

DALALBYTES RESEARCH

Hims & Hers

The Compounding King Goes Legit

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Verdict: 64/100, Selective Positive. The GLP-1 war ended in a March 2026 settlement that made Hims Novo Nordisk's distribution partner at parity prices, and the bill arrived as a margin reset (74% to 64% gross margin), GAAP losses, and an FTC lawsuit. Against that: 2.89M subscribers, revenue per subscriber up 21%, guidance raised twice, and an international business (ZAVA, Eucalyptus) already at 17% of revenue.

Reference price \$27.72 (October 14, 2026 close). Fiscal 2029 targets: Bear \$12 / Base \$48 / Bull \$100.

64/100, Selective Positive

Hims spent two years as the most contested stock in consumer health: a DTC subscription machine (2.89M subscribers, \$92 of monthly revenue per subscriber, fiscal 2026 revenue guided to \$3.1-3.3B) built partly on compounded GLP-1s whose legal basis expired when the FDA declared the semaglutide shortage over in February 2025. The war that followed (Novo termination, an FDA warning letter, a DOJ referral, a patent suit) ended on March 9, 2026 in a new collaboration: branded Ozempic and Wegovy at Novo's self-pay prices, compounded advertising stopped, a narrow clinical-need lane retained. The stock rose 40.8% that day. What the peace costs is in the P&L: gross margin 74% to 64%, H1 2026 GAAP losses of \$178M, and a July 2026 FTC suit over data sharing and billing that replaces the FDA as the binary risk. At \$27.72, down 79% from the February 2025 high near \$73 and double the February 2026 low, the market prices a meaningful chance the model cannot carry its new economics. We price it as more likely than not that it can, with unusually wide spreads.

64/100

Rating

\$27.72

Reference price

\$48 / \$100

FY2029 base / bull

2.89M

Subscribers, Q2 2026

The settlement converted a regulatory arbitrageur into a distribution channel. The question is no longer survival; it is what distribution economics are worth.

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The overhang now

The FTC's July 29, 2026 suit (health data shared with Meta and Snap, billing and cancellation practices) is unquantified, the February 2026 DOJ referral has produced no filing, and the related securities class action's lead-plaintiff deadline is November 2, 2026, a week before the November 9 earnings print.

Snapshot	Detail
Company	Hims & Hers Health, San Francisco; founded 2017; DTC telehealth and pharmacy platform
Model	Cash-pay subscriptions; online revenue \$2.31B of \$2.35B total (FY2025); wholesale \$36M
Scale	Subscribers 2.89M (Q2 2026, +19%); monthly revenue per subscriber \$92 (+21% YoY)
FY2025	Revenue \$2,347.6M; gross margin 74%; Adj. EBITDA \$318.0M; net income \$128.4M; FCF \$57.4M

Snapshot	Detail
2026 YTD	Q1 revenue \$608.1M (+4%), Q2 \$753.2M (+38%); H1 GAAP net loss \$178.4M
FY2026 guide	Revenue \$3.1-3.3B; Adj. EBITDA \$275-325M; Q3 guided \$880-900M
Weight loss	Branded Ozempic/Wegovy at Novo self-pay prices since Mar 2026; narrow compounded lane retained
International	ZAVA (UK/DE/FR/IE) plus Eucalyptus (up to \$1.15B); RoW 17% of Q2 2026 revenue
Balance sheet	Cash and ST investments over \$840M; converts \$1.0B 0% due 2030, \$350M 0% due 2032
Long-term target	\$6.5B revenue and \$1.3B Adj. EBITDA by 2030 (company, reiterated 2026)
Next print	Q3 2026 results, November 9, 2026

1 THE BUSINESS: A SUBSCRIPTION PHARMACY

Marketing (39-52% of revenue across 2022-2025, trending down) buys customers for stigmatized or inconvenient conditions; an asynchronous consult with an independent licensed provider converts them to subscriptions; fulfillment increasingly runs through owned infrastructure (affiliated 503A pharmacies, the MedisourceRx 503B acquired September 2024, a California peptide facility and Trybe Labs diagnostics from February 2025, over 1M square feet in total). The two numbers that matter: subscribers (290K end-2020, 1.5M end-2023, 2.2M end-2024, 2.5M+ end-2025, 2.891M Q2 2026) and monthly revenue per subscriber (\$64 in 2024 to \$92 in Q2 2026, +21% YoY). About 65% of subscribers were on personalized treatments at end-2025 (CFO), the format that carried compounded GLP-1s and resists churn. What is not disclosed: churn, cohort retention, and CAC. You are underwriting a black-box retention claim with \$3B of revenue on top of it; the report treats that as a permanent evidence gap, priced into the scenarios.

