



FIGS **The Lululemon of scrubs**

Presented by Boris Senderzon, CFA • June 2024

Market Cap ¹	\$885M
Cash & STI ²	\$259M
Debt (\$0) & Leases ²	\$58M
EV	\$684M

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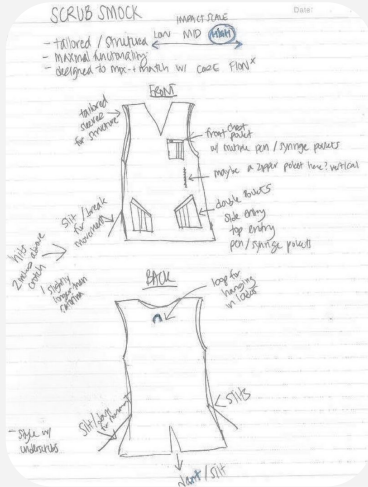
FIGS Overview

- A designer and DTC retailer of premium workwear for healthcare workers
- Replenishable product, strong brand, passionate customer base
- Structural tailwinds, International expansion, growing FCF
- A fallen angel with a 2x upside and limited downside (cash and no debt)



What makes FIGS unique?

A focus on innovation



Viral marketing and sponsorships



Exalts customers as superheros



FIGS has a passionate customer base

"Younger generation most of the time goes for FIGS"

Nurse coordinator, Stanford Hospital

"The variety of styles of FIGS and their advertisements as Lululemon of scrubs makes them popular"

Orthodontist assistant, San Jose

"FIGS are a great uniform, a little bit pricey but nurses, including myself love it. On average the nurse has 10 scrubs."

Neonatal nurse, Kaiser Hospital, Sacramento

"Nurses are obsessed with FIGS. It's everything: vests, jackets, underscrubs, socks. I personally own seven pairs"

Neonatal nurse, Stanford Hospital

"FIGS still relatively dominates the market. This is based on what I see the majority of nursing and physician staff wear."

Medical resident, UC Davis Medical Center

"FIGS dominate at our hospital."

Internist at Kaiser Hospital, San Jose

FIGS competes in a fragmented market

 **JAANUU** **mandala**  **FABLETICS**

 **careismatic**
brands

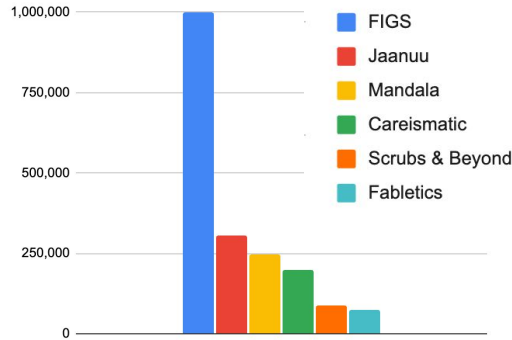
 **SCRUBS**

BARCO® **GREY'S ANATOMY**™
abc signature PROFESSIONAL WEAR
© ABC Signature **BY BARCO**

scrubs & beyond

But FIGS dominates

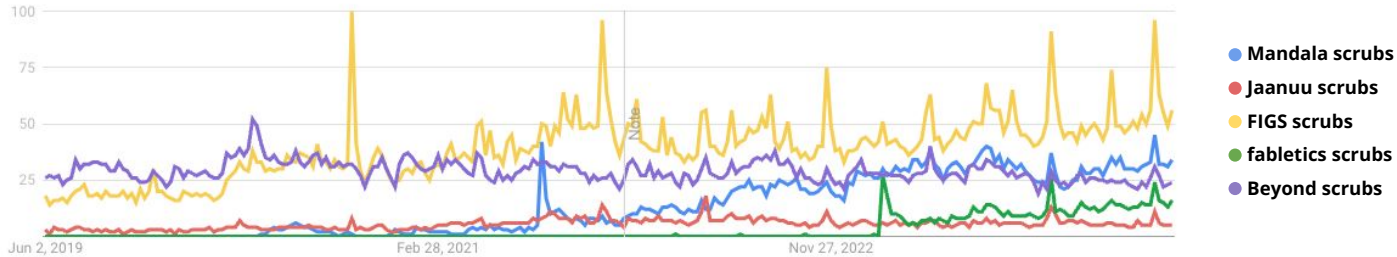
Instagram followers



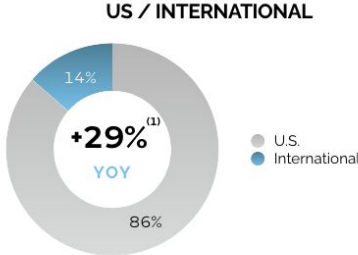
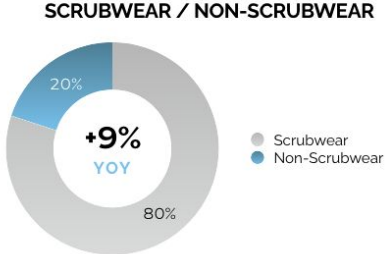
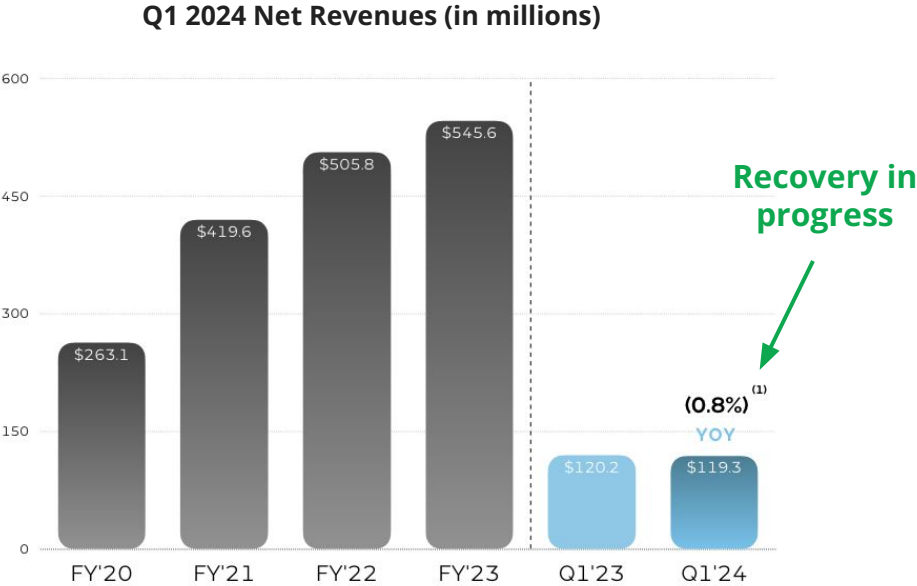
Web traffic May 2024

