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Hims & Hers Health, Inc. (HIMS)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. At this time, I would like to welcome everyone to the Hims & Hers First Quarter 2025 Earnings Call. I would now like to turn the call over to Bill Newby, Head of Investor Relations. Please go ahead, sir.

Bill Newby

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

Good afternoon, everyone, and welcome to the Hims & Hers Health first quarter 2025 earnings call. Today, after the market closed, we released this quarter's shareholder letter, a copy of which you can find on our website at investors.hims.com.

On the call with me today is Andrew Dudum, our Co-Founder and Chief Executive Officer; and Yemi Okupe, our Chief Financial Officer. Before I hand it over to Andrew, I need to remind you of legal, safe harbor and cautionary declarations. Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on, among other things, our current market competitors and regulatory expectations and are subject to risks and uncertainties that could cause actual results to vary materially. We take no obligation to update publicly any forward-looking statement after this call, whether as a result of new information, future events, changes in assumptions or otherwise. Please see our most recently filed 10-K and 10-Q reports for a discussion of risk factors as they relate to forward-looking statements.

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

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

Andrew Dudum

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

Thanks, Bill. 2025 is already shaping up to be a landmark year for Hims & Hers. We're delivering on our long-held vision, healthcare that's convenient, affordable, transparent and deeply personalized. As we continue to execute, we see clear signs that our vision is resonating with more people than ever around the world. This has been our plan from day 1 to build a global platform centered around the individual and to combine technology with data to reimagine how care is delivered. We're proving it can be done, and more importantly, that we can scale it. We have a solid foundation, strong confidence in our ability to deliver long-term growth, and with new expansions and new partnerships, we're excited for what's next.

While this may feel like a new story in healthcare, we've seen this kind of transformation across several other industries. Netflix transformed the way we consume media through an initial focus on building a broad subscriber base by leveraging convenience and then utilize data and insights to elevate the experience for their subscribers. We are embarking on a similar journey, as we increasingly leverage a rich set of structured and proprietary data to bring precision medicine to a broadening subscriber base.

Consistent execution is allowing us to confidently outline new, long-term financial objectives. By 2030, we expect to generate at least \$6.5 billion in revenue and \$1.3 billion in adjusted EBITDA. That's not just a vision, it's the foundation for a robust road map to one day reach tens of millions of users. Our team's track record of delivering against ambitious goals quarter after quarter gives us the confidence to share these targets.

We've built a platform for the future of healthcare, one that's acceptable, affordable, transparent and personalized. We've scaled it, we've strengthened it, and now, we are accelerating it. Over the next five years, we'll focus on five core drivers of growth that we believe will help bring this new vision of healthcare to tens of millions of customers.

First, we will deepen personalization capabilities, enabling access to a more precise level of care. Our vision involves expanding from hundreds of personalized treatments today to potentially thousands, powered by richer insights from lab diagnostics, growing subscriber datasets, and eventually daily tracking from wearable devices. This will unlock faster feedback loops and interventions resulting in greater optimized care.

Next, we will continue expanding into new specialties that deeply impact people's lives. Building on our success in weight loss, we're launching new offerings in low testosterone and menopause support this year, with longer-term opportunities emerging in longevity, sleep, and preventative care as we expand lab testing and peptide capabilities.

Third, we will elevate precision care without sacrificing convenience. With nearly 2.4 million subscribers, we are uniquely positioned to deliver access to personalized end to end care at scale. Our technologies, like MedMatch are already reinventing initial care interactions, and we expect AI-driven tools, including access to coaches, therapeutic tools and nutrition advice to deepen engagement and outcomes over time.

Fourth, we will continue building strategic partnerships to expand our ecosystem. Over time, we aim to create a curated health care ecosystem, bringing together best in class solutions anchored by better data, personalized experiences and trusted clinical support.

And lastly, we will scale the benefits of our platform globally. Demand for convenient, customized, transparent, high quality healthcare is universal. Early traction in the UK gives us confidence that we can scale our platform globally and extend our mission to help people around the world feel great through the power of better health.

Now let's talk about this quarter. We kicked off 2025 with strong momentum, delivering first quarter results that demonstrate significant progress against our 2025 priorities. Revenue more than doubled year-over-year and adjusted EBITDA nearly tripled. Our subscriber base grew to nearly 2.4 million with over 1.4 million subscribers now using personalized solutions.

We're not just offering access to treatment. We're helping people live better for the long term. We're connecting the dots between cardiovascular health, hormone support, hair health and more all in one place. You can see this clearly resonating with customers, and specialties such as men's and women's dermatology.

Over 80% of subscribers in our dermatology specialty are benefiting from a personalized solution as of the end of the first quarter, which was a critical part in driving nearly 50% year-over-year subscriber growth across those specialties. Sexual health is following a similar path. We believe that our ability to grow with our customers' evolving needs is a critical driver of both long-term retention and long-term growth.

Weight loss is another example that demonstrates how execution of our vision can translate into rapid scale. In just 18 months, it has become one of our largest specialties. We've added liraglutide earlier this year, and now through our new collaboration with Novo Nordisk, we're expanding access to branded Wegovy to bring subscribers on our platform, even broader range of choice. Branded Wegovy will be an additional option for subscribers and will complement our oral kit offering liraglutide and personalized semaglutide options.

Teaming up with Novo Nordisk is a pivotal milestone. We are pairing our customer-first platform with Novo's medicines, reaching more people and helping them stay on track with their goals. This collaboration also signals something important, trust from a major pharmaceutical leader, and it sets the blueprint for future partnerships that can expand both our reach and our relevance.

