related facilities and capabilities, inclusive of $1.7 million invested as of December 31, 2020. We estimate initial annual selling, general, and administrative expenses of approximately $10 million to manage our own pharmacy, warehousing, and fulfillment operations. These expenses include labor for dispensing and fulfillment activities, facility and employee management, rent, utilities, maintenance, and other related overhead. These selling, general, and administrative expenses are expected to partially offset third-party pharmacy, warehousing, and fulfillment expenses that would have been otherwise incurred by the Company.

Our future capital requirements will depend on many factors, including the number of orders we receive, the size of our customer base, the timing and extent of spend to support the expansion of sales, marketing and development activities, and the impact of the COVID-19 pandemic. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be harmed. In order to support the growth of our business, we may need to incur additional indebtedness under our existing loan agreement or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to fair value of financial instruments and accrued expenses. We base our estimates on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

OAC Critical Accounting Policies and Estimates Prior to the Merger

OAC Class A Ordinary Shares Subject to Possible Redemption

OAC Class A ordinary shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. Conditionally redeemable OAC Class A ordinary shares (including OAC Class A ordinary shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within OAC's control) are classified as temporary equity. At all other times, OAC Class A ordinary shares are classified as shareholders' equity. OAC Class A ordinary shares feature certain redemption rights that are considered to be outside of OAC's control and subject to the occurrence of uncertain future events. Accordingly, at December 31, 2020 and 2019, 14,097,169 and 18,124,262, respectively, OAC Class A ordinary shares subject to possible redemption are presented as temporary equity, outside of the shareholders' equity section of OAC's balance sheets.

Net Income per Ordinary Share

Net income per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period. OAC has not considered the effect of the warrants sold in its initial public offering and the private placement to purchase an aggregate of 10,725,000 of OAC Class A ordinary shares in the calculation of diluted income per share, since their inclusion would be anti-dilutive under the treasury stock method.

OAC's statement of operations includes a presentation of income per share for ordinary shares subject to redemption in a manner similar to the two-class method of income per share. As restated, net income per ordinary share, basic and diluted for OAC Class A ordinary shares are calculated by dividing the interest income earned on investments and marketable securities held in the trust account of approximately $1.7 million, net of $325,000 annual limit of Regulatory Withdrawal available to be withdrawn from the trust account, resulting in a total of approximately $1.4 million for the year ended December 31, 2020, by the weighted average number of OAC Class A ordinary shares outstanding for the period. As restated, net loss per ordinary share, basic and diluted for OAC Class B ordinary shares is calculated by dividing the net loss of approximately $40.3 million, less income attributable to OAC Class A ordinary shares of approximately $1.4 million, resulted in a net loss of approximately $41.7 million, by the weighted average number of OAC Class B ordinary shares outstanding for the period.

Warrant Liability

OAC accounts for liability-classified warrants as derivative instruments. Liability-classified warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net on the statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants. Upon settlement, the warrant liability will be reclassified to additional paid-in capital. The fair value of the private placement warrants issued to OAC's sponsor and the public warrants issued in connection with OAC's initial public offering were initially measured at fair value using a Black-Scholes Merton ("BSM") model. The private placement warrants were remeasured using a BSM model for each reporting date in 2019. After the announcement of the Merger, the fair value of the private placement warrants were estimated using a Monte Carlo simulation model at each reporting date. After the initial measurement, the fair value of the public warrants were subsequently measured based on the listed market price of such warrants.

Hims & Hers Critical Accounting Policies and Estimates after the Merger

Revenue Recognition

Hims & Hers recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Hims & Hers adopted ASC 606 on January 1, 2017, at the inception of its operations.

For Online Revenue, Hims & Hers defines its customer as an individual who purchases products or services through the website. The transaction price in contracts with customers is the total amount of consideration to which Hims expects to be entitled in exchange for transferring products or access to services to the customer.

Contracts that contain prescription products include two performance obligations: access to (i) products and (ii) consultation services. Hims & Hers contracts that do not contain prescription products have a single performance obligation. Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product to the customer and, in contracts that contain service, by the provision of consultation services to the customer. Hims & Hers satisfies its performance obligation for products at a point in time, which is upon delivery of the products to a third-party carrier. Hims & Hers satisfies its performance obligation for services over the period of the consultation service, which is typically a few days. The customer obtains control of the products and services upon the Hims & Hers' completion of its performance obligations.

For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price is based on the prices at which Hims & Hers separately sells the products and services, as well as market and cost-plus-margin-based estimates.

To fulfill its promise to customers for contracts that include professional medical consultations, Hims & Hers maintains relationships with various Affiliated Medical Groups, which are professional corporations or other professional entities owned by licensed physicians that engage licensed medical professionals (medical doctors, physician assistants, and nurse practitioners; collectively referred to as "Providers") to provide consultation services. Hims & Hers accounts for service revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) Hims & Hers determines which Affiliated Medical Group and Provider provides the consultation to the customer; (ii) Hims & Hers is primarily responsible for the satisfactory fulfillment and acceptability of the services; (iii) Hims & Hers incurs costs for consultation services even for visits that do not result in a prescription and the sale of products; and (iv) Hims & Hers, at its sole discretion, sets all listed prices charged on its website for products and services.

Additionally, to fulfill its promise to customers for contracts that include professional medical consultations, Hims & Hers maintains relationships with third-party pharmacies to fill prescriptions that are ordered by the Hims & Hers' customers. Hims & Hers made the judgement to account for prescription product revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) it has sole discretion in determining which pharmacy fills a customer's prescription; (ii) the pharmacy fills the prescription based on fulfillment instructions provided by Hims including using Hims branded packaging for generic products; (iii) Hims & Hers is primarily responsible to the customer for the satisfactory fulfillment and acceptability of the order; (iv) Hims & Hers is responsible for refunds of the prescription medication after transfer of control to the customer; and (v) Hims & Hers, at its sole discretion, sets all listed prices charged on its websites for products and services.

Hims & Hers estimates refunds using the expected value method based on historical refunds granted to customers. Hims updates its estimate at the end of each reporting period and recognizes the estimated amount as contra-revenue with a corresponding refund liability. Sales, value-added, and other taxes are excluded from the transaction price and, therefore, from revenue.

Hims & Hers has made an accounting policy election to account for shipping and handling activities performed after the control of a product has been transferred to the customer as fulfillment costs, with direct costs to ship products to customers included in cost of revenue. Contracts with customers do not contain costs to obtain or costs to fulfill contracts with customers in accordance with ASC 340-40, *Other Assets and Deferred Costs—Contracts with Customers.*

For online sales, payment for prescription medication and nonprescription products is typically collected from the customer a few days in advance of product shipment. Contract liabilities are recorded when payments have been received from the customer for undelivered products or services and are recognized as revenue when the performance obligations are later satisfied. Contract liabilities consisting of balances related to customer prepayments are recognized as current deferred revenue on the consolidated balance sheets of which substantially all of the balance is recognized in the following month. For wholesale arrangements, payments are collected in accordance with contract terms.

Warrant Liability

Hims & Hers classifies warrants to purchase shares of redeemable convertible preferred stock that are contingently puttable or redeemable, as well as the Warrants, which do not meet equity classification criteria, as liabilities. Such warrants are measured and recognized at fair value and are subject to remeasurement at each balance sheet date.

As of December 31, 2020, the fair value of the preferred stock warrant liability is measured using a BSM option-pricing model. Inputs to that model include the purchase right's expected remaining term, the risk-free interest rate, expected volatility based on representative peer companies, and the fair value of the Company's total equity based on the publicly trading stock price. Changes to the fair value measurement are recognized within other income (expense), net on the condensed consolidated statements of operations and comprehensive loss.

In prior periods, fair value of the preferred stock warrant liability had been measured using the BSM option-pricing model, Monte Carlo simulation, and probability weighted expected return method ("PWERM"). The changes in valuation method prior to December 31, 2020 occurred as a result of increased probability the Company's common shares would be publicly listed in the near-term. As of December 31, 2020, the valuation method changed as a result of the Company expecting to close the Merger after obtaining approval from the Securities Exchange Commission to file a proxy statement on December 29, 2020.

The fair value of the private placement warrants are estimated using a Monte Carlo simulation model each measurement date. The fair value of the public warrants are measured based on the listed market price of such warrants.

Hims & Hers adjusts the warrant liability for changes in the fair value until the earlier of the exercise or expiration of the warrants or in the case of the preferred stock warrants, the completion of a liquidation event, including completion of an initial public offering, at which time all such preferred stock warrants will be converted into warrants to purchase shares of common stock and the liability will be reclassified to additional paid-in capital.

Stock-Based Compensation

Hims & Hers accounts for stock-based compensation expense in accordance with the fair value recognition and measurement provisions of U.S. GAAP, which require compensation cost for the grant-date fair value of stock-based awards to be recognized over the requisite service period. Hims & Hers determines the fair value of stock-based awards granted or modified on the grant date or modification date using appropriate valuation techniques.

The fair value of employee and nonemployee stock options are determined using the BSM option-pricing model using various inputs, including estimates of expected term, volatility, risk-free rate, and future dividends. The fair value of the performance stock options granted to the CEO of Hims & Hers in June 2020 is measured using a Monte Carlo simulation model. Excluding stock options with performance conditions, Hims & Hers recognizes compensation costs on a straight-line basis over the requisite service period of the employee and nonemployee, which is generally the option vesting term of four years. For stock options with performance conditions, stock-based compensation expense will be recognized when it is probable that the performance criteria will be achieved. Hims accounts for forfeitures as they occur.

The fair value of RSUs is determined based on the fair value of Hims & Hers' common stock at the grant date. The RSUs generally have a vesting term of four years in addition to a performance-based vesting condition, which was satisfied upon the closing of the Merger.

Changes in the following assumptions can materially affect the estimate of fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. Hims & Hers continues to use judgment in evaluating the expected term and expected volatility utilized in stock-based compensation expense calculation on a prospective basis. As Hims & Hers continues to accumulate additional data related to its common stock, Hims & Hers may refine its estimates of expected volatility and expected term, which could materially impact future stock-based compensation expense.

Fair Value of Common Stock—Prior to the Merger, the Hims board of directors determined the fair value of Hims Class A Common Stock using various valuation methodologies, including valuation analyses performed by third-party valuation firms. After the Merger, we use the publicly quoted market closing price as reported on the New York Stock Exchange as the fair value of our Class A Common Stock.

Expected Term—Hims & Hers calculates the expected term using the simplified method based on the options vesting term and contractual terms as it did not have sufficient relevant historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Expected Volatility—The volatility is derived from the average historical stock volatilities of a peer group of public companies that Hims & Hers considers to be comparable to its business over a period equivalent to the expected term of the share-based grants.

Risk-free Interest Rate—Hims & Hers derives the risk-free interest rate assumption from the United States Treasury's rates for the U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued.

Dividend Yield—Hims & Hers bases the assumed dividend yield on its expectation of not paying dividends in the foreseeable future. Consequently, the expected dividend yield used is zero.

Consolidation of Variable Interest Entities

U.S. GAAP requires variable interest entities to be consolidated if an entity's interest in the variable interest entity is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined based on which entity, if any, has (i) the power to direct the activities of the variable interest entity that most significantly impacts the variable interest entity's economic performance and (ii) the obligations to absorb losses that could potentially be significant to the variable interest entity or the right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity.

Hims & Hers determined that it is the primary beneficiary of the Affiliated Medical Groups and XeCare for accounting purposes because it has the ability to direct the activities that most significantly affect the entities' economic performance and has the obligation to absorb the entities' losses.

Hims & Hers performs ongoing reassessments of whether changes in the facts and circumstances regarding its involvement with the Affiliated Medical Groups and XeCare would cause its consolidation conclusion to change. The consolidation status of the variable interest entities with which Hims & Hers is involved may change as a result of such reassessments. Changes in consolidation status are applied in accordance with applicable U.S. GAAP.

Recent Accounting Pronouncements

Our management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 8. Financial Statements and Supplementary Data

Reference is made to Pages F-1 through F-29 comprising a portion of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9a. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

On March 22, 2021, we filed the Original Filing. At that time, as required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer had concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective. Subsequently, and as a result of the material weakness in our internal control over financial reporting as described below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2020 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC.

Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. OAC's internal control over financial reporting was designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of our management, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the COSO (2013 framework). On March 22, 2021, we filed the Original Filing. At that time, our management concluded that our internal control over financial reporting was effective as of December 31, 2020. Subsequent to performing that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020. This was due to a material weakness in internal control over financial reporting related to not having adequate controls over accounting for complex transactions and, in particular, related to errors in the accounting for warrants issued in connection with OAC's initial public offering and recorded in its pre-merger, historical consolidated financial statements through December 31, 2020. Notwithstanding this material weakness, which is further described below, management has concluded that our audited consolidated financial statements included in this Form 10-K/A are fairly stated in all material respects in accordance with U.S. GAAP for each of the years and periods presented herein.

Our internal control over financial reporting did not result in the proper classification of the Warrants issued by OAC which, due to its impact on the Company's audited financial statements as of December 31, 2020 and 2019, for the year ended December 31, 2020 and for the period from April 9, 2019 (inception) through December 31, 2019, we determined to be a material weakness. This mistake in classification was brought to our attention when the Staff of the SEC issued the Staff Statement, which addressed certain accounting and reporting considerations related to warrants of a kind similar to the Warrants issued by OAC. In response to this material weakness, our management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we are improving these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. Our remediation plan at this time includes continuing to enhance our internal and external technical accounting resources by hiring additional personnel and increasing communication with third-party professionals with whom we consult regarding the application of complex accounting transactions. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. We can offer no assurance that these initiatives will ultimately have the intended effects.

Changes in Internal Control over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in OAC's internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that has materially affected, or is reasonably likely to materially affect, OAC's internal control over financial reporting, as the circumstances that led to the restatement of our financial statements described in this Form 10-K/A had not yet been identified.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers, and certain information about each of them as of April 30, 2021 are set forth below.

Name	Age	Position(s) with Hims & Hers
Andrew Dudum	32	Chief Executive Officer and Chairman
Spencer Lee	42	Chief Financial Officer
Dr. Patrick Carroll, M.D.	63	Chief Medical Officer
Melissa Baird	43	Chief Operating Officer
Soleil Boughton	43	Chief Legal Officer
Alex Bard	46	Director
Ambar Bhattacharyya	38	Director
Dr. Delos Cosgrove, M.D.	80	Director
Kirsten Green	49	Director
Jules Maltz	41	Director*
Lynne Chou O'Keefe	43	Director
Andrea Perez	40	Director
David Wells	49	Director

* Lead Independent Director

Executive Officers

Andrew Dudum. Since the consummation of the Business Combination, Mr. Dudum has served as our Chief Executive Officer and Chairman of our Board of Directors. Mr. Dudum is a co-founder of Hims and has been the Chief Executive Officer and a director of Hims since September 2016. Mr. Dudum is a Co-Founder and General Partner of startup studio and investment fund Atomic Labs, LLC where he has co-founded over a dozen companies including Bungalow, Homebound, TalkIQ, and Terminal, since 2013. Mr. Dudum is a serial founder, active angel investor and advisor to various startup companies. Mr. Dudum is an advisor to Cherubic Ventures, a China and U.S. based early-stage venture capital firm and in 2020 was named to Fortune's 40 Under 40 list. Mr. Dudum received a B.A. in Management and Economics from the Wharton School at the University of Pennsylvania.

Spencer Lee. Since the consummation of the Business Combination, Mr. Lee has served as our Chief Financial Officer. Mr. Lee has served as Hims' Chief Financial Officer and Treasurer since March 2019. Previously, from March 2015 to March 2019, Mr. Lee served as Chief Financial Officer of Minted, Inc. From 2013 to 2015, he served as Chief Financial Officer of Julep Beauty, Inc. Mr. Lee holds a B.A. in Economics from Pomona College.

Dr. Patrick Carroll, M.D. Since the consummation of the Business Combination, Dr. Patrick Carroll has served as our Chief Medical Officer and will oversee all matters pertaining to provision of care, clinical outcomes, patient safety, healthcare information systems and strategic initiatives and programs that will enhance the Hims & Hers care model. Prior to joining Hims in June 2019, Dr. Carroll was the Group Vice President and Chief Medical Officer of Walgreens Company from May 2014 to June 2019. Prior to joining Walgreen's in May 2014, Dr. Carroll served as the Chief Medical Officer of Integrated Care Partners, Hartford HealthCare's clinical integration organization. He was also the Medical Director for Hartford HealthCare's Medicare Shared Savings Program. From 2010 to 2012, Dr. Carroll served as the Chief Medical Officer for the Granite Medical Group, a 40-provider Multispecialty/Primary Care Group that is part of Atrius Health. Dr. Carroll received his bachelor's degree from the College of the Holy Cross and his medical degree from Dartmouth Medical School. He completed his residency training at Middlesex Hospital in family practice, where he served as Chief Resident. Dr. Carroll is Board Certified in Family Practice and in Adolescent Medicine.

Melissa Baird. Since the consummation of the Business Combination, Ms. Baird has served as our Chief Operating Officer. Ms. Baird has served as Hims' Chief Operating Officer since February 2018. Ms. Baird brings more than nine years of operations and technology management in the consumer space to us as well as over 10 years of scientific research experience. Prior to serving as the Chief Operating Officer of Hims, from July 2016 to January 2018 Ms. Baird was Vice President of Systems and Procedures for Draper James. From December 2015 to July 2016, Ms. Baird served as the General Manager of Onefinestay. Prior to that, Ms. Baird was with Bonobos from September 2013 to November 2015 ultimately serving as the Vice President of Operations and Product Management. During her tenure, she was responsible for strategies related to the website, ecommerce platform, product management, fulfillment and customer service. From May 2011 to September 2013, Ms. Baird served as the Product Manager of Supply Chain Operations for Zulily, holding responsibility for internalizing Zulily's fulfillment operations and scaling operations through technology programs. From January 2001 to May 2011, Ms. Baird served in a variety of scientific research roles spanning from Lab Technician to Geneticist. Ms. Baird obtained a B.S. in Biological Sciences from the University of Missouri.

Soleil Boughton. Since the consummation of the Business Combination, Ms. Boughton has served as our Chief Legal Officer and Corporate Secretary. Ms. Boughton joined Hims in October 2018 to oversee the company's legal department and public policy activities and currently serves as Chief Legal Officer and Corporate Secretary. Ms. Boughton brings 16 years of healthcare law experience to the company, and has represented digital health companies, hospitals, health systems and other healthcare and life sciences companies across all aspects of a company's life cycle. Ms. Boughton was in-house healthcare counsel for Google's Cloud Healthcare & Life Sciences from October 2017 to October 2018. Prior to that, Ms. Boughton was a Partner in the Healthcare & Life Sciences group of Jones Day from January 2015 to October 2017, where she primarily represented direct-to-consumer telehealth and other digital health companies. Ms. Boughton obtained a B.A. from Pomona College and a J.D. from the UCLA School of Law.

Non-Employee Directors

Alex Bard. Since the consummation of the Business Combination, Mr. Bard has served on our Board of Directors. Mr. Bard has been a member of the Board of Directors of Hims since December 2017. Since July 2017, Mr. Bard has served as a Managing Director at Redpoint Ventures. From September 2014 to July 2017, Mr. Bard served as Chief Executive Officer at Campaign Monitor. From September 2011 to September 2014, Mr. Bard served as Executive Vice President & General Manager of the Service Cloud business at Salesforce.com, which acquired Assistly, Inc., where Mr. Bard served as Founder and Chief Executive Officer from October 2009 to September 2011. Mr. Bard currently serves as a member of the Board of Directors of several privately held companies. Mr. Bard received a Bachelor of Arts degree from Stony Brook University. We believe Mr. Bard is qualified to serve on our Board of Directors because of his extensive operational and management experience, as well as his expertise as a venture capital investor and advisor to technology companies.

Ambar Bhattacharyya. Mr. Bhattacharyya joined our Board of Directors in March 2021. Since 2015, Mr. Bhattacharyya has served as a managing director of Maverick Ventures, which serves as the private investment arm of Maverick Capital, a venture capital fund. Prior to joining Maverick Ventures, Mr. Bhattacharyya worked at Bessemer Venture Partners and Bain Capital Ventures. Mr. Bhattacharyya received a B.S. in Finance and a B.A. in Management from the University of Pennsylvania and an M.B.A. from Harvard Business School. We believe Mr. Bhattacharyya is qualified to serve as a director given his significant experience advising rapidly growing technology companies and his knowledge of and experience in corporate finance.

Dr. Delos Cosgrove, M.D. Since the consummation of the Business Combination, Dr. Cosgrove has served on our Board of Directors. Dr. Cosgrove has served as a board observer from October 2019 until formally becoming a member of the Board of Directors of Hims in September 2020. Dr. Cosgrove also currently serves as the Executive Advisory for The Cleveland Clinic and has since December 2017. Prior to that, from January 2004 to December 2017 Dr. Cosgrove served as the President and Chief Executive Officer of the Cleveland Clinic. Dr. Cosgrove obtained a B.A. in Biology from Williams College and M.D. from University of Virginia School of Medicine. After medical school Dr. Cosgrove served as Chief of USAF in the Casualty Staging Flight in Da Nang, Republic of Vietnam and as a surgeon at Hamilton AFB in California. He also received medical training at various hospitals including Strong Memorial Hospital in New York, Massachusetts General Hospital, Brook General Hospital in England and Boston Children's Hospital in Massachusetts. We believe Dr. Cosgrove is qualified to serve on our Board of Directors because of his vast medical training and experience working in management and advisory roles.

Kirsten Green. Since the consummation of the Business Combination, Ms. Green has served on our Board of Directors. Ms. Green has served as a board observer from June 2018 until formally becoming been a member of the Board of Directors of Hims in September 2020. Ms. Green is currently the Founder and Managing Director of Forerunner Ventures and has been in this role since Forerunner's inception in 2010. Currently, Ms. Green also serves on the Board of Directors of Nordstrom, Inc., Glossier, Draper James, Rockets of Awesome, Ritual, Prose, Faire, the Yes, Curated and Modern Fertility. Prior to founding Forerunner 2010, Ms. Green served as a Senior Accountant at Deloitte for three years, an Associate at Donaldson, Lufkin & Jenrette for one year and Vice President of Banc of America Securities for five years. Ms. Green obtained a B.A. in Business Economics from UCLA and holds a CPA license and CFA certification. We believe Ms. Green is qualified to serve on our Board of Directors because of her experience with and knowledge of the business of Hims and her experience as a venture capital investor and advisor.

Jules Maltz. Since the consummation of the Business Combination, Mr. Maltz has served on our Board of Directors. Mr. Maltz has been a member of the Board of Directors of Hims since April 2019. Mr. Maltz joined Institutional Venture Partners in August 2008 and is currently a General Partner. He has over 15 years of venture capital and start-up experience. Mr. Maltz focuses on later-stage venture investments in rapidly growing software and Internet companies. Mr. Maltz is currently a board member of G2, Hopin, Indiegogo and Tala, and was previously a board member of NerdWallet, Oportun, RetailMeNot, TuneIn, Buddy Media and Yext. Prior to joining Institutional Venture Partners in 2008, Mr. Maltz worked for 3i, a leading global venture capital firm. Mr. Maltz received a Bachelor of Arts degree in economics from Yale University and received an M.B.A. from Stanford University. We believe Mr. Maltz is qualified to serve on our Board of Directors because of his extensive experience investing in and advising rapidly growing emerging growth companies.

Lynne Chou O'Keefe. Since the consummation of the Business Combination, Ms. O'Keefe has served on our Board of Directors. Ms. O'Keefe has been a member of the Board of Directors of Hims since November 2020. Ms. O'Keefe's experience includes both healthcare operating and investing roles over the past 16 years. Ms. O'Keefe has served as the Founder and Managing Partner of Define Ventures since October 2018 and serves on the boards of private companies including Lightship, Tia, and Folx Health. Previously, Ms. O'Keefe was a Partner in the Life Sciences Group of Kleiner Perkins from June 2013 to October 2018, and served on the boards of private companies including Livongo, Lumeris, Mango Health, and multiple other companies. Ms. O'Keefe received a B.S. in Industrial Engineering from Stanford University and an M.B.A. from Harvard Business School. We believe Ms. O'Keefe is qualified to serve on our Board of Directors because of her experience in both operational and investing roles in the healthcare space and her knowledge of and experience with other telehealth businesses.

Andrea Perez. Ms. Perez joined our Board of Directors in March 2021. Ms. Perez is the Global Vice President and General Manager for Brand Jordan's Women's Division at Nike, a position she has held since October 2017. Prior to this role, she held several other positions at Nike including VP/GM for Jordan Kids from October 2017 to June 2020; General Manager for North America Soccer from November 2014 to October 2017; and Senior Brand Director for Global Football (soccer) and Global Brand Director for Tennis from December 2011 to November 2014. Prior to joining Nike, Ms. Perez held various positions at several leading sports and fitness companies. Ms. Perez was a co-founder of the Women of Nike employee group, and currently serves as chair of the governance committee for the Women's Sport Foundation. She also serves on several advisory boards for local and global start-ups in the food and technology sector. Ms. Perez received a B.A. in Marketing from Tecnologico de Monterrey and an M.B.A. from Dartmouth's Tuck School of Business, with a Julia Stell Award for Outstanding Leadership. We believe Ms. Perez is qualified to serve as a director given her experience at high profile consumer brands and her years of leadership experience running a division focused on women's products.

David Wells. Since the consummation of the Business Combination, Mr. Wells has served on our Board of Directors. Mr. Wells has been a member of the Board of Directors of Hims since September 2020. Mr. Wells is considered a financial expert, having served as a public company Chief Financial Officer and Audit Committee Chair. He most recently served as the CFO of Netflix for 8 years from December 2010 to January 2019. During his time at Netflix, Mr. Wells served as overall head of Financial Planning & Analysis and spent two years, from July 2015 to July 2017, living in and performing his role from the Netherlands as part of building up Netflix's European operations. He currently serves on the Board of Directors of The Trade Desk, a public company that provides a technology platform for advertising buyers, joining in December 2015 and serving as the chair of the audit committee and a member of the compensation committee, and Transferwise, a private technology company, joining in January 2019, where he is co-chairperson of the Board of Directors. Mr. Wells received a B.S. in Commerce and English from the University of Virginia and an M.B.A./M.P.P. Magna Cum Laude from the University of Chicago. We believe Mr. Wells is qualified to serve on our Board of Directors because of his experience as a public company Chief Financial Officer and financial expertise.

Family Relationships

There are no family relationships among any of our directors or executive officers.

CORPORATE GOVERNANCE AND BOARD MATTERS

Controlled Company Exemption

We are a "controlled company" within the meaning of the corporate governance standards of the NYSE because Mr. Dudum beneficially owns shares of our Class A Common Stock and Class V Common Stock representing more than 50% of the total voting power of the outstanding shares of our capital stock. As a "controlled company," we may elect not to comply with certain NYSE rules regarding corporate governance, such as the requirement that a majority of our board of directors consist of independent directors. We may elect to utilize one or more of these exemptions for so long as we remain a "controlled company." Notwithstanding the availability of these exemptions, our Board currently consists of a majority of directors who qualify as "independent" under the rules of the NYSE. Additionally, as described below, we maintain an audit committee that consist entirely of independent directors.

Audit Committee

The members of our audit committee are Kirsten Green, Lynne Chou O'Keefe and David Wells, each of whom can read and understand fundamental financial statements. Our Board has determined that each of Ms. Green, Ms. O'Keefe and Mr. Wells is independent under the rules and regulations of the SEC and the listing standards of the NYSE applicable to audit committee members. Mr. Wells is the chair of the audit committee. Our Board has determined that each of Ms. Green, Ms. O'Keefe and Mr. Wells qualifies as an audit committee financial expert within the meaning of SEC regulations and meet the financial sophistication requirements of the NYSE.

Our audit committee assists the Board with its oversight of the following: the integrity of our financial statements; our compliance with legal and regulatory requirements; the qualifications, independence, and performance of the independent registered public accounting firm; and the design and implementation of our internal audit function and risk assessment and risk management. Among other things, our audit committee is responsible for reviewing and discussing with our management the adequacy and effectiveness of our disclosure controls and procedures and our internal controls. The audit committee also discusses with our management and independent registered public accounting firm the annual audit plan and scope of audit activities, scope and timing of the annual audit of our financial statements, and the results of the audit, quarterly reviews of our financial statements and, as appropriate, initiates inquiries into certain aspects of our financial affairs. Our audit committee is responsible for establishing and overseeing procedures for the receipt, retention, and treatment of any complaints regarding accounting, internal accounting controls or auditing matters, as well as for the confidential and anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters. In addition, our audit committee has direct responsibility for the appointment, compensation, retention, and oversight of the work of our independent registered public accounting firm. Our audit committee has sole authority to approve the hiring and discharging of our independent registered public accounting firm, all audit engagement terms and fees, and all permissible non-audit engagements with the independent auditor. Our audit committee reviews and oversees all related person transactions in accordance with our policies and procedures.

Our audit committee charter can be found on the investor relations page of our website at https://investors.forhims.com/governance.

CODE OF CONDUCT

Our Board has adopted a Code of Conduct. The Code of Conduct applies to all of our employees, officers, and directors, as well as all of our contractors, consultants, suppliers, and agents in connection with their work for us. The full text of our Code of Conduct is posted on the investor relations page of our website at https://investors.forhims.com/governance. We intend to disclose future amendments to, or waivers of, our Code of Conduct, as and to the extent required by SEC regulations, at the same location on our website identified above or in public filings. The purpose of our Code of Conduct is to promote honesty and integrity, including with respect to actual or apparent conflicts of interest between personal and professional relationships, to promote full, fair, accurate, timely and understandable disclosure in periodic reports to be filed by us and to promote compliance with all applicable rules and regulations that apply to us and our employees.

Item 11. Executive Compensation

For the fiscal year ended December 30, 2020, our named executive officers were:

- Andrew Dudum, Chief Executive Officer and director
- Spencer Lee, Chief Financial Officer
- Melissa Baird, Chief Operating Officer

2020 SUMMARY COMPENSATION TABLE

The following table shows information regarding the compensation of our named executive officers for services performed during the years ended December 31, 2019, and December 31, 2020.

Name and Principal Position	Year	Salary ($)	Stock Awards$)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)	Total ($)
Andrew Dudum	2020	527,187	2,842,399(3)	23,106,043(4)	100,203	—	26,575,832
Chief Executive Officer and Director	2019	253,750	—	—	—	—	253,750
Spencer Lee	2020	452,813	1,289,200(5)	1,454,319(6)	84,787	—	3,281,119
Chief Financial Officer	2019	290,545		1,798,561	87,164	—	2,176,270
Melissa Baird	2020	434,219	1,289,200(5)	2,522,193(7)	80,933	20,418(8)	4,346,963
Chief Operating Officer							

(1) Represents the aggregate grant date fair value of options granted to the officer, computed in accordance with FASB ASC Topic 718. See Note 8 to our consolidated financial statements included in our Current Report on Form 8-K, as filed with the SEC on January 26, 2021 and subsequently amended on March 22, 2021, for a discussion of the assumptions made by us in determining the grant date fair value of our equity awards. Please note that the share numbers in the footnotes below are presented on a pre-Business Combination basis, reflecting such awards as of December 31, 2020. In connection with the Business Combination, each share of Hims' existing Class A common stock, following the conversion of Hims preferred stock into Hims Class A Common Stock as a result of the Hims recapitalization, was converted into (i) approximately 0.4530 shares of Class A Common Stock, with the exception of Mr. Dudum who received Class A and Class V Common Stock, based on the determined exchange ratio, (ii) approximately 0.0028 warrants exercisable for shares of Class A Common Stock and (iii) approximately 0.0443 shares of Class A Common Stock that vested upon satisfaction of the earn out conditions specified in the Merger Agreement.

(2) Represents cash amounts earned under our annual bonus plans with respect to 2020 performance paid in February 2021. Incentive cash amounts were earned equal to 103% of each executive's target bonus.

(3) Represents restricted stock units covering 646,000 shares of our common stock granted on December 23, 2020, with an aggregate grant date fair value of $2,842,399, vesting over four years of continuous service following December 16, 2020, in 16 substantially equal quarterly installments.

(4) Represents the sum of (i) $3,246,159, the aggregate grant date fair value of an option to purchase 3,583,091 shares of our common stock granted on June 17, 2020, which vests over four years of continuous service following March 13, 2020, in 48 substantially equal monthly installments; (ii) $11,322,568, the aggregate grant date fair value of an option to purchase 7,166,182 shares of our common stock granted on June 17, 2020, which vests in full if the per share closing trading price of our common stock on a public stock exchange is at least equal to $22.99 while Mr. Dudum remains in our continuous service, with such share price being referenced to Class A Common Stock prices following the Business Combination; (iii) $5,338,806, the aggregate grant date fair value of an option to purchase 3,583,091 shares of our common stock granted on June 17, 2020, which vests in full if the per share closing trading price of our common stock on a public stock exchange is at least equal to $38.31 while Mr. Dudum remains in our continuous service, with such share price being referenced to Class A Common Stock prices following the Business Combination; and (iv) $3,198,510, the aggregate grant date fair value of an option to purchase 1,291,000 shares of our common stock granted on December 23, 2020, which vests over four years of continuous service following December 16, 2020, in 48 substantially equal monthly installments. The grant date fair value with respect to the two performance options is based on the probable outcome of the condition as of such grant date.

(5) Represents restricted stock units covering 293,000 shares of our common stock granted on December 23, 2020, with an aggregate grant date fair value of $1,289,200, vesting over four years of continuous service following December 16, 2020, in 16 substantially equal quarterly installments.

(6) Represents $1,454,319, the aggregate grant date fair value of an option to purchase 587,000 shares of our common stock granted on December 23, 2020, which vests over four years of continuous service following December 16, 2020, in 48 substantially equal monthly installments.

(7) Represents the sum of (i) $1,067,874 the aggregate grant date fair value of an option to purchase 1,719,884 shares of our common stock granted on May 13, 2020, which vests over four years of continuous service following February 12, 2020, in 48 substantially equal monthly installments and (ii) $1,454,319, the aggregate grant date fair value of an option to purchase 587,000 shares of our common stock granted on December 23, 2020, which vests over four years of continuous service following December 16, 2020, in 48 substantially equal monthly installments.

(8) Represents cash payments to Ms. Baird to supplement her housing expenses. Such payments terminated when we converted to a work-from-home policy effective in June 2020.

Narrative Explanation of Compensation Arrangements with Our Named Executive Officers

We have entered into employment agreements with each of Messrs. Dudum and Lee and Ms. Baird. Our employment agreements set forth each such named executive officer's annual base salary and, where applicable, target bonus opportunity, as well as the terms of the executive's equity awards (see also below under "*Outstanding Equity Awards at 2020 Year-End*").

The annual base salary of each named executive officer, and such officer's incentive bonus opportunity, are expected to be reviewed from time to time and adjusted when our Board of Directors or compensation committee determines an adjustment is appropriate. During the year ended December 31, 2020, the annual base salary for Mr. Dudum was $552,500; the annual base salary for Mr. Lee was $467,500; and the annual base salary for Ms. Baird was $446,250, in each case following increases approved in February 2020. For our 2020 fiscal year, the target bonus opportunity for each of our named executive officers was 17.6% of their respective base salary. The incentive bonus for our 2020 fiscal year was earned at a rate of 103% of target based on achievement of our corporate revenue target.

Certain Changes Occurring Following Completion of the 2020 Fiscal Year

Upon the closing of the Business Combination, Mr. Dudum's base salary increased to $575,000, and Mr. Lee's and Ms. Baird's to $468,000. Mr. Dudum will have a target incentive bonus of 100% of his base salary effective beginning with our 2021 fiscal year, and the target incentive bonus for Mr. Lee and Ms. Baird will increase to 50% of their base salary.

SEVERANCE AND CHANGE IN CONTROL BENEFITS

Pursuant to the change in control and severance agreements that we entered into with each of our named executive officers ("Change in Control and Severance Agreements"), if an officer is subject to a termination without cause or resigns for certain good reasons (an involuntary termination), such individual will be eligible to receive, for the nine-month period (or other period noted below) following such involuntary termination continued payment of base salary and target bonus (at 100% of goal), continued payment of the employer's portion of insurance premiums under COBRA, and vesting acceleration of all outstanding equity awards (unless our Board of Directors or compensation committee provides otherwise at the time an award is granted) as if the individual had provided continuous service through the end of such period (and the opportunity to vest into certain performance awards during the specified period following such involuntary termination).

Such nine-month period is extended to 12 months if an involuntary termination occurs during the period beginning three months prior to, and ending on the date that is 12 months after, our change in control (except with respect to Mr. Dudum, where a 12-month period applies at all times). Further, in the event of an involuntary termination that occurs in connection with, or within 12 months after, our change in control, all of the executive's then-unvested equity awards shall become vested (unless our Board of Directors or compensation committee provides otherwise at the time an award is granted), except for certain performance awards which will fully vest and become exercisable only if the applicable performance goals are satisfied within the 12-month period following such involuntary termination.

All such payments and benefits are contingent on the officer's execution and non-revocation of a general release of claims against us and satisfaction of other typical conditions.