	wearfigs.com	jaanuu.com	uniformadvan...	scrubsandbey...
Total Visits	5.7M	557.9K	2.2M	1.1M
Last Month Change	▲ 57.31%	▲ 43.95%	▲ 12.97%	▲ 44.67%
Avg Visit Duration	00:03:44	00:03:13	00:05:08	00:04:58
Pages per Visit	6.4	6.97	6.36	6.51
Bounce Rate	44.83%	43.36%	48.98%	41.84%

Google Trends



FIGS grew sales at 28% CAGR since 2020



But FIGS shares are down 84% since IPO

\$5.34

↓ 84.36% -28.81 MAX

Jun 5, 3:35:34 PM UTC-4 · USD · NYSE · Disclaimer

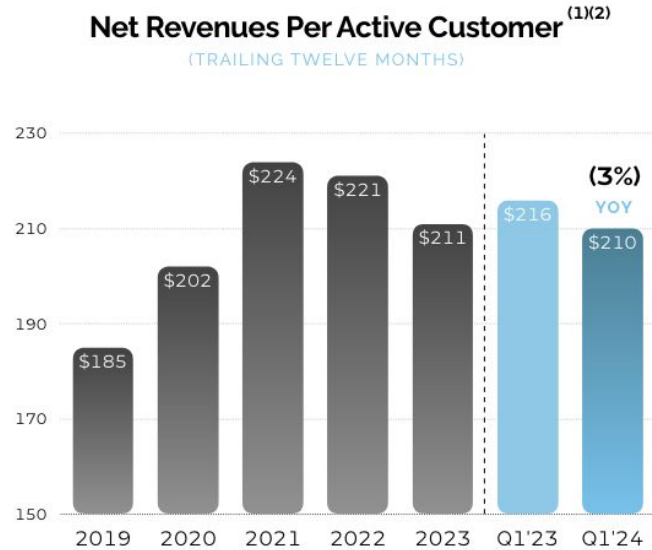
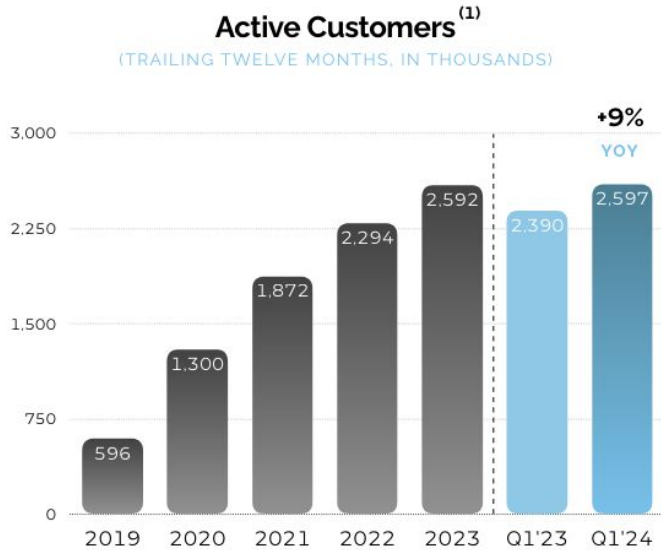
1D 5D 1M 6M YTD 1Y 5Y MAX



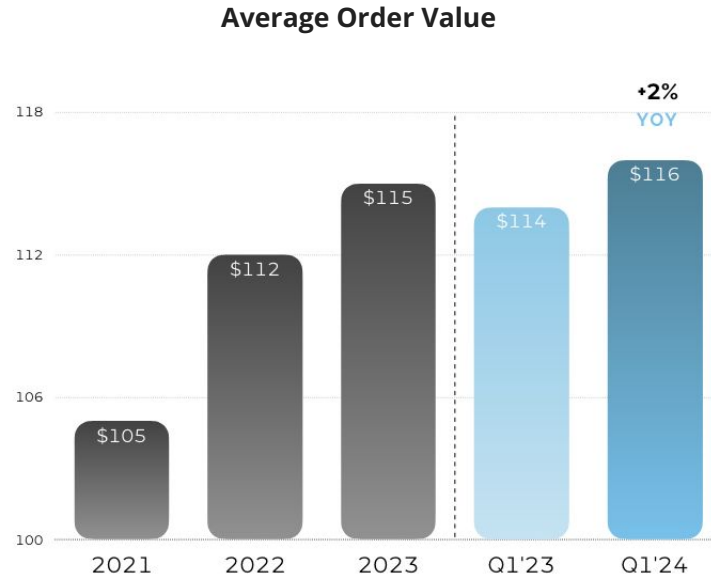
- Sales growth slowdown
 - Gross Margin decline
 - G&A increase
 - + Interest on Cash & STI
 - Elevated tax rate
-
- = Depressed stock price

While the shopping frequency declined...