Breadth is the strategy: five US specialties at or near \$100M run rates (hair, sexual health, dermatology, mental health, weight), testosterone approaching \$100M as the sixth, women's health inside Hers, Labs (70+ tests) launched 2025, and peptides queued (sermorelin, glutathione, NAD+ by end-2026; six more pending FDA Category 1 listing after the July 2026 advisory vote; Leerink sizes the telehealth peptide market at ~\$2.2B). Every category amortizes the same brand, provider network, pharmacy footprint, and subscriber file, which is why revenue per subscriber compounds even when a single category gets regulated away.

2 THE GLP-1 WAR, START TO SETTLEMENT

May 2024: compounded semaglutide launches from \$199/month (GLP-1 offerings made \$420M of online revenue in H1 2025 alone). Feb 21, 2025: FDA declares the shortage resolved; grace ends April/May 2025; Hims continues on a personalized-dose rationale. Apr 29, 2025: Novo collaboration puts branded Wegovy on the platform. Jun 23, 2025: Novo terminates Hims, alleging deceptive marketing and illegal mass

compounding; stock falls ~30%, class actions follow. Sep 9, 2025: FDA warning letter (false/misleading compounded claims), part of a 55+ letter wave; the owned MedisourceRx 503B is separately cited over inspection findings (STAT). Feb 5, 2026: Hims launches a \$49 compounded oral pill. Feb 6: Commissioner Makary names Hims in an API-restriction announcement; HHS refers the company to the DOJ. Feb 7: pill withdrawn. Feb 9: Novo sues on its semaglutide patent (to Dec 2031); stock -16% to \$19.33. **Mar 9, 2026: settlement.** Suit dismissed (right to refile reserved); Ozempic and Wegovy pen and pill at Novo self-pay prices (pen \$349/mo, pill \$149-299); compounded advertising stops; clinical-need compounding retained; the Commissioner praises the deal; stock +40.8% on 175M shares. Lilly still refuses the model entirely (no affiliation, Apr 2025; its partners are barred from compounding).

Policy is dismantling the umbrella that made compounding necessary: MFN pricing (Nov 2025) set public-program GLP-1 prices at \$245/month with TrumpRx cash prices near \$350; the CMS-negotiated semaglutide price is \$274 from 2027; the Medicare GLP-1 Bridge runs from July 2026 at \$50 copays; LillyDirect sells Zepbound at \$299-449 with 45% of scripts already self-pay. This hurts the old Hims and helps the new one: the risk flips from 'the FDA shuts the model' to 'the manufacturer disintermediates the channel.'

3 INTERNATIONAL: BOUGHT, NOT BUILT

ZAVA (closed July 2025, all-cash, price undisclosed) brought 1.3M active customers across the UK, Germany, France, and Ireland, with Spain launched in Q3 2025 and Livewell acquired for Canada. Eucalyptus (announced Feb 19, 2026, closed Jun 2, 2026) is the transformational deal: up to \$1.15B of value, ~\$225-240M cash at closing, the balance deferred over 18 months plus earnouts through early 2029, settleable in cash or stock at Hims' election. It arrived with 850,000+ customers served, a revenue run rate above \$450M, and brands (Juniper, Pilot, Kin) across Australia, the UK, Germany, Canada, and Japan; its CEO now runs Hims' international business, and Pilot has been rebranded to Hims in Australia. Revenue proof: rest-of-world went from \$134M (FY2025) to \$131.4M in Q2 2026 alone, ~17% of the total. Caution: roughly \$900M of the headline price is still to be earned or paid.