Over time, we expect wider collaboration across the industry, from pharmaceutical players, innovative leaders in diagnostic and preventative testing to world class providers. This will strengthen our ecosystem and position us to curate a best-in-class offering that can reach tens of millions of people. This is the future of our platform, allowing a historically disjointed industry to reach more consumers for the benefit of those customers. We look forward to providing future updates as this collaboration and others like it continue to evolve. When we look towards the future, it's clear we are just getting started on the realm of what's possible within healthcare.

In addition to evolving our existing specialties, we plan to unlock value for customers in new ways later this year. Earlier this year, we acquired an innovative at-home lab testing provider. As we integrate those capabilities into our platform, we are excited to make blood testing easier and more accessible, giving customers access to testing for key biomarkers tied to heart, hormone, liver, thyroid, and prostate health. These tools will support our current specialties and unlock entirely new ones. They'll also help customers better understand their health and track their progress, enabling more proactive, informed decisions for both patients and providers.

This lower friction approach to diagnostics is especially important as we expand into hormone-driven conditions like low testosterone and menopause. There are over 50 million people in the United States navigating symptoms tied to these conditions, and many of them are already on our platform. We believe our model, with its high-touch personalized care, is uniquely positioned to meet these needs.

We expect to launch both a low testosterone and menopause support offering before the end of this year. As we look ahead, everything we're doing from expanding into new specialties, deepening personalization to forging new partnerships and ultimately broadening our global reach ties back to the core priorities we laid out at the start of this year.

We took another huge step along this path earlier this morning with the announcement of Nader Kabbani as our new Chief Operating Officer. Nader was an operations leader at Amazon for nearly 20 years and his experience scaling operations at the highest level makes him uniquely qualified to help us build the future of healthcare. I'm thrilled to formally welcome him to the company today. In addition, I'd like to thank Melissa Baird for over seven years of friendship and dedicated efforts in bringing Hims & Hers to the place we are today. She will be deeply missed, but we are so excited for her in her next phase of life.

In closing, we have a clear road map built on a strong foundation and underpinned by innovation and a deep belief in putting the customer at the center of everything we do. The momentum is real and we're just getting started.

With that, I'll pass it over to Yemi to talk through our financial performance and updated outlook for 2025.

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

Thanks, Andrew. I'll walk through our financial results for the first quarter before going deeper into our updated outlook for the rest of the year. As Andrew mentioned, we've built a strong foundation and have real conviction in our ability to drive long-term growth. With new partnerships, investments in deeper personalization capabilities, and expansion into new specialties, we're preparing for the next phase of Hims & Hers. We're seeing early proof points that this next chapter is already underway from the strong start in 2025. We're continuing to build what we believe is a first of its kind healthcare platform, one that's more personalized, more accessible and affordable that we already see resonating with a growing number of consumers each day.

The strength of our platform is clear in the first quarter, revenue grew 111% year over year to \$586 million. That momentum is the result of our ability to execute on a strategy that is able to bring a greater precision of care to more people. As our platform expands, we're serving a broader set of customers across our existing specialties and starting to provide value within new specialties. We ended the quarter with nearly 2.4 million subscribers, reflecting a year-over-year increase of 38%. Data and insights on our platform are serving as a foundational element in identifying solutions that resonate with a broad base of consumers.

In the first quarter, over 70% of new subscribers partnered with a provider to obtain access to a personalized solution. Results like this give us strong conviction that we are not simply gaining market share through consumer rotation. Rather, we believe that our strengths, inclusive of our brand, personalized solutions, and technology platform, are allowing us to expand the overall market by democratizing access to higher quality treatment across the country.

Over the last several quarters, we've leveraged innovation and personalized solutions to start this transformation within our Sexual Health specialty. Historically, our subscriber base has mirrored the broader industry with respect to an overwhelming majority of consumers utilizing on-demand offerings. Launches of multi-condition treatments that fold additional benefits in areas like vitamin support, hair loss prevention, testosterone support, and cardiovascular health are allowing us to elevate the experience for Sexual Health subscribers for increasingly using our daily offerings.

The number of subscribers utilizing our daily offering has more than doubled year-over-year and now represents nearly 40% of Sexual Health subscribers. We are already seeing benefits or signs of strong retention with subscribers of Sexual Health daily offerings, demonstrating a nearly 10- point improvement in retention in their first year relative to on-demand users with evidence of even stronger retention benefits over time.

Our focus remains on driving long-term growth even if at times that results in near-term temporary headwinds. As we transition our subscriber base toward more premium daily products, we expect some volatility in Sexual Health growth as we recalibrate our approach to messaging and invest in consumer education around the benefits our offerings provide. Over the mid- to long-term horizon, we believe this transition will drive durable growth within our Sexual Health specialty as a result of increased retention and acquisition efficiency.

Despite a significant shift in marketing spend towards weight loss and dynamics from the previously mentioned transition, year-over-year revenue growth outside of our GLP-1 offering remain robust at nearly 30% year-over-year. That's an important proof point. It demonstrates the underlying ability to drive robust growth across our broader business even in the presence of fewer dollars to drive top of funnel demands.

Growth in the first quarter benefited from a unique opportunity to extend the reach of our platform to aid more than 100 million Americans impacted by obesity. Our platform empower our subscribers to pursue their goals with

access to personalized solutions and tools customized for their unique journeys. We are excited to offer our weight loss subscribers access to an expanding portfolio of solutions with the start of a long-term collaboration with Novo Nordisk, one of the most respected companies in medical innovation. This collaboration combines our proven treatments with our ability to deliver personalized, tech-enabled care and services at scale.