Not unique to FIGS. Updated guidance upwards. Likely some pull-up in demand.

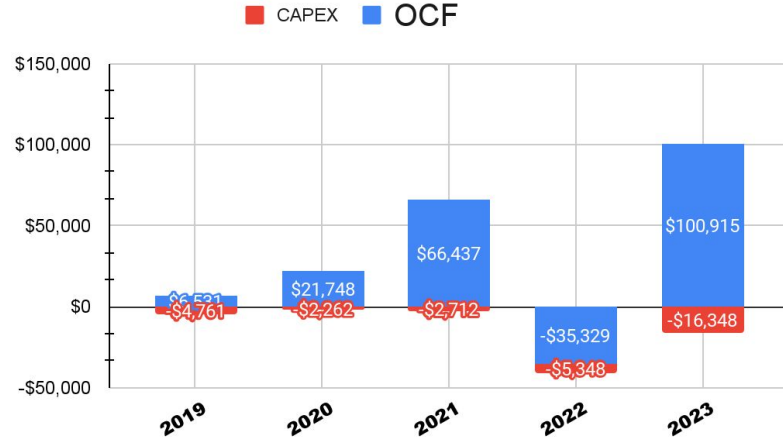


The Average Order Value (AOV) did NOT

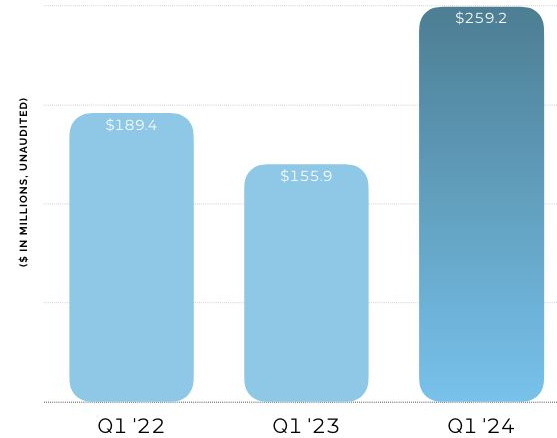


And FCF and cash pile are growing

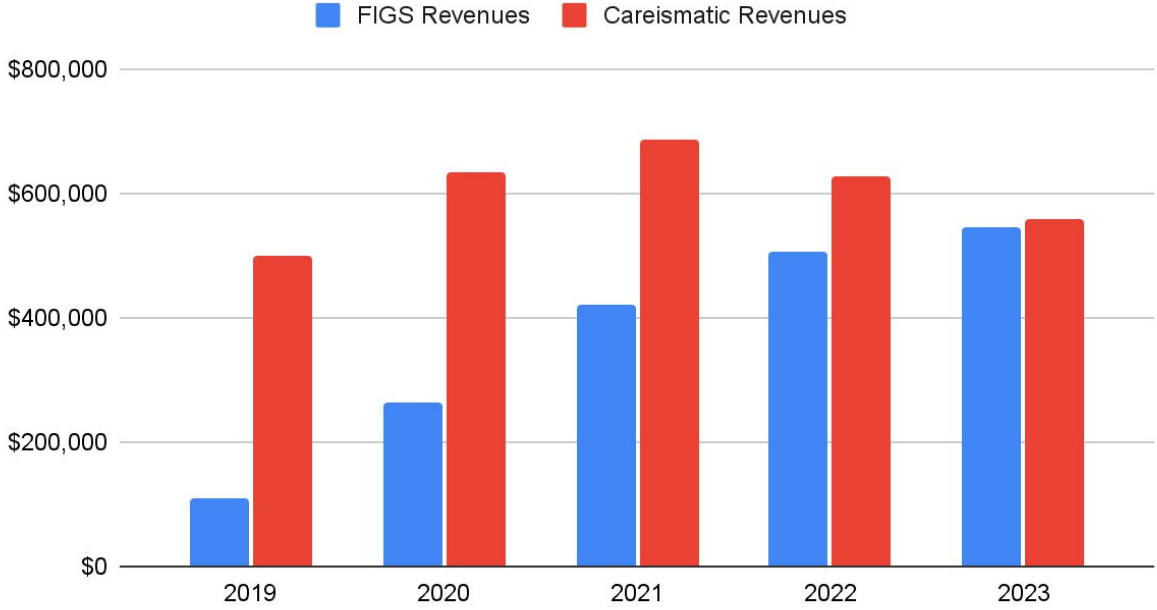
Cash Flows (in millions)



