Progyny, Inc.
NASDAQ: PGNY
Recommendation: BUY

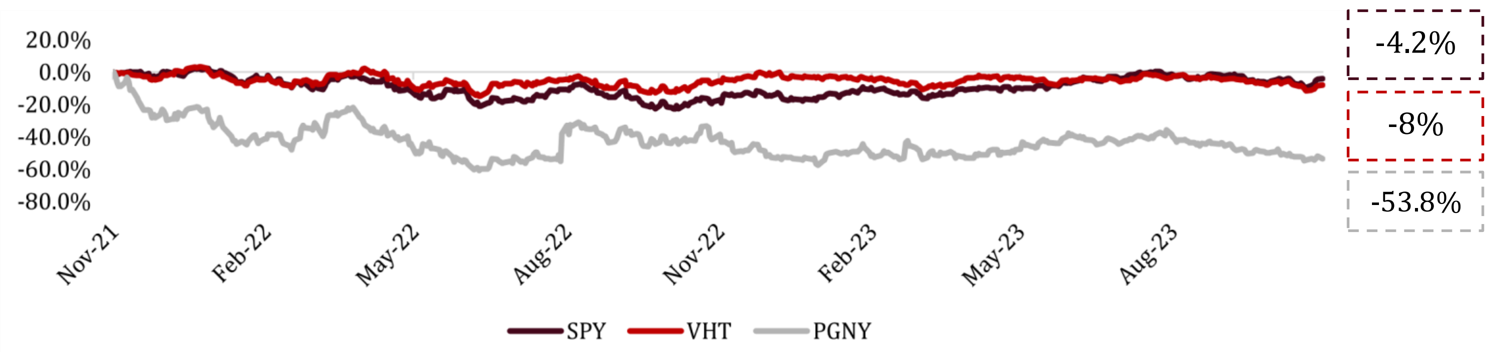
Company Data

Price.............................	**$30.83**
Market Cap...................	**$2.93Bn**
BF EV/EBITDA.............	**12.4x**
FCF Margin...................	**17.1%**
Price Target..................	**$47.48**
Upside..........................	**54.0%**

Investment Thesis

We recommend a **BUY** on Progyny, Inc. (NASDAQ: PGNY). We used a discounted cash flow valuation with conservative growth estimates to arrive at a target price of $47.48 for an implied upside of 54.0%. Progyny will be a strong addition to MEF's Healthcare portfolio due to the comprehensive solution to women's infertility that they offer and market-leading position within the family building benefits space. The company is uniquely positioned to capitalize on exponential industry growth driven by the competitive employee benefit landscape and their unique end-to-end solution. Risks that Progyny is facing include large client exposure, dilution, and increasing unemployment. Progyny is to benefit from the rise in average birthing age and current lack of adequate fertility benefits for employees.

Two-Year Performance



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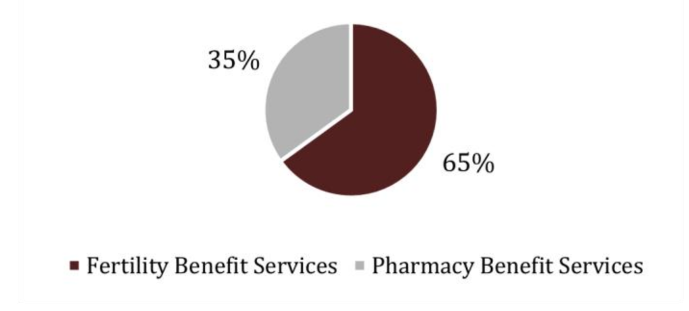
Business Overview

Progyny, Inc. is a leading benefits management company specializing in fertility and family building benefits solutions in the United States. Their services are designed to support individuals and couples who are facing fertility challenges and seeking to grow their families. Their clients span over 40 different industries and include many prominent employers such as Microsoft, Target, and ExxonMobile. Progyny's business has two operating segments, fertility benefit services and pharmacy benefits services, which represent 65% and 35% of total revenue, respectively. The fertility benefit services segment leverages the latest science and technologies with the guidance of leading fertility specialists to build customized treatment plans as well as to provide members with the necessary education and support to drive optimal clinical outcomes. Progyny's unprecedented near 100% client retention rate is a product of their top-tier member satisfaction as evidenced by their industry-leading Net Promoter Score (NPS) of 82+. The pharmacy benefits services segment, known as Progyny Rx, is an add-on service that provides members with access to medications needed during their treatment with assistance in everything from formulary plan design to medication authorization to prescription fulfillment. Through the PGNY network of specialty pharmacies, Progyny Rx minimizes dispensing and delivery time to eliminate the risk of missed treatment cycles.

Figure 1: Revenue Breakdown

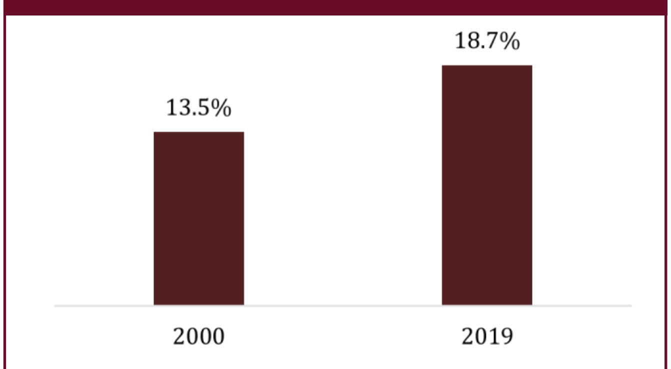


Progyny's comprehensive fertility benefits solution separates itself from other "one size fits all" fertility plans through its ability to adapt to the inherently unique needs of each individual member. This model drives efficiencies that allow PGNY to produce better results for members while reducing both upfront and subsequent costs for their clients. The process begins with the client, who are large employers, selecting which benefits package to purchase for their employees. PGNY offers 19 different Smart Cycle treatment bundles, which may be used independently or in combination depending on the member's need. Each Smart Cycle has a unit value assigned to it which correlates with the cost of service for that specific bundle. Employers pick contracts based on cumulative Smart Cycle unit value per member which can vary greatly depending on the employer's identified need. Once the employer has decided on a contract, their employees in need family building benefits can become a member of the PGNY network. Members receive access to Progyny's selective network of high-quality providers that includes over 950 fertility specialists who practice at over 650 provider clinic locations throughout the United States. This highly vetted, invite-only specialist network includes 45 of the top 50 fertility practice groups by volume in the U.S. Additionally, members are paired with a Patient Care Advocate (PCA) who have substantial fertility expertise and provide extensive clinical education, emotional support, and guidance to members. PCAs and fertility specialists offer members essential support in the process of deciding which Smart Cycle treatment bundles align with their unique needs and their intended family building pathway without the worry that their desired treatment approach will not be authorized or covered for the full treatment cycle as is common to conventional health insurance carriers (thesis 1 elaborates on this). The product of this thorough family building process are better patient outcomes and higher cost savings for employers.