In the near-term, this unlocks another compelling option for subscribers of commercially available dosages of semaglutide to transition to. It's a meaningful validation of our model and a powerful first step in expanding access to effective obesity care across the country. Together, these drivers, the momentum of our weight loss specialty and the continued adoption of premium personalized solutions, are creating tailwinds in subscriber engagement.

In the first quarter, monthly online revenue per average subscriber climbed to \$84, up more than 50% year-over-year. We expect this to moderate as we move through the year, driven by subscriber transitions off of commercially available semaglutide and typical seasonality in our weight offering.

Now, shifting to investment efficiency and profitability, we have upheld our rigorous capital allocation standards inclusive of a payback period of less than a year on marketing investments while concurrently elevating our brands' reach with consumers. As a result of this and prior investments in platform infrastructure, we're seeing real operating leverage as revenue scales.

In the first quarter, adjusted EBITDA increased to \$91 million, nearly triple what we delivered in the same quarter last year. Adjusted EBITDA margins expanded by over 4 points quarter-over-quarter to nearly 16%. Gross margins declined approximately 3 points quarter-over-quarter as GLP-1 revenue scaled. We expect improvement in the second quarter as we benefit from economies of scale across our ecosystem and continue augmenting our internal fulfillment capabilities.

The first quarter was a significant moment for our marketing efforts on multiple fronts. We leaned into upper funnel awareness through our Super Bowl campaign and also invested heavily in specialty-specific marketing campaigns within weight. Despite this, we achieved record level efficiency on our marketing spend.

Marketing spend in the first quarter was 39% of revenue, reflecting an improvement of 8 points year-over-year and over a 6-point improvement from last quarter. These efficiency gains were driven by a few factors. First, we saw retention gains from a shift toward personalized solutions in our subscriber base as well as benefits from a shift toward more premium daily options in our Sexual Health offering.

Second, we dramatically raised the bar for marketing investment across our non-weight specialties. This gave us the ability to support a one-minute Super Bowl campaign and specialty-specific marketing our weight offering. Rotation takes time to do efficiently, so we chose to reduce overall spend as opposed to recalibrate weight-related spend to other categories after the end of the semaglutide shortage in February.

Lastly, we're seeing more subscribers come to our platform through organic and other lower cost channels. We believe this is a reflection of investments that are extending the reach of our brand as well as benefits stemming from high advocacy from subscribers in our more visible specialties.

Leverage further down the P&L continues to increase as we thoughtfully scale operations. G&A as a percentage of revenue improved 4 points year-over-year to 8%. Operations and support improved 3 points year-over-year to 11%. Those gains reflected ongoing automation, verticalization, and improved efficiency across the business.

Fiscal discipline is driving significant cash flow generation. Cash flow from operations was \$109 million, which translated into free cash flow of \$50 million. At quarter end, we had \$323 million in cash and short-term investments on the balance sheet.

Strong free cash flow is enabling us to expand capabilities across our operation. In the first quarter, we invested \$59 million into CapEx to augment our operations across a few areas. First, we continued investment to expand capacity for personalized offerings, setting the stage to be able to offer our subscribers access to more precise care by unlocking capacity for thousands of SKUs. We recently signed a lease for a larger facility in Arizona that expands our nationwide internal fulfillment footprint from approximately 400,000 square feet to nearly 700,000 square feet.

Second, we made investments to efficiently unlock scale through greater automation. While we are still early in our journey, automation provides a path to unlocking thousands of choices for our subscribers in an efficient manner. We upgraded equipment in the first quarter across several of our facilities, further enabling us to make the vision of precision medicine a reality.

Finally, we invested in infrastructure to unlock sterile fulfillment capacity across our facilities. This provides a platform for more efficient fulfillment in specialties we are in today such as weight and those that we expect to be in the future such as low testosterone that require sterile capabilities.

In the coming quarters, we will also invest to expand our lab diagnostic capabilities. This capability unlocks several benefits such as reduced consumer barriers within new specialties, greater health-related insights for our subscriber base, and a wider assortment of more precise, personalized solutions. This, combined with our other investments, will serve as a critical component for the next phase of growth, enabling us to more efficiently provide access to precision medicine to a broader population.

With that, I will now walk through our guidance and longer term outlook. In the second quarter, we expect revenue between \$530 million to \$550 million, representing year-over-year growth of between 68% to 74%. We are anticipating adjusted EBITDA in the range of \$65 million to \$75 million, reflecting a 13% margin at the midpoint.

For the full year, we expect revenue between \$2.3 billion and \$2.4 billion, up 56% to 63% year-over-year. We are anticipating adjusted EBITDA in the range of \$295 million to \$335 million, reflecting a 13% margin at the midpoint. Embedded in our outlook are a few key assumptions that reflect the intentional evolution of our platform and how we're setting ourselves up for long-term success.

First, we expect continued strong growth across many of our most tenured offerings, including mental health as well as men's and women's dermatology, all of which are benefiting from years of investment in brand, retention, and personalized offerings. That said, while sequential and year-over-year growth is expected to continue, we do expect uneven trends in Sexual Health as we navigate transitions in the treatment mix, which we believe is temporary as new daily personalized solutions gain traction. We're already starting to see encouraging signs momentum that we believe will strengthen with the addition of new offerings over the course of the year.

Second, we expect to complete the transition of subscribers previously on commercially available dosages of semaglutide to either appropriate alternatives on our platform or other platforms entirely by the end of the second quarter. This transition is expected to result in a one-time quarter-over-quarter revenue drop in the second quarter from which we are confident we can continue to build upon through the remainder of the year.

