Corrected Transcript

26-Feb-2024

Hims & Hers Health, Inc. (HIMS)

Q4 2023 Earnings Call

CORPORATE PARTICIPANTS

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

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

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

OTHER PARTICIPANTS

Allen Lutz
Analyst, BofA Securities, Inc.

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Jonna Kim
Analyst, TD Cowen

Jack Wallace
Analyst, Guggenheim Securities LLC

Glen Santangelo
Analyst, Jefferies LLC

Jailendra Singh
Analyst, Truist Securities, Inc.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Korinne Wolfmeyer
Analyst, Piper Sandler & Co.

Ivan Feinseth
Analyst, Tigress Financial Partners LLC

Michael Cherny
Analyst, Leerink Partners LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to the Hims & Hers Fourth Quarter and Full Year 2023 Earnings Conference Call. Please note that this call is being recorded. [Operator Instructions] Thank you.

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

Bill Newby

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

Good afternoon, everyone, and welcome to the Hims & Hers fourth quarter and full year 2023 earnings call. Today, after the market closed, we released our first ever Shareholder Letter, a copy of which you can find on our website at investors.hims.com. On the call with me today is Andrew Dudum, our Co-Founder and Chief Executive Officer; as well as Yemi Okupe, our Chief Financial Officer. Before I hand it over to Andrew, I need to remind you legal Safe Harbor and cautionary declarations.

Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on, among other things, our current market, competitors and regulatory expectations, and are subject to risks and uncertainties that could cause actual results to vary materially. We take no obligation to update publicly any forward-looking statement after this call, whether as a result of new information, future events, changes in assumptions or otherwise. Please see the most recently filed 10-K and 10-Q reports for a discussion of risk factors as they relate to forward-looking statements.

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

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

Andrew Dudum

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

Thanks, Bill. 2023 was a transformative year for Hims & Hers, as we continue to deliver against our mission of helping the world feel great through the power of better health. Strong execution of our strategy resulted in financial success on both the top and bottom line. Revenue increased 65% year-over-year to $872 million. Growth remains robust as a result of our ability to continue to draw and retain users to the Hims & Hers platform. Over 1.5 million subscribers were on the platform at the end of 2023, representing a year-over-year increase of 48%.

We've always taken a disciplined approach to scaling our platform, and that is translating to meaningful success on our bottom line as well. I'm incredibly proud of our organization's ability to scale our platform efficiently and deliver our first quarter of positive net income on the one-year anniversary of our first quarter of positive adjusted EBITDA.

Throughout 2023, we continued to excel at providing users with access: access to providers and diagnosis in days, or in some instance, hours, as opposed to weeks or months in brick-and-mortar; and access to clinically appropriate generic treatments and solutions for singular issues that consumers are challenged with.

We view our capabilities to deliver on access as table stakes and believe a sustainable leadership position requires more. My belief is that our success is the culmination of an intentional focus on core specialties, as well as our ability to transform our platform across a few dimensions.

Let me start by double clicking into the significance of focus. Today, our efforts are focused on ensuring that customers have a delightful experience across five core specialties: sexual health, men's and women's dermatology, mental health and weight loss, which we're excited to launch in the fourth quarter.

These are some of the most emotionally resonant challenges across society today, and impact over 100 million individuals in the US alone. In 2023, we made meaningful strides evolving our platform across a few key dimensions, which has enabled us to capture a leading market share of customers seeking solutions within many of our specialties.

First is the move beyond generics towards personalized solutions and treatments that uniquely address users' concern via new form factors, as well as multi-action capabilities.

Second is our ability to leverage AI capabilities across structured data to not only inform new, effective and safe solutions that resonate with users, but also enable providers to leverage learnings from hundreds of thousands of interactions across our platform to more efficiently match users with the right treatment.

Lastly, our operational excellence and scale enable us to offer all of this value to users at attractive price points. Nationally renowned experts, combined with our data platform, were foundational to our ability to roll out access to heart support, hard mints and updated men's hair loss options in our tenured specialties such as sexual health and men's dermatology. Personalized offerings which have now been adopted by over 30% of subscribers on the platform as of year-end have allowed these specialties to continue to scale at a rapid rate through 2023. We are confident that substantial runway for growth remains, especially as we continue to evolve our offerings.

The shift to our personalized offerings has been even stronger in our newer specialties, as new users are increasingly opting for these unique approaches to individualized care. Hers Dermatology subscribers are opting for a personalized solution more than 75% of the time, while subscribers to the new weight loss offering are essentially all opting for a personalized treatment.

It is clear to us that personalized solutions drive increased longevity on the platform and help to facilitate the acquisition of new users. As we continue to see increasingly rapid adoption of personalized approaches across newer specialties such as Hers Dermatology, mental health and weight loss, we are confident that each of these specialties has the ability to deliver more than $100 million of revenue in 2025.

We are pleased to see the strong momentum of the past six years continue into 2024, with continued strength across each of our specialties and margin expansion from our disciplined approach to scale. These factors provide us with line of sight to achieve our 2025 targets of $1.2 billion of revenue and $100 million of EBITDA one year early.

We are also tracking toward our first year of positive net income in 2024. These are all important benchmarks, but we have every belief this is just the beginning. Our aspiration is to bring tens of millions of users on our platform, given the fact that over 100 million consumers were impacted by conditions in the specialties we serve.

Our ability to achieve these ambitions will be governed by our ability to remove points of friction for users seeking treatment today, as well as remove barriers for those who may be suffering but not seeking treatment. To date, we've excelled at removing barriers and friction points such as lack of awareness, accessibility and affordability. In 2024, we expect personalization will be foundational to unlocking new opportunities for the treatment of users that may have alternative form factor needs or require unique dosages.

We expect MedMatch by Hims & Hers to be a critical tool in giving both providers and consumers the confidence that a treatment will work for them. This is natural and that MedMatch by Hims & Hers has the potential to evolve to address one of the questions most top of mind for consumers. Has this solution worked for people like me?