For purposes of the executives' Change in Control and Severance Agreements:

The definitions of Change in Control and Involuntary Termination are set forth in the Change in Control and Severance Agreement, a form of which is filed as an exhibit to our SEC filings.

EMPLOYEE BENEFITS AND PERQUISITES

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as are our other full-time employees generally. With the exception of certain housing expense reimbursement provided to Ms. Baird during 2020, we generally do not provide our named executive officers with perquisites or other personal benefits. However, we do reimburse our named executive officers for their necessary and reasonable business and travel expenses incurred in connection with their services to us.

Our named executive officers are also eligible to participant in the 401(k) plan we maintain for our employees generally. The 401(k) plan is intended to qualify under Section 401(k) of the Internal Revenue Service Code, so that contributions to the 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to the employees until withdrawn, and so that contributions made by us, if any, will be deductible by us when made. Employees may elect to reduce their current compensation by up to the statutorily prescribed annual limits and to have the amount of such reduction contributed to their 401(k) plans. We did not make any matching contributions or other Company contributions to or on behalf of any employee, including our named executive officers.

PENSION BENEFITS AND NONQUALIFIED DEFERRED COMPENSATION

Our named executive officers did not participate in, or otherwise receive any benefits under, any pension or retirement plan or non-qualified deferred compensation plan sponsored by us during the year ended December 31, 2020.

EQUITY COMPENSATION

We offer equity and equity-based awards to our named executive officers as the long-term incentive component of our compensation program. We typically grant equity-based awards to new hires upon their commencing employment with us. Stock options allow employees to purchase shares of Class A Common Stock of Hims at a price per share at least equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. Restricted stock units allow employees to receive shares of our common stock upon satisfaction of specified vesting criteria. Generally, our equity-based awards vest over four years, subject to the employee's continued employment with us on each vesting date; however, we may grant, and have granted, awards with different vesting schedules from time to time, including awards that vest upon achievement of performance-based milestones.

As described above under *"Severance and Change in Control Benefits,"* equity awards granted to our named executive officers are eligible for accelerated vesting under certain circumstances.

OUTSTANDING EQUITY AWARDS AT 2020 FISCAL YEAR -END

The following table provides information regarding outstanding equity awards held by our named executive officers as of December 31, 2020. The number of shares subject to each award and, where applicable, the exercise price per share, reflect all changes as a result of our capitalization adjustments prior to the Hims & Hers Recapitalization and the Business Combination.

Except as otherwise noted below, options to purchase shares of our common stock granted prior to the Business Combination are exercisable at any time, with unvested shares acquired subject to repurchase by us at the lower of the then-fair market value or the exercise price per share, in each case following termination of the individual's continuous service with us.

The vesting schedule applicable to each outstanding award is described in the footnotes to the table below. Please note that the share numbers and exercise prices (where applicable) in the table below are presented on a pre-Business Combination basis, reflecting such awards as of December 31, 2020. In connection with the Business Combination, each share of Hims' existing Class A common stock, following the conversion of Hims preferred stock into Hims Class A Common Stock as a result of the Hims recapitalization, was converted into (i) approximately 0.4530 shares of Class A Common Stock, with the exception of Mr. Dudum who received Class A and Class V Common Stock, based on the determined exchange ratio, (ii) approximately 0.0028 warrants exercisable for shares of Class A Common Stock and (iii) approximately 0.0443 shares of Class A Common Stock that vested upon satisfaction of the earn out conditions specified in the Merger Agreement.

As described above under *"Severance and Change in Control Benefits,"* equity awards granted to our named executive officers are subject to accelerated vesting under certain circumstances.

		Option Awards					Stock Awards	
Name	Vesting Commencement Date	Equity Incentive Plan Awards: Securities Underlying Unearned, Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#) Vested	Number of Securities Underlying Unexercised Options (#) Unvested	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(1)($)
Andrew Dudum	N/A	3,583,091(2)			1.10	6/16/2030		
	N/A	7,166,182(3)			1.10	6/16/2030		
	3/13/2020		671,829(4)	2,911,262	1.10	6/16/2030		
	12/16/2020		0(4)	1,291,000	4.26	12/22/2030		
	12/16/2020						646,000(5)	9,967,780
Spencer Lee	3/4/2019		1,634,937(6)	2,102,063	0.79	5/1/2029		
	12/16/2020		0(4)	587,000	4.26	12/22/2030		
	12/16/2020						293,000(5)	4,520,990
Melissa Baird	2/6/2018		1,640,996(6)	758,058	0.18	3/28/2028		
	10/1/2019		72,916(4)	177,084	0.79	11/5/2029		
	2/12/2020		358,309(4)	1,361,575	1.10	5/12/2030		
	12/16/2020		0(4)	587,000	4.26	12/22/2030		
	12/16/2020						293,000(5)	4,520,990

(1) As there was no public market for our common stock on December 31, 2020, we have assumed that the fair value on such date was $15.43, the closing price of our common stock on January 21, 2021.

(2) The option vests in full if the per share closing trading price of our common stock on a public stock exchange is at least equal to $38.31 while Mr. Dudum remains in our continuous service, with such share price being referenced to Class A Common Stock prices following the Business Combination.

(3) The option vests in full if the per share closing trading price of our common stock on a public stock exchange is at least equal to $22.99 while Mr. Dudum remains in our continuous service, with such share price being referenced to Class A Common Stock prices following the Business Combination.

(4) The option vests over a four-year period based on the officer's continuous service with us, with 1/48th of the shares vesting following completion of each month of service after the vesting commencement date indicated above.

(5) The restricted stock units vest over a four-year period based on the officer's continuous service with us, with 6.25% of the restricted stock units vesting following completion of each period of three months of service on each of March 15, June 15, September 15 and December 15 (each, a "Company Quarterly Vesting Date"), with the first such vesting date to be the next occurring Company Quarterly Vesting Date that occurs on or after the vesting commencement date set indicated above.

(6) The option vests over a four-year period based on the officer's continuous service with us, with 25% of the shares vesting following completion of one year of service after the vesting commencement date indicated above, and 1/48th of the shares vesting following the completion of each month of continuous service thereafter.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Following the Business Combination, each of Mr. Maltz, Mr. Bard, and Ms. Green served on our compensation committee. None of the members of our compensation committee has ever been a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our Board or the compensation committee thereof.

DIRECTOR COMPENSATION

With respect to the year ended December 31, 2020, except as noted in the table below our non-employee directors did not receive cash compensation for their service on our Board and we did not have a formal non-employee director compensation program in 2020. Mr. Dudum, our Chief Executive Officer during fiscal year 2020, did not and does not receive any additional compensation for his service as a member of our Board.

Our Board approved the following non-employee director compensation program that became effective upon the closing of the Business Combination.

Each non-employee director is eligible to receive annual cash retainers for their service on our Board and committees as follows. In addition, we reimburse reasonable expenses incurred by our non-employee directors in connection with attendance at Board or committee meetings.

Position	Retainer ($)
Board Member	40,000
Lead Independent Director	10,000
Non-Executive Chair of the Board	30,000
Audit Committee Chair	20,000
Compensation Committee Chair	15,000
Nominating and Corporate Governance Committee Chair	8,000
Audit Committee Member	10,000
Compensation Committee Member	7,500
Nominating and Corporate Governance Committee Member	4,000

The compensation committee will grant to each non-employee director who first becomes a member of the Board on or after the closing of the Business Combination an initial award of restricted stock units valued at $350,000 (the "Initial Equity Award"). The Initial Equity Award will be granted on or as soon as reasonably practicable after the date of their election. Subject to the director's continuous service, the Initial Equity Award will vest with respect to one-third of the restricted stock units on each of the first three anniversaries of the date of grant of the Initial Equity Award.

Further, in each year, the compensation committee will grant to each non-employee director who continues serving on our Board after our annual stockholder meeting an award of restricted stock units valued at $175,000 (the "Annual Equity Award"). The Annual Equity Award will be granted on or as soon as reasonably practicable after the date of our annual stockholder meeting. Subject to the director's continuous service, the Annual Equity Award will vest in full on the earlier of (x) the date that is 12 months following the date of grant of the Annual Equity Award or (y) the date of our next-occurring annual stockholder meeting.

If a new non-employee director joins our Board on a date other than the date of our annual stockholder meeting, then such non-employee director will be granted a *pro rata* portion of the Annual Equity Award based on the period of service completed beginning on such non-employee director's appointment or election to our Board and ending on the date of our next occurring annual stockholder meeting.

Both the Initial Equity Award and each Annual Equity Award will vest in full if we are subject to a change in control prior to the termination of the non-employee directors' continuous service.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Total ($)
Jack Abraham*	—	—	—
Alex Bard	—	—	—
Dr. Delos Cosgrove, M.D.**	50,000(2)	—	50,000
Kirsten Green**	—	—	—
Jules Maltz	—	—	—
Lynne Chou O'Keefe***	—	1,419,497(3)	1,419,497
David Wells**	—	1,367,879(4)	1,367,879

* Mr. Abraham resigned from our Board effective as of October 21, 2020

** Dr. Cosgrove, Ms. Green and Mr. Wells were elected to our Board effective as of September 30, 2020.

*** Ms. O'Keefe was elected to our Board effective as of November 13, 2020.

(1) The amounts in this column include the aggregate grant date fair value of restricted stock units granted to the director during the year ended December 31, 2020, computed in accordance with FASB ASC Topic 718. See Note 8 to our consolidated financial statements included in our Current Report on Form 8-K, as filed with the SEC on January 26, 2021 and subsequently amended on March 22, 2021, for a discussion of the assumptions made by us in determining the grant date fair value of our equity awards, for a discussion of the assumptions made by us in determining the grant date fair values of our equity awards.

(2) Reflects amounts paid to Dr. Cosgrove pursuant to our letter agreement with him dated September 18, 2019. Such arrangement terminated upon the closing of the Business Combination, following which Dr. Cosgrove will be eligible to receive compensation pursuant to our non-employee director compensation program, described above. During our fiscal year 2019, Dr. Cosgrove received $8,333 in cash fees.

(3) Represents restricted stock units covering 322,613 shares of our common stock granted on December 23, 2020, with an aggregate grant date fair value of $1,419,497, vesting over four years of continuous service following December 15, 2020, in 16 substantially equal quarterly installments. The share numbers in this footnote are presented on a pre-Business Combination basis. In connection with the Business Combination, each share of Hims' existing Class A common stock, following the conversion of Hims preferred stock into Hims Class A Common Stock as a result of the Hims recapitalization, was converted into (i) approximately 0.4530 shares of Class A Common Stock, with the exception of Mr. Dudum who received Class A and Class V Common Stock, based on the determined exchange ratio, (ii) approximately 0.0028 warrants exercisable for shares of Class A Common Stock and (iii) approximately 0.0443 shares of Class A Common Stock that vested upon satisfaction of the earn out conditions specified in the Merger Agreement.

(4) Represents restricted stock units covering 322,613 shares of our common stock granted on November 13, 2020, with an aggregate grant date fair value of $1,367,879, vesting over four years of continuous service following December 15, 2020, in 16 substantially equal quarterly installments. The share numbers in this footnote are presented on a pre-Business Combination basis.

As of December 31, 2020, Dr. Cosgrove held an outstanding option to purchase 200,000 shares of our common stock, and each of Ms. O'Keefe and Mr. Wells held restricted stock units covering 322,613 shares of our common stock. In January 2021, and prior to our non-employee director compensation program becoming effective, each of Ms. Green, Mr. Maltz and Mr. Bard were granted 78,651 restricted stock units, with such awards vesting over four years of continuous service provided by each director. The share numbers referenced in this paragraph are presented on a pre-Business Combination basis.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our Class A Common Stock and Class V Common Stock as of April 21, 2021 by:

- each person known by us to be the beneficial owner of more than 5% of outstanding Class A Common Stock;
- each of our current named executive officers and directors; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days and shares of Class A Common Stock underlying restricted stock units that may be settled within 60 days of April 21, 2021.

The beneficial ownership of our Class A Common Stock is based on 183,409,192 shares of Class A Common Stock and 8,377,623 shares of the Class V Common Stock issued and outstanding as of April 21, 2021.

Unless otherwise indicated, we believe that each person named in the table below has sole voting and investment power with respect to all shares of common stock beneficially owned by him.

Name and Address of Beneficial Owners(1)	Number of Shares of Class A Common Stock(2)	%	Number of Shares of Class V Common Stock	%	% of Total Voting Power(3)
Directors and current named executive officers:					
Andrew Dudum(4)	26,981,416	14.1%	8,377,623	100%	90.1%
Spencer Lee(5)	2,016,959	1.1%	—	—*	
Melissa Baird(6)	2,473,563	1.3%	—	—*	
Alex Bard(7)	10,438,673	5.7%	—	—*	
Delos Cosgrove(8)	93,985	*	—	—*	
Kirsten Green(9)	9,796,827	5.3%	—	—*	
Jules Maltz(10)	20,486,981	11.2%	—	—	1.2%
Lynne Chou O'Keefe(11)	158,520*		—	—*	
David Wells	—	—	—	—	—
Ambar Bhattacharyya(12)	1,718,644*		—	—*	
Andrea Perez	—	—	—	—	—
All directors and executive officers as a group (13 persons) (13)	75,431,745	38.4%	8,377,623	100%	93.0%
Entities affiliated with Atomic Labs(14)	10,883,142	5.9%	—	—*	
Entities affiliated with Forerunner Ventures(15)	9,796,827	5.3%	—	—*	
Entities affiliated with Institutional Venture Partners(16)	20,486,981	11.2%	—	—	1.2%
Entities affiliated with NewView Capital(17)	14,777,289	8.1%	—	—*	
Entities affiliated with Redpoint Ventures(18)	10,438,673	5.7%	—	—*	
Entities affiliated with Thrive Capital Partners V, L.P.(19)	15,389,541	8.4%	—	—*	
Jack Abraham(20)	24,205,808	13.2%	—	—	1.5%
Disruptive Technology Solutions XI, LLC(21)	9,237,917	5.0%	—	—*	

* Less than 1%

(1) Unless otherwise noted, the business address of each executive officer and director is 2269 Chestnut Street, #523, San Francisco, California 94123.

(2) Beneficial ownership as of April 21, 2021 is based on (A) 183,409,192 shares of our Class A Common Stock outstanding as of such date and (B) 8,377,623 shares of our Class V Common Stock outstanding as of such date.

(3) Percentage of total voting power represents voting power with respect to all shares of Class A Common Stock and Class V Common Stock, held beneficially as a single class. The holders of Class V Common Stock are entitled to 175 votes per share, and holders of Class A Common Stock are entitled to one vote per share.

(4) Includes (i) 11,073,381 shares of Class A Common Stock held by trusts affiliated with Mr. Dudum, (ii) 8,377,623 shares of Class V Common Stock held by a trust affiliated with Mr. Dudum, (iii) 7,077,074 shares of Class A Common Stock underlying stock options exercisable within 60 days, (iv) 405,548 shares of Class A Common Stock issuable pursuant to restricted stock units ("RSUs") that will be time-based vested and may be subject to settlement within 60 days, (v) 110,610 warrants exercisable for shares of Class A Common Stock held by trusts affiliated with Mr. Dudum, (vi) 8,268,565 shares of Class A Common Stock held by Atomic Labs II, L.P., and (vii) 46,238 warrants exercisable for shares of Class A Common Stock held by Atomic Labs II, L.P. Mr. Dudum may be deemed to share voting or dispositive power over the shares held by Atomic Labs II, L.P.

(5) Includes (i) 1,909,314 shares of Class A Common Stock underlying stock options exercisable within 60 days and (ii) 107,645 shares of Class A Common Stock issuable pursuant to RSUs that will be time-based vested and may be subject to settlement within 60 days.

(6) Includes (i) 140,458 shares of Class A Common Stock, (ii) 556 warrants exercisable for shares of Class A Common Stock,(iii) 2,203,938 shares of Class A Common Stock underlying stock options exercisable within 60 days and (iv) 128,611 shares of Class A Common Stock issuable pursuant to RSUs that will be time-based vested and may be subject to settlement within 60 days.

(7) Includes the shares of Class A Common Stock referenced in footnote 18.

(8) Includes (i) 90,596 shares of Class A Common Stock underlying a stock option exercisable within 60 days and (ii) 3,389 shares of Class A Common Stock issuable pursuant to RSUs that will be time-based vested and may be subject to settlement within 60 days.

(9) Includes the shares of Class A Common Stock referenced in footnote 15.

(10) Includes the shares of Class A Common Stock referenced in footnote 16.

(11) Includes (i) 157,639 shares of Class A Common Stock held by Define Ventures Fund I, L.P. and (ii) 881 warrants exercisable for shares of Class A Common Stock held by Define Ventures Fund I, L.P. Ms. Chou O'Keefe may be deemed to share voting or dispositive power over the shares held by Define Ventures Fund I, L.P.

(12) Includes (i) 610,490 shares of Class A Common Stock and 3,412 warrants exercisable for shares of Class A Common Stock held by Maverick Advisors Fund, L.P. and (ii) 1,098,602 shares of Class A Common Stock and 6,140 warrants exercisable for shares of Class A Common Stock held by Maverick Ventures Investment Fund, L.P. Maverick Capital Ventures, LLC ("Maverick Ventures") is the general partner of Maverick Advisors Fund, L.P. and Maverick Ventures Investment Fund, L.P. Mr. Bhattacharyya disclaims beneficial ownership of the securities held by Maverick Advisors Fund, L.P. and Maverick Ventures Investment Fund, L.P. and shall not be deemed an admission that he is the beneficial owner of such securities, except to the extent of his indirect pecuniary interest therein, if any, by virtue of his interest in Maverick Ventures. The business address of each of the entities identified in this footnote is c/o Maverick Ventures, 1 Letterman Drive, Building D, San Francisco, CA 94129.

(13) Includes (i) 62,212,910 shares of Class A Common Stock, (ii) 12,142,486 shares of Class A Common Stock underlying stock options exercisable within 60 days, (iii) 679,986 shares of Class A Common Stock issuable pursuant to RSUs that will be time-based vested and may be subject to settlement within 60 days, (iv) 396,363 warrants exercisable for shares of Class A Common Stock and (v) 8,377,623 shares of Class V Common Stock.

(14) Based solely on information reported on a Schedule 13G filed with the SEC on February 2, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13G, holdings include (i) 1,301,976 shares of Class A Common Stock and 7,280 warrants exercisable for shares of Class A Common Stock held by Atomic Labs I, L.P., (ii) 973,211 shares of Class A Common Stock and 5,442 warrants exercisable for shares of Class A Common Stock held by Atomic Labs I-B, L.P., (iii) 8,268,565 shares of Class A Common Stock and 46,238 warrants exercisable for shares of Class A Common Stock held by Atomic Labs II, L.P. and (iv) 278,871 shares of Class A Common Stock and 1,559 warrants exercisable for shares of Class A Common Stock held by Atomic Incentives, LLC. Jack Abraham is the majority member and sole manager of Atomic Labs, LLC, which is the sole member and manager of Atomic Incentives, LLC. In addition, Jack Abraham is the sole member of Atomic Labs GP I, LLC, which is the general partner and manager of Atomic Labs I, L.P. and Atomic Labs, I-B, L.P. Atomic Labs GP I, LLC has designated its management rights as manager of Atomic Labs I, L.P. and Atomic Labs I-B, L.P. to Atomic Labs, LLC. Both Jack Abraham and Andrew Dudum, who serves as Chief Executive Officer and as a member of our Board, are managing members of Atomic GP II, LLC. Atomic GP II, LLC is the general partner and manager of Atomic Labs II, L.P. Atomic GP II, LLC has designated its management rights as manager of Atomic Labs II, L.P. to Atomic Labs, LLC. As majority member and sole manager of Atomic Labs, LLC, Jack Abraham may be deemed to have voting and dispositive power over the shares held by Atomic Labs I, L.P., Atomic Labs I-B, L.P., Atomic Labs II, L.P. and Atomic Incentives, LLC. The business address of each of the entities identified in this footnote is c/o Atomic Labs, LLC, 1 Letterman Drive, Suite C-3500, San Francisco, CA 94129.

(15) Based solely on information reported on a Schedule 13D filed with the SEC on February 1, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13D, holdings include (i) 827,634 shares of Class A Common Stock and 4,628 warrants exercisable for shares of Class A Common Stock held by Forerunner Builders II, L.P. and (ii) 8,914,715 shares of Class A Common Stock and 49,850 warrants exercisable for shares of Class A Common Stock held by Forerunner Partners III, L.P. Forerunner Ventures GP III, LLC is the general partner of Forerunner Builders II, L.P. and Forerunner Partners III, L.P. Kirsten Green and Eurie Kim are the managing members of Forerunner Ventures GP III, LLC and may be deemed to share voting and dispositive power over the shares held by Forerunner Builders II, L.P. and Forerunner Partners III, L.P. The business address of each of the entities identified in this footnote is c/o Forerunner Ventures, 1161 Mission Street, Suite 300, San Francisco, CA 94103.

(16) Based solely on information reported on a Schedule 13D filed with the SEC on February 1, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13D, holdings include (i) 53,895 shares of Class A Common Stock and 297 warrants exercisable for shares of Class A Common Stock held by Institutional Venture Partners XV Executive Fund, L.P. ("IVP XV Executive Fund"), (ii) 10,132,631 shares of Class A Common Stock and 56,659 warrants exercisable for shares of Class A Common Stock held by Institutional Venture Partners XV Fund, L.P. ("IVP XV") and (iii) 10,186,538 shares of Class A Common Stock and 56,961 warrants exercisable for shares of Class A Common Stock held by Institutional Venture Partners XVI Fund, L.P. ("IVP XVI"). Institutional Venture Management XV LLC is the general partner of IVP XV Executive Fund and IVP XV. Institutional Venture Management XVI LLC is the general partner of IVP XVI. Todd C. Chaffee, Somesh Dash, Norman A. Fogelsong, Stephen J. Harrick, Eric Liaw, Jules A. Maltz, J. Sanford Miller and Dennis B. Phelps are the managing directors of Institutional Venture Management XV LLC and Institutional Venture Management XVI LLC and may be deemed to share voting and dispositive power over the shares held by IVP XV Executive Fund, IVP XV and IVP XVI. The business address of each of the entities identified in this footnote is c/o Institutional Venture Partners, 3000 Sand Hill Road, Building 2 Suite 250, Menlo Park, CA 94025.

(17) Based solely on information reported on a Schedule 13G filed with the SEC on February 1, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13G, holdings include (i) 5,046,165 shares of Class A Common Stock and 28,216 warrants exercisable for shares of Class A Common Stock held by NewView Capital Fund I, L.P. ("NewView Fund I") and (ii) 9,648,950 shares of Class A Common Stock and 53,958 warrants exercisable for shares of Class A Common Stock held by NewView HMS SPV, LLC ("NewView SPV"). NewView Capital Partners I, LLC is the general partner of NewView Fund I and NewView HMS Partners, LLC is the managing member of NewView SPV. Ravi Viswanathan is the managing member of NewView Capital Partners I, LLC and the manager of NewView HMS Partners, LLC and therefore may be deemed to hold voting and dispositive power over the shares held by NewView Fund I and NewView SPV. The business address of each of the entities identified in this footnote is c/o NewView Capital, 1201 Howard Avenue, Suite 101, Burlingame, CA 94010.

(18) Based solely on information reported on a Schedule 13D filed with the SEC on February 1, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13D, holdings include (i) 10,069,213 shares of Class A Common Stock and 56,307 warrants exercisable for shares of Class A Common Stock held by Redpoint Ventures VI, L.P. ("RV VI") and (ii) 311,414 shares of Class A Common Stock and 1,739 warrants exercisable for shares of Class A Common Stock held by Redpoint Associates VI, L.L.C. ("RA VI"). Redpoint Ventures VI, LLC ("RV VI LLC") is the sole general partner of RV VI. Voting and dispositive decisions with respect to the shares held by RV VI and RA VI are made by the managers of RV VI LLC and RA VI: Alexander Bard, Jeffrey D. Brody, Satish Dharmaraj, Christopher B. Moore, Scott C. Raney, Tomasz Tunguz and David Yuan. The business address of each of the entities identified in this footnote is c/o Redpoint Ventures, 3000 Sand Hill Road, Building 2, Suite 290, Menlo Park, CA 94025.

(19) Based solely on information reported on a Schedule 13G filed with the SEC on January 29, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13G, holdings include (i) 15,026,181 shares of Class A Common Stock and 84,027 warrants exercisable for shares of Class A Common Stock held by Thrive Capital Partners V, L.P. ("Thrive V") and (ii) 277,782 shares of Class A Common Stock and 1,551 warrants exercisable for shares of Class A Common Stock held by Claremount V Associates, L.P. ("Claremount V"). Thrive Partners V GP, LLC ("Thrive V GP") is the general partner of each of Thrive V and Claremount V. Joshua Kushner is the sole managing member of Thrive V GP (the "Managing Member") and, in his capacity as Managing Member of Thrive V GP, has voting and dispositive power over the shares held by Thrive V and Claremount V. The business address of each of the entities identified in this footnote is c/o Thrive Capital, 295 Lafayette Street, Suite 701, New York, NY 10012.

(20) Based solely on information reported on a Schedule 13G filed with the SEC on February 2, 2021 and which information may not be current as of April 21, 2021. According to the Schedule 13G, holdings include (i) the shares held by the entities affiliated with Atomic Labs referenced in footnote 14, (ii) 8,159,021 shares of Class A Common Stock and 45,626 warrants exercisable for shares of Class A Common Stock held by F41 Investments LLC, (iii) 717,527 shares of Class A Common Stock and 4,012 warrants exercisable for shares of Class A Common Stock held by Jack Abraham and (iv) 4,372,031 shares of Class A Common Stock and 24,449 warrants exercisable for shares of Class A Common Stock held by The Jack Abraham 2020 Irrevocable Trust A. Mr. Abraham may be deemed to hold voting and dispositive power over all of these shares. The address of Mr. Abraham is Atomic Labs, LLC, 1 Letterman Drive, Suite C-3500, San Francisco, CA 94129.

(21) Includes 9,186,551 shares of Class A Common Stock and 51,366 warrants exercisable for shares of Class A Common Stock held by Disruptive Technology Solutions XI, LLC ("DTS XI"). Disruptive Technology Advisers LLC ("DTA") is the investment adviser to DTS XI. Alexander Davis is the Chief Executive Officer of DTA and has sole voting and investment power with respect to the Common Stock held by DTS XI. The address for DTS XI is 1801 Century Park East, Suite 2220, Los Angeles, California 90067.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2020, we did not have any securities authorized for issuance under equity compensation plans. In connection with the Business Combination, our stockholders approved the Hims & Hers Health, Inc. 2020 Equity Incentive Plan (the "Incentive Equity Plan") and Hims & Hers Health, Inc. 2020 Employee Stock Purchase Plan (the "ESPP"). We also assumed all outstanding awards under the Hims & Hers, Inc. 2017 Stock Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

POLICIES AND PROCEDURES FOR RELATED PARTY TRANSACTIONS

We have adopted a written related person transaction policy that sets forth the following policies and procedures for the review and approval or ratification of related person transactions.

A "Related Person Transaction" is a transaction, arrangement or relationship in which Hims & Hers or any of its subsidiaries was, is or will be a participant, the amount of which involved exceeds the lesser of $120,000 or one percent of the average of Hims & Hers' total assets at year-end for the last two completed fiscal years, and in which any related person had, has or will have a direct or indirect material interest. A "Related Person" means:

- any person who is, or at any time during the applicable period was, one of Hims & Hers' officers or one of Hims & Hers' directors;
- any person who is known by Hims & Hers to be the beneficial owner of more than 5% of its voting stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, officer or a beneficial owner of more than 5% of its voting stock, and any person (other than a tenant or employee) sharing the household of such director, officer or beneficial owner of more than 5% of its voting stock; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Our policies and procedures are designed to minimize potential conflicts of interest arising from any dealings we may have with our affiliates and to provide appropriate procedures for the disclosure of any real or potential conflicts of interest that may exist from time to time. Specifically, pursuant to its charter, the audit committee has the responsibility to review related party transactions. All of the transactions described in the "Related Party Transactions" section below were entered into prior to the adoption of this policy.

RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements with directors and named executive officers described elsewhere in this Amendment, since January 1, 2019, we were involved in the following transactions in which we were or are a party involving an amount in excess of $120,000 and in which any director, executive officer, holder of more than 5% of our capital stock, or any member of the immediate family or person sharing the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

References to Hims share numbers and prices per share are to Hims capital stock and the prices thereof before the Business Combination. Adjustments to such share numbers and prices per share have not been made to give effect to the Business Combination.

Hims Recapitalization

In connection with the Business Combination, OAC, Hims and other parties listed thereto entered into the Merger Agreement, pursuant to which Hims became a wholly-owned subsidiary of OAC (i.e., the Merger).

In order to implement the dual class common stock structure that resulted in Andrew Dudum, including his affiliates and permitted transferees, holding approximately 90% of the aggregate voting power of our capital stock on a fully-diluted basis immediately following the Business Combination, the board of directors and requisite stockholders of Hims approved the Hims Recapitalization, pursuant to which each share of preferred stock of Hims, par value $0.000001 per share ("Hims Preferred Stock"), and each share of Hims Class F Common Stock converted into Hims Class A Common Stock, at the applicable then-effective conversion rate immediately prior to the time at which the Merger becomes effective ("Effective Time"). As part of the Hims Recapitalization, a portion of the outstanding shares of Hims Class A Common Stock held by Mr. Dudum and his affiliates and permitted transferees representing approximately 33% of the sum of (a) the number of shares of Hims capital stock held by Mr. Dudum and his affiliates and permitted transferees plus (b) the underlying vested and unvested Hims equity awards held by Mr. Dudum were exchanged for shares of Hims Class V common stock. This exchange of Hims Class A Common Stock for Hims Class V common stock occurred pursuant to a share exchange agreement between Mr. Dudum and his affiliates, Hims and Hims & Hers. Under the terms of this share exchange agreement, Hims & Hers agreed to treat the share exchange as a tax-free transaction and agreed to indemnify Mr. Dudum for taxes and any applicable penalties and associated costs if such exchange is not tax free. In accordance with the Merger Agreement, the Hims Class V Common Stock received by Mr. Dudum and his affiliates in the exchange was converted into the right to receive shares of Class V Common Stock.

Equity Financings

Sale of Series A-1 Preferred Stock of Hims

In July 2020, Hims issued 12,676,074 shares of Series A-1 preferred stock, par value $0.000001 per share ("Series A-1 Preferred Stock") to Atomic Labs I, L.P. and Atomic Labs I-B, L.P. upon the conversion of approximately $0.8 million in indebtedness. Andrew Dudum and Jack Abraham, a former member of the Hims Board of Directors and its prior president, are affiliated with Atomic Labs and its associated entities. Each share of Series A-1 Preferred Stock was converted into shares of Hims Class A Common Stock in connection with the Hims Recapitalization and then exchanged for Class A Common Stock upon completion of the Business Combination, as provided in the Merger Agreement.

Sale of Series C Preferred Stock of Hims

In March April, June and August 2019, Hims sold an aggregate of 29,623,203 shares of its Series C preferred stock, par value $0.000001 per share ("Series C Preferred Stock"), at a purchase price of $3.47 per share to accredited investors for an aggregate purchase price of approximately $102.8 million. Each share of Series C Preferred Stock was converted into shares of Hims Class A Common Stock in connection with the Hims Recapitalization and then exchanged for Class A Common Stock upon completion of the Business Combination, as provided in the Merger Agreement.

The following table summarizes purchases of shares of Hims' Series C Preferred Stock by its executive officers, directors, and holders of more than 5% of its capital stock.

	Shares of Series C Convertible Preferred Stock	
Purchaser	**Number of Shares**	**Aggregate Gross Consideration ($)**
Disruptive Technology Solutions XI, LLC(1)	12,307,918	$ 42,708,475
Forerunner Partners III, L.P.(2)	288,184	$ 999,998
Redpoint Ventures VI, L.P.(3)	559,078	$ 1,940,001
Redpoint Associates VI, LLC(4)	17,291	$ 60,000
Thrive Capital Partners V, L.P.(5)	70,738	$ 245,461
Claremount V Associates, L.P.(6)	1,308	$ 4,539
Institutional Venture Partners XV, L.P.(7)	1,433,298	$ 4,973,544
Institutional Venture Partners XVI, L.P.(8)	1,440,922	$ 4,999,999
Institutional Venture Partners XV Executive Fund, L.P.(9)	7,624	$ 26,456
Define Ventures Fund I, L.P. (10)	288,184	$ 999,998
Total	16,414,545	$ 56,958,471

(1) Disruptive Technology Solutions XI, LLC holds more than 5% of capital stock in Hims.
(2) Forerunner Partners III, L.P. holds more than 5% of capital stock in Hims. Kirsten Green, a member of the board of directors of Hims (the "Hims Board of Directors") and the Hims & Hers Board of Directors, is affiliated with Forerunner Partners III, L.P.
(3) Redpoint Ventures VI, L.P. holds more than 5% of the capital stock of Hims. Alex Bard, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Redpoint Ventures.
(4) Redpoint Associates VI, L.L.C. is affiliated with Redpoint Ventures, which holds more than 5% of the capital stock of Hims. Alex Bard, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Redpoint Ventures.
(5) Thrive Capital Partners V, L.P. holds more than 5% of the capital stock of Hims.
(6) Claremount V Associates, L.P. is an affiliate of Thrive Capital Partners V, L.P. holds more than 5% of the capital stock of Hims.
(7) Institutional Venture Partners XV, L.P. holds more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(8) Institutional Venture Partners XVI, L.P. holds more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(9) Institutional Venture Partners XV Executive Fund, L.P. Fund is an affiliate of Institutional Venture Partners XVI, L.P., which holds more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(10) Lynne Chou O'Keefe, a member of Hims' board directors, is affiliated with Define Ventures Fund I, L.P.

Sale of Series D Preferred Stock of Hims

In March, April and July 2020, Hims sold an aggregate of 16,495,335 shares of its Series D preferred stock, par value $0.000001 per share ("Series D Preferred Stock") at a purchase price of $3.1545 per share to accredited investors for an aggregate purchase price of approximately $52 million. Each share of Series D Preferred Stock was converted into shares of Hims Class A Common Stock in connection with the Hims Recapitalization and then exchanged for Class A Common Stock upon completion of the Business Combination, as provided in the Merger Agreement.

The following table summarizes purchases of shares of Hims' Series D Preferred Stock by its executive officers, directors, and holders of more than 5% of its capital stock.

	Shares of Series D Convertible Preferred Stock	
Purchaser	Number of Shares	Aggregate Gross Consideration ($)
Disruptive Technology Solutions XI, LLC(1)	2,219,052	$ 7,000,000
Institutional Venture Partners XV, L.P.(2)	835,625	$ 2,635,979
Institutional Venture Partners XVI, L.P.(3)	840,070	$ 2,650,001
Institutional Venture Partners XV Executive Fund, L.P.(4)	4,445	$ 14,022
Redpoint Ventures VI, L.P.(5)	307,497	$ 969,999
Redpoint Associates VI, L.L.C.(6)	9,510	$ 29,999
NewView Capital Fund I, L.P.(7)	1,585,037	$ 4,999,999
Forerunner Builders II, L.P.(8)	1,664,289	$ 5,250,000
Total	7,465,525	$ 23,549,999

(1) Disruptive Technology Solutions XI, LLC held more than 5% of capital stock in Hims.
(2) Institutional Venture Partners XV, L.P. held more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(3) Institutional Venture Partners XVI, L.P. held more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(4) Institutional Venture Partners XV Executive Fund, L.P. Fund is an affiliate of Institutional Venture Partners XVI, L.P., which held more than 5% of capital stock in Hims. Jules Maltz, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Institutional Venture Partners.
(5) Redpoint Ventures VI, L.P. held more than 5% of the capital stock of Hims. Alex Bard, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Redpoint Ventures.
(6) Redpoint Associates VI, L.L.C. is affiliated with Redpoint Ventures, which held more than 5% of the capital stock of Hims. Alex Bard, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Redpoint Ventures.
(7) NewView Capital Fund I, L.P. is affiliated with NewView HMS SPV, LLC, which held more than 5% of the capital stock of Hims.
(8) Forerunner Builders II, L.P. is an affiliate of Forerunner Partners III, L.P., which held more than 5% of capital stock in Hims, Kirsten Green, a member of the Hims Board of Directors and the Hims & Hers Board of Directors, is affiliated with Forerunner Partners III, L.P.