Third, we expect gross margins to expand in the second quarter. Based on the information that we see today, our expectation is that operational efficiency gains and growth from more tenured specialties can offset potential headwinds from macroeconomic factors such as tariffs.

Fourth, we expect some volatility in marketing efficiency from quarter to quarter. In the second quarter, we expect to lean into specialty-specific marketing across a broader set of specialties, which may result in some deleveraging. We remain committed to our capital allocation framework, which calls for a payback period of less than a year. Rigorous adherence to this framework, combined with evolving dynamics such as increased acquisition be at lower cost channels, stronger retention from personalized products, and the continued maturation of our subscriber base provide us with confidence in our ability to continue driving 1 to 3 points of marketing leverage per annum. Lastly, we expect long-term revenue retention to remain above 85% as more subscribers engage with personalized solutions across multiple specialties.

Before going to Q&A, I'll take a moment to provide additional color on our long-term targets. When we close out our 2022 fiscal year, momentum allowed us to paint a picture of what we thought our financial profile in 2025 could look like, at least \$1.2 billion in revenue and \$100 million of adjusted EBITDA. Exceptional execution enabled us to achieve those targets a year early as well as potentially deliver revenue and adjusted EBITDA in 2025 that could be almost two times and three times higher than the original floors, respectively.

More importantly, these execution patterns and the growth levers ahead position us to update our longer term perspective on what we believe the financial profile of Hims & Hers can look like in the coming years. We believe that we can achieve at least \$6.5 billion in annual revenue and \$1.3 billion in adjusted EBITDA by 2030. Our ability to deliver these targets is predicated on continued execution across the levers outlined by Andrew that further solidify our strategic advantages, deepening the personalization, specialty expansion, elevating the subscriber experience, fostering innovative partnerships, and lastly, geographic expansion.

We expect the majority of our investment in the coming years to be organic, but we'll continue to ensure that our financial position affords us the flexibility to opportunistically accelerate our road map for strategic acquisitions.

2025 is off to a great start and we are excited by the momentum we continue to see across the business. Consumers continue to turn to us as a solution for a better and more precise healthcare experience, and we believe this will accelerate as we continue to build upon the already strong foundation that we built.

Data enriched by each additional user on the platform will enable us to further refine our personalized offerings, elevating the experience for our subscribers, and taking us one step further for the reality of Hims & Hers becoming synonymous with high-quality personalized care. I'd like to thank our customers, partners, and employees for helping us deliver these outstanding results, and we look forward to continuing to update you on our progress.

With that, I'll turn it back to Bill to kick off Q&A with two questions from our retail community.

QUESTION AND ANSWER SECTION

Bill Newby

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

A

Thanks, Yemi, and thank you to all the investors that sent us questions over the weekend. We're very excited to continue engaging with this growing part of our investor base.

We received quite a few questions on our recently announced collaboration with Novo Nordisk. This is a multi-part question from both the Hims House community and [indiscernible] (00:26:03). Can you elaborate on the future road map Hims & Hers and Novo Nordisk are developing together and what do you see as the next possible steps on this road map? Over time, could Hims' platform play a role in partnering with companies with newly approved drugs for the sake of post-approval monitoring of side effects and efficacy?

Andrew Dudum

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

A

Thanks, Bill. So, on the Novo side, this is a collaboration we're excited by. The teams across both organizations have been spending quite a bit of time together, sharing meals and really aligning on what we think the future of healthcare looks like. And I think there's real excitement around that shared vision. So, when I step back, I think there's a real set of opportunities hopefully across categories, across Novo product lines, potentially across geographies that we are brainstorming. And hopefully, in the coming quarters can give a little bit more precise road map with regard to what some of those offerings can be.

Generally, I think this type of a partnership, though, is a blueprint for what we think the next 5 and 10 years could look like across categories, right? There are incredible innovations happening in biotech. There are incredible innovations happening around diagnostic testing, preventative testing, and when we think about the platform that we have and the growing consumers that we are caring for, our ability to bring together a very disjointed set of players and broaden the ecosystem in a way where everybody really wins, I think it's something that uniquely Hims & Hers can do.

And so, this is an exciting first step with Novo and I think we're really looking forward to what can be possible in the next few years. And there's also, I think, a whole new avenue of opportunities across treatment types, across testing capabilities, across clinical providers where we can bring our ecosystem and theirs together on behalf of the consumer to ultimately be the curator of what we believe to be world-class healthcare.

Bill Newby

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

A

Thanks, Andrew. We also received a number of questions on the recently announced acquired peptide and lab testing facilities. This one comes from [ph] Nick D. (00:28:31) who asked, what type of longevity product is the team looking to build for its customers with the recent acquisition of the peptide facility and how does this facility fit in with the plan to roll out lab testing and grow your ability to offer precise and more targeted treatments?

Andrew Dudum

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

A

Yeah, it's a great question. Thank you for asking that. We are continuing to invest across the stack in innovative operations and capabilities that can deliver really cutting-edge care for patients. Peptide innovation is expanding

very, very rapidly. This is something our team is really paying attention to, that I am paying attention to deeply and this is across a lot of different areas. It's across pain management, it's across recovery, it's across generalized longevity and when I think of those types of categories, the innovation happening in peptide is generally innovation that's accessible really to only the extreme wealthy subset of the population.