In the fourth quarter, we completed the transition of the vast majority of fulfillment to our affiliated pharmacies, which sets the stage to break down a substantial barrier for users suffering across our specialties today, cost. Over 85% of orders going through affiliated pharmacies provides us greater ability to realize the benefits of scale and ultimately pass value back to consumers in a way that is beneficial for our users and accretive to Hims & Hers.

Since we founded Hims & Hers six years ago, our goal has been bold, to make the world feel great through the power of better health, developing the technology, operations, clinical excellence and brand to achieve this goal of transforming health and wellness requires a long-term approach and an operational mindset.

Through the unparalleled experience and expertise of our team, we have built a platform that offers personalized solutions through a holistic and seamless customer experience at compelling price points. Our approach can enable almost every household in the nation to find a level of personalized care that has historically only been available to the wealthiest subset of the population. We are proud of what we are delivering and the positive outcomes we're bringing to our customers, and we are energized by the opportunity we have to bring this incredible experience to an expanding group of consumers in 2024.

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

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

Thanks, Andrew. I will start by providing an overview of our fourth quarter financial performance and then expand on Andrew's comments related to our future outlook. We are incredibly proud of the progress made in 2023 in transforming the business into a leading provider of personalized solutions and are excited by how that positions us for the future. Our strong results are the result of sound execution of our simple but powerful strategy, which is to provide users with access to attractive, high-quality and personalized solutions that are affordable and backed by an experience that is delightful from beginning to end.

Our fourth quarter results are a great example of the intersection of great strategy and strong execution. Revenue grew 47% year-over-year to $246.6 million, driven primarily by the ongoing expansion of our subscriber base. We ended 2023 with over 1.5 million subscribers, up 48% from the end of 2022. Over the course of 2023, we continued to evolve the suite of personalized offerings throughout the year across each of our specialties, including launches of Hard Mints and Chewables in men's sexual health, Hair Blends in Women's Dermatology, our first multi-action offering heart support, and, finally, our weight management offering which offers customized solutions designed around addressing the underlying causes of weight gain.

Consumer demand for these offerings has been rapid, with over 35% of new subscribers pursuing personalized options in the fourth quarter. Our belief is that this will continue to enable us to drive robust growth for the foreseeable future through, firstly, driving a broader audience of consumers impacted by a condition to seek treatment. Secondly, enabling us to capture a greater share of users that are currently seeking treatment. And lastly, increasing the longevity of users on the platform.

At the core of our strategy is ensuring that these solutions are placed at attractive price points which we believe will continue to drive both stronger demand and retention. Our shift toward affiliated pharmacies allowed us to offset the margin impact of strategic pricing actions implemented in 2023. Even more exciting is that they provide a platform to unlock efficiencies that will enable us to provide a better consumer experience at even more attractive price points.

We exited 2023 with over 85% of orders fulfilled via Affiliated Pharmacies. Our expectation is to maintain a share of orders going through third parties in the high-single-digit to low-double-digit levels for redundancy purposes. Investments made in Affiliated Pharmacies have provided the foundation for expanded capabilities as well as efficiency gains. Affiliated Pharmacies allow us to drive efficiencies across key costs such as logistics, product costs, and even customer support.

Gross margins expanded almost 4 points year-over-year in both the fourth quarter and across the full year to 83% and 82% respectively as we were able to identify and capture these efficiencies. Greater scale will continue to allow us to drive efficiency across our operation. As previously mentioned, we will actively pass a portion of these gains back to consumers over the next several years in ways that we believe are long-term accretive.

This may be in the form of targeted price reductions and additional value-added services. We believe that mass-market pricing, combined with the convenience of our end-to-end experience, will enable us to cement a leadership position across each of our core specialties. Leveraging scale and actively capturing efficiencies is a core trait that extends beyond operations and is embedded in the DNA of Hims & Hers.

Over the course of 2023, we gained leverage across the majority of cost areas with marketing costs as a percentage of revenue improving 1 point, operations and support costs as a percentage of revenue improving 1 point, and G&A cost as a percentage of revenue improving 3 points. Disciplined growth and rigorous cost management are resulting in step change improvements in profitability. Adjusted EBITDA increased 68% quarter-over-quarter in the fourth quarter to almost $21 million. This represents more than a 5x increase relative to the fourth quarter of last year, which was our first quarter of positive adjusted EBITDA.

On the one year anniversary of our first quarter of a positive adjusted EBITDA, we're thrilled to have generated our first quarter of positive net income. In the fourth quarter, net income was $1.2 million. Attainment of this important milestone is evidence of the strength of our strategy and capital allocation framework, as well as excellent execution across our organization.

Our focus remains on continuing to address barriers that prevent consumers from seeking treatment for specialties that we serve, which we believe will result in greater market share capture. We will do so in a way that is disciplined and provides a path to generate positive free cash flow. To better reflect this focus, we have started disclosing free cash flow generated in each period. In 2023, we generated over $73 million of operating cash flow, driving a free cash flow of $47 million. We ended the year with $221 million of cash and short-term investments on our balance sheet, up over $41 million from the end of 2022.

We intend to leverage the strength of our balance sheet to continue to expand our portfolio of personalized solutions, as well as to improve the efficiency of affiliated pharmacies as they continue to scale over the course of the next two to three years. This is reflected in the higher capital expenditures in the fourth quarter, as well as for the full year of 2023. Our expectation is that the evolution of personalized offerings will drive continued market share gains and growth in the near future.

With that backdrop, I'd like to detail our outlook for 2024. In the first quarter, we are anticipating revenue in the range of $267 million to $272 million, representing a year-over-year increase of 40% to 43%. We expect adjusted EBITDA to be between $22 million and $27 million, representing an adjusted EBITDA margin of 9% at the midpoint of both ranges. For the full year, we are anticipating revenue of between $1.17 billion to $1.2 billion, representing a year-over-year increase of 34% to 38%.