Amended and Restated Investors' Rights Agreement

In October 2020, Hims entered into an Amended and Restated Investors' Rights Agreement (the "A&R IRA" and together with the Sponsor Registration Rights Agreement, the "Registration Rights Agreements") that became effective upon the completion of the Business Combination. Under the terms of the A&R IRA, Hims assigned its obligations under the A&R IRA to Hims & Hers such that Hims & Hers is obligated to take steps to register the shares of Class A Common Stock held by the former Hims stockholders after the closing of the Business Combination. The following former holders of more than 5% of Hims' capital stock are party to the A&R IRA: entities affiliated with Thrive Capital Partners V, L.P., entities affiliated with F41 Investments, LLC, entities affiliated with Atomic Labs II, L.P., entities affiliated with Institutional Venture Partners XVI, L.P., entities affiliated with Redpoint Ventures VI, L.P., entities affiliated with NewView HMS SPV, LLC, Disruptive Technology Solutions XI, LLC, and entities affiliated with Forerunner Partners III, L.P. Certain of our directors are affiliated with these stockholders, as set forth in the "*Security Ownership of Certain Beneficial Owners and Management*," which disclosure is hereby incorporated by reference in this section. These stockholders are entitled to rights with respect to the registration of their shares of Class A Common Stock. In particular, the A&R IRA provides such Hims stockholders with the following rights and obligations:

- *Shelf registration rights.* Certain holders of Class A Common Stock are entitled to include such shares in the Resale Shelf Registration Statement, subject to the terms described below in "*Sponsor Registration Rights Agreement—Shelf Registration Rights*," which Resale Shelf Registration Statement was filed on Form S-1 on February 5, 2021 and declared effective on February 12, 2021.
- *Piggyback registration rights.* At any time after January 20, 2021, if Hims & Hers proposes to file a registration statement to register any of its equity securities under the Securities Act of 1933, as amended (the "Securities Act") or to conduct a public offering, either for its own account or for the account of any other person, subject to certain exceptions, parties to the A&R IRA are entitled to include their registrable securities in such registration statement.
- *Expenses and indemnification.* All fees, costs and expenses of underwritten registrations are borne by Hims & Hers and underwriting discounts and selling commissions are borne by the holders of the shares being registered. The A&R IRA contains customary cross-indemnification provisions, under which Hims & Hers is obligated to indemnify holders of registrable securities in the event of material misstatements or omissions in the registration statement attributable to Hims & Hers, and holders of registrable securities are obligated to indemnify Hims & Hers for material misstatements or omissions attributable to them.

- *Termination of Registration Rights*. A party to the A&R IRA is no longer entitled to exercise registration rights under that agreement (i) at a time that is more than five years after January 20, 2021, (ii) as to a particular party, such earlier time at which such party (a) can sell all of its securities in compliance with Rule 144(b)(1)(i) or (b) holds one percent or less of Hims & Hers' outstanding capital stock and all registrable securities held by such party can be sold under Rule 144 without restriction during any three month period.
- *Lock—up.* Each party to the A&R IRA agreed that it will not, without the prior written consent of Hims & Hers, during the period commencing on January 20, 2021 and ending on the date that is one hundred eighty days after January 20, 2021 (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Class A Common Stock or any securities convertible into or exercisable or exchangeable for Class A Common Stock issued or issuable to such party pursuant to the Merger Agreement (collectively, the "Lock-Up Shares"), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Shares. The lock-up restrictions contain customary exceptions, including for estate planning transfers, affiliates transfers, and transfers upon death or by will.

Loans to Executive Officers and Directors

In May 2018, Hims entered into a partial-recourse promissory note with Jack Abraham, its prior president and a former member of the Hims Board of Directors. The note was entered into with Mr. Abraham in connection with his exercise of an option to purchase 3,563,676 shares of Hims Class A Common Stock at a purchase price of $0.18 per share. The aggregate original principal amount of the note was $641,462. The loan bore interest at a rate of 2.94% per annum, compounded annually. As of September 30, 2020, the outstanding balance of the loan was approximately $687,699, including principal of approximately $641,462 and total accrued unpaid interest of approximately $46,207. Repayment of the note was secured by a stock pledge agreement. Mr. Abraham repaid $693,771.20, all amounts due under the promissory note, prior to the Closing. Mr. Abraham has no further obligations under the promissory note.

In May 2018, Hims entered into a partial-recourse promissory note with Andrew Dudum, its Chief Executive Officer and a member of the Hims Board of Directors. The note was entered into with Mr. Dudum in connection with his exercise of an option to purchase 28,412,741 shares of Hims Class A Common Stock at a purchase price of $0.18 per share. The aggregate original principal amount of the note was $5,114,293. The loan bore interest at a rate of 2.94%, per annum, compounded annually. As of September 30, 2020, the outstanding balance of the loan was approximately $5,482,699 including principal of approximately $5,114,293 and total accrued unpaid interest of approximately $368,406. To satisfy the remaining amounts due under the promissory note, Mr. Dudum forfeited 3,285,466 shares of Class A Common Stock. Mr. Dudum has no further obligations under the promissory note.

In September 2018, Hims entered into a partial-recourse promissory note with Soleil Boughton, its Chief Legal Officer. The note was entered into with Ms. Boughton in connection with her option to purchase 350,000 shares of Hims Class A Common Stock at a purchase price of $0.70 per share. The aggregate original principal amount of the note was $245,000. The loan bore interest at a rate of 3.02%, per annum, compounded annually. As of September 30, 2020, the outstanding balance of the loan was approximately $260,492, including principal of approximately $245,000 and total accrued unpaid interest of approximately $15,492. Repayment of the note was secured by a stock pledge agreement. Ms. Boughton repaid $262,865.30, all amounts due under the promissory note, prior to the Closing. Ms. Boughton has no further obligations under the promissory note.

In September 2019, Hims entered into another partial-recourse promissory note with Ms. Boughton. The note was entered into with Ms. Boughton in connection with her exercise of an option to purchase 400,000 shares of Hims Class A Common Stock at a purchase price of $0.79 per share. The aggregate original principal amount of the note was $316,000. The loan bore interest at a rate of 2.21%, per annum, compounded annually. As of September 30, 2020, the outstanding balance of the loan was approximately $323,110, including principal of approximately $316,000 and total accrued unpaid interest of approximately $7,110. Repayment of the note was secured by a stock pledge agreement. Ms. Boughton repaid $237,178.13 prior to the closing of the Business Combination and forfeited 5,232 shares of Class A Common Stock in full satisfaction of all amounts due under the note. Ms. Boughton has no further obligations under the promissory note.

In August 2019, Hims loaned Melissa Waters, its then-Chief Marketing Officer, $1,422,000 pursuant to a partial-recourse promissory note for the purpose of financing the acquisition by her of 1,800,000 shares of Hims Class A Common Stock underlying a stock option. The loan accrued interest at a rate of 2.33% per annum and was due in full on the earlier of (i) August 21, 2029 or (ii) Hims' consummation of a liquidity event as defined in our restated certificate of incorporation as in effect from time to time. As of September 30, 2020, the aggregate outstanding balance of the loan was approximately $547,115, including aggregate principal of $533,250 and aggregate accrued and unpaid interest of $13,865. Ms. Waters' employment with Hims terminated in May 2020 and she is no longer an executive officer of Hims. Upon Ms. Waters' departure from Hims, Hims repurchased approximately $888,750 worth of shares through the cancellation of $888,750 of Ms. Waters' outstanding principal pursuant to this promissory note. To satisfy the remaining amounts due under the promissory note, Ms. Waters forfeited 32,719 shares of Class A Common Stock. Ms. Waters has no further obligations under this promissory note.

Warrants

In February 12, 2020, Hims issued warrants to Institutional Venture Partners XV, L.P. ("IVP"), a holder of greater than 5% of the capital stock of Hims, in relation to IVP's $4,973,544 investment in Hims' Series C Preferred Stock financing. This warrant was exercisable until February 12, 2027 for shares of Hims Series C Preferred Stock at a per-share price of $0.01 (subject to equitable adjustment in the event of any further stock split, stock dividend, reverse stock split or similar recapitalization event). In October 2020, IVP exercised the warrants by electing to purchase 288,183 shares of Hims Series C Preferred Stock.

On February 12, 2020, Hims issued a warrant to Forerunner Partners III, L.P. ("Forerunner"), a holder of greater than 5% of the capital stock of Hims, in relation to Forerunner's investment in Hims' Series C Preferred Stock financing. This warrant was exercisable until February 12, 2027 for shares of Series C Preferred Stock of Hims at a per-share price of $0.01 (subject to equitable adjustment in the event of any further stock split, stock dividend, reverse stock split or similar recapitalization event) (the "Forerunner Warrant"). On September 15, 2020, Forerunner exercised the Forerunner Warrant by electing to purchase 28,818 shares of Hims Series C Preferred Stock pursuant to the terms of the Forerunner Warrant.

On February 12, 2020, Hims issued a warrant to Disruptive Technology Solutions XI, LLC ("DTA"), a holder of greater than 5% of the capital stock of Hims, in relation to DTA's investment in Hims' Series C Preferred Stock financing. This warrant was exercisable until February 12, 2027 for shares of Series C Preferred Stock of Hims at a per-share price of $0.01 (subject to equitable adjustment in the event of any further stock split, stock dividend, reverse stock split or similar recapitalization event) (the "DTA Warrant"). On June 2, 2020, DTA exercised the DTA Warrant by electing to purchase 1,230,791 shares of Hims Series C Preferred Stock pursuant to the terms of the DTA Warrant.

On February 12, 2020, Hims issued a warrant to Redpoint Ventures VI, L.P. ("Redpoint Ventures"), a holder of greater than 5% of the capital stock of Hims, in relation to Redpoint Ventures' investment in Hims' Series C Preferred Stock financing. This warrant was exercisable until February 12, 2027 for shares of Series C Preferred Stock of Hims at a per-share price of $0.01 (subject to equitable adjustment in the event of any further stock split, stock dividend, reverse stock split or similar recapitalization event) (the "Redpoint Ventures Warrant"). On June 24, 2020, Redpoint Ventures exercised the Redpoint Ventures Warrant by electing to purchase 55,907 shares of Hims Series C Preferred Stock pursuant to the terms of the Redpoint Ventures Warrant.

On February 12, 2020, Hims issued a warrant to Define Ventures Fund I, L.P. ("Define Ventures"), in relation to Define Ventures' investment in Hims' Series C Preferred Stock financing. Lynne Chou O'Keefe, a member of the board directors of Hims and Hims & Hers, is affiliated with Define Ventures. This warrant was exercisable until February 12, 2027 for shares of Series C Preferred Stock of Hims at a per-share price of $0.01 (subject to equitable adjustment in the event of any further stock split, stock dividend, reverse stock split or similar recapitalization event) (the "Define Ventures Warrant"). On October 20, 2020, Define Ventures exercised the Define Ventures Warrant by electing to purchase 28,818 shares of Hims Series C Preferred Stock pursuant to the terms of the Define Ventures Warrant.

Each share of Hims' Series C Preferred Stock converted automatically into shares of Hims Class A Common Stock in connection with the Hims Recapitalization and ultimately into merger consideration pursuant to the Merger Agreement.

Secondary Sales

On September 23, 2019, Andrew Dudum, Hims' Chief Executive Officer and a member of its board of directors, sold 1,627,132 shares of Hims Class A Common Stock to third party purchasers at $2.7656 per share for aggregate consideration of $4,499,996 pursuant to Class A Common Stock Purchase Agreements. Under the terms of that certain Master Collaboration Agreement between Hims and such third party purchasers, the purchasers were granted a put right entitling them to sell the shares purchased from Mr. Dudum to Hims at $2.7656 per share for a defined period. The put right expired on March 23, 2020 without the purchasers exercising their rights to sell the shares purchased from Mr. Dudum to Hims.

Hims Pre-Closing Redemption

Prior to the closing of the Business Combination, Hims offered to repurchase and cancel up to $75.0 million of its capital stock from certain eligible Hims stockholders for a per share amount of cash, payable concurrently with or immediately following the closing of the Business Combination, equal to $4.56 (the "Hims Pre-Closing Redemption"). Only eligible Hims stockholders were permitted to participate in the Hims Pre-Closing Redemption. A Hims Stockholder was eligible to sell shares of Hims capital stock in the Hims Pre-Closing Redemption if such stockholder was (i) a current employee of Hims (excluding consultants and advisors) that had been employed by Hims for one year or more as of the date that the Hims Pre-Closing Redemption was launched or (ii) a holder of Hims capital stock that together with its affiliates, including affiliated funds, held less than 5% of the issued and outstanding shares of Hims capital stock as of the date that the Hims Pre-Closing Redemption was launched. Hims stockholders participating in the Hims Pre-Closing Redemption were subject to participation caps. No eligible participant was permitted sell more than 10% of the outstanding shares of Hims capital stock held by such participant in the Hims Pre-Closing Redemption. Directors, officers and members of Hims' senior management team were further restricted and not permitted to sell more than 7% of their outstanding shares of Hims capital stock in the Hims Pre-Closing Redemption. Hims, subject to the consent of OAC, could elect to waive the eligibility criteria and participation caps set forth above in order to repurchase all outstanding shares from certain Hims stockholders who do not qualify as "Accredited Investors," as defined pursuant to the rules and regulations promulgated under the Securities Act. To the extent eligible based on the criteria set forth above, the executive officers of Hims and certain funds affiliated with directors were permitted to participate in the Hims Pre-Closing Redemption.

Hims repurchased and cancelled approximately $22.0 million of shares of Hims Class A Common Stock at a price of $4.56 per share in the Hims Pre-Closing Redemption. A trust affiliated with the Chief Executive Officer, Andrew Dudum, sold 3,038,723 shares of Hims Class A Common Stock in the Hims Pre-Closing Redemption for gross proceeds of approximately $13.9 million. Spencer Lee, the Chief Financial Officer of Hims & Hers, exercised an option to purchase 108,995 shares of Hims Class A Common Stock and sold the underlying shares in the Hims Pre-Closing Redemption for net proceeds of approximately $0.4 million.

Post-Closing Incentive Bonus

Prior to the Business Combination, we announced that our Board or a committee thereof may award bonuses to certain of our employees, including members of management, after the Business Combination in an aggregate amount of up to $10.0 million. The bonuses were intended to reward employees who made significant contributions in connection with the Business Combination. On February 5, 2021, our Board, following a recommendation by our compensation committee, awarded a total of approximately $5.2 million in cash bonuses to our executive officers and certain other employees who made significant contributions in connection with the Business Combination. In addition, in March 2021, our Compensation Committee awarded restricted stock units having an aggregate value of $4.6 million to executive officers and certain other employees who made significant contributions in connection with the Business Combination.

Dudum Family Relationships

In addition to serving as Chief Executive Officer of Hims, Andrew Dudum is an employee at Atomic Labs, LLC ("Atomic Labs"), a venture capital startup studio that launched Hims and provided initial capital and governance support. He also serves as managing member of Atomic GP II, LLC, which is the general partner of Atomic Labs II, L.P. Atomic Labs provided Hims with office space, back-office professional services, and administrative operating expenses. Additionally, an entity affiliated with Atomic Labs (such entity, the "Atomic Affiliate") provided professional services to Hims, primarily to support engineering and operations functions. All services were provided at cost. For the years ended December 31, 2020 and 2019, Hims recorded a total of $3.4 million and $3.2 million, respectively, for payments made to Atomic Labs and the Atomic Affiliate for services performed and costs incurred on behalf of Hims. There was no accounts payable balance with Atomic Labs and the Atomic Affiliate as of December 31, 2020 and the accounts payable balance was less than $0.1 million as of December 31, 2019.

Elena Dudum, sister of Andrew Dudum, served as a product manager beginning in April 2018 through January 2020. During the year ended December 31, 2019, Ms. Dudum had total cash compensation, including base salary, bonus and other compensation, of $139,298. Ms. Dudum resigned from her employment with Hims in January 2020 and, in exchange for executing a general release and waiver of claims against Hims, received a lump-sum cash payment of $200. In connection with the commencement of her employment, in April 2018 Ms. Dudum was granted an option to purchase 175,000 shares of Hims Class A Common Stock, of which she had vested into 72,916 shares as of her resignation date, all of which she exercised.

John Jack Dudum, Jr., cousin of Andrew Dudum, serves as an advisor to Hims, but his compensation did not exceed the disclosure threshold in any of the past two fiscal years.

Danielle Dudum, sister of Andrew Dudum, is affiliated with Cherubic Ventures Fund III, L.P. and Cherubic Ventures SSG VII Ltd. (together, "Cherubic Ventures"). Cherubic Ventures Fund III, L.P. purchased 3,971,405 shares of Hims Series A preferred stock, par value $0.000001 per share ("Series A Preferred Stock") in a transaction with another stockholder of Hims. This stockholder purchased 1,190,901 shares of Hims Series B preferred stock, par value $0.000001 per share ("Series B Preferred Stock") for aggregate consideration equal to approximately $1.0 million. Cherubic Ventures SSG VII Ltd. purchased from Hims 720,460 shares of Series C Preferred Stock and a warrant to purchase 72,046 shares of Series C Preferred Stock at $0.01 per share for consideration equal to approximately $2.5 million. Mr. Dudum is also an advisor to Cherubic Ventures.

Indemnification Agreements

Hims & Hers entered into, and expects to continue to enter into, indemnification agreements with its directors, executive officers and other employees as determined by the Board.

Each indemnification agreement provides for indemnification and advancements by Hims & Hers of certain expenses and costs, if the basis of the indemnitee's involvement was by reason of the fact that the indemnitee is or was a director, officer, employee or agent of Hims & Hers or any of its subsidiaries or was serving at Hims & Hers' request in an official capacity for another entity, to the fullest extent permitted by the laws of the state of Delaware.

Miscellaneous

The spouse of Hims' Chief Operating Officer, Melissa Baird, is the Chief Executive Officer and a stockholder of an entity that licenses certain commercially available software used by Hims in the ordinary course of its business. Amounts paid by Hims to this entity have not exceeded $120,000 in any completed fiscal year. Hims is currently negotiating a new agreement with this entity that may involve payments in excess of $120,000 in future reporting periods.

Certain Relationships and Related Person Transactions—OAC

Class B Ordinary Shares

OAC consummated its Initial Public Offering on July 22, 2019. In April 2019, prior to OAC's Initial Public Offering, OAC issued 4,312,500 Class B ordinary shares to its Sponsor, in exchange for a capital contribution of $25,000, or approximately $0.006 per share. On June 26, 2019, OAC effected a pro rata share capitalization, resulting in an increase in the total number of outstanding Class B ordinary shares from 4,312,500 to 5,031,250.

Concurrently with the execution of the Merger Agreement, OAC, the Sponsor and Hims entered into a sponsor agreement (the "Sponsor Agreement"), pursuant to which the Sponsor, among other things, surrendered and forfeited for no consideration 25.0% of the Class B ordinary shares for no consideration in connection with the consummation of the Business Combination. A number of securities equal to such surrendered and forfeited Class B ordinary shares was issued to Hims Equityholders as Class A Common Stock (or equivalent equity awards in respect thereof) in the Business Combination.

Private Placement Warrants

Simultaneous with the consummation of OAC's Initial Public Offering, OAC consummated a private placement pursuant to which Sponsor purchased 4,016,667 private placement warrants at a price of $1.50 per private placement warrant, generating total proceeds of $6,025,000.

Pursuant to the Sponsor Agreement, Sponsor, among other things, surrendered and forfeited for no consideration 25.0% of the private placement warrants for no consideration and as a capital contribution to OAC in connection with the consummation of the Business Combination. A number of securities equal to such surrendered and forfeited private placement warrants was issued to Hims Equityholders as warrants to acquire shares of Class A Common Stock (or equivalent equity awards in respect thereof) in the Business Combination.

Related Party Loans

On March 2, 2019, Sponsor agreed to loan OAC an aggregate of up to $300,000 to cover expenses related to OAC's Initial Public Offering pursuant to an expense reimbursement agreement (the "Expense Reimbursement Agreement"). On November 18, 2019, OAC repaid this advance in full.

In addition, in order to finance transaction costs in connection with the Business Combination, the Sponsor or an affiliate of the Sponsor or certain of our officers and directors had the option to, but were not obligated to, loan OAC funds. Up to $1,500,000 of such loans were convertible into warrants of the post-business combination company at a price of $1.50 per warrant at the option of the lender. The warrants would be identical to the private placement warrants. To date, OAC had no outstanding borrowings under any arrangement. Pursuant to the Merger Agreement, OAC waived the right to convert any such loans into our warrants.

Administrative Services Agreement

Effective June 4, 2020, OAC entered into an agreement to pay monthly expenses of $10,000 for office space, administrative services, and support services to an affiliate of the Sponsor. The agreement terminated upon the completion of the Business Combination.

OAC Registration and Shareholder Rights Agreement

OAC has previously entered into a registration and shareholder rights agreement pursuant to which its initial shareholders and their permitted transferees, if any, are entitled to certain registration rights with respect to the private placement warrants, the securities issuable upon conversion of working capital loans (if any), and the Class A ordinary shares issuable upon exercise of the foregoing and upon conversion of the Class B ordinary shares.

Sponsor Registration Rights Agreement

At closing of the Business Combination, we entered into the Sponsor Registration Rights Agreement, pursuant to which, among other things, the Sponsor was granted certain registration rights with respect to its shares of Class A Common Stock. In particular, the Sponsor Registration Rights Agreement provides for the following registration rights:

- Demand registration rights. At any time after January 20, 2021, we are required, upon the written request of the Sponsor, to file a registration statement and use reasonable best efforts to effect the registration of all or part of their registrable securities. We are not obligated to effect (i) more than one demand registration during any six-month period or (ii) any demand registration if a registration statement on Form S-3 or its successor form, or, if we are ineligible to use Form S-3, a registration statement on Form S-1, for an offering to be made on a continuous basis pursuant to Rule 415 of the Securities Act registering the resale from time to time pursuant to any method or combination of methods legally available to, and requested by, the Investors of all of the registrable securities then held by such Investors that are not covered by an effective resale registration statement (the "Resale Shelf Registration Statement"). In order to be effected, any underwritten demand registration must result in aggregate proceeds to the selling shareholders of at least $25,000,000.
- Shelf registration rights. Following the closing of the Business Combination, we filed a Resale Shelf Registration Statement with the SEC on February 5, 2021. Pursuant to the Registration Rights Agreement, we are required to keep the Resale Shelf Registration Statement continuously effective under the Securities Act at all times until the expiration of the Effectiveness Period (as defined in the Sponsor Registration Rights Agreement).
- *Piggyback registration rights.* At any time after January 20, 2021, if we propose to file a registration statement to register any of its equity securities under the Securities Act or to conduct a public offering, either for its own account or for the account of any other person, subject to certain exceptions, the Sponsor is entitled to include its registrable securities in such registration statement.
- *Expenses and indemnification.* All fees, costs and expenses of underwritten registrations are borne by us and underwriting discounts and selling commissions are borne by the holders of the shares being registered. The Sponsor Registration Rights Agreement contains customary cross-indemnification provisions, under which we are obligated to indemnify holders of registrable securities in the event of material misstatements or omissions in the registration statement attributable to us, and holders of registrable securities are obligated to indemnify us for material misstatements or omissions attributable to them.
- *Registrable securities*. Securities of Hims & Hers shall cease to be registrable securities when a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, such securities shall have been transferred pursuant to Rule 144 or such securities shall have ceased to be outstanding.
- *Lock-up.* Notwithstanding the foregoing, the Sponsor, Hims & Hers and the officers and directors of Hims & Hers shall, if requested, deliver a customary lock-up agreement in connection with any underwritten public offering, subject to certain customary exceptions.

Independence of the Board of Directors

Under our Corporate Governance Guidelines and the NYSE rules, a director is not independent unless the Board affirmatively determines that he or she does not have a direct or indirect material relationship with us or any of our subsidiaries and that the NYSE's per se bars to determining a director independent have not been triggered.

Our Board has undertaken a review of its composition, the composition of its committees and the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our Board has determined that none of Mr. Bard, Mr. Bhattacharyya, Dr. Cosgrove, Ms. Green, Mr. Maltz, Ms. O'Keefe, Ms. Perez and Mr. Wells, representing eight of our nine directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors qualifies as "independent" as that term is defined under the rules of the NYSE. In making these determinations, our Board considered the relationships that each non-employee director has with us and all other facts and circumstances the Board deemed relevant in determining their independence, including the director's beneficial ownership of our common stock and the relationships of our non-employee directors with certain of our significant stockholders.

Item 14. Principal Accountant Fees and Services

Audit, Audit-Related, Tax and All Other Fees

The table below sets forth the aggregate fees billed by Withum in 2019 and 2020.

	2019	2020
Audit Fees[1]	$ 94,525	$ 69,010
Total	$ 94,525	$ 69,010

(1) Audit fees include fees for services performed to comply with the standards established by the Public Company Accounting Oversight Board, including the audit of our consolidated financial statements. This category also includes fees for audits provided in connection with statutory filings or services that generally only the principal independent auditor reasonably can provide, such as consent and assistance with and review of our SEC filings.

Approval Policies and Procedures

The formal written charter for our audit committee requires that the audit committee (i) review and approve, in advance, the scope and plans for the audits and the audit fees and (ii) approve in advance (or, where permitted under the rules and regulations of the SEC, subsequently) all non-audit and tax services to be performed by the independent auditor that are not otherwise prohibited by law or regulations and any associated fees. Our audit committee may, in accordance with applicable law, establish pre-approval policies and procedures for the engagement of independent accountants to render services to the Company.

Prior to the Business Combination, all of the services listed in the table above provided by Withum were approved by OAC in accordance with its policies then in effect. All of the services provided by KPMG subsequent to the Business Combination were approved by our audit committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

(2) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index.

Exhibit No.	Description
2.1 †	Agreement and Plan of Merger dated as of September 30, 2020, by and among Oaktree Acquisition Corp., Rx Merger Sub, Inc. and Hims, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on October 1, 2020).
3.1	Certificate of Incorporation of Hims & Hers Health, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
3.2	Bylaws of Hims & Hers Health, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
4.1	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to Oaktree Acquisition Corp.'s Registration Statement on Form S-1/A (Registration No. 333-232444), filed with the SEC on July 16, 2019).
4.2	Warrant Agreement, dated as of July 22, 2019, between Continental Stock Transfer & Trust Company and Oaktree Acquisition Corp. (incorporated by reference to Exhibit 4.1 to Oaktree Acquisition Corp.'s Current Report on Form 8-K (File No. 001-38986), filed with the SEC on July 23, 2019).
4.3	Certificate of Corporate Domestication of Oaktree Acquisition Corp. (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
4.4	Description of registered securities (incorporated by reference to Exhibit 4.4 to the Original Filing).
10.1	Sponsor Agreement, dated as of September 30, 2020, by and among Oaktree Acquisition Holdings, L.P., Oaktree Acquisition Corp. and Hims, Inc. (incorporated by reference to Exhibit 10.1 to Oaktree Acquisition Corp.'s Current Report on Form 8-K (File No. 001-38986), filed with the SEC on October 1, 2020).
10.2	Form of Subscription Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Registration No. 001-38986), filed with the SEC on October 1, 2020).
10.3	Form of Support Agreement (incorporated by reference to Exhibit 10.3 to Oaktree Acquisition Corp.'s Current Report on Form 8-K (Registration No. 001-38986), filed with the SEC on October 1, 2020).
10.4	Registration Rights Agreement, dated as of January 20, 2021, by and among Hims & Hers Health, Inc. and Oaktree Acquisition Holdings, L.P. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
10.5	Amended and Restated Investors' Rights Agreement, dated as of September 30, 2020, by and among Hims & Hers Health, Inc. and the Hims Stockholders party thereto (incorporated by reference to Exhibit 10.4 to Oaktree Acquisition Corp.'s Current Report on Form 8-K (File No. 001-38986), filed with the SEC on October 1, 2020).
10.6+	Hims & Hers Health, Inc. 2020 Equity Incentive Plan and forms of agreement thereunder (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
10.7+	Form of Hims & Hers Health, Inc. 2020 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
10.8	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.8 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).
10.9	Second Amended and Restated Loan and Security Agreement, dated November 27, 2019, by and between Hims and Silicon Valley Bank (incorporated by reference to Exhibit 10.9 filed with the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 2, 2020).
10.10 ††	Plain English Growth Capital Loan and Security Agreement, dated November 27, 2019, by and between Hims and TriplePoint Venture Growth BDC Corp (incorporated by reference to Exhibit 10.10 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 2, 2020).
10.11+	Change in Control and Severance Agreement, dated as of December 21, 2020, by and between Hims and Spencer Lee (incorporated by reference to Exhibit 10.15 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).

Exhibit No.	Description
10.12+	Change in Control and Severance Agreement, dated as of December 21, 2020, by and between Hims and Andrew Dudum (incorporated by reference to Exhibit 10.16 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).
10.13+	Change in Control and Severance Agreement, dated as of December 21, 2020, by and between Hims, Inc. and Melissa Baird (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
10.14+	Employment Agreement, dated as of December 21, 2020, by and between Hims and Spencer Lee (incorporated by reference to Exhibit 10.17 filed with the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).
10.15+	Employment Agreement, dated as of December 21, 2020, by and between Hims and Andrew Dudum (incorporated by reference to Exhibit 10.18 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).
10.16+	Employment Agreement, dated as of January 14, 2021, by and between Hims, Inc. and Melissa Baird (incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
10.17	Form of Share Exchange Agreement by and among Hims, Oaktree Acquisition Corp., Andrew Dudum and the Andrew Dudum 2015 Trust, Date July 2, 2015 (incorporated by reference to Exhibit 10.19 to the Registrant's Proxy Statement/Prospectus on Form S-4/A filed with the SEC on December 22, 2020).
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K (File No. 001-38986), filed with the SEC on January 26, 2021).
23.1	Consent of WithumSmith+Brown, PC, independent registered public accounting firm of Oaktree Acquisition Corp.*
24.1	Power of Attorney (included on signature page of the Original Filing).
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)*
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)*
32.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350**
32.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith
** Furnished herewith
† Schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.
†† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.
\+ Denotes management compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this Amendment No. 2 on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

May 14, 2021

HIMS & HERS HEALTH, INC.

/s/ Andrew Dudum

Name: Andrew Dudum
Title: Chief Executive Officer and Director
(Principal Executive Officer)

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HIMS & HERS HEALTH, INC. (f/k/a Oaktree Acquisition Corp.)
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Hims & Hers Health, Inc. (f/k/a Oaktree Acquisition Corp.)

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Hims & Hers Health, Inc. (f/k/a Oaktree Acquisition Corp.) (the "Company") as of December 31, 2020 and 2019, the related statements of operations, changes in shareholders' equity and cash flows for the year ended December 31, 2020 and for the period from April 9, 2019 (inception) through December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and for the period from April 9, 2019 (inception) through December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Restatement of Financial Statements

As discussed in Note 9 to these financial statements, the Securities and Exchange Commission issued a public statement entitled *Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")* (the "Public Statement") on April 12, 2021, which discusses the accounting for certain warrants as liabilities. The Company previously accounted for its warrants as equity instruments. Management evaluated its warrants against the Public Statement, and determined that the warrants should be accounted for as liabilities. Accordingly, the 2020 and 2019 financial statements have been restated to correct the accounting and related disclosure for the warrants.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2019.

New York, New York

May 14, 2021

HIMS & HERS HEALTH, INC. (f/k/a Oaktree Acquisition Corp.)
BALANCE SHEETS
DECEMBER 31, 2020 and 2019

	2020 As Restated	2019 As Restated
Assets		
Current assets:		
Cash and cash equivalents	$ 1,058,267	$ 1,510,341
Prepaid expenses	50,100	147,500
Total current assets	1,108,367	1,657,841
Investments held in Trust Account	204,525,055	203,107,342
Total assets	$205,633,422	$204,765,183
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 48,194	$ 18,475
Accrued expenses	4,189,620	478,577
Accrued expenses – related party	60,000	54,839
Due to related parties	598,833	427,503
Total current liabilities	4,896,647	979,394
Deferred underwriting commissions	7,043,750	7,043,750
Deferred legal fees	150,000	150,000
Warrant liability	47,571,334	10,349,417
Total liabilities	59,661,731	18,522,561
Commitments and contingencies		
Class A ordinary shares, $0.0001 par value; 500,000,000 shares authorized, 14,097,169 and 18,124,262 shares subject to possible redemption at $10.00 per share as of December 31, 2020 and 2019, respectively	140,971,690	181,242,620
Shareholders' equity:		
Preference shares, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Class A ordinary shares, $0.0001 par value; 500,000,000 shares authorized; 6,027,831 and 2,000,738 shares issued and outstanding (excluding 14,097,169 and 18,124,262 shares subject to possible redemption) as of December 31, 2020 and 2019, respectively	604	201
Class B ordinary shares, $0.0001 par value; 50,000,000 shares authorized; 5,031,250 shares issued and outstanding as of December 31, 2020 and 2019	503	503
Additional paid-in capital	40,270,527	—
(Accumulated deficit) retained earnings	(35,271,633)	4,999,298
Total shareholders' equity	5,000,001	5,000,002
Total liabilities and shareholders' equity	$205,633,422	$204,765,183

The accompanying notes are an integral part of these financial statements.

HIMS & HERS HEALTH, INC. (f/k/a Oaktree Acquisition Corp.)
STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2020 As Restated	For the Period from April 9, 2019 (inception) through December 31, 2019 As Restated
General and administrative expenses	$ 4,791,727	$ 1,310,755
Loss from operations	(4,791,727)	(1,310,755)
Change in fair value of warrant liability	(37,221,917)	5,503,291
Gain on investments (net), dividends and interest, held in Trust Account	1,742,713	1,857,342
Net (loss) income	$(40,270,931)	$ 6,049,878
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	20,125,000
Basic and diluted net income per share, Class A	$ 0.07	$ 0.08
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	5,031,250
Basic and diluted net income per share, Class B	$ (8.29)	$ 0.90

The accompanying notes are an integral part of these financial statements.

HIMS & HERS HEALTH, INC. (f/k/a Oaktree Acquisition Corp.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Class A Ordinary Shares		Class B Ordinary Shares		Additional Paid in Capital	(Accumulated Deficit) Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance – April 9, 2019 (inception)	—	$ —	—	$ —	$ —	$ —	$ —
Issuance of Class B ordinary shares to Sponsor	—	—	5,013,250	503	24,497	—	25,000
Sale of units in initial public offering, net of fair value of public warrants	20,125,000	2,013	—	—	192,470,859	(1,050,580)	191,422,292
Offering costs (as restated)	—	—	—	—	(11,254,548)	—	(11,254,548)
Shares subject to possible redemption (as restated)	(18,124,262)	(1,812)	—	—	(181,240,808)	—	(181,242,620)
Net income (as restated)	—	—	—	—	—	6,049,878	6,049,878
December 31, 2019	2,000,738	$ 201	5,013,250	$ 503	$ —	$ 4,999,298	$ 5,000,002
Shares subject to possible redemption (as restated)	4,027,093	403	—	—	40,270,527	—	40,270,930
Net Loss (as restated)	—	—	—	—	—	(40,270,931)	(40,270,931)
December 31, 2020 (as restated)	6,027,831	$ 604	5,013,250	$ 503	$ 40,270,527	$(35,271,633)	$ 5,000,001

The accompanying notes are an integral part of these financial statements.

HIMS & HERS HEALTH, INC. (f/k/a Oaktree Acquisition Corp.)
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2020 As Restated	For the Period from April 9, 2019 (inception) through December 31, 2019 As Restated
Cash flows from operating activities:		
Net (loss) income	$(40,270,931)	$ 6,049,878
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Unrealized gain on investments (net), dividends and interest, held in Trust Account	(1,742,713)	(1,857,342)
Change in fair value of warrant liability	37,221,917	(5,503,291)
Warrant offering cost	—	600,675
Changes in operating assets and liabilities:		
Prepaid expenses	97,400	(147,500)
Accounts payable	(6,645)	450,081
Accrued expenses	4,171,145	18,475
Accrued expenses – related party	(418,577)	54,839
Due to related parties	171,330	92,503
Net cash used in operating activities	(777,074)	(241,682)
Cash flows from investing activities:		
Proceeds received from sales; redemptions of marketable securities held in Trust Account	325,000	—
Principal deposited in Trust Account	—	(201,250,000)
Net cash provided by (used in) investing activities	325,000	(201,250,000)
Cash flows from financing activities:		
Proceeds received from initial public offering, gross	—	201,250,000
Proceeds received from private placement	—	6,025,000
Payment of offering costs	—	(4,211,257)
Repayment of advances from related parties	—	(61,720)
Net cash provided by financing activities	—	203,002,023
Net change in cash	(452,074)	1,510,341
Cash, beginning of period	1,510,341	—
Cash, end of period	$ 1,058,267	$ 1,510,341
Noncash investing and financing activities:		
Change in value of Class A ordinary shares subject to possible redemption	$(40,270,930)	$ 181,242,620
Initial fair value of warrant liability	—	(15,852,708)
Offering costs included in accrued expenses	—	28,496
Offering costs paid by related parties	—	396,720
Deferred underwriting commissions in connection with the initial public offering	—	7,043,750
Deferred legal fees in connection with the initial public offering	—	150,000
Offering costs paid by Sponsor in exchange for issuance of Class B ordinary shares	—	25,000

The accompanying notes are an integral part of these financial statements.

Note 1—Description of Organization, Business Operations and Basis of Presentation

Oaktree Acquisition Corp. (now known as Hims & Hers Health, Inc.) (the "Company") was incorporated as a Cayman Islands exempted company on April 9, 2019. The Company was formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the "Business Combination"). Although the Company is not limited to a particular industry or geographic region for purposes of consummating its Business Combination, the Company intends to capitalize on the ability of its management team to identify, acquire and manage a business in the industrial and consumer sectors. The Company is an emerging growth company and, as such, the Company is subject to all of the risks associated with emerging growth companies.