Cash, Cash Equivalents & Short-Term Investments



FIGS is taking market share

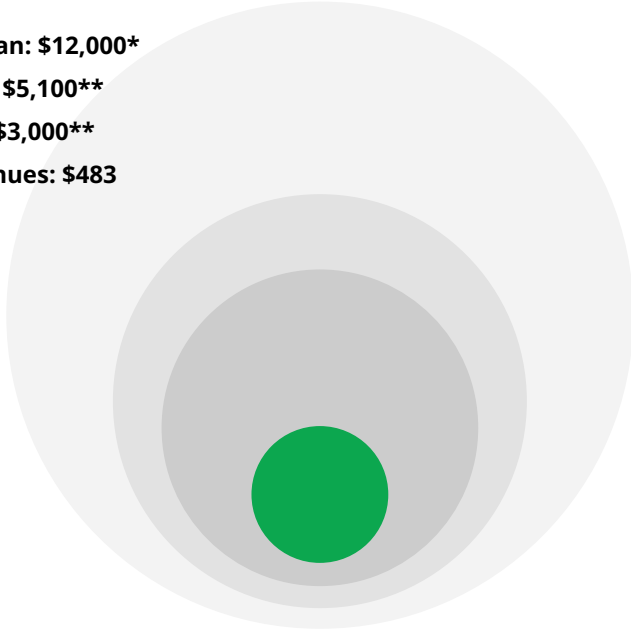


Careismatic filed for bankruptcy in 2023

FIGS has plenty of runway

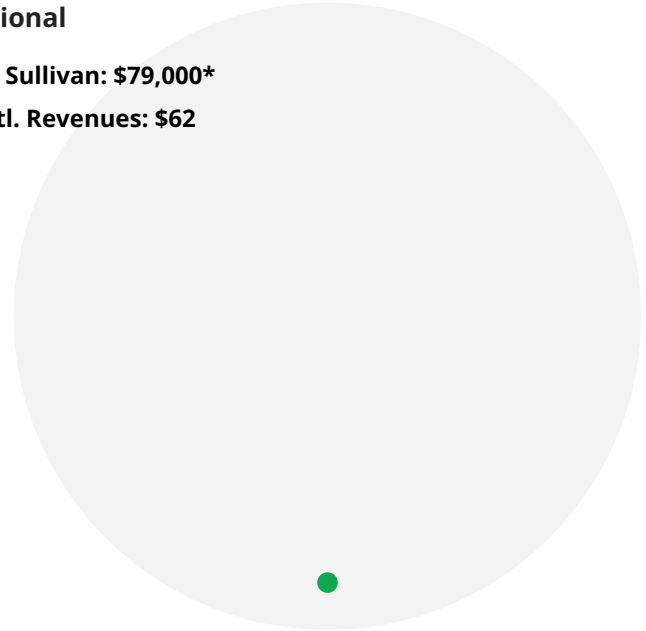
US TAM estimates

- Frost & Sullivan: \$12,000*
- Spruce Point: \$5,100**
- Careismatic: \$3,000**
- FIGS US Revenues: \$483



International

- Frost & Sullivan: \$79,000*
- FIGS Intl. Revenues: \$62



FIGS is benefitting from several tailwinds

- Healthcare jobs to grow at 6%^{1,2}
- “Peak 65” in 2024-2027
 - 4.1M³ retirees annually
- CMS finalized stricter nursing home staffing rules⁴

Source:

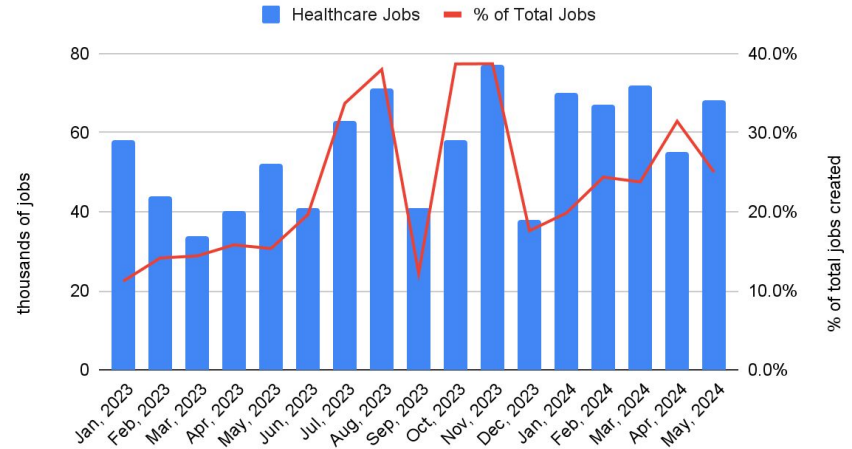
1: <https://www.bls.gov/ooh/healthcare/registered-nurses.htm#tab-1>

2: <https://www.bls.gov/bls/news-release/empsit.htm#2024>

3: <https://www.cbsnews.com/news/retirement-medicare-401k-what-to-know-peak-65/>

4: <https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid>

BLS healthcare job creation



FIGS is benefitting from several tailwinds

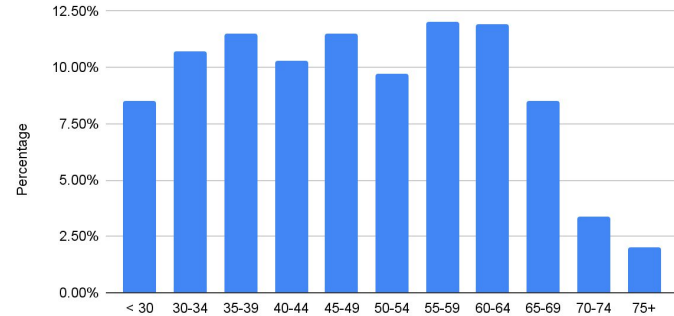
- 48% of RNs are age 50+¹
- New hires will skew young and digitally savvy
- RNs median income is increasing²

Source:

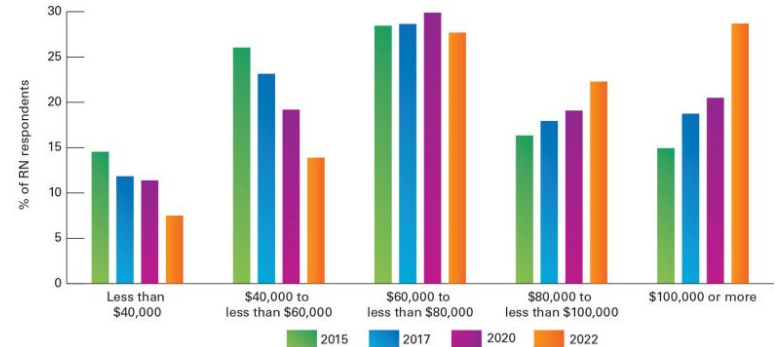
1: <https://bhwhrsa.gov/data-research/access-data-tools/national-sample-survey-registered-nurses/detailed-description-rn-by-age>,

2: [https://www.journalofnursingregulation.com/article/S2155-8256\(23\)00047-9/fulltext](https://www.journalofnursingregulation.com/article/S2155-8256(23)00047-9/fulltext)

RN Age Distribution



Annual Earnings of RNs for Primary Position



FIGS is worth at least \$6 on DCF basis

Assumptions		Intrinsic Value	
Discount Rate	15.0%	Enterprise Value	\$814
Terminal Value FCF multiple	15	(+) Cash	\$259
Cash	\$259	(-) Debt	\$58
Debt & Leases	\$58	Equity Value	\$1,015
Shares Outstanding	169.7		
		Equity Value / Share	\$5.98

→ \$8.02 @ 10% discount rate

DCF	2024	2025	2026	2027	2028	2029	2030	2031	2032	TV
Revenue Growth Rate	-2.0%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	
EBIT margin %	5.0%	6.6%	8.2%	9.8%	11.4%	13.0%	14.6%	16.2%	17.8%	
Tax Rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	
Revenues	\$535	\$588	\$644	\$702	\$762	\$823	\$884	\$946	\$1,008	
EBIT	\$27	\$39	\$53	\$69	\$87	\$107	\$129	\$153	\$179	
Less Tax	\$7	\$11	\$15	\$19	\$24	\$30	\$36	\$43	\$50	
Unlevered FCF (@100% NI)	\$19	\$28	\$38	\$50	\$63	\$77	\$93	\$110	\$129	\$1,937
PV (FCF)	\$17	\$21	\$25	\$28	\$31	\$33	\$35	\$36	\$37	\$551

← Operating leverage
No RSU overhang

← Normalized tax rate

And at least \$8 on comparables









	Careismatic*	LULU	NKE	FIGS
Market Cap (05/30/2024)	\$500	\$36,613	\$141,050	\$882
Debt + Leases	\$178	\$1,403	\$12,813	\$58
Cash	\$0	\$2,244	\$13,476	\$259
EV	\$678	\$35,772	\$140,387	\$681
Sales	\$559	\$9,619	\$51,217	\$546
EBITDA**	\$50	\$2,860	\$7,653	\$86
EV / Sales	1.2	3.7	2.7	1.2
EV / EBITDA**	13.6	12.5	18.3	7.9
Median EV / Sales	2.7			
Median EV / EBITDA**	13.6			

Valuation @ Median	EV / Sales	EV / EBITDA**
Enterprise Value	\$1,496	\$1,166
(+) Cash	\$259	\$259
(-) Debt	\$58	\$58
Equity Value	\$1,697	\$1,367
Equity Value / Share	\$9.99	\$8.05

* Careismatic equity value is an average of \$200M for Senior creditors and \$818M for Junior creditor warrants

** EBITDA excludes stock-based compensation for all companies

FIGS fits with 5 of Ackman's 8 principles

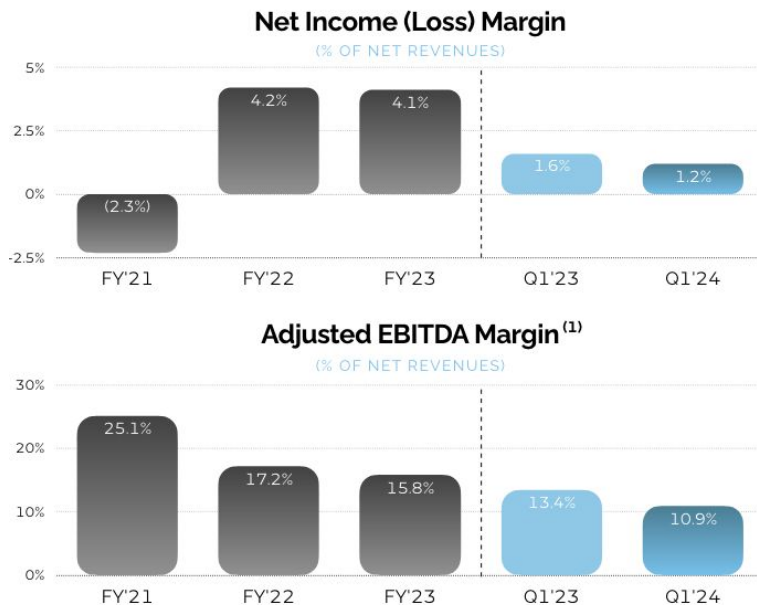
Simple and predictable		
Free cash flow generative		
Have a dominant market position		
Big barriers of entry for competitors (MOAT)		in progress
A high return on capital		in progress
Have limited exposure to extrinsic risks they can't control		
Have a strong balance sheet and not need access to outside capital to survive		
Have an excellent management team and good governance		Unclear. Strong board of directors

Questions?

Appendix

FIGS is experiencing growing pains

Q1 2024 NET REVENUES



(1) Adjusted EBITDA margin is a non-GAAP financial measure. See "Non-GAAP Financial Measures and Key Operating Metrics" in the Appendix for additional information on non-GAAP financial measures and reconciliations to the most directly comparable GAAP measure.