It is our expectation that 2024 adjusted EBITDA will be between $100 million and $120 million. These adjusted EBITDA and revenue ranges imply an adjusted EBITDA margin of 9% at the midpoint of both ranges. Our outlook for 2024 provides line of sight to achieve our 2025 floors of $1.2 billion of revenue and $100 million of adjusted EBITDA a year early.

As mentioned previously, continued penetration of large addressable markets across our specialties remains our core focus. We continue to scale in a disciplined way that adheres to our rigorous capital allocation framework. With continued successful execution of these priorities, it is our expectation that 2024 will be our first full year of generating positive net income.

While 2023 was a phenomenal year and 2024 looks to be equally, if not more, exciting, as Andrew has always mentioned, the company has a long-term orientation. In that spirit, I'll take a moment to provide additional color on our expectations for progress on the attainment of our long-term adjusted EBITDA margin goals of 20% to 30%. Our expectation is that we will achieve adjusted EBITDA margins of at least low-to mid-teens by 2027 and be within our long-term margin range no later than 2030.

Margin expansion will occur as we continue to try to make our path forward toward our ambition of bringing tens of millions of subscribers onto the platform. While further leverage is expected across costs, such as G&A and operations and support, a substantial portion of leverage is expected to come from marketing. Our expectation is that marketing as a percentage of revenue will be in the mid-30s to low-40s by 2030.

Several factors give us conviction in our ability to drive marketing leverage over time. First, a greater share of our spend is increasingly becoming more semi-fixed in nature. In 2022 and over the course of 2023, we meaningfully scaled investment in broad-based brand spend intended to drive awareness and consideration of our brand to users earlier in their lifecycle journey. As it starts to hit maturity in 2024, we are confident in our ability to get greater leverage on this spend.

Second, our belief is that we can increase conversion and retention by offering consumers high-quality, personalized solutions. We've already seen early signs of success that offering personalized solutions enables us to better convert users as well as increase their longevity on the platform. This is especially true when they are placed at attractive price points, as we saw in the second quarter of 2023. As our personalized solutions continue to evolve to encompass multi-condition treatments, as well as new form factors, and scale enables us to place them at more attractive price points, our expectation is that we will see continued gains in both conversion and retention.

Lastly, our business is based on a recurring revenue model and the majority of marketing spend goes towards the acquisition of new users. As our user base continues to mature and the average tenure of users on the platform increases, our expectation is that we will gain leverage. These dynamics are expected to drive between 1 to 3 points of marketing leverage per year, with leverage starting to show as early as 2024.

2023 was an exceptional year for Hims & Hers. Momentum looks to be stronger than ever as we head into 2024. We have high conviction that our strategy of providing users with access to high-quality, personalized solutions that are affordable and backed by an experience that is delightful from beginning to end will position us for continued success in the coming years.

Our ability to drive these strong results would not be possible without the dedication of hundreds of employees across Hims & Hers. I'd like to thank them as well as our customers and partners that support us in our mission of helping the world feel great through the power of better health. We appreciate the support of our shareholders and look forward to keeping you updated on our progress.

With that, I will now turn it over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Allen Lutz from Bank of America. Please go ahead.

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Good afternoon and thanks for taking the questions. Andrew, you mentioned that Hers Derm, mental health and weight loss can each deliver more than $100 million of revenue in 2025. I'm just curious, what gives you line of sight into that? And how much do you expect to be cross-sales? And then related to that, what percent of your marketing budget is just getting patients to the Hims platform versus how much is specific to each indication that you're treating? Thanks.

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

A

Thanks, Allen. Great question. Maybe I'll take the first half and Yemi can jump on the marketing side. I think for the emerging categories, this is really exciting, right? We're seeing massive adoption of personalized offerings and custom treatments in those categories. I think we mentioned Hers Dermatology, north of 70% of people are adopting those types of personalized treatments. And with our newest category, weight loss, nearly 100% of people are adopting those personalized treatments.

So seeing a really great dynamic with regard to stickiness, high engagement, high retention with those customers, we think that that type of an offering where patients and providers can more nuanced catered to an individual's needs will result in a much stickier relationship long-term and so I think given the size of those markets, which are absolutely enormous, as we know, and the very unique natural market pricing and personalized approach, it just gives us a tremendous amount of conviction that that those emerging categories will be a meaningful contributor to growth in the long-term.

But even in the not too distant future, in 2025, just a year after this weight loss category has gone live, believe those to be able to contribute a $100 million-plus. So really excited by both the tenured categories accelerating as a result of the personalization, but also the new emerging categories starting to show some very meaningful contributions to long-term growth.

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

A

Hey. Allen, thanks for the question. To hit the second part of your question, historically, we've had both targeted, as well as broad [ph] products (00:22:14). So many of the investments that we make in areas which is a direct response in social tend to be mid- and later-funnel. Early on in the company's life cycle, we still are able to draw consumers' eyeballs, but that was traditionally through things like the retail partnerships that we've oftentimes spoken about. As we mentioned in 2022 and 2023, we really started to scale some of the broad-based brand spend to make users aware of the holistic set of conditions that we offered.

So that's less around engaging with the user for a specific condition and more introducing them to the overall Hims & Hers brands, respectively. And so in 2022 and 2023, we saw a greater portion of spend come towards that. That's one of the things that also gives us confidence in the ability to get leverage really this year and into 2025 is that that spend tends to be more semi-fixed in nature as you start to implement and integrate into channels, you're not necessarily scaling as rapid of a pace once you reach a certain level of maturity.

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Great. And then another one for you, Yemi. As we think about the margin profile that you reported in 4Q and we think about the margin trajectory into 2024, I'm curious on the gross margin line, it seems like the percentage of scripts going through Affiliated Pharmacies is going to stay relatively consistent. I think that changed versus the last quarters. So can you talk a little bit about your decision to not get to 100% going through the Affiliated Pharmacies? Thanks.