End Market Overview

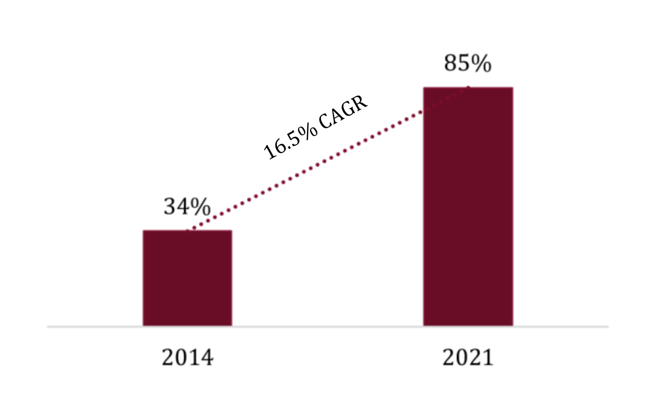
The women's fertility industry is a rapidly growing market. Over the past few years, fertility issues have become increasingly prominent and recognized, leading to a push for more employers to offer coverage for individuals that experience these issues. Globally, the World Health Organization (WHO) estimates that 1 in 6 individuals within reproductive age will experience fertility issues. This is up from 2019, when the data pointed to 1 in 8 individuals experiencing these issues. There are multiple reasons believed to be contributing to the uptick in infertility, with the largest being the push to delay family building to later in life. Delaying family building has resulted in women aged 35 or older representing 18.7% of the births in the U.S. in 2019, up from 13.5% in 2000. Age is directly correlated to fertility, with women over 30 seeing their chance of getting pregnant decline by 3% per year. Age-related fertility decline is a common occurrence due to a combination of factors, with the most prominent being a decline in oocyte quality and quantity. The combination of a high-quality oocyte being considered the key for fertility, the quality and quantity of oocyte's decreasing with age, and an increased number of couples choosing to delay family building has led to a greater prevalence of fertility issues globally.

Figure 2: Births in US by Mothers 35+



Infertility is one of the only prevalent medical conditions that has only limited coverage to no coverage at all from major insurance providers. This lack of coverage has led to many families having to pay high out-of-pocket costs for treatment or being unable to access treatment altogether. In 2020, 90% of all costs in the fertility space were paid out-of-pocket, making access to fertility treatment unobtainable for most families. The fertility TAM is estimated to be

Figure 3: Percent of Companies Offering Mental Health Benefits



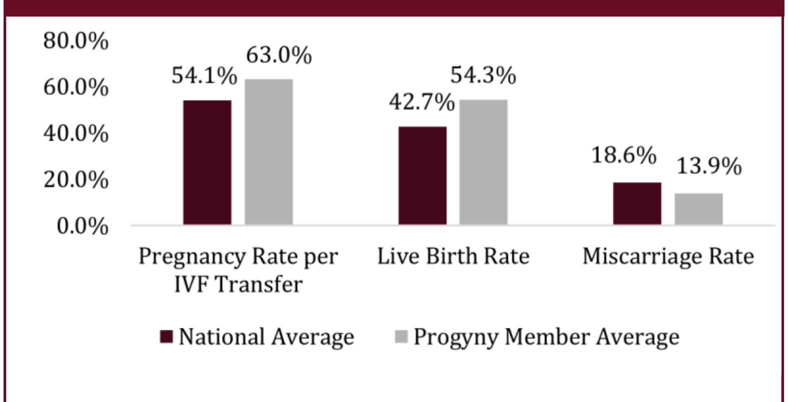
~$10Bn spanning 8,000 companies and 75 million total lives. Currently, it is estimated that between 40-50% of employers offer some sort of fertility benefits. Of the companies that offer coverage, only 12% have no limit to their fertility benefits, illustrating substantial whitespace within the industry. These companies generally offer benefits through conventional health insurance carriers that have a limited lifetime dollar maximum and "one size fits all" protocols that are designed to control the utilization and ultimately limit the quality of coverage to patients. Non-encompassing infertility coverage can lead to greater costs for employers and an increased mental toll on employees, as poor clinical decisions can be made due to financial pressure that can lead to multiple births or miscarriage.

As previously mentioned, the end market for fertility insurance services are companies with large employee bases spanning across every industry. Within the U.S., multiple large companies have looked to cut workforce and employee benefits over the past 12 months as the economy pulls back and consumers brace for a recession. While major layoffs have occurred, the labor market has overall remained resilient. Although some industries experienced layoffs, others have added onto their workforce, ultimately resulting in an increase in the number of full-time employees in the United States. Since September 2021, full-time employees have increased by 4.7%, and 1.5% since September 2022. Unemployment rates have also remained low, further emphasizing the resiliency of the current labor market. Although some major employers have cut benefits for employees, medical services such as fertility benefits are much stickier and less likely to be cut than other benefits. Additionally, 97% of employers report that adding fertility benefits has not resulted in an increase in costs. The importance of family building benefits to millennials coupled with few employers reporting increased costs from fertility benefits illustrate the resilience of these benefits, even if economic conditions were to deteriorate.

Thesis 1 - Efficiencies of Comprehensive Fertility Solution Translate to Top and Bottom-Line

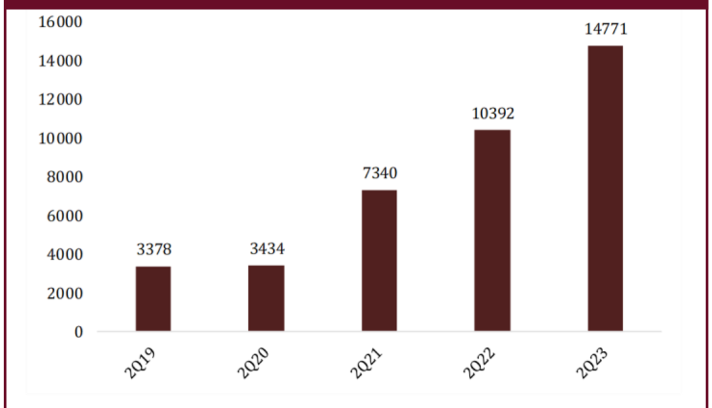
Progyny's ability to consistently deliver better results for patients at lower costs than health insurance carriers is a product of the efficiencies they generate through their end-to-end fertility solution. Management's dual focus on achieving better outcomes for patients while driving down costs for clients allows them to attract and retain the most prominent employers across a multitude of industries. Progyny first started offering fertility benefits in 2016 with five clients. Today, the company has over 370, retaining nearly 100% of all clients since those initial five, a testament to the quality of their offerings. This focus on delivering a truly comprehensive product to those in need of family building benefits greatly separates Progyny from conventional health insurance carriers who offer fertility benefits and has translated to immense growth for the business.