And I think like all Hims & Hers approaches, we aim to invest in the innovative infrastructure for these cutting-edge areas of therapeutics to broaden what a small subset of the population have to the masses at affordable and hyper-personalized scale. So, the peptide facility, I think it's going to be a really vital component of this future platform, and I think you'll see with the intersection of lab testing and longevity us taking a more proactive and preventative care model on the platform, mimicking some of these more diagnostic and action-based care just easier for people.

And so, instead of people coming just Hims & Hers for very specific conditions such as hair loss, sexual health, mental health, et cetera, I also think you're going to start seeing offerings in the next couple of years that are more about gaining understandings of your health and taking that first step to be the most optimized you can for not only yourself, but also your family.

Bill Newby

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

A

Great. Thanks, Andrew, and thanks again to all who sent questions over the weekend. With that, I will pass the call back to the operator to begin the analyst Q&A.

Operator: Thank you, sir. [Operator Instructions] We'll go first to Craig Hettenbach, Morgan Stanley.

Craig Hettenbach

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. On the weight loss category and the target for \$725 million of revenue this year, can you just touch on what you see as the key drivers? And just looking for color across how the personalized offerings are going. I saw some commentary in the letter about the oral offerings very strong. You also have liraglutide, but just kind of how you see the build up to weight loss this year and how you're tracking to that target.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. Thanks for the question, Craig. When we laid out the targets for 2025, we were aware that the shortage was coming to an end. And so, we kind of outlined last quarter that we effectively would assume that all of the folks that were on commercially available doses of semaglutide would be off the platform by Q2. That's largely holding in line with our expectations.

Across all of our specialties [indiscernible] (00:31:46) historically really leaned into to have success is really offering our subscribers a breadth of numerous different options. And so I think we're very pleased in the weight loss specialty to recently, in the past quarter, launched several divisions to the specialty that we believe will give us the ability to meet or exceed the \$725 million target.

And so, we recently launched liraglutide as well as through the partnership or the collaboration we spoke around with Novo Nordisk to bring that branded pens on as well as the existing products we had within the weight specialty such as personalized semaglutide and the oral offering. And so we're seeing continued strength across

all of those. That gives us the conviction to reiterate the top line revenue guidance as well as lift the adjusted EBITDA guidance.

Craig Hettenbach*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks. And then just a follow-up question for Andrew. When I think about the 2030 targets, can you just touch on just kind of the core business as it stands today like just the runway for growth that you still see in some of the core categories? And then also just the importance of newer categories that come in to track to that \$6.5 billion.

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

A

Yeah, it's a great question, Craig. I think what gives us confidence is that you're seeing incredible robustness in both of those segments. Some of the new innovative categories like the metabolic health, obesity care across Hims & Hers, obviously big accelerant. We believe those businesses will be very, very important businesses just given the pure population that is really struggling.

But then when you actually look under the hood at what we consider some of the more legacy categories, those are growing incredibly robustly, right? You've got the Hims & Hers dermatology businesses growing 50% plus year-over-year. Those businesses have really been transformed with personalization where north of 80% of those businesses are now with personalized proprietary SKUs having driven a 20-point retention gain in just the last couple of years. You see the same kind of things happening across the Sexual Health business as we really transform that business to one with dual action treatments, hyper-personalization, daily benefits.

So, the penetration rates of the core categories we're in are still very, very low. I mean, you're talking low single-digit given the TAM and so I think it's going to be a really nice composition of revenue across Hims & Hers, across categories, across new and old that is coming together to deliver on that 2030. But ultimately, I think that's the strength of this business, right? If you have a unified brand for men and a unified brand for women under which you have the opportunity to build probably dozens of completely different businesses under the hood with completely different care, different treatments, different customers, different marketing channels. And it's that diversity that I think is what really gives this business the strength long-term.

Craig Hettenbach*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. Thanks for that.

Operator: We'll take the next question from Maria Ripps, Canaccord Genuity.

Maria Ripps*Analyst, Canaccord Genuity LLC*

Q

Great. Thanks so much for taking my questions. First, appreciate all the color on the transition within the Sexual Health vertical. Can you maybe just talk about sort of some of the initiatives to reaccelerate growth in that vertical? I think you mentioned some of the products kind of launching later this year.

And are you planning to maintain sort of at least some level of less personalized solutions there? And I guess understanding that sort of we may see some near-term volatility, how should we think about maybe the timing of subscriber and revenue normalizing in that vertical?

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

A

Yeah, maybe I can speak generally just in terms of the high level about that business and let you dive into some of the details. I think, Maria, the willingness from our standpoint with that business to take our time and have a long-term orientation is really what's happening under the hood. There is a historical business within Sexual Health that is really an on-demand business, right? It's a heavy Viagra-based business. It's a low sticky, low attach rate business where patients are coming to you for singular needs.

What we're seeing more and more is that the opportunity to help a growing number of these Sexual Health patients with a broader set of care, things like cardiometabolic care or preventative care or testosterone support or vitamin support is really quite robust. And so what we're doing under the hood is really accelerating the R&D road map, the formularies, the form factors to expand into a new set of breadth of services and care within Sexual Health that not only takes care of the core issue that they came for, but also likely some of the contributing elements of their health that are driving those side effects.

So, these types of daily solutions have more than doubled year-over-year, and they now account for almost 40% of that entire business. That trajectory is only growing and so what we believe is going to happen over the next couple of years is a continued transition to hyper-personalized care, a continued transition to more daily multi-action care, and ultimately really a much stickier, higher retentive customer that allows us to expand with them as they age.

So, that, I think, is really some of the dynamics taking shape. It's really unique to the Sexual Health business given that's really the only business where the core habit is more of an on-demand, as needed habit versus the other categories we operate in that have more of a daily behavior.