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

A

Yeah. I think we really always want to maintain flexibility and have redundancy purposes set up. And so in the near to mid-term, we view maintaining those relationships very much as a strategic. As we look to the Affiliated Pharmacies, as mentioned, over time, we view gross margin going to more of a mid to high-70s. It is probably likely going to take us a few years to get there just because in the Affiliated Pharmacies, there are opportunities both in terms of process that can drive higher margins as well as – as we look to the scale that we have now, that unlocks the ability to leverage our balance sheet to drive greater efficiencies as well.

We'll look to pass those back to consumers, but we're going to do that in a very thoughtful way, run dedicated experiments to just ensure that as we are giving that value back to consumers, it will result in long-term value not only for the consumers, but also for Hims & Hers.

Allen Lutz
Analyst, BofA Securities, Inc.

Q

Great. Thank you.

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

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Q

Hey, guys. Thanks for taking the question and congrats on the strong results here. I want to stick with the marketing question and, Yemi, appreciate all the details that you've given so far. But I'm curious, one of your competitors, mostly on the mental health side, mentioned that they're seeing a decline in their marketing efficiency. And you, obviously, are going to start to see more leverage coming out in 2024 and beyond. So I'm curious if you're seeing a similar degradation in marketing efficiency away from the broad brand building which it seems like is going to be a majority of your investment in 2024 and beyond.

And then I guess with that, Yemi, you mentioned that as a greater proportion of your user base becomes as recurring user, you're naturally going to get additional efficiency from your marketing line item. So I'm curious if there's any stats you can provide around retention rates, churn rates, what percent of your user base now is on the platform for X amount of months or years would be very helpful.

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

A

Yeah. So I will take the first part of the question. Thanks for the question, Dan. Really, our focal point is around still continuing to maintain that payback period of less than a year which we have been able to do. CACs do tend to fluctuate across quarters. We've really not seen anything out of the norm, and there's a few reasons behind that. And some of it is just unique to the way that our platform is positioned. The first is we oftentimes diversify across a broad set of channels, as well as we're constantly experimenting with new messages and new narratives to consumers.

And really, the channels interconnect with one another. And so as we started to invest in things like broad-based campaigns, we're seeing that show up in terms of efficiency in some of our other marketing channels. The second is really just the combination of having a diversified set of products across the ecosystem that we can message to users. We're able to rotate capital across our specialties that really enables the ability to drive greater efficiency across the entire ecosystem.

And lastly, what we're seeing is really the differentiated offering resonates with our user base. And as we're bringing both personalized solutions as well as products, those are drawing in a greater and greater set of users, and so we're actually seeing even many instances we're either drawing new users of the platform, which has resulted in greater share capture across the ecosystem.

To the second part of your question just around how we're thinking around the overall marketing leverage in the ecosystem. The vast majority of our spend actually goes towards the acquisition of new customers. And so as a result, as we continue to build a larger and larger base of existing users that are tenured on the platform, that inherently results in more leverage and so what we are seeing is that particularly with personalized products and some of the pricing changes that we made last year, the platform is getting even more stickier than it historically was. And so as a result of that, that gives us the conviction to start to call the fact that will even receive leverage this early this year.

And, Andrew, not sure if there's anything you wanted to add to that as well.

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

A

Yeah. Thanks, Daniel. On the mental health side, one thing to point out, I think there continues to be a lot of investment in that category, specifically on the clinical excellence side with MEDMATCH and our AI capabilities to be able to better predict how a patient is going to respond with different medications. And obviously, the trial and error that comes with mental health treatment is quite brutal. So I think over time, we're going to see a stickier relationship with those customers, I think increased confidence in the brand, increased trust in the brand. And so that category continues to be one of our highest growing specialties like we shared in the past, growing triple digits. And I think as we continue to lean into the clinical efficacy side and expand the potential personalized treatment options, there's an opportunity for us to continue to lean in and continue to take fairly meaningful market share.

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Q

Yeah, makes sense. And then as a follow-up, Yemi, you mentioned some investments you're making, you've made in the 4Q in your Affiliated Pharmacies and that accounted for majority of the big increase in the purchase of PP&E this quarter. How should we think about CapEx and investments needed in your website and app for 2024 and beyond is kind of an $8.5 million run rate per quarter on PP&E, $2.5 million on website. How should we be thinking about that?

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

A

Yeah. Great question, Dan. I think it's going to probably vary across quarter-to-quarter. It's not necessarily going to be just like a neat investment. I think that there's two areas or two ways that we think around it. One is just expanding capabilities and capacity as we start to look to have a broader evolution of personalized offerings on the platform. That is one area of investment.

The other big area of investment, that's more likely to show up in late H1, early H2 is really around with a different level and scale profile that we currently have relative to most other players in the market. That affords us the ability to start to leverage the balance sheet to automate processes within the Affiliated Pharmacies. And so as a result, that effectively makes overall ecosystem more efficient, pays back pretty quickly, but then also enables us to pass value back to consumers without – with very limited margin degradation.

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Q

Got it. Thank you.

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

Jonna Kim
Analyst, TD Cowen

Q

Hi. Thank you for taking my question. Just curious in your guidance, how much of new product launches is baked in there? And in your opinion, what could drive potential upside and downside to guidance? Thank you.

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

A

Maybe I can start and then we'll hand it over to Andrew as well. I think inherently like what we are assuming is that the personalization offerings that we have across all of our specialties effectively continues to evolve. And so we've seen a very rapid adoption across that over the years as we've rolled out new products now with 30% of the overall subscriber base seeking to adopt a personalized product. The things that could drive further upside on it is if that adoption happens faster than we anticipate or there are products similar to what we saw last year when we rolled out Hard Mints that users are drawn to – in a faster way than we anticipated. That can result in meaningful upside.

