

This might hurt
a little...



"A FORENSIC EXAMINATION OF FIGS' LEAF"
/ STRONG SELL OPINION /
FIGS, Inc. | NYSE: FIGS

 SPRUCE POINT
CAPITAL MANAGEMENT
INVESTMENT RESEARCH REPORT

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Spruce Point Has A Track Record In Consumer And Retail Short-Selling

Spruce Point has a track record of prescient calls in the consumer and retail sector and has typically found warning signs around inventory. Notably, we warned recently about Oatly, and its shares declined up to 88%.

Company			
Ticker Report Date	Nasdaq: OTLY July 14, 2021	Nasdaq: WDFC April 2nd and April 13th 2020	NYSE: CHD Sept 5, 2019
Ent Value	\$11.6 billion	\$2.6 billion	\$22.7 billion
Company Positioning	World's best plant-based oat milk capable of expanding globally	Proprietary magic in a can with multiple home and industrial lubrication uses	Best of breed roll-up acquiror of personal care and consumer products with the core Arm & Hammer brand providing a stable backbone to diversify into other products
Spruce Point's Criticisms	<ul style="list-style-type: none"> • Losing market share in Sweden and Europe is necessitating global expansion for growth • Capex challenges and costs will not make the global expansion economical • CFO and Directors obscure prior associations with business failures and accounting scandals • Gross margins incorrectly reported without distribution costs • Undisclosed dependence on Starbucks and unappreciated risks to rising rapeseed and oat prices • Questionable inventory accounting 	<ul style="list-style-type: none"> • Inventory accounts signaling issues • COVID-19 net loser and not a recession-proof Company which appears to be bracing for extreme cash flow shortages by heavily increasing its revolver • Hyper promotional company with many competing lubricants • Declining bike shops and risk of e-bikes will reduce the long-term need for WD-40 	<ul style="list-style-type: none"> • New management is more aggressive, using financial and accounting tactics to inflate the share price. Notably, a recent inventory accounting change was made • The recent acquisition of FLAWLESS hair care was expensive and will disappoint investors • Governance lapses have allowed management to reap unjust bonuses based on non-cash gains • Shares at \$80 trade 8% above analyst targets
Successful Outcome	Commodity prices have rapidly increased. Mis-execution and lost market share in the U.S. have also caused Oatly to miss financial targets. Its founder and director Oste resigned in Dec 2021 and it is rumored the company is seeking a replacement for the CEO. Shares have declined 88% since the release of our report	WD-40 continues to miss its financial targets. Within a few months after our report in Oct 2020, two Board members announced "retirement" as did CFO Rembolt . Long-time Chairman and CEO and "tribe" leader Garry Ridge announced his "retirement". Shares are down 13% since our report	Within the first quarter after our report, CHD reported disappointing Q3 sales results, cut its full year revenue guidance, and issued Q4 earnings at \$0.54, well below the \$0.62 expected. Management blamed higher sales and marketing expenses on FLAWLESS. CHD's new 10-K added risk factors around financial controls and its Chief Accounting Officer is "retiring"

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Executive Summary

Strong Sell Opinion on FIGS With 45%-60% Downside Risk

FIGS, Inc. (NYSE: FIGS or “the Company”) is class of 2021 IPO and retailer of healthcare apparel (i.e. “scrubs”) to medical professionals. Founded in 2013 by Heather Hasson and Trina Spear, FIGS has grown revenue rapidly, from \$18 million in 2017 to \$419 million in 2021. FIGS management is fond of saying that it branded an unbranded industry, de-commoditized a commoditized product, and were first to introduce a direct-to-consumer model for scrubs. With media savvy and an early brand recognition, we believe FIGS was a COVID-19 beneficiary that will fail to sustain momentum due to demand normalization and increasing competition. After a detailed forensic review of FIGS management, its business, and financial reporting, we see a markedly different side to the FIGS “*Awesome Humans*” story. We believe FIGS co-founders are prone to exaggerating their professional work history and key business and financial metrics. For example, we find evidence to suggest that historical revenue figures were inflated by 82%, gross margins by 2,040 basis points, and its Total Addressable Market (TAM) potential by 135%. Although FIGS initially altered the scrubs landscape, we believe it has virtually no sustainable competitive advantage and see multiple signs, including ballooning inventory and a change in its “Forward-looking statements” disclaimer, that its optimistic future goals will sorely disappoint. The history of retail stocks shows that revenue growth slowdowns are a harbinger for multiple compression, and given FIGS industry premium multiple of nearly 4.0x 2022E revenues, we see room for up to 45% – 60% downside risk (\$4.40 - \$6.05) per share.

One of the central tenets of the FIGS origin story and brand image is that co-founder (now Executive Chair) Heather Hasson is a successful serial entrepreneur who brought to FIGS a seven-year history of running a successful handbag company in Italy. However, our research finds serious holes in that story.

- Based on our review of legal, corporate, and other public documents, we provide evidence that indicates Hasson largely lived in California (and perhaps New York) for much of her time before starting FIGS, meaning she spent substantially less than seven years in Italy, if she ever lived there at all.
- Hasson’s biography does not disclose that she declared personal bankruptcy in 2009, and as part of a related lawsuit, Hasson was accused of making false statements. As disclosed in her testimony, both of the handbag companies she formed were failures and worthless. In fact, she admitted that the company that bore her name, Hasson International, never even got off the ground because she “*was never able to put any energy into the project*”.
- Moreover, subsequent disclosures from Hasson, such as University of Wisconsin alumni profile released in 2011 around the time of her fateful lunch with a nurse friend that launched the idea for FIGS, makes no mention of Italy, handbags, or successful exits that soon became FIGS corporate lore.
- We find that other elements of the FIGS origin story are plagued by small inconsistencies, which in our opinion calls into question the broader origin story.
- Given FIGS carefully crafted corporate image, we believe this level of exaggeration can materially harm FIGS’ brand.

We Find A Pattern of FIGS Exaggerating Key Business And Financial Claims

We believe FIGS has a troubling history of exaggerating key financial and business metrics.

- When viewed in the context of former employee feedback on management's ethics, tendency for hyperbole, and pointed allegations in a multiyear lawsuit with SPI, we find these inconsistencies to be supportive of a broader narrative around a lack of truthfulness.
- Examining numerous press stories from late 2018 and early 2019, FIGS clearly represented to the press and the public that it planned to, and ultimately achieved, over \$100 million in revenue in 2018. In fact, it appears in a Company press release in 2019. However, as now represented in FIGS IPO prospectus, the Company only achieved 2018 revenue of \$55 million, a dramatically lower figure.
- We find evidence that suggests co-founder Spear has also made exaggerated statements regarding customer buying behavior and customer retention dynamics. For example, Spear has stated that FIGS customers purchase 8-12 sets of scrubs per year, which is not supported by its financial disclosures or customer surveys by analysts covering the Company.
- In addition, Spear has often used strong language to describe its excellent customer retention, referring to FIGS as "*a cult*", that FIGS customers are "*customers for their whole careers*", and that more than half of FIGS customers order product every month. These statements seem to conflict with the fact that our calculation indicates that only 22% of FIGS customers ever place a fourth order.

We believe FIGS materially exaggerates the size of the Company's U.S. TAM and Gross Margins.

- FIGS claims its U.S. total addressable market (TAM) is \$12.0 billion. Based on our analysis of Bureau of Labor Statistics data, average purchase volumes per year, average selling prices, and adjusting for non-scrub items based on FIGS' revenue mix, we derive a TAM of only \$5.1 billion, or 57% lower. Moreover, our estimate is likely high as it assumes all healthcare professionals wear scrubs and purchase items themselves (neither is true) and an ASP closer to mid-range to premium scrubs (but there will always be value shoppers). In fact, when we analyze FIGS' serviceable obtainable market, or the portion of the market that will really consider buying its products, we estimate that it is substantially less than \$5 billion.
- FIGS current market cap at \$2.1 billion, which in relation to our estimated TAM of \$5.1 billion seems disproportionately high.
- We believe FIGS also presents its gross profit in a way that makes its gross margins appear industry-leading, but is defined in a non-standard way. Compared with DTC peers, FIGS allocates nearly all fulfillment and distribution expenses to the operating expense lines, instead of COGS. This results in FIGS gross margins being overstated by 2,040 bps

Many investors are focused on two growth vectors to expand FIGS' addressable market: international and non-scrubs apparel.

We are skeptical of FIGS' prospects for success in both areas.

- Former employees interviewed by Spruce Point believe that FIGS has benefitted from its narrow market focus and relatively simple business model and express skepticism that the current management has the ability to execute on such plans.
- FIGS' Spear has outlined what we believe to be unrealistically bold international expansion plans that are likely to disappoint investors.
- More importantly, on its first two earnings calls, FIGS management repeatedly emphasized how its business and financial model benefits from its brand focus, non-discretionary products with minimal fashion risk, very low SKU count, and low competitive intensity.
- What FIGS management fails to address is how expansion outside scrubs, or even outside healthcare apparel, would not only dilute its brand (arguably its only true competitive advantage) and create materially greater business complexity and potential volatility.

We Believe The Allegations Made Against FIGS And Its Management To Be Compelling

In 2019, Strategic Partners (SPI), the largest incumbent scrubs supplier, filed a lawsuit against FIGS alleging the Company made a number of false and misleading claims. Please see our caveats regarding disclosures related to the claims and allegations made in the lawsuit in the Appendix that contains a detailed review of these materials. In short, we believe the court of investor opinion differs greatly from actual legal standards, and we believe that the claims made by SPI are both credible and consistent with FIGS history of exaggerated statements about its business.

- For many years, FIGS' product promotional materials claimed that FIGS scrubs contained special materials (SILVADUR™, a material containing silver developed and supplied by Dow) with antimicrobial properties that killed bacteria "on contact". SPI claims, and we believe the evidence presented supports, that FIGS exaggerated this claim and the capabilities of SILVADUR in conflict with the materials' brand guidelines.
- An SPI expert gave sworn testimony that FIGS scrubs contain insignificant amounts of silver and cannot kill bacteria "on contact". Moreover, in her sworn testimony, Spear admitted that FIGS relied on Hasson's interpretation of SILVADUR's capabilities, effectively jeopardizing the health and safety of FIGS' revered customer base (nurses and doctors).
- Additionally, FIGS adopted a generic (and highly questionable) claim regarding the health benefits of scrubs, that their use can reduce hospital infections by 66%, as a key FIGS product attribute.
- Customer inquiries to FIGS clearly indicate concern and a desire to better understand FIGS products' protective capabilities, which FIGS repeatedly responded to with its standard marketing spin and reference to its own research, which the Company has failed to produce after three years of discovery in the SPI lawsuit.
- Most importantly, FIGS ultimately retracted these statements and removed them from its key marketing messages. Tellingly, these retractions came after FIGS hired its first General Counsel.

SPI has also claimed that Spear used confidential materials obtained while employed at Blackstone (an SPI creditor) to assist in her efforts to form FIGS, a claim that Spear has denied.

- While the question of whether Spear's actions violated the California Uniform Trade Secrets Act (CUTSA) remains outstanding, there are multiple interviews in which Spear definitively acknowledges taking the SPI materials from Blackstone and sending them to Hasson.
- At the very least, Spear's actions seem to be a clear violation of the Blackstone code of ethics.
- Of note, SPI also alleges that FIGS misrepresented the membership of its advisory board in its investor pitch materials.
- Finally, SPI alleges that FIGS has misrepresented the extent of its philanthropic activities.

Unusually High Turnover At FIGS, Notably In Its Finance Function

In stark contrast to FIGS' carefully nurtured media image, feedback from former employees suggests FIGS' co-founders have created a dysfunctional culture that has resulted in high employee turnover. We believe this creates material execution risks as the Company seeks to grow beyond its core market and geography.

- We are troubled that former employees have described the co-founders Hasson and Spear as “*unethical*” and “*distrustful*”, and the culture as “*toxic*”.
- Many former employees describe a culture of fear that lacked transparency, showed questionable regard for the truth, and was rife with unethical behavior.
- Both Glassdoor reviews and Spruce Point interviews with former FIGS executives point to extreme levels of employee turnover, even for a young, growing company, and note that virtually the entire layer of management put in place below the founders in 2018/2019 left after very short tenures, suggesting the issues are not isolated events.
- While we admit that not all workers will enjoy, much less thrive, in the relatively more chaotic, fast-paced world of start-ups, we believe the feedback of former FIGS employees goes far beyond that simple explanation and specifically impugns the actions of the co-founders.

Viewed in the context of exaggerated claims of financial performance, commentary indicating a low regard for the truth, and excessive employee turnover, we are particularly troubled by the history of turnover in the finance function at FIGS.

- Former employees Spruce Point interviewed made specific references to a lack of transparency, mis-statement of financial metrics, and a generally dismissive attitude toward proper disclosure practices.
- To make matters worse, by analyzing LinkedIn profiles, we find that the finance function at FIGS has been understaffed historically, and that the Company didn't have a formal CFO or controller from early 2019 to December 2020 despite scaling revenue from \$55 million in 2018 to over \$260 million in 2020.
- While we were encouraged by the hiring of Jeff Lawrence, a highly experienced CFO and former CFO at Domino's Pizza, to guide FIGS through the IPO process, we were highly troubled by his departure after less than a year. Moreover, Lawrence forfeited \$6.6 million in options by leaving FIGS a week shy of his one year anniversary.
- To make matters worse, we believe Lawrence's replacement, Daniella Turenshine, is an unseasoned replacement who had no prior experience as a public company CFO. Turenshine is also the named Principal Accounting Officer, but unlike her predecessor Lawrence, she lacks a CPA and public accounting work experience.
- Also concerning, lead Independent Director and Chair of the Audit Committee, Chris Varelas, resigned from the Board after less than three months and doesn't even acknowledge his past role in his work or LinkedIn biographies.

We Believe The Premium Scrubs Landscape Is Now Crowded, And FIGS Competitive Advantages Are Diminishing

While FIGS was admittedly a first mover into premium scrubs, we believe the Company has few, if any, sustainable competitive advantages outside its brand and overstates its product differentiation in the current landscape. FIGS has not made any updated claims about its market share growth in nearly 6 months.

- We don't believe that any of FIGS' oft-stated competitive advantages, such as strong brand, DTC model, low-cost Asian sourcing, and attractive financial model, or any of its product differentiators, such as design, color, or materials, are truly sustainable. In fact, all of the former FIGS employees we interviewed held the view that FIGS' competitive position is tenuous and that everything it does can be easily replicated.
- FIGS' co-founders like to say the Company branded an unbranded industry and de-commoditized a commoditized product. While perhaps true when the Company first launched, we believe FIGS continues to paint a picture of the competitive landscape to investors that is both dated and exaggerates FIGS' differentiation.
- Our review of the increasingly crowded competitive landscape shows that there has been a proliferation of scrubs competitors with strong and differentiated brands, and that the differentiators that have long underpinned the strong brand image for FIGS, such as innovative design, expanded color range, DTC model, and philanthropic activities, are no longer special or unique to FIGS.
- Furthermore, we don't believe that FIGS has architected anything differentiated in terms of its Asian supply chain.
- Although FIGS has long claimed that it took two years to develop its own proprietary materials, our research and FIGS' own disclosures reveal that the specialty materials used by it are generally available to other scrubs suppliers and are not subject to any intellectual property protection.
- We find that large incumbent suppliers, such as [Careismatic](#) (formerly Strategic Partners), [Barco](#) and [Medelita](#), have launched numerous leading tailored brands and product expansions to improve their product positioning and marketing.
- Moreover, numerous DTC specialty brands have become viable competitors, including [Jaanuu](#), a premium scrubs supplier similar to FIGS that was started by a real doctor. Jaanuu recently raised a \$75 million financing round and is showing dramatically stronger search momentum on Google Trends relative to FIGS.
- Lastly, with limited barriers to entry, new upstarts such as [Koi](#), [Lago](#) and [Mandala](#) recently entered the market. We also believe that it would be very easy for an established apparel company, such as [Lululemon](#) or Athleta, to enter the scrubs market and leverage their comparatively larger customer base and retail reach.
- Finally, we believe FIGS' reliance on influencer marketing poses real risks, not to mention pushing the envelope on its credibility (the brand ambassadors are provided free product and are invited to lavish retreats afterward). We find that YoY mentions of #wearfigs have declined every month since July 2021. We also suspect that FIGS is far more reliant on paid digital marketing than the Company likes to admit.
- We observe that FIGS regularly provided its market share estimate throughout the SEC registration process and after coming public in 2021, claiming it grew from 2.1% to 3.5%. However, we observe that it has not updated its market share estimate in the past 5 months since filing its Annual Report in March 2022.

A Bet On The FIGS Brand Is Risky, And Business Appears To Be Reverting To Slower Growth; 45% - 60% Downside

We believe FIGS was a pandemic beneficiary and that its business is showing signs of slowdown, and financial strain. In fact, nearly all key business metrics have deteriorated in 2022, whether on a YoY or QoQ basis and FIGS recently changed its “Forward-looking statements” disclaimer. We note that growth reversion is typically followed by multiple compression for “growthy” retail stocks.

- Less than five months after FIGS’ highly self-congratulatory Q4 2021 earnings call, key business metrics show material weakness:
 - YoY revenue growth has slowed to 21% and may deteriorate further in 2H 2022.
 - International revenue is now undergrowing the US, and non-scrubs revenue has actually declined in each of Q1 and Q2.
 - Customer additions have shown QoQ declines in Q1 and Q2.
 - Period net revenue per active customer has declined -4% YoY in Q1 and Q2.
 - Average order value declined -6% in Q2, the largest decline on record.
 - Period return on marketing spend (revenue / marketing expense) plummeted -18% QoQ in Q2 to its lowest level since Q1’20
- We also believe that management’s bold claims about its “*structurally advantaged*” margins are premature given the Company’s limited operating history, quarterly volatility, and the threat of increasing competition.
- As noted earlier, FIGS’ Gross Margin is not reported in a way consistent with peers, and that leads to overstatement. In Q2 2022, FIGS suspended its written Gross Margin guidance, and updated its “Forward-looking statements” in a way that removed reference to “profitable growth”
- More concerning, we believe that FIGS’ customer acquisition cost (CAC) calculation lacks transparency since it excludes expense items that cannot be calculated by investors. When we recalculate CAC using total marketing expense, which we believe to be both justifiable and a credible way to perform period-over-period comparisons, we find that FIGS’ CAC has risen dramatically since its IPO and has exploded in 2022 to date. Importantly, FIGS failed to update its tailored CAC metric at any time during 2021, which we find suspicious.

We see 45% - 60% downside risk in FIGS share price.