Figure 4: Superior Outcomes



In recent years, conventional health insurance companies have shifted to a utilization management model of care. In this model, cheaper treatment methods must be exhausted before the most optimal treatment for the patient is covered by their insurance. While this is a useful tool for health insurance carriers who treat many different diseases to balance cost control with quality of care, it has costly shortcomings for those in specific need of fertility coverage. This is due to the lifetime maximums that are common to conventional health insurance coverage of infertility which typically range from $30,000 and $50,000 per patient. With the utilization management model, up to $10,000 of patients' limited lifetime maximum are spent on testing out the cheapest options of solving infertility with no guarantee of success. After these cumulatively expensive methods have been exhausted, patients may look to in vitro fertilization (IVF) to become pregnant which can cost between $15,000 and $30,000 per cycle. Multiple cycles are usually required to achieve live birth. An IVF cycle entails two procedures, a retrieval of mature eggs followed by an embryo transfer. If a patient covered by conventional health insurance carriers needs IVF, they will likely exceed their lifetime maximum and face substantial out-of-pocket costs in absence of insurance for such procedures which may deter them from continuing with the process. This is a clear shortcoming of the conventional health insurance fertility benefits plans - they do not benefit all. On the contrary, Progyny's family building benefits are built to help all prospective parents meet their family building goals regardless of need. Progyny's fertility solution avoids the inefficient treatment trial stage by leveraging advanced diagnostic testing and support of industry leading fertility specialists to build treatment plans that best fit the unique needs of the patient, saving the employer and patient from high costs associated with unnecessary trial testing. The IVF process offers a good example of the superior results Progyny generates. The retrieval portion and the related medication represent a substantial majority of the overall cost of an IVF cycle. Through Progyny an average of 2.2 retrievals are required to achieve a live birth, over one procedure less than the national average of 3.5 retrievals per live birth. Overall this translates to higher live birth rates for Progyny members at 54.3%, over 11% higher than the national average of 42.7%. In addition to the higher success rates, they have a 13.9% miscarriage rate compared to the national average of 18.6%. These better clinical outcomes (see fig. 4) are a key reason employers stick with Progyny, producing an average of 30% savings for clients.

Figure 5: ART Growth



The exponential growth in the number of assisted reproductive technology (ART) cycles they have performed over the past several years proves that employers are increasingly looking to Progyny to meet their fertility benefits needs. In 2Q19, they performed 3,378 ART cycles, growing to 7,340 in 2Q21, and 14,771 in 2Q23, representing a 45% CAGR over the four years. Over the same period, their top-line grew at a ~51% CAGR. Furthermore, their profitability, most accurately represented with adjusted EBITDA, has grown at a 62% CAGR over the past four years. The bottom line is that insurance companies have to do what is most economical for their multifaceted businesses which results in a trade-off being made that does not benefit all prospective beneficiaries. As Progyny focuses purely on fertility benefits, they do not have to grapple with this trade-off which has and will continue to result in considerable growth, benefiting both top and bottom line results due to economies of scale.

Figure 6: Top and Bottom Line Growth

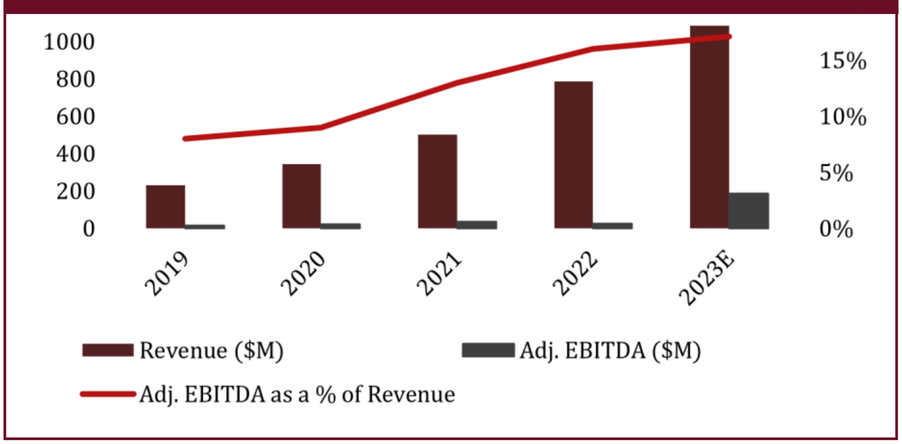
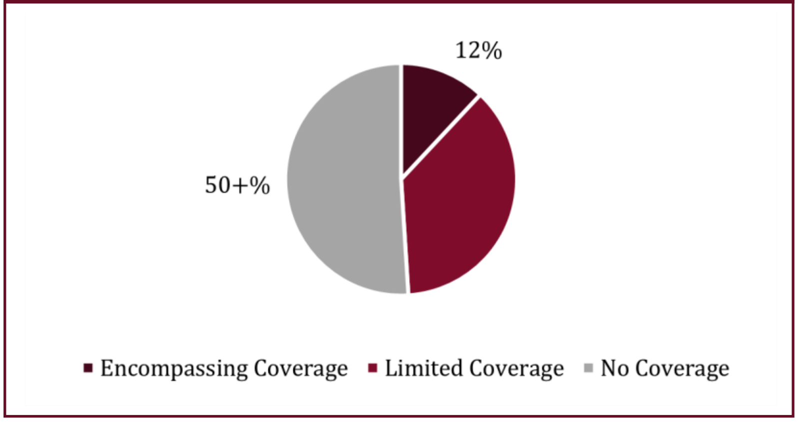


Figure 7: Fertility Coverage by Employers

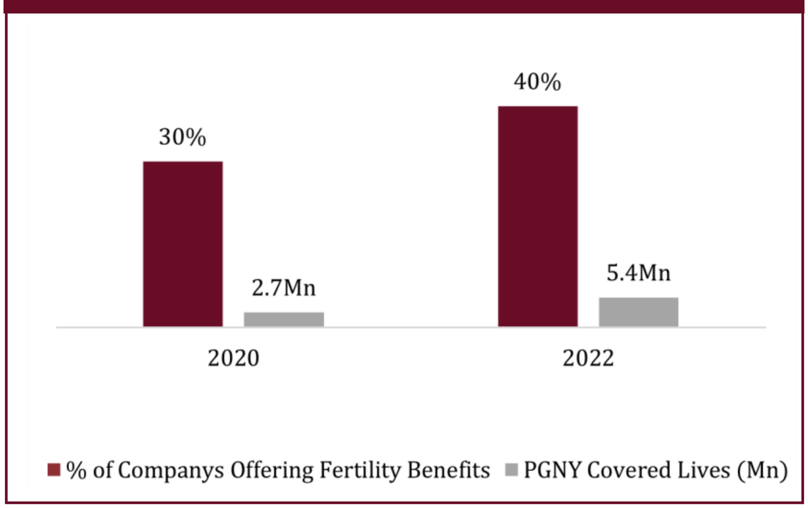


Thesis 2 - Exponential Growth Opportunity Driven by Competitive Employee Benefits

One of the major trends within the fertility industry that Progyny has been able to identify and capitalize on is the flywheel effect, where when one company begins to offer new health insurance benefits, other companies within the same industry often follow suit to remain competitive in attracting top talent. The evolution of family leave, including maternity and paternity leave, offers a strong example of this effect. In 1988, when family leave statistics first began to be collected, unpaid maternity and paternity leave were only accessible to 33% and 16% of workers, respectively; however, over time, the impact of the flywheel effect saw unpaid family leave rates jump to 90%. Paid family leave has also seen exponential growth with 24% of employees currently having access to paid family leave, up from 10% in 2010, and ~2% in the late 1980s. Additionally, the flywheel effect has significantly impacted mental health benefits offered to employees. In 2021, ~85% of employers offered mental health benefits, an exponential increase when compared to the 34% of employers that offered these benefits in 2014. Both of these examples illustrate that employers have continued to recognize the importance of competitive employee benefits over time and as major employers adopt certain benefits, other employers follow suit.