Operator: We'll take the next question from Eric – I'm sorry, sir. Go ahead.

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

A

I was going to say, Maria, I think what I would add to that is as Andrew mentioned, over the last two years that we've gone from less than 10% of users, they're receiving the benefit of a daily option that has multiple benefits. Adding a daily option provides the ability to do multi-condition. We're also uniquely positioned to do so with our internal fulfillment capabilities and so like our belief is as we make that transition, we're already seeing the signs of much stronger retention both at the one year mark but then also as you kind of get to the two-, three-year mark, the ability to perpetuate that is something that we're very excited by. We've gone from less than 10% of users utilizing those types of solutions to now roughly 40% and given what we've seen, we're going to continue to lean into that over the coming years.

Operator: And the next question is Eric Percher, Nephron Research.

Eric Percher*Analyst, Nephron Research LLC*

Q

Thank you. Appreciate the commentary on the brand opportunity at the top and maybe I'd ask a bit more tactically. It seems like very clear near-term opportunity for you to shift subscribers to commercial dosages, but it's also pretty clear that the manufacturers will be watching your positioning on personalized GLP-1s closely. So,

how do you approach the opportunity for growth in personalized? Is that a growth opportunity versus the opportunity to grow via brand partnership?

Andrew Dudum

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

A

Yeah, Eric, it's a great question. I think we've said this from the beginning. We aim in all of our adventures to be extremely blue chip and play by the rules.

And with regard to compounding and the personalization exemption, the rules are extremely straightforward and clear. So, we continue to expect the personalized semaglutide to exist on the platform. That's something we've shared as of last call, and it's something we shared earlier with Novo. But we also believe that the necessity of that should be limited to when providers feel that it's clinically needed and so the ability to do hyper-personalization for side effect mitigation, whether it's nausea, vomiting, muscle loss, et cetera is something that we continue to allow on the platform to continue to give providers that flexibility, the tools to make that type of personalization.

But generally, we think of it as relatively additive to the ecosystem because for the most part, these are patients that, frankly, just have not used commercial doses or a lot of them have actually tried the commercial dose and then have churned off due to the high side effect rate. And so, we think it's really additive as part of the mix.

And then when we step back, as Yemi said earlier, choice and selection on behalf of consumers all with regard to what they are clinically eligible for as well as from a regulatory perspective eligible for is what we believe is our duty, right, to push, to give them choice and options that work and ultimately to let them and the providers to choose the best outcomes.

Eric Percher

Analyst, Nephron Research LLC

Q

Thank you.

Operator: The next question is Ryan MacDonald, Needham & Company.

Ryan MacDonald

Analyst, Needham & Co. LLC

Q

Hi. Thanks for taking my question, and congrats on a great quarter. As we think about the shortage ending here in sort of that transitional period for the commercially dosing customers, can you talk about what retentions look like on the base? And then as you are offering this portfolio approach, where you're seeing sort of those commercial dosage customers shifting into with on the Hims platform, whether it be personalized, liraglutide, oral, et cetera?

Andrew Dudum

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

A

Yeah, Ryan, great question. I think on the transition, we started to communicate this to patients, I think, maybe two months ago when we had visibility of the shortage ending. Most of these patients that are on commercially available doses were able to – were qualified for commercial doses. That doesn't mean they were qualified for personalized.

So, you don't see many of those then qualify on the personalized side. You see them going to either branded options, branded tirzepatide or Zepbound or Mounjaro, branded Wegovy now as well as the generic options such as liraglutide injections or the oral compounds.

The oral compounds all kind of say this is, I think, are often overlooked. This is a really compelling offering for consumers and is in high demand across the platform both pre-shortage, post-shortage, it didn't matter. And when you really think about why it's because you were getting about two-thirds of the weight loss as branded Wegovy for one-third of the cost.

And so, when we think about even the future, the next year and two when you see on-brand oral GLP-1s coming to market, those expensive medicines are also going to compete with our oral treatments, which are, again, two-thirds of weight loss for one-third of the cost. And so we have, I think, a really nice set of variety for patients, but generally you're seeing them split between the generic sets of treatments like the orals and liras and then also those that are capable of paying for the branded options as well.

Operator: We'll take the next question today from Daniel Grosslight, Citi.

Daniel Grosslight

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking the question. Yeah, Andrew, I have a similar question, but I'm curious if you can provide what percent of folks who are on commercially available doses transition to personalized doses? And when you were inking the partnership with Novo, was there any discussion around limiting the uptake of personalized doses that you're offering? And then finally, just given some recent lawsuits that were filed against competitors of yours, can you just put a finer point for us on how HIMS, the corporate entity interacts with its affiliated provider groups when making medical decisions? Thanks.

Andrew Dudum

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

A

Yeah, great questions in there. On the commercial doses that transitioned to non-commercial, I don't think that's something we disclose unfortunately, Daniel. On the personalized semaglutide standpoint, one of the things that we did talk about with Novo early is just what we believe is appropriate use of personalization, and aligned philosophically with what our providers believe is that clinical necessity. So, there is an alignment for what we believe to be blue chip use of that compounding exemption. And again, it is for patients that are suffering from some type of intolerable dynamic where a commercially available dose is just not actually an option for them. So this is side effects, sensitivities, nausea, vomiting, muscle loss, et cetera. These are all super well documented. So, I think patients know this, providers know this and giving them the opportunity to have those discussions and see what is right for them is really where we leave it.