- Despite its Post-IPO share price decline, FIGS still trades at approximately 4.0x 2022E revenue, where the average multiple for a broad selection of direct-to-consumer (DTC) consumer products companies are valued at 1.2x.
- However, we’ve detailed numerous reasons why we believe FIGS should trade at a discount to peers. In addition to the concerns we’ve raised, FIGS is a dual-class structured company, meaning public shareholders owning the Class A stock receive just one vote, relative to the Class B which receives 20 votes. As a result, Class B holders (the founders and major investor Tulco) control nearly 60% of the voting power. The dual class structure also limits the universe of potential buyers of the stock, notably certain index-tracking funds.
- We also find that most financial data services materially undercount FIGS’ fully diluted share count, both by ignoring its class B shares and not properly accounting for the Company’s 38 million options and 3.7 million unvested RSUs outstanding.
- FIGS co-founders and major investor Tulco have been heavy sellers of FIGS shares, disposing of nearly \$1.5 billion in shares since October 2020. While taking some money off the table is natural, FIGS founders have already purchased \$80 million of luxe property.
- Based on our application of a generous 1.5x - 2.0x 2022E revenue multiple, we estimate a price target of \$4.40 – \$6.05 per share price target for FIGS, representing 45% - 60% downside from current.

A Picture Worth A Thousand Words: *Where Is The Competitive Advantage?*

Spruce Point is hard-pressed to find much differentiation in the scrubs products being offered by FIGS and its competitors. Below is a sample of just a few select competitors. In fact, almost everyone is offering 10-20% off first orders.

FIGS



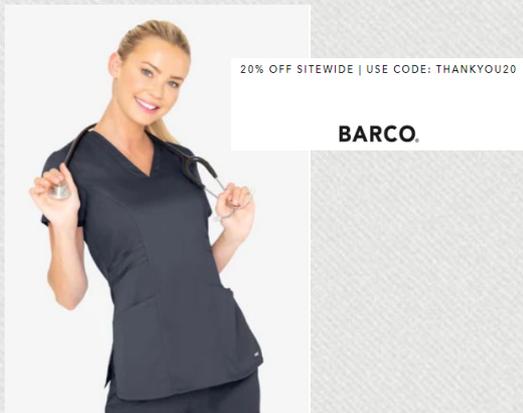
Cherokee (Careismatic)



Jaanu



Barco



Medelita



Lago



Former Employees Provide An Ominous Warning On Management's Ethics and Practices



We find it extremely troubling that former FIGS employees make numerous references to unethical behavior, a culture of fear, poor transparency, and micromanagement, as such factors create an environment ripe for bad corporate behavior.

Former Employee and Glassdoor Feedback on FIGS Management

Jun 17, 2020 - Full Time Employee on Glassdoor	"There is just something that is off about the place... Unethical is also a word I'd used to describe the actions here."
Jun 13, 2019 - Anonymous Employee on Glassdoor	"Our finance team barely exists at this point. They [the co-founders] are distrustful of almost everybody."
Aug 12, 2019 – Sales on Glassdoor	"It's a culture of fear ..."
Jul 7, 2020 – Former Manager on Glassdoor	"With my insight into leadership, it's easy to see rampant favoritism, unethical behavior and excessive micromanaging starting at the top with founders."
Nov 21, 2019 - Anonymous Employee on Glassdoor	"Extremely inexperienced leadership. Lack of transparency. Lots of fear based practices. "
Jul 27, 2019 - Teams Sales Manager on Glassdoor	"Understand that the founders will stop at nothing to succeed and that means lying to press, vendors, employees and glassdoor. "
Former Executive Interviewed by Spruce Point	"I would say, like for numbers, the general respect for the truth was low. " "I would say that if there is a number where there's an opportunity to kind of be aggressive with something, they probably will be. "

We note that these culture traits have long been associated with incidences of corporate malfeasance.

FIGS Management's Adherence To The Truth Is Highly Questionable



We will demonstrate that FIGS management has a long history of exaggerating multiple aspects of its business, financial, and product claims. As a result, we caution investors to view all of management's claims regarding its competitive position, financial, and future prospects with a highly skeptical eye.

FIGS Promotion

Co-founder Hasson: "After seven years of running my own high-end handbag company in Italy..."

Antimicrobial
Woven directly into our fabric to kill bacteria immediately upon contact and prevent the spread of infection.

FIGS surpassed \$100M in sales in 2018

"Scrubs is a \$12 billion industry in the U.S."

"Our total active customer base is now more than 1.7 million intensely loyal Awesome Humans..."

Spruce Point Findings

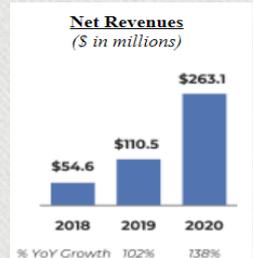
6. Defendant formed Hasson International LLC with the intention of designing and marketing handbags, but was never able to put any energy into the project due to the demands of the litigation in New York involving the Estate of Stephen Scalese. Being that Hasson

2. Beginning in or around 2015, FIGS began advertising that its antimicrobial technology kills bacteria and/or infection immediately on contact. Around summer of 2019, FIGS removed this claim from its hangtags and marketing materials.

Excerpt from IPO prospectus is \$54.6m, not \$100m.

We calculate a serviceable market materially lower than our \$5 billion TAM estimate.

We calculate that only 22% of FIGS customers ever place a fourth order.



We Believe FIGS Will Never Be The Next lululemon



While it is no surprise that FIGS bulls (and management) would cherry-pick the highest multiple high-growth apparel comp, lululemon, to promote it, we believe the comparison is divorced from reality. We believe FIGS shares virtually none of the attributes that have made LULU a success or driven its premium valuation.

FIGS Compares Poorly to LULU



	FIGS	lululemon
Market Size (Mgmt. Estimate)	\$12 billion (US only) ~5x FIGS market cap	\$650 billion (global) ~17x LULU market cap
Product Breadth	<ul style="list-style-type: none"> ~85% premium (niche) scrubs with 13 “core styles” and relatively limited color palette 	<ul style="list-style-type: none"> Thousands of SKUs across numerous product categories targeting an array of activities
Channels	<ul style="list-style-type: none"> DTC with heavy reliance on social media ads 	<ul style="list-style-type: none"> Omnichannel with nearly 600 global stores
Competitive Position	<ul style="list-style-type: none"> Key “innovations” such as color, elastic waistbands, and joggers have been quickly copied by all competitors; brand is narrow and already tarnished for some 	<ul style="list-style-type: none"> Leading brand with consistent history of product innovation; have successfully defended core market (women’s yoga) against numerous apparel leaders for over a decade
Growth Profile (at FIGS’ scale)	<ul style="list-style-type: none"> Street consensus 24% revenue CAGR over next two years Mgmt. goal of growing revenue from current \$420M to \$1B revenue in 2025 	<ul style="list-style-type: none"> 49% revenue CAGR in two years after reaching \$450M (2009-2011) Grew DTC biz from \$453M to \$2.3B from 2016 to 2020
Management	<ul style="list-style-type: none"> First time CEO and CFO with no previous retail experience and weak bench 	<ul style="list-style-type: none"> Decades of retail experience with deep bench of product, channel, and supply chain expertise
Culture	<ul style="list-style-type: none"> Strongly negative employee feedback and rumors of dysfunctional culture and high churn 	<ul style="list-style-type: none"> Highly regarded Canadian company (HQ in Vancouver); #1 retailer on Glassdoor in US

While lululemon Executives Were Quick To Cash Out of FIGS...



In the past, bulls could have pointed to the involvement of former LULU executives participating in early FIGS funding. For example, Campfire Capital led its Series A Financing with a \$5 million investment in May 2016. Campfire's partner, Christine Day, was the ex-CEO of LULU. By Jan 2018, FIGS received a larger investment from Tulco, a noted entertainment and technology investor. Campfire's website removed FIGS from its portfolio after the Tulco investment, well before it ever become the next LULU.

Campfire Invests In FIGS (May 2016)

VANCOUVER, BC (PRWEB) MAY 05, 2016

Campfire Capital, a venture capital group with a differentiated model of providing financing combined with access to its renowned group of North American consumer and retail experts, announced today it is leading a \$5 million Series A round for purpose-led medical apparel startup FIGS.

FIGS will join Campfire's growing list of portfolio companies, including Montreal-based menswear retailer Frank & Oak and San Francisco-based food tech startup Juicero, who launched the world's first at-home, cold-press juicing system last month.

Christine Day, Partner at Campfire, current CEO of Luvo and ex-CEO of lululemon said: "In addition to capital, what entrepreneurs really need is access to the broad expertise required to build a successful retail business. We see a tremendous opportunity to leverage Campfire's collective experience and relationships to further brand and scale FIGS to transform this \$9 billion unbranded industry."

Source: Campfire Capital Leads Series A Financing For FIGS ([Prweb](#))
1) [FIGS PR](#), Jan 23, 2018

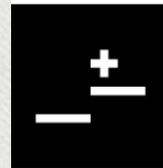
Campfire Website (Jan 2018) No Longer Shows FIGS



ABOUT / TEAM / PORTFOLIO

PORTFOLIO

Portfolio



[Frank + Oak](#): Progressive style for the moments that matter.



[Cotopaxi](#): Outdoor products that fund sustainable poverty alleviation.

Source: Wayback Machine, Campfire-Capital ([Dec 2017](#)) vs. ([Jan 2018](#))



We Believe Co-Founder And Board Executive Chair Hasson Has Misrepresented Her Past And The FIGS Origin Story Is Questionable

A Central Element of The FIGS Origin Story Is Heather Hasson's Past Success In Fashion



The FIGS origin story is remarkably consistent, and inspirational. Nearly every telling of the FIGS origin story references Hasson's past successes as an entrepreneur, and having exited a profitable handbag company sale.

Hasson's Carefully Crafted Backstory: A Successful Fashion Entrepreneur Who Spent Seven Years in Italy

<p>Hasson Biography in FIGS IPO Prospectus</p>	<p><i>"Prior to co-founding FIGS, Ms. Hasson was an entrepreneur, having served as founder and CEO of Heather Hasson bags, a high-end bag line, and FIGS Ties, a tie and scarf company."</i></p>
<p>Hasson Bio on RXART Website</p>	<p><i>"Prior to launching FIGS in 2013, Hasson started her first company at the age of 22. A serial entrepreneur, she ran a high-end bag line in Italy for 7 years before creating FIGS."</i></p>
<p>Hasson Quotes in 2018 Inc. Article Interview</p>	<p><i>"After seven years of running my own high-end handbag company in Italy, I decided I wanted to do something that would give back."</i></p> <p><i>"When I came back to the States, I met up with a nurse friend, and she was wearing big, boxy scrubs..."</i></p>
<p>Hasson Background in FIGS Investment Pitch</p>	<p><i>"Heather started her career in fashion at Levi's and has built two other successful companies – a luxury hand bag and premium tie company."</i></p>
<p>Hasson Background in 2020 Forbes Article</p>	<p><i>"Hasson cut her teeth in fashion in Italy, where she founded a high-end handbag business that she sold in 2009."</i></p> <p><i>"They started the business with capital Spear pulled from her Blackstone 401k and Hasson from the profits of the sale of her handbag company."</i></p>

We believe FIGS has crafted an alternative narrative around the past successes of its founders. We believe this is particularly important because that narrative has become a central tenet underlying the FIGS brand.

Our Research Findings Cast Serious Doubts On Hasson's Backstory



We could not account for all of Hasson's time following her 2004 college graduation to early 2006, but perhaps this explains several references to having worked at Levi's. Corporate formation documents and a personal bankruptcy filing both suggest Hasson primarily lived in California from 2006/2008 through the founding of FIGS.

Reconstructed Hasson Timeline

Date	Activity	Source
2004	Graduated from University of Wisconsin with a degree in Political Science	UW Alumni Association Forward Under 40 Bio
June 2004 to February 2005	Worked at Levi Strauss	Topionetworks (and mentioned elsewhere without dates)
August 2006	Formed Paloma Smith LLC, which subsequently filed a trademark application related to leather goods; documents indicate New York domicile	NY Dept. of State , USPTO , USPTO Official Gazette
Nine Months Ending December 2007	Helped care for friend Stephen Scalese during battle with cancer while he lived in New York City	Stephen Scalese obituary on legacy.com
May 2008	Formed Palomah LLC, renamed Hasson International LLC; documents indicate California domicile	CA Secretary of State
2008 to August 2009	Reported herself as "self employed" in August 2009 Chapter 7 personal bankruptcy filing; documents indicate California residency for at least three years prior to filing	United States Bankruptcy Court, Central District of California, Case 2:09-bk-32569-BR
2011	Studied at Said Business School, University of Oxford	Hasson LinkedIn bio
2011	Attended lunch with nurse friend and saw issues with scrubs	Forbes article
June 2012	Approximate first telephone call with Spear (7 months before January 2013)	Entrepreneur
January 2013	Incorporated FIGS	CA Secretary of State

Hasson's Personal Bankruptcy In 2009 Paints An Alternate Picture of Her "Entrepreneurial Success"



Hasson filed for Chapter 7 bankruptcy in California in August 2009. In her bankruptcy filing, she (1) claimed virtually no assets, (2) failed to acknowledge the existence of any business ownership stakes, (3) claimed no income as a self-employed "designer", and (4) indicated she lived in California for at least three years prior to the filing.

Hasson Assets

Description of Property	Specify Law Providing Each Exemption	Value of Claimed Exemption	Current Value of Property Without Deducting Exemption
Security Deposits with Utilities, Landlords, and Others Security deposit w/ landlord	C.C.P. § 703.140(b)(5)	3,000.00	3,000.00
Household Goods and Furnishings Television, Lamps, accessories	C.C.P. § 703.140(b)(3)	150.00	150.00
Wearing Apparel Debtor's clothing	C.C.P. § 703.140(b)(3)	950.00	950.00
Automobiles, Trucks, Trailers, and Other Vehicles 2003 Range Rover, 80,000 miles, fair condition	C.C.P. § 703.140(b)(2) C.C.P. § 703.140(b)(5)	3,300.00 3,245.00	15,645.00

Hasson Creditors

SCHEDULE F - CREDITORS HOLDING UNSECURED NONPRIORITY CLAIMS

Account No.	Alleged money owed to Stephen Scalese, deceased.				
Estate of Stephen Scalese Mark & Patricia Scalese, Executors c/o Gerry Wendrovsky, Esq. 2749 Broadway New York, NY 10025			X		150,000.00
Total (Report on Summary of Schedules)					214,502.41

Hasson Statement of Employment and Income

1. Income from employment or operation of business

None State the gross amount of income the debtor has received from employment, trade, or profession, or from operation of the debtor's business, including part-time activities either as an employee or in independent trade or business, from the beginning of this calendar year to the date this case was commenced. State also the gross amounts received during the **two years** immediately preceding this calendar year. (A debtor that maintains, or has maintained, financial records on the basis of a fiscal rather than a calendar year may report fiscal year income. Identify the beginning and ending dates of the debtor's fiscal year.) If a joint petition is filed, state income for each spouse separately. (Married debtors filing under chapter 12 or chapter 13 must state income of both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

AMOUNT	SOURCE
\$-34,475.00	2008 Self Employed as Designer
\$0.00	YTD (Expected loss at year end)

Hasson Home Address

Street Address of Debtor (No. and Street, City, and State):

1411 7th Street
#205
Santa Monica, CA

ZIP Code
90401

15. Prior address of debtor

None If the debtor has moved within **three years** immediately preceding the commencement of this case, list all premises which the debtor occupied during that period and vacated prior to the commencement of this case. If a joint petition is filed, report also any separate address of either spouse.

ADDRESS
5350 Lasher Road
Hidden Hills, CA 91302

NAME USED
Heather Hasson

DATES OF OCCUPANCY
Until July 2009

We note that many companies require disclosure of past bankruptcies as part of their code of ethics given its materiality in assessing the business acumen of a corporate officer. FIGS does not.

Hasson's Largest Creditor Accused Her of Fraudulently Making False Disclosures



The largest creditor in Hasson's bankruptcy filing was the Estate of Stephen Scalese ("the Estate"). In November 2009, the Estate filed a complaint with the bankruptcy court alleging that Hasson "*knowingly and fraudulently...made false oaths and accounts*" and therefore objected to the granting of a discharge under the bankruptcy code. Specifically, the complaint notes that, under penalty of perjury in her "Statement of Financial Affairs" (or SOFA) in her bankruptcy filing and in her sworn testimony in the meeting of creditors, Hasson failed to disclose her interests in two business entities, Hasson International and Paloma Smith LLC, and that she was the beneficiary of a 20% interest in the Estate based on Scalese's last will and testament.

Excerpts From Complaint Against Hasson by the Estate of Stephen Scalese

24	<u>FIRST CLAIM FOR RELIEF</u>
25	(Objection to Discharge – 11 U.S.C. §§ 727(a)(4)(A) and 727(c)(1))
26	31. Plaintiff realleges and repleads that 1 through 30 above and incorporates these
27	paragraphs by this reference as those set forth fully herein.
28	32. <u>Hasson knowingly and fraudulently, in connection with this case, made the following</u>
1	<u>false oaths and accounts:</u>
2	(a) Hasson signed, under the penalty of perjury, the Schedules, in which Hasson
3	failed to schedule the Beneficiary Interest.
4	(b) Hasson signed, under the penalty of perjury, the Schedules, in which Hasson
5	failed to schedule the Paloma Interest.
6	(c) Hasson signed, under the penalty of perjury, the Schedules, in which Hasson
7	failed to schedule the Hasson International Interest.

Hasson's Answer To The Estate's Complaint Reveals The Failure of Two Businesses Framed As Successes



More important than the Estate's accusations of fraudulent lack of disclosure, Hasson's response to the Estate's complaint reveals that Paloma Smith was a failed business and that Hasson International seemingly never even got off the ground.

Excerpts From Hasson's Response to the Estate's Complaint

10 4. Paloma Smith LLC held no assets and was believed by Defendant to have a value
11 of \$0.00 and was not listed by her among her assets. She has filed an amended Schedule B
12 contemporaneously with this answer that lists Paloma Smith LLC and her 76% interest as having
13 a value of \$0.00. Defendant therefore admits paragraphs 9 and 10 of the complaint.

14 5. Defendant is unaware of the status of Paloma Smith LLC as it has been neglected
15 for some time. Based on her lack of knowledge, she denies the allegations in paragraph 11 of the
16 complaint.

17 6. Defendant formed Hasson International LLC with the intention of designing and
18 marketing handbags, but was never able to put any energy into the project due to the demands of
19 the litigation in New York involving the Estate of Stephen Scalese. Being that Hasson
20 International did not hold any assets of value and has no value today or at any time. Defendant
21 did not list Hasson International, LLC in her schedules. She has amended her Schedule B
22 contemporaneously with the filing of this answer to reflect her interest in Hasson International
23 and a value of \$0.00. It is believed that Hasson International may actually have a negative value
24 due to possible fees owed to the State of California. Defendant therefore admits paragraphs 12,
25 13, and 14 of the complaint.

In stark contrast to her claims of past entrepreneurial success, Hasson's own disclosures reveal: (1) Paloma Smith was a failed venture and was "neglected for some time" as of 2009, (2) Hasson International was a failed venture with potentially "negative value" that Hasson never spent much time on, (3) neither company was "sold in 2009" as represented in a 2020 Forbes article, and (4) Hasson didn't spend "seven years in Italy" as she has represented on numerous occasions.

In addition, we can find no corporate records for the "Heather Hasson bags" listed in her FIGS bio and assume that supposed entity is making generic reference to both Paloma Smith and Hasson International.