As of December 31, 2020, the Company had not commenced any operations. All activity for the period from April 9, 2019 (inception) through December 31, 2020 relates to the Company's formation, the preparation for its initial public offering (the "Initial Public Offering"), as described below, and since the closing of the Initial Public Offering, the search for a prospective initial Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income on cash and cash equivalents from the proceeds derived from the Initial Public Offering. The Company has selected December 31 as its fiscal year end.

The Company's sponsor is Oaktree Acquisition Holdings, L.P., a Cayman Islands exempted limited partnership (the "Sponsor"). The registration statement for the Company's Initial Public Offering was declared effective on July 17, 2019. On July 22, 2019, the Company consummated its Initial Public Offering of 20,125,000 units (the "Units"), including 2,625,000 additional Units to cover over-allotments (the "Over-Allotment Units"), at $10.00 per Unit, which is discussed in Note 3, generating gross proceeds of $201.25 million, and incurring offering costs of approximately $11.9 million, inclusive of approximately $7.04 million in deferred underwriting commissions (Note 5).

Simultaneously with the closing of the Initial Public Offering, the Company consummated the private placement (the "Private Placement") of 4,016,667 warrants (each, a "Private Placement Warrant" and collectively, the "Private Placement Warrants") at a price of $1.50 per Private Placement Warrant with the Sponsor, generating gross proceeds of approximately $6.03 million (Note 4).

Upon the closing of the Initial Public Offering and the Private Placement, $201.25 million ($10.00 per Unit) of the net proceeds of the Initial Public Offering and certain of the proceeds of the Private Placement was placed in a trust account (the "Trust Account"), located in the United States at J.P. Morgan Chase Bank, N.A., with Continental Stock Transfer & Trust Company acting as trustee, and was invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), with a maturity of 185 days or less, or in any open-ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of paragraphs (d)(2), (d)(3) and (d)(4) of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the assets held in the Trust Account as described below.

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of Private Placement Warrants, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. The Company must complete one or more initial Business Combinations having an aggregate fair market value of at least 80% of the assets held in the Trust Account (excluding the deferred underwriting commissions and taxes payable on income earned on the Trust Account) at the time of the signing of the agreement to enter into the initial Business Combination. However, the Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act.

The Company provides the holders (the "Public Shareholders") of its Class A ordinary shares, par value $0.0001 (the "Class A ordinary shares"), sold in the Initial Public Offering (the "Public Shares"), with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a shareholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek shareholder approval of a Business Combination or conduct a tender offer will be made by the Company, solely in its discretion. The Public Shareholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then in the Trust Account (initially anticipated to be $10.00 per Public Share). The per-share amount to be distributed to Public Shareholders who redeem their Public Shares will not be reduced by the deferred underwriting commissions the Company will pay to the underwriters (as discussed in Note 5). These Public Shares were classified as temporary equity upon the completion of the Initial Public Offering. In such case, the Company will proceed with a Business Combination if the Company has net tangible assets of at least $5,000,001 upon such consummation of a Business Combination and a majority of the shares voted are voted in favor of the Business Combination. If a shareholder vote is not required by law and the Company does not decide to hold a shareholder vote for business or other legal reasons, the Company will, pursuant to the amended and restated memorandum and articles of association which the Company adopted prior to the consummation of the Initial Public Offering (the "Amended and Restated Memorandum and Articles of Association"), conduct the redemptions pursuant to

the tender offer rules of the U.S. Securities and Exchange Commission (the "SEC") and file tender offer documents with the SEC prior to completing a Business Combination. If, however, shareholder approval of the transactions is required by law, or the Company decides to obtain shareholder approval for business or legal reasons, the Company will offer to redeem the Public Shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. Additionally, each Public Shareholder may elect to redeem its Public Shares irrespective of whether such Public Shareholder votes for or against the proposed transaction. If the Company seeks shareholder approval in connection with a Business Combination, the initial shareholders (as defined below) have agreed to vote their Founder Shares (as defined in Note 4) and any Public Shares purchased during or after the Initial Public Offering in favor of a Business Combination. In addition, the initial shareholders have agreed to waive their redemption rights with respect to their Founder Shares and any Public Shares acquired by them in connection with the completion of a Business Combination. Prior to the Business Combination, 6,193 Class A ordinary shares were redeemed for an aggregate redemption price of less than $0.1 million.

Notwithstanding the foregoing, the Amended and Restated Memorandum and Articles of Association provides that a Public Shareholder, together with any affiliate of such shareholder or any other person with whom such shareholder is acting in concert or as a "group" (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), is restricted from redeeming its shares with respect to more than an aggregate of 15% or more of the Public Shares, without the prior consent of the Company.

The Company's Sponsor, officers and directors (the "initial shareholders") have agreed not to propose an amendment to the Amended and Restated Memorandum and Articles of Association (a) that would modify the substance or timing of the Company's obligation to redeem 100% of its Public Shares if the Company does not complete a Business Combination within 24 months from the closing of the Initial Public Offering, or July 22, 2021, (the "Combination Period") or (b) with respect to any other provision relating to shareholders' rights or pre-initial Business Combination activity, unless the Company provides the Public Shareholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

If the Company is unable to complete a Business Combination within the Combination Period, the Company will (i) cease all operations except for the purpose of winding up; (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest earned on the funds held in the Trust Account and not previously released to the Company to fund the Company's regulatory compliance requirements and other costs related thereto (a "Regulatory Withdrawal"), subject to an annual limit of $325,000, and/or to pay the Company's income taxes, if any, (less up to $100,000 of interest to pay dissolution expenses) divided by the number of the then outstanding Public Shares, which redemption will completely extinguish Public Shareholders' rights as shareholders (including the right to receive further liquidation distributions, if any); and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining shareholders and the Company's board of directors, liquidate and dissolve, subject in the case of clauses (ii) and (iii), to the Company's obligations under Cayman Islands law to provide for claims of creditors and the requirements of other applicable law.

The initial shareholders have agreed to waive their liquidation rights with respect to the Founder Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the initial shareholders acquire Public Shares in or after the Initial Public Offering, they will be entitled to liquidating distributions from the Trust Account with respect to such Public Shares if the Company fails to complete a Business Combination within the Combination Period. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 5) held in the Trust Account in the event the Company does not complete a Business Combination within the Combination Period and, in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be only $10.00 per share initially held in the Trust Account. In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a third party, including any vendor for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account. This liability will not apply with respect to any claims by a third party who executed a waiver of any right, title, interest or claim of any kind in or to any monies held in the Trust Account or to any claims under the Company's indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all third parties, including vendors, service providers (excluding the Company's independent registered public accounting firm), prospective target businesses or other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

Restatement of Previously Issued Financial Statements

The Company has restated its financial statements as of December 31, 2020 and 2019, for the year ended December 31, 2020 and the period from April 9, 2019 (inception) through December 31, 2019, as well as the unaudited condensed financial statements for the three month period ended March 31, 2020, the three and six month periods ended June 30, 2020, and the three and nine month periods ended September 30, 2020 and 2019, to correct misstatements in those prior periods primarily related to misstatements identified in improperly applying accounting guidance on certain warrants, recognizing them as equity instead of a warrant liability, under the guidance of Accounting Standards Codification ("ASC") 815-40, Contracts in Entity's Own Equity.

See Note 9 for additional information regarding the errors identified and the restatement adjustments made to the financial statements.

Basis of Presentation

The accompanying financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the SEC.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

This may make comparison of the Company's financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Liquidity

As of December 31, 2020, the Company had approximately $1.1 million in its operating bank account and approximately $3.0 million of interest income available in the Trust Account for Regulatory Withdrawal (subject to an annual limit of $325,000) and for the Company's tax obligations, if any, and a working capital deficit of approximately $3.8 million.

The Company's liquidity needs to date have been satisfied through receipt of a $25,000 capital contribution from the Sponsor in exchange for the issuance of the Founder Shares to the Sponsor, the advancement of funds by the Sponsor of approximately $62,000 to the Company to cover for offering costs in connection with the Initial Public Offering, and the proceeds from the consummation of the Private Placement not held in the Trust Account. On November 18, 2019, the Company repaid the advance in full to the Sponsor. In addition, in order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, provide the Company Working Capital Loans (see Note 4). As of December 31, 2020 and 2019, there were no amounts outstanding under any Working Capital Loan.

Based on the foregoing, management believes that the Company has sufficient cash available due to consummation of a Business Combination (discussed below) and borrowing capacity from the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors to meet its needs through the earlier of the consummation of a Business Combination or one year from this filing. Over this time period, the Company will be using these funds for paying existing accounts payable, identifying and evaluating prospective initial Business Combination candidates, performing due diligence on prospective target businesses, paying for travel expenditures, selecting the target business to merge with or acquire, and structuring, negotiating and consummating the Business Combination.

Merger

On January 20, 2021, the Company consummated the merger that the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Rx Merger Sub, Inc., a Delaware corporation ("Merger Sub"), and Hims, Inc., a Delaware corporation ("Hims") on September 30, 2020. The Merger Agreement provides for, among other things, the following transactions on the closing date: (i) the Company will become a Delaware corporation (the "Domestication") and, in connection with the Domestication, (A) the Company's name will be changed to "Hims & Hers Health, Inc.", (B) each outstanding Class A ordinary share of the Company and each outstanding Class B ordinary share of the Company will become one share of Class A common stock of the Company (the "New Hims Class A Common Stock"), and (C) each outstanding warrant of the Company will become one warrant to purchase one share of New Hims Class A Common Stock; and (ii) following the Domestication, Merger Sub will merge with and into Hims, with Hims as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of the Company (the "Merger"). The Domestication, the Merger and the other transactions contemplated by the Merger Agreement are hereinafter referred to as the "Proposed Business Combination". See the Form 8-K and the prospectus filed by the Company with the SEC on October 1, 2020.

In connection with the Merger, the Company adopted a dual class stock structure pursuant to which all stockholders of the Company will hold only shares of New Hims Class A Common Stock, except for Andrew Dudum, the Chief Executive Officer and Founder of Hims, who will hold, directly or indirectly, shares of New Hims Class A Common Stock and shares of Class V common stock of the Company (the "New Hims Class V Common Stock"). Immediately following the closing of the Merger, and by virtue of Mr. Dudum's holdings of New Hims Class A Common Stock and New Hims Class V Common Stock, Mr. Dudum is expected to hold approximately 90% of the voting power of the capital stock of the Company on a fully diluted basis. The New Hims Class V Common Stock will also be subject to a "sunset" and conversion to New Hims Class A Common Stock if Mr. Dudum (i) no longer serves in a senior executive or board role, or (ii) transfers any shares of New Hims Class V Common Stock (except for permitted transfers).

In accordance with the terms and subject to the conditions of the Merger Agreement, based on an implied equity value of $1.6 billion, minus up to $75 million of cash consideration at closing to Hims stockholders at Hims' election, plus the aggregate strike price of all Hims options and warrants, (i) each share of Hims common stock, restricted stock and preferred stock (other than dissenting shares and shares held by Hims as treasury stock (which shares will be cancelled for no consideration as part of the Merger) will be cancelled and converted into the right to receive the applicable portion of the merger consideration comprised of New Hims Class A Common Stock, earn out shares (as described below) and warrants to acquire shares of New Hims Class A Common Stock, each as determined in the Merger Agreement, (ii) all equity awards of Hims will be assumed by the Company and converted into comparable equity awards that are settled or exercisable for shares of New Hims Class A Common Stock, earn out restricted stock unit awards and warrant restricted stock unit awards with a value as if such Hims equity awards were exercised prior to the closing of the Merger and (iii) each warrant of Hims that is unexercised will be assumed by the Company and represent the right to receive the applicable portion of the merger consideration upon exercise of such warrant as if such warrant was exercised prior to the closing of the Merger. Each Hims equityholder will receive its applicable portion of the 16 million earn out shares (or equivalent equity award) that will vest in equal thirds if the trading price of New Hims Class A Common Stock is greater than or equal to $15, $17.50 and $20 for any 10 trading days within any 20-trading day period and will also vest in connection with any Company Sale (as defined in the Merger Agreement) if the applicable thresholds are met in such Company Sale. The trading price thresholds were met in February 2021.

The Merger Agreement contains representations, warranties and covenants of each of the parties thereto that are customary for transactions of this type. The Company has also taken action such that, effective immediately after the closing of the Merger, the Company's board of directors consist of up to eight directors, which shall include the board of directors of Hims prior to the signing of the Merger Agreement plus up to four individuals to be identified at the sole discretion of Hims. In addition, the Company has agreed to adopt an equity incentive plan in an amount not to exceed 10% of the Company's equity interests on a fully diluted basis with an annual evergreen provision in an amount not to exceed 5% on a fully diluted basis and employee stock purchase plan in an amount not to exceed 2% of the Company's equity interests on a fully diluted basis with an annual evergreen provision in an amount not to exceed 1% on a fully diluted basis.

In addition, prior to the closing of the Merger, 25.0% of the Class B ordinary shares of the Company and the Private Placement Warrants will be surrendered and forfeited by the Sponsor in accordance with the Sponsor Agreement (as defined below) and reissued to existing Hims equityholders as New Hims Class A Common Stock (or equivalent equity awards in respect thereof) and warrants to acquire shares of New Hims Class A Common Stock (or equivalent equity awards in respect thereof) as part of the merger consideration described above and the Domestication will be consummated.

Sponsor Agreement

Concurrently with the execution of the Merger Agreement, the Company, the Sponsor and Hims entered into a sponsor agreement (the "Sponsor Agreement"), pursuant to which the Sponsor has agreed to, among other things, (i) vote in favor of the Merger Agreement and the transactions contemplated thereby (including the Merger), (ii) surrender and forfeit 25.0% of the Class B ordinary shares of the Company and the Private Placement Warrants for no consideration and as a contribution to the capital of the Company to be effectuated in connection with the consummation of the Merger, (iii) waive any adjustment to the conversion ratio set forth in the Company's amended and restated memorandum and articles of association with respect to the Class B ordinary shares of the Company held by the Sponsor, (iv) be bound by certain other covenants and agreements related to the Merger and (v) be bound by certain transfer restrictions with respect to its shares in the Company prior to the closing of the Merger, in each case, on the terms and subject to the conditions set forth in the Sponsor Agreement.

In connection with the signing of the Merger Agreement, the Company entered into subscription agreements (the "Subscription Agreements") with certain investors (the "PIPE Investors"). Pursuant to the Subscription Agreements, the PIPE Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to such investors, on the closing date, an aggregate of 7,500,000 shares of New Hims Class A Common Stock for a purchase price of $10.00 per share, for aggregate gross proceeds of $75,000,000.

Registration Rights Agreement

At the closing of the Merger, the Company and the Sponsor entered into a registration rights agreement (the "*Parent Registration Rights Agreement*") pursuant to which, among other things, the Sponsor was granted certain customary registration rights with respect to its shares of New Hims Class A Common Stock.

Amended and Restated Investors' Rights Agreement

Concurrently with the execution of the Merger Agreement, the Company and certain Hims Stockholders entered into an amended and restated investors' rights agreement (the "*A&R Company Investors' Rights Agreement*") contingent upon and to be effective immediately prior to the closing of the Merger pursuant to which, among other things (i) such Hims Stockholders have agreed not to effect any sale or distribution of the Company's equity securities during the lock-up period described therein and (ii) will be granted certain customary registration rights with respect to their shares of New Hims Class A Common Stock.

Note 2—Summary of Significant Accounting Policies

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of $250,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company had approximately $24 and $17,000 in cash equivalents held in the Trust Account as of December 31, 2020 and 2019, respectively.

Marketable Securities Held in Trust Account

The Company's portfolio of marketable securities is comprised solely of U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with a maturity of 185 days or less, classified as trading securities. Trading securities are presented on the balance sheet at fair value at the end of each reporting period. Gains and losses resulting from the change in fair value of these securities is included in gain on marketable securities (net), dividends and interest, held in the Trust Account in the accompanying statement of operations. The estimated fair values of marketable securities held in the Trust Account are determined using available market information.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

As of December 31, 2020 and 2019, the carrying values of cash, accounts payable, accrued expenses, and advances from related party approximate their fair values due to the short-term nature of the instruments. The Company's portfolio of marketable securities held in the Trust Account is comprised mainly of investments in U.S. Treasury securities with an original maturity of 185 days or less. The fair value for trading securities is determined using quoted market prices in active markets.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future conforming events. Accordingly, the actual results could differ from those estimates.

Offering Costs Associated with the Initial Public Offering

Offering costs consist of legal, accounting, underwriting fees and other costs incurred that are directly related to the Initial Public Offering. Offering costs related to the issuance of shares were recognized in shareholders' equity while costs associated with the warrant liabilities were charged to expense upon the completion of the Initial Public Offering on July 22, 2019.

Class A Ordinary Shares Subject to Possible Redemption

Class A ordinary shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value. Conditionally redeemable Class A ordinary shares (including Class A ordinary shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, Class A ordinary shares are classified as shareholders' equity. The Company's Class A ordinary shares feature certain redemption rights that are considered to be outside of the Company's control and subject to the occurrence of uncertain future events. Accordingly, at December 31, 2020 and 2019, 14,097,169 and 18,124,262, respectively, Class A ordinary shares subject to possible redemption are presented as temporary equity, outside of the shareholders' equity section of the Company's balance sheets.

Net Income Per Ordinary Share

Net income per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period. The Company has not considered the effect of the warrants sold in the Initial Public Offering and the Private Placement to purchase an aggregate of 10,725,000 of the Company's Class A ordinary shares in the calculation of diluted income per share, since their inclusion would be anti-dilutive under the treasury stock method.

The Company's statement of operations includes a presentation of income per share for ordinary shares subject to redemption in a manner similar to the two-class method of income per share.

Net income per ordinary share, basic and diluted for Class A ordinary shares are calculated by dividing the interest income earned on investments and marketable securities held in the Trust Account of approximately $1.7 million, net of $325,000 annual limit of Regulatory Withdrawal available to be withdrawn from the Trust Account, resulting in a total of approximately $1.4 million for the

year ended December 31, 2020, by the weighted average number of Class A ordinary shares outstanding for the period. Net loss per ordinary share, basic and diluted for Class B ordinary shares is calculated by dividing the net loss of approximately $40.3 million, less income attributable to Class A ordinary shares of approximately $1.4 million, resulted in a net loss of approximately $41.7 million, by the weighted average number of Class B ordinary shares outstanding for the period.

Net income per ordinary share, basic and diluted for Class A ordinary shares are calculated by dividing the interest income earned on investments and marketable securities held in the Trust Account of approximately $1.9 million, net of $325,000 annual limit of Regulatory Withdrawal available to be withdrawn from the Trust Account, resulting in a total of approximately $1.5 million for the period from April 9, 2019 (inception) through December 31, 2019, by the weighted average number of Class A ordinary shares outstanding for the period. Net loss per ordinary share, basic and diluted for Class B ordinary shares is calculated by dividing the net income of approximately $6.0 million, less income attributable to Class A ordinary shares of approximately $1.5 million, resulted in a net loss of approximately $4.5 million, by the weighted average number of Class B ordinary shares outstanding for the period.

Warrant Liability

The Company accounts for warrants for shares of the Company's Class A ordinary shares as liabilities held at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net on the statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants. At that time, the warrant liability will be reclassified to additional paid-in capital.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

FASB ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of December 31, 2020 and 2019. The Company's management determined that the Cayman Islands is the Company's only major tax jurisdiction. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties as of December 31, 2020 and 2019. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

There is currently no taxation imposed on income by the Government of the Cayman Islands. In accordance with Cayman Islands income tax regulations, income taxes are not levied on the Company. Consequently, income taxes are not reflected in the Company's financial statements. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Recent Accounting Pronouncements

The Company's management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Note 3—Initial Public Offering

On July 22, 2019, the Company sold 20,125,000 Units, including 2,625,000 Over-Allotment Units, at a price of $10.00 per Unit, generating gross proceeds of $201.25 million, and incurring offering costs of approximately $11.9 million, inclusive of approximately $7.04 million in deferred underwriting commissions (see Note 5).

Each Unit consists of one Class A ordinary share and one-third of one redeemable warrant (collectively, the "Public Warrants" and together with the Private Placement Warrants, the "Warrants"). Each whole Public Warrant entitles the holder to purchase one Class A ordinary share at a price of $11.50 per share, subject to adjustment (see Note 6).

Note 4—Related Party Transactions

Founder Shares

In April 2019, the Sponsor paid $25,000 to cover certain offering costs of the Company in consideration of 4,312,500 Class B ordinary shares, par value $0.0001, (the "Founder Shares"). On June 26, 2019, the Company effected a pro rata share capitalization resulting in an increase in the total number of Class B ordinary shares outstanding from 4,312,500 to 5,031,250. All share amounts have been retroactively restated to reflect the share capitalization. The Sponsor had agreed to forfeit up to 656,250 Founder Shares to the extent that the over-allotment option was not exercised in full by the underwriters. The forfeiture would have been adjusted to the extent that the over-allotment option was not exercised in full by the underwriters so that the Founder Shares would have represented 20% of the Company's issued and outstanding shares after the Initial Public Offering. The underwriters exercised their over-allotment option in full on July 22, 2019; thus, the Founder Shares are no longer subject to forfeiture.

The initial shareholders have agreed, subject to limited exceptions, not to transfer, assign or sell any of their Founder Shares until the earlier to occur of: (A) one year after the completion of the initial Business Combination or (B) subsequent to the initial Business Combination, (x) if the last sale price of the Class A ordinary shares equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the initial Business Combination, or (y) the date on which the Company completes a liquidation, merger, share exchange or other similar transaction that results in all of the Company's shareholders having the right to exchange their Class A ordinary shares for cash, securities or other property.

Private Placement Warrants

Concurrently with the closing of the Initial Public Offering, on July 22, 2019 the Company sold 4,016,667 Private Placement Warrants at a price of $1.50 per Private Placement Warrant to the Sponsor, generating gross proceeds of approximately $6.03 million. Each whole Private Placement Warrant is exercisable for one Class A ordinary share at a price of $11.50 per share. Certain of the proceeds from the sale of the Private Placement Warrants were added to the net proceeds from the Initial Public Offering and are held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the Private Placement Warrants will expire worthless. The Private Placement Warrants are non-redeemable and exercisable on a cashless basis so long as they are held by the Sponsor or its permitted transferees.

The Sponsor and the Company's officers and directors have agreed, subject to limited exceptions, not to transfer, assign or sell any of their Private Placement Warrants until 30 days after the completion of the initial Business Combination.

Related Party Loans

In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, loan the Company funds as may be required ("Working Capital Loans"). If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination is not consummated within the Combination Period, the Company may use a portion of the proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to $1.5 million of such Working Capital Loans may be convertible into warrants of the post Business Combination entity at a price of $1.50 per warrant. The warrants would be identical to the Private Placement Warrants. To date, the Company had no borrowings under any Working Capital Loan.

Expense Reimbursements

Prior to the closing of the Initial Public Offering, the Sponsor agreed, pursuant to an expense reimbursement agreement (the "Expense Reimbursement Agreement"), to advance the Company up to $300,000 to pay for a portion of the expenses incurred in connection with the Initial Public Offering. The Sponsor advanced approximately $62,000 to the Company under the Expense Reimbursement Agreement. The Company repaid this advance in full on November 18, 2019.

Administrative Support Agreement

Commencing on the effective date of the Initial Public Offering, the Company agreed to pay an affiliate of the Sponsor a total of $10,000 per month for office space, utilities and secretarial and administrative support. Upon completion of an initial Business Combination or the Company's liquidation, the Company will cease paying these monthly fees. The Company incurred approximately

$120,000 and $55,000 for the year ended December 31, 2020 and during the period from April 9, 2019 (inception) through December 31, 2019, respectively, in expenses in connection with such services as reflected in the accompanying statement of operations. As of December 31, 2020 and December 31, 2019, the Company had approximately $60,000 and $55,000, respectively, in accrued expenses for related party in connection with such services as reflected in the accompanying balance sheets. During the year ended December 31, 2020, the Company paid approximately $115,000 of the outstanding accrued administrative support fees.

Note 5—Commitments & Contingencies

Registration and Shareholder Rights

The holders of Founder Shares, Private Placement Warrants and warrants that may be issued upon conversion of Working Capital Loans, if any, will be entitled to registration rights pursuant to a registration and shareholder rights agreement entered into in connection with the consummation of the Initial Public Offering. These holders will be entitled to certain demand and "piggyback" registration rights. However, the registration and shareholder rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until the termination of the applicable lock-up period for the securities to be registered. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The Company granted the underwriters a 45-day option from the date of the final prospectus relating to the Initial Public Offering to purchase up to 2,625,000 Over-Allotment Units to cover over-allotments, if any, at the Initial Public Offering price less underwriting discounts and commissions. On July 22, 2019, the underwriters fully exercised their over-allotment option.

The underwriters were entitled to underwriting discounts of $0.20 per unit, or $4.025 million in the aggregate, paid upon the closing of the Initial Public Offering. In addition, $0.35 per unit, or approximately $7.04 million in the aggregate will be payable to the underwriters for deferred underwriting commissions. The deferred fee will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement. This was paid upon the close of the Merger.

Deferred Legal Fees

The Company entered into an engagement letter to obtain legal advisory services, pursuant to which the Company's legal counsel agreed to defer an aggregate of $150,000 of their fees in connection with the Initial Public Offering until the closing of the Initial Business Combination. The deferred fee will become payable to the legal counsel from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination. As of December 31, 2020 and 2019, the Company recorded an aggregate of $150,000 in connection with such arrangement as deferred legal fees in the accompanying balance sheet. This was paid upon the close of the Merger.

Note 6—Shareholders' Equity

Class A Ordinary Shares—The Company is authorized to issue 500,000,000 Class A ordinary shares with a par value of $0.0001 per share. As of December 31, 2020 and 2019, there were 20,125,000 Class A ordinary shares issued and outstanding, including 14,097,169 and 18,124,262, respectively, Class A ordinary shares subject to possible redemption.

Class B Ordinary Shares—The Company is authorized to issue 50,000,000 Class B ordinary shares with a par value of $0.0001 per share. On June 26, 2019, the Company effected a pro rata share capitalization resulting in an increase in the total number of Class B ordinary shares outstanding from 4,312,500 to 5,031,250. All share amounts have been retroactively restated to reflect the share capitalization. Holders of Class B ordinary shares are entitled to one vote for each Class B ordinary share. As of December 31, 2020 and 2019, there were 5,031,250 Class B ordinary shares outstanding.

Holders of the Class A ordinary shares and holders of the Class B ordinary shares will vote together as a single class on all matters submitted to a vote of the Company's shareholders, except as required by law or stock exchange rule; provided that only holders of the Class B ordinary shares have the right to vote on the election of the Company's directors prior to the initial Business Combination.

The Class B ordinary shares will automatically convert into Class A ordinary shares at the time of the initial Business Combination at a ratio such that the number of Class A ordinary shares issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the sum of (i) the total number of ordinary shares issued and outstanding upon completion of the Initial Public Offering, plus (ii) the total number of Class A ordinary shares issued or deemed issued or issuable

upon conversion or exercise of any equity- linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of the initial Business Combination, excluding any Class A ordinary shares or equity-linked securities exercisable for or convertible into Class A ordinary shares issued, or to be issued, to any seller in the initial Business Combination and any Private Placement Warrants issued to the Sponsor upon conversion of Working Capital Loans. Any conversion of Class B ordinary shares will take effect as a compulsory redemption of Class B ordinary shares and an issuance of Class A ordinary shares as a matter of Cayman Islands law.

Preference Shares—The Company is authorized to issue 1,000,000 preference shares with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. As of December 31, 2019, no preference shares were issued or outstanding.

Warrants—Public Warrants may only be exercised for a whole number of shares. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination or (b) 12 months from the closing of the Initial Public Offering; provided in each case that the Company has an effective registration statement under the Securities Act covering the Class A ordinary shares issuable upon exercise of the Public Warrants and a current prospectus relating to them is available (or the Company permits holders to exercise their Public Warrants on a cashless basis and such cashless exercise is exempt from registration under the Securities Act). The Company has agreed that as soon as practicable, but in no event later than twenty business days, after the closing of a Business Combination, the Company will use commercially reasonable efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the Class A ordinary shares issuable upon exercise of the Public Warrants. If the shares issuable upon exercise of the warrants are not registered under the Securities Act, the Company will be required to permit holders to exercise their warrants on a cashless basis. However, no warrant will be exercisable for cash or on a cashless basis, and the Company will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption from registration is available. Notwithstanding the above, if the Company's Class A ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that it satisfies the definition of a "covered security" under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company elects, the Company will not be required to file or maintain in effect a registration statement, but the Company will use our best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

The Private Placement Warrants are identical to the Public Warrants included in the Units sold in the Initial Public Offering, except that the Private Placement Warrants and the Class A ordinary shares issuable upon exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be non-redeemable under certain redemption scenarios so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the Private Placement Warrants are held by someone other than the initial shareholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company under all redemption scenarios and exercisable by such holders on the same basis as the Public Warrants.

Commencing 90 days after the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined based on the redemption date and the "fair market value" of the Class A ordinary shares (the "fair market value" of the Class A ordinary shares shall mean the average last reported sale price of the Class A ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants);
- if, and only if, the last reported sale price of the Class A ordinary shares equals or exceeds $10.00 per share (as adjusted per share splits, share dividends, reorganizations, recapitalizations and the like) on the trading day prior to the date on which the Company sends the notice of redemption to the warrant holders;
- if, and only if, the Private Placement Warrants are also concurrently exchanged at the same price (equal to a number of Class A ordinary shares) as the outstanding Public Warrants, as described above; and
- if, and only if, there is an effective registration statement covering the Class A ordinary shares issuable upon exercise of the warrants (or such other security as the warrants may be exercisable for at the time of redemption) and a current prospectus relating thereto available throughout the 30-day period after written notice of redemption is given, or an exemption from registration is available.

In addition, the Company may redeem the Public Warrants for cash (except with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption; and
- if, and only if, the last reported closing price of the Class A ordinary shares equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. Additionally, in no event will the Company be required to net cash settle any Warrants. If the Company is unable to complete the initial Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company's assets held outside of the Trust Account with the respect to such warrants. Accordingly, the warrants may expire worthless.

Note 7—Fair Value Measurements

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020 and 2019 and indicates the fair value hierarchy of the valuation techniques that the Company utilized to determine such fair value.

December 31, 2020:

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets held in Trust Account:			
U.S. Treasury Securities	$ 204,525,031	$ —	$ —
Cash equivalents - money market funds	24	—	—
	$ 204,525,055	$ —	$ —
Liabilities:			
Public Warrants	$ 26,162,499	$ —	$ —
Private Placement Warrants	—	—	21,408,835
	$ 26,162,499	$ —	$ 21,408,835

December 31, 2019:

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets held in Trust Account:			
U.S. Treasury Securities	$ 203,090,272	$ —	$ —
Cash equivalents - money market funds	17,070	—	—
	$ 203,107,342	$ —	$ —
Liabilities:			
Public Warrants	$ 6,372,917	$ —	$ —
Private Placement Warrants	—	—	3,976,500
	$ 6,372,917	**$ —**	**$ 3,976,500**

Level 1 instruments include investments in money market funds and U.S. Treasury securities. The Company uses inputs such as actual trade data, benchmark yields, quoted market prices from dealers or brokers, and other similar sources to determine the fair value of its investments.

The estimated fair value of the Private Placement Warrants, and the Public Warrants, prior to being separately listed and traded, is determined using Level 3 inputs. The fair value of the Public Warrants and Private Placement Warrants were initially measured at fair value using a Black-Scholes Merton ("BSM") model and subsequently, the fair value of the Private Placement Warrants were estimated using a Monte Carlo simulation model for each measurement date. The fair value of Public Warrants were subsequently measured based on the listed market price.

Inherent in both the BSM and Monte Carlo models are assumptions related to expected term, volatility, risk-free interest rate and dividend yield. The expected term of the warrants is assumed to be equivalent to their remaining contractual term and includes consideration of the redemption features that were incorporated into the Monte Carlo model. The Company estimates the volatility of its ordinary shares based on historical volatility of select peer companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

The following table provides quantitative information regarding Level 3 fair value measurement inputs:

	December 31,	
	2020	2019
Expected term	0.31	1.75
Volatility	55.00%	29.60%
Risk-free rate	0.10%	0.14%
Dividend yield	0.00%	0.00%

The change in the fair value of the warrant liabilities is summarized as follows:

	December 31,	
	2020	2019
Beginning balance	$10,349,417	$ —
Issuance of Public and Private Placement Warrants	—	15,852,708
Change in fair value	37,221,917	(5,503,291)
Ending balance	$47,571,334	$10,349,417

Transfers to/from Levels 1, 2 and 3 are recognized at the end of the reporting period. There were no transfers between levels for the year ended December 31, 2020. The estimated fair value of the Public Warrants transferred from a Level 3 measurement to a Level 1 fair value measurement in September 2019 when the Public Warrants were separately listed and traded.

Note 8—Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through the date the financial statements were available for issuance require potential adjustment to or disclosure in the financial statements and has concluded that all such events that would require recognition or disclosure have been recognized or disclosed.

On January 20, 2021, the Company completed the Merger pursuant to the Merger Agreement as described in Note 1. As contemplated by the Merger Agreement and as described in the Company's definitive proxy statement filed with the SEC on December 29, 2020 (the "Proxy Statement"), (i) the Company became a Delaware corporation and, in connection with the Domestication, (A) the Company's name changed to "Hims & Hers Health, Inc.", (B) each outstanding Class A ordinary share of the Company and each outstanding Class B ordinary share of the Company became one share of Class A common stock of the Company, and (C) each outstanding warrant of the Company became one warrant to purchase one share of New Hims Class A Common Stock; and (ii) following the Domestication, Merger Sub merged with and into Hims, with Hims as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of the Company.

In February 2021, the Company net exercised 3,012,500 warrants for 1,474,145 shares of New Hims Class A Common Stock.

Note 9—Restatement of Previously Issued Audited and Unaudited Financial Statements

In May 2021, the Audit Committee of the Company's board of directors, after considering the recommendations of management, concluded that, because of a misapplication of the accounting guidance related to its Warrants, the Company's previously issued financial statements for the periods beginning April 9, 2019 (inception) through December 31, 2020 (collectively, the "Affected Periods") should no longer be relied upon. As such, the Company is restating its financial statements for the Affected Periods.

On April 12, 2021, the Staff of the SEC issued a public statement entitled "Staff Statement on Accounting and Reporting Considerations for Warrants issued by Special Purpose Acquisition Companies ("SPACs")" (the "Staff Statement"). In the Staff Statement, the Staff of the SEC expressed its view that certain terms and conditions common to SPAC warrants may require the warrants to be classified as liabilities on the SPAC's balance sheet as opposed to equity. Since issuance on July 22, 2019, the Company's Warrants were accounted for as equity within the Company's previously reported balance sheets. Accordingly, the statements of operations did not include any subsequent noncash changes in estimated fair value of the Warrants. The views expressed in the Staff Statement were not consistent with the Company's historical interpretation of the specific provisions within its warrant agreement. In light of the Staff Statement, the Company reassessed its accounting for the Warrants. Based on this reassessment, and after discussion and evaluation with the Company's independent registered public accounting firm and the Audit Committee, management concluded that the Warrants should be presented as liabilities with subsequent fair value remeasurement.

The warrant agreement governing the Warrants includes a provision (the "Replacement of Securities Upon Reorganization"), the application of which could result in a different settlement value for the Warrants depending on their holder. Because the holder of an instrument is not an input into the pricing of a fixed-for-fixed option on the Company's ordinary shares, the Private Placement Warrants which contain this term could not be considered "indexed to the Company's own stock." In addition, the provision provides that in the event of a tender or exchange offer accepted by holders of more than 50% of the outstanding shares of the Company's ordinary shares, all holders of the Warrants (both the Public Warrants and the Private Placement Warrants) would be entitled to receive cash for their Warrants. In other words, in the event of a qualifying cash tender offer (which could be outside of the Company's control), all Warrant holders would be entitled to cash, while only certain of the holders of the Company's ordinary shares would be entitled to cash. These provisions preclude the Company from classifying the Warrants in stockholders' equity. As a result of these provisions, the Company has restated its financial statements to reflect the Company's Warrants as a derivative liability with changes in fair value recorded in the current period earnings. In addition, a portion of offering costs were allocated to the Warrants and recognized in expense. The material terms of the Warrants are more fully described in Note 6.

The following presents a reconciliation of the balance sheets, statements of operations and cash flows for the Affected Periods. The restatement had no impact on net cash flows from operating, investing or financing activities.