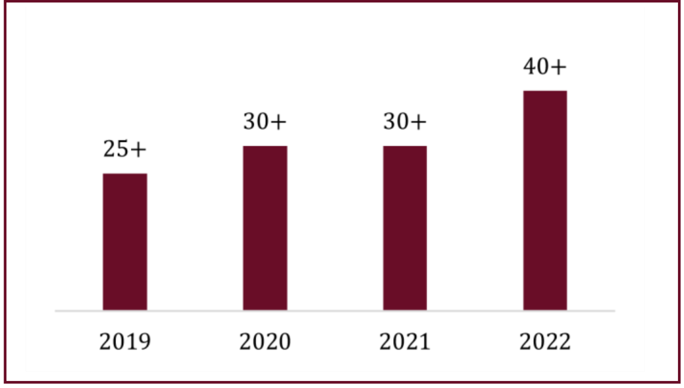
Over the past decade, fertility benefits offerings have grown at a ~10% CAGR, yet we believe that this is just a glimpse of the total opportunity within the market. We view the fertility benefits space as still being in an early adoption phase, with double-digit growth rates expected to continue for the foreseeable future. As mentioned in the industry overview, less than 50% of employers offer any sort of fertility benefits coverage, with only ~12% offering all-encompassing benefits. As is characteristic of the flywheel effect, if one company decides to add fertility benefits, others within the industry are pressured to follow to remain competitive in attracting top talent. Our conviction that Progyny will be able to capitalize on the flywheel effect comes from their ability to do so in the past. For example, in 2019, Progyny entered the healthcare industry through a contract with a single healthcare employer. Four years later, Progyny has over 30 healthcare clients representing ~600,000 covered lives, ~11% of their total covered lives. This growth within the healthcare industry illustrates Progyny's ability to rapidly expand clients within an industry once they have entered it; however, healthcare is not the only industry that they have been able to penetrate. In 2022, Progyny added clients in 30 of the 40 industries that they occupy. As Progyny continues to enter into new industries by adding that first client, other industry competitors will follow.

Figure 8: Percent of Companies Offering Fertility Benefits vs PGNY Covered Lives



Progyny has continued to grow their clients, covered lives, and ultimately their revenues through capturing whitespace within the fertility industry. From 2019 to 2022 Progyny grew covered lives from 2.1 million to 5.4 million, a 37% CAGR, while boosting their market share by 2.6x despite the rapidly growing market itself. Using these numbers as a benchmark for growth potential while additionally taking into consideration management's conviction

Figure 9: Number of Industries PGNY Has Clients In



that Progyny is in the early stages of penetrating the over 40 industries they have partnerships within, we believe it is fair to assume that covered lives will grow at a ~24% CAGR over the next five years. Management has echoed that their covered lives today represent "only a fraction of our true market opportunity" and due to their industry-leading position in the rapidly expanding market, we believe the company is adequately positioned to rapidly increase market share over the next 5 years. Using this growth rate, covered lives would total ~17.6 million by FY27, representing a ~21.7% market share within their future TAM of ~81.2 million lives, up from 5.4 million and ~7.2%, respectively. Covered lives are directly connected to revenue, with each covered life representing ~$146 in revenue for the company. Using our FY27 projected covered lives, which is ~12.2 million more than they currently have, we arrive at a potential $1.75 billion revenue boost over our investment horizon. Furthermore, the basis for our conviction in Progyny's ability to outgrow the industry is tied to their ability to do so historically. From 2020 to 2022, the number of employers that offered some type of fertility benefit plan increased 33%. During the same period, Progyny increased their covered lives by 100%, representing a 26% CAGR. We view this exponential growth in covered lives and market penetration as the flywheel effect in practice.

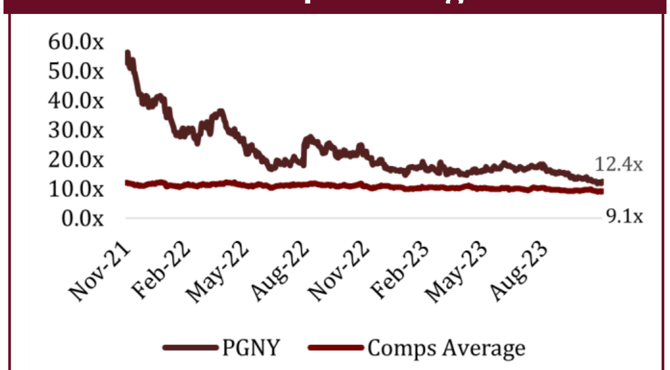
Progyny's 2023 selling season, which lasts between Q2 and Q3, has positioned them to capitalize on this flywheel effect over the coming years. The company was able to increase the total number of industries they service by 33%, from 30 to 40. Major players within the new industries that Progyny expanded into, such as automobile manufacturing, hotel and hospitality, and state universities, will also need to ramp-up their fertility benefits offerings to continue to compete with companies within their industry. This creates a major tailwind for Progyny over the coming years, as other companies look to Progyny to match competitors' benefits.

Ultimately, the early and rapidly growing stage that fertility benefits offerings is in, the growing diversity of industries that Progyny has partnerships in, the end-to-end family building solution that they offer, and the company's ability to consistently outgrow the industry places Progyny in an optimal position to capitalize on the whitespace within the family building benefits market.

Thesis 3 – Valuation Commentary

Progyny is currently trading at an EV/EBITDA of 62.8x and a PE of 56.6x. While these multiples are relatively high compared to where most companies trade, it is important to put into perspective what investors care about when looking at this company. The story with Progyny comes from future growth, with investors being focused on adjusted EBITDA and revenue growth going forward rather than what the company is currently generating. This results in a premium being attached for high future earnings potential. When looking at Progyny's EV/EBITDA on a blended forward (BF) basis by taking a weighted average EBITDA using projections over the next two fiscal years and the company's current enterprise value to arrive at a multiple, the company trades much more in line with typical companies within the industry and is trades at discount to themselves historically. Progyny is currently trading at a BF EV/EBITDA of 12.4x, meaningfully below their historical average of 22.8x and

Figure 10: PGNY 2-Yr BF EV/EBITDA vs Comps Average



three turns above the mean of their peer group that we identify in our comparable company's analysis. Over the last two years, Progyny has seen their BF EV/EBITDA range from 56.2x to 11.7x, making the 12.4x multiple they are trading one of their lowest in the past two-plus years. This illustrates that Progyny is currently trading at a discount compared to what investors have been willing to pay for their future EBITDA historically. Comparing this multiple to their comparable companies, Progyny is trading at a slight premium, with the mean BF EV/EBITDA of the comparable companies being 9.5x. While Progyny is trading at a premium, this premium is much less than in the past, given the comparable companies' fairly consistent multiple overtime while Progyny is near its two-year low. Furthermore, looking at the growth profile of Progyny compared to the companies within their comparable companies set, Progyny is expected to see rapid EBITDA growth continue beyond just the next 2 years which is not taken into account with this forward multiple. Outside of 2023 and 2024, Progyny is expected to see their EBITDA grow 21%, 31%, and 23%, respectively, from 2025 to 2027. Looking at other companies within their comp set for 2025, the median growth rate is only 13%, well below the 21% Progyny is expected to experience. Looking at 2026 and 2027, of the four comparable company's companies that have projections that far out, EBITDA growth is expected to be at 9.5% and 13%, respectively, also well below the 31% and 23% growth Progyny is expected to have on their EBITDA. When investors look at Progyny, they are not buying it for today's EBITDA, but the potential the company has to grow its EBITDA in the future. Due to this, we do not view their high EV/EBITDA and PE multiples compared to our comparable companies as making PGNY overvalued.