If Any of Hasson's Italian Success Story Was True, Why Didn't She Mention It In This 2011 Profile?



We admit that there remain periods of time in Hasson's background that are unaccounted for. However, given her track record of self-promotion, we believe that if any of her story of entrepreneurial success in Italy were true that she would have mentioned it in her University of Wisconsin Alumni Association 2011 Forward Under 40 profile.

University of Wisconsin Alumni Association 2011 Forward Under 40 Profile

Heather Hasson '04

Clothes may make the man. But all it takes is a simple tie to make a child's dream come true. That's because, for every tie and bowtie sold by FIGS (Fashion Inspired Global Sophistication), a uniform is given to a child in Africa so he/she can attend school.

March 01, 2011 | [Forward Under 40 >](#)

No mention of handbags, Italy, or successful exits?

2011 Forward under 40 Award Honoree

UW Major: Political Science
Age: 28 | Santa Monica, California
CEO and Creative Director, FIGS-Threads for Threads

Clothes may make the man. But all it takes is a simple tie to make a child's dream come true.

That's because, for every tie and bowtie sold by FIGS (Fashion Inspired Global Sophistication), a uniform is given to a child in Africa so he/she can attend school.

FIGS is the brainchild of Heather Hasson, a socially conscious Badger with a keen sense of fashion. "Wisconsin opened my eyes, not only to bratwursts and homemade ice cream, but also to the choices and opportunities provided



by an education," says Hasson.

Source: University of Wisconsin Alumni Association 2011 Forward Under 40 [profile](#)

And since a lack of education almost certainly guarantees a life of hardship, Hasson has been committed to kids in Africa and dressing them for success.

What do clothes have to do with education? In many parts of Africa a child may not attend school without a proper uniform, due to the strict rules about pride in appearance within African cultures.

Unfortunately, with much of the continent poverty stricken, many children are lucky to even have rags to wear. And while African governments provide school uniforms where they can, there aren't enough resources available to meet the needs of all children, resulting in a lack of education that's becoming a widespread epidemic.

So Hasson, who credits UW-Madison for building the foundation for her life of social entrepreneurship, decided to do something about it.

"Combining my interests and experiences, and all my thought-provoking ideas I had walking up Bascom Hill, led me to create what I do today," says Hasson.

In fact, her first foray into social philanthropy began with a trip to Vietnam while Hasson was still a UW student. But she wasn't selling trend-setting ties back then. She was in Ho Chi Minh City outfitting more than 170 Vietnamese children in school uniforms.

The experience ultimately turned into FIGS and her trademarked Threads for Threads program — which is currently focused on supplying uniforms to 105 schools within Kenya and Tanzania.

"I am a tie maker. Yes, a simple tie maker," Hasson has said. But, with her vision of providing school uniforms to needy children around the world and her company commissioned to design ties for the 2010 Clinton Global Initiative Conference and the launch of the Whitney Museum in New York, Hasson is more of a dream maker.

Co-Founder Spear Also Seems Prone To Exaggerated Claims



Spear's attempts to bolster her credentials contain bombastic claims of "rising to the top" of Wall Street and references to being a "finance guru". Anyone who has ever worked on Wall Street knows that the analyst and associate positions are NOT at "the top" of Wall Street financial firm hierarchies.

Excerpt From Spear Application for Ernst & Young Entrepreneur of the Year Award

Trina began her career in finance where she quickly rose to the top on Wall Street in Citigroup's investment banking and private equity divisions, and in Blackstone's hedge fund group.

Excerpt from FIGS "Key Messages" Document From April 2017

- Teaming up with finance guru and Harvard Business School graduate Trina Spear, the entrepreneurs founded

Spear LinkedIn Bio



Citi
4 yrs

- Private Equity Associate**
Jul 2007 - Jun 2009 · 2 yrs
Private Equity
- Investment Banking Analyst - Technology Group**
Jul 2005 - Jun 2007 · 2 yrs



Blackstone
Associate
The Blackstone Group
Jul 2011 - Jan 2013 · 1 yr 7 mos
Greater New York City Area

Spear Financial Wisdom

"All of these large [scrubs] companies are just so focused on making money, on how to extract pennies," says Spear. "If you do that, you're not trying to create something cool. You don't have a mission. You're not standing for something. You're not empowering people . . . We wanted to bring this industry up to date."
- [Fast Company](#), July 6, 2018

There Are Inconsistencies With Other Elements of The FIGS Origin Story



The FIGS origin story is riddled with small inconsistencies. While we acknowledge the business has grown, we believe such inconsistencies are indicative of a general inattentiveness to detail.

Tenets of FIGS Origin Story

*“Heather: My first experience with scrubs was when I was premed in college. I'm 5'8" and 116 pounds, and there I was, **working on cadavers** in these extra-large, boxy, unisex scrubs.” ([Inc. Magazine Interview](#))*

*“Heather: I was grabbing coffee with a good friend of mine, who is a Nurse Practitioner at **City of Hope Hospital**.” ([Glam Interview](#))*

Hasson and Spear were “best friends” before they joined to form the Company (FIGS 2014 investment pitch, Document 193-1)

Hasson and Spear spent two years developing their proprietary fabrics before approaching suppliers

*“When we started FIGS, we created an initiative called **Threads for Threads**” (FIGS [424B filed 5/28/21](#))*

Contradictory Information

Hasson graduated with a Political Science degree, so did she really work on cadavers? To have completed her major, she likely switched from pre-med after introductory courses, which rarely use cadavers.

“At the hospital (Cedars-Sinai Medical Center in Los Angeles) where the pal worked, colleagues took notice and liked what they saw.” ([Fast Company](#)) See also: [Surfacemag](#)

“When Hasson met Spear, now 36, she wasn’t looking for a business partner, but a mutual friend encouraged them to speak.” ([Forbes](#))

We believe the fabrics are not proprietary and note that FIGS began generating revenue in 2013, the year FIGS was incorporated (FIGS [424B filed 5/28/21](#))

Threads for Threads was formed by Hasson before FIGS was even founded (UW 2011 [Profile](#))



The lawsuit filed by Strategic Partners (SPI) against FIGS has not concluded. Regardless of the ultimate legal outcome, we believe the extensive documentation (700 filings over nearly 2.5 years) contains numerous troubling allegations into FIGS management's behavior and decision-making that should be weighed in the court of investor opinion. We provide an in-depth review of the documentation in an appendix.

Spruce Point Summary Observations From SPI v. FIGS Lawsuit Document Review

- FIGS management (Hasson specifically) overstated the antimicrobial properties of its products, exceeding the brand guidance of the key material input, SILVADUR. In addition, FIGS management (again Hasson) mischaracterized the results of what now looks like a highly questionable study of the infection-preventing properties of scrubs in general to the specific properties of FIGS products.
- Despite FIGS' claims of revering healthcare professionals, there is evidence (customer inquiries and FIGS responses) that suggests FIGS misrepresented its products' protective qualities, thus potentially putting its healthcare customers at risk.
- Testing performed by SPI experts disproved FIGS' claims. And while FIGS found experts to attack the SPI testing methodology, we find the test protocol and results quite convincing. Regardless, we believe the most important proof lies in FIGS' actions: in 2019 they removed the product claims in question.
- SPI also claims that FIGS CEO Spear took confidential information regarding SPI while still employed at Blackstone, which was a creditor to the Company. In our opinion, the evidence seems pretty clear, as Spear is on record (several podcast interviews) confirming her actions, even confirming her knowledge of its confidentiality. Regardless of the importance of those materials to FIGS' formation, she seems to have violated the Blackstone Code of Ethics at the very least.
- Finally, SPI claims that FIGS misrepresented the extent of its charitable efforts known as Threads for Threads, and the support provided by FIGS thus far in discovery appears to us to be exceptionally unconvincing.

Once again, regardless of whether legal standards are ultimately met, we believe the primary documentation surfaced through the discovery process calls into question the credibility, decision-making, and ethics of FIGS' co-founders and the accuracy of the FIGS feel-good origin story that was so key to its early success.



*FIGS Has A History of Publicly
Misstating Its Financial And Business
Metrics*

FIGS' Risk Factor Regarding Key Metrics is Concerning



Former employees have clearly framed FIGS management as prone to be aggressive regarding, if not knowingly misrepresenting, key operating metrics. For that reason, we find it troubling that the FIGS IPO prospectus contained a risk factor that does not often appear in other DTC company disclosures that we reviewed.

Commentary On Founder's Involvement with Key Metrics

Former
Executive
Interviewed By
Spruce Point

"I would say transparency wise, it was always a little bizarre. Trina and Heather were really cagey about sharing any numbers internally."

"I would say, like for numbers, the general respect for the truth was low."

"Trina's mindset is more like, 'I'll do whatever the hell I want. I'm Teflon.' I kind of describe her as like, she kind of has a Donald Trumpian mindset a little bit. Like she kind of gets away with stuff and she has the confidence to do so."

"I would say that if there is a number where there's an opportunity to kind of be aggressive with something, they probably will be."

FIGS Risk Factor On Potentially Inaccurate Metrics

Certain of our key operating metrics are subject to inherent challenges in measurement, and any real or perceived inaccuracies in our metrics or the underlying data may cause a loss of investor confidence in such metrics and the market price of our Class A common stock may decline.

We track certain key operating metrics using internal data analytics tools, which have certain limitations. In addition, we rely on data received from third parties, including third-party platforms, to track certain performance indicators, and we may be limited in our ability to verify such data. In addition, our methodologies for tracking metrics may change over time, which could result in changes to the metrics we report. If we undercount or overcount performance due to the internal data analytics tools we use or issues with the data received from third parties, or if our internal data analytics tools contain algorithmic or other technical errors, the data we report may not be accurate or comparable with prior periods. In addition, limitations, changes or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer-term strategies. If our performance metrics are not, or are not perceived to be, accurate representations of our business, if we discover material inaccuracies in our metrics or the data on which such metrics are based, or if we can no longer calculate any of our key performance metrics with a sufficient degree of accuracy, investors could lose confidence in the accuracy and completeness of such metrics, which could cause the price of our Class A common stock to decline.

We believe this provides disturbing context for the inconsistencies we found with FIGS' historical public disclosures.

We Believe FIGS Displayed A Multi-Year Pattern of Exaggerating Revenue Ahead of Its IPO

In several articles and FIGS press releases in late 2018 and 2019, FIGS management said it expected to achieve, and did achieve, over \$100 million in revenue in 2018. FIGS subsequently disclosed in its IPO prospectus that it achieved only half that, \$54.6 million. 2017 and 2019 revenues were overstated on separate occasions as well. While it is possible that the previous references were to “gross” revenue (before returns and discounts), but then does that mean that FIGS subsequently experienced a material returns issue? Regardless, “gross” revenue isn’t a metric that FIGS references in its current financial disclosure.

FIGS Statements on Revenue (Direct or Through Press)

“FIGS...“premium” scrubs company that’s on track to notch **\$100 million** in revenue this year.”

- [Wall Street Journal](#), October 15, 2018

“FIGS **surpassed \$100M** in sales in 2018...”

- [FIGS press release](#), October 28, 2019

“According to a FIGS representative, the company brought in **\$100 million in revenue last year.**”

- [Entrepreneur](#), May 28, 2019

“...the apparel company hit a **whopping \$100 million** in sales last year, according to Spear.”

- [Money](#), August 7, 2019

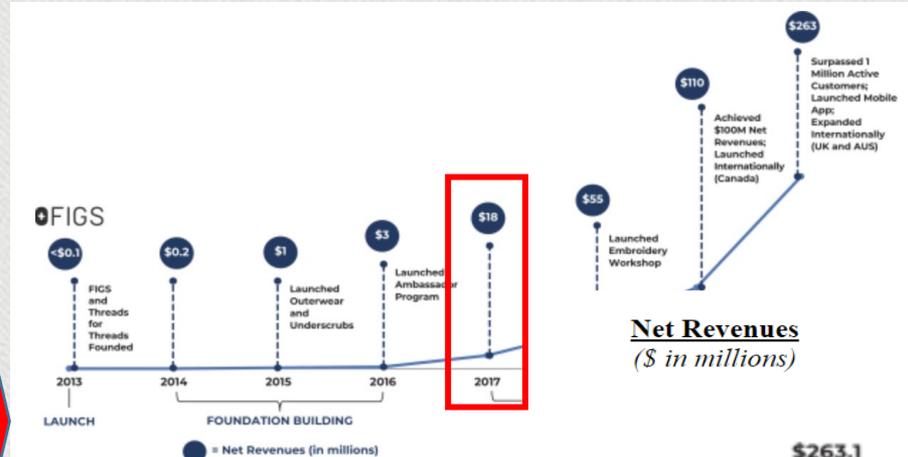
“The company’s **2018 revenue was \$100 million--leaps and bounds over its \$23 million in 2017 revenue...**”

- [Inc. Magazine](#), July 13, 2020

“Hasson and her partner, Trina Spear, had spent six years **building Figs to revenue of \$150 million**, most of it from the sale of upgraded — and stylized — hospital scrubs.

- [Forbes](#), April 28, 2020

Reported Net Revenue



FIGS Revenue Discrepancy

Year	PR Claim	IPO Disclosure
2017	\$23	\$18.0
2018	\$100	\$54.6
2019	\$150	\$110.5





While some, including FIGS, may argue that perhaps there was some sort of miscommunication with press sources (or a failure to correct articles after publishing), the FIGS press releases below show what seems like a false embrace of a missed forecast. 2018 revenues as represented in FIGS IPO prospectus were only \$54.6 million. Furthermore, FIGS elected to be an “emerging growth company” and provided only 2 years of audited figures (2019/2020). As such, the 2018 revenue claim is unaudited and we believe investors have limited basis to trust this figure.

FIGS 2018 Press Release Forecasting \$100M in 2018

FIGS Ranks No. 21 on the 2018 Inc. 5000 With Three-Year Revenue Growth of 9,948 Percent

NEWS PROVIDED BY
FIGS →
Aug 17, 2018, 14:30 ET

LOS ANGELES, Aug. 17, 2018 /PRNewswire/ -- FIGS is proud to be recognized as No. 21 on Inc. Magazine's Inc. 5000 ranking of the nation's fastest-growing private companies. FIGS has experienced 9,948% growth in the past three years and has no plans of slowing down, with annual revenue to top \$100 million in 2018.

FIGS 2019 Press Release Claiming \$100M Achieved

New Balance's Latest Collaboration With FIGS Brings Fashionable And Functional Footwear To Nurses And Doctors

NEWS PROVIDED BY
FIGS →
Oct 28, 2019, 06:21 ET

SHARE THIS ARTICLE


LOS ANGELES, Oct. 28, 2019 /PRNewswire/ -- Global athletic leader New Balance launched its first capsule collection with medical apparel company FIGS to bring functional and fashionable footwear to the healthcare community.

FIGS has raised \$75 million from investors, including most recently \$65 million from Tulco (the fourth-largest raise for a female-founded company in 2017), and previously \$10 million from Irving Place Capital, Mohr Davidow Ventures, Will Smith and others. FIGS was recognized as Best for the World B-Corp in 2015. FIGS was ranked as Number 21 on Inc. Magazine's Inc. 5000 ranking of the nation's fastest-growing companies in 2018, experiencing a 9,948% growth rate over the prior three years. FIGS surpassed \$100M in sales in 2018 and was named #9 on Fast Company's Most Innovative Brand list.

Yes, FIGS experienced rapid revenue growth. That is why it would be all the more shocking that FIGS management would misrepresent its financial scale.

We Believe FIGS Has Misreported Other Business Metrics, Including Customer Purchase Behavior

In addition to revenue figures, FIGS management made several apparently false statements regarding key business metrics. For example, Spear made comments in 2018 regarding customer count and purchase frequency that are inconsistent with subsequent disclosures and Goldman Sachs research.

FIGS Statements on Business Metrics

Spear: "Today, we have **over a half-million customers**, each of whom buys eight to 12 sets of scrubs a year."
- [Inc. Magazine](#), September 2018

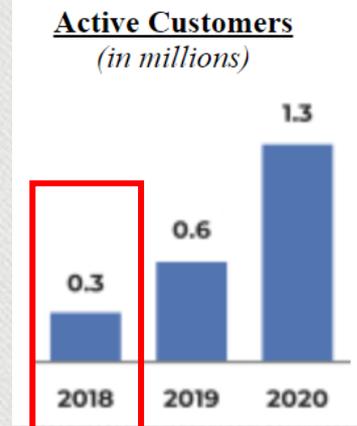


FIGS actually reported approximately 320,000 customers at year end 2018 (four months after the article was published) and calculated net revenues per active customer at \$168, which is inconsistent with 8-12 sets of scrubs at an average of about \$83 per set [at the time](#).

Goldman Sachs June 2021 FIGS initiation report:

"Our sample indicated that the median customer purchases **about 3.75 sets per year of scrubs**."

Reported Results



We Believe FIGS Has Also Misreported Customer Retention Metrics

On the FIGS Q3 2021 earnings call, Spear characterized the FIGS customer base as “*intensely loyal*”. However, based on FIGS disclosures, only 50% of customers place a second order with the Company, and only 22% end up placing a fourth order. We question whether that data supports Spear’s characterization?

FIGS Statements on Business Metrics

“Of the customers it’s won, **more than half order its apparel every month.**”

- [Financial Post](#), November 1, 2017

“What distinguishes us from others is this **cult following** we have. People are die-hard Figs,” says Spear. “**When you’re Figs you’re all in and your whole closet is Figs.**”

- [Forbes](#), April 28, 2020

“Our total active customer base is now more than 1.7 million **intensely loyal** Awesome Humans...”

- [FIGS Q3 2021 Earnings Call](#), November 10, 2021

Reported Results

IPO S-1: “For customers that were **acquired between 2017 and 2019**, approximately 50% returned for a second purchase...After a second purchase, 63% of those customers in that cohort purchased again.”

Based on FIGS disclosure, only 22% of new customers returned for a fourth order.

Orders Placed	Percent of Previous Group	Percent of Total
Initial order		100%
Returned for second order	50%	50%
Returned for third order	63%	32%
Returned for fourth order	70%	22%

The FIGS final IPO Prospectus was filed on May 28, 2021. Why don’t they include metrics from 2020?

“...according to [FIGS’] estimates, **90% of American healthcare professionals now own at least one pair of FIGS.**”

- [Fast Company](#), July 6, 2018

Interestingly, this claim never made the IPO prospectus. At the time of the article, we estimate that FIGS had sold approximately \$50 million worth of scrubs in its history, which represents about 600,000 pairs of scrubs at the \$83 per pair average. However, the Company estimates there are about 20 million US healthcare workers.



We Believe FIGS Exaggerates Its Total Addressable Market (TAM), Gross Margins, And Glosses Over Growth Issues

Buyer Beware: FIGS TAM Disclaimers Increase Post IPO



Spruce Point highlights that FIGS materially expanded its Risk Factor language around its market opportunity in the recent 10-K. Of notable concern, FIGS now warns it has “*not independently verified*” any market opportunity estimates. In the following slides, we will illustrate why investors should heavily discount FIGS’ market opportunity claims.

FIGS At IPO

“The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, including as a result of any of the risks described in this prospectus.”