- Sales growth slowdown
 - Gross Margin decline
 - G&A increase
 - + Interest on Cash & STI
 - Elevated tax rate
-
- = Depressed stock price

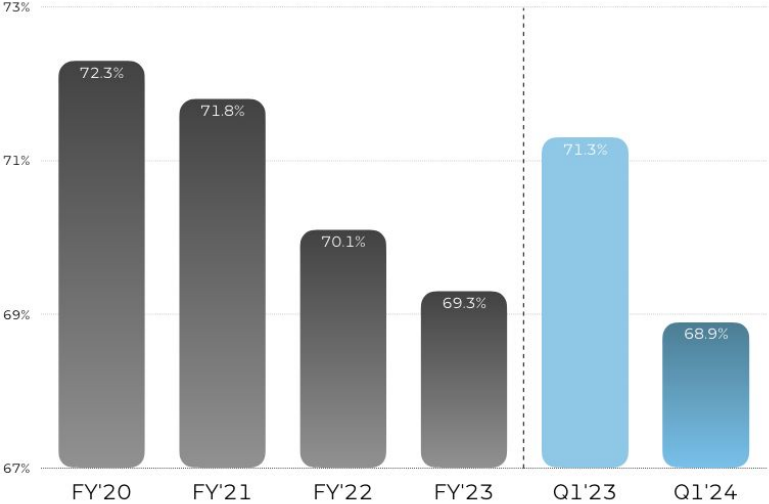
FIGS is experiencing growing pains

Reasons for decline

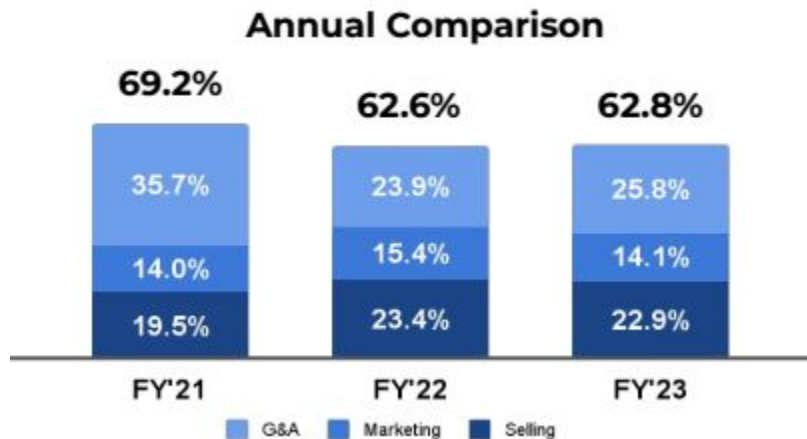
- 2021: air-freight costs
- 2022: promo sales
- 2023: mix shift
- 2024: same as in 2023

The decline in gross margin rate compared to the first quarter of last year was primarily due to a product mix shift.