Catalyst

Company Oriented

a) <u>Expansion of Offerings</u>

While Progyny currently deals with women's fertility issues, they have also been working to expand into male infertility and menopause. The company expanded services into male infertility early FY23, and the continued penetration of this large and growing industry provides upside potential. Additionally, menopause has been identified as the next area Progyny is looking to add services for. Menopause affects women between 45 and 55, with surveys finding that menopause causes ~15% of women to miss work. Due to the severe lack of menopause coverage at the workplace, menopause symptoms add up to ~$1.8 billion in lost work time each year within the US, incentivizing employers to offer some sort of menopause benefits going forward. Entering this industry provides Progyny with an opportunity to cross-sell new services with their current clients, helping to boost revenue.

b) <u>Expansion into Canada</u>

Progyny mentioned plans to expand their business into Canada during 2H22; however, they have yet to report any meaningful advancements within the region. Canadian expansion would allow Progyny to expand their relationships with their larger, international clients, giving Progyny immediate access to covered lives when they enter the country, translating into a large revenue boost. Additionally, Canada will expand Progyny's TAM, giving them access to new clients and covered lives that they cannot currently access being located only in the United States.

Industry Oriented

c) <u>Later Birthing Ages</u>

Progyny's business will continue to benefit from the increasing number of women who are choosing to have children later in life. Birthrates in the US have been declining due to women under the age of 34 having children less than in the past. Instead, women are choosing to have babies later in life, with birth rates for women over 35 increasing at more than 2% a year. As discussed in the end market overview, as women get older, it is harder for them to have children, resulting in an increased need for fertility assistance. Women holding off having children until later in life provides a tailwind for the fertility industry moving forward.

d) <u>Increasing Prevalence of Infertility</u>

Infertility has been increasing within the United States, further pushing employers to recognize the importance of infertility benefits. As discussed in the end market overview, 1 in 6 individuals experience infertility issues, a number that has risen since 2019. As infertility levels increase, so has the percentage of babies conceived through assisted reproductive technology (ART). During 2022, the percentage of babies conceived using ART increased 30bps to 2.3%, the largest year over year increase ever. We believe this is driven by the increased incidence and prevalence of the condition. As there is a continued need for fertility services, employees will look for employers who offer these benefits, helping to push forth the flywheel effect discussed in thesis 2.

e) Industry Tailwinds

Family benefits are becoming more sought after by employees and employers are beginning to recognize this and take action. According to Mercer, nearly two-thirds of large employers are planning to enhance their health and well-being coverage in 2024. As large employers look to continue to add benefits to acquire and maintain employees, the fertility benefit industry will see increased demand. Additionally, 78% of large employers are looking to improve health equity. Fertility services are becoming increasingly prominent for LGBTQ+ couples looking to have children. As companies continue to look to improve their health equity and health coverage, the fertility industry will be at the forefront.

Risks
Business Oriented
a) Client Exposure

Currently, Progyny's two largest clients are responsible for 16% and 10% of their revenues respectively, or 26% combined. If one of these clients decides not to renew their contract with Progyny or to cut the benefits they offer to employees, this will be a serious blow to the revenues of the company. Although exposure does provide a risk for future revenues, Progyny has a track record of maintaining their clients once they add them on, with the company having a near 100% retention rate for over seven years. Additionally, as the company has expanded, these large customers have represented lower amounts of their total revenue, with the clients representing 34% in 2021 compared to 26% in 2022. Other than the two largest clients, no other client represents more than 10% of the company's revenue.

b) Dilution

Progyny has consistently used stock-based compensation instead of directly paying employees, ultimately impacting shareholders and giving them a smaller claim of the company's profits. From FY20 to 2Q23, Progyny increased their shares outstanding from 86.6 million to 95.4 million. Much of this dilution is coming from stock-based compensation, which has been rising over the last three years. Stock-based compensation represented $100 million in FY22 compared to $12.8 million in FY20. If share-based compensation continues to rise and dilution continues, investors will continue to have a smaller claim to Progyny's profits over time.

Industry Oriented
c) Rising Unemployment Rate

One of the main drivers in fertility benefits is being able to compete with other companies for talent in the hiring process and maintain current employees. Through 2023, the job market has remained relatively tight, continuing to incentivize employers to increase benefits. Although the job market remains tight, unemployment has been rising, increasing from 3.4% in January to 3.9% in October 2023. If unemployment continues to rise, employers may be less incentivized to add fertility benefits, as they would have a greater pool of prospective employees and not have to compete as much with other companies as much to fill the same position.

d) Industry Exposure

As discussed in the industry overview, Progyny's profits are directly related to the number of employees their clients have. While the company has not been overly affected by job cutting so far, layoffs are still occurring within certain industries that Progyny has exposure to, such as the technology industry that represents ~19% of Progyny's revenue. The technology industry has been the most prominent in cutting jobs, with ~152k technology layoffs through the first nine months of 2023. Management has stated they have seen impacts from layoffs, but they have been offset by continued expansion of the workforce from different clients. If the macroeconomic condition was to continue to deteriorate and more employees get laid off, particularly in industries Progyny has large exposure to, Progyny's covered lives and revenues will ultimately be impacted.