When you ask about and this goes to your third point, was there any conversation about limiting this type of behavior? And then how do our providers interact with us as a corporate entity? We as a corporate entity do not do anything and try very hard to not engage with provider group when it comes to clinical decision making, right? There is a very strong wall there where providers have independent judgment in collaboration with their patients to figure out what is best.

And so, no organizations have asked us to alter that, nor would we ever alter that, because, again, our role is simply to be the mediator, right? Our role is to bring together patients, providers and great treatments, and let those providers and patients and those great treatments do the rest of the work.

Operator: Next up, we'll take your question from Jonna Kim, TD Cowen.

Jonna Kim

Analyst, TD Cowen

Q

Thank you for taking my question. I wanted to get further color on the monthly revenue line, obviously grew nicely this quarter, where you mentioned moderating throughout the year. How should we just think about the puts and takes there? And would love additional color on the oral medication you mentioned, potentially more people opting into that. Any color on how you're thinking about that opportunity within this year and just going forward would be helpful. Thank you so much.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Yeah. Thanks for the question, Jonna. I think with respect to the monthly online average revenue per subscriber, I think that we do expect to see some headwinds in the second quarter as we start to pull off users that were on the commercially available dosages of semaglutide, that will be a headwind. I think the tailwinds will be things such as the branded partnerships from Wegovy, as well as more and more users continuing to adopt the premium products across our other specialties that tend to be such as in our sexual health, more daily in nature and come at a premium relative to the generics.

I think with respect to the oral medication, I think what we're just seeing is if you take a step back across all of our specialties, the breadth of choice is a key tenet that we fundamentally believe in to have success. I think it's what's driven success across all of our historical specialties, such as men's and women's dermatology, sexual health amongst others. And so when we think around the weight category and how there is 100 million Americans across the country that are suffering from obesity related challenges, I think that there in that specialty more than ever, having a breadth of choice will be absolutely critical. And so across each of the elements that we've launched, we've seen a lot of traction, a lot of that is due to TAM. I think the oral medications, as Andrew mentioned, are at very attractive price points, as low as \$69 a month. They also do not carry the same eligibility requirements as some of the other GLP-1 oriented medications. And so as a result, we've seen very robust growth in the subscriber count growing north of 300% year-over-year. And so I think we would expect to continue to see strong growth as a result of those dynamics.

Operator: George Hill from Deutsche Bank has the next question.

George Hill

Analyst, Deutsche Bank

Q

Yeah, good afternoon, guys, and thanks for taking the question. I wanted to come back to Daniel's question about the relationship between Novo and HIMS. And I guess like there is kind of this natural tension between the dispensing of the personalized product and the commercial Wegovy that you guys are selling. So, was there any like interaction or any discussion around like a ratio of the dispensing of the personalized product versus the commercial product? And Andrew, I'd really be interested in the background, like, is there any risk that like Novo, whatever, pull the commercial relationship with you guys if personalized kind of sold too well, would just kind of love the background of the discussions around that.

Andrew Dudum

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

A

Yeah. Thanks, George. Yeah. Again, I think there is within both organizations a foundational appreciation for the fact that clinical decision making is truly independent. And I truly cannot emphasize enough, providers make

decisions on our platform. We give providers and patients choices of treatments. And ultimately what is right for them is their own discretion. I think we strongly believe it's really important that we maintain that independence. So this idea even of ratios and things of that sort of like that is business impacting clinical decision making in a way that is something we're definitely not comfortable with, nor do I think frankly any organization would be comfortable with because it's stepping on the toes of provider discretion.

So what we agreed to philosophically was what the regulation allow us for, right? And we made this very clear, we believe that personalized semaglutide is both clinically necessary for some patients because of the side effects that are very widespread and well-known, and that the regulation, under the compounding exemption, specifically under the personalized 503A, right? We're not talking about bulk manufacturing during a shortage, we're talking about personalization in the [ph] A (00:51:17) facilities that is regulatorily protected. So, I think there's an alignment that both the regulation allows for it. And we believe there's a need, whether or not there's total agreement with regard to how much of that should be available to what types of consumers. Will our organization ever align on that perfectly? Probably not. But I think the reality is and I think everybody is stepping back and realizing this reality is that we have millions of patients on Hims & Hers platform. We have 10,000 to 15,000 patients we're treating every single day. And they are looking for options.

And so in a world where great medicine is trying to find the patient that needs their option, it makes sense to work with Hims & Hers. And I think we have a responsibility to do that in the right way, to do it in a respectful way, to play by the book and to respect all parties, but I think that's where we as a distribution platform can really bring the ecosystem together, whether these players traditionally fight each other or compete with each other might not matter if ultimately, at the end of the day, we have millions of patients coming to us every day looking for choice, and we want to make sure they have the broadest choice possible. That type of alignment is something that everybody I think can agree to, is something that benefits everybody. And I think as long as there is trust between all organizations that the way in which those patients receive care is independent and driven by clinical best practices, then I hope that we're able to have a really long and tenured relationship with many partners like this.

Operator: And our next question will come from David Larsen, BTIG.

David Larsen

Analyst, BTIG LLC

Q

Hi. Congratulations on a good quarter. Can you talk about your willingness or ability or desire to at some point in time take insurance? It seems to me like if you were taking insurance, you would potentially be more aligned with drug manufacturers when the price of their brand products are fairly high, because the members could then have those products covered by insurance and the out-of-pocket cost wouldn't be so high. So, can you talk about that, please? And then also, what is your relationship with Lilly? Are you connected with LillyDirect and just any thoughts around your relationship with Lilly will be very helpful. Thank you.