4 FINANCIALS: THE MARGIN RESET

\$M unless noted	FY2022	FY2023	FY2024	FY2025	Q1 2026	Q2 2026
Revenue	526.9	872.0	1,476.5	2,347.6	608.1	753.2
Gross margin	78%	82%	79%	74%	65%	64%
Net income (loss)	-65.7	-23.5	126.0	128.4	-92.1	-86.3
Adjusted EBITDA	-15.8	49.5	177	318.0	44.3	60.3
Stock-based comp	42.8	66.1	92.3	135.2	H1 total 79.0	
Operating cash flow	-26.5	73.5	251.1	300.0	n/d	-36

\$M unless noted	FY2022	FY2023	FY2024	FY2025	Q1 2026	Q2 2026
Free cash flow	-33.8	47.0	n/d	57.4	+53 rptd	-68.2

Three readings. Growth is real and re-accelerating (Q1 +4% on a cadence-driven US dip, Q2 +38%; guidance raised in May and August while EBITDA guide was trimmed, the signature of mix shift). Profit quality is the debate: fiscal 2025's \$318M of adjusted EBITDA converted to only \$57.4M of FCF after \$135M of SBC, and H1 2026 GAAP losses of \$178M carry ~\$33.5M of restructuring, a \$15M FTC accrual, and ~\$81M of Q2 deal/legal items. Marketing leverage is the quiet success: ~52% of revenue in 2022-23 to ~39% by Q3 2025, the long-term margin thesis if gross margin stabilizes in the mid-60s. Balance sheet: over \$840M of cash and ST investments; zero-coupon converts of \$1.0B due 2030 (conversion ~\$70.67) and \$350M due 2032 (conversion ~\$29.53); a \$175M revolver; a \$400M branded-receivables facility; \$225M of buyback remaining. The dilution ledger (shares 204.5M to 231.7M, SBC ~6% of revenue, ~26M convert shares underlying, up to ~\$900M of Eucalyptus consideration stock-settleable) is why the scenarios use 245-255M share counts.

5 MOAT AND COMPETITION

Owned layers: the category's defining brand (buying at a falling share of revenue), breadth on one account and provider network, vertical integration (503A/503B pharmacies, peptide plant, labs, 1M+ sq ft), and a nine-market international footprint. The landlord problem: in weight loss, the largest category, Hims distributes Novo's products at Novo's prices under a settlement preserving Novo's right to refile, Lilly refuses supply, and manufacturer-direct channels (LillyDirect \$299-449, NovoCare, TrumpRx) plus Amazon's pharmacy funnel cap any intermediary's take. Ro took the opposite regulatory path (early Novo alignment); LifeMD shows the model's valuation without the brand.

Competitor	Scale (latest public)	Model and threat
Ro (private)	\$5B valuation at 2021 round; revenue undisclosed	Closest DTC rival; Novo partner since Apr 2025; avoided the compounding fight
LifeMD (LFMD)	FY2025 telehealth rev \$194.1M; mkt cap ~\$123M	Novo partner; shows the model priced at small scale (0.6-0.9x sales)
Teladoc (TDOC)	FY2025 revenue \$2,530M (-2%); mkt cap ~\$1.05B	B2B channel plus BetterHelp; priced at ~0.4x sales
LillyDirect	Zepbound self-pay \$299-449; 45% of scripts self-pay	Manufacturer disintermediation; refuses to partner with Hims
NovoCare / TrumpRx	Wegovy pen \$349/mo; pill \$149-299	Supplier and price-setter; federal portal mirrors its prices
Amazon	Pharmacy plus One Medical	Distribution giant behind every channel

Management, honestly priced: Andrew Dudum created the category and extracted a strong settlement from a weak hand; he also launched the \$49 pill into an announced crackdown (DOJ referral attached), presides over the practices the FTC now sues over, and leads an insider register that has sold ~7.5M shares for ~\$191M since 2021 (secondary tallies) against minimal buying, with a fresh 10b5-1 plan covering 2.4M shares. Insider ownership ~11.8%. The five-pillar companion grades Leadership PARTIAL for exactly this split.