The last is as we are very much in the early days of weight management, that platform will – the offering will continue to evolve. We're seeing early signs of traction historically. We've said that it takes 12 months to 18 months to really see meaningful contribution from categories, but there is the potential for that to be brought forward.

And, Andrew, not sure if there's anything that you wanted to also add to that.

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

Yeah. The only thing I'd add is there's really a focus, I think, this year on depth, right, to focus on the core specialties that we outlined. We believe those are exceptionally large. When you look at the total TAMs and the penetration rates, they're massive, right? You're talking about 100 million people-plus with 1%, 2%, 3% penetration rate. So there's still so many barriers for why people are not getting treated, whether or not that's access or price or stigma or education or a lack of personalized choice.

So I think we're continuing to go deeper in the core specialties, and I think you'll see us offer a wider range of segmentation and portfolio across offerings and capabilities and product selection as well as technology capabilities in order to strengthen the confidence from a consumers' perspective that not only can you get great access to health and wellness at Hims & Hers, but you can actually get clinically the best care for the core specialties that we focus on.

Jonna Kim
Analyst, TD Cowen
Q

Got it. And just one more question. In terms of the retention rate, did you see any improvement compared to other quarters? And what are you baking in in terms of retention rate for the next year? Thank you so much.

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

Yes. I think we're very excited by the adoption of personalized products as we look into 2024. Our belief is that as the greater share of users shift to those products, retention on the platform will be stickier than historically has. Across many of the more tenured specialties, we have seen some success with some of the personalized offerings. The second is we're lapping the price effects, where we'll start to lap some of the pricing effects from Q2 of last year. And really what we've seen in the early signals is as we put many of the personalized offerings and longer duration subscriptions at more attractive price points, what drove the ability to breakeven last year was primarily around new users switching in a different composition mix.

What we're excited by in 2024 is that we do see the potential for even higher retention for those users that came on, as well as the existing users that are on the platform, just because the products are very uniquely differentiated and they're also very cost-effective price points. And so, the combination of those things gives us confidence that retention will continue to improve throughout 2024 as a result of that, some of that is reflected into the stronger guide.

Jonna Kim
Analyst, TD Cowen

Q

Got it. Thank you.

Operator: Your next question comes from the line of Jack Wallace from Guggenheim Securities. Please go ahead.

Jack Wallace
Analyst, Guggenheim Securities LLC

Q

Hi, team. Thanks for taking my questions. Just wanted to ask the contribution question a little differently with regards to the emerging categories. Is there any way you can help give us a baseline for how those categories did in 2023? Because if I'm just doing the math, it looks like there's a pretty significant step up in those categories and it seems to be a meaningful driver for the guidance. Can you just help us unpack kind of the relative contributions as we're thinking about the outlook? Thank you.

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

A

Yeah, Jack, great question. I'll let Yemi go into a bit of detail. But I think you're instinctively correct, right? I think we're seeing the emerging categories, first, dermatology, weight loss, show exceptional signs of momentum. And I think the early indications of high adoption rate of personalized products really reflect essentially the engagement and stickiness profile of those customers, right? You have some of our more tenured businesses, the aggregate of the business, around 30% adopting of those personalized products. On the new emerging categories, you have 70-plus percent in Hers Dermatology and nearly 100% in weight management. So I think it's reflective of the type of customer, the stickiness of that relationship.

I think when you look at the composition of growth, more and more of that composition is moving towards a lot of the new emerging categories, which we think are very large TAM. With that said, I think we've also seen acceleration in the more tenured categories as they've adopted the wider blend of portfolio with the new personalized offer. So, there's definitely a ramp-up happening with regards to the emerging categories. And I think it's giving us in combination with the more tenured success a lot of confidence to be able to, at that high-end of the range, pull forward the 2025 guide of $1.2 billion and $100 million in EBITDA a year early. So, I think really exciting from everything that we're seeing already in the very beginning of the year.

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

A

Yeah. I mean, just to provide additional color there, Jack. I think we in 2023 saw success across both the tenured specialties, as Andrew mentioned, as well as some of the more emerging ones. And so really as we started to roll out new personalized products within some of the tenured specialties, we saw rapid adoption of many of those products across the portfolio. And so that continues to drive success across the tenured offerings.

I think one of the beauties of the overall model is that, given the fact we have now over 1.5 million subscribers on the platform across many different specialties, we're able to take efficiencies and learnings that we've already historically gotten and that we also continue to get with that scale and rapidly deploy them across some of the newer and more emerging offerings. And so, as a result, what we are seeing is that oftentimes many of these are able to scale at an even faster pace than some of our more tenured categories historically have just because we're able to take the learnings across things, like marketing, segmentation, messaging, personalization and so forth, and embed that into how we operate and run the newer categories.

Jack Wallace
Analyst, Guggenheim Securities LLC

Q

Thank you. That's helpful. And then, one thing maybe I didn't hear you say explicitly, but I'm guessing as part of the outlook is that there's going to be the potential for some cross-selling inside your base. And as model jockeys are updating our outlook in response to your strong fourth quarter results and the guide, just wondering if there's any change in the growth algorithm between subscriber growth and revenue per subscriber going forward. Thank you.

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

A

Yeah. At this time, our focus still remains on expanding the subscriber base. I think as Andrew mentioned in his prepared remarks, as well as I think in one of the questions previously, the overall TAMs across the specialties that we serve are massive. And so, while we're impressed with having over 1.5 million subscribers on the platform, the reality is there is 100 million users across the country that are suffering from these specialties in some form or fashion.