Source: FIGS [IPO Prospectus](#), p. 52

FIGS Today

*The estimates of market opportunity and forecasts of market growth included in this Annual Report on Form 10-K may prove to be inaccurate. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates, **as well as information obtained from internal sources, market research, publicly available information and industry publications. We believe that these sources and estimates are reliable but have not independently verified them and cannot guarantee their accuracy or completeness. They may also not prove to be accurate, including as a result of any of the risks described in this Annual Report on Form 10-K.***

Source: FIGS [2021 10-K](#), p. 43

We Believe FIGS Dramatically Overstates Its Addressable Market In The U.S. By Over 2x

Prior to its IPO, FIGS management commissioned a study by Frost & Sullivan that sized the U.S. healthcare apparel market at \$12 billion. The study was based on a survey of 200 healthcare professionals and students, which we believe lacks rigor and credibility. Our quick back-of-the-envelope math produces a much smaller figure.

Spruce Point Healthcare Apparel U.S. TAM Analysis (millions)

Healthcare Practitioners and Technical Occupations	8.6	(1)
Healthcare Support Occupations	6.4	(1)
Subtotal (A)	15.0	
Medical Students, Faculty, and Resident Physicians (B)	0.6	(2)
Total Potential Healthcare Population	15.6	
Healthcare Professional Scrub Sets Purchased Annually (C)	3.75	(3)
Medical Student, Faculty, and RP Scrub Sets Purchased Annually (D)	2.00	(3)
Total Scrub Sets Purchased Annually E=(A x C)+(B x D)	57.5	
Average Scrub Set Price (F)	\$75	(4)
Total Annual Scrub Spend G = (E x F)	\$4,312	
FIGS Scrubs as a Percent of 1H 2022 Revenue = G / 84%	84%	(5)
Total Annual Healthcare Apparel Spend	\$5,134	

(1) U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2020

(2) American Association of Medical Colleges and American Osteopathic Association, assuming same student:faculty ratio for DO as MD programs

(3) Goldman Sachs research report on FIGS 6/21/2021

(4) Spruce Point estimate (FIGS average ~\$80 and Cherokee ~\$70)

(5) FIGS SEC filings

We admit that our analysis may marginally understate the number of workers that purchase scrubs, as some outside the USBLIS healthcare codes may be consumers. In addition, our estimate adjusts our scrubs estimate by FIGS' revenue breakdown by product (84% scrubs in 1H 2022) to gross up to total apparel spend.

Conversely, our figures assume median scrubs consumption by all workers and students, even though some number of them may not wear scrubs.

However, despite the arguable imprecision, our rough estimate of approximately \$5 billion is less than half the size of FIGS' stated TAM.

More Importantly, FIGS' Serviceable Obtainable Market (or SOM) Is Dramatically Smaller Than Its TAM



Not every consumer shops at Neiman Marcus, or even Macy's. The practical reality is that there are material portions of the healthcare worker and student population that simply will not purchase FIGS scrubs. While these populations are difficult to quantify, we believe even a qualitative acknowledgement of this reality yields a dramatically lower serviceable obtainable market for FIGS that many analysts and investors seem to overlook.

Spruce Point Indicative FIGS U.S. SOM Analysis: 10 Detractors From FIGS' TAM

FIGS TAM: ~\$5 billion

FIGS SOM: ?

Our indicative analysis suggests FIGS' SOM could be more than 50% smaller than our calculation of its oft-quoted TAM. Thus, FIGS' 2025 revenue objective of \$1 billion could imply as high as 50% market share, which we find unrealistic.

- (1) Not all doctors wear scrubs
- (2) Some operating rooms require sterile scrubs at all times and changing them after every surgery, which makes "premium" scrubs a costly alternative.
- (3) 15% of workers don't have to buy their own scrubs (per FIGS)
- (4) Approximately 10% of nurses are men (per [NSSRN](#)), some of whom may not be interested in a fashion-oriented purchase
- (5) 50% of health support workers and about 10% of health practitioners earn below \$30,000 per year (per [USBLS](#)), making some less likely to buy a premium product like FIGS
- (6) About 48% of nurses in the U.S. are aged 50 or older (per [NSSRN](#)), but the FIGS customer base skews young (75% of revenue from customers aged 45 or below); [Similarweb](#) data shows 76% of wearfigs.com website traffic comes from users aged 18-44
- (7) About 37% of the U.S. population is considered obese (per [Healthline](#)), but FIGS is notorious for having a narrow size range (and lacking larger sizes in particular)
- (8) About 19% of the U.S. population lives in rural areas (per [US census](#)), but FIGS skews heavily towards major cities on the coasts
- (9) 53% of internet users prefer shopping for clothing in-store (per [Statistica](#)), but FIGS does not operate permanent retail stores
- (10) Some portion of the healthcare worker population simply views scrubs in utilitarian terms and thus won't buy FIGS
- (11) Some portion of the healthcare worker population vowed to never buy from FIGS after the DO advertising scandal

FIGS Hasn't Updated Its Market Share Figure In Nearly Six (6) Months And Its Valuation To Market Opportunity Is Disproportionately Large



FIGS regularly provided its market share estimate throughout the SEC registration process and after coming public. However, we observe that it has not updated its market share estimate in nearly 6 months since filing its Annual Report on March 10, 2022. If we take FIGS' \$12.0 billion market opportunity at face value, its current valuation relative to the entire market is 17.5%. However, by using Spruce Point's adjusted market opportunity of \$5.1 billion, we estimate FIGS is valued at 41% of the market opportunity. To put these figures in perspective, FIGS was founded in 2013 and only claims it captured 3.5% market share. This supports our view that FIGS is materially overvalued.

FIGS U.S. Market Share Claims

*"We estimate that, notwithstanding our rapid growth to date, our share of the U.S. healthcare apparel industry is currently **approximately 2.1%**, presenting substantial opportunity for further growth."*

SEC Filings: April to Sept 17, 2021

*"We are really focused on the opportunity right in front of us with, again, **only a 3% market share**"*

Source: CFO Lawrence, Aug 2021

*"**With ~3% market share** in the U.S. alone, there is significant long-term opportunity to attract new customers"*

Source: FIGS Corporate Presentation, January 2022

*"Notwithstanding our rapid growth, we estimate that our share of this U.S. healthcare apparel industry is **approximately 3.5%**, presenting substantial opportunity for further growth."*

Source: 2021 10-K, March 2022

FIGS Valuation Relative To Market Opportunity

FIGS Estimated Current Market Opportunity	\$12,000
FIGS Market Capitalization	\$2,108
FIGS Value Relative To Claimed Market Opportunity	17.5%
Spruce Point Estimated Total Annual Healthcare Apparel Spend	\$5,134
FIGS Market Capitalization	\$2,108
FIGS Value Relative To Spruce Point Estimated Market Opportunity	41%

FIGS' High Gross Margins May Be Inflated By Misclassifying Expenses

Compared to its DTC peers, FIGS allocates nearly all fulfillment and distribution expenses to the operating expense line items, instead of COGS. This results in FIGS gross margins being overstated relative to peers.

COGS, Fulfillment, and Distribution Expense Categorization for Selected DTC Companies

FIGS Line Items	FIGS	BIRD	BRLT	CHWY	FLWS	HIMS	HNST	PRPL	RVLV	SFIX	W	WRBY	LULU
Cost of Goods Sold													
Product costs	COGS												
Import duties and other taxes	COGS												
Freight-in	COGS												
Defective merchandise returns	COGS		COGS						COGS				COGS
Inventory write-offs	COGS		COGS	COGS					COGS	COGS			COGS
Shrinkage	COGS		COGS	COGS					COGS				COGS
Selling Expense: Fulfillment													
Operating fulfillment center	OpEx	COGS		OpEx	COGS	COGS	COGS	COGS	OpEx	OpEx	COGS		COGS
Inspecting and warehousing inventories	OpEx	COGS		OpEx	COGS	COGS	COGS	COGS	OpEx	OpEx	COGS		COGS
Pick/pack orders for shipment	OpEx	COGS	COGS	OpEx	COGS	COGS	COGS	COGS	OpEx	OpEx	COGS	COGS (1)	COGS
Selling Expense: Selling and distribution													
Shipping costs for customer orders	OpEx	COGS	COGS	OpEx	COGS	COGS	COGS	COGS	OpEx	COGS	COGS	COGS (1)	OpEx
Shipping costs for customer returns	OpEx		COGS	OpEx	COGS	COGS	COGS	COGS	OpEx	COGS	COGS		OpEx
Packaging	OpEx	COGS	COGS	OpEx	COGS	COGS	COGS	COGS	OpEx	COGS	COGS		OpEx
Merchant processing fees	OpEx	COGS	OpEx	OpEx		OpEx	COGS	COGS	OpEx	COGS	OpEx	OpEx	OpEx
LTM Gross Margin	72%	53%	48%	27%	40%	75%	35%	41%	55%	46%	28%	58%	58%

(1) Excludes Home Try-On program

Gross Margins Estimated To Be Inflated by 2,040 Basis Points



To make FIGS LTM Gross Margin more comparable with peers, we deduct “Selling Expenses”. By our estimate, FIGS’ LTM Gross Margin is inflated by 2,040 basis points, from 50.7% to 71.0%. The sell-side analyst community, which we believe has lost credibility from being overly optimistic about FIGS prospects, also fails to recognize that FIGS’ Gross Margins are not comparable with peers.

Spruce Point Adjusted Gross Margins

\$ in mm	2020	6M 2021	2021	6M 2022	LTM June 2022
Net Revenue	\$263.1	\$188.2	\$419.6	\$232.3	\$463.7
Gross Profit - Reported % Margin	\$190.2 72.3%	\$136.5 72.5%	\$301.2 71.8%	\$164.8 70.9%	\$329.5 71.0%
Less: Selling Expenses	(\$51.9)	(\$36.3)	(\$81.9)	(\$48.9)	(\$94.4)
Spruce Adj Gross Profit % Margin	\$138.3 52.6%	\$100.2 53.2%	\$219.3 49.9%	\$115.9 49.9%	\$235.0 50.7%
Margin Overstatement	19.7%	19.3%	21.0%	19.5%	20.4%

Source: FIGS SEC filings, Spruce Point Adjustments

Analysts Buy Into FIGS’ Gross Margins At Face Value Without Realizing They Are Comparing Apples-To-Oranges

Reason #3: Sustainable Highly Profitable Financial Model

Fast Growth and High Gross Margin Fuel the P&L

FIGS’s financial profile today is one of the best of the rapid-growth, direct-to-consumer (DTC) companies with among the highest gross margin and profitability of premium brands. Revenue and orders have doubled every year of the company’s history, making it one of the fastest-growing DTC companies, and FIGS ended FY20 with over 1.3 million active customers. With gross margin in excess of 70%, FIGS is starting from a position of strength and in the company of TPR (historically 70%+) and LULU (which we estimate to have merchandise margin in excess of 70%). Starting with 70%+ gross margin and ~20% selling costs in operating expenses (largely shipping/handling) will provide the company ample room to reinvest in marketing, growth infrastructure, and G&A in order to support continued growth and customer acquisition while maintaining 20%+ EBITDA margins.

Source: Barclays FIGS report, “Initiating Overweight, The Path to 10x”, Price Target: \$50.00, June 21, 2021

Now FIGS Is Eliminating Gross Margin Guidance And Changing Forward Looking Statements



FIGS recently made an unusual practice of eliminating its written 2022 Gross Margin guidance in its press release, while on the conference call claiming to maintain it in H2 2022. But looking carefully, we see FIGS updated its “Forward-looking statements” to remove the coverage of the word gross margin. Even more telling, FIGS removed from its Forward-looking statements the words “to fuel profitable growth”.

\$ in mm	First 2022 Guidance	2 nd Update	3 rd Update
Net Revenue	\$550 - \$560	\$510 - \$530	\$510 - \$530
Gross Margin	70%+	67% – 68%	Removed ⁽¹⁾
Adjusted EBITDA Margin	20%+	16% – 18%	16% – 18%
Press Release Source:	2021 Year End March 8, 2022	Q1 2022 Results May 12, 2022	Q2 2022 Results Aug 4, 2022

1) Yet, on the [Q2 2022 conference call](#) FIGS' claimed to maintain back half 2022 gross margin outlook

	Early 2022	Recently Revised August 2022
Forward-looking statements	<p>“These forward-looking statements address various matters, including the Company’s ability to fuel profitable growth for the years to come and the Company’s outlook as to net revenues, gross margin and adjusted EBITDA margin for the full year ending December 31, 2022”</p>	<p>“These forward-looking statements address various matters, including expectations regarding long-term growth and the Company’s outlook as to net revenues and adjusted EBITDA margin for the full year ending December 31, 2022”</p>

We Are Skeptical That FIGS Will Achieve Its International Goals



FIGS management has made bold claims about international expansion that are inconsistent with the record of other high growth retailers and minimize international challenges. In fact, FIGS' recent international growth is already starting to slow, even as it enters more countries.

We Believe FIGS Management Is Prone To Hyperbole

"We're expanding into Canada later this year, and within the next five years, we plan to be in every country around the world."

- [Entrepreneur](#) Interview with Spear, May 28, 2019

By Comparison: International Penetration by Lululemon and Amazon

Lululemon was founded in 1998 and is estimated to generate revenue of approximately \$6.3 billion in its fiscal year ending January 2022. Based on the Company's [website](#), Lululemon currently ships to 82 countries. Furthermore, we note that [Amazon](#) only delivers to 131 of the current 195 countries.

FIGS International Revenue Growth Has Slowed in 2022 Despite Entering More Countries

\$ in mm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
FIGS International Revenue	\$0.4	\$1.9	\$2.8	\$4.3	\$5.5	\$8.0	\$6.9	\$8.7	\$8.7	\$9.4
QoQ Growth		384%	46%	57%	26%	46%	-14%	26%	0%	8%

Former Employees Voice Skepticism Regarding FIGS Management's International Execution

Former Executive Interviewed by Spruce Point

"To this day, I'm surprised that they've been able to scale the company. It gets back to maybe they've just been like really lucky and maybe because they've stayed so focused on doing what they've been doing the whole time; it's worked for them. But you know, really scaling this thing to a billion dollars and up and going international, I don't know how they're gonna do it."

Similar to our U.S. SOM analysis, we question the market for premium-priced scrubs in most international markets.

FIGS' Business Has Been Remarkably Simple Thus Far



We believe FIGS has benefited, both in terms of strategic focus and operational simplicity, from the Company's extremely narrow end market and product assortment.

FIGS Commentary on Business Simplicity

Spear on Q3 2021
Earnings Call
November 10, 2021

*"Some of our **biggest differentiators** include the fact that over 90% of our products is made from the same fabrication and more than 50% of our revenue is generated by our core styles in core colors."*

Former Employee Commentary

Former Executive
Interviewed by Spruce Point

"It's a pretty simple business...[they] have one distribution center in the US that serves the entire US market and Canada. So, they're starting from a really, really simple place. When I was there, I just kind of noticed like they had a hard time operationally doing new things and it was partially because the two founders are just, they're just like, I don't know. They have a hard time relinquishing control to other people. So, if you're gonna really build an organization that starts to get more complex, like you're gonna have to have more people under you."

"I think they're gonna have a really hard time expanding outside of that core customer. For sure. It's gonna get weird because you're not gonna be credible anymore. If you start talking to other people, ...it would be bizarre...they're stuck for better or worse with that core customer."

"I can't think of a long list of other workwear [markets] where that sexy, smart positioning would work."

"Yeah. I don't think logic is [Heather's] strong suit. She thinks "I did this in scrubs, so I must be an amazing designer, so I must be able to be successful in another market. It's like that kind of mindset."

We Believe FIGS Likes To Speak About Potential New Markets But Fails to Acknowledge The Downside



The prospect of new market entry generates excitement among the FIGS investor base. However, we believe investors are ignoring the significant accompanying execution risks and negative impacts such expansion could have on the oft-stated advantages of the current FIGS business model.

Hasson Quote From Promo Video

“Having that maniacal focus on the healthcare professional makes us great, it makes us who we are today.”

Benefits of FIGS Current Market Focus (Scrubs)

Healthcare-specific brand positioning

No fashion risk

No seasonality

Non-discretionary

Low SKU count; easy to forecast

Lower competitive intensity (supposedly)

Realities of New Markets



Reduced brand leverage. Would you buy athleisure apparel from a scrubs company?



Significant fashion risk for a company with no experience in true “fashion”



Significantly greater seasonality



Highly discretionary



Higher SKU count, more difficult to forecast, and supply chain volatility.



Significantly higher competitive intensity.



*Employee Commentary Suggests An
Unhealthy Culture Led By An
Unstable Management*

In Stark Contrast To FIGS' Carefully Crafted Media Image, Former Employees Note A Terrible Culture



While it is important to view disparaging comments by former employees in the appropriate context, we have been troubled by both the **consistency and severity** of feedback regarding the founders and the company culture they have fostered. Based on everything we have heard, the problems at FIGS unquestionably start at the top.

FIGS Founders

- Unethical
- Unprofessional
- Poor leaders
- Bizarre
- Paranoid

FIGS Culture

- High turnover
- Dysfunctional
- Lack of trust
- Environment of fear
- Lack of transparency

Given the issues we have identified with founders Hasson and Spear and the deleterious impact they have had on FIGS' culture, we believe FIGS has succeeded, to date, in spite of itself. We believe these issues create material execution risks that cannot be underestimated. Culture issues can create serious headwinds to long term success.

Glassdoor Reviews Suggests A Challenging Company Culture



We believe Glassdoor reviews can be remarkably insightful. While we recognize the “start-up life”, with its fast pace and ambiguity, isn’t for everyone, we believe the tone of the FIGS reviews is far different. Far beyond simple complaints about workload, there are many references to a fundamentally poor culture.

Commentary on General Culture

<p>Jun 17, 2020 - Full Time Employee on Glassdoor</p>	<p><i>“There is just something that is off about the place. There is a huge disconnect between their outward appearance on social (friendly, caring, warm) vs how they treat their own employees... Unethical is also a word I'd used to describe the actions here...I've worked at my fair share of terrible companies. But after I quickly realized what was going on here, I would dread waking up everyday to come into the office.”</i></p>
<p>Jun 13, 2019 - Anonymous Employee on Glassdoor</p>	<p><i>“FIGS is a dysfunctional company. Period.”</i></p>
<p>Jul 27, 2019 - Teams Sales Manager on Glassdoor</p>	<p><i>“I guess working at FIGS is like going to prison. You leave... with a whole new perspective on life...”</i></p>
<p>Jan 21, 2021 - Anonymous Employee on Glassdoor</p>	<p><i>“I really wanted it to be a great place and for a short time, I believed it could be. It's not. I witnessed some of the worst, back stabbing, favoritism, poor communication, unreasonable requests, indecisiveness, terrible instincts and down right mean behavior I have ever seen at any company...The mean girl behavior is encouraged and the worst ones are rewarded.”</i></p>
<p>Aug 12, 2019 – Sales Employee on Glassdoor</p>	<p><i>“Very strange atmosphere, super small and cliquish...It's pretty toxic, they are micro managers and it's not a place to really go with experience unless you serve a functionality they cannot do themselves or haven't cracked yet. It's a culture of fear and zero mentor/ growth opportunity as it stands...”</i></p>
<p>Jul 7, 2020 – Former Manager on Glassdoor</p>	<p><i>“During the interviews, the company is oversold, they lie about job expectations and culture. Once you are in, it quickly becomes apparent that is was all fake.”</i></p>
<p>Jul 29, 2022 - Anonymous Employee on Glassdoor</p>	<p><i>“The FIGS office is a twilight zone. Poor internal all-company messaging including toxic positivity and overworking their team. No structure or work-life balance. Chaotic. No leadership. Revolving door.”</i></p>



We recognize that every company develops a distinct culture and that no one culture predetermines success or failure. However, how company culture manifests itself does impact long-term success. At FIGS, the culture depicted by reviews indicates high turnover, and we view the inability to retain employees as a red flag.