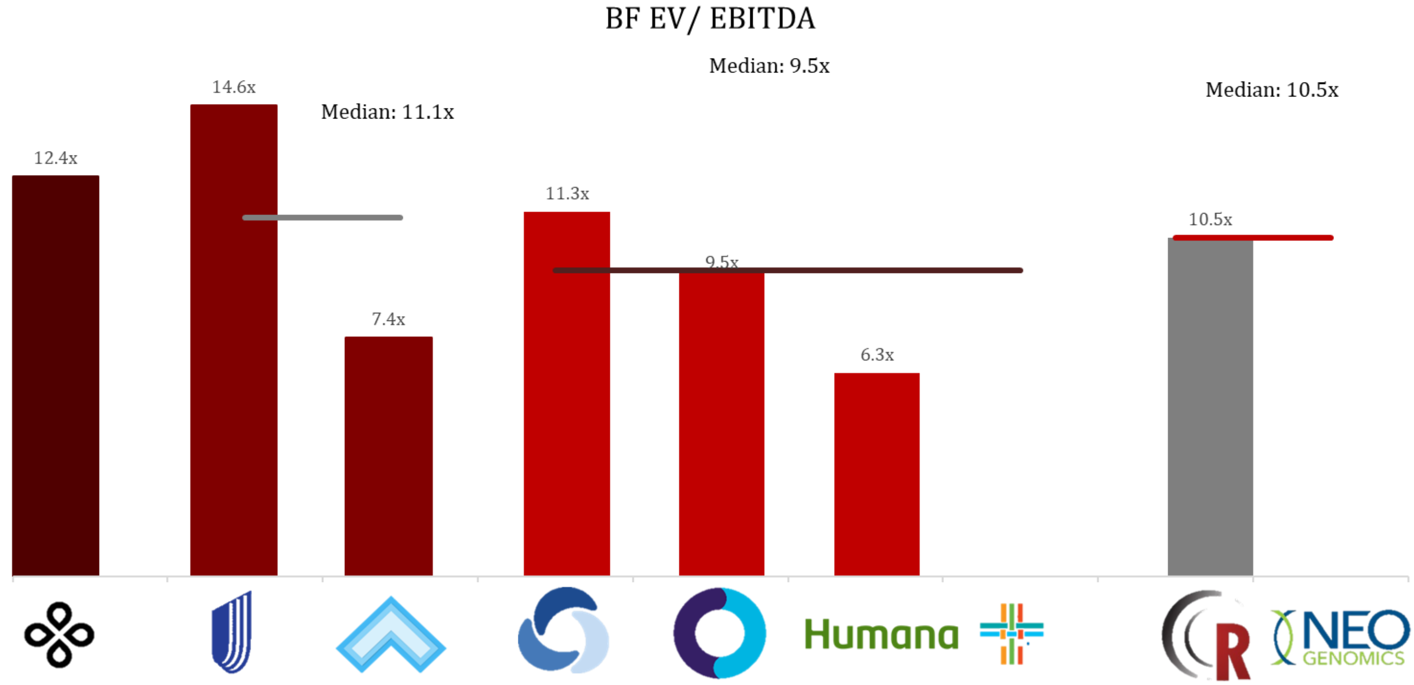
Comparable Company Analysis

Progyny ($ in millions, except per share data)										
Company	Ticker	Market Cap ($M)	P/E	EV/ EBITDA Adj.	Blended Forward EV/EBITDA	Operating Margin	FCF Margin	Net Debt/ EBITDA	EPS - 1 Yr Growth	Sales 3-yr Avg. Growth
Progyny	**PGNY**	**$2,939**	**62.8x**	**56.6x**	**12.4x**	**5.44%**	**17.1%**	**-5.6x**	**60.0%**	**50.8%**
Insurance Companies with Fertility Benefits Offerings										
UnitedHealth Group	UNH	$496,630	23.3x	14.5x	14.6x	9.2%	7.3%	0.5x	10.8%	10.3%
Elevance Health	ELV	$106,086	15.1x	7.7x	7.4x	4.5%	4.9%	-1.2x	-18.1%	14.6%
Mean		**$496,630**	**15.1x**	**11.1x**	**11.0x**	**6.8%**	**6.1%**	**-0.3x**	**-3.6%**	**12.4%**
Median		**$496,630**	**15.1x**	**11.1x**	**11.0x**	**6.8%**	**6.1%**	**-0.3x**	**-3.6%**	**12.4%**
Managed Care Companies										
Humana Health	HUM	$59,266	17.6x	6.9x	6.3x	5.7%	4.9%	-3.8x	-28.7%	12.8%
TelaDoc Health	TDOC	$2,803	-	32.4x	9.5x	-9.8%	10.4%	-	22.2%	67.3%
Apollo Medical Holdings	AMEH	$1,769	22.4x	12.5x	11.3x	0.1%	4.6%	-0.5x	3.7%	27.7%
Alignment Healthcare	ALHC	$1,201	-	-	-	-5.1%	3.1%	-	-150.0%	23.8%
Mean		**$16,260**	**20.0x**	**17.3x**	**9.0x**	**-2.3%**	**5.7%**	**-2.1x**	**-38.2%**	**32.9%**
Median		**$2,286**	**20.0x**	**12.45x**	**9.5x**	**-2.5%**	**4.7%**	**-2.1x**	**-12.5%**	**25.7%**
Healthcare Diagnostics Companies										
RadNet	RDNT	$1,853	-	16.8x	10.50x	6.1%	-4.9%	6.5x	-	8.1%
Neogenomics	NEO	$1,839	-	-	286.10x	-20.4%	-11.6%	-	32.1%	7.6%
Mean		**$1,846**	**#DIV/0!**	**16.8x**	**148.30x**	**-7.2%**	**-8.3%**	**6.5x**	**32.1%**	**7.9%**
Median		**$1,846**	**#NUM!**	**16.8x**	**148.30x**	**-7.2%**	**-8.3%**	**6.5x**	**32.1%**	**7.9%**

Comparable Company Commentary

For our comparable company analysis, we chose to compare Progyny over three different buckets. Keep in mind that there are no true public comparables to Progyny as the pure-play fertility solution they provide make them the stand-alone market leader. The first bucket is insurance companies with fertility benefits offerings which consist of UnitedHealth Group and Elevance Health. The companies in this bucket are the most comparable to PGNY as insurance companies with fertility benefits offerings are their primary competitors in the public markets. The second bucket is composed of managed care companies including Humana Health, TelaDoc Health, Apollo Medical Holdings, and Alignment Healthcare. Considering the integral role that PGNY's care management and support services play in setting their comprehensive product apart from others, we felt it would be relevant to compare companies who generate revenue primarily through these initiatives. Our third bucket is healthcare diagnostics companies, consisting of RadNet and Neogenomics. We decided to include these companies due to the importance of technology and diagnostic testing in PGNY's fertility solution.