And so, the ability to break down barriers and capture those is something that we view we're very much in the early innings of, and so subscriber growth will be the focus. That said, you are starting to see us innovate with the personalized offerings and things like MedMatch, where we're starting to roll out things like multi-condition treatments. We're also starting to think through what are potential offerings that a user can simply get treated for multiple things. And as we start to do that, I think there will be a pretty sizable unlock. But the primary focus today remains on ensuring that across each of the specialties, consumers have an amazing experience and subscriber growth is the primary metric.

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

A

Jack, maybe I'll just add one thing there. I think in some ways, as the company's capabilities at the pharmacy continue to improve and, as Yemi said, we're launching dual-action capabilities, triple-action capabilities, we're treating, for example, on weight loss many of the underlying conditions or causes of weight gain, the platform I think is moving a little bit away from the simplistic concept of maybe cross-sell and more towards more holistic care in that single offering.

So we might be treating you for men's sexual health, but we're also treating you for cardiovascular risk profile. And that is a personalized offering with dual action capabilities might not fall as cleanly into a simple cross category cross-sell, but very much as a much deeper relationship with the customer in a way that is offered in multiple categories, multiple conditions and, ultimately, we believe the much stickier relationship.

Jack Wallace
Analyst, Guggenheim Securities LLC

Q

Got it. Makes sense. Thank you.

Operator: Your next question comes from the line of Glen Santangelo from Jefferies. Please go ahead.

Glen Santangelo
Analyst, Jefferies LLC

Q

Thanks for taking my question. I actually have one for each of you. Andrew, I want to start with you and talk about weight loss a little bit. It sounds like some of the initial exuberance around the potential to eventually sell GLP-1s, that sort of died down. But it sounds like you're getting a lot of traction here. And I'm kind of curious, could you give us a little bit more in terms of the products that you're offering here? And sounds like you're doing some personalized treatments. And I'm kind of curious as to how you're doing that and how you're pricing for that product, because it sounds like it's been a nice upside surprise for you.

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

A

Yeah. Thanks, Glen. We're really excited by the launch. We partnered and brought Dr. Craig Primack into the company a couple of quarters back, and since then, has been really refining what we believe is a great clinical offering that goes under the hood of traditional weight management and more of what you'd find at a very high-end obesity specialist or somebody who is used to understanding the underlying causes of your weight gain. This could be things like insulin resistance, metabolic disorders, eating habits, depressive binge dynamics and treating those things directly, which we have great confidence, have meaningful clinical efficacy in helping people not only set the weight, but also something that's sustainable and something that you can stay on repeatedly for a long period of time.

That offering, I think, is something we're excited by, in addition to because it's also a mass market offering, right? We're pricing that in the range of $70 per month, which is a simple cash price that has the holistic care of the platform, the obesity specialist access, constant interaction and adjustment to your treatment, as well as the personalized compounded treatment delivered to your door.

So, we think it's incredibly valuable. We think the holistic offering, including the mobile application, the content is really compelling and has a lot of efficacy. And it's not to say that we're not still excited by the GLP-1. We very much expect it to be on the platform and we would expect in the coming years for those to contribute very meaningful growth to the business. I think it's very energizing to see the efficacy of those, but we are also pretty excited by the model that we brought to market as a first iteration and plan to continue to expand the portfolio and expand the offering and believe, ultimately, this category is going to be a massive contributor to growth, and I think we are very encouraged by the response thus far that allows us to say that. With the amount of people struggling, it's very clearly a really big opportunity to help a lot of people.

Glen Santangelo
Analyst, Jefferies LLC

Q

That's super helpful. Thanks for that detail. Hey, Yemi, I just want to ask about the monthly online rev per subscriber. It ticked down a little bit sequentially, but if you look at the average order value, that was up pretty meaningfully year-over-year and also ticked up sequentially. So, I'm wondering if you could just sort of reconcile those two data points maybe and give us a sense for, is anything changing with respect to mix or subscription duration or price or anything that would reconcile those two data points? Thanks.

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

A

Yeah. I think it's a great question, Glen. So, I think it's a combination of the factors that you had outlined. I think that we see, really, our customers tend to go to longer duration subscriptions, those tend to have higher average order baskets, but also come with an exchange for a longer-term commitment, generally a lower monthly rate.

And so, you sign up for more at once if you get a lower monthly rate. So we are seeing, as a result of some of the pricing changes that we made in Q2, a greater share of users opting for subscriptions that are longer duration in nature. And then there's just – from quarter-to-quarter, there is adjustments that happen in the overall product mix. But we would say, just looking a lot of the movements that we're seeing are – tend to be within the course of normal. And so, it's been relatively stable over the last couple of quarters.

Glen Santangelo
Analyst, Jefferies LLC

Q

Thank you.

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

Jailendra Singh
Analyst, Truist Securities, Inc.

Q

Thank you and thanks for taking my questions, and congrats on a strong quarter and guide. My first question around balance sheet and cash flow strength, just wondering if you're willing to share your 2024 free cash flow expectations. And related to that, just wanted to get your thoughts on the capital deployment, $220 million cash and short-term investments on your balance sheet. How do you think of deploying cash? You talked about internal investments? Just curious if you have any plans to get back in the mix on M&A and if there are certain capabilities or areas you plan to focus when it comes to M&A?

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

A

Thanks for the question, Jailendra. So, I think that we do like the optionality that the cash provides on the balance sheet. That said, I think the reality is like we are seeing the operating cash flow that we're generating, as well the free cash flow that we're generating accelerate pretty meaningfully, with north of $70 million of operating cash flow delivered it last year.

I think in terms of how we think around the priorities, as mentioned, we do see meaningful opportunity to introduce new capabilities into the affiliated pharmacies, both in the form of additional capacity, as well as a broader set of personalized offerings across the ecosystem.