December 31, 2020 balance sheet:

	As of December 31, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$ 205,633,422	$ —	$ 205,633,422
Liabilities and Shareholders' Equity			
Total current liabilities	$ 4,896,647	$ —	$ 4,896,647
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	47,571,334	47,571,334
Total liabilities	12,090,397	47,571,334	59,661,731
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	188,543,020	(47,571,330)	140,971,690
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	127	477	604
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	6,901,127	33,369,400	40,270,527
Accumulated deficit	(1,901,752)	(33,369,881)	(35,271,633)
Total shareholders' equity	5,000,005	(4)	5,000,001
Total liabilities and shareholders' equity	$ 205,633,422	$ —	$ 205,633,422

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of December 31, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	18,854,302	(4,757,133)	14,097,169
Ordinary shares—shares issued and outstanding	1,270,698	4,757,133	6,027,831

Year ended December 31, 2020 statement of operations:

	Year Ended December 31, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 4,791,727	$ —	$ 4,791,727
Loss from operations	(4,791,727)	—	(4,791,727)
Change in fair value of warrant liability	—	(37,221,917)	(37,221,917)
Gain on investments (net), dividends and interest, held in Trust Account	1,742,713	—	1,742,713
Net loss	$ (3,049,014)	$(37,221,917)	$(40,270,931)
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.07	$ —	$ 0.07
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.89)	$ —	$ (8.29)

Year ended December 31, 2020 statement of cash flows:

	Year Ended December 31, 2020		
	As Previously Reported	Restatement Adjustment	As Restated
Net loss	$(3,049,014)	$(37,221,917)	$(40,270,931)
Adjustments to reconcile net loss to net cash used in operating activities	(1,742,713)	37,221,917	35,479,204
Net cash used in operating activities	(777,074)	—	(777,074)
Net cash provided by investing activities	325,000	—	325,000
Net cash provided by (used in) financing activities	—	—	—
Net change in cash	$ (452,074)	$	$ (452,074)
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$(3,049,010)	$(37,221,920)	$(40,270,930)

September 30, 2020 balance sheet:

	As of September 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$ 205,813,988	$ —	$ 205,813,988
Liabilities and Shareholders' Equity			
Total current liabilities	$ 3,037,725	$ —	$ 3,037,725
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	31,902,349	31,902,349
Total liabilities	10,231,475	31,902,349	42,133,824
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	190,582,510	(31,902,350)	158,680,160
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	107	320	427
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	4,861,657	17,700,577	22,562,234
Accumulated deficit	137,736	(17,700,896)	(17,563,160)
Total shareholders' equity	5,000,003	1	5,000,004
Total liabilities and shareholders' equity	$ 205,813,988	$ —	$ 205,813,988

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of September 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	19,058,251	(3,190,235)	15,868,016
Ordinary shares - shares issued and outstanding	1,066,749	3,190,235	4,256,984

Three months ended September 30, 2020 statement of operations:

	Three Months Ended September 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 2,338,004	$ —	$ 2,338,004
Loss from operations	(2,338,004)	—	(2,338,004)
Change in fair value of warrant liability	—	(17,522,107)	(17,522,107)
Gain on investments (net), dividends and interest, held in Trust Account	81,232	—	81,232
Net loss	$ (2,256,772)	$ (17,522,107)	$ (19,778,879)
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ —	$ —	$ —
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.46)	$ —	$ (3.95)

Nine months ended September 30, 2020 statement of operations:

	Nine Months Ended September 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 2,708,421	$ —	$ 2,708,421
Loss from operations	(2,708,421)	—	(2,708,421)
Change in fair value of warrant liability	—	(21,552,932)	(21,552,932)
Gain on investments (net), dividends and interest, held in Trust Account	1,698,895	—	1,698,895
Net loss	$ (1,009,526)	$(21,552,932)	$(22,562,458)
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.08	$ —	$ 0.08
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.54)	$ —	$ (4.82)

Nine months ended September 30, 2020 statement of cash flows:

	Nine Months Ended September 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Net loss	$(1,009,526)	$(21,552,932)	$(22,562,458)
Adjustments to reconcile loss to net cash used in operating activities	(1,698,895)	21,552,932	19,854,037
Net cash used in operating activities	(577,740)	—	(577,740)
Net cash provided by investing activities	325,000	—	325,000
Net cash provided by (used in) financing activities	—	—	—
Net change in cash	$ (252,740)	$ —	$ (252,740)
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$ (1,009,520)	$ (21,552,940)	$ (22,562,460)

June 30, 2020 balance sheet:

	As of June 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$ 206,200,737	$ —	$ 206,200,737
Liabilities and Shareholders' Equity			
Total current liabilities	$ 1,167,702	$ —	$ 1,167,702
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	14,380,242	14,380,242
Total liabilities	8,361,452	14,380,242	22,741,694
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	192,839,280	(14,380,240)	178,459,040
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	84	145	229
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	2,604,910	178,642	2,783,552
Retained earnings	2,394,508	(178,789)	2,215,719
Total shareholders' equity	5,000,005	(2)	5,000,003
Total liabilities and shareholders' equity	$ 206,200,737	$ —	$ 206,200,737

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of June 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	19,283,928	(1,438,024)	17,845,904
Ordinary shares - shares issued and outstanding	841,072	1,438,024	2,279,096

Three months ended June 30, 2020 statement of operations:

	Three Months Ended June 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 123,634	$ —	$ 123,634
Loss from operations	(123,634)	—	(123,634)
Change in fair value of warrant liability	—	(3,050,354)	(3,050,354)
Gain on investments (net), dividends and interest, held in Trust Account	36,858	—	36,858
Net loss	$ (86,776)	$ (3,050,354)	$ (3,137,130)
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.00	$ —	$ 0.00
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.02)	$ —	$ (0.63)

Six months ended June 30, 2020 statement of operations:

	Six Months Ended June 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 370,417	$ —	$ 370,417
Loss from operations	(370,417)	—	(370,417)
Change in fair value of warrant liability	—	(4,030,825)	(4,030,825)
Gain on investments (net), dividends and interest, held in Trust Account	1,617,663	—	1,617,663
Net income (loss)	$ 1,247,246	$(4,030,825)	$ (2,783,579)
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.08	$ —	$ 0.08
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.07)	$ —	$ (0.87)

Six months ended June 30, 2020 statement of cash flows:

	Six Months Ended June 30, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Net income (loss)	$1,247,246	$(4,030,825)	$(2,783,579)
Adjustments to reconcile net income (loss) to net cash used in operating activities	(1,617,663)	4,030,825	2,413,162
Net cash used in operating activities	(124,809)	—	(124,809)
Net cash provided by (used in) investing activities	—	—	—
Net cash provided by (used in) financing activities	—	—	—
Net change in cash	$ (124,809)	$ —	$ (124,809)
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$ 1,247,250	(4,030,830)	(2,783,580)

March 31, 2020 balance sheet:

	As of March 31, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$206,287,199	$ —	$206,287,199
Liabilities and Shareholders' Equity			
Total current liabilities	$ 1,167,388	$ —	$ 1,167,388
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	11,329,888	11,329,888
Total liabilities	8,361,138	11,329,888	19,691,026
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	192,926,060	(11,329,890)	181,596,170
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	83	114	197
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	2,518,131	(2,871,677)	(353,546)
Retained earnings	2,481,284	2,871,565	5,352,849
Total shareholders' equity	5,000,001	2	5,000,003
Total liabilities and shareholders' equity	$206,287,199	$ —	$206,287,199

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of March 31, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	19,292,606	(1,132,989)	18,159,617
Ordinary shares - shares issued and outstanding	832,394	1,132,989	1,965,383

Three months ended March 31, 2020 statement of operations:

	Three Months Ended March 31, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 246,783	$ —	$ 246,783
Loss from operations	(246,783)	—	(246,783)
Change in fair value of warrant liability	—	(980,471)	(980,471)
Gain on investments (net), dividends and interest, held in Trust Account	1,580,805	—	1,580,805
Net income	$ 1,334,022	$ (980,471)	$ 353,551
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.08	$ —	$ 0.08
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.05)	$ —	$ (0.24)

Three months ended March 31, 2020 statement of cash flows:

	Three Months Ended March 31, 2020 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Net income	$ 1,334,022	$ (980,471)	$ 353,551
Adjustments to reconcile net income to net cash used in operating activities	(1,580,805)	980,471	(600,334)
Net cash used in operating activities	(28,639)	—	(28,639)
Net cash provided by (used in) investing activities	—	—	—
Net cash provided by (used in) financing activities	—	—	—
Net change in cash	$ (28,639)	$ —	$ (28,639)
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$ 1,334,030	$ (980,480)	$ 353,550

December 31, 2019 balance sheet:

	As of December 31, 2019		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$204,765,183	$ —	$204,765,183
Liabilities and Shareholders' Equity			
Total current liabilities	$ 979,394	$ —	$ 979,394
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	10,349,417	10,349,417
Total liabilities	8,173,144	10,349,417	18,522,561
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	191,592,030	(10,349,410)	181,242,620
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	97	104	201
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	3,852,147	(3,852,147)	—
Retained earnings	1,147,262	3,852,036	4,999,298
Total shareholders' equity	5,000,009	(7)	5,000,002
Total liabilities and shareholders' equity	$204,765,183	$ —	$204,765,183

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of December 31, 2019		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	19,159,203	(1,034,941)	18,124,262
Ordinary shares - shares issued and outstanding	965,797	1,034,941	2,000,738

Period from April 9, 2019 (inception) to December 31, 2019 statement of operations:

	Period from April 9, 2019 (inception) to December 31, 2019		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 710,080	$ 600,675	$ 1,310,755
Loss from operations	(710,080)	(600,675)	(1,310,755)
Change in fair value of warrant liability	—	5,503,291	5,503,291
Gain on investments (net), dividends and interest, held in Trust Account	1,857,342	—	1,857,342
Net income	$ 1,147,262	$4,902,616	$ 6,049,878
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.08	$ —	$ 0.08
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.08)	$ —	$ 0.90

Period from April 9, 2019 (inception) to December 31, 2019 statement of cash flows:

	Period from April 9, 2019 (inception) To December 31, 2019		
	As Previously Reported	Restatement Adjustment	As Restated
Net income	$ 1,147,262	$ 4,902,616	$ 6,049,878
Adjustments to reconcile net income to net cash used in operating activities	(1,857,342)	(4,902,616)	(6,759,958)
Net cash used in operating activities	(241,682)	—	(241,682)
Net cash used in investing activities	(201,250,000)	—	(201,250,000)
Net cash provided by financing activities	203,002,023	—	203,002,023
Net change in cash	$ 1,510,341	$ —	$ 1,510,341
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$ 191,592,030	$(10,349,410)	$ 181,242,620
Initial fair value of warrant liability	—	(15,852,708)	(15,852,708)

September 30, 2019 balance sheet:

	As of September 30, 2019 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Total assets	$204,094,833	$ —	$204,094,833
Liabilities and Shareholders' Equity			
Total current liabilities	$ 1,036,867	$ —	$ 1,036,867
Deferred underwriting commissions	7,043,750	—	7,043,750
Deferred legal fees	150,000	—	150,000
Warrant liabilities	—	10,840,587	10,840,587
Total liabilities	8,230,617	10,840,587	19,071,204
Class A ordinary shares, $0.0001 par value; shares subject to possible redemption	190,864,210	(10,840,590)	180,023,620
Shareholders' equity:			
Preference shares, $0.0001 par value	—	—	—
Class A ordinary shares, $0.0001 par value	104	109	213
Class B ordinary shares, $0.0001 par value	503	—	503
Additional paid-in capital	4,579,960	(4,411,552)	168,408
Retained earnings	419,439	4,411,446	4,830,885
Total shareholders' equity	5,000,006	3	5,000,009
Total liabilities and shareholders' equity	$204,094,833	$ —	$204,094,833

A reconciliation of the Class A ordinary shares subject to possible redemption outstanding and Class A ordinary shares outstanding is as follows:

	As of September 30, 2019 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Shares subject to possible redemption - shares outstanding	19,086,421	(1,084,059)	18,002,362
Ordinary shares - shares issued and outstanding	1,038,579	1,084,059	2,122,638

Three months ended September 30, 2019 statement of operations:

	Three Months Ended September 30, 2019 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 449,938	$ 600,675	$ 1,050,613
Loss from operations	(449,938)	(600,675)	(1,050,613)
Change in fair value of warrant liability	—	5,012,121	5,012,121
Gain on investments (net), dividends and interest, held in Trust Account	885,983	—	885,983
Net income	$ 436,045	$ 4,411,446	$ 4,847,491
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.04	$ —	$ 0.04
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.09)	$ —	$ 0.79

Period from April 9, 2019 (inception) to September 30, 2019 statement of operations:

	Period from April 9, 2019 (inception) to September 30, 2019 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
General and administrative expenses	$ 466,544	$ 600,675	$ 1,067,219
Loss from operations	(466,544)	(600,675)	(1,067,219)
Change in fair value of warrant liability	—	5,012,121	5,012,121
Gain on investments (net), dividends and interest, held in Trust Account	885,983	—	885,983
Net income	$ 419,439	$ 4,411,446	$ 4,830,885
Basic and diluted weighted average shares outstanding of Class A ordinary shares	20,125,000	—	20,125,000
Basic and diluted net income per share, Class A	$ 0.04	$ —	$ 0.04
Basic and diluted weighted average shares outstanding of Class B ordinary shares	5,031,250	—	5,031,250
Basic and diluted net loss per share, Class B	$ (0.09)	$ —	$ 0.79

Period from April 9, 2019 (inception) to September 30, 2019 statement of cash flows:

	Period from April 9, 2019 (inception) To September 30, 2019 (Unaudited)		
	As Previously Reported	Restatement Adjustment	As Restated
Net income	$ 419,439	$ 4,411,446	$ 4,830,885
Adjustments to reconcile net income to net cash used in operating activities	(885,983)	(4,411,446)	(5,297,429)
Net cash used in operating activities	(207,200)	—	(207,200)
Net cash used in investing activities	(201,250,000)	—	(201,250,000)
Net cash provided by financing activities	203,238,700	—	203,238,700
Net change in cash	$ 1,781,500	$ —	$ 1,781,500
Noncash investing and financing activities:			
Change in value of Class A ordinary shares subject to possible redemption	$ 190,864,210	$(10,840,590)	$ 180,023,620
Initial fair value of warrant liability	—	(15,852,708)	(15,852,708)

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Hims, Inc. and Subsidiaries Financial Statements for the year ended December 31, 2020 and 2019

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CONSOLIDATED FINANCIAL STATEMENTS

Hims, Inc. and Subsidiaries
Years Ended December 31, 2020 and 2019
With Report of Independent Registered Public Accounting Firm

Hims, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Contents

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Hims, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hims, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, mezzanine equity and stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.
San Francisco, California
March 22, 2021

Hims, Inc. and Subsidiaries

Consolidated Balance Sheets
(In Thousands, except Share Data)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 27,344	$ 22,647
Short-term investments	72,864	37,721
Inventory	3,543	4,217
Prepaid expenses and other current assets	5,404	5,022
Deferred transaction costs	3,929	—
Total current assets	113,084	69,607
Restricted cash, noncurrent	1,006	150
Other long-term assets	4,607	2,313
Total assets	$ 118,697	$ 72,070
Liabilities, mezzanine equity, and stockholders' equity		
Current liabilities:		
Accounts payable	$ 8,066	$ 7,231
Accrued liabilities	4,984	2,026
Deferred revenue	1,272	753
Term loan, current	—	1,515
Warrant liabilities	906	9,097
Total current liabilities	15,228	20,622
Deferred rent, noncurrent	381	—
Total liabilities	15,609	20,622
Commitments and contingencies *(Note 11)*		
Mezzanine equity:		
Redeemable convertible preferred stock – par value $0.000001; 211,924,602 and 192,870,448 shares authorized and 206,031,290 and 186,573,651 shares issued and outstanding as of December 31, 2020 and 2019, respectively; liquidation preference of $268,452 and $206,138 as of December 31, 2020 and 2019, respectively	249,962	186,741
Redeemable Class A common stock – par value $0.000001; nil and 1,627,132 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	4,500
Total mezzanine equity	249,962	191,241
Stockholders' deficit:		
Common stock – Class A shares, par value $0.000001; 368,000,000 and 333,000,000 shares authorized and 101,606,862 and 98,563,353 shares issued and outstanding as of December 31, 2020 and 2019, respectively; Class F shares, par value $0.000001; 15,323,740 shares authorized, issued, and outstanding as of December 31, 2020 and 2019	—	—
Additional paid-in capital	24,429	13,383
Accumulated other comprehensive (loss) income	(11)	2
Accumulated deficit	(171,292)	(153,178)
Total stockholders' deficit	(146,874)	(139,793)
Total liabilities, mezzanine equity, and stockholders' deficit	$ 118,697	$ 72,070

See accompanying notes to consolidated financial statements.

Hims, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss
(In Thousands, except Share and Per Share Data)

	Year Ended December 31,	
	2020	2019
Revenue	$ 148,757	$ 82,558
Cost of revenue	39,307	37,953
Gross profit	109,450	44,605
Operating expenses:		
Marketing	58,989	63,156
Selling, general, and administrative	65,605	55,863
Total operating expenses	124,594	119,019
Loss from operations	(15,144)	(74,414)
Other income (expense):		
Interest expense	(10)	(369)
Other (expense) income, net	(2,833)	2,809
Loss before provision for income taxes	(17,987)	(71,974)
Provision for income taxes	(127)	(90)
Net loss	(18,114)	(72,064)
Other comprehensive (loss) income	(13)	4
Total comprehensive loss	$ (18,127)	$ (72,060)
Net loss per share attributable to common stockholders:		
Basic and diluted	$ (0.23)	$ (0.94)
Weighted average shares outstanding:		
Basic and diluted	78,047,120	76,545,970

See accompanying notes to consolidated financial statements.

Hims, Inc. and Subsidiaries

Consolidated Statements of Mezzanine Equity and Stockholders' Deficit

(In Thousands, except Share Data)

	Redeemable Convertible Preferred Stock		Redeemable Class A Common Stock		Class A and Class F Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018	156,950,448	$ 94,151	—	—	112,924,032	—	$ 9,759	$ (2)	$ (81,114)	$ (71,357)
Issuance of redeemable convertible preferred stock, net of issuance costs, including warrants, of $10.2 million	29,623,203	92,590	—	—	—	—	—	—	—	—
Issuance of Class A common stock warrants	—	—	—	—	—	—	61	—	—	61
Exercise of vested stock options	—	—	—	—	387,055	—	23	—	—	23
Early exercise of unvested stock options	—	—	—	—	2,218,897	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	—	—	12	—	—	12
Forfeiture of unvested shares issued for early exercised stock options	—	—	—	—	(15,759)	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	8,028	—	—	8,028
Reclassification associated with Class A common stock subject to redemption	—	—	1,627,132	4,500	(1,627,132)	—	(4,500)	—	—	(4,500)
Other comprehensive income	—	—	—	—	—	—	—	4	—	4
Net loss	—	—	—	—	—	—	—	—	(72,064)	(72,064)
Balance as of December 31, 2019	186,573,651	186,741	1,627,132	4,500	113,887,093	—	13,383	2	(153,178)	(139,793)
Issuance of Series D redeemable convertible preferred stock, net of issuance costs of $0.1 million	16,495,335	51,900	—	—	—	—	—	—	—	—
Exercise of Series C redeemable convertible preferred stock warrants	2,962,304	11,321	—	—	—	—	—	—	—	—
Exercise of Class A common stock warrants	—	—			2,320,646	—	561	—	—	561
Exercise of vested stock options	—	—	—	—	370,117	—	123	—	—	123
Early exercise of unvested stock options	—	—	—	—	39,573	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	—	—	31	—	—	31
Forfeiture of unvested early exercised shares	—	—	—	—	(1,313,959)	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	5,831	—	—	5,831
Expiration of the Class A common stock redemption right	—	—	(1,627,132)	(4,500)	1,627,132	—	4,500	—	—	4,500
Other comprehensive loss						—	—	(13)	—	(13)
Net loss	—	—	—	—	—	—	—	—	(18,114)	(18,114)
Balance as of December 31, 2020	206,031,290	$249,962	—	—	116,930,602	—	$ 24,429	$ (11)	$ (171,292)	$ (146,874)

See accompanying notes to consolidated financial statements.

Hims, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31, 2020	2019
Operating activities		
Net loss	$ (18,114)	$ (72,064)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,057	260
Stock-based compensation	5,831	8,028
Change in fair value of warrant liability	3,101	(951)
Loss on lease termination	754	—
Amortization of debt issuance costs	322	70
Noncash other	384	(358)
Changes in operating assets and liabilities:		
Inventory	674	(522)
Prepaid expenses and other current assets	(645)	(2,436)
Other long-term assets	8	(755)
Accounts payable	826	(6,075)
Accrued liabilities	2,423	(276)
Deferred revenue	519	212
Deferred rent	381	—
Net cash used in operating activities	(2,479)	(74,867)
Investing activities		
Purchases of investments	(95,008)	(42,012)
Maturities of investments	47,990	4,500
Proceeds from sale of investments	11,550	—
Investment in website development, internal-use software, and intangible assets	(2,496)	(1,479)
Purchases of property, equipment, and intangible assets	(1,737)	(308)
Net cash used in investing activities	(39,701)	(39,299)
Financing activities		
Proceeds from issuance of redeemable convertible preferred stock	52,034	102,793
Payments for issuance costs of redeemable convertible preferred stock	(134)	(227)
Proceeds from exercise of Series C preferred stock warrants	29	—
Proceeds from exercise of Class A common stock warrants	561	—
Proceeds from exercise of vested and unvested stock options, net of repurchases of unvested shares	123	44
Borrowings of principal on term loan	—	2,136
Repayments of principal on term loan	(1,515)	(9,051)
Payments for debt issuance costs	—	(377)
Payments for transaction costs	(3,356)	—
Net cash provided by financing activities	47,742	95,318
Foreign currency effect on cash and cash equivalents	(9)	(5)
Increase (decrease) in cash, cash equivalents, and restricted cash	5,553	(18,853)
Cash, cash equivalents, and restricted cash at beginning of year	22,797	41,650
Cash, cash equivalents, and restricted cash at end of year	$ 28,350	$ 22,797
Supplemental disclosures of cash flow information		
Cash paid for taxes	$ 221	$ 139
Cash paid for interest	$ 10	$ 361
Noncash investing and financing activities		
Exercise of preferred stock warrants	$ 11,292	$ —
Expiration of Class A common stock redemption right	$ 4,500	$ —
Redeemable Class A common stock reclassification	$ —	$ 4,500
Deferred transaction costs payable	$ 573	$ —
Warrants issued for debt issuance costs	$ —	$ 133
Vesting of early exercised stock options	$ 31	$ 12

See accompanying notes to consolidated financial statements.

1. Description of Business and Basis of Presentation

Description of the Business

Hims, Inc. (the "Company" or "Hims") was incorporated in Delaware on December 30, 2013. Our mission is to make healthcare accessible, affordable, and convenient for everyone. We designed and built our digitally native, cloud-based technology centered around the consumer, and design everything with the consumer in mind. Our proprietary mobile app, websites, telehealth platform, electronic medical records system, and pharmacy integration combine to provide consumers with a seamless, easy-to-use, mobile-first experience. The Company is leading the transformation in healthcare by becoming the digital front door for healthcare consumers.

We believe the future of healthcare will be driven by consumer brands that empower people and give them full control over their healthcare. We have endeavored to build a healthcare system that squarely focuses on the needs of the healthcare consumer. To enable our mission of making healthcare accessible, affordable, and convenient for everyone, we offer a range of health and wellness products and services available for purchase on our websites directly by customers and through wholesale partners.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared pursuant to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and variable interest entities in which it holds a controlling financial interest. All intercompany transactions and balances have been eliminated in the consolidated financial statements herein. For the years ended December 31, 2020 and 2019, the Company had operations primarily in the United States and immaterial operations in the United Kingdom.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The more significant estimates and assumptions by management include, among others, valuation of inventory, valuation and recognition of stock-based compensation expense, valuation and recognition of warrants, and estimates in capitalization

of website development and internal-use software costs. Management believes that the estimates, and judgments upon which it relies, are reasonable based upon information available to it at the time that these estimates and judgments were made. Actual results experienced by the Company may differ from management's estimates. To the extent that there are material differences between these estimates and actual results, the Company's consolidated financial statements will be affected.

Risks and Uncertainties

The Company's business, operations, and financial results are subject to various risks and uncertainties, including adverse United States economic conditions, legal restrictions, changing laws for medical services and prescription products, or decisions to outsource or modify portions of its supply chain, and competition in its industry could adversely affect its business, financial condition, results of operations, and cash flows. These significant factors, among others, could cause the Company's future results to differ materially from the consolidated financial statements.

Concentration Risk

The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable.

The Company maintains its cash, cash equivalents, short-term investments and restricted cash with high-quality financial institutions with investment-grade ratings. The majority of the cash balances are with U.S. banks and are insured to the extent defined by the Federal Deposit Insurance Corporation.

The prescription products ordered on the Company's e-commerce online platform have historically been fulfilled by two pharmacies. If either of the pharmacies were to stop fulfilling orders, it could significantly slow prescription product sales until a new supplier is found. The Company maintains agreements with these pharmacies and is investing in new pharmacy fulfillment capabilities to mitigate any such risk.

As of and for the years ended December 31, 2020 and 2019, a single wholesale customer represented more than 10% of accounts receivable and no single customer represented more than 10% of revenue. In addition, the Company had an immaterial amount of revenue related to sales in foreign countries.

Foreign Currency Translation

The Company's consolidated financial statements are presented in U.S. dollars. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are presented as foreign currency translation adjustments, a component of other comprehensive income on the consolidated statements of operations and comprehensive loss.

Segment Reporting

For the years ended December 31, 2020 and 2019, the Company was managed as a single operating segment on a consolidated basis. Furthermore, the Company determined that the Chief Executive Officer ("CEO") is the Chief Operating Decision Maker as he is responsible for making decisions regarding the allocation of resources and assessing performance as well as for strategic operational decisions and managing the organization at a consolidated level.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company deposits its cash and cash equivalents with financial institutions.

The restricted cash balance is comprised of the cash collateral that is held by the Company's primary financial institution for (i) use of the institution's cash management services and (ii) a letter of credit issued as a security deposit for the Company's warehouse facility in New Albany, Ohio. Refer to Note 9 – Borrowing Arrangements for further details.

Total cash, cash equivalents, and restricted cash are summarized as follows (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	$27,344	$22,647
Restricted cash	1,006	150
Total cash, cash equivalents, and restricted cash	$28,350	$22,797

Short-term and Long-term Investments

Available-for-sale debt instruments with original maturities at the date of purchase greater than three months and remaining maturities of less than one year are classified as short-term investments. Available-for-sale debt instruments with original maturities at the date of purchase and remaining maturities of greater than one year are classified as long-term investments. The Company intends to sell such investments at or close to maturity.

The investments, if any, are designated as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in other comprehensive income on the consolidated statements of operations and comprehensive loss, except as noted in the Other-Than-Temporary Impairment section that follows. The Company determines the cost of the investment sold based on specific identification at the individual security level. The Company records the interest income and realized gains and losses on the sale of these instruments within other income (expense), net on the consolidated statements of operations and comprehensive loss.

Other-Than-Temporary Impairment

The Company's investments are subject to a periodic impairment review. Investments are considered impaired when the fair value is below the investment's adjusted cost basis. This would occur for marketable debt instruments when the fair value is below amortized cost and the Company intends to sell the instrument, or when it is more likely than not that the Company will be required to sell the instrument before recovery of its amortized cost basis, or when the Company does not expect to recover the entire amortized cost basis of the instrument (a credit loss exists). When the Company does not expect to recover the entire amortized cost basis of the instrument, it separates other-than-temporary impairments into amounts representing credit losses, which are recognized in other income (expense), net, and amounts related to all other factors, which are recognized in other comprehensive (loss) income on the consolidated statements of operations and comprehensive loss. The Company incurred no impairments for the years ended December 31, 2020 or 2019.

Fair Value of Financial Instruments

The fair value of a financial instrument is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities subject to ongoing fair value measurement are categorized and disclosed into one of the three categories depending on observable or unobservable inputs employed in the measurement. Hierarchical levels, which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities, are as follows:

- Level 1: Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2: Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Inventory

Inventory primarily consists of finished goods and raw materials that are located at Company-managed and third-party fulfillment warehouses. Inventory is stated at the lower of cost or net realizable value and inventory cost is determined by the weighted average cost method. The Company reserves for expired, slow-moving, and excess inventory by estimating the net realizable value based on the potential future use of such inventory. Management monitors inventory to identify events that would require impairment due to slow-moving, expired, or obsolete inventory and adjusts the value of inventory when required. Obsolete inventory balances are written-off against the inventory allowance after management determines that the inventory cannot be sold. For the years ended December 31, 2020 and 2019, the Company recorded write-offs of $0.2 million and $1.4 million, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of balances related to prepayments or vendor deposits for inventory, software, insurance, marketing and other operating costs, and trade and other accounts receivables. Prepaid expenses are recorded when payment has been made in advance for goods and services. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Receivables are stated at amounts estimated by management to be equal to their net realizable values. The allowance for doubtful accounts is the Company's best estimate of the amount of probable losses and it is recorded when it is probable that amounts will not be collected based on historical collection trends, age of outstanding receivables, specific customer circumstances, and existing economic conditions. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2020 and 2019, accounts receivable was $1.1 million and

$0.9 million, respectively, and included within prepaid expenses and other current assets on the consolidated balance sheets. There were no write-offs of accounts receivable for the years ended December 31, 2020 or 2019. As of December 31, 2020 and 2019, the Company had no allowances for doubtful accounts.

The Company does not have any off-balance sheet credit exposure related to its customers.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Maintenance and repair costs are charged to expense as incurred, and expenditures that extend the useful lives of assets are capitalized. Property and equipment are depreciated or amortized using the straight-line method over the estimated useful lives ranging from two to five years and consist primarily of facility equipment, computers, equipment, furniture, and fixtures. Property and equipment, net was $1.7 million and $0.2 million as of December 31, 2020 and 2019, respectively, and is classified within other long-term assets on the consolidated balance sheets.

Intangibles

Intangibles with finite lives are amortized over their useful life in accordance with Accounting Standards Codification ("ASC") 350-30, *Intangibles – Goodwill and Other – General Intangibles Other Than Goodwill.* Amortization is provided by utilizing a straight-line method over the estimated useful lives of the intangibles.

The Company accounts for website development costs in accordance with ASC 350-50, *Intangibles – Goodwill and Other – Website Development Costs*. The costs incurred during the website application and infrastructure stages as well as costs incurred during the graphics and content development stages are capitalized; all other costs are expensed as incurred. In addition, the Company incurs costs to develop software for internal use, which are accounted for under ASC 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*. The costs incurred during the application development phase are capitalized until the project is completed and the asset is ready for intended use. The Company expenses all costs that relate to the preliminary project and post-implementation operation phases of development as selling, general, and administrative expense on the consolidated statement of operations and comprehensive loss.

As of December 31, 2020 and 2019, website development and internal-use software costs of $2.9 million and $1.3 million, net of amortization of $1.0 million and $0.2 million, respectively, were classified within other long-term assets on the consolidated balance sheets and had useful lives of 2 to 3 years.

The following table summarizes the estimated amortization of intangibles for the five years subsequent to December 31, 2020, and thereafter (in thousands):

2021	$1,157
2022	1,052
2023	586
2024	128
2025 and thereafter	18
Total	$2,941

Impairment of Long-Lived Assets

Long-lived assets include property and equipment and intangible assets subject to amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, recoverability of assets to be held and used is assessed by comparing the carrying amount of assets with their future underlying net cash flows (undiscounted and without interest charges). If such assets are considered to be impaired, an impairment is recognized as the amount by which the carrying amount of the assets exceeds the estimated fair values of the assets. Assets to be disposed of by sale are reported at the lower of their carrying amount or estimated fair value less costs to sell. As of December 31, 2020 and 2019, the Company determined that no events or changes in circumstances existed that would otherwise indicate any impairment of its long-lived assets.

Warrant Liability

The Company classifies warrants to purchase shares of Series C and Series D redeemable convertible preferred stock that are contingently puttable or redeemable as liabilities. Such warrants are measured and recognized at fair value and are subject to remeasurement at each balance sheet date. At the end of each reporting period, changes in fair value during the period are recognized as a component of other income (expense), net within the consolidated statements of operations and comprehensive loss. The Company will continue to adjust the warrant liability for changes in the fair value until the earlier of a) the exercise or expiration of the warrants or b) the completion of a liquidation event, including completion of an initial public offering, at which time all outstanding preferred stock warrants will be converted into warrants to purchase shares of common stock and the liability will be reclassified to additional paid-in capital. As of December 31, 2020, all Series C preferred stock warrants were exercised.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's consolidated revenue primarily comprises online sales of health and wellness products through the Company's website, including prescription and nonprescription products. In contracts that contain prescription products, revenue also includes medical consultation services. Additionally, starting in March 2020, the Company began selling its products to a new wholesale partner, leading to an increase in revenue generated from wholesale arrangements for the year ended December 31, 2020.

Revenue consists of the following (in thousands):

	Year Ended December 31,	
	2020	2019
Online	$ 140,728	$ 82,286
Wholesale	8,029	272
Total revenue	$ 148,757	$ 82,558

For online revenue, the Company defines its customer as an individual who purchases products or services through the website. For wholesale revenue, Company defines its customer as a wholesale partner. The transaction price in the Company's contracts with customers is the total amount of consideration to which the Company expects to be entitled in exchange for transferring products or services to the customer.

The Company's contracts that contain prescription products include two performance obligations: access to (i) products and (ii) consultation services. The Company's contracts that do not contain prescription products have a single performance obligation. Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product to the customer and, in contracts that contain services, by the provision of consultation services to the customer. The Company satisfies its performance obligation for products at a point in time, which is upon delivery of the products to a third-party carrier. The Company satisfies its performance obligation for services over the period of the consultation service, which is typically a few days. The customer obtains control of the products and services upon the Company's completion of its performance obligations.

For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price is based on the prices at which the Company separately sells the products and services, as well as market and cost-plus margin-based estimates. For the years ended December 31, 2020 and 2019, service revenue represents less than 10% of consolidated revenues.

To fulfill its promise to customers for contracts that include professional medical consultations, the Company maintains relationships with various "Affiliated Medical Groups," which are professional corporations or other professional entities owned by licensed physicians and other professional entities that engage licensed medical professionals (medical doctors, physician assistants, and nurse practitioners; collectively referred to as "Providers") to provide consultation services. Refer to Note 7 – Variable Interest Entities. The Company accounts for service revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) the Company determines which Affiliated Medical Group and Provider provides the consultation to the customer; (ii) the Company is primarily responsible for the satisfactory fulfillment and acceptability of the services; (iii) the Company incurs costs for consultation services even for visits that do not result in a prescription and the sale of products; and (iv) the Company, at its sole discretion, sets all listed prices charged on its websites for products and services.

Additionally, to fulfill its promise to customers for contracts that include professional medical consultations, the Company maintains relationships with third-party pharmacies ("Partner Pharmacies") to fill prescriptions that are ordered by the Company's customers. The Company accounts for prescription product revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) the Company has sole discretion in determining which Partner Pharmacy fills a customer's prescription; (ii) Partner Pharmacies fill the prescription based on fulfillment instructions provided by the Company including using Company's branded packaging for generic products; (iii) the Company is primarily responsible to the customer for the satisfactory fulfillment and acceptability of the order; (iv) the Company is responsible for refunds of the prescription medication after transfer of control to the customer; and (v) the Company, at its sole discretion, sets all listed prices charged on its website for products and services.

The Company estimates refunds using the expected value method based on historical refunds granted to customers. The Company updates its estimate at the end of each reporting period and recognizes the estimated amount as contra-revenue with a corresponding refund liability. Sales, value-added, and other taxes are excluded from the transaction price and, therefore, from revenue.

The Company has made an accounting policy election to account for shipping and handling activities performed after the control of a product has been transferred to the customer as fulfillment costs, with direct costs to ship products to customers included in cost of revenue. The Company's contracts with customers do not contain costs to obtain or costs to fulfill contracts with customers in accordance with ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers.*

For online sales, payment for prescription medication and nonprescription products is typically collected from the customer a few days in advance of product shipment. Contract liabilities are recorded when payments have been received from the customer for undelivered products or services and are recognized as revenue when the performance obligations are later satisfied. Contract liabilities consisting of balances related to customer prepayments are recognized as current deferred revenue on the consolidated balance sheets of which substantially all of the balance is recognized in the following month. For wholesale arrangements, payments are collected in accordance with contract terms.

Cost of Revenue

Cost of revenue consists of costs directly attributable to the products shipped and services rendered, including product costs, packaging materials, shipping costs, and labor costs directly related to revenue generating activities. Costs related to free products where there is no expectation of future purchases from a customer are considered to be selling, general, or administrative expenses and are excluded from cost of revenue.

Income Taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based upon differences between the financial reporting and tax reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

The Company determines its valuation allowance on deferred tax assets by considering both positive and negative evidence, including its operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction-by-jurisdiction basis, to ascertain whether it is more likely than not that deferred tax assets will be realized. In the event the Company determines that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, it would make an adjustment to the valuation allowance, which would reduce the provision for income taxes. Conversely, in the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on an estimate of whether, and the extent to which, additional taxes will be due. The Company accounts for uncertain tax positions in accordance with the relevant guidance, which prescribes a two-step approach to

recognize and measure uncertain tax positions taken or expected to be taken in the income tax return, and also provides guidance on recognition, classification, interest and penalties, disclosure, and transition. The first step is to evaluate the tax position taken or expected to be taken by determining whether the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation process. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

Stock-Based Compensation

The fair value of stock options, equity-classified warrants issued to vendors, and restricted stock units ("RSUs"), are measured at the grant date fair value. The fair value of employee stock options and vendor warrants are generally determined using the Black-Scholes Merton ("BSM") option-pricing model using various inputs, including estimates of expected volatility, term, risk-free rate, and future dividends. Stock options that were granted to the Company's CEO with performance conditions were valued using the Monte Carlo simulation model. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the employee and vendor, which is generally the option vesting term of four years for options and warrants that do not have performance conditions. Stock options and RSUs with performance conditions are recognized when it is probable that performance criteria will be achieved and compensation cost is recognized using the accelerated attribution method. The Company accounts for forfeitures as they occur.