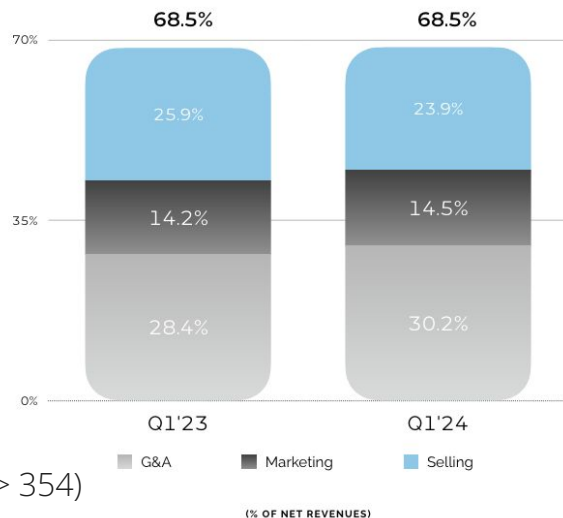
Q1 2024 GROSS MARGIN



Operating margin improved vs. 2021



Q1 2024 OPERATING EXPENSE

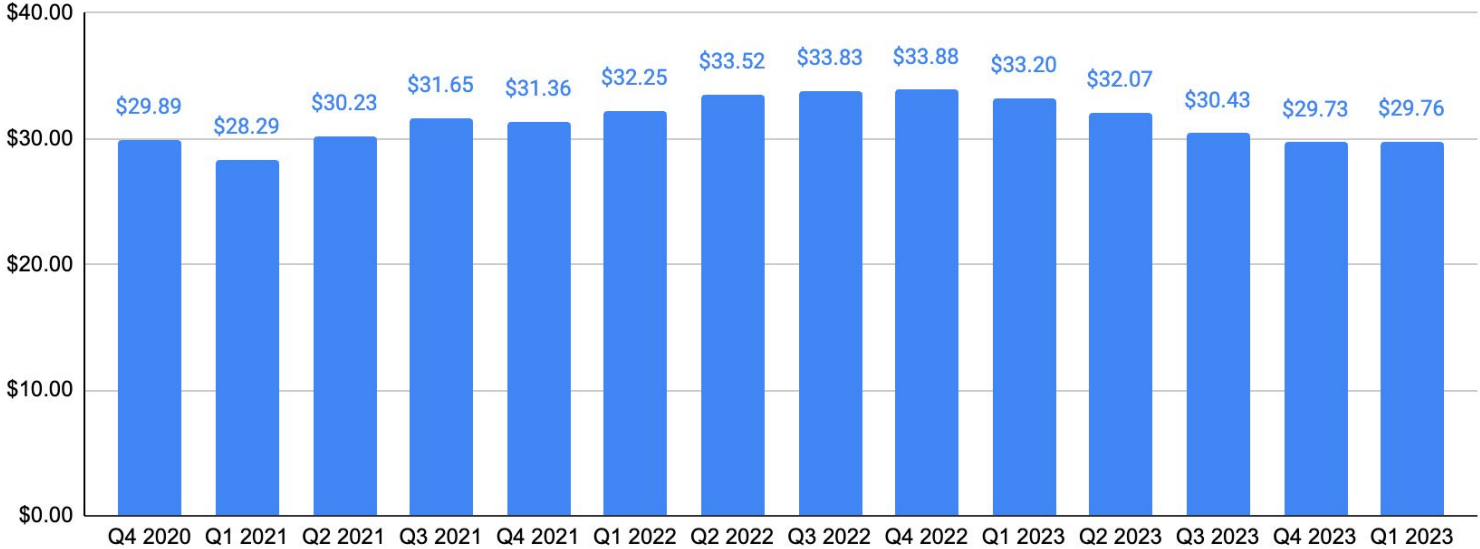


Reasons for changes

- **G&A:** Pre-IPO stock grants & employment growth (264 -> 313 -> 354)
- **Marketing:** leverage over higher sales
- **Selling:** leverage due to higher AOV

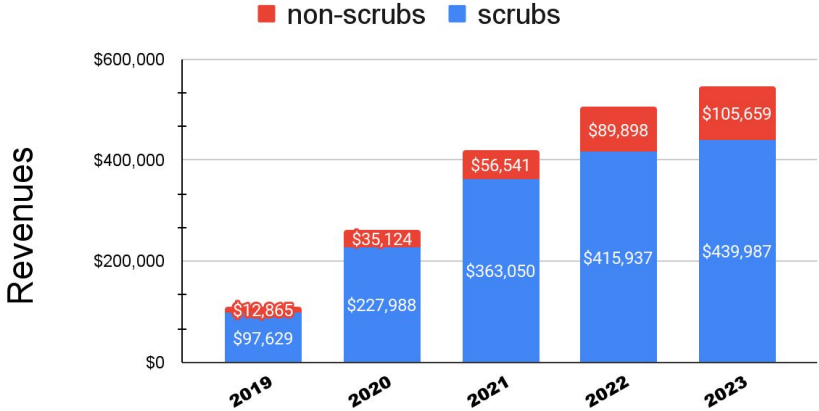
FIGS marketing spend per customer

TTM Marketing Spend Per Customer

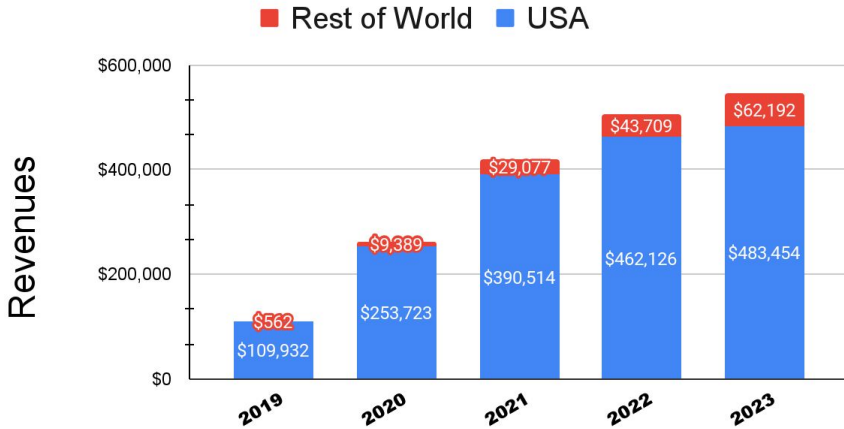


FIGS sales grew at 49% CAGR since 2019

Revenues By Product



Revenues By Geography



How FIGS makes money

- Designs products in-house (354 employees)
- Outsources manufacturing to Asia and Middle East (31% of sales¹)
- Outsources fulfillment to a 3PL company (SoCal, 23% of sales¹)
- Attracts customers with viral marketing and special events (14% of sales¹)
- Sells direct (almost 100% online)