And then, what we also do then see is there is the opportunity for M&A. We're going to hold a high bar for that. I think the types of profiles or deals that we would look to potentially consider would be similar to what we've done in the past, where it's extending a new capability or expanding a new opportunity similar to what Apostrophe provided. But like that probably would be the order where we would leverage the balance sheet for capabilities/capacity of personalized offerings, followed by some of the automation efforts that we talked around to increase the overall efficiency across the pharmacies. And then, lastly, I think that we will be opportunistic with M&A, but it's going to be primarily centered around the expansion of new capabilities, as opposed to the acquisition of revenue.

Jailendra Singh
Analyst, Truist Securities, Inc.

Q

That's helpful. And then, my follow-up is related to your comments around remaining flexible around incremental pricing adjustments in future. Can you help us with some of the key trends or metrics you will focus on with respect to your decision to do these adjustments in future? Also trying to better understand your assumptions around the competitive environment as part of your 2024 guide.

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

Yeah. I think it's a great question. So I think in our Shareholder Letter, we did provide some visibility into some of the competitive dynamics that we are seeing, and we're quite pleased by many of the actions that we took in 2023 that enabled us to effectively draw new users into the ecosystem, which resulted in greater market share capture.

As we look to make pricing decisions, like we consider several factors. But ultimately, at the end of the day, like what we are looking for is does it yield a higher net present value across the category, and that comes in the form of a higher LTV on each individual user, where retention, more than likely, goes up to offset the pricing degradation or we're able to draw different user mix or more users into the ecosystem. And so, the changes that we saw in the second quarter of last year really were a reflection of a couple quarters of testing to get that right. And so, we're continuously experimenting now to identify, like, what is the right mix to pass through some of that value to consumers. But it generally is expected to be those actions, NPV accretive to any given specialty that we have.

Jailendra Singh
Analyst, Truist Securities, Inc.
Q

Great. Thanks a lot.

Operator: Your next question comes from the line of George Hill from Deutsche Bank. Please go ahead.

George Hill
Analyst, Deutsche Bank Securities, Inc.
Q

Hey. Good evening, guys, and thanks for taking the question. I kind of wanted to piggyback on Jailendra's line of questions there, which is as we think about the pricing action that you guys are looking to take and are taking, I guess, I mean, is there any way to talk about like what should we think of as the benchmarks for it? I guess I'm just trying to get more color on how you guys evaluate the pricing actions so we can evaluate kind of the market dynamics the same way that you guys do. I don't know if it's comparable prices or retail pharmacies. Is it cash prices, is it – like what's happening with underlying generic drug costs? I guess just – I would just love any more information that you could give us around like kind of the inputs in the pricing decisions.

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

Yeah. So, I think it's less around what's happening with the external environment. And I think it's really more around running experimentation across the ecosystem. I think now, with the beauty of the model is having 1.5 million subscribers on the platform. That gives us the ability to run several experiments at any given point in time. From that, we're able to determine – with the changes, are those resulting in the types of behavioral patterns that we did see. And then, we're also able to estimate with our data science teams, is that likely to be long-term accretive and how much. And so, I think it's really more of experimentation of opportunities across our platform and then really leaning into that, versus trying to compare to external doctors because the offering that we are increasingly bringing to market is so different.

And Andrew, I'm not sure if there's anything you wanted to also add there as well.

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

No, I think that's right. I mean, I think, George, there's really not a lot of focus with regard to maybe specific drug pricing or cost to generics or cost or cash paid. Because as Yemi said, the holistic offering that patients are getting from access to provider, unlimited visits, constant iteration and treatment, the delivery of the treatment, the content, that whole thing is really incomparable to a specific drug treatment.

I think in addition to the experimentation and optimization of kind of a longevity lifetime value analysis, which Yemi was speaking to, I think there's also just a very first principle perspective around understanding that in the core specialties we operate in, there are 100 million-plus people suffering.

And so, when you want to go after a mass market opportunity, right, where we don't aim to bring 500,000 new subs on a platform, we aim to bring 5 million or 10 million new subs onto the platform. There's just an understanding that as you can leverage your scale and efficiency and bring that back into a customer's pocket, you are unlocking different demographics and segments. And I think as we expand the portfolio of offering, you'll see the – expanding both on the high end for more of the premium experience, as well as more on the mass market experience to give people that flexibility and welcome them into the tent.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

No, that's super helpful. And if I could just have a quick follow-up, Yemi, just do you guys know what percentage of your users pay for their subscription with either an HSA card or an FSA card?

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

A

I don't think we have that direct visibility. At this time, I think the vast majority of our users, as we've stated previously, do have insurance. And so – but I don't think we have the direct split of how many are using an HSA or FSA card.

George Hill
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you very much. Thanks, guys.

Operator: Your next question comes from the line of Korinne Wolfmeyer from Piper Sandler. Please go ahead.

Korinne Wolfmeyer
Analyst, Piper Sandler & Co.

Q

Hey. Good afternoon, guys. Thanks for taking the question and congrats on a really good quarter. I want to touch a bit on the gross margin again and kind of what you're embedding into expectations here for 2024. So, you have taken some pricing actions, but you're also seeing some scale benefits and other things that are offsetting. So, is it fair to assume that gross margin should maybe still be expanding in 2024, and then start contracting and moving down toward that 75% long term that you're talking about, or how should we be thinking about the trajectory there? Thanks.

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

A

Yeah. So, I think the path to kind of the mid to – or the mid-70s that we've guided to is definitely going to be probably more of a multi-year journey. Like that's not going to happen over the course of like a couple quarters.

We do see some pretty amazing opportunities in front of us to also continue to drive efficiency, whether that's in the form of just volume negotiated rates that we have across our supply chain ecosystem or continued process improvements, like looking to get more and more efficient around those, as well as just the ability to automate from scale, we'll continue to evolve that over the course of several quarters/years. But then, as mentioned, like we're actively looking for ways to give back to consumers. But like that does take time to identify what are the most optimal opportunities, and we're going to take our time to do that. And so, the path to 70s is not going to happen over the course of one or two quarters or even a year. It's likely to be a multi-year journey.