Commentary on Excessive Employee Turnover

Mar 31, 2021 - Anonymous Employee on Glassdoor	<i>"I have never worked at a place with such a high level of turnover."</i>
Jan 21, 2021 - Anonymous Employee on Glassdoor	<i>"...the company burns through people at an alarming rate. There's no effort to retain talent or hold managers accountable who cast new employees away without a warning or reason. Often before key benefits kick in. It's so rare for people to stay long, 1 year anniversaries are celebrated company wide and anniversaries of just several years means a lavish gift."</i>
Jul 8, 2020 - Manager on Glassdoor	<i>"...it's a revolving door of hiring/firing."</i>
Jun 17, 2020 - Full Time Employee on Glassdoor	<i>"In reality, there is a huge amount of turnover here, even for a startup... Most people don't last more than three months..."</i>
Jun 13, 2019 - Anonymous Employee on Glassdoor	<i>"I've never been at a company that has experienced so much turn over. Turn over says it all. Since I've been here, I think we've turned over about a fourth of the workforce. Our product team has been dismantled. Our finance team barely exists at this point."</i>
Aug 12, 2019 - Sales Employee on Glassdoor	<i>"Turn over is super high & sporadic."</i>
Nov 24, 2021 – Former Manager on Tegus	<i>"My experience was not positive...I think that the turnover will continue. I think for them to be successful to keep people around, they need to revamp the executive team."</i>
Jul 29, 2022 - Anonymous Employee on Glassdoor	<i>"average employment seemed to be 3 -4 months. If you can survive even that long"</i>

FIGS Has Experienced Numerous Executive Turnovers Below Its Co-Founders



FIGS likes to speak about its tenured management team, but we believe the reality is quite different. FIGS churned through most VP hires made in 2019, and other tenured VPs departed in 2021. We don't believe the FIGS website has ever featured any executive profiles besides those of Hasson, Spear, and the current CFO Turenshine.

Hasson on FIGS Q4 2021 earnings call

"Our accomplishments are also a result of building a management team over the past 10 years...we are a team that delivers extraordinary results year after year."

VP/C-Level Management Departures

Karsten Loose

+ CFO
FIGS
May 2018 - Feb 2019 · 10 mos
Greater Los Angeles Area



Arvind Mishra

+ Vice President Of Product Management
FIGS · Full-time
Nov 2018 - Jul 2019 · 9 mos



Lisa Turner

+ VP of Design
FIGS · Full-time
Nov 2019 - Apr 2020 · 6 mos
Santa Monica, CA



Jee Jung

+ FIGS
4 yrs 1 mo

- Vice President of Apparel
Full-time
May 2020 - Jul 2021 · 1 yr 3 mos
Los Angeles, California, United States
- Vice President Of Production
Jul 2017 - May 2020 · 2 yrs 11 mos
Los Angeles, California



Alex Tshering

+ FIGS
3 yrs 10 mos

- SVP of Marketing
Aug 2019 - Apr 2021 · 1 yr 9 mos
- Vice President of Marketing
Jan 2018 - Aug 2019 · 1 yr 8 mos
Greater Los Angeles Area
- Director of Growth and Acquisition
Jul 2017 - Jan 2018 · 7 mos
Greater Los Angeles Area



Christine Liu

+ FIGS
Full-time · 6 mos

- VP of Operations and Customer Experience
Feb 2020 - Apr 2020 · 3 mos
- VP of Operations
Nov 2019 - Apr 2020 · 6 mos
Santa Monica, California



Armen Nalbandian

VP Customer Experience
June 2018 –
January 2020
1 year 7 mos



Karen Pornillos

Chief Product Officer
FIGS · Full-time
Oct 2020 - Jul 2022 · 1 yr 10 mos



Former Executive Interviewed by Spruce Point

"[While I was there] we started building out this VP level of the organization below Trina and Heather. A CFO. A VP of Customer Experience from Fashion Nova. A VP of Product, All of them totally normal and capable people. None of them lasted a year. I don't know how they're scaling this organization. You have these normal people come in with ideas and experience and just wanting to execute on their ideas. But they are threatening to Trina and Heather. I really don't understand it, but there is something weird there."

Employee Commentary Suggests That The Co-Founders Seem To Be The Source of Many of The Cultural Issues

Based on Glassdoor reviews and our conversations with former employees, the issues at FIGS start with the founders Hasson and Spear.



Commentary on Top Management

<p>Jun 27, 2020 - Former Employee on Glassdoor</p>	<p><i>“...Coming from a Wall Street mindset I don’t blame [Trina] for her lack of insight with how she manages people along with her executive team. She expects one to follow her similar wallstreet culture of burning employees to the ground - the fakeness that exudes within FIGS is a coverup for a cult...The 2nd CEO is driven by the creativity but burns money like its paper and has 0 clue how to run A BUSINESS...”</i></p>
<p>Jul 7, 2020 – Former Manager on Glassdoor</p>	<p><i>“With my insight into leadership, it's easy to see rampant favoritism, unethical behavior and excessive micromanaging starting at the top with founders...Upper management is not open to trusting people to use their expertise to bring new ideas to the table. Everything must come from the executives.”</i></p>
<p>Jun 17, 2020 - Full Time Employee on Glassdoor</p>	<p><i>“I don't know if there's any hope here, honestly. It's hard to change ego.”</i></p>
<p>Jun 13, 2019 - Anonymous Employee on Glassdoor</p>	<p><i>“If you come work here, just know that you can be terminated on a whim by the CEOs, Trina and Heather. They are distrustful of almost everybody.”</i></p>
<p>Aug 12, 2019 – Sales Employee on Glassdoor</p>	<p><i>“Heather is pretty checked out and can be frustrating to communicate with on anything strategic...That handful that runs the company is super toxic to the environment. They are proud of decisions that show bad planning & claim it’s “their way”.”</i></p>
<p>Jan 21, 2021 - Anonymous Employee on Glassdoor</p>	<p><i>“The toxic culture starts at the top. Stop your tone deaf talks which are cringeworthy at best, offensive at their worst (white women leading a talk on BLM). Decide if you want to be known as the place described in the 5 star reviews and if so, be willing to look in the mirror and do the hard work to get there.”</i></p>
<p>May 24, 2021 - Former Executive on Tegus</p>	<p><i>“I mean this is to me like the one area where I think there is some risk. I think having co-CEOs is always a little weird...But I think there's a lot of weird paranoia and lack of trust. I think behaviorally, the two founders are a little bit strange...“they don't strike me as a kind of people that are going to be able to lead like a 500-employee company and be able to trust multiple layers of management below them...”</i></p>

Commentary on Top Management (continued)

Jul 27, 2019 - Teams Sales Manager on Glassdoor

*“...Understand that **the founders will stop at nothing to succeed and that means lying to press, vendors, employees and glassdoor.** Remember that even the worst company survives because there is a group of loyalists that are either delusional or look the other way. Know that the image they present to the outside world is very different from what the employees at the company experience... **Trina and Heather wrote the book on dysfunctional meetings.** They show up late to most meetings, dogs in tow. Get ready Trina to get made when wall street Heather asks a stupid question that everybody but her knows the answer to (because its been discussed 5 times already). 10 minutes into the meeting Heather will probably stop listening and be scrolling through instagram. An hour later, you wonder what was accomplished... Tues Talks: This is FIGS twisted version of a weekly standup meeting, except you can't talk about challenges or difficulties and, **you MUST use the word "amazing" at least 5 times.** You also get to hear Trina attempt her motivational speeches on topics and principles that she completely ignores... At least try to have integrity, try to care about your employees, try to do what's right. Yes you have a hard job and you have to be tough, but **don't be monsters.**”*

Former Executive Interviewed by Spruce Point

*“I think you would need to consult with a psychiatrist to really get at the root of this. I would say **it definitely starts with the two founders.** They both have **bizarre personalities.** I don't know how they found each other. There's this kind of artificial selection process that tends to happen where the people who think they're crazy leave and the people who maybe don't or can absorb it stay...Historically, **Heather's always been just totally checked out of the business.** Like she kinda would walk in, you know, at 11 o'clock talk to the product team and then just like kinda walk out at three. **It wasn't like she was an engaged CEO,** you know, planning the business, thinking strategically, meeting with people... I know it sounds like I'm so negative but I'm just being honest. **[Trina] isn't a good leader.** She had a weekly exec meeting, and all we talked about was who we're hiring because people are leaving. There's nothing strategic about that meeting.”*

Aug 10, 2022 - Former Sales Manager on Tegus

*“But working there was the worst place that I've ever worked in my life. And if you **speak to anybody, past employees, they will say those exact words as well.** It was truly like the most toxic, horrible place that I've ever worked for. And that's simply from the CEOs creating such a super, super toxic workplace.”*



We believe it is telling that there are multiple references to FIGS creating fake reviews to protect its reputation.

Commentary on Fake Reviews

Jan 21, 2021 - Anonymous Employee on Glassdoor

*"To anyone who is considering a job and looking to this web site for honest reviews, please do your due diligence and read through the reviews. **Every time a candid bad review appears, there are multiple overly gushing reviews that flood the site to burry the bad one and get the overall rating averages up.** This is my suspicion but if you look at these clues, you'll see why. Really take a look at these 5 star reviews with a skeptical eye. How many of them have a very similar voice and word usage, almost like they are written by the same person in my opinion. There are several reviews that use nearly identical words or phrases or overly use the word "awesome" which just happens to be part of a company slogan. How many of the 5 star reviews say they can't even think of one simple thing to critique - does that seem plausible? Look at other companies with great reputations and you'll see the difference. Now look at the length of employment. You'll be hard pressed to find an example of someone who has worked there for more than a year. Try LinkedIn too and you'll see the same thing.*

Jun 17, 2020 – Full Time Employee on Glassdoor

*"If you pay attention to the plethora of **fake reviews** here, you'll see that the tone is always the same. **Huge red flag.**"*

Jul 27, 2019 - Teams Sales Manager on Glassdoor

*"Beware of the **fake reviews** from the founders and their dwindling team of loyalists."*

*"Understand that **the founders will stop at nothing to succeed and that means lying to press, vendors, employees and glassdoor.**"*

Jul 29, 2022 - Anonymous Employee on Glassdoor

"Most of the reviews are fake and posted using old employee email addresses. This is not legal."



*We Are Troubled by Finance
Department Turnover And
Qualifications at FIGS*



Speaking with former FIGS employees, we are extremely troubled by the history of neglect and disrespect for the finance function. While CEO Spear has often been positioned as the “finance expert” in the media given her background on Wall Street, there are clear signs that she is aggressive with numbers.

Commentary on Founder Relationship With Finance Function at FIGS

Former Executive Interviewed by Spruce Point

*“I would say **transparency wise, it was always a little bizarre. Trina and Heather were really cagey about sharing any numbers internally.** They’d say ‘don’t tell anyone the revenue number, that’s only for us’. Like just like weird stuff like that...It was a weird dynamic with disclosing information internally to the organization”*

*“Like really basic stuff. I remember an example where Trina was quoting our CAC as something and it was just totally wrong. It was like, all right, this is what our CAC is. **And she’s like, oh, okay. I’ve been telling people this. I would say, like for numbers, the general respect for the truth was low.** It was very like, ‘whatever, I have been telling people this other number for a long time’ kind of attitude about it. And you’re just like, ‘CAC is pretty basic’. And **the fact that she was doing that wrong was a little bit of a orange flag. I was like, how do you not know what this is?**”*

*[some executives might be worried about an analyst calling them out on their numbers] “, but I would say that **Trina’s mindset is more like, ‘I’ll do whatever the hell I want. I’m Teflon.’** I kind of describe her as like, **she kind of has a Donald Trumpian mindset a little bit. Like she kind of gets away with stuff and she has the confidence to do so.** And a lot of founders have that, but that’s just something to think about. I would say that if there is a number where there’s an opportunity to kind of be aggressive with something, they probably will be.”*

*“what they tend to do is they hire these really junior people. And then they sort of **groom them so that they’re a little bit more malleable.**”*

*[regarding new CFO Daniella Turenshine] “Trina and Heather don’t feel, I dunno, threatened or whatever by her. **She will kinda follow orders.**”*

The FIGS Finance Function Has Seemingly Suffered From Chronic Understaffing And Turnover



Based on our search of LinkedIn profiles, admittedly an imperfect source, we have compiled the timelines of all past and present finance function employees at FIGS. We are troubled by extremely low staffing levels, particularly at senior levels and during 2020, a year when the Company grew nearly 140% and posted \$263 million in revenue.

FIGS Finance Employee Tenures

	Unaudited Financials				Audited Financials Provided To SEC				IPO					
	2017		2018		2019		2020		2021		2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Annual Revenue	\$18		\$55		\$110		\$263		\$419					
Chief Financial Officer														
Daniella Turenshine														
Jeff Lawrence														
Kartsen Loose														
Controller														
Kevin Fosty														
David Wong														
(S)VP Finance (& Strategy)														
Daniella Turenshine														
Jason Simon (consultant)														
Directors														
Director of Finance (Spencer Beyrle)														
Director of Tax (Sally Ren)														
Director of Corporate Finance (Grant Brooks)														
Director of Tech. Acctg & Fin. Rptg (Humberto Lupercio)														
Other														
Finance Manager (Josh Belmont)														
Accounting Manager (David Wong)														
Accounting Manager (Riyako Asami)														
Senior Technical Accountant (James Soehardjono)														
Senior Accountant (Jessica C.)														
Staff Accountant (Karen Trinh)														
Financial Analyst (Christian Smith)														
Financial Analyst (Justin Jang)														
Financial Analyst (Amanda McKamey)														

**Critical Pre-IPO Period
We Identify A Void In
Financial Leadership**

**Critical Pre-IPO Period
We Identify A Void In
Financial Support**



We believe Jeff Lawrence is a credible financial executive having served as the former CFO of Domino's Pizza. Based on the -21% decline in FIGS shares upon the announcement of his departure on Dec 20, 2021, the market did not expect his quick departure. We estimate he forfeited millions of dollars upon his resignation.

Lawrence's Separation Timing and Terms

In connection with Mr. Lawrence's commencement of employment with us on December 31, 2020, we granted Mr. Lawrence a stock option covering 2,047,212 shares of our common stock. The stock option has an exercise price of \$6.02 per share and vests over a four-year period, with 25% of the shares subject to the option vesting on the first anniversary of Mr. Lawrence's start date with our company and the remaining shares vesting in substantially equal monthly installments thereafter. If Mr. Lawrence's service is terminated by us without "cause" or by him for "good reason" (each, as defined in his offer letter), in either case, within 12 months following a change in control of our company (as defined in his offer letter), then 100% of the then-unvested shares subject to the option will vest in full.

Lawrence's employment agreement stipulated a December 31, 2020 start date and contained a one year cliff, meaning one-quarter of his initial option grant would vest on December 31, 2021. We find it troubling that: (1) Lawrence notified the Company of his resignation on December 9, 2021 and that his last day would be December 24, 2021, meaning he didn't stay another week in order to be eligible for one-quarter of his options (511,803 shares), (2) the Company was willing to grant accelerated vesting of 275,000 options (worth \$7.6 million) in return for him entering into a non-compete agreement. Furthermore, Lawrence came out of retirement to join FIGS and is supposedly now retiring again. (3) Based on the options forfeited by not reaching his one year anniversary, the \$6.02 exercise price, and the \$33.72 per share FIGS closing stock price on December 8, 2021 (the day before he notified the Board), Lawrence gave up \$6.6 million to depart from FIGS one week sooner. $511,803 - 275,000 = 236,803 \times \27.70 per share)

The Company anticipates that Mr. Lawrence will be eligible to receive severance payments and benefits in accordance with the terms of his existing offer letter with the Company, subject to his timely execution and non-revocation of a release of claims in the Company's favor, including: (i) continued payment of base salary for twelve (12) months following the date of termination; and (ii) up to twelve (12) months of Company-paid COBRA continuation. In connection with his departure from the Company, Mr. Lawrence also entered into an agreement with the Company containing a non-competition provision, in exchange for (i) the accelerated vesting and exercisability of 275,000 shares of the Company's Class A common stock subject to the stock option granted to Mr. Lawrence in December 2020 and (ii) the extension of the exercise period of Mr. Lawrence's outstanding stock options to the first anniversary of the Effective Date.

We Are Concerned By The Material Downgrade Of Finance Experience At FIGS' CFO Position



Given her vastly more limited work experience compared with previous CFO Lawrence, we believe the appointment of Daniella Turenshine represents a material downgrade in CFO capabilities.

Spruce Point Assessment of FIGS CFO Qualifications

	Karsten Loose May 2018 – Feb 2019	Jeff Lawrence Dec 2020 – Dec 2021	Daniella Turenshine Dec 2021 - present
Public Company Finance Experience	3 years, VP Finance, ThredUP	20 years, CFO, VP Int. Fin., Treasurer, Corp. Controller, Dominos	None before FIGS
Capital Markets Experience	7 years, Goldman Sachs (Associate, VP)	IPO, financing, recap, M&A at Dominos	2 years, Credit Suisse (Analyst), Pvt Equity
Accounting Work Experience	None	5 years, Arthur Andersen, CPA	None
MBA / Class	Stanford 2008	Michigan Est. 2000 or earlier	Harvard 2017
Other	Promoted to VP at Goldman	Promoted 4 times, held numerous finance roles	--

What Happened To Chris Varelas?



Former investment banker and private equity investor Chris Varelas joined the FIGS Board effective with the IPO in May 2021 and was appointed lead independent director and chair of the audit committee. He resigned less than three months later, and FIGS buried the news on the last page of its 10-Q filed 8/12/21.

Chris Varelas Resignation Disclosure

Item 5. Other Information.

On August 8, 2021, Christopher Varelas notified FIGS, Inc. (the “Company”) of his resignation from the Board of Directors (the “Board”) of the Company, effective immediately. Mr. Varelas' resignation was not a result of any disagreement with the Company, known to an executive officer of the Company, on any matter relating to the Company’s operations, policies or practices. On August 8, 2021, Sheila Antrum was appointed to the Audit Committee of the Board and Michael Soenen was appointed a lead independent director of the Board.



We find the qualifying language in Varelas’ resignation disclosure unconventional and concerning.



No mention of his FIGS involvement in his Riverwood Capital bio or under his past investments? No reference on his [LinkedIn bio](#)?