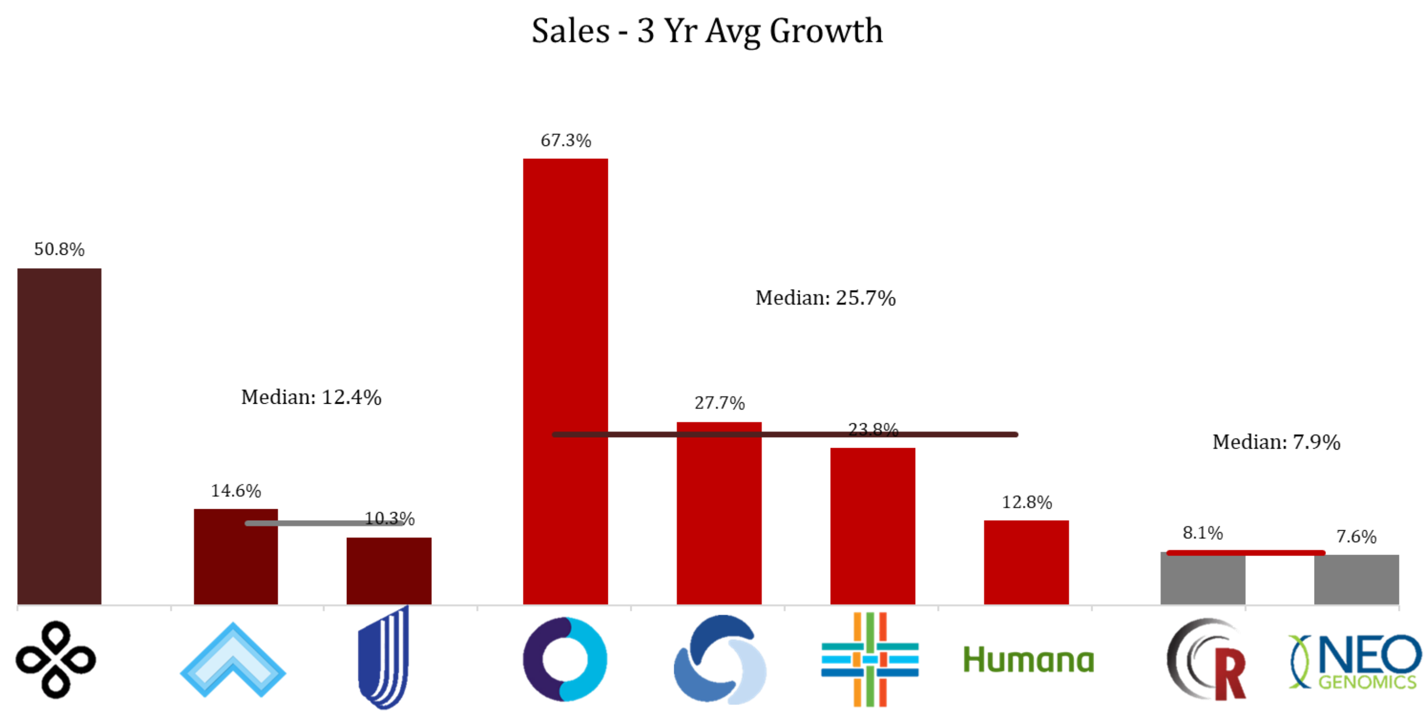
Comparable Company Analysis



Insurance with Fertility Benefits

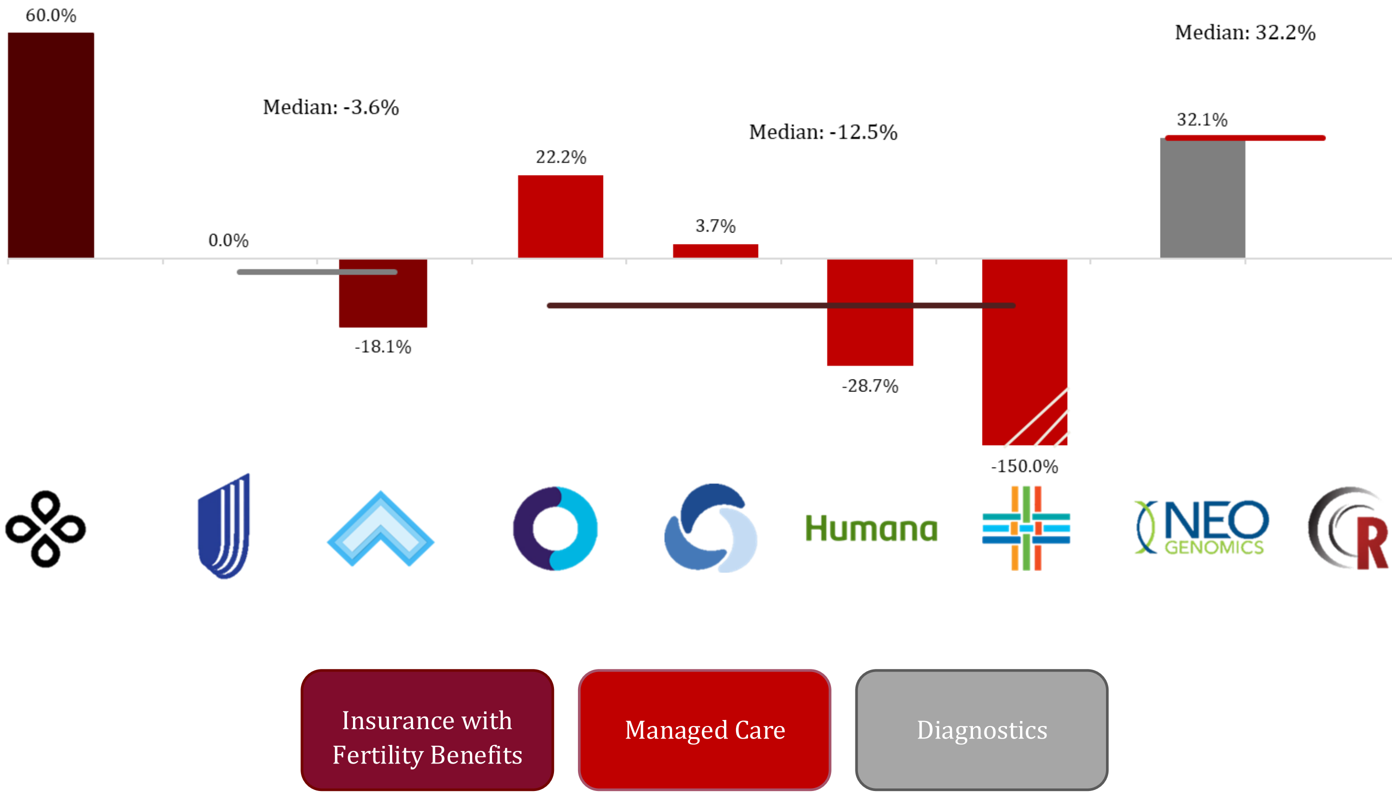
Managed Care

Diagnostics

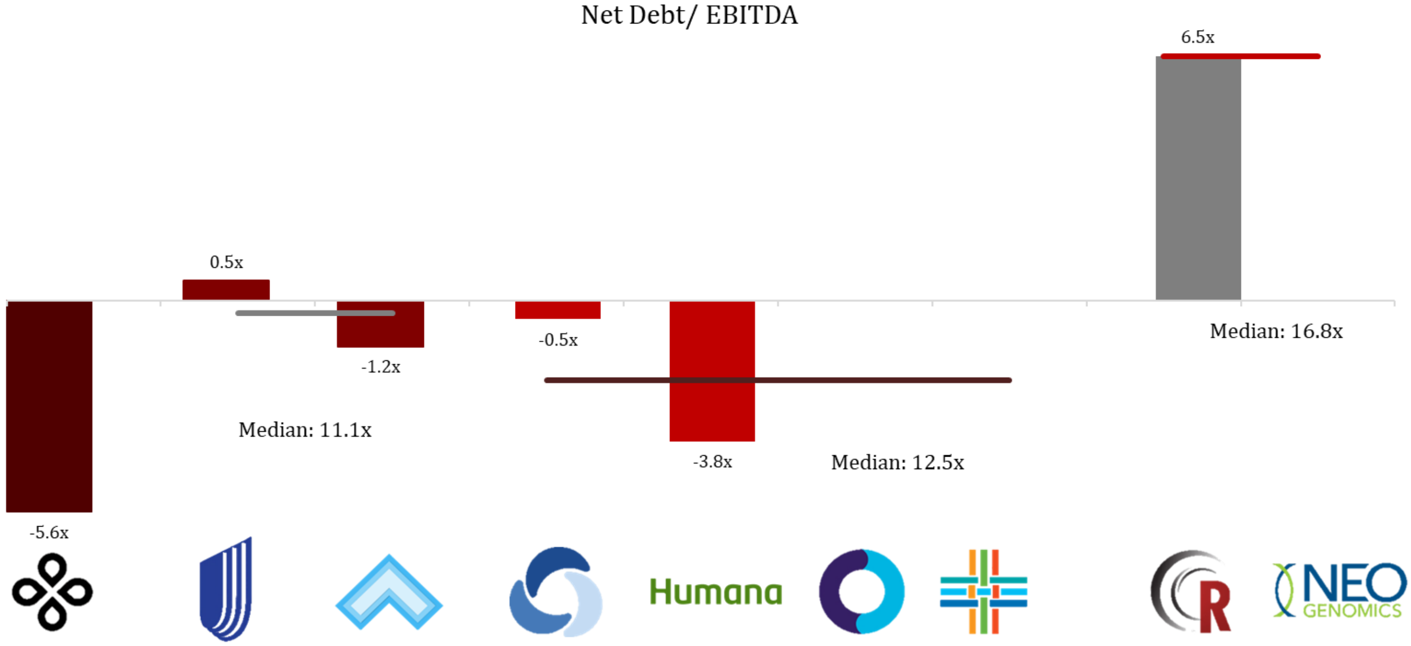


Comparable Company Analysis

EPS Growth YoY



Net Debt/ EBITDA



Valuation

General Assumptions	
Share price as of last close	$30.83
Latest closing share price date	11/6/2023
Latest Basic Share Count	92
Latest Diluted Share Count	100
Weighted Average Cost of Capital	11.8%