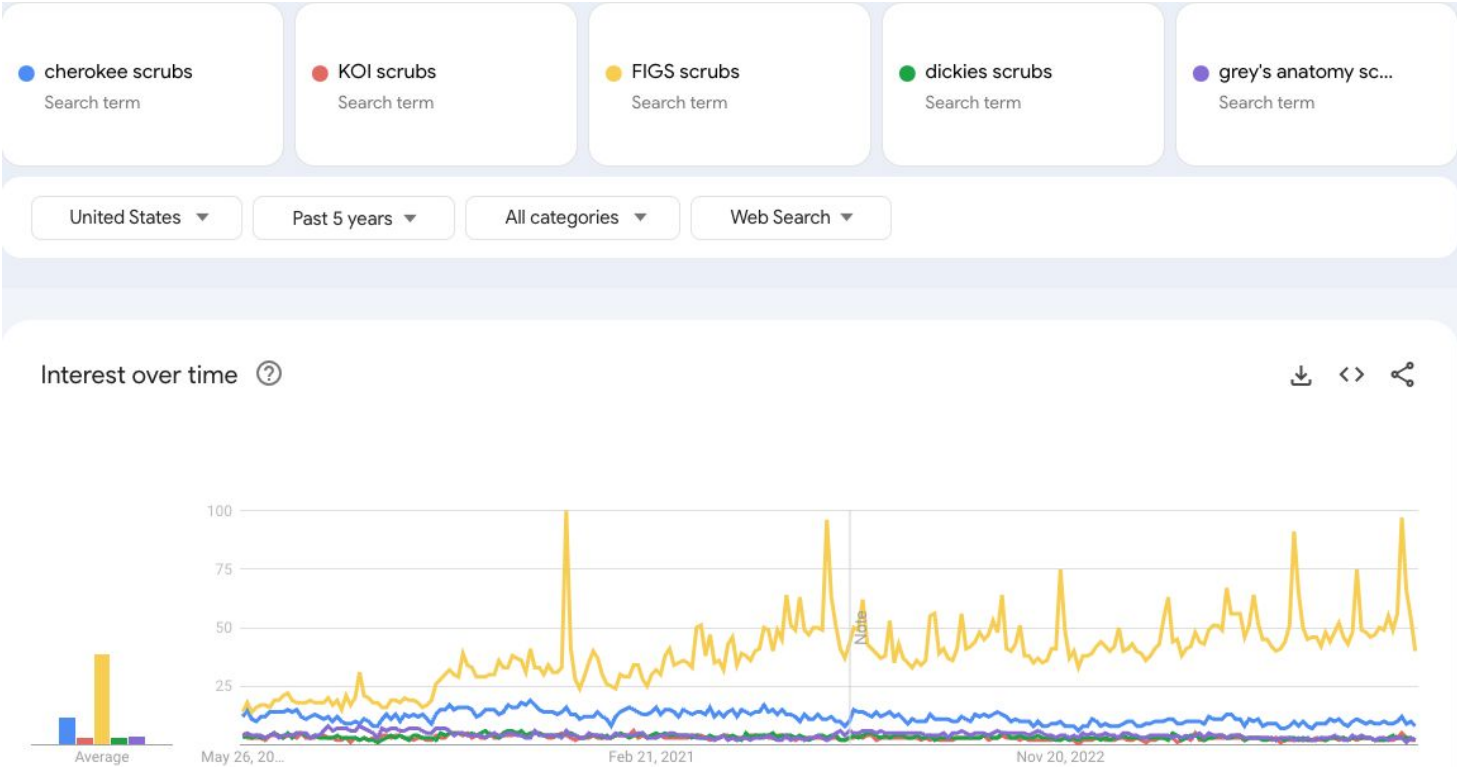
FIGS is a good business

- Low capital requirements
- Replenishable product
- Low SKU count, low inventory obsolescence, majority of inventory in “core” styles and colors
- FCF positive and growing. A potential for being a high ROIC business
 - High gross margin + economies of scale + low capital requirements

FIGS products resonate with customers

- Customers change scrubs daily, own between a week or two weeks worth
- Customers want light, comfortable, form-fitting workwear
 - long work shifts (12 hours for nurses, longer for medical residents)
 - Hospitals typically do not pay for non-sterile scrubs but have strict rules
 - Color schemes (pediatric, neonatal, technicians, social workers, etc)
 - Embroidered tops, matching bottoms
- Customers value quality when paying out-of-pocket
 - Even with frequent laundry, FIGS material resist shrinkage and retains color
 - Earned reputation as “the Lululemon of scrubs”

FIGS dominates in Google Trends (2)



FIGS dominates in Web Traffic

Traffic and Engagement

wearfigs.com had more total visits compared to mandalascrubs.com in May 2024.

	 mandalascrub...	 wearfigs.com
Total Visits ⓘ	823.9K	5.7M
Last Month Change ⓘ	▲ 19.09%	▲ 57.31%
Avg Visit Duration ⓘ	00:03:47	00:03:44
Pages per Visit ⓘ	5	6.4
Bounce Rate ⓘ	47.42%	44.83%

[Compare any site with a free trial →](#)

Total visits last 3 months ⓘ



FIGS dominates in Web Traffic

	wearfigs.com	jaanuu.com	uniformadvan...	scrubsandbey...
Total Visits ⓘ	5.7M	557.9K	2.2M	1.1M
Last Month Change ⓘ	▲ 57.31%	▲ 43.95%	▲ 12.97%	▲ 44.67%
Avg Visit Duration ⓘ	00:03:44	00:03:13	00:05:08	00:04:58
Pages per Visit ⓘ	6.4	6.97	6.36	6.51
Bounce Rate ⓘ	44.83%	43.36%	48.98%	41.84%



FIGS should resume growth

- Increase its share of the \$12B¹ and growing US healthcare apparel market
- Expand Internationally into a \$79B¹ market
- Complement with physical stores (1 in SoCal, 1 in Philly, 1 planned in NY)
- TEAMS business for the 15% of healthcare workers provided with uniforms
- Increase in sales should lead to cost leverage and growth in NI and FCF
- Exec 2021 and 2022 stock grant overhang will disappear

Risks from the Spruce Point short thesis

- Resolved
 - The stock is already within Spruce Point range of \$4.40 - \$6.05
 - International segment resumed growth
 - Careismatic (SPI) lost its lawsuit against FIGS, filed for Ch. 11 bankruptcy
 - Jeff Lawrence, “the experienced CFO”, has changed 2 more companies since
 - List of comparables is wrong, DIO calculation is COGS dependent.
- Unresolved
 - Classified board, 20-vote class B stock, founders control 82% of votes

FIGS governance is not ideal

- Classified board, 20-vote class B stock
- Hasson and Spear received pre-IPO grants exchangeable into class B stock
- Hasson and Spear have 82% voting control

Thank you



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