Chris Varelas

CO-FOUNDING PARTNER

360 Investors

Chris Varelas is a Co-founding Partner of Riverwood Capital. Prior to establishing Riverwood, Chris worked at Salomon Brothers/Citi as Global Head of Technology, Media & Telecom Investment Banking, Head of Citi’s National Investment Bank, member of Citi’s Global Operating Committee and Culture Czar for all of Citi. Chris was selected as one of the 100 most important deal makers by the New York Times and was named top “rainmaker” in the technology sector by Dealmaker Magazine.

Chris earned an MBA from the Wharton School of Business and a BA from Occidental College in Los Angeles, California for which he serves on the Board of Trustees. He is a moderator for the Aspen Institute for which he recently founded the Aspen Finance Fellows program created to produce effective enlightened leaders in the financial services industry.

**Former Executive
Interviewed by Spruce Point**

“I just can’t see [Trina and Heather] in a boardroom with adults, you know, having conversations, having to answer to someone. That’s why it’s so interesting to me that they have managed to have a board with so few outsiders.”



*We Believe FIGS Has Little
Sustainable Competitive Advantage
And Faces Increasing Competition*

FIGS' Stated Advantages And Product Differentiators Do Not Seem Sustainable



Based on our review of FIGS stated competitive and product advantages, we believe that practically none of them are sustainable and most are easily replicated. FIGS has a known brand; however, the retail world is replete with examples of brands that fell from grace, experienced diminished value over time, and did not forestall bankruptcy.

FIGS Strategic Advantages



Strong brand ⁽¹⁾



Direct to consumer model: **easily replicated**



Low-cost Asian sourcing; **easily replicated**



Attractive financial model; but competition is increasing, margins are declining, and entering new markets may impact further



Pricing? No, it is positioned as a premium offering

FIGS Product Differentiators



Color: Many colors are hospital or department mandated; **easily replicated**



Form and fit: **easily replicated**



Materials: **easily replicated**, including the use of antimicrobial materials



Design features (eg, pockets, which FIGS has emphasized): **easily replicated**



Feel good story: not if there are credibility concerns around management

We note that brand equity is always at risk, and we believe FIGS has already managed to degrade its brand equity in its short history with mistakes such as a recent ad campaign.⁽¹⁾ We also note that the FIGS brand is HIGHLY end-market and gender specific, making it of limited use in penetrating new markets.

1) "Popular scrubs company FIGS generates backlash from women in medicine and DOs after insensitive video", [CNN](#), Oct 15, 2020



Former employees corroborate that FIGS has little competitive advantage beyond brand, and that its business model and products could be easily replicated.

Commentary on FIGS Competitive Positioning

Nov 16, 2021 – Former Associate on Tegus

*"I think possibly the loyal clientele will help keep them going, but also a part of me thinks that something new will come in the future because **how much longer can a brand be exciting for, really?** I feel like things eventually die out, even clothes, it's scrubs, but someone can come in with a better structure, a better style, better technology with the fabric and fit, and maybe even add like a customization on your scrubs' detailing, they can add something different that FIGS doesn't have now and that can be more successful than FIGS...**I mean if you know how to design and you know how to fabric source, I think anyone really can do it.**"*

May 24, 2021 - Former Executive on Tegus

*"I don't know how much of that's really proprietary...Like it might be now, but they produce their product in Vietnam. And at least when I was there, **a lot of it was just stuff that those manufacturers would make for multiple companies**, there's nothing patented for FIGS. I don't know if that's changed."*

Former Executive Interviewed by Spruce Point

*"I think **there's a lot of risk there [on competition]. I don't think there's anything to the product that's really hard to replicate. I mean, there's no proprietary technology there.** They've just been really good about fit and smart design."*

*"**I do think there's a risk that [Lululemon] they could say, this is an interesting market. We think we could talk to this customer, and we can design a really smart product. They could just come out with it one day, probably take a lot share.** I think that the healthcare professional probably loves Lululemon. And then they have all the retail outlets, which FIGS doesn't have, which are a really powerful channel for them."*

We Believe FIGS' Characterization of The Scrubs Market Is Out-of-Date



FIGS generally frames the competitive environment as a battle between itself and a monolithic 'big scrubs' industry of unbranded, commodity products. We think the reality is that both (1) legacy scrubs suppliers have innovated on product, and (2) several dozen specialty scrubs providers have emerged.

The FIGS Pitch

+ FIGS



Everyone Else:
Basic
monochrome
cotton scrubs

The Highly-Branded Actual Competitive Landscape

Popular
Brands from
Legacy
Suppliers



Established
and
Emerging
Specialty
Brands



We Believe FIGS' Differentiation On Silhouette, Fit And Color Has Declined Markedly



While we acknowledge that FIGS was one of the first premium scrub companies to innovate on design, the market has seen a proliferation of brands offering modern styles. FIGS likes to frame their competitors as still offering commoditized, shapeless, uncolorful cotton scrubs, but we believe that simply is not the case anymore.

Can You Spot the FIGS Scrubs?

Brand A



Brand B



Brand C



Brand D



Brand E



Brand F



Brand G



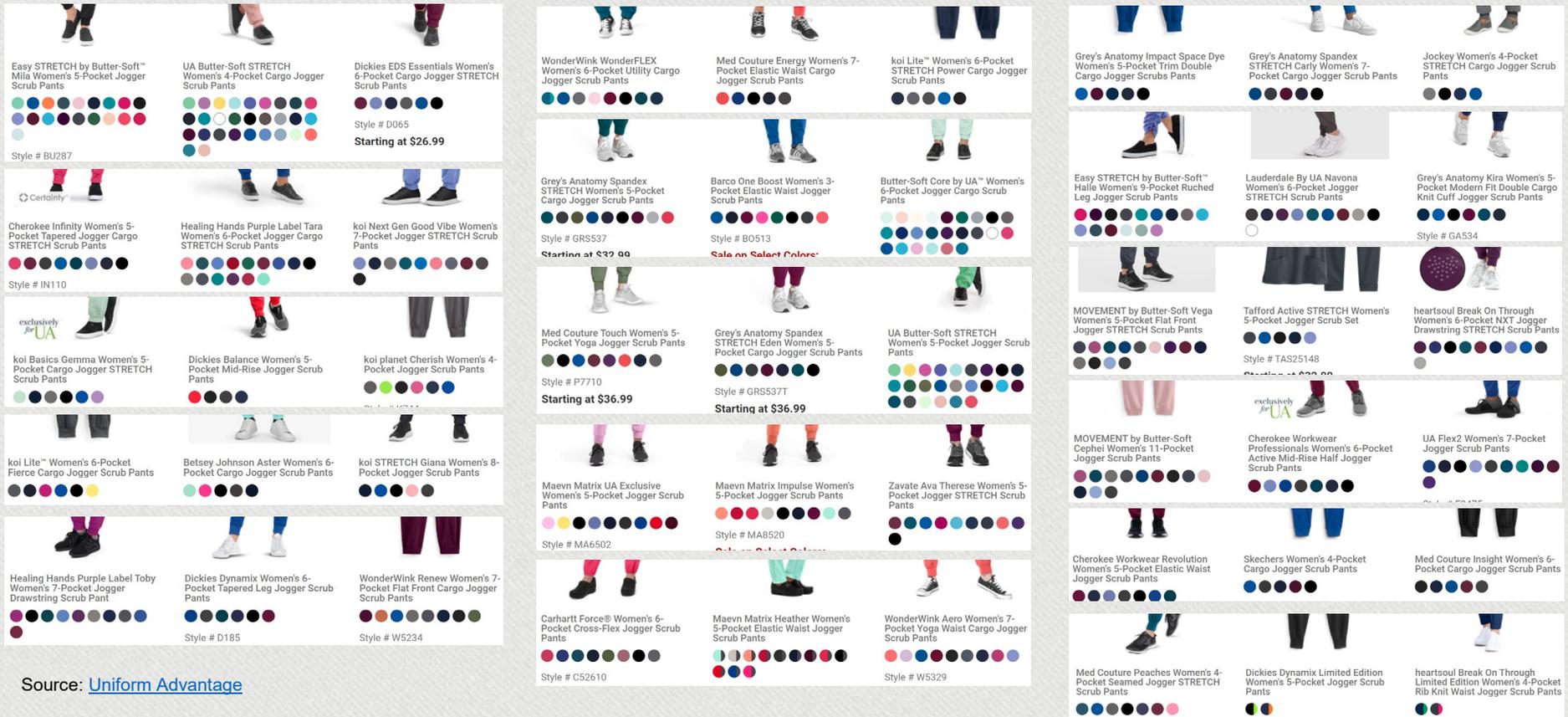
Brand H



FIGS Points to the Introduction of "Jogger" Scrub Pants As An Example of Its Innovation; Most Scrubs Suppliers Now Offer The Style As An Option

FIGS points to its design innovation, such as bringing the 'jogger' pant style (which has existed for years in the realm of athletic wear), to the scrubs market.⁽¹⁾ We do not believe such design introductions to provide a sustainable advantage. Searching for jogger pants on Uniform Advantage yields 113 options in a vast array of colors.

Jogger Pant Options on Uniform Advantage (48 of 113)



The grid displays 48 different jogger pant styles, each with a small image of the pants, a set of color swatches, and the product name and style number. The styles include:

- Easy STRETCH by Butter-Soft™ Mila Women's 5-Pocket Jogger Scrub Pants (Style # BU287)
- UA Butter-Soft STRETCH Women's 4-Pocket Cargo Jogger Scrub Pants
- Dickies EDS Essentials Women's 6-Pocket Cargo Jogger STRETCH Scrub Pants (Style # D065, Starting at \$26.99)
- WonderWink WonderFLEX Women's 6-Pocket Utility Cargo Jogger Scrub Pants
- Med Couture Energy Women's 7-Pocket Elastic Waist Cargo Jogger Scrub Pants
- koi Lite™ Women's 6-Pocket STRETCH Power Cargo Jogger Scrub Pants
- Grey's Anatomy Impact Space Dye Women's 5-Pocket Trim Double Cargo Jogger Scrubs Pants
- Grey's Anatomy Spandex STRETCH Early Women's 7-Pocket Cargo Jogger Scrub Pants
- Jockey Women's 4-Pocket STRETCH Cargo Jogger Scrub Pants
- Cherokee Infinity Women's 5-Pocket Tapered Jogger Cargo STRETCH Scrub Pants (Style # IN110)
- Healing Hands Purple Label Tara Women's 6-Pocket Jogger Cargo STRETCH Scrub Pants
- koi Next Gen Good Vibe Women's 7-Pocket Jogger STRETCH Scrub Pants
- Grey's Anatomy Spandex STRETCH Women's 5-Pocket Cargo Jogger Scrub Pants (Style # GR5537, Starting at \$32.99)
- Barco One Boost Women's 3-Pocket Elastic Waist Jogger Scrub Pants (Style # B0513, Sale on Select Colors)
- Butter-Soft Core by UA™ Women's 6-Pocket Jogger Cargo Scrub Pants
- Easy STRETCH by Butter-Soft™ Halle Women's 9-Pocket Ruched Leg Jogger Scrub Pants
- Lauderdale by UA Navona Women's 6-Pocket Jogger STRETCH Scrub Pants
- Grey's Anatomy Kira Women's 5-Pocket Modern Fit Double Cargo Knit Cuff Jogger Scrub Pants (Style # GA534)
- koi Basics Gemma Women's 5-Pocket Cargo Jogger STRETCH Scrub Pants
- Dickies Balance Women's 5-Pocket Mid-Rise Jogger Scrub Pants
- koi planet Cherish Women's 4-Pocket Jogger Scrub Pants
- Med Couture Touch Women's 5-Pocket Yoga Jogger Scrub Pants (Style # P7710, Starting at \$36.99)
- Grey's Anatomy Spandex STRETCH Eden Women's 5-Pocket Cargo Jogger Scrub Pants (Style # GR5537T, Starting at \$36.99)
- UA Butter-Soft STRETCH Women's 5-Pocket Jogger Scrub Pants
- MOVEMENT by Butter-Soft Vega Women's 5-Pocket Flat Front Jogger STRETCH Scrub Pants
- Tafford Active STRETCH Women's 5-Pocket Jogger Scrub Set (Style # TAS25148, Starting at \$29.99)
- heartsoul Break On Through Women's 6-Pocket NXT Jogger Drawstring STRETCH Scrub Pants
- koi Lite™ Women's 6-Pocket Fierce Cargo Jogger Scrub Pants
- Betsey Johnson Aster Women's 6-Pocket Cargo Jogger Scrub Pants
- koi STRETCH Giana Women's 8-Pocket Jogger Scrub Pants
- Maevn Matrix UA Exclusive Women's 5-Pocket Jogger Scrub Pants (Style # MA6502)
- Maevn Matrix Impulse Women's 5-Pocket Jogger Scrub Pants (Style # MA8520, Sale on Select Colors)
- Zavate Ava Therese Women's 5-Pocket Jogger STRETCH Scrub Pants
- MOVEMENT by Butter-Soft Cephei Women's 11-Pocket Jogger Scrub Pants
- Cherokee Workwear Professionals Women's 6-Pocket Active Mid-Rise Half Jogger Scrub Pants
- UA Flex2 Women's 7-Pocket Jogger Scrub Pants
- Healing Hands Purple Label Toby Women's 7-Pocket Jogger Drawstring Scrub Pant
- Dickies Dynamix Women's 6-Pocket Tapered Leg Jogger Scrub Pants (Style # D185)
- WonderWink Renew Women's 7-Pocket Flat Front Cargo Jogger Scrub Pants (Style # W5234)
- Carhartt Force® Women's 6-Pocket Cross-Flex Jogger Scrub Pants (Style # C52610)
- Maevn Matrix Heather Women's 5-Pocket Elastic Waist Jogger Scrub Pants
- WonderWink Aero Women's 7-Pocket Yoga Waist Cargo Jogger Scrub Pants (Style # W5329)
- Cherokee Workwear Revolution Women's 5-Pocket Elastic Waist Jogger Scrub Pants
- Skechers Women's 4-Pocket Cargo Jogger Scrub Pants
- Med Couture Insight Women's 6-Pocket Cargo Jogger Scrub Pants
- Med Couture Peaches Women's 4-Pocket Seamed Jogger STRETCH Scrub Pants
- Dickies Dynamix Limited Edition Women's 5-Pocket Jogger Scrub Pants
- heartsoul Break On Through Limited Edition Women's 4-Pocket Rib Knit Waist Jogger Scrub Pants

Source: [Uniform Advantage](https://www.uniformadvantage.com)

1) FIGS Exhibit

Does FIGS Really “Own” Color?



FIGS proudly states in its FY 2021 shareholder letter that “We Own Color”. Recognizing that the Company does frequent limited edition releases, we find that FIGS’ core color palette is not materially different from others. Moreover, we don’t believe that “color” endows any competitor with a sustainable competitive advantage.



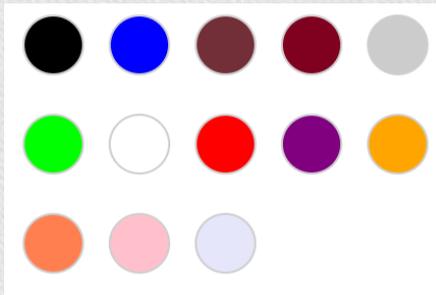
Source: [FIGS](#), March 2022

Color Palette of Select Scrubs Companies

Jaanu

Core Colors	Limited Edition Colors
● Black	● True Red <i>NEW</i>
● Navy	● Chambray Blue <i>NEW</i>
● Gray	● Slate
● Royal Blue	● Hunter Green
● Ceil Blue	● Eggplant
○ White	● Electric Magenta
● Pink	● Lilac
● Wine	● Aqua Sky
● Carribean Blue	

Grey’s Anatomy



Koi



FIGS

● Black	○ White	● Optic White
● Navy	● Dark Harbor	● Seaglass
● Graphite	● Deep Charcoal	● Space Navy
● Ceil Blue	● Heathered Dark Charcoal	● Twill
● Royal Blue	● Heathered Light Grey	● Washed Olive
● Burgundy	● Mauve	

The FIGS Pitch On FIONx: Proprietary Materials Developed Over Two Years; Not Sourced In Asia



Part of the FIGS origin story is the development of proprietary materials, supposedly over two years, and developing a unique supply chain “controlled” by the Company. FIGS even goes so far as to chide its competitors for manufacturing product in Asia.

The FIGS Pitch on Its Materials and Chiding Competitors For Sourcing Product in Asia

Hasson in 2018 Inc.
Magazine Interview

“We developed our own fabrics, down to the yarns, in L.A. before approaching factories. My 10 years in fashion helped me develop a network of factory contacts, but it was really important to me to find factories that knew how to make technical performance-wear, not scrubs.”

2018 Wall Street Journal
Article

“Into this marketplace, Figs introduced its direct-to-consumer model with \$38-and-up prices, innovative styles and a Silvadur-treated antimicrobial, wrinkle-resistant and odor-free fabric that took nearly two years to develop.”

2018 Fast Company Article

“The scrubs industry is dominated by a few massive companies that, FIGS cofounder and co-CEO Trina Spear maintains, produce the lowest-cost product, **made in Asia**, without much thought to the customer experience...”

“The women decided they would build FIGS from the ground up, creating a vertical supply chain that gave them control of everything from the yarns to the fabrication.”

Our View: FIGS Is Nothing Special, Sourced in Asia



We do not believe FIGS' fabric is proprietary. In fact, elements that have any intellectual property associated with them, such as SILVADUR, are owned by others and can be licensed by any competitors. We also find that FIGS' predominantly Asian-based supply chain is similar to that of most other apparel companies.

FIGS Website (Left) and IPO Prospectus Disclosures (Right) on Its Fabrics

What is FIONx?

1 year ago * Updated

FIONx is our proprietary technically innovative scrub fabric that ensures you look your best, feel your best and perform at your best 24/7, 365 days a year.

Our FIONx fabric is created with a four-way stretch, moisture-wicking, anti-wrinkle, and ridiculously soft properties and **Silvadur™ antimicrobial technology**, which provides odor protection, inhibits the growth of bacteria, yeast, algae, and other microorganisms that cause odor and fabric damage, and increases the lifespan and durability of the product.

Contents and Care:

72% polyester / 21% Rayon / 7% spandex, and features:

Machine wash in cold water and tumble dry on low heat or hand wash.

Other suppliers license SILVADUR as well.

Mainly Asian-based suppliers and production, like most other apparel companies.

FIGS can't decide how much it "controls" production.

No ownership of fabric intellectual property.

Is it really "proprietary" if they disclose the secret mix on their website?

*"We currently source the vast majority of the fabrics used in our products from **two third-party suppliers in China**, and we source the other raw materials used in our products... from suppliers located predominantly in the Asia Pacific region. We also work with a limited number of manufacturing partners that produce our products in facilities located in South East Asia, China and South America, with **the vast majority of our products currently being produced by our two largest manufacturing suppliers in South East Asia.**"*

"We do not control our suppliers and manufacturers or their business, and they may not comply with our guidelines or applicable law."