Korinne Wolfmeyer
Analyst, Piper Sandler & Co.

Q

Got it. Very helpful. And then, is there any color you can provide on the wholesale revenue this quarter? I know it's a small piece of the business, but it did grow pretty notably. So, anything to call out there? And then, as we look forward and model forward, is Q4 kind of the proper run rate to build off of or should it be a little bit weaker going forward? Thanks.

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

A

Yeah. So, I think the wholesale channel is one that remains more strategic in nature for us. I think it's a relatively small percentage of the business. We do still view it very much a strategic for just bringing eyeballs to the platform. But as we started to have found other mechanisms, namely in the form of brand spend, while still important, the impact of that is not necessarily to the same degree that it historically was. And so, I think the guidance that we can provide is that we're not necessarily actively looking to expand that channel proactively. That said, there are periods where a new merchant or a new supplier might want to [indiscernible] (00:55:33) one of our offerings, and so some of what we saw in Q4 was a result of that. But that is not an active channel that we're seeking to rapidly expand.

Korinne Wolfmeyer
Analyst, Piper Sandler & Co.

Q

Very helpful. Thank you.

Operator: Your next question comes from the line of Ivan Feinseth from Tigress Financial Partners. Please go ahead.

Ivan Feinseth
Analyst, Tigress Financial Partners LLC

Q

Hi. Thanks for taking my questions and congratulations on another great quarter and year and the great outlook. As you start to work with patients that are using GLPs as people start to significantly reduce their food and caloric intake, it's going to create nutritional and even protein deficiencies. How do you feel – what do you feel your opportunity is to introduce products to help them manage that? And how would you foresee, let's say, the doctor or the provider cross-selling or recommending products like these?

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

A

Thanks, Ivan. I think it's a great question. I think we holistically believe that we can bring to market for each of these categories the true necessities of what is needed for success. And I think each of the categories likely has a different set of components for that. I think in obesity management, to your point, there is a pretty wide range.

There's often pharmaceutical intervention that helps make it easier. There is very clear caloric and nutritional necessity. There's basic movement necessities. There's water intake. There's mental health and sleep, there's protein supplementation. You think about a business like WeightWatchers has been around for a very long time and it's had that north of 3 million subscribers for decades, right? I think that business approached it with a couple of the components.

I think we have the privilege as a consumer-oriented brand and really building these offerings ourselves holistically to be able to go-to-market with a wide range. So, I could absolutely imagine Hims & Hers having supplementation offering, having food replacement offering as part of the core obesity offering that we launched, there's fairly holistic recipe and nutritional information and guidance. So, I think this category is one where you really need all hands on deck and there's often five or six components to what makes that puzzle really come together and be successful. And so, I think you'll see us as we continue to scale this to evolve the offering and expand the offering to fill a lot of those different needs.

Ivan Feinseth Q
Analyst, Tigress Financial Partners LLC

One more question, and congratulations on the great year-over-year subscriber growth. Do you have any kind of data you could share as far as how you see – once a subscriber joins, how they ramp up their purchases, what the percentage of year-over-year change is, how much a subscriber when they go from one products to two products and et cetera?

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

Yes. Great question. We haven't disclosed anything specific on that. I think the best guidance I could probably give you is probably point to the personalization adoption. We've gone essentially 0% to north of 30% of subscribers on the platform being treated with the personalized offering, and in the newer categories, like dermatology and weight loss, between 70% and 100% personalized.

I would say that those personalized solutions, for the most part, often include expanded value. They might include multi, dual-action or triple-action or supplements that counter some type of side effect or concern of the patient or multiple dosages or custom dosages. And so, I think the rapid adoption of personalized treatments is a really exciting indicator for us of the commitment to the platform and the recommitment of the platform for patients that are, in many situations, upselling and adopting the new offerings that are coming onto the platform at very, very mass market, affordable prices.

Ivan Feinseth Q
Analyst, Tigress Financial Partners LLC

Thanks and looking forward to a big 2024 for you.

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

Thanks, Ivan.

Operator: Your next question comes the line of Michael from Cherny (sic) [Michael Cherny from] Leerink Partners. Please go ahead.

Michael Cherny
Analyst, Leerink Partners LLC

Q

Afternoon and evening, guys, and thank you for the question. A lot of mine have been addressed, but I guess I just want to harp a little bit more on the gross margin side. It's great that you have the operating leverage to drive towards the long-term margins, as you outlined, Yemi. But why is that level of kind of mid-to-high 70s the kind of right number in terms of the way you see pricing and tied back towards customer benefits? Just trying to understand how that fits into the broader scaling effect. And as you settle on that number, whether you're on the pathway there, or before you got there, why landing in that number is the right level and is there potential variability to the upside or the downside beyond that?

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

A

Yeah. Thanks, Michael. I think it's a great question. So, the teams do spend a lot of time running scenarios on like what we call is our North Star, which is effectively across a variety of different improvements to our model, as well as givebacks to consumers, where do we think that optimal equilibrium lands. And so, what we do see is that as Andrew mentioned, given the fact that we're not looking to add another 500,000 or 1 million subscribers, we're looking to eventually bring on tens of million subscribers onto the platform, placing our offerings and – or having a segmented offering that's at different price points for different users is something that is fundamentally important to us. And so, as we've started to run different scenarios, we view that we can offer that holistic suite both at the premium and the mid and in the mass market and at a margin profile that lands into – in the mid-70s, like as mentioned previously, that will take some time. I think you'll see periods where margins similar to like last year may actually expand as we unlock efficiencies in advance of that. But over time, like we view the pathway to get to tens of millions of subscribers, having a mass market offering as well is a critical element to that.

Michael Cherny
Analyst, Leerink Partners LLC

Q

Cool. That's it for me. Thanks so much.

Operator: And we have no further questions in our queue at this time, and that does conclude today's conference call. Thank you for your participation and you may now disconnect.