Free Cash Flow Build	FY18	FY19	FY20	FY21	FY23	FY24	FY25	FY26	FY27
EBIT	10	8	32	23	59	88	123	199	268
Income Tax Expense	0	(38)	(33)	(6)	2	13	27	44	59
EBIAT	10	46	66	29	57	74	96	155	209
Add: Depreciation and Amortization	2	2	1	2	3	3	3	4	4
Less: Changes in Working Capital	17	(13)	37	45	(16)	6	9	18	10
Less: Capital Expenditures	3	1	2	3	4	5	7	8	10
Unlevered Free Cash Flow					71	65	83	132	194
Time Until Cash Flow					0.15	1.15	2.15	3.15	4.15
Present Value of FCF					70	58	66	93	122

Exit EBITDA multiple approach	
Terminal year Adjusted EBITDA	492
Terminal value Adjusted EBITDA multip	13.18x
Terminal value	6,487
Present value of terminal value	4,076
Present value of stage 1 cash flows	408
Enterprise value	**4,483**

Exit Multiple

WACC	10.18x	10.68x	11.18x	11.68x	12.18x	12.68x	13.18x	13.68x	14.18x	14.68x	15.18x	15.68x	16.18x
9.80%	33%	38%	44%	49%	54%	60%	65%	71%	76%	81%	87%	92%	98%
10.30%	30%	36%	41%	46%	52%	57%	62%	68%	73%	78%	84%	89%	94%
10.80%	28%	33%	39%	44%	49%	54%	60%	65%	70%	75%	80%	86%	91%
11.30%	26%	31%	36%	42%	47%	52%	57%	62%	67%	72%	77%	82%	88%
11.80%	24%	29%	34%	39%	44%	49%	54%	59%	64%	69%	74%	79%	84%
12.30%	22%	27%	32%	37%	42%	47%	52%	57%	62%	66%	71%	76%	81%
13.80%	16%	21%	26%	30%	35%	40%	44%	49%	54%	58%	63%	68%	72%
13.30%	18%	23%	28%	32%	37%	42%	47%	51%	56%	61%	66%	70%	75%
14.80%	13%	17%	22%	26%	31%	35%	40%	44%	49%	53%	58%	62%	67%

WACC	11.8%
Beta	1.36
Risk Free Rate	4.9%
ERM	10.0%
Market Value of Equity	3,082
Weight of Equity	100.0%
Cost of Equity	**11.8%**
WA Interest rate	0.0%
Tax Rate	22.0%
Value of Debt	-
Weight of Debt	0.0%
Cost of Debt	**0.0%**
Calculated WACC	11.8%
Bloomberg WACC	13.0%

Valuation	
Enterprise Value	4,483
Less: Net Debt	(263)
Equity Value	4,746
Diluted Shares Outstanding	100
Equity Value Per Share	**$47.48**
Implied Upside	54.0%

Exit Multiple

WACC	10.18x	10.68x	11.18x	11.68x	12.18x	12.68x	13.18x	13.68x	14.18x	14.68x	15.18x	15.68x	16.18x
9.80%	$ 40.9	$ 42.6	$ 44.2	$ 45.9	$ 47.6	$ 49.3	$ 50.9	$ 52.6	$ 54.3	$ 55.9	$ 57.6	$ 59.3	$ 60.9
10.30%	$ 40.2	$ 41.9	$ 43.5	$ 45.1	$ 46.8	$ 48.4	$ 50.0	$ 51.7	$ 53.3	$ 55.0	$ 56.6	$ 58.2	$ 59.9
10.80%	$ 39.5	$ 41.2	$ 42.8	$ 44.4	$ 46.0	$ 47.6	$ 49.2	$ 50.8	$ 52.4	$ 54.0	$ 55.6	$ 57.2	$ 58.8
11.30%	$ 38.9	$ 40.5	$ 42.1	$ 43.6	$ 45.2	$ 46.8	$ 48.4	$ 49.9	$ 51.5	$ 53.1	$ 54.7	$ 56.3	$ 57.8
11.80%	$ 38.3	$ 39.8	$ 41.4	$ 42.9	$ 44.5	$ 46.0	$ 47.6	$ 49.1	$ 50.7	$ 52.2	$ 53.7	$ 55.3	$ 56.8
12.30%	$ 37.6	$ 39.2	$ 40.7	$ 42.2	$ 43.7	$ 45.2	$ 46.8	$ 48.3	$ 49.8	$ 51.3	$ 52.8	$ 54.4	$ 55.9
13.80%	$ 35.8	$ 37.3	$ 38.7	$ 40.2	$ 41.6	$ 43.0	$ 44.5	$ 45.9	$ 47.4	$ 48.8	$ 50.2	$ 51.7	$ 53.1
13.30%	$ 36.4	$ 37.9	$ 39.4	$ 40.8	$ 42.3	$ 43.8	$ 45.2	$ 46.7	$ 48.2	$ 49.6	$ 51.1	$ 52.6	$ 54.0
14.80%	$ 34.7	$ 36.1	$ 37.5	$ 38.9	$ 40.3	$ 41.7	$ 43.0	$ 44.4	$ 45.8	$ 47.2	$ 48.6	$ 50.0	$ 51.4

DCF Commentary

For our model, we used a standard DCF and projected our expectations for Progyny's financials across the next 5 years. We assumed continued strong growth across both their fertility and pharmacy benefits segment. We expect fertility benefits to increase at a CAGR of 21.5% and pharmacy benefits to increase at a CAGR of 24.3%, ultimately resulting in a total revenue CAGR of 22.6%. These assumptions come largely from company guidance as well as our view about the future growth of the company due to whitespace within the industry. Through 1H23, pharmacy benefits revenue has outpaced fertility benefit, increasing ~61% YoY vs ~39% YoY. Going forward, we expect these numbers to continue to get closer as Progyny adds on more and more existing clients to their pharmacy program. Our expected EBITDA margin for the company for FY27 is 20%, a number the company has outlined as their long-term goal due to incremental revenues being between 20-22%. Finally, we calculated a 53.1% upside using a WACC of 11.8% and an EV/adjusted EBITDA exit multiple of 13.18x. We chose to use an EV/adjusted EBITDA over EV/EBITDA due to adjusted EBITDA being what management discusses and what investors seem to care about when looking at this company. With Progyny's current EV/Adjusted EBITDA multiple being ~16x we viewed an exit multiple of ~13.2x as being conservative.