Fair Value of Common Stock – Given the absence of a public trading market, the Board of Directors of the Company considers numerous objective and subjective factors to determine the fair value of common stock at each meeting at which awards are approved. These factors include, but are not limited to, (i) contemporaneous valuations of common stock performed by an independent valuation specialist; (ii) developments in the Company's business and stage of development; (iii) the Company's operational and financial performance and condition; (iv) issuances of preferred stock and the rights and preferences of preferred stock relative to common stock; (v) current condition of capital markets and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company; and (vi) the lack of marketability of the Company's common stock. For financial reporting purposes, the Company considers the amount of time between the valuation date and the grant date to determine whether to use the latest common stock valuation or a straight-line interpolation between the two valuation dates. The determination includes an evaluation of whether the subsequent valuation indicates that any significant change in valuation had occurred between the previous valuation and the grant date.

Expected Term – The Company calculates the expected term using the simplified method based on the options' vesting term and contractual terms as the Company does not have sufficient relevant historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Expected Volatility – The volatility is derived from the average historical stock volatilities of a peer group of public companies that the Company considers to be comparable to its business over a period equivalent to the expected term of the share-based grants.

Risk-free Interest Rate – The Company derives the risk-free interest rate assumption from the United States Treasury's rates for the U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued.

Dividend Yield – The Company bases the assumed dividend yield on its expectation of not paying dividends in the foreseeable future. Consequently, the expected dividend yield used is zero.

The Company issues shares for the early exercise of common stock options. The unvested shares are subject to the Company's repurchase right at the lower of the fair market value of the shares of common stock on the date of repurchase or their original purchase price. The proceeds initially are recorded as a liability from the early exercise of stock options and recorded within accrued liabilities on the consolidated balance sheets. These amounts are reclassified to common stock and additional paid-in capital as the Company's repurchase right lapses.

Leases

The Company leases a facility under a noncancelable lease agreement that is accounted for as an operating lease. Rent expense is recorded on a straight-line basis over the lease term. For rent abatement and rent escalation provisions, the Company recognizes the related rent expense on a straight-line basis over the lease term. The difference between cash rent payments and the recognition of straight-line rent expense is recorded as deferred rent and amortized over the lease term.

Employee Benefit Plan

In 2018, the Company adopted a 401(k) Profit Sharing Plan covering substantially all of its U.S. employees. In 2020, the Company adopted a new 401 (k) Profit Sharing Plan upon transferring 401(k) administration to a new service provider. The Company has not contributed to the plans since their inception.

Advertising

For the years ended December 31, 2020 and 2019, customer acquisition costs were $44.0 million and $51.6 million, respectively. These customer acquisition expenses are charged to expense as incurred and recorded within marketing expense on the consolidated statements of operations and comprehensive loss.

Other Comprehensive Income

The Company's other comprehensive income is impacted by foreign currency translation and available-for-sale investment fair value adjustments. The impact of foreign currency translation is affected by the translation of assets and liabilities of the Company's United Kingdom foreign subsidiary, which is denominated in pounds sterling. The primary assets and liabilities affecting the adjustments are cash and cash equivalents, other assets, and accounts payable. The impact of available-for-sale securities is primarily affected by unrecognized gains and losses related to fluctuations in the fair market value of the securities.

Liquidity

The Company's operations have been financed primarily through the issuance of common and preferred stock. Since inception, the Company has incurred negative cash flows as it is expending significant resources in expanding its activities. This has resulted in losses from operations, which are expected to continue for the foreseeable future years, and an accumulated deficit. The Company may require additional financing to fund operations to meet its business plan.

During the year ended December 31, 2020, the Company incurred a net loss of $18.1 million and had negative cash flows from operating activities of $2.5 million. As of December 31, 2020, the Company had an accumulated deficit of $171.3 million, cash and cash equivalents of $27.3 million, and short-term investments of $72.9 million.

The Company believes that its existing cash and investment balances and availability under borrowing agreements are sufficient for the Company to meet its obligations through at least March 31, 2022. Management considers that there are no conditions or events in the aggregate, including the impact of the COVID-19 pandemic, that raise substantial doubt about the entity's ability to continue as a going concern for a period of at least one year from the date the consolidated financial statements are issued. Refer to Note 17 – Subsequent Events for transactions occurring subsequent to year-end resulting in increased liquidity.

Recently Adopted Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The Company adopted ASU 2016-18 as of January 1, 2019, using a retrospective transition method to each period presented.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which amends ASC 820, Fair Value Measurement. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The standard is effective for public companies for fiscal years beginning after December 15, 2019, with early adoption permitted for removed disclosures and delayed adoption until fiscal year 2020 permitted for the new disclosures. The Company adopted this disclosure requirement for the year ended December 31, 2020.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)*, which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for public companies for fiscal years beginning after December 15, 2019. The Company adopted ASU 2018-15 as of January 1, 2019, which did not have an impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on their balance sheets and disclose key information about leasing arrangements. The ASU establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the income statement. The standard is effective for smaller reporting companies for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. In July 2018, the FASB approved an amendment to the new guidance that allows companies the option of using the effective date of the new standard as the initial application (at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period) and to recognize the effects of applying the new ASU as a cumulative effect adjustment to the opening balance sheet or retained earnings. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to require the measurement of expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance also amends the impairment model for available-for-sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on such debt security is a credit loss. In November 2018, ASU 2018-19 aligns the implementation date for nonpublic entities' annual financial statements with the implementation date for their interim financial statements and clarify the scope of the guidance in the amendments in ASU 2016-13 to clarify that receivables arising from operating leases are not within the scope of *Credit Losses (Topic 326)* and should be accounted for in accordance with *Leases (Topic 842*). In April 2019, the FASB issued ASU 2019-04, which, among other amendments, allows for certain policy elections and practical expedients related to accrued interest on financial instruments. In November 2019, the FASB issued ASU 2019-10 and ASU 2019-11, which addressed certain aspects of the guidance related to effective dates, expected recoveries, troubled debt restructurings, accrued interest receivables, and financial assets secured by collateral. In February and March 2020, the FASB also issued ASU 2020-02 and ASU 2020-03, respectively, which provide certain amendments and improvements to sections of ASU 2016-13. These standards are effective for smaller reporting companies for fiscal years and interim periods beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which is intended to improve consistency and simplify several areas of existing guidance. ASU 2019-12 removes certain exceptions to the general principles related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020 for public entities, including interim periods within those fiscal years. The standard is effective for public companies for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

3. Short-term Investments

Short-term investments as of December 31, 2020, consist of the following (in thousands):

	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate bonds	$55,224	$ 5	$ (2)	$55,227
Government bonds	14,121	2	—	14,123
Asset-backed bonds	3,514	—	—	3,514
Total short-term investments	$72,859	$ 7	$ (2)	$72,864

Short-term investments as of December 31, 2019, consist of the following (in thousands):

	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate bonds	$24,386	$ 3	—	$24,389
Government bonds	3,515	2	—	3,517
Asset-backed bonds	9,811	4	—	9,815
Total short-term investments	$37,712	$ 9	—	$37,721

Short-term investments mature within one year.

4. Inventory

Inventory consists of the following (in thousands):

	December 31, 2020	December 31, 2019
Finished goods	$2,856	$3,936
Raw materials	687	196
Work-in-process	—	85
Total inventory	$3,543	$4,217

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	December 31, 2020	December 31, 2019
Trade and other receivables, net	$1,147	$ 859
Prepaid expenses	2,691	1,946
Vendor deposits	1,395	1,737
Other current assets	171	480
Total prepaid expenses and other current assets	$5,404	$5,022

6. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31, 2020	December 31, 2019
Marketing expenses	$1,122	$ 600
Legal fees	968	74
Payroll costs	919	322
Tax payables	651	597
Warrant exercise deposit liability	664	–
Other accrued liabilities	660	433
Total accrued liabilities	$4,984	$2,026

7. Variable Interest Entities

In order for customers to obtain a prescription product, customers must complete a consultation with a Provider on the Company's website through one of the Affiliated Medical Groups and receive a written prescription by the applicable Provider.

The Affiliated Medical Groups and the Company do not have any shareholders in common. The Affiliated Medical Groups are 100% owned by licensed physicians. The Company is party to service agreements with the Affiliated Medical Groups pursuant to which the Company provides management and administrative services and collects the medical consultation fees from customers on behalf of the Affiliated Medical Groups.

In October 2020, the Company also entered into service agreements with XeCare LLC ("XeCare"), a licensed mail order pharmacy which is expected to provide prescription fulfillment services solely to the Company's customers.

The Affiliated Medical Groups and XeCare are legal entities that the Company has determined qualify as variable interest entities ("VIEs"). The Company determined that it is the primary beneficiary of these entities for accounting purposes because it has the ability to direct the activities that most significantly affect the entities' economic performance and has the obligation to absorb losses. Under the VIE model, the Company presents the results of operations and the financial position of the Affiliated Medical Groups and XeCare as part of the consolidated financial statements of the Company as if the consolidated group were a single economic entity. There is no noncontrolling interest upon consolidation of the entities. The results of operations and cash flows of the Affiliated Medical Groups and XeCare are also included in the Company's consolidated financial statements.

For the years ended December 31, 2020 and 2019, the Affiliated Medical Groups and XeCare combined charged the Company $12.0 million and $2.6 million, respectively for services rendered. For the years ended December 31, 2020 and 2019, the net losses generated by the Affiliated Medical Groups and XeCare combined were $1.9 million and $9.3 million, respectively, after elimination of intercompany transactions and balances.

8. Fair Value Measurements

The Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020, is as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	$12,163	$ —	$ —	$12,163
Government bonds	—	12,693	—	12,693
Short-term investments:				
Corporate bonds	—	55,227	—	55,227
Government bonds	—	14,123	—	14,123
Asset-backed bonds	—	3,514	—	3,514
Restricted cash:				
Money market funds	1,006	—	—	1,006
Long-term investments:				
Corporate bonds	—	—	—	—
Total assets	$13,169	$85,557	$ —	$98,726
Liabilities				
Warrant liability	$ —	$ —	$ 906	$ 906
Total liabilities	$ —	$ —	$ 906	$ 906

The Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019, is as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	$20,880	$ —	$ —	$20,880
Government bonds	—	479	—	479
Short-term investments:				
Corporate bonds	—	24,389	—	24,389
Government bonds	—	3,517	—	3,517
Asset-backed bonds	—	9,815	—	9,815
Restricted cash:				
Money market funds	150	—	—	150
Long-term investments:				
Corporate bonds	—	—	—	—
Total assets	$21,030	$38,200	$ —	$59,230
Liabilities				
Warrant liability	$ —	$ —	$ 9,097	$ 9,097
Total liabilities	$ —	$ —	$ 9,097	$ 9,097

The fair values of cash, accounts receivable, accounts payable, and accrued liabilities approximated their carrying values as of December 31, 2020 and 2019, due to their short-term nature. All other financial instruments except for the warrant liability are valued either based on recent trades of securities in active markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data. The warrant liability contains significant unobservable inputs including the share exchange ratio in evaluating the fair value of underlying common stock, expected term, and exercise price. Therefore, the warrant liability was evaluated to be a Level 3 fair value measurement.

In prior periods, the fair value of the preferred stock warrant liability had been measured using the BSM option-pricing model and Monte Carlo simulation. The following assumptions were used in determining the fair value of the Series C preferred stock warrant liability related to 2,962,304 warrants at an exercise price of $0.01 and to 198,126 warrants at an exercise price of $3.47:

Measurement Date	December 31, 2019
Expected term (in years)	3.41
Expected volatility	61.00%
Risk-free interest rate	1.63%
Expected dividend yield	0.00%

The Company changed its valuation method as a result of increased probability that the Company's common shares would be publicly listed in the near-term and began using a probability weighted expected returns methodology during 2020.

As of December 31, 2020, the Company reverted to using a BSM option-pricing model to determine the value of the outstanding Series D preferred stock warrants (that replaced the Series C preferred stock warrants as discussed in Note 9 – Borrowing Arrangements). This was a result of the Company expecting to close a Merger (defined in Note 17 – Subsequent Events) with Oaktree Acquisition Corp. ("OAC"), a publicly traded special purpose acquisition company ("SPAC"), after obtaining approval from the Securities Exchange Commission to file a proxy statement on December 29, 2020. Accordingly, the Company determined the value of the Company's equity based on the 10-day weighted average trading price of OAC of $13.98, adjusted for the share exchange ratio of 0.4530 (as determined upon consummation of the Merger), and applied a discount for lack of marketability of 3%, for a fair value of $6.14.

The following assumptions and inputs were also used in the BSM calculation:

Measurement Date	December 31, 2020
Expected term (in years)	5.91
Expected volatility	57.90%
Risk-free interest rate	0.49%
Expected dividend yield	0.00%
Exercise price (Series D preferred stock issuance price)	$ 3.15

Expected Term – The expected term is the contractual life of the warrants which is seven years from the warrant agreement date of November 27, 2019.

Expected Volatility – The volatility is derived from the average historical stock volatilities of a peer group of public companies that the Company considers to be comparable to its business over a period equivalent to the expected term of the warrants.

Risk-free Interest Rate – The Company derives the risk-free interest rate assumption from the United States Treasury's rates for the U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the warrants being valued.

Dividend Yield – The Company bases the assumed dividend yield on its expectation of not paying dividends in the foreseeable future. Consequently, the expected dividend yield used is zero.

The change in the fair value of preferred stock warrant liabilities is as follows (in thousands):

	December 31, 2020	December 31, 2019
Beginning balance	$ 9,097	$ —
Issuance of Series C preferred stock warrants	—	10,048
Exercised warrants	(11,292)	—
Change in fair value	3,101	(951)
Ending balance	$ 906	$ 9,097

During the years ended December 31, 2020 and 2019, the Company had no transfers between levels of the fair value hierarchy of its assets or liabilities measured at fair value.

9. Borrowing Arrangements

Silicon Valley Bank

On November 14, 2017, the Company entered into a Loan and Security Agreement (the "2017 Loan Agreement") with Silicon Valley Bank ("SVB") consisting of term loans of up to $2.0 million, with a maturity date of February 1, 2021. The Term Loan was effective August 31, 2018 and interest rate for the term loan is *The Wall Street Journal*'s prime rate ("Prime Rate") plus 1.25%. In connection with the 2017 Loan Agreement, the Company issued a warrant to SVB to purchase 808,603 shares of the Company's Class A common stock at an exercise price of $0.025 per share. The warrant expires November 14, 2027 and had an estimated fair value of $0.1 million at the time of issuance.

On May 16, 2018, the Company and SVB amended and restated the 2017 Loan Agreement (the "First Amended and Restated Loan Agreement") to, among other things, make available an additional term loan amount of up to $11.25 million, which can be drawn over a total of three advances from SVB up to $3.75 million each. Additionally, the payment schedule was modified to 12 equal payments of principal, plus accrued and unpaid interest. In connection with the First Amended and Restated Loan Agreement, the Company issued a warrant to SVB to purchase 129,952 shares of the Company's Class A common stock at an exercise price of $0.025 per share. The warrant expires May 16, 2028 and had an aggregate fair value of $0.1 million at the time of issuance. The issuance of the warrants was considered debt issuance cost and is amortized over the life of the loan.

On November 27, 2019, the Company and SVB amended and restated the Amended and Restated Loan Agreement, dated as of May 16, 2018 (the "Second Amended and Restated Loan Agreement"), which accelerated the repayment of the existing loan over a six-month period, to be paid in full by May 1, 2020 (the "Existing Term Loan"). The Company repaid the loan by May 1, 2020.

In the Second Amended and Restated Loan Agreement, SVB also provided a revolving debt facility for the Company (the "Revolving Line"), of up to $8.0 million, with a maturity date of December 31, 2020. Upon termination of the Revolving Line for any reason prior to its maturity date, the Company shall pay, in addition to any payments owed, a termination fee equal to 1.00% of the Revolving Line. The interest rate for the Revolving Line is equal to the Prime Rate plus 0.50%, with a floor of 5.75%. The Company did not draw down from this Revolving Line and therefore, no amounts were required to be repaid by December 31, 2020.

Under the Second Amended and Restated Loan Agreement, upon the Company's request, SVB will issue letters of credit (the "Letters of Credit") for the Company's account in an aggregate amount not to exceed $2.0 million, which is reduced by the amount otherwise available with respect to the cash management services, which may include merchant services, direct deposit of payroll, business credit card, and check cashing services identified in SVB's various agreements. On September 30, 2020, the Company entered into the First loan Modification Agreement ("Loan Modification Agreement") and the aggregate amount of the Letters of Credit was amended to $3.5 million. As of December 31, 2020, SVB issued on the Company's behalf, a letter of credit in the amount of $0.8 million as a security deposit for a warehouse space in New Albany, Ohio. SVB required the Company to maintain $0.8 million as a collateral for the outstanding letter of credit. The Company expects to continue to renew the letter of credit through the duration of the lease. As this is for longer than one year, the Company presents the $0.8 million within restricted cash, noncurrent on the consolidated balance sheet.

The Company also has a business credit card as part of the cash management services offered by SVB. The Company could request an amount not to exceed $2.0 million, in connection with SVB's cash management services, which amount is reduced by the amount utilized for any issuances of Letters of Credit. This amount was also amended to $3.5 million by the Loan Modification Agreement. Any cash management services are treated as advances under the Revolving Line. For the Company to continue to use the credit card, SVB required the Company to maintain $0.2 million in a collateralized money market account and this was reflected within restricted cash on the consolidated balance sheet as of December 31, 2020.

In connection with the Second Amended and Restated Loan Agreement, the Company issued a warrant to SVB to purchase 82,220 shares of the Company's Class A common stock at an exercise price of $0.79 per share. The warrant expires November 26, 2029 and had an aggregate fair value of $0.1 million at the time of issuance. The fair value of the warrant for shares of the Class A common stock, as well as costs to close the facility, were considered debt issuance costs and are recorded within prepaid expenses and other current assets on the consolidated balance sheets and amortized over the term of the loan.

As of December 31, 2020 and 2019, the Company was in compliance with all of its covenants under the Second Amended and Restated Loan Agreement. As collateral, the Company provided SVB a security interest in substantially all its assets.

TriplePoint Venture Growth

On November 27, 2019, the Company entered into a Plain English Capital Growth and Security Agreement (the "2019 Capital Agreement") with TriplePoint Venture Growth ("TPC") consisting of a term loan in the aggregate principal amount of up to $50.0 million, with $25.0 million being available immediately through December 31, 2020 (the "Part 1 Commitment Amount"), and an additional $25.0 million becoming available upon utilization of the Part 1 Commitment Amount

through December 31, 2020. There is no minimum advance amount. As collateral, the Company has provided a second lien security interest to TPC of substantially all its assets. As of December 31, 2020, the Company had not drawn down from this term loan and the facility expired. The costs associated with issuing the debt facility are recorded as debt issuance costs within prepaid expenses and other current assets on the consolidated balance sheet with amortization recorded over the available period of the facility.

In addition to the costs above and in connection with the 2019 Capital Agreement, the Company issued to TPC a warrant granting TPC the right to purchase 198,126 shares of the Company's Series C preferred stock at an exercise price of $3.47 per share, subject to adjustment in regard to the preferred stock series, number of shares and exercise price if the per share price of subsequent preferred stock rounds is less than $3.47. The estimated fair value of the Company's Series C preferred stock warrants at the time of issuance and as of December 31, 2019, was $0.1 million. The fair value of the warrants was considered debt issuance costs and is recorded within prepaid expenses and other current assets on the consolidated balance sheet with amortization recorded over the available period of the facility. The fair value was estimated using the BSM option-pricing model and has been recorded within warrant liability on the consolidated balance sheets. Refer to Note 8 – Fair Value Measurements for further discussion.

On March 12, 2020, the Company sold Series D preferred stock at an issuance price of $3.1545, which triggered an adjustment to the TPC warrant terms per the original agreement, resulting in conversion of the previously issued 198,126 Series C preferred stock warrants at an exercise price of $3.47 into 217,942 Series D preferred stock warrants at an exercise price of $3.15.

10. Income Taxes

For financial reporting purposes, loss before provision for income taxes includes the following (in thousands):

	Year Ended December 31,	
	2020	2019
Domestic	$ (16,934)	$ (71,644)
Foreign	(1,053)	(330)
Loss before provision for income taxes	$ (17,987)	$ (71,974)

The components of the provision for income taxes consisted of the following (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current:		
Federal	$ —	$ —
State	127	90
Foreign	—	—
Total current provision	127	90
Deferred:		
Federal	—	—
State	—	—
Foreign	—	—
Total deferred provision	—	—
Total expense	$ 127	$ 90

Income tax provision related to continuing operations differs from the amounts computed by applying the statutory income tax rate of 21% to pretax loss as follows (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Tax at statutory rate	$ (3,777)	$ (15,115)
State taxes, net of federal benefits	(364)	(2,690)
Change in valuation allowance	3,948	16,560
Stock-based compensation	698	1,471
Warrant compensation	(403)	—
Other, net	25	(136)
Total	$ 127	$ 90

The components of deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating loss carryforwards	$ 44,342	$ 39,990
Reserves and accruals	68	163
Stock-based compensation	732	283
Inventory	211	315
Other intangibles	52	—
Deferred revenue	33	—
Other deferred tax assets	378	274
Total gross deferred tax assets	45,816	41,025
Less valuation allowance	(44,576)	(40,496)
Total deferred tax assets	1,240	529
Deferred tax liabilities:		
Fixed assets	(1,206)	(321)
Other deferred tax liabilities	(34)	(208)
Total deferred tax liabilities	(1,240)	(529)
Net deferred tax assets	$ —	$ —

The Company determines its valuation allowance on deferred tax assets by considering both positive and negative evidence to ascertain whether it is more likely than not that deferred tax assets will be realized. Realization of deferred tax assets is dependent upon the generation of future taxable income, if any, the timing and amount of which are uncertain. Due to the Company's history of losses, the Company believes that it is not more likely than not that all of the deferred tax assets can be realized as of December 31, 2020 and 2019. Accordingly, the Company has recorded a full valuation allowance against its deferred tax assets. The valuation allowance increased by $4.1 million and $17.4 million, during the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the Company has $164.1 million, $119.8 million, and $1.6 million in federal, state, and foreign loss carryforwards (not tax effected), respectively, of which $157.9 million, $14.9 million, and $1.2 million in federal, state, and foreign loss carryforwards, respectively, do not expire. The remaining federal and state loss carryforwards begin to expire in 2037 and 2023, respectively.

Internal Revenue Code Sections 382 and 383 place a limitation on the amount of taxable income that can be offset by carryforward tax attributes, such as net operating losses or tax credits, after a change in control. Generally, after a change in control, a loss corporation cannot deduct carryforward tax attributes in excess of the limitation prescribed by Sections 382 and 383. Therefore, certain of the Company's carryforward tax attributes may be subject to an annual

limitation regarding their utilization against taxable income in future periods. As a result of issuances of different classes of preferred stock to investors in 2017, 2018, and 2019, the Company triggered "ownership change(s)" as defined in Section 382 and related provisions. The Company believes that some of its net operating losses may be limited by these ownership changes but that any limitation would not have a significant impact to the financial statements since there is no utilization of the net operating losses and a full valuation allowance exists against the net operating losses. Subsequent ownership changes may subject the Company to annual limitations of its net operating losses. Such annual limitation could result in the expiration of the net operating loss and credit carryforwards before utilization.

The Company has incurred net operating losses since inception, and it does not have any significant unrecognized tax benefits. The Company's policy is to include interest and penalties related to unrecognized tax benefits, if any, within the provision for taxes on the consolidated statement of operations. Any adjustments to the Company's uncertain tax positions would result in an adjustment of its net operating loss and valuation allowance rather than resulting in an impact to the effective tax rate. It is not expected that there will be any material change in the unrecognized tax benefits within the next 12 months.

The Company files income tax returns in the U.S., United Kingdom, and various state and local jurisdictions. Due to the net operating loss carryforward, the statute of limitations is open for 2017 and forward for all jurisdictions, none of which are currently under examination by any tax authorities.

11. Commitments and Contingencies

Leases

Total rent expense for the years ended December 31, 2020 and 2019, was $2.1 million and $1.5 million, respectively.

In January 2020, the Company entered into a 63-month noncancelable lease for 302,880 square feet of warehouse space in New Albany, Ohio. The lease commenced on June 1, 2020. Total minimum lease payments are $7.9 million, net of rent abatement for an initial three-month period and with annual escalation of 2.5%. The Company has the option to extend the lease term for a period of five years.

Future minimum lease commitments subsequent to December 31, 2020 are as follows (in thousands):

2021	$1,521
2022	1,559
2023	1,598
2024	1,638
2025	1,114
Total	$7,430

In July 2020, the Company ceased use of its headquarters office facility. In October 2020, the Company and the landlord agreed on a $1.4 million lease termination payment, which was settled by forfeiting security deposit of $0.7 million and cash payment of $0.7 million. This amount was recorded within selling, general and administrative expenses on the consolidated statements of operations and comprehensive loss in accordance with ASC 420, *Exit or Disposal Cost Obligations*.

Purchase Obligations

As of December 31, 2020, the Company had contractual obligations to make $0.8 million in purchases related to cloud-based software contracts used in operations.

Legal Proceedings

From time to time, the Company is a party to various litigation, claims and other legal and administrative proceedings arising in the ordinary course of business. Some of these claims, lawsuits, and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, nonmonetary sanctions, or relief. Management is not currently aware of any matters that are reasonably likely to have a material adverse impact on the Company's consolidated business, financial position, results of operations, or cash flows.

12. Stock-Based Compensation

2017 Stock Plan

In July 2017, the Company adopted the 2017 Stock Plan. Under the 2017 Stock Plan, the Board of Directors may grant awards, including incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, RSU awards, and other stock awards to employees, directors, and consultants. As of December 31, 2020 and 2019, the number of authorized shares of common stock the Company may issue under the 2017 Stock Plan is 83,472,660 and 65,257,501, respectively.

Under the 2017 Stock Plan, stock options and stock appreciation rights are granted at exercise prices determined by the Board of Directors and may not be less than 100% of the estimated fair market value of the common stock on the grant date. Incentive stock options granted to any stockholders holding 10% or more of the Company's equity cannot be granted with an exercise price of less than 110% of the estimated fair market value of the common stock on the grant date and such option is not exercisable after five years from the grant date.

Options and RSUs for new employees under the 2017 Stock Plan generally vest over four years, with 25% vesting one year after the vesting commencement date and then 1/48th of the total grant vesting monthly thereafter. Additional options and RSUs granted to current employees generally vest 1/48th of the total grant monthly over four years. Options granted are exercisable within a period not exceeding ten years from the grant date. Under the 2017 Stock Plan, an option may include a provision whereby the option holder may elect to exercise the option prior to the full vesting of the option.

As of December 31, 2020 and 2019, there were 2,045,707 and 7,167,094 shares, respectively, available for the Company to grant under the 2017 Stock Plan.

Stock Options

On June 17, 2020, the Board of Directors approved three grants for a total of 14,332,364 stock options to the CEO of the Company, under the 2017 Stock Plan. The stock options under the three grants have an exercise price of $1.10 per share of Class A common stock and are equity classified. The first grant of 3,583,091 stock options will vest ratably on a monthly basis over the four-year service period following the vesting commencement date of March 13, 2020 and has a contractual expiration term ten years from the date of grant. The grant-date fair value of $4.0 million was measured using the BSM option-pricing model and stock-based compensation expense is recognized ratably over the service period. The second and third grants (collectively, the performance stock options) for 7,166,182 and 3,583,091 stock options, respectively, will vest, on a condition of continuous service, upon either (i) an acquisition of the Company with per share consideration equal to at least $10.41 and $17.35, respectively, or (ii) a per share price on a public stock exchange that is at least equal to $10.41 and $17.35, respectively. The performance stock options have a contractual expiration term ten years from the date of grant. The grant-date fair value of $16.6 million was measured using a Monte Carlo simulation model and this unrecognized stock-based compensation expense will be recognized when it is probable that either of the performance criteria will be achieved. As of December 31, 2020, no compensation expense was recognized for the performance stock options since the liquidity event performance condition was not met.

The grant-date fair value of the Company's stock options, excluding performance stock options, granted to employees and nonemployees, was estimated using the following weighted average assumptions:

	Year Ended December 31	
	2020	2019
Expected term (in years)	5.94	5.98
Expected volatility	62.25%	59.68%
Risk-free interest rate	0.45%	2.23%
Expected dividend yield	0.00%	0.00%

Option activity under the 2017 Stock Plan, excluding performance stock options described above, is as follows (in thousands, except for weighted average exercise price and weighted average contractual term in years):

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Period (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	25,532	$ 0.41		
Granted	11,298	2.11		
Exercised (including early exercised options vested during the period)	(8,180)	0.24		
Forfeited and expired	(2,191)	0.79		
Outstanding at December 31, 2020	26,459	1.16	8.50	$ 131,770
Vested as of December 31, 2020	10,119	0.51	7.82	56,952
Exercisable as of December 31, 2020	25,152	1.16	8.52	125,347

The weighted average grant-date fair value of options granted for the years ended December 31, 2020 and 2019, was $1.58 per share and $0.50 per share, respectively. The intrinsic value of vested options exercised for the years ended December 31, 2020 and 2019, was $0.7 million and $0.3 million, respectively.

As of December 31, 2020 and 2019, there was $19.0 million and $7.2 million, respectively, of unrecognized stock-based compensation related to unvested stock options excluding performance awards, which is expected to be recognized over a weighted average period of 2.75 years and 2.15 years, respectively.

The cash flows resulting from the tax benefits for tax deductions resulting from the exercise of stock options in excess of the compensation expense recorded for those options (excess tax benefits) are classified as a cash flows from financing activities. Due to a full valuation allowance on deferred tax assets, the Company did not recognize any tax benefit from stock options exercises for the years ended December 31, 2020 or 2019.

Early Exercise of Common Stock Options – The Company issues shares upon the early exercise of common stock options. The unvested shares are subject to the Company's repurchase right at the lower of the fair market value of the shares of common stock on the date of repurchase or their original purchase price. The proceeds from cash exercises prior to vesting are initially recorded as a deposit liability from the early exercise of stock options and recorded within accrued liabilities on the consolidated balance sheets and reclassified to additional paid-in capital as the Company's repurchase right lapses.

Excluded from both shares exercised and exercisable are 1,006,042 and 10,090,426 unvested shares that relate to the early exercise of stock options as of December 31, 2020 and 2019, respectively. These unvested shares include 931,228 and 9,585,111 shares from early-exercised options through the issuance of related-party promissory notes as of December 31, 2020 and 2019, respectively, and 74,814 and 505,315 unvested shares from cash exercises as of December 31, 2020 and 2019, respectively. Refer to Note 15 – Related-Party Transactions for further details on the related-party promissory notes. For the years ended December 31, 2020 and 2019, 188,959 and 15,759 shares of unvested Class A common stock were repurchased for less than $0.1 million in each year, respectively.

The options outstanding and exercisable as of December 31, 2020, have been aggregated into ranges for additional disclosure as follows (in thousands, except weighted average remaining contractual life and exercise price):

	Options Outstanding		Options Exercisable	
Exercise Price	Shares	Weighted Average Remaining Contractual Life (in Years)	Shares	Weighted Average Remaining Contractual Life (in Years)
$0.03	2,034	6.88	1,531	6.89
0.18	5,591	7.24	5,565	7.24
0.70	572	7.80	405	7.84
0.79	7,296	8.38	6,994	8.36
1.10	7,337	9.35	7,331	9.35
4.03	259	9.80	4	9.80
4.24	11	9.86	—	—
4.26	3,359	9.97	3,322	9.97
	26,459		25,152	

RSUs

RSU activity under the 2017 Stock Plan is as follows (in thousands, except for weighted average fair value):

	Shares	Weighted Average Fair Value
Outstanding at December 31, 2019	—	—
Granted	3,413	$ 5.09
Vested	—	—
Forfeited and expired	(33)	4.17
Outstanding at December 31, 2020	3,380	5.10

All RSUs are subject to achievement of a liquidity event which includes (i) an initial public offering, (ii) a business combination transaction or (iii) a sale event as defined by the 2017 Stock Plan. As of December 31, 2020, no compensation expense was recognized since the liquidity event performance condition was not met and $17.3 million of unrecognized stock-based compensation expense related to unvested RSUs is expected to be recognized over a weighted average period of 4.01 years.

Excluded from the table above is a grant for 100,000 RSUs that were awarded to a non-executive officer on December 23, 2020. These RSUs have a grant-date fair value of $5.53 per share of Class A common stock and vest upon meeting certain revenue targets from the sale of specific products in addition to achieving a liquidity event. The non-executive officer is required to be employed at the time the revenue targets are achieved in order to receive the awards, but the awards are not subject to any other service condition.

Vendor Warrants

Included in stock-based compensation expense is expense for issuance of Class A common stock warrants to nonemployees in connection with vendor service arrangements. Warrant activity is as follows (in thousands, except for weighted average exercise price and weighted average contractual term in years):

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	3,163,393	$ 0.62		
Exercised	(1,302,202)	0.37		
Outstanding at December 31, 2020	1,861,191	0.79	7.01	$ 9,957
Exercisable as of December 31, 2020	942,603	0.79	7.01	5,043

The weighted average grant-date fair value of vendor warrants for the years ended December 31, 2019, was $0.62 per share. There were no vendor warrant grants for year ended December 31, 2020.

As of December 31, 2020 and 2019, there was $0.6 million and $1.3 million, respectively, of unrecognized stock-based compensation related to unvested vendor warrants, which is expected to be recognized over a weighted average period of 0.73 years and 1.73 years, respectively.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense for employees and nonemployees, by category, on the consolidated statements of operations and comprehensive loss (in thousands):

	Year Ended December 31, 2020	2019
Marketing	$ 1,172	$ 571
Selling, general, and administrative	4,659	7,457
Total stock-based compensation expense	$ 5,831	$ 8,028

13. Redeemable Convertible Preferred Stock

As of December 31, 2020, the Company has authorized 211,924,602 million shares of redeemable convertible preferred stock, designated in series, with the rights and preferences of each designated series to be determined by the Board of Directors.

The following table is a summary of the redeemable convertible preferred stock as of December 31, 2020 (in thousands, except for share data):

Series	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Value	Proceeds, Net of Issuance Costs	Issue Price per Share
Series Seed	11,010,363	11,010,363	$ —	$ —	$0.0000
Series A	52,590,567	52,590,567	6,621	5,106	0.1259
Series A-1	12,676,074	12,676,074	753	740	0.0594
Series B	29,296,174	29,296,174	24,600	23,429	0.8397
Series B-1	21,652,050	21,652,050	20,000	14,965	0.9237
Series B-2	29,725,220	29,725,220	51,371	49,911	1.7282
Series C	32,783,633	32,585,507	113,072	92,590	3.4700
Series D	22,190,521	16,495,335	52,035	51,900	3.1545
Total	211,924,602	206,031,290	$ 268,452	$ 238,641	

The following table is a summary of the redeemable convertible preferred stock as of December 31, 2019 (in thousands, except for share data):

Series	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Value	Proceeds, Net of Issuance Costs	Issue Price per Share
Series Seed	11,010,363	11,010,363	$ —	$ —	$ 0.0000
Series A	52,590,567	52,590,567	6,621	5,106	0.1259
Series A-1	12,676,074	12,676,074	753	740	0.0594
Series B	29,296,174	29,296,174	24,600	23,429	0.8397
Series B-1	21,652,050	21,652,050	20,000	14,965	0.9237
Series B-2	29,725,220	29,725,220	51,371	49,911	1.7282
Series C	35,920,000	29,623,203	102,793	92,590	3.4700
Total	192,870,448	186,573,651	206,138	186,741	

Transactions Related to Redeemable Convertible Preferred Stock

Between March and June 2019, the Company closed transactions with a group of investors to issue 29,623,203 shares of Series C redeemable convertible preferred stock and received $92.6 million in net proceeds.

From March to July 2020, a group of investors purchased 16,495,335 shares of Series D redeemable convertible preferred stock and the Company received $51.9 million in net proceeds.

Warrants for Series C Preferred Stock

In March 2019, the Company issued warrants to purchase the Company's Series C redeemable convertible preferred stock at an exercise price of $0.01 per warrant to purchasers of the Company's Series C redeemable convertible preferred stock. The number of warrants to be issued was variable, based on the Company's revenue for the year ended December 31, 2019, whereby the number of warrants to be issued increased as revenue decreased. The Company considered whether the embedded feature should be accounted for as a derivative and considered that the feature has an underlying notional amount, required no initial net investment, and required net settlement. The Company, therefore, concluded that the feature would be accounted for as a derivative liability and would be recorded at fair value, with the change in the fair value of the liability recorded within other income (expense), net on the consolidated statements of operations and comprehensive loss.