*"We **directly and actively manage every step of our product development and production process** to ensure that our extremely high quality standards are met."*

*"... we **do not own or license the intellectual property rights** for the underlying fabric technology, fabrics treatments or fabrics. Our ability to obtain intellectual property protection for our products is therefore **limited.**"*

Social Awareness And Philanthropy In The Scrubs Industry Is Not Unique To FIGS



FIGS' Threads for Threads program has long been a central theme in its feel-good, societal-impact marketing message. However, we find that it is certainly not a point of differentiation between scrubs suppliers anymore. Many competitors are also giving back the community.

Careismatic Brands

We Walk The Talk

Right from the beginning, we have devoted a significant amount of time, ideas, resources and funds to organizations that elevate and celebrate health professionals who give so much to us all.



Since 2017, Careismatic has sponsored the annual Cherokee Nursing Scholarship for DAISY Award Honorees. In 2020, Careismatic's Tribute to Courage campaign raised funds for a new DAISY initiative to improve healthcare in underserved communities.



Careismatic is a founding Strategic Partner for the NOBC, created to improve the health of American communities by increasing the number of nurses serving on boards and other decision-making entities.



A floating hospital bringing volunteer medical teams and lifesaving care to those in desperate need, free of charge. Careismatic supports Mercy Ships with donations of scrubs and other medical supplies.



Through a partnership with Scrubs Magazine and Scrubs on Español, Careismatic helped elevate awareness of NAHR and its initiatives, which aim to provide Hispanic nurses with equal access to educational, professional, and economic opportunities, and improve the quality of care for Hispanic citizens nationwide.



In 2007, Careismatic produced a landmark educational documentary, which has been incorporated into the curriculum of more than 350 nursing schools. We followed it up by introducing an annual A Nurse I Am scholarship, which continues to this day.



Funded entirely by Careismatic, Scrubs Magazine was the country's first lifestyle magazine for nurses. Published online in English and Spanish, it aims to inform, inspire, and elevate people in the helping professions.



To help healthcare organizations identify evidence-based approaches to improve care and optimize nurse satisfaction and retention, Careismatic provided a \$16,000 grant to the AONL Foundation, which is funding research - currently in progress - on professionalism as it relates to nursing and nurse leadership.



NCEMNA is an alliance of five national ethnic nurse associations that gives voice to 350,000 nurses and the lived health experience of a constituency marginalized from mainstream health delivery systems. Careismatic has supported its Public Policy Leadership Summit, a unified force advocating for equity and justice in nursing and healthcare for ethnic minority populations.



\$1 million in scrubs donated

In March 2020, when PPE was scarce, Careismatic worked with hospitals in hotspots across the country to distribute \$1 million in free Cherokee and Dickers scrubs to healthcare workers on the front lines of COVID-19.



\$500,000 in school uniforms donated

To support families impacted financially by the pandemic, Careismatic pledged \$500,000 in free Classroom school uniforms for K-12 students in August 2020.

Other Brands

Jaanuu Cares [Webpage](#)

As a company named after *life*, we stand for a full and meaningful one for the members of our community - strength in the face of adversity, the benefits of equal opportunity and an eternal legacy of growth and achievement. Every decision, each donation and all partnerships we build as a company are driven by our investment in **you, your world and your future.**

This is Jaanuu Cares.

Care + Wear Giving Back [Webpage](#)

Giving Back

From Day 1, we have been committed to sharing a portion of our profits with like-minded non-profit institutions who make a difference. That's why up to 10% of our profits are shared with leading institutions such as Stand Up 2 Cancer, The American Cancer Society, the University of Miami Sylvester Comprehensive Cancer Center, March of Dimes, and many more.

Barco Nightingales' Foundation [Webpage](#)

KEEPING HOPE ALIVE.

Barco's Nightingales Foundation provides resources for life changing surgeries to children globally, sends children with cancer to camp, built solar water wells and provides hot lunches to school children in remote Haiti.

Koi Cares [Webpage](#)



At koi, we value the local and national communities we serve and proudly support organizations striving to improve the well-being of society. We believe in giving back to the community and making a difference whenever possible.

Premium DTC Competitor Jaanuu is Gaining Resources and Momentum



Founded in 2012 by pediatrician Neela Sethi and her brother, Jaanuu is also a DTC seller of premium scrubs. While perhaps lacking the savvy marketing of FIGS in its early years, Jaanuu receives high marks for its scrubs. More importantly, the Company has now raised over \$100 million, and YoY change in search interest has exceeded that of FIGS over the past six months (admittedly off a smaller base). We believe it would be careless for investors to underestimate the potential for Jaanuu to take share in the premium segment of the market.

Jaanuu Recent Financing

Eurazeo Invests \$75 Million in Jaanuu, a Premium, High Growth Medical Apparel Brand

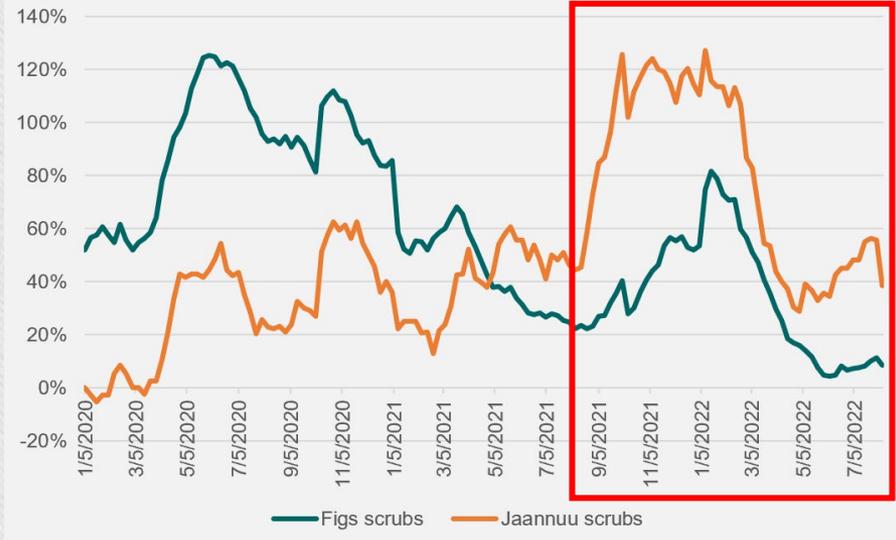
January 11, 2022 01:08 PM Eastern Standard Time

NEW YORK--(BUSINESS WIRE)--Eurazeo today announced a \$75 million minority investment in Jaanuu, Inc. ("Jaanuu"), a direct-to-consumer designer and manufacturer of premium, performance-oriented medical apparel and accessories. Jaanuu is one of the fastest growing brands in the multi-billion dollar medical apparel market as a result of its innovative designs which deliver maximum functionality and comfort. Eurazeo's investment brings Jaanuu's total capital raised since its founding to approximately \$100 million.

Jaanuu—derived from the Hindi word for life, "Jaan"—was founded in 2013 by siblings Shaan Sethi and Dr. Neela Sethi to provide healthcare professionals with modern, technologically advanced and stylish apparel that empowers them to perform at their best. The company is disrupting the medical apparel industry, which has traditionally been dominated by legacy brands sold via specialty brick and mortar retailers, by offering better fit, fabrics, functionality and comfort through accessible digital channels. The company has invested heavily in its leadership team in the past year as it plans for the next phase of global growth.

Jaanuu is establishing a new board of directors with decades of deep industry expertise to guide and support the company's accelerated growth. The five-member board will include: Jill Granoff, Eurazeo managing partner and Brands CEO; Shaan Sethi, Jaanuu co-founder and CEO; John Kenney, Cult Capital co-founder and partner; Sean Collins, Goldfinch Partners managing partner and former BCG Digital Ventures founder; and Anan Kashyap, Ethos CFO and former Poshmark CFO.

Recent Google Trends Search Momentum: "Figs scrubs" versus "Jaanuu scrubs" Rolling 13-Week Average YoY Change Since 2020



Google Trends data shows clear outperformance for Jaanuu since the Fall of 2021. Moreover, search trends over the past three months have remained strong for Jaanuu, while those for FIGS have largely fallen below 10% YoY growth.

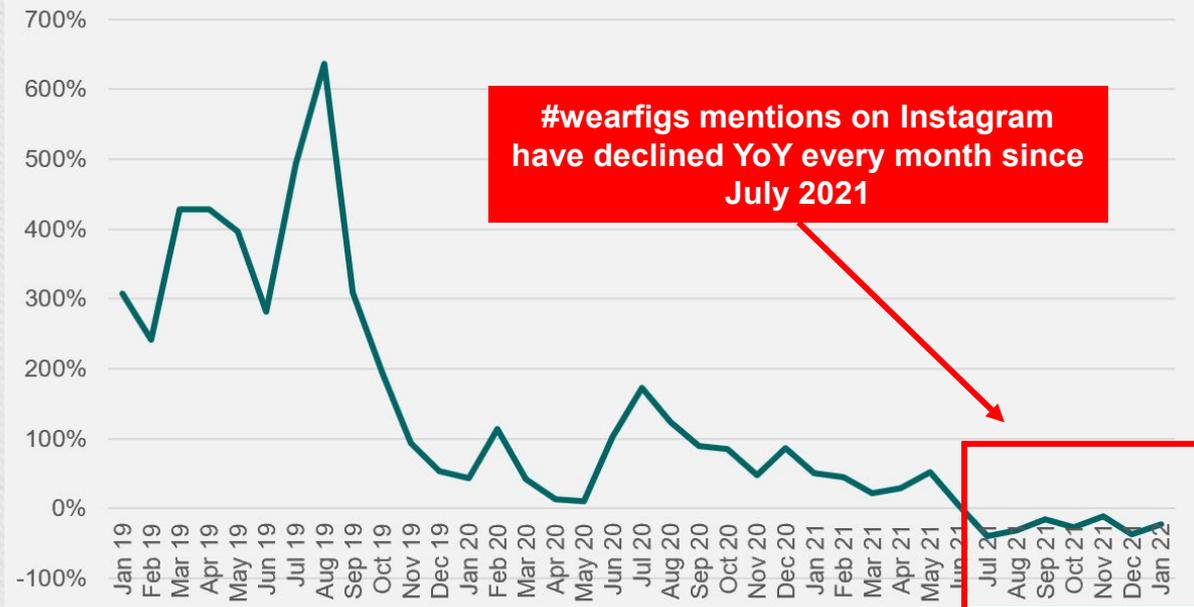


We question both the ethics and the long-term prospects of FIGS' ambassador program, whereby the Company gives away free product to hundreds of attractive healthcare professionals who then promote the brand on Instagram. While we don't begrudge healthcare workers their social media freedom, we do believe that healthcare professionals hocking products jeopardizes their status as trusted professionals. Moreover, while FIGS emphasizes they don't pay their ambassadors, the combination of free product and emergence of more lucrative influencer side-hustle opportunities means the ambassadors are far from objective. Finally, we find the "hot sexy nurse" positioning as one that may have limited or only transitory appeal.

FIGS Instagram Disclosure in IPO Prospectus

"On Instagram, our primary platform, we have on average doubled our number of followers year over year since our launch and have a four-year follower growth rate of over 2,400%. Today, we have over half a million followers on Instagram, which is almost twice the number of followers of our nearest competitor."

YoY Change in #wearfigs Tags on Instagram From BrandMentions.com



We Believe FIGS Underemphasizes The Importance of Its Paid Digital Marketing Efforts



While we acknowledge FIGS has strong brand awareness, we believe the Company understates its reliance on social media. The Company's S-1 disclosures suggest that FIGS continues to maintain a major digital marketing program to drive customer acquisition. We believe management's hyperbole seems misplaced.

Spear Quotes On Low Reliance on Digital Marketing

Spear on Q3 2021 Earnings Call November 10, 2021

"Over 60% of our traffic is organic, nonpaid. We're not reliant on the Facebooks and the Googles of the world, although they are incredible partners."

Spear on dot.LA June 25, 2021

"What we've proven is that as we scale, we've been able to decrease our customer acquisition cost by 61% over the last two years because we never were reliant on Facebook and Google digital marketing. We actually built the brand the right way."

Spear at "Building a Consumer Brand at The Rise of the Female Entrepreneur 2019"

"Facebook is an evil you have to learn to partner with. I'm at Facebook every month... Make the most of it. If you're ignoring Facebook you're doing it wrong... We created the medical influencer... Facebook was really cheap for us, but it's getting more expensive."

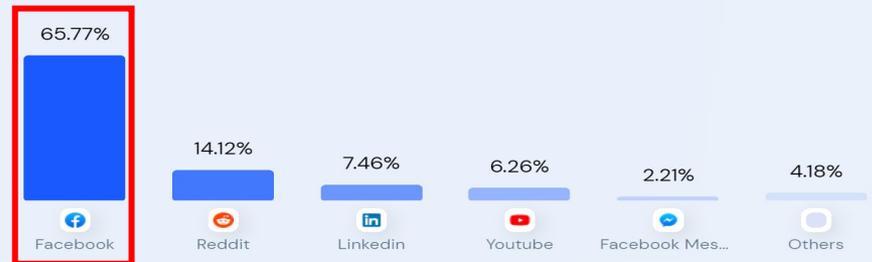
FIGS Marketing Disclosure in IPO Prospectus

"Our digital-centric performance marketing efforts are designed to drive customers from awareness to consideration to conversion. These efforts include retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization, personalized email and mobile push notifications through our app."

"Social networks are important as a source of new customers and as a means by which to connect with existing customers, and such importance may be increasing."

Similarweb Data For Wearfigs.com

Social Network Distribution





*We Believe The FIGS Brand Has
Already Been Tarnished*



In October 2020, FIGS released a video ad that featured a woman in neon pink scrubs reading a book called “Medical Terminology for Dummies” while holding it upside down. As the camera zooms in, it reveals the woman is wearing a identification badge that says “DO”, for doctor of osteopathic medicine (available [here](#)). The Company was slammed on social media for being highly disrespectful to DOs and exhibiting extreme gender bias. Followers on Twitter noted that the Company had a history of sexist and misogynistic ads.

Figs, maker of scrubs, apologizes for 'insensitive' ad targeting osteopathic doctors

"I really hope you don't try to brush this under the rug by hoping it will go away with a small apology and taking the ad down," a physician wrote on the company's Facebook page.

*Brenna Hohl, a first-year medical student in Lillington, North Carolina, said **"the disrespect for female physicians and DOs exhibited in the ad is unforgivable. Not only did it offend female DOs, but it is also extremely disrespectful toward any woman working in the healthcare field."***

*Marie Thigpen, a neonatologist in North Carolina, said it was **"shameful."***

*Cara Norvell, a doctor of osteopathic medicine in Dallas, said she hoped the company's founders "will gain access to a book called 'Advertising for Dummies.' She said the ad was **extraordinarily "ignorant and disrespectful to DOs."** "I'll be looking elsewhere and making sure everyone is aware what a waste of money purchasing your product would be," she said.*

*Laura Kehrberg, a physician in Golden Valley, Minnesota, a suburb of Minneapolis, said in an interview that **many doctors in Facebook groups she is a part of are "incensed" by the ad. "You've pissed off far too many female physicians,"** she wrote in a Facebook comment. "Only 'dummies' would forget that easily...and I promise you...this group of women isn't that dumb."*

The controversy led to the creation of [#boycottfigs](#) on Twitter.

We Believe The “Apology” Fell Short

FIGS tried to downplay the controversy in two now-deleted tweets before issuing a more lengthy apology. We believe the FIGS response was tone deaf and shows a complete lack of accountability and customer perspective.



Excerpt From FIGS Initial Tweet

*“A lot of you guys have pointed out an insensitive video we had on our site — we are incredibly sorry for any hurt this has caused you, **especially our female DOs (who are amazing!)**. FIGS is a female founded company whose **only mission is to make you guys feel awesome**. We dropped the ball and Kerber [sic] we are so sorry. **We love you guys and we’ll always listen to what you have to say!**”*

Nothing suggests sincerity more than excessive exclamation marks!

Obviously a well crafted and thoughtful response...

They’ve “asked” the question? What about actually answering it?

The “processes” failed, not the people in charge; no accountability

Do they really need “advisors from the healthcare community”

A healthcare professional at every photoshoot? That sounds absurd, expensive, and not a great use of these “awesome humans” time?

Excerpt From FIGS Formal Apology

“How did this even get made?”

This is the main question we’ve heard in our conversations with everyone. It’s one we’ve asked internally. Our mission at FIGS has always been to empower medical professionals. Beyond a lapse in judgment, the bottom line is – our processes at FIGS failed. We are fixing that now. It will never happen again.

Going forward we will bring our healthcare community into the fold. We will be hiring advisors from the healthcare community with a variety of skill sets and specialties to ensure FIGS is responsibly and respectfully bringing these professions to life.

We are committing today to have a healthcare professional present at every shoot to weigh in on creative and styling decisions.

FIGS Pays Off The American Osteopathy Association, And Spins It As Charity



FIGS came under intense pressure from the American Osteopathy Association, and the Twittersphere noted the Company's quick donation of \$100,000 to the AOA came only after AOA CEO Dr. Kevin Klauer threatened FIGS with a defamation lawsuit.

Excerpt From AOA Statement on FIGS

DEFENDING THE DO NAME

AOA statement regarding offensive FIGS ad

Immediate action resulted in the ad being taken down and an apology from FIGS to all DOs and female physicians.

On Tuesday, the AOA released a statement on the recent offensive FIGS ad. The full statement is below:

When FIGS, a designer scrubs and medical apparel company, released an advertising campaign featuring a female physician in pink scrubs wearing a nametag that said "DO" and reading a "Medical Terminology for Dummies" book upside down, the AOA took immediate action. This imagery is laughable in its absurdity—but it isn't funny.

The American Osteopathic Association, which represents 151,000 osteopathic physicians and medical students, does not find it humorous to downplay the education and training of Doctors of Osteopathic Medicine—which include, at minimum, four years of medical school followed by three to seven years of residency to practice in any specialty they choose. Equally important, the organization does not find it "cute" to portray females, let alone female physicians, in such a denigrating light.

The AOA immediately demanded the removal of the defamatory ad, which was taken down. The AOA also requested, and received, an apology from FIGS to all female and osteopathic physicians. Furthermore, the AOA stressed the need for FIGS to address their egregious error in judgment now and in the future.

Excerpt From FIGS 2020 Impact Report

We forged a meaningful partnership with the American Osteopathic Association to support their efforts in creating greater awareness and understanding of the osteopathic profession and the critical contributions female DOs and osteopathic physicians make in our healthcare system. We donated \$100,000 to ensure AOA would have the resources to make these changes happen.

We found FIGS' characterization of their \$100,000 donation to the AOA particularly amusing. Way to try to turn an internal snafu into an ESG talking point.

As a result of this outreach, the AOA and FIGS have agreed upon a path forward that includes:

- Attendance by 15 members of the FIGS marketing team at OMED, the annual osteopathic educational medical conference, to improve their understanding of the profession and its member physicians;
- A \$100,000 donation from FIGS to the AOA in support of our ongoing efforts in diversity and inclusion, to address gender inequity in medicine and promote greater awareness and understanding of the osteopathic profession;
- Participation by the AOA in ongoing discussions about appropriate representation of women, women leaders, minorities, and DOs in FIGS' advertising efforts.