6 TECHNICAL PICTURE

The tape is the regulatory story: intraday high near \$73 (Feb 19, 2025), 52-week high \$65.30 (Oct 2025), collapse to \$13.74 intraday (Feb 24, 2026), a -79% drawdown, then +102% to the \$27.72 reference close, which sits 1.5% above the 200-day average (\$27.32) and 5.7% below the 50-day (\$29.40). Capitulation volume (144-175M share days in Feb-Mar 2026 vs a 23M average) has dried to ~10.4M/day. Documented event days: +40.8% (settlement), -16% (Novo suit), -14.7% (FTC suit), -14.2% (peptide vote), -14.1% (Q1 earnings); average post-earnings move ~8.6% over 11 quarters (third-party tally); short interest ~26-28% of float, 4-5 days to cover. Event risk dominates technicals; November 9 is the next scheduled catalyst.

7 VALUATION AND SCENARIOS

Hims trades at ~2.5x trailing sales against Teladoc ~0.4x and LifeMD ~0.6-0.9x, a premium carried entirely by growth and the 2030 company targets (\$6.5B revenue, \$1.3B adjusted EBITDA). Consensus: Hold, average target \$32.43 (16 analysts: 1 Sell, 12 Hold, 3 Buy; high \$60, low \$23; JPMorgan Neutral \$32). Zacks consensus: FY2026 revenue \$3.22B, EPS -\$0.79; FY2027 revenue \$3.89B, EPS \$0.44. Our FY2029 builds:

Fiscal 2029 build	Bear	Base	Bull
Revenue	\$3.6B	\$5.2B	\$6.5B
Adjusted EBITDA (margin)	\$0.29B (8%)	\$0.78B (15%)	\$1.30B (20%)
Exit EV/EBITDA	12x	16x	20x
Enterprise value	\$3.5B	\$12.5B	\$26.0B
Less net debt (approx.)	\$0.7B	\$0.5B	\$0.3B
Shares (diluted, approx.)	250M	250M	255M
Price target	\$12	\$48	\$100

Bear: an FTC remedy with teeth plus branded mix capping EBITDA margin in the high single digits. Base: the plan at roughly 75-80% (revenue compounding ~13% from the FY2026 guide midpoint, margin recovering to 15% on marketing leverage and peptide/international mix, no structural FTC remedy). Bull: the 2030 targets pulled a year forward plus a peptide category win. Against \$27.72: base +73%, bull ~3.6x, bear -57%. Gross

margin, printed quarterly, is the single number that validates or breaks the base case.

8 RISKS AND DATED WATCH LIST

Risks. (1) FTC litigation (Jul 29, 2026): data sharing and billing remedies could raise CAC structurally; monetary relief unquantified. (2) The DOJ referral (Feb 2026) has produced no filing; a standing unknown. (3) Novo dependence: settlement preserves refiling rights; branded economics sit at Novo's prices; the compounded lane survives only inside documented clinical need. (4) Margin structure: branded/international mix may pin gross margin in the low-to-mid 60s while receivables financing grows. (5) Eucalyptus obligations through early 2029. (6) Peptide rulemaking is pending and non-binding so far. (7) Insider selling cadence and SBC dilution. **Checkpoints:** Nov 2, 2026 (class-action lead plaintiff); Nov 9, 2026 (Q3 earnings vs \$880-900M revenue and 9-11% EBITDA margin guides); through 2027, FTC docket milestones, DOJ signals, earnout disclosures, peptide rulemaking, and quarterly gross margin.

Bottom line

At \$27.72 the market prices Hims as a melting regulatory trade. The documents say something else: a settled war, a branded supply line at parity prices, 2.89M subscribers compounding revenue per head at +21%, and an international platform bought with other people's milestones. The FTC file is the price of admission. Selective Positive, sized by the spread, not the story.

Sources and method: company earnings releases and calls (Q4 2025, Q1-Q2 2026), FY2025 10-K, FDA primary materials (shortage determinations, enforcement deadlines, Sep 9, 2025 warning letter, Feb 6, 2026 Commissioner statement), Reuters and AP (Novo settlement, Eucalyptus, MFN pricing), FTC suit reporting (Jul 29, 2026) and class-action filings, Fierce Healthcare, STAT, Finnhub candle data (averages and event moves computed), MarketBeat consensus, Zacks estimates. Churn, CAC and retention are not publicly disclosed and are treated as evidence gaps. Insider selling totals are secondary-source tallies of Form 4 data. Scenario targets are DalalBytes estimates; 2030 figures are company targets.