In February 2020, in accordance with the terms outlined in March 2019, the Company issued 2,962,304 Series C preferred stock warrants based on 2019 revenue. The fair market value of the Series C preferred stock warrants was estimated using the BSM option-pricing model, and at the issuance date, fair value of the liability was $10.0 million. The original liability was recorded as an issuance cost for the Series C redeemable convertible preferred stock, reducing the value of the Series C proceeds within mezzanine equity on the consolidated balance sheets. Subsequent adjustments to the fair value of the Series C preferred stock warrants were recorded within other income (expense), net on the consolidated statements of operations and comprehensive loss.

The holders of the Series C preferred stock warrants exercised all their warrants and purchased 2,962,304 shares of Series C redeemable convertible preferred stock from the Company in 2020 resulting in settlement of the Series C preferred stock warrant liability. The Company received less than $0.1 million in net proceeds. Upon exercise, the warrant liability at an estimated fair market value of $11.3 million was reclassified into redeemable convertible preferred stock on the consolidated balance sheet.

In November 2019, the Company issued 198,126 Series C preferred stock warrants to TPC in connection with the 2019 Capital Agreement. The fair value of the warrants was considered debt issuance cost and recorded within prepaid and other current assets on the consolidated balance sheet. On March 12, 2020, the Company sold Series D redeemable convertible preferred stock at an issuance price of $3.1545, which triggered an adjustment to the TPC warrant terms per the original agreement, resulting in conversion of the previously issued 198,126 Series C preferred stock warrants into 217,942 Series D preferred stock warrants. Refer to Note 9 – Borrowing Arrangements for further discussion.

Rights, Preferences, and Privileges of the Redeemable Convertible Preferred Stock

Dividends – The holders of the redeemable convertible preferred stock are entitled to receive noncumulative cash dividends in preference to any dividend on the common stock, at the rate of 8% of the applicable original issue price per annum, when and as declared by the Board of Directors. In the event that dividends are paid on any share of common stock, then, after payment of the preferential dividends, the Company will pay an additional dividend on all outstanding shares of redeemable convertible preferred stock in a per share amount equal to the amount paid or set aside for each share of common stock. No dividends on redeemable convertible preferred stock have been declared by the Board of Directors since inception.

Liquidation Preference – In the event of a liquidation event, the holders of the redeemable convertible preferred stock are entitled to receive, in preference to the holders of the common stock, a per share amount equal to the greater of (1) the respective original issue price plus any declared but unpaid dividends or (2) the amount per share had all redeemable convertible preferred stock been converted into common stock (the “Liquidation Preference”). If the assets of the Company are insufficient to make payment in full to all holders of the convertible preferred stock, then the entire proceeds will be distributed ratably among the holders of redeemable convertible preferred stock in proportion to the full preferential amount above. After the payment of the Liquidation Preference, the remaining assets will be distributed ratably to the holders of common stock.

Conversion Rights – Each share of redeemable convertible preferred stock is convertible into shares of Class A common stock, at any time, at the option of the holder. The conversion price is the original issue price ("Conversion Price") and is subject to anti-dilution adjustments as described below, none of which occurred as of December 31, 2020 or 2019.

The Conversion Price is subject to down-round protection via an anti-dilution adjustment to reduce dilution in the event that the Company issues additional common stock at a purchase price less than the Conversion Price. The Conversion Price is also subject to proportional adjustment for stock splits, stock dividends, and the like.

Additionally, the redeemable convertible preferred stock will be automatically converted into common stock at the then-applicable Conversion Price (i) in the event that the holders of the majority of the outstanding redeemable convertible preferred stock consent to such conversion or (ii) upon the closing of a firmly underwritten public offering of shares of common stock of the Company in which the gross cash proceeds are at least $30.0 million.

Voting Rights – The holder of each share of redeemable convertible preferred stock has voting rights equal to the number of shares of Class A common stock into which it is convertible and votes together as a single class with the common stockholders. Each share of common stock is entitled to one vote. Series B preferred holders are entitled to elect one director, and all holders of redeemable convertible preferred stock together are entitled to elect one director. Class F common stockholders are entitled to elect up to two directors. Additionally, the holders of outstanding shares of Class A common stock and Class F common stock, and holders of redeemable convertible preferred stock, voting on an as-converted basis, are entitled to elect the remaining directors. Any board vacancies may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the chosen director will serve until the next annual election and their successors are duly elected.

As long as shares of redeemable convertible preferred stock are outstanding, the Company must obtain approval from a majority of the holders of the then-outstanding shares of redeemable convertible preferred stock in order to alter or change the rights, preferences, and privileges of redeemable convertible preferred stock; change the authorized number of shares of redeemable convertible preferred stock and common stock; create a new class or series of shares having any rights, preferences, or privileges superior to or on parity with any outstanding shares of redeemable convertible preferred stock; declare or pay any distribution other than dividends payable solely in common stock; sell, lease, transfer, exclusively license, or otherwise dispose of all or substantially

all of the Company's assets; voluntarily dissolve or liquidate the Company; increase or decrease the authorized size of the Board of Directors; effect a redemption or repurchase of shares of redeemable convertible preferred stock or common stock; or create or hold capital stock in any subsidiary that is not wholly owned by the Company.

Contingent Redemption – The holders of the preferred stock have no voluntary rights to redeem shares. A liquidation or winding-up of the Company, a greater than 50% change in control, or a sale of substantially all its assets would constitute a redemption event. Although the preferred stock is not mandatorily or currently redeemable, a liquidation or winding-up of the Company would constitute a redemption event outside its control. As such, the Company presents all shares of preferred stock within mezzanine equity on the consolidated balance sheets.

14. Class A and Class F Common Stock

The Company has two classes of authorized common stock, Class A common stock and Class F common stock. Shares issued on early exercise are not considered outstanding for accounting purposes because the employees are not entitled to the rewards of stock ownership.

The rights of the holders of Class A and Class F common stock are identical, except with respect to (i) electing members of the Board of Directors and (ii) voting rights. The Class F common stockholders, voting as a group, are entitled to elect up to two directors. Series B preferred holders are entitled to elect one director, and all preferred holders together are entitled to elect one director. The holders of outstanding shares of Class A and Class F common stock, and holders of redeemable convertible preferred stock, voting on an as-converted basis, are entitled to elect the remaining directors. The Class F common stockholders receive 10:1 voting rights as compared with Class A common stockholders.

As long as shares of Class F common stock are outstanding, the Company must obtain approval from a majority of the holders of the then-outstanding shares of Class F common stock in order to increase or decrease the authorized number of shares of Class F common stock, or to effect any action that adversely impacts the voting or other powers, preferences, or other special rights, privileges, or restrictions of the Class F common stock.

The outstanding shares of Class A and Class F common stock presented on the consolidated balance sheets and on the consolidated statements of mezzanine equity and stockholders' deficit for the years ended December 31, 2020 and 2019, are the legally outstanding shares, including the shares issued in exchange for related-party promissory notes.

Class A and Class F common stock is referred to as common stock throughout the notes to the consolidated financial statements, unless otherwise noted.

Transactions Related to Class A and Class F Common Stock

During 2020, the Company repurchased 188,959 of unvested shares of Class A common stock for a cash payment of less than $0.1 million, which resulted in a reduction of deposit liability from the early exercise of stock options. In addition, in May 2020, an executive officer departed the Company, which resulted in the repurchase of 1,125,000 unvested shares of Class A common stock in exchange for the cancellation of the principal payable of $0.9 million under an associated promissory note.

Warrants for Class A Common Stock

As discussed above, Class A common stock warrants have been issued in connection with vendor service agreements, debt agreements, and issuance of preferred stock. All of the warrants for shares of Class A common stock are classified within stockholders' equity on the consolidated balance sheets. In July 2020, Class A common stock warrants were exercised to purchase from the Company 316,686 shares of Class A common stock at an exercise price of $0.025 per share. In November 2020, Class A common stock warrants were exercised to purchase from the Company 938,555 and 82,220 shares of Class A common stock at an exercise price of $0.025 and $0.79 per share, respectively. In December 2020, Class A common stock warrants were exercised to purchase from the Company 394,809 and 588,376 shares of Class A common stock at an exercise price of $0.025 and $0.79 per share, respectively.

As of December 31, 2020, the Company had the following vendor warrants outstanding to purchase shares of Class A common stock (in thousands, except for share and per share amounts):

Shares	Exercise Price	Issued	Expiration	Fair Value at Issuance
1,861,191	$ 0.79	September 23, 2019	September 23, 2026	$ 1,160

15. Related-Party Transactions

Atomic Labs, LLC ("Atomic Labs") is a related-party venture capital startup studio that launched the Company, providing initial capital and governance. The Company utilized operational support from Atomic Labs, primarily consisting of providing office space, conducting back-office professional services, and administering operating expenses. Additionally, an affiliated company of Atomic Labs provides professional services to the Company, primarily to support engineering and operations functions. All services were provided at cost. For the years ended December 31, 2020 and 2019, the Company recorded a total of $3.4 million and $3.2 million, respectively, for payments made to Atomic Labs and its affiliated company for services performed and costs

incurred on behalf of the Company. The Company recognized $0.5 million of these payments as intangible assets and vendor deposits as of December 31, 2020 and no expenses were capitalized as of December 31, 2019. Of the $2.9 million recognized as expenses, $0.1 million was recognized as marketing expense and the remaining $2.8 million as selling, general, and administrative expenses. There was no accounts payable balance with Atomic Labs and its affiliated company as of December 31, 2020 and less than $0.1 million as of December 31, 2019.

In addition, for the years ended December 31, 2020 and 2019, the Company recorded $0.1 million and less than $0.1 million, respectively, for payments made to Vouched, a related-party company that provides identity verification services. These expenses were recognized as selling, general, and administrative expenses. There was less than $0.1 million in accounts payable balances with Vouched as of December 31, 2020 and 2019.

Nonrecourse Related-Party Promissory Notes

For the years ended December 31, 2020 and 2019, the Company had promissory notes from certain of the Company's executive officers, as well as a founding employee and an executive chairman. The promissory notes, which were issued to the Company by the related parties as consideration for the exercise of stock options, are considered nonrecourse notes for accounting purposes. The loans are secured by the shares of Class A common stock of the Company held by the individuals. There were 36,084,631 and 37,209,631 shares securing the related-party promissory notes as of December 31, 2020 and 2019, respectively. The notes bear interest between 2.21% and 3.02% per annum. The loans are due upon the earliest of (1) ten years from the debt issuance date, (2) a liquidation of the Company, or (3) six months following an initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended. Prepayment of principal and interest may be made at any time without penalty.

The nonrecourse related-party promissory notes are not given accounting effect until the notes are repaid in full as the underlying stock options are not considered exercised for accounting purposes. As of December 31, 2020 and 2019, the total outstanding balance under these nonrecourse related-party promissory notes was $7.2 million and $8.1 million, respectively, which will be recorded within additional paid-in capital on the consolidated balance sheets when repaid in full for the exercise price of the underlying stock options.

Redeemable Common Stock Transaction

On September 23, 2019, the Company's CEO and a member of its Board of Directors, sold 1,627,132 shares of Class A common stock to third party purchasers at $2.7656 per share for aggregate consideration of $4.5 million pursuant to Class A Common Stock Purchase Agreements. Under the terms of the vendor service agreement with the third party, the purchasers were granted

a put right entitling them to sell the shares to the Company at $2.7656 per share for a period of six months. The put right expired on March 23, 2020 without the purchasers exercising their rights to sell the shares to the Company. The Company recorded stock-based compensation expense associated with the transaction of $3.0 million. Upon expiration of the redemption right, the Company reclassified the aggregate consideration of $4.5 million that was subject to redemption from mezzanine equity to stockholders' equity on the consolidated balance sheets.

16. Basic and Diluted Net Loss per Share

The rights of the holders of Class A and Class F common stock are identical, including the liquidation and dividend rights, except with respect to electing members of the Board of Directors and voting rights. As the liquidation and dividend rights are identical, undistributed earnings and losses are allocated on a proportionate basis and the resulting net loss per share attributable to common stockholders is, therefore, the same for both Class A and Class F common stock on an individual and combined basis.

The Company uses the two-class method to calculate net loss per share. No dividends were declared or paid for the years ended December 31, 2020 or 2019. Undistributed earnings for each period are allocated to participating securities, including the redeemable convertible preferred stock, based on the contractual participation rights of the security to share in the current earnings as if all current period earnings had been distributed. As there is no contractual obligation for the redeemable convertible preferred stock to share in losses, the Company's basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average shares of common stock outstanding during periods with undistributed losses.

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common stockholders for the years ended December 31 (in thousands, except share and per share amounts):

	2020		2019	
	Class A	Class F	Class A	Class F
Numerator:				
Net loss attributable to common stockholders	$ (14,558)	$ (3,556)	$ (57,720)	$ (14,344)
Denominator:				
Weighted average shares outstanding, basic and diluted	62,723,380	15,323,740	61,222,230	15,323,740
Basic and diluted net loss per share	$ (0.23)	$ (0.23)	$ (0.94)	$ (0.94)

Basic and diluted net loss per share attributable to common stockholders is the same for the years ended December 31, 2020 and 2019, because the inclusion of potential shares of common stock would have been anti-dilutive for the periods presented. Weighted average Class A common shares presented in the table above for the year ended December 31, 2020 and December 31, 2019 exclude 364,549 and 441,332 shares of common shares, respectively, subject to redemption. These shares absorb no losses.

The following table discloses securities that could potentially dilute basic net loss per share in the future that were not included in the computation of diluted net loss per share:

	December 31,	
	2020	2019
Common stock issued for exercise of stock options subject to nonrecourse promissory notes	36,456,557	35,772,919
Common stock issued for early exercise of stock options	219,763	1,007,345
Redeemable convertible preferred stock	199,276,569	180,738,997
Stock options	25,407,677	13,420,985
RSUs	253,045	—
Warrants to purchase Class A common stock	3,901,829	2,331,379
Warrants to purchase redeemable convertible preferred stock	2,056,752	2,502,464

17. Subsequent Events

Warrant Exercises

On January 4, 2021, holders of Class A common stock vendor warrants exercised their warrants and purchased from the Company 840,537 shares of Class A common stock at an exercise price of $0.79 per share.

Pre-Closing Stock Repurchase

On January 20, 2021, the Company repurchased from its stockholders and cancelled 4,873,458 shares of Class A common stock, including certain stockholders who exercised outstanding stock options, for aggregate payment of $22.0 million.

Merger Transaction

On September 30, 2020, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company; OAC, a Cayman Islands exempted SPAC; and Rx Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of OAC (“Merger Sub”), providing for,

among other things, the combination of the Company and OAC pursuant to the merger of Merger Sub with and into the Company with the Company continuing as the surviving entity and as a wholly-owned subsidiary of OAC (the "Merger"). Immediately prior to the Merger, each outstanding share of the Company's Class F common stock and preferred stock converted into Class A common stock at the then-effective conversion rate.

As a result of the Merger, each outstanding share of the Company's capital stock was converted into the right to receive newly issued shares of OAC's Class A common stock and certain other securities, other than the shares of the Company's Class V common stock issued to its CEO immediately prior to the Closing, which were converted into the right to receive newly issued shares of OAC's Class V common stock and certain other securities, in each case as described in and calculated pursuant to the terms of the Merger Agreement.

On January 20, 2021 (the "Closing Date"), the Company consummated the Merger. The transaction is accounted for as a reverse recapitalization with the Company being the accounting acquirer. The Company received gross proceeds of $197.7 million and paid closing costs of $11.5 million. In connection with the Merger, OAC changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to Hims & Hers Health, Inc. ("Hims & Hers"). As of December 31, 2020, the Company recorded $3.9 million of deferred transaction costs, which consist of legal, accounting, and other professional services directly related to the Merger. These costs are included in current assets on the consolidated balance sheet. The cash outflows related to these costs are presented as financing activities on the Company's consolidated statement of cash flows. These costs will be offset against proceeds upon accounting for the consummation of the Merger.

On the Closing Date, each stockholder received approximately 0.4530 shares of Hims & Hers Class A common stock, par value $0.0001 per share, for each share of Class A common stock, par value $0.000001 per share, that such stockholder owned (with the CEO receiving 0.4530 shares of Hims & Hers Class V common stock, par value $0.0001 per share, for each share of Class V common stock, par value $0.000001 per share, that the CEO owned). Additionally, each stockholder also received 0.0028 warrants exercisable for Hims & Hers Class A common stock, for each share of the Company's Class A or Class V common stock owned by such stockholder prior to the Merger.

All equity awards of the Company were assumed by OAC and converted into comparable equity awards that are settled or exercisable for shares of Hims & Hers Class A common stock. As a result, each stock option was converted into an option to purchase shares Hims & Hers Class A common stock based on an exchange ratio of 0.4530. Each award of the Company's RSUs was converted into RSUs of Hims & Hers based on an exchange ratio of 0.4530. Subject to approval by the Board of Directors, holders of the Company's options and RSUs also received approximately 35,000 Hims & Hers RSUs, which represented allocation of the Merger warrant consideration. Each such holder must remain in continuous service through the grant date to receive these RSUs.

Each warrant that was unexercised at the time of the Merger was assumed by OAC and represents the right to receive an applicable portion of the Merger consideration upon exercise of such warrant as if such warrant was exercised prior to the closing of the Merger.

PIPE Investment

On September 30, 2020, concurrently with the execution of the Merger Agreement, OAC entered into subscription agreements with certain investors pursuant to which such investors collectively subscribed for 7,500,000 shares of Hims & Hers Class A common stock at $10.00 per share for aggregate gross proceeds of $75,000,000 (the "PIPE Investment"). The PIPE Investment was consummated substantially concurrently with the closing of the Merger.

Earn Out Shares

Following the closing of the Merger, holders of the Company's legacy common stock and outstanding equity awards (including warrant, stock option and RSU holders) had the right to receive up to an aggregate amount of 16,000,000 Hims & Hers Class A common stock (or equivalent equity award) that would vest (in part) in equal thirds if the trading price of Hims & Hers Class A common stock is greater than or equal to $15.00, $17.50 and $20.00 for any 10 trading days within any 20-trading day period on or prior to the date that is five years following the Closing Date. The Hims & Hers common stock and equivalent equity awards will also vest in connection with an acquisition of Hims & Hers if the applicable thresholds are met in any Company sale (as defined in the Merger Agreement) but subject to the same five-year deadline. In February 2021, Hims & Hers met all earn out thresholds. Earn out awards related to option holders are subject to final approval by the Board of Directors.

Performance Stock Options and RSUs

As a result of the Merger, the liquidity event condition on the Company's stock options granted to the CEO and RSUs granted to employees were met which resulted in recognition of $4.6 million of stock-based compensation expense upon the Closing Date.

Settlement of Nonrecourse Related-Party Promissory Notes

In connection with the Merger, the obligations due under all nonrecourse related-party promissory notes were satisfied through the payment of $1.2 million and the forfeiture of 370,734 shares of Hims & Hers Class A common stock.

Transaction Bonus

Upon Board of Director approval, the Company paid $5.2 million of transaction bonuses in February 2021 and, subject to registration of the Company's stock plan, granted $4.6 million RSUs to management and employees that made significant contributions to the Merger in accordance with the Merger Agreement.

Termination of Borrowing Arrangements

In January 2021, the Company terminated the Second Amended and Restated Loan Agreement with SVB resulting in the release of restricted cash of $0.2 million under the arrangement. However, the Company continues to use SVB's cash management services and increased its credit card limit to $5.0 million in January 2021.

Hims, Inc.'s Management's Discussion and Analysis of Financial Condition and Results of Operations

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HIMS' MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of Hims' consolidated results of operations and financial condition. You should read the following discussion and analysis of Hims' financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto contained in Exhibit 99.1 to this Amendment No. 1 to the Form 8-K. This discussion includes forward-looking statements that involve risks and uncertainties as a result of many factors, including those factors set forth in, or incorporated by reference into, the section entitled "Risk Factors" in the Form 8-K or Hims & Hers Health, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2020. Hims' actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we do not intend to update any of these forward-looking statements after the date hereof or to conform these statements to actual results or revised expectations.

Unless otherwise indicated or the context otherwise requires, references in this Hims' Management's Discussion and Analysis of Financial Condition and Results of Operations section to "we," "us," "our," and "Hims & Hers" refer to Hims & Hers Health, Inc., and references to "Hims" refer to Hims, Inc. and its subsidiaries.

Overview

Following the Merger (as defined below), we offer a range of health and wellness products and services available for purchase on our websites directly by customers. Most of the offerings on the Hims & Hers websites are sold to customers on a subscription basis. Subscription plans provide an easy and convenient way for customers to get the ongoing treatment they need while simultaneously providing the company with predictability through a recurring revenue stream.

Hims was incorporated in Delaware on December 30, 2013 and first launched services in 2017. Our mission is to make healthcare accessible, affordable, and convenient for everyone. We designed and built our digitally native, cloud-based technology centered around the consumer, and design everything with the consumer in mind. Our proprietary websites, telehealth platform, electronic medical records system, pharmacy integration, and mobile accessibility combine to provide consumers with a seamless, easy-to-use, mobile-first experience. We are leading the transformation in healthcare by becoming the digital front door for healthcare consumers.

We believe the future of healthcare will be driven by consumer brands that empower people and give them full control over their healthcare. We have endeavored to build a healthcare model that squarely focuses on the needs of the healthcare consumer. To enable our mission of making healthcare accessible, affordable, and convenient for everyone, we offer a range of health and wellness products and services available for purchase on our websites directly by customers and through wholesale partners.

Our financial goal is to build an enduring high-growth, high-margin, and long-term profitable business. Financial metrics we track against our financial goals include: revenue and year-over-year revenue growth, gross profit and gross margin, and Adjusted EBITDA (as defined below).

Recent Developments

Warrant Exercises

On January 4, 2021, holders of Class A common stock vendor warrants exercised their warrants and purchased from Hims 840,537 shares of Class A common stock at an exercise price of $0.79 per share.

Pre-Closing Stock Repurchase

On January 20, 2021, Hims repurchased from its stockholders and cancelled 4,873,458 shares of Class A common stock, including certain stockholders who exercised outstanding stock options, for aggregate payment of $22.0 million.

Merger Transaction

In accordance with the Merger Agreement by and among Hims; OAC, a publicly traded special purpose acquisition company ("SPAC") and Cayman Islands exempted entity; and Rx Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of OAC ("Merger Sub"), providing for, among other things, the combination of Hims and OAC pursuant to the merger of Merger Sub with and into Hims with Hims continuing as the surviving entity and as a wholly-owned subsidiary of OAC (the "Merger"). Immediately prior to the Merger, each outstanding share of Hims' Class F common stock and preferred stock converted into Class A common stock at the then-effective conversion rate.

As a result of the Merger, each outstanding share of Hims' capital stock was converted into the right to receive newly issued shares of OAC's Class A common stock and certain other securities, other than the shares of Hims' Class V common stock issued to its Chief Executive Officer ("CEO") immediately prior to the Closing, which were converted into the right to receive newly issued shares of OAC's Class V common stock and certain other securities, in each case as described in and calculated pursuant to the terms of the Merger Agreement.

On January 20, 2021 (the "Closing Date"), Hims consummated the Merger. The transaction is accounted for as a reverse recapitalization with Hims being the accounting acquirer. Hims received gross proceeds of $197.7 million and paid closing costs of $11.5 million. In connection with the Merger, OAC changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to Hims & Hers Health, Inc. As of December 31, 2020, Hims recorded $3.9 million of deferred transaction costs, which consist of legal, accounting, and other professional services directly related to the Merger. These costs are included in current assets on the consolidated balance sheet. The cash outflows related to these costs are presented as financing activities on Hims' consolidated statement of cash flows. These costs will be offset against proceeds upon accounting for the consummation of the Merger.

On the Closing Date, each stockholder received approximately 0.4530 shares of Hims & Hers Class A common stock, par value $0.0001 per share, for each share of Class A common stock, par value $0.000001 per share, that such stockholder owned (with the CEO receiving 0.4530 shares of Hims & Hers Class V common stock, par value $0.0001 per share). Additionally, each stockholder also received 0.0028 warrants exercisable for Hims & Hers Class A common stock, for each share of Hims' Class A or Class V common stock owned by such stockholder prior to the Merger.

All equity awards of Hims were assumed by OAC and converted into comparable equity awards that are settled or exercisable for shares of Hims & Hers Class A common stock. As a result, each stock option was converted into an option to purchase shares Hims & Hers Class A common stock based on an exchange ratio of 0.4530. Each award of Hims' restricted stock units ("RSUs") was converted into RSUs of Hims & Hers based on an exchange ratio of 0.4530. Subject to approval by the Board of Directors, holders of Hims' options and RSUs also received approximately 35,000 Hims & Hers RSUs, which represented allocation of the Merger warrant consideration. Each such holder must remain in continuous service through the grant date to receive these RSUs.

Each warrant that was unexercised at the time of the Merger was assumed by OAC and represents the right to receive an applicable portion of the Merger consideration upon exercise of such warrant as if such warrant was exercised prior to the closing of the Merger.

PIPE Investment

On September 30, 2020, concurrently with the execution of the Merger Agreement, OAC entered into subscription agreements with certain investors pursuant to which such investors collectively subscribed for 7,500,000 shares of Hims & Hers Class A common stock at $10.00 per share for aggregate gross proceeds of $75,000,000 (the "PIPE Investment"). The PIPE Investment was consummated substantially concurrently with the closing of the Merger.

Earnout Shares

Following the closing of the Merger, holders of Hims' legacy common stock and outstanding equity awards (including warrant, stock option and RSU holders) receive up to an aggregate amount of 16,000,000 Hims & Hers Class A common stock (or equivalent equity award) that will vest (in part) in equal thirds if the trading price of Hims & Hers Class A common stock is greater than or equal to $15.00, $17.50 and $20.00 for any 10 trading days within any 20-trading day period on or prior to the date that is five years following the Closing Date. The Hims & Hers common stock and equivalent equity awards will also vest in connection with an acquisition of Hims & Hers if the applicable thresholds are met in any Company sale (as defined in the Merger Agreement) but subject to the same five-year deadline. In February 2021, Hims & Hers met all earnout thresholds. Earnout awards related to option holders are subject to final approval by the Board of Directors.

Performance Stock Options and RSUs

As a result of the Merger, the liquidity event condition on Hims' stock options granted to the CEO and RSUs granted to employees were met which resulted in recognition of $4.6 million of stock-based compensation expense upon the Closing Date.

Settlement of Nonrecourse Related-Party Promissory Notes

In connection with the Merger, the obligations due under all nonrecourse related-party promissory notes were satisfied through the payment of $1.2 million and the forfeiture of 370,734 shares of Hims & Hers Class A common stock.

Transaction Bonus

Upon Board of Director approval, the Company paid $5.2 million of transaction bonuses in February 2021 and, subject to registration of the Company's stock plan, granted $4.6 million RSUs to management and employees that made significant contributions to the Merger in accordance with the Merger Agreement.

2020 Highlights

The table below reflects our year-over-year growth in revenue for the years ended December 31, 2020 and 2019, and the dollar and percentage change between such periods (dollars in thousands):

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Online Revenue	$140,728	$82,286	$58,442	71%
Wholesale Revenue	8,029	272	7,757	*
Total Revenue	$148,757	$82,558	$66,199	80%

* Not meaningful

The table below reflects Hims' gross profit, gross margins, net loss, and Adjusted EBITDA for the years ended December 31, 2020 and 2019 (dollars in thousands):

	Year Ended December 31,	
	2020	2019
Gross profit	$ 109,450	$ 44,605
Gross margin %	74%	54%
Net loss	(18,114)	(72,064)
Adjusted EBITDA	(8,114)	(66,099)

See "*Non-GAAP Financial Measures*" below for a reconciliation of Adjusted EBITDA to net loss.

We achieved these financial results through a strategy of:

1) *Acquiring higher value online customers:* Across the products and services available to customers online, we are able to analyze and determine which types of customers generate more revenue in their first purchase, generate more revenue over time and generate more gross profit from their purchases. This data helps us improve the products and services available online to better serve our customers and allows us to understand which marketing channels and campaigns are most effective at acquiring higher value customers. In the year ended December 31, 2020, we continued to implement strategies across our merchandising, online user experience and marketing functions that allowed us to target and acquire higher value customers. As a result, Hims' Average Order Value ("AOV", as defined below), was $62 in the year ended December 31, 2020 compared to $33 for the year ended December 31, 2019, a year-over-year increase of 88%. Our efforts to acquire higher value customers drove the expansion in AOVs. This directly contributed to Hims' year-over-year total revenue growth of 80% for the year ended December 31, 2020.

2) *Enhancing online customer experience and subscriptions options:* We continuously test and optimize the online customer experience and offerings to improve the customer experience, maximize sales and improve gross margin. Recent examples of customer experience improvements and new offerings include the following:

   - Multi-month subscriptions—In our subscription arrangements, customers select a cadence at which they wish to receive product shipments. In addition to a monthly cadence, we now offer customers the ability to select from a range of shipment cadences, from every two to twelve months, depending on the product. The customer is billed upon each shipment. Customers can cancel subscriptions in between billing periods to stop receiving additional products and can reactivate subscriptions to continue receiving additional products.

   - New product bundle and kit options—Our customers can purchase product bundles or defined product kits, either consisting of non-prescription over-the-counter products or non-prescription products together with prescription medications, for a single all-inclusive price.

   Such new offerings and their uptake by customers have contributed to the expansion of AOVs over time. Additionally, the uptake of these offerings has resulted in higher gross profit and gross margin. For example, for multi-month subscriptions, we may incur shipping and fulfillment expenses two or four times per year (for six-month and three-month subscription cadences, respectively) versus twelve times per year for monthly subscriptions. The customer uptake of multi-month subscriptions results in lower recurring costs and higher gross margins as compared to monthly subscriptions. The introduction of the new offerings improved online customer experience and new subscription options contributed to the increase of Hims' gross margins from 54% for the year ended December 31, 2019 to 74% for the year ended December 31, 2020.

3) *Improving marketing efficiency:* As we shifted our strategy to acquiring higher value and higher AOV customers and introduced new customer offerings, we simultaneously refined our marketing strategy. As we recalibrated our marketing budgets to focus on different customer profiles and offerings, we also reduced our marketing expenses in order to learn what channels and campaigns would be most effective. As a result, for the year ended December 31, 2020, Hims' total marketing expenses of $59.0 million represented a $4.2 million year-over-year decrease in marketing expenses as compared to $63.2 million for the year ended December 31, 2019. As Hims reduced marketing expenses year-over-year, Net Orders (as defined below) also declined. For the year ended December 31, 2020, Hims generated 2.3 million Net Orders as compared to 2.5 million Net Orders for the year ended December 31, 2019. However, this year-over-year decline in Net Orders was more than offset by the year-over-year increase in AOV, such that Online Revenue increased by 71% year-over-year for the year ended December 31, 2020 compared to the year ended December 31, 2019. Hims' marketing expenses were more efficiently spent acquiring customers over time, as demonstrated by marketing expense as percentage of revenue, which was 40% for the year ended December 31, 2020, down from 76% for the year ended December 31, 2019. This improved marketing efficiency resulted in a year-over-year improvement in Hims' net loss and Adjusted EBITDA to $(18.1) million and $(8.1) million, respectively, for the year ended December 31, 2020 as compared to $(72.1) million and $(66.1) million, respectively, for the year ended December 31, 2019.

The table below reflects Hims' revenue, gross profit, gross margin, AOV, Net Orders, marketing, marketing expressed as a percent of revenue, net loss, and Adjusted EBITDA for Hims the year ended December 31, 2020 and December 31, 2019, along with the dollar and percentage change between such years (dollars and Net Orders in thousands):

	Year Ended December 31,			
	2020	2019	Change	% Change
Revenue	$148,757	$ 82,558	$66,199	80%
Gross profit	$109,450	$ 44,605	$64,845	145%
Gross margin %	74%	54%	20%	37%
AOV	$ 62	$ 33	$ 29	88%
Net Orders	2,279	2,498	(219)	(9)%
Marketing	$ 58,989	$ 63,156	$ (4,167)	(7)%
Marketing as a % of revenue	40%	76%	(36)%	(47)%
Net loss	$ (18,114)	$(72,064)	$53,950	(75)%
Adjusted EBITDA	$ (8,114)	$(66,099)	$57,985	(88)%

Focused efforts during the year ended December 31, 2020 allowed Hims to deliver continued revenue growth, expanded gross margin, increased efficiency from marketing and reduced Adjusted EBITDA losses.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the 2019 novel coronavirus ("COVID-19") a global pandemic. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business. We have taken measures in response to the ongoing COVID-19 pandemic, including closing our offices and implementing a work from home policy for our worldwide workforce; implementing additional safety policies and procedures for employees working in our warehouse; suspending employee travel and in-person meetings; and actively managing our fulfillment operations and inventory levels. We may take further actions that alter our business operations as may be required by federal, state, or local authorities or that we determine are in the best interests of our employees, customers, and stockholders. Hims' financial performance through the year ended December 31, 2020 was in-line with management's expectations through this period.

While the COVID-19 pandemic has not had a material adverse impact on our financial condition and results of operations to date, the future impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the pandemic, vaccine availability, the continued and expanded use of telehealth solutions as the pandemic subsides, the impact on our customers and their spending habits, the impact on our marketing efforts, and the effect on our suppliers, all of which are uncertain and cannot be predicted. Public and private sector policies and initiatives to reduce the transmission of COVID-19 and disruptions to our operations and the operations of our third-party suppliers, along with the related global slowdown in economic activity, may result in decreased revenue and increased costs. Any such impact on our revenue and costs may continue through the duration of this crisis and the widespread availability of vaccines. It is possible that the COVID-19 pandemic, the measures taken by the federal, state, or local authorities and businesses affected, and the resulting economic impact may materially and adversely affect our business, results of operations, cash flows and financial positions as well as our customers, suppliers, and partners. Despite such recent events, there are no existing conditions or events which raise substantial doubt regarding Hims' ability to continue as a going concern.

Key Factors Affecting Results of Operations

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges.

New Customer Acquisition

Our ability to attract new customers is a key factor for our future growth. To date we have successfully acquired new customers through marketing and the development of our brands. As a result, revenue has increased each year since our launch. If we are unable to acquire enough new customers in the future, revenue might decline. New customer acquisition could be negatively impacted if our marketing efforts are less effective in the future. Increases in advertising rates could also negatively impact our ability to acquire new customers. Consumer tastes, preferences, and sentiment for our brands may also change and result in decreased demand for our products and services. Changes in law or regulatory enforcement could also negatively impact our ability to acquire new customers.

Retention of Customers

Our ability to retain customers is a key factor in our ability to generate revenue. Most of our customers purchase products through subscription-based plans, where customers are billed and sent products on a recurring basis. The recurring nature of this revenue provides us with a certain amount of predictability for future revenue if past customer behavior stays consistent in the future. If customer behavior changes, and customer retention decreases in the future, then future revenue will be negatively impacted. The ability of our customers to continue to pay for our products and services will impact the future results of our operations.

Investments in Growth

We expect to continue to focus on long-term growth through investments in product offerings and customer experience. We are working to enhance our offerings and expand the breadth of products and services offered on our websites. We expect to make significant investments in marketing to acquire new customers. Additionally, we intend to continue to invest in our fulfillment and operating capabilities, including by opening our own affiliated pharmacy dedicated to our operations. In the short term, we expect these investments to increase our operating expenses; however, in the long term, we anticipate that these investments will positively impact our results of operations. If we are unsuccessful at improving our offerings or are unable to generate additional demand for our offerings, we may not recover the financial investments we make into the business and revenue may not increase in the future.

Expansion into New Categories

We expect to expand into new categories with our offerings. Category expansion allows us to increase the number of customers for whom we can provide products and services. It also allows us to offer access to treatment of additional conditions that may already affect our current customers. Expanding into new categories will require financial investments in additional headcount, marketing and customer acquisition expenses, additional operational capabilities and may require the purchase of new inventory. If we are unable to generate sufficient demand in new categories, we may not recover the financial investments we make into new categories and revenue may not increase in the future.

Key Business Metrics

We monitor the following key metrics to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions. We believe the following metrics are useful in evaluating our business. The table below reflects key business metrics for Hims for the years presented (in thousands, except for AOV):

	Year Ended December 31,	
	2020	2019
AOV	$ 62	$ 33
Net Orders	2,279	2,498
Online Revenue	140,728	82,286
Wholesale Revenue	8,029	272
Total revenue	$ 148,757	$ 82,558

- Average Order Value ("AOV") is defined as Online Revenue divided by Net Orders (each as defined below). Our Online Revenue is driven by a combination of AOV and Net Orders. Hims was historically able to increase AOV by making new offerings and subscription options available to customers. Hims has also increased AOV by more effectively acquiring higher AOV customers through marketing channels and campaigns. For the year ended December 31, 2020, Hims' AOV was $62, up 88% year-over-year, compared to $33 for the year ended December 31, 2019.
- Net Orders ("Net Orders") are defined as the number of online customer orders minus transactions related to refunds, credits, chargebacks, and other negative adjustments. Net Orders represent transactions made on our platform during a defined period of time and exclude revenue recognition adjustments recorded pursuant to accounting principles generally accepted in the United States of America ("U.S. GAAP") as discussed below. We monitor the absolute number of Net Orders as a key indicator of our performance. Our Online Revenue is driven by a combination of AOV and Net Orders. Net Orders are driven primarily by the number of new customers acquired and the number of returning customers that make additional purchases. In the third quarter of 2019, Hims began implementing a strategy to acquire higher value and higher AOV customers and to enhance the customer experience with new offerings and subscription options. As Hims implemented this strategy, it reduced marketing expenses in the year ended December 31, 2020 as compared to the year ended December 31, 2019. As a result, Hims' Net Orders declined in the year ended December 31, 2020, as compared to the year ended December 31, 2019. Despite the decline in Net Orders, as a result of the new offerings and subscription options, our total subscriptions have increased to approximately 312,000 as of December 31, 2020 as compared to approximately 190,000 as of December 31, 2019. The increase in subscriptions is driven by growth in new customers and growth in multi-month subscriptions. The increase in multi-month subscriptions (i.e., which allow customers to receive two to twelve months of product in one order), decreases Net Orders and increases AOV compared to monthly subscriptions.