Andrew Dudum

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

A

Yeah. Thanks, David. On the insurance side, no, I have very, very low interest in figuring out how to integrate insurance. And I think there's a few reasons, but mostly it's because it is extremely complicated and extremely inefficient for consumers. So today, the vast majority of the country has insurance, as we know, and the vast majority of those people have high deductible insurance plans. And so what that means is on average, patients that are coming to Hims & Hers platform are fully covered by insurance. But they have with it, \$2,000 to \$3,000 annual deductible that they have to pay in cash before they get the benefit of \$1 of insurance. And so, while everybody is insured in this country, almost nobody is actually getting the benefit of insurance. It's essentially a

cash pay system today. People are just paying very, very high co-pays and very few ever actually get the benefit of insurance unless it's through catastrophic situation. So when I think about Hims & Hers and general health and wellness, kind of everyday healthcare, I'm not talking about catastrophic care, but everyday healthcare, I think consumers having choice selection using their cash where they want on services and providers that deliver really high NPS experiences that's going to be the gold standard because it's a basic capitalistic environment where competition will drive great quality experiences, will drive the cost down and obviously ultimately drive great valuable places for these people to put their money.

And I think, what's happening right now, for example, in the obesity market is a really great example of that, right? The pressure that Hims & Hers is putting by aggregating millions of patients who need choice, I think is a huge component in why some of the most important medicines of the last decade and probably the next decade are now being priced in the hundreds of dollars, not thousands of dollars range.

So, we want to be a party to everybody in the ecosystem, but we also want to put the consumer first ahead of all. And when I think about insurance and alignment, I believe we should be able to care for patients at a cash paid price for most of the things that affect us day to day, equal to or cheaper than the co-pays on their insurance plan. And so far, we're pretty darn close to pulling that off for most categories. But I think that's kind of the ambition that we want to keep pushing on for the next 5 to 10 years.

With regard to Lilly, we would love to continue to broaden the partnership opportunities on the platform. We have branded Mounjaro and Zepbound pens on the platform there of thousands of dollars. So, this is not through a direct partnership integration with LillyDirect. It's just through us going through the pharmaceutical supply chain. We have had conversations with that organization. We continue to have conversations with the leadership of that organization. At this point, we've not been able to bring those offerings on to the platform, and we hope that we can. And so, we'll continue to push and fight on behalf of consumers to broaden their reach. But as of this point, there's nothing yet to disclose with regard to Lilly products directly integrated.

Operator: Up next is Aaron Kessler from Seaport Global.

Aaron Kessler

Analyst, Seaport Research Partners

Q

Yes, great. A couple of questions. Maybe just on gross margins, how to think about that through the remainder of the year, maybe any color on the branded partnerships margins? And then just you mentioned kind of longevity, sleep and preventative opportunities. Just how are you thinking about those opportunities specifically? Thank you.

Oluyemi Okupe

Chief Financial Officer, Hims & Hers Health, Inc.

A

Great. I'll take the first question, maybe pass over to Andrew for the second. I think on gross margins, we do expect those to sequentially increase. I think as we look into the ecosystem, we see a couple of things. One is just the benefit from economies of scale. The second is we do expect strength in growth outside of our GLP-1 offering, which historically have come at a different margin profile currently. It's also start to elevate the gross margin profile as we progress over the course of the year.

Andrew Dudum

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

A

And Aaron, just to clarify, were you asking about the preventative care category?

Aaron Kessler

Analyst, Seaport Research Partners

Q

Yeah, I think you mentioned kind of longevity, sleep and the preventative as kind of opportunities, just how are you thinking about the potential there?

Andrew Dudum

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

A

Yeah, yeah. This is a really exciting set of categories. I think generally from a cultural zeitgeist standpoint, all of us are now being awakened and wanting to take more proactive care, right? We have seen parents pass away from preventable disease. We've seen grandparents age, data is making that easier, testing is making it easier, proactive health is making it easier. So, I think there's just a cultural desire to not only treat yourself when you're sick, but actually try to get ahead of kind of a ultimate lifespan right? And you've got huge influencers that are making books popular on this front. Right now, I would say this kind of leads into the transformation from kind of biohacker to early adopter, part of kind of phased adoption.

I would suspect in the next two to five years this grows to be very mass market where for relatively affordable prices you can get whole body testing either blood diagnostic or physical scans, you can get cancer preventative diagnostics, you can get polygenic risk scores for all types of longer term chronic conditions, Alzheimer's and others. And you could be able to do this kind of at the same routine as you go to the dentist. And on an annual basis, make sure that your body is operating as it should be and that you're getting ahead either through vitamin supplementation, through prescription medication, on some of the known areas that you have vulnerabilities in lifespan.

This is something I experiment a tremendous amount with. Our management team experiment tremendous amount with, and we aim to figure out what best-in-class curation of that is. And through partnerships, through M&A, through building out ourselves, bringing to market very consumer friendly, consumer easy to digest offerings that are affordable and can start taking a big chunk out of people's fear, right?

Because I think ultimately what this is, is giving people power and giving them control and an option. And I think Hims & Hers is exceptionally well-positioned with the trust we have, the distribution, the brand, the clinical capabilities to then treat to help people identify these areas of risk and get ahead of them and monitor them, track them, log them and make sure that they're staying on the right course. So, I think this is a category probably once we get out the hormonal balance category, inclusive of perimenopause, menopause, low testosterone, that this is probably an area that we'll put a lot of focus on.

Operator: And ladies and gentlemen, that is all the time we have for questions. That does conclude our conference for today. We would like to thank you all for your participation. You may now disconnect.

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