In order to reconcile the key business metrics described above to total revenue, Management tracks the following financial results:

- Online Revenue ("Online Revenue") represents the sales of products and services on our platform, net of refunds, credits, chargebacks and includes revenue recognition adjustments recorded pursuant to U.S. GAAP, primarily relating to deferred revenue and returns reserve.
- Wholesale Revenue ("Wholesale Revenue") represents non-prescription product sales to retailers through wholesale purchasing agreements. For the year ended December 31, 2020, Hims' Wholesale Revenue represented approximately 5% of Hims' total revenue for such period. For the year ended December 31, 2020, Hims' Wholesale Revenue was $8.0 million, an increase of $7.7 million compared to $0.3 million for the year ended December 31, 2019. This increase was primarily because Hims began selling products to a new wholesale partner in March 2020.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with U.S. GAAP, we present Adjusted EBITDA, a non-GAAP financial measure. We use Adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that Adjusted EBITDA, when taken together with the corresponding U.S. GAAP financial measure, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. We consider Adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis. We believe that the use of Adjusted EBITDA is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance.

However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with U.S. GAAP. In addition, other companies, including companies in our industry, may calculate similarly titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of Adjusted EBITDA as a tool for comparison. A reconciliation is provided below for Adjusted EBITDA to net loss, the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review Adjusted EBITDA and the reconciliation of Adjusted EBITDA to net loss, and not to rely on any single financial measure to evaluate our business.

Adjusted EBITDA is a key performance measure that our management uses to assess our operating performance. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes. "Adjusted EBITDA" is defined as net loss before depreciation and amortization, provision for income taxes, interest income, interest expense, amortization of debt issuance costs, stock-based compensation, and change in fair value of warrant liability.

The following table reconciles net loss to Adjusted EBITDA for Hims for the years ended December 31, 2020 and 2019, respectively (in thousands):

	Year Ended December 31,	
	2020	2019
Net loss	$ (18,114)	$ (72,064)
Depreciation and amortization	1,057	260
Provision for income taxes	127	90
Interest income	(448)	(1,901)
Interest expense	10	369
Amortization of debt issuance costs	322	70
Stock-based compensation	5,831	8,028
Change in fair value of warrant liability	3,101	(951)
Adjusted EBITDA	$ (8,114)	$ (66,099)

Some of the limitations of Adjusted EBITDA include (i) Adjusted EBITDA does not properly reflect capital commitments to be paid in the future, and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. We compensate for these limitations by providing specific information regarding the U.S. GAAP items excluded from Adjusted EBITDA. When evaluating our performance, you should consider Adjusted EBITDA in addition to, and not a substitute for, other financial performance measures, including our net loss and other U.S. GAAP results.

Basis of Presentation

Currently, we conduct business through one operating segment. Substantially, all our long-lived assets are maintained in, and our losses are attributable to, the United States of America. The consolidated financial statements include the accounts of Hims, its wholly owned subsidiaries, and variable interest entities in which it holds a controlling financial interest. The variable interest entities are professional corporations or other professional entities owned by licensed physicians that engage licensed medical professionals to provide consultation services ("Affiliated Medical Groups") and XeCare, LLC ("XeCare") (a licensed mail order pharmacy which is expected to provide prescription fulfillment services solely to the Company's customers). We determined that Hims is the primary beneficiary of the Affiliated Medical Groups and XeCare for accounting purposes because it has the ability to direct the activities that most significantly affect these entities' economic performance and has the obligation to absorb the entities' losses. Under the variable interest entity model, Hims presents the results of operations and the financial position of the entities as part of the Hims' condensed consolidated financial statements as if the consolidated group were a single economic entity. See Note 1 and Note 2 in the Hims' consolidated financial statements for more information on basis of presentation and operating segments.

Components of Results of Operations

Revenue

We recognize revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, when we transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Our consolidated revenue primarily comprises of online sales of health and wellness products through our websites, including prescription and nonprescription products. In contracts that contain prescription products, revenue also includes fees related to medical consultation services. Additionally, revenue is generated through wholesale arrangements.

See *"Critical Accounting Policies and Estimates"* and *"—Revenue Recognition"* below for a more detailed discussion of our revenue recognition policy.

Cost of revenue

Cost of revenue consists of costs directly attributable to the products shipped and services rendered, including product costs, packaging materials, shipping costs, and labor costs directly related to revenue generating activities. Costs related to free products, where there is no expectation of future purchases from a customer, are considered to be SG&A (as defined below) and are excluded from cost of revenue.

Gross profit and gross margin

Our gross profit represents total revenue less our total cost of revenue, and our gross margin is our gross profit expressed as a percentage of our total revenue. Our gross profit and gross margin have been and will continue to be affected by a number of factors, including the prices we charge for our products and services, the costs we incur from our vendors for certain components of our cost of revenues, the mix of the various products and services we sell in a period, the mix of Online Revenue and Wholesale Revenue in a period, and our ability to sell our inventory. We expect our gross margin to increase over the long term, although gross margins may fluctuate from period to period depending on these and other factors.

Marketing expenses

The largest component of our marketing expenses consists of our discretionary customer acquisition expenses. Customer acquisition expenses are the advertising and media costs associated with our efforts to acquire new customers, promote our brands, and build awareness for our products and services. Customer acquisition expenses include advertising in digital media, social media, television, radio, out-of-home media, and various other media outlets. Marketing expenses also include overhead expenses including salaries, benefits, taxes, and stock-based compensation for personnel; agency, contractor, and consulting expenses; content production, software, and other marketing operating costs. Marketing is an important driver of growth and we intend to continue to make significant investments in customer acquisition and our marketing organization. As a result, we expect our marketing expenses to increase in absolute dollars for the foreseeable future. However, we expect our marketing expenses to decrease as a percentage of revenue over the long term, although our marketing expenses may fluctuate as a percentage of revenue from period to period due to the timing and amount of these expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") include the salaries, benefits, taxes, and stock-based compensation for personnel for our executive, engineering, finance, operations, and other administrative functions. SG&A also includes general operating expenses for professional services, third-party software and hosting, facilities, warehousing and fulfillment, customer service, payment processing, and depreciation and amortization. We expect SG&A to increase for the foreseeable future as we increase headcount with the growth of our business. We also expect SG&A to increase in the near term as a result of operating as a public company, including expenses associated with compliance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), and an increase in legal, audit, insurance, investor relations, professional services and other administrative expenses. However, we anticipate SG&A to decrease as a percentage of revenue over the long term, although it may fluctuate as a percentage of total revenue from period to period due to the timing and amount of these expenses.

We expect our stock-based compensation expense within marketing and SG&A to increase significantly, as a result of completing the Merger.

Interest expense

Interest expense primarily includes expense related to our borrowing arrangements with a leading financial institution.

Other income (expense), net

Other income (expense), net primarily consists of investment and interest income from short-term and long-term investments and our cash and cash equivalents. Other expense includes non-operating expenses and one-time charges classified outside of operating expenses. The caption also includes the impact of the remeasurement of the liability associated with preferred stock warrants.

Provision for income taxes

The income tax provision is primarily due to state taxes. Deferred tax assets are reduced by a valuation allowance to the extent management believes it is not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgments about future taxable income based on assumptions that are consistent with our plans and estimates.

Results of Operations

Comparisons for years ended December 31, 2020 and 2019

The following table sets forth Hims' consolidated statement of operations for the years ended December 31, 2020 and 2019 and the dollar and percentage change between the two years (dollars in thousands):

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Revenue	$148,757	$ 82,558	$66,199	80%
Cost of revenue	39,307	37,953	1,354	4%
Gross profit	109,450	44,605	64,845	145%
Operating expenses:				
Marketing[1]	58,989	63,156	(4,167)	(7)%
Selling, general, and administrative[1]	65,605	55,863	9,742	17%
Total operating expenses	124,594	119,019	5,575	5%
Loss from operations	(15,144)	(74,414)	59,270	(80)%
Other income (expense):				
Interest expense	(10)	(369)	(359)	(97)%
Other (expense) income, net	(2,833)	2,809	(5,642)	(201)%
Loss before provision for income taxes	(17,987)	(71,974)	53,987	(75)%
Provision for income taxes	(127)	(90)	(37)	41%
Net loss	$ (18,114)	$ (72,064)	$53,950	(75)%

(1) Includes stock-based compensation expense as follows (in thousands):

	Years Ended December 31,	
	2020	2019
Marketing	$ 1,172	$ 571
Selling, general and administrative	4,659	7,457
Total stock-based compensation expense	$ 5,831	$ 8,028

The following table sets forth Hims' results of operations as a percentage of total revenue for the years presented:

	Years Ended December 31,	
	2020	2019
Revenue	100%	100%
Cost of revenue	26%	46%
Gross margin	74%	54%
Operating expenses:		
Marketing	40%	76%
Selling, general, and administrative	44%	68%
Total operating expenses	84%	144%
Loss from operations	(10)%	(90)%
Other income (expense):		
Interest expense	(0)%	(0)%
Other (expense) income, net	(2)%	3%
Loss before provision for income taxes	(12)%	(87)%
Provision for income taxes	(0)%	(0)%
Net loss	(12)%	(87)%

Revenue

Revenue was $148.8 million for the year ended December 31, 2020 compared to $82.6 million for the year ended December 31, 2019, representing an increase of $66.2 million, or 80%. Starting in March 2020, Hims began selling its non-prescription products to a new wholesale partner, which contributed to $7.7 million of the year-over-year increase. Online Revenue was $140.7 million for the year ended December 31, 2020, compared to $82.3 million for year ended December 31, 2019, representing an increase of $58.4 million, or 71%. The year-over-year growth in Online Revenue was driven by an 88% year-over-year increase in AOV to $62 for the year ended December 31, 2020 as compared to $33 for the year ended December 31, 2019. The year-over-year increase in AOV was driven by an increased uptake of higher AOV offerings by customers, targeted acquisition of higher AOV new customers from marketing and a reduction in discounts offered to customers. AOV growth was partially offset by a decrease in Net Orders of 9% year-over-year, partially driven by a year-over-year decrease in marketing expenses.

Cost of revenue and gross profit

Cost of revenue was $39.3 million for the year ended December 31, 2020, compared to $38.0 million for the year ended December 31, 2019, representing an increase of $1.4 million, or 4%. Gross profit was $109.5 million for the year ended December 31, 2020 compared to $44.6 million for the year ended December 31, 2019, representing an increase of $64.8 million or 145%. Correspondingly, Hims' gross margin was 74% for the year ended December 31, 2020 compared to 54% for the year ended December 31, 2019.

The year-over-year increase in cost of revenue consists of increases in Hims' product and packaging costs of approximately 27% which were offset by a decrease in costs associated with medical consultation services of 18% and decrease in shipping costs of 5% year-over-year. Costs associated with medical consultations services are a product of the number of consultations and the cost per consultation, both of which declined year-over-year for the year ended December 31, 2020. The increase in gross margin for the year ended December 31, 2020 compared to the prior year was primarily the result of a proportionately lower increase in cost of revenue than the increase in revenue.

Marketing expenses

Marketing expenses were $59.0 million for the year ended December 31, 2020, compared to $63.2 million for the year ended December 31, 2019, representing a decrease of $4.2 million or 7%. The most significant component of marketing expenses is customer acquisition costs, which were $44.0 million for the year ended December 31, 2020, compared to $51.6 million for the year ended December 31, 2019, representing a decrease of $7.6 million or 15%.

Management decided to reduce customer acquisition costs year-over-year in order to focus on acquiring higher AOV customers in the period. This decrease was partially offset by an increase in other marketing expenses such as salaries and wages, and related benefits due to an increase in marketing-related headcount.

Selling, general and administrative expenses

SG&A was $65.6 million for the year ended December 31, 2020 compared to $55.9 million for the year ended December 31, 2019, representing an increase of $9.7 million or 17%. The increase in SG&A was driven by an increase in salaries and wages, benefits, taxes, and stock-based compensation expense to $23.9 million for the year ended December 31, 2020, compared to $19.7 million for the year ended December 31, 2019. Additionally, in 2020, consulting expenses related to professional services increased to $5.3 million for the year ended December 31, 2020 compared to $2.3 million for the year ended December 31, 2019 as a result of the Merger. During the period, we ceased use of our headquarters office facility and other offices, recording a lease termination fee of $1.4 million. In January 2020, we also entered into a new operating lease arrangement for a warehouse space in New Albany, Ohio, which contributed to an increase in rent expense of $0.6 million for the year ended December 31, 2020, compared to the corresponding period in the prior year.

Interest expense

Interest expense was less than $0.1 million for the year ended December 31, 2020, compared to $0.4 million for the year ended December 31, 2019, representing a decrease of approximately $0.4 million. The decrease in the interest expense was attributable to the repayment of outstanding debt during the year ended December 31, 2020. The outstanding debt was paid off in full in the second quarter of 2020.

Other income (expense), net

Other income (expense), net, was a $2.8 million expense for the year ended December 31, 2020, compared to $2.8 million of income for the year ended December 31, 2019, representing a change of $5.6 million. The change was driven primarily by a 2020 increase in the fair value of the preferred stock warrant liability as compared to a 2019 decrease in the fair value of this liability.

Provision of income taxes

Provision for income taxes was $0.1 million for each of the years ended December 31, 2020 and 2019, primarily attributable to state taxes.

Liquidity and Capital Resources

Since inception, Hims has financed its operations primarily from the sales of redeemable convertible preferred stock. As of December 31, 2020, Hims' principal sources of liquidity were cash and cash equivalents in the amount of $27.3 million, which were primarily invested in money market funds; and short-term investments in the amount of $72.9 million, which were primarily invested in corporate, government and asset backed bonds. Subsequent to December 31, 2020, Hims received gross proceeds of $197.7 million from the Merger and $75.0 million from private investors. In connection with the Merger, Hims paid $11.5 million of closing costs as well as $22.0 million for the repurchase of Class A common stock.

Hims has historically incurred negative cash flows from operating activities and significant losses from operations in the past. We expect to continue to incur operating losses at least for the next 12 months due to the investments that we intend to make in our business. We believe our existing cash resources and funds raised from the closing of the Merger subsequent to December 31, 2020 are sufficient to support planned operations for the next 12 months. As a result, management believes that its current financial resources are sufficient to continue operating activities for at least one year past the issuance date of the financial statements.

We expect to purchase up to approximately $3 million in property and equipment for the purposes of building dedicated affiliated pharmacy operations and related facilities and capabilities, inclusive of $1.9 million invested as of December 31, 2020. We estimate initial annual selling, general, and administrative expenses of approximately $10 million to manage our own pharmacy, warehousing, and fulfillment operations. These expenses include labor for dispensing and fulfillment activities, facility and employee management, rent, utilities, maintenance, and other related overhead. These selling, general, and administrative expenses are expected to partially offset third-party pharmacy, warehousing, and fulfillment expenses that would have been otherwise incurred by Hims.

Our future capital requirements will depend on many factors, including the number of orders we receive, the size of our customer base, the timing and extent of spend to support the expansion of sales, marketing and development activities, and the impact of the COVID-19 pandemic. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be harmed. In order to support the growth of our business, we may need to incur additional indebtedness or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all.

Cash Flows

The following table provides a summary of Hims' cash flow data (in thousands):

	Years Ended December 31,	
	2020	2019
Net cash used in operating activities	$ (2,479)	$ (74,867)
Net cash used in investing activities	(39,701)	(39,299)
Net cash provided by financing activities	47,742	95,318

Cash Flows from Operating Activities

Our largest source of operating cash flows is cash collections from our customers. Our primary use of cash from operating activities includes marketing expenses and personnel-related expenditures to support the growth of our business.

Net cash used in operating activities was $2.5 million for the year ended December 31, 2020. The most significant component of Hims' cash used was a net loss of $18.1 million. This included non-cash expense related to stock-based compensation of $5.8 million, non-cash losses for change in fair value of preferred stock warrants totaling $3.1 million, lease termination costs of $1.5 million, depreciation and amortization totaling $1.1 million, amortization of debt issuance costs of $0.3 million, and other noncash changes for $0.4 million. In addition, a cash inflow totaling $3.5 million was attributable to changes in operating assets and liabilities, primarily as a result of an increase in accounts payable and accrued liabilities of $3.2 million, a decrease in inventory of $0.7 million, an increase in deferred revenue of $0.5 million, an increase in deferred rent of $0.4 million, offset by an increase in prepaid expenses and other current assets of $0.7 million and an increase in other long-term assets of $0.7 million.

Net cash used in operating activities was $74.9 million for the year ended December 31, 2019. The most significant component of Hims' cash used during this period was a net loss of $72.1 million. This included non-cash expense related to stock-based compensation of $8.0 million, and depreciation and amortization totaling to $0.3 million. This was partially offset by non-cash gains for change in fair value of Series C preferred stock warrants totaling $1.0 million, net change in unrealized gain on cash equivalents and investments of $0.2 million, and non-cash other income totaling $0.2 million. In addition, a cash outflow totaling $9.9 million was attributable to changes in operating assets and liabilities, primarily as a result of a decrease in accounts payable of $6.1 million, an increase in prepaid expenses and other current assets of $2.4 million, an increase in other long-term assets of $0.8 million, an increase in inventory of $0.5 million and a decrease in accrued liabilities of $0.3 million. This outflow was partially offset by an increase in deferred revenue of $0.2 million.

For the year ended December 31, 2020 compared to the year ended December 31, 2019, the decrease in cash used in operating activities primarily reflects the improving leverage, after excluding certain non-cash expenses, from increased revenues, while reducing cost of revenue and marketing expenses.

Cash Flows from Investing Activities

Cash flows from investing activities primarily relate to our treasury operations of investing in available-for-sale investments, investment in website development and internal-use software, as well as purchase of property and equipment.

Net cash used in investing activities for the year ended December 31, 2020 was $39.7 million, which was primarily due to net investment cash outflows of $35.5 million, investment in website development and internal-use software of $2.5 million and purchase of property, equipment, and intangibles of $1.7 million.

Net cash used in investing activities for the year ended December 31, 2019 was $39.3 million, which was primarily due to net investment cash outflows of $37.5 million, investment in website development and internal-use software of $1.5 million and purchase of property and equipment of $0.3 million.

Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended December 31, 2020 was $47.7 million, which was primarily due to the sale of Series D redeemable convertible preferred stock, net of cash paid for issuance costs, totaling $51.9 million. Proceeds from exercise of warrants and stock options provided cash inflow totaling $0.7 million. These cash inflows were partially offset by payments for transaction costs associated with the Merger of $3.4 million and term loan repayments totaling $1.5 million.

Net cash provided by financing activities for the year ended December 31, 2019 was $95.3 million, which was primarily due to the sale of Series C redeemable convertible preferred stock, net of cash paid for issuance costs, totaling $102.6 million and term loan borrowings of $2.1 million. These cash inflows were partially offset by term loan repayments totaling $9.1 million and a cash outflow attributable to debt issuance costs totaling $0.4 million.

Indebtedness

Silicon Valley Bank

On November 27, 2019, Hims and Silicon Valley Bank ("SVB") amended and restated the Amended and Restated Loan Agreement, dated as of May 16, 2018, by and between Hims and SVB (the "Second Amended and Restated Loan Agreement"), which accelerated the repayment of the existing loan over a six-month period, to be paid in full by May 1, 2020. Hims repaid the loan by May 1, 2020.

In the Second Amended and Restated Loan Agreement, SVB also provided a revolving debt facility (the "Revolving Line"), of up to $8.0 million, with a maturity date of December 31, 2020. Upon termination of the Revolving Line for any reason prior to its maturity date, Hims would have been required to pay, in addition to any payments owed, a termination fee equal to 1.00% of the Revolving Line. The interest rate for the Revolving Line is equal to the Prime Rate plus 0.50%, with a floor of 5.75%. Hims did not draw down from this Revolving Line and therefore, no amounts were required to be repaid by December 31, 2020.

As of December 31, 2020, SVB issued on Hims' behalf a letter of credit in the amount of $0.8 million as a security deposit for a warehouse space in New Albany, Ohio. SVB required Hims to maintain $0.8 million as a collateral for the outstanding letter of credit. We expect to continue to renew the letter of credit through the duration of the lease. As this is for longer than one year, the $0.8 million is presented within restricted cash, noncurrent on Hims' consolidated balance sheet.

Upon Hims' request, SVB will issue letters of credit (the "Letters of Credit") for Hims' account in an aggregate amount not to exceed $2.0 million, which is reduced by the amount otherwise available with respect to the cash management services, which may include merchant services, direct deposit of payroll, business credit card, and check

cashing services identified in SVB's various agreements. Hims also has a business credit card as part of the cash management services offered by SVB. Hims may request an amount not to exceed $2.0 million, in connection with SVB's cash management services, which amount is reduced by the amount utilized for any issuances of Letters of Credit. Any cash management services are treated as advances under the Revolving Line. On September 30, 2020, Hims entered into the First loan Modification Agreement (the "Loan Modification Agreement") and the aggregate amount of the Letters of Credit and limit on cash management services were both amended to $3.5 million.

For Hims to continue to use the business credit card, SVB requires it to maintain $0.2 million in a collateralized money market account. We expect to continue to use the cash management services beyond 2020 and $0.2 million is presented within restricted cash on Hims' consolidated balance sheet.

As of December 31, 2020 and 2019, Hims was in compliance with all of its covenants under the Second Amended and Restated Loan Agreement. As collateral, Hims has granted SVB a security interest in substantially all of its assets. In January 2021, Hims terminated the Second Amended and Restated Loan Agreement with SVB.

TriplePoint Venture Growth

On November 27, 2019, Hims entered into a Plain English Capital Growth and Security Agreement (the "2019 Capital Agreement") with TriplePoint Venture Growth ("TPC") consisting of a term loan in the aggregate principal amount of up to $50.0 million, with $25.0 million being available immediately through December 31, 2020 (the "Part 1 Commitment Amount"), and an additional $25.0 million becoming available upon utilization of the Part 1 Commitment Amount through December 31, 2020. There is no minimum advance amount. As of December 31, 2020, Hims had not drawn down from this term loan and the facility expired. The costs associated with issuing the debt facility are recorded as debt issuance costs within prepaid expenses and other current assets on the consolidated balance sheet with amortization recorded over the available period of the facility.

As collateral, Hims granted to TPC a second lien security interest in substantially all of its assets.

Contractual Obligations and Commitments

In January 2020, Hims entered into a 63-month noncancelable lease for 302,880 square feet of warehouse space in New Albany, Ohio. The lease commenced on June 1, 2020. Total minimum lease payments are $7.9 million, net of rent abatement for an initial three-month period and with annual escalation of 2.5%. We have the option to extend the lease term for a period of five years.

As of December 31, 2020, Hims had contractual obligations to make $0.8 million in purchases related to cloud-based software contracts used in operations. These obligations are associated with multi-year agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the services. Obligations under contracts that we can cancel without a significant penalty or agreements with a term of one year or less are not considered.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our audited consolidated financial statements and accompanying notes. We base our estimates on historical experience, current business factors and various other assumptions that we believe are necessary to consider forming a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses and the disclosure of contingent assets and liabilities. Our company is subject to uncertainties such as the impact of future events, economic and political factors, and changes in our business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of our audited consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to our audited consolidated financial statements.

On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Hims' significant accounting policies are described in Note 2 to Hims' audited consolidated financial as of and for the year ending December 31, 2020. These are the policies that we believe are the most critical to aid in fully understanding and evaluating Hims' consolidated financial condition and results of operations.

Revenue Recognition

Hims recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Hims adopted ASC 606 on January 1, 2017, at the inception of its operations.

For Online Revenue, Hims defines its customer as an individual who purchases products or services through the website. The transaction price in contracts with customers is the total amount of consideration to which Hims expects to be entitled in exchange for transferring products or access to services to the customer.

Contracts that contain prescription products include two performance obligations: access to (i) products and (ii) consultation services. Hims contracts that do not contain prescription products have a single performance obligation. Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product to the customer and, in contracts that contain service, by the provision of consultation services to the customer. Hims satisfies its performance obligation for products at a point in time, which is upon delivery of the products to a third-party carrier. Hims satisfies its performance obligation for services over the period of the consultation service, which is typically a few days. The customer obtains control of the products and services upon the Hims' completion of its performance obligations.

For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price is based on the prices at which Hims separately sells the products and services, as well as market and cost-plus margin-based estimates. For the years ended December 31, 2020 and 2019, service revenue represents less than 10% of consolidated revenues.

To fulfill its promise to customers for contracts that include professional medical consultations, Hims maintains relationships with various Affiliated Medical Groups, which are professional corporations or other professional entities owned by licensed physicians that engage licensed medical professionals (medical doctors, physician assistants, and nurse practitioners; collectively referred to as "Providers") to provide consultation services. Refer to Note 7 – Variable Interest Entities in Hims' audited consolidated financial statements. Hims accounts for service revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) Hims determines which Affiliated Medical Group and Provider provides the consultation to the customer; (ii) Hims is primarily responsible for the satisfactory fulfillment and acceptability of the services; (iii) Hims incurs costs for consultation services even for visits that do not result in a prescription and the sale of products; and (iv) Hims, at its sole discretion, sets all listed prices charged on its website for products and services.

Additionally, to fulfill its promise to customers for contracts that include professional medical consultations, Hims maintains relationships with third-party pharmacies to fill prescriptions that are ordered by the Hims' customers. Hims made the judgement to account for prescription product revenue as a principal in the arrangement with its customers. This conclusion is reached because (i) it has sole discretion in determining which pharmacy fills a customer's prescription; (ii) the pharmacy fills the prescription based on fulfillment instructions provided by Hims including using Hims branded packaging for generic products; (iii) Hims is primarily responsible to the customer for the satisfactory fulfillment and acceptability of the order; (iv) Hims is responsible for refunds of the prescription medication after transfer of control to the customer; and (v) Hims, at its sole discretion, sets all listed prices charged on its websites for products and services.

Hims estimates refunds using the expected value method based on historical refunds granted to customers. Hims updates its estimate at the end of each reporting period and recognizes the estimated amount as contra-revenue with a corresponding refund liability. Sales, value-added, and other taxes are excluded from the transaction price and, therefore, from revenue.

Hims has made an accounting policy election to account for shipping and handling activities performed after the control of a product has been transferred to the customer as fulfillment costs, with direct costs to ship products to customers included in cost of revenue. Contracts with customers do not contain costs to obtain or costs to fulfill contracts with customers in accordance with ASC 340-40, *Other Assets and Deferred Costs—Contracts with Customers.*

For online sales, payment for prescription medication and nonprescription products is typically collected from the customer a few days in advance of product shipment. Contract liabilities are recorded when payments have been received from the customer for undelivered products or services and are recognized as revenue when the performance obligations are later satisfied. Contract liabilities consisting of balances related to customer prepayments are recognized as current deferred revenue on the consolidated balance sheets of which substantially all of the balance is recognized in the following month. For wholesale arrangements, payments are collected in accordance with contract terms.

Warrant Liability

Hims classifies warrants to purchase shares of redeemable convertible preferred stock that are contingently puttable or redeemable as liabilities. Such warrants are measured and recognized at fair value and are subject to remeasurement at each balance sheet date.

As of December 31, 2020, the fair value of the preferred stock warrant liability is measured using a Black-Scholes-Merton ("BSM") option-pricing model. Inputs to that model include the purchase right's expected remaining term, expected volatility based on representative peer companies, the risk-free interest rate, and the estimated fair value of Hims' common stock based on the publicly trading stock price of OAC. Changes to the fair value measurement are recognized within other income (expense), net on the consolidated statements of operations and comprehensive loss. In prior periods, fair value of the preferred stock warrant liability had been measured using the BSM option-pricing model, Monte Carlo simulation, and probability weighted expected return method ("PWERM"). The changes in valuation method prior to December 31, 2020 occurred as a result of the increased probability that Hims' common shares would be publicly listed in the near-term. As of December 31, 2020, the valuation method changed as a result of Hims expecting to close the Merger after obtaining approval from the Securities Exchange Commission to file a proxy statement on December 29, 2020.

Hims adjusts the warrant liability for changes in the fair value until the earlier of the exercise or expiration of the warrants or the completion of a liquidation event, including completion of an initial public offering, at which time all such preferred stock warrants will be converted into warrants to purchase shares of common stock and the liability will be reclassified to additional paid-in capital.

Stock-Based Compensation

Hims accounts for stock-based compensation expense in accordance with the fair value recognition and measurement provisions of GAAP, which require compensation cost for the grant-date fair value of stock-based awards to be recognized over the requisite service period. Hims determines the fair value of stock-based awards granted or modified on the grant date or modification date using appropriate valuation techniques.

The fair value of employee and nonemployee stock options is determined using the BSM option-pricing model using various inputs, including estimates of expected term, volatility, risk-free rate, and future dividends. The fair value of the performance stock options granted to the CEO of Hims in June 2020 was measured using a Monte Carlo simulation model. Excluding performance-based stock options, Hims recognizes compensation costs on a straight-line basis over the requisite service period of the employee and nonemployee, which is generally the option vesting term of four years. For stock options with performance conditions, stock-based compensation expense will be recognized when it is probable that the performance criteria will be achieved. Hims accounts for forfeitures as they occur.

The fair value of RSUs is determined based on the fair value of Hims' common stock at the grant date. The RSUs generally have a vesting term of four years in addition to performance-based vesting condition contingent on to achievement of a liquidity event which includes (i) an initial public offering, (ii) a business combination transaction or (iii) a sale event as defined by the 2017 Stock Plan. As of December 31, 2020, no compensation expense was recognized since the liquidity event performance condition was not met. The performance-based vesting condition is expected to become probable upon the completion of liquidity event, at which point we will immediately record cumulative stock-based compensation expense using the accelerated attribution method for the awards that have met the service-based vesting condition.

Changes in the following assumptions can materially affect the estimate of fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. We continue to use judgment in evaluating the expected term and expected volatility utilized in our stock-based compensation expense calculation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimates of expected term and expected volatility, which could materially impact our future stock-based compensation expense.

Fair Value of Common Stock—Given the absence of a public trading market as of December 31, 2020, the board of directors of Hims considered numerous objective and subjective factors to determine the fair value of common stock at each meeting at which awards are approved. These factors include, but are not limited to, (i) contemporaneous valuations of common stock performed by an independent valuation specialist; (ii) developments in the business and stage of development; (iii) operational and financial performance and condition; (iv) issuances of preferred stock and the rights and preferences of preferred stock relative to common stock; (v) current condition of capital markets and the likelihood of achieving a liquidity event, such as an initial public offering or sale of Hims; and (vi) the lack of marketability of the common stock.

The grant date fair value of our common stock was determined using valuation methodologies which utilize certain assumptions, including probability weighting events, volatility, time to liquidation, a risk-free interest rate, and an assumption for a discount for lack of marketability.

In 2019 and during 2020, Hims used the market approach to determine the fair value of its common stock. This approach measures the value of an asset or business through an analysis of recent sales or offerings of comparable investments or assets and gives consideration to the financial condition and operating performance of an entity relative to those of public entities operating in the same or similar lines of business. Hims applied the market approach by utilizing the subject company transaction method which examines prior transactions in the same or related equity of Hims. For purposes of allocating the fair value of our common stock, Hims used the PWERM and applied a weighted average of two different approaches, implying a value derived from the recent price paid by investors for our preferred stock, and, as Hims contemplated the Merger transaction, the committed price to be paid upon the closing of the PIPE transaction.

At December 31, 2020, Hims revised the approach in determining the value of its common stock as a result of the expectation that Hims would close the Merger with OAC. Accordingly, Hims determined the value of the Company's equity based on the 10-day weighted average trading price of OAC, adjusted for the share exchange ratio as determined upon consummation of the Merger, and applied a discount for lack of marketability.

For financial reporting purposes, Hims considers the amount of time between the valuation date and the grant date to determine whether to use the latest common stock valuation or a straight-line interpolation between the two valuation dates. The determination includes an evaluation of whether the subsequent valuation indicates that any significant change in valuation had occurred between the previous valuation and the grant date.

Expected Term—Hims calculates the expected term using the simplified method based on the options vesting term and contractual terms as it did not have sufficient relevant historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Expected Volatility—The volatility is derived from the average historical stock volatilities of a peer group of public companies that Hims considers to be comparable to its business over a period equivalent to the expected term of the share-based grants.

Risk-free Interest Rate—Hims derives the risk-free interest rate assumption from the United States Treasury's rates for the U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued.

Dividend Yield—Hims bases the assumed dividend yield on its expectation of not paying dividends in the foreseeable future. Consequently, the expected dividend yield used is zero.

Consolidation of Variable Interest Entities

U.S. GAAP requires variable interest entities to be consolidated if an entity's interest in the variable interest entity is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined based on which entity, if any, has (i) the power to direct the activities of the variable interest entity that most significantly impacts the variable interest entity's economic performance and (ii) the obligations to absorb losses that could potentially be significant to the variable interest entity or the right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity.

Hims determined that it is the primary beneficiary of the Affiliated Medical Groups and XeCare for accounting purposes because it has the ability to direct the activities that most significantly affect the entities' economic performance and has the obligation to absorb the entities' losses.

We perform ongoing reassessments of whether changes in the facts and circumstances regarding our involvement with the Affiliated Medical Groups and XeCare would cause our consolidation conclusion to change. The consolidation status of the variable interest entities with which we are involved may change as a result of such reassessments. Changes in consolidation status are applied in accordance with applicable U.S. GAAP.

Emerging Growth Company Status

We are an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act permits companies with EGC status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to use this extended transition period to enable Hims & Hers to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an EGC or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an EGC, we intend to rely on such exemptions, we are not required to, among other things: (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board; and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the CEO's compensation to median employee compensation.

We will remain an EGC under the JOBS Act until the earliest of (i) the last day of our first fiscal year following the fifth anniversary of the closing of the Merger, (ii) the last date of our fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the date on which we are deemed to be a "large accelerated filer" under the rules of the SEC with at least $700.0 million of outstanding securities held by non-affiliates, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three-years.

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates.

Interest Rate Risk

Hims had cash and cash equivalents totaling $27.3 million and $22.6 million as of December 31, 2020 and 2019, respectively. This amount was invested primarily in money market funds. Cash and cash equivalents are held for working capital purposes.

Additionally, Hims had short-term investments totaling $72.9 million and $37.7 million as of December 31, 2020 and 2019, respectively. Short-term investments consist of available-for-sale securities, primarily invested in corporate bonds, government bonds and asset backed bonds. We do not enter into investments for trading or speculative purposes. All our investments are denominated in U.S. dollars.

Our cash equivalents are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

We do not believe that an increase or decrease in interest rates of 100-basis points would have a material effect on our business, financial condition or results of operations. Fluctuations in the value of our money market funds caused by a change in interest rates (gains or losses on the carrying value) are recorded in other income and are realized only if we sell the underlying securities.

Foreign Currency Risk

There was no material foreign currency risk for the years ended December 31, 2020 and 2019 since Hims operates primarily in the United States of America. We have limited operations outside the United States. Our operations in the United Kingdom that are not considered significant. Accordingly, we believe we do not have a material exposure to foreign currency risk. We may choose to focus on international expansion in the future, which may increase our exposure to foreign currency exchange risk.

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Corporate Information

Board of Directors

Andrew Dudum
Chairman and Chief Executive Officer

Alex Bard
Compensation Committee

Dr. Toby Cosgrove, MD

Kirsten Green
Compensation and Audit Committee

Jules Maltz
Compensation Committee Chair and
Lead Independent Director

Lynne O'Keefe
Audit Committee

David Wells
Audit Committee Chair

Andrea Perez

Ambar Bhattacharyya

Executive Officers

Spencer Lee
Chief Financial Officer

Melissa Baird
Chief Operations Officer

Patrick Carroll
Chief Medical Officer

Soleil Boughton
Chief Legal Officer

Virtual Annual Meeting

June 17, 2021, 10:00 am PT
Live webcast
www.virtualshareholdermeeting.com/HIMS2021

Website

www.forhims.com
www.forhers.com

Transfer Agent and Registrar

Information about stock and warrant certificates, address changes, ownership transfers or other stockmatters can be obtained from:

Continental Stock Transfer & Trust
1 State Street 30th Floor
New York, NY 10004-1561
800-509-5586
cstmail@continentalstock.com
www.continentalstock.com

Trading Information

The Class A common stock of Hims & Hers Health, Inc. is traded on the NYSE (symbol: HIMS).

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