Employee and Analyst Commentary Suggests Tangible Brand Damage



We believe investors underestimate the importance of this episode, both because it occurred before the IPO and because the Company continued to post strong results. Beyond the insights it provides about FIGS management, the controversy seemingly ensured some portion of the FIGS target customer base will never buy its products.

Former Employee Comments Regarding Ad Controversy

Nov 24, 2021 and Aug 10, 2022 – Sales Manager on Tegus

*"I think like **6,000 people wrote in with complaints**...And I lost big customers because they were like **"we absolutely cannot purchase from people who don't support DOs..."**"*

*"Other clients were reaching out and they said we love working with you, but **we cannot support a company that does not support women DOs or women in medicine in general**. So I started losing massive, massive customers. And I started to complain, and I was like, listen, like I don't know what we're going to do to come back from this, like how do we fix this...Like I feel like **this is the dumbest thing that I've ever seen. I can't believe they made a mistake like this.**"*

Jan 21, 2021 - Anonymous Employee on Glassdoor

*"Now look up the bad press from a disastrous ad campaign. In most companies, the person responsible would be fired. **At FIGs, they got a promotion to SVP.**"*

Jan 30, 2021 - Customer Experience Associate on Glassdoor

"The CX team has to deal with all of the negative aspects of the customer experience with FIGS, especially any mistakes made by all of the other teams. Example: The DO debacle. CX received so many complaints and we deal with all of the backlash."

Goldman Sachs Research Risk Factor

- Marketing and consumer connection.** FIGS has seen some newsflow in the press regarding an advertisement that was perceived negatively by some consumers, and there are several consumers we identified in our primary research as customers who refuse to purchase from the brand due to these advertisements. Brand damage, which can occur through poorly perceived advertisements or other negative media press, could inhibit growth and profitability.



*We Believe FIGS' Business
Momentum Is Deteriorating:
A Curse For Retail "Growth" Stocks*

Despite What Management Says, We Believe FIGS Was A Pandemic Beneficiary



In a 2021 interview, Spear stated, “We’ve grown the company every year by 100% year-over-year...**It wasn’t a COVID dynamic, if you will.**” However, we beg to differ, as there were clear business drivers that made the pandemic a uniquely positive event for FIGS. Former employees seem to agree with us.

Pandemic Business Drivers For FIGS

- Online shopping exploded
- Scrubs are a non-discretionary item; mask sales, in particular, drove increased online traffic
- Healthcare workers, in particular, worked longer hours, making online purchases more convenient
- Healthcare workers were mandated to clean their scrubs more often, increasing wear and required sets
- Many healthcare workers that traditionally wore street clothes converted to scrubs (to avoid home contamination)
- Workers outside traditional healthcare fields (such as vets, therapists, and dentists) started wearing scrubs (to avoid home contamination)
- Physical store visits declined (main competitor and industry leader Strategic Partners is only ~30% DTC)

Former Employee Perspectives on Pandemic Impact on FIGS

Nov 16, 2021 – Former Associate on Tegus

“But once the pandemic hit, automatically, it was like everyone has to wear scrubs. You can’t wear your own clothes. So the business in a way became more successful because of the pandemic.”

May 24, 2021 - Former Executive on Tegus

“Any companies that were able to sell face masks were able to generate a ton of traffic to their site during this window of time...I think that was one possible reason for their big bump they got.”

Former Executive Interviewed By Spruce Point

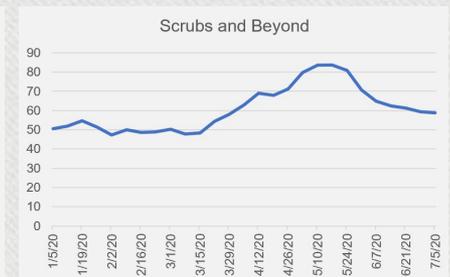
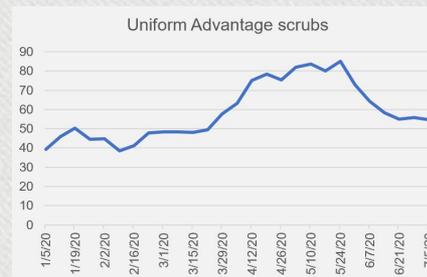
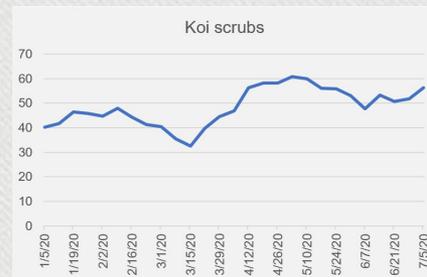
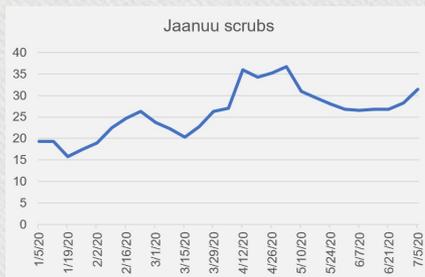
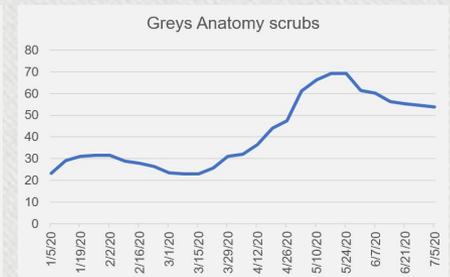
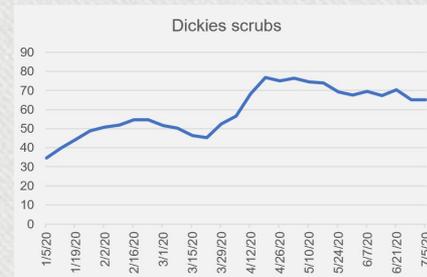
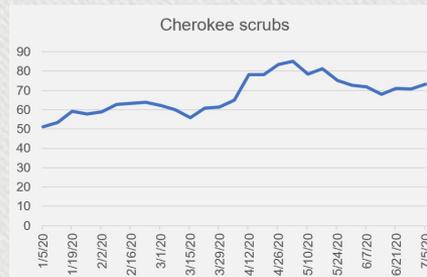
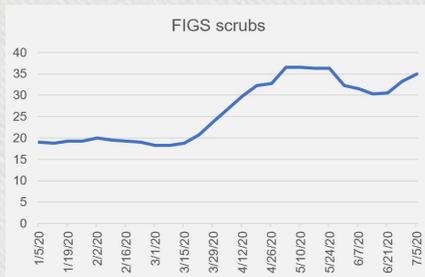
“But part of me thinks there’s a COVID bump still kind of baked into the numbers, and they probably benefited more than anyone really, truly realizes from COVID.”

Google Trends Data Suggests That All Scrubs Makers Benefitted From A Pandemic Bump



FIGS' competitors are all private companies, making financial comparisons difficult. However, Google Trends data suggests that all scrubs companies experienced a strong uptick in consumer interest in the early stages of the pandemic. It is not surprising that physical retailers Uniform Advantage and Scrubs and Beyond failed to maintain elevated levels of search activity given the rapid migration to on-line shopping during this period.

Google Trends Rolling Four-Week Average H1 2020 Search Activity



Most FIGS Key Business Metrics Have Rolled Over In H1 2022. We Believe This Is A Harbinger of Multiple Compression For A High-Growth Retail Stock Like FIGS

Not surprisingly, we find that FIGS' pandemic-driven business momentum is normalizing. We note that most key business metrics deteriorated on YoY and/or QoQ bases through much of 2021. We believe it is notable that revenue in two highly touted growth areas, international and non-scrubs products, have seen sharp reductions in growth rates.

Period-Over-Period Change in FIGS Key Business Metrics

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Year-Over-Year										
Net Revenue	--	--	--	--	172%	58%	41%	43%	26%	21%
International Revenue	--	--	--	--	1303%	324%	149%	100%	59%	18%
Non-Scrubs Revenue	--	--	--	--	218%	60%	13%	63%	81%	70%
End of Period Active Customers	--	--	--	--	121%	79%	58%	44%	31%	26%
Period Net Revenue Per Active Customer	--	--	--	--	23%	-12%	-10%	-1%	-4%	-4%
Average Order Value	--	--	--	--	9%	17%	3%	16%	16%	6%
ROAS (Net Revenue / Marketing Spend)	--	--	--	--	84%	-10%	-13%	12%	-11%	-10%
Quarter-Over-Quarter										
Net Revenue		101%	13%	24%	-3%	16%	2%	25%	-14%	11%
International Revenue		384%	46%	57%	26%	46%	-14%	26%	0%	8%
Non-Scrubs Revenue		98%	72%	14%	-18%	-1%	22%	65%	-10%	-6%
End of Period Active Customers		34%	22%	18%	15%	8%	7%	7%	5%	4%
Net Customer Additions		186%	-12%	-3%	2%	-37%	-3%	7%	-30%	-6%
Period Net Revenue Per Active Customer		50%	-7%	6%	-16%	7%	-5%	17%	-18%	6%
LTM Net Revenue Per Active Customer					4%	3%	1%	3%	1%	0%
Average Order Value		-4%	13%	-2%	3%	3%	-1%	11%	3%	-6%
ROAS (Net Revenue / Marketing Spend)		67%	3%	-8%	16%	-19%	0%	19%	-8%	-18%

Red indicates a sequential decline in metric

Green indicates a sequential improvement in metric



We question management's strong statements regarding its profitability given both the Company's limited operating history (only about six quarters of meaningful profitability under historically positive conditions) and the apparent quarterly volatility.

FIGS Statements on Margin Model

FIGS IPO Prospectus

*"As a successful DTC brand with a highly effective merchandising model, we benefit from **structurally advantaged product margins.**"*

Lawrence on Q3 2021 Earnings Call November 10, 2021

*"We do have **structurally advantaged margins.**"*

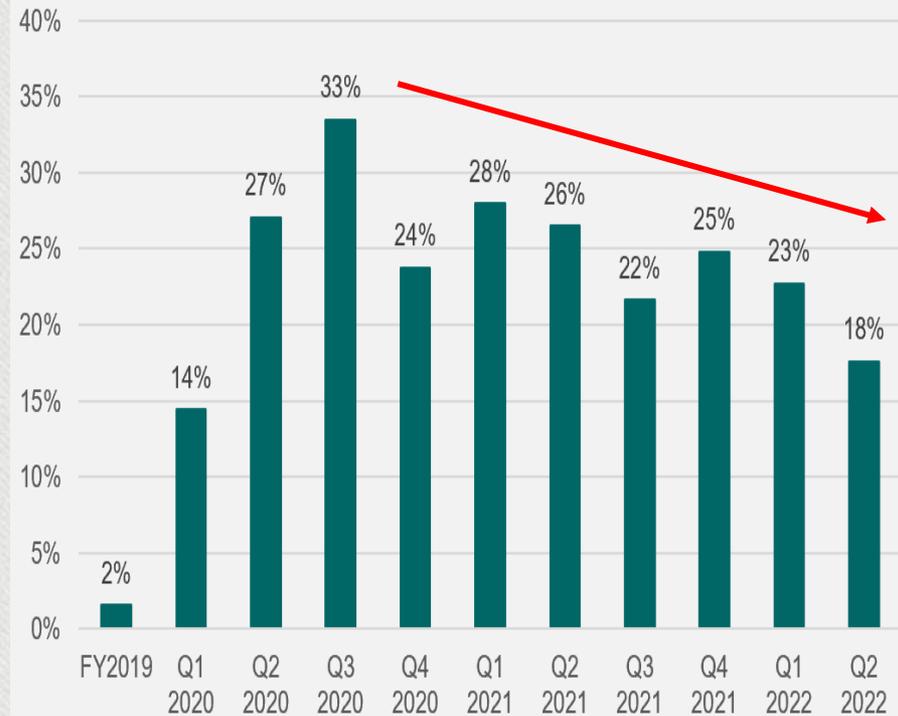
Turenshine on Q4 2021 Earnings Call March 8, 2022

*"We **remain confident** in our ability to deliver a 2022 full year adjusted EBITDA margin rate in line with our long-term target of 20-plus percent, which is truly **amazing**..."*

*"our free cash flow is truly **unique.**"*

*"Our business model coupled with the **best-in-class** team have enabled us to deliver a **unique financial profile.**"*

FIGS Reported Adjusted EBITDA Margins



We Believe FIGS Has Touted Its Declining CAC Based On A Non-Transparent Definition of Marketing Expenses



FIGS has repeatedly touted its declining customer acquisition cost (CAC). FIGS' stated definitions of Marketing expense and its calculation of CAC both account for the major components of Marketing expense: performance marketing and brand marketing. However, FIGS clearly excludes some Marketing expense from its CAC calculation.

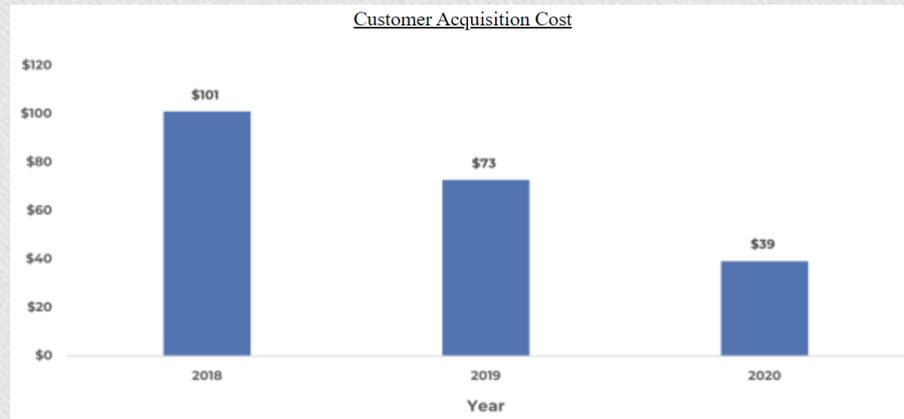
FIGS Marketing Expense Disclosure

*“Marketing expenses consist primarily of **online performance marketing costs**, such as retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization, personalized email and mobile push notifications through our app. Marketing expenses **also include our spend on brand marketing** channels, including billboards, podcasts, commercials, photo and video shoot development, expenses associated with our Ambassador Program and other forms of online and offline marketing.”*

FIGS CAC Definition

*“We define customer acquisition cost, or CAC, as **performance and brand marketing expense** attributable to both new customer acquisition and repeat customer retention in a period divided by the customers acquired during that same period.”*

FIGS' Disclosed CAC in May 2021 IPO Prospectus



Why hasn't FIGS provided an update of this chart/data, even for FY 2021, in either its SEC filings or investor presentation.

As we see on the following page, the marketing expense included in the FIGS CAC metric does not equal the reported line item. We are unable to find a clear definition, but we suspect the FIGS metric may exclude payroll expense.

Using Our Methodology, We Believe FIGS' CAC Has Increased Dramatically Since Its IPO



While we do not have visibility into the expense items FIGS originally excluded from its Customer Acquisition Cost ("CAC") calculation, recalculating CAC using total reported Marketing expense suggests that CAC rose dramatically after its IPO and has further exploded in 2022.

CAC Using All Reported Marketing Expense

After May 2021 IPO, the last time FIGS disclosed its CAC.



FIGS failed to disclose its hand-crafted CAC metric in its 2021 10-K, thus moving from a lack of transparency to limiting disclosure altogether.

This suggests that the CAC decline FIGS saw in 2020 was likely transitory and driven by pandemic-fueled customer additions. FIGS has not reported its own CAC calculation since year-end 2020, but we suspect it has increased dramatically, even using the Company's calculation. Moreover, we believe that calculating CAC using total reported marketing expense provides a more accurate picture for investors, both because it enhances transparency and because the practical reality is that all payroll and other expense in the marketing line item are ultimately meant to facilitate customer acquisition. Ignoring payroll prevents a normalization across companies with a different mix of customer acquisition activities.

FIGS' financial profile appears tenuous as its operating cash flow has turned negative. Moreover, days inventory outstanding have risen 58% since year end 2021, and inventory purchase obligations have nearly doubled since Q1 from \$36 million to \$67 million. In fact, inventory purchase obligations to LTM sales reached a new reporting high.

FIGS' Deteriorating Cash Flow Profile And Growing Inventory Challenges

(\$ in mm)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Revenue	\$32	\$64	\$77	\$90	\$87	\$101	\$103	\$129	\$110	\$122
LTM Revenues				\$263	\$318	\$355	\$381	\$420	\$443	\$464
Reported Net Income	\$4	\$14	\$19	\$12	\$11	(\$41)	\$7	\$13	\$9	\$5
Cash Flow From Operations	(\$1)	\$25	(\$1)	(\$1)	\$16	\$17	\$20	\$14	(\$8)	(\$19)
Margins										
Reported Net Income	13%	22%	25%	13%	13%	(40%)	7%	10%	8%	4%
Cash Flow From Operations	(3%)	39%	(2%)	(1%)	18%	16%	19%	11%	(7%)	(15%)
Earnings Quality										
CFO > Net Income	No	Yes	No	No	Yes	Yes	Yes	Yes	No	No
Balance Sheet Metrics										
Days Inventory Outstanding ⁽¹⁾	NA	NA	NA	175	237	211	228	205	292	324
Inventory Purchase Obligations				\$34	\$18	\$21	\$38	\$42	\$36	\$67
% of LTM Sales				12.9%	5.7%	6.0%	10.1%	10.0%	8.1%	14.5%

1) DIOs = (Ending Quarterly Inventory / Ending Quarterly COGS) * (days in quarter)

Source: FIGS [424B filed 5/28/21](#), FIGS [10-Q filed 8/12/21](#), FIGS [10-Q filed 11/10/21](#), FIGS [10-K filed 3/10/22](#), FIGS [10-Q filed 5/12/22](#), FIGS [10-Q filed 8/4/22](#)

FIGS DIOs Are Large And Growing Faster Than Peers

FIGS' days inventory outstanding (DIOs) are high on an absolute basis compared with its DTC peers, and also grew above industry average over the prior year.

Recent Quarterly Days Inventory Outstanding Among DTC Peers

Company (Ticker)	Recent Quarter End	DIO Quarter, 1 Year Ago	DIO Recent Quarter	YoY Growth
FIGS, Inc (FIGS)	June	211	324	54%
Allbirds (BIRD)	June	223	223	0%
lululemon (LULU)	May	127	156	23%
Revolve (RVLV)	June	107	148	38%
Honesty Co. (HNST)	June	157	146	-7%
Warby Parker (WRBY)	June	79	102	29%
Purple Innovation (PRPL)	June	58	81	40%
Stich Fix (SFIX)	April	68	69	1%
Hims & Hers Health (HIMS)	June	45	68	51%
Brilliant Earth Group (BRLT)	June	33	63	91%
1-800-Flowers.com (FLWS)	March	38	62	63%
Chewy (CHWY)	July	29	37	28%
Wayfair (W)	June	2	4	100%
Average		91	114	39%

Source: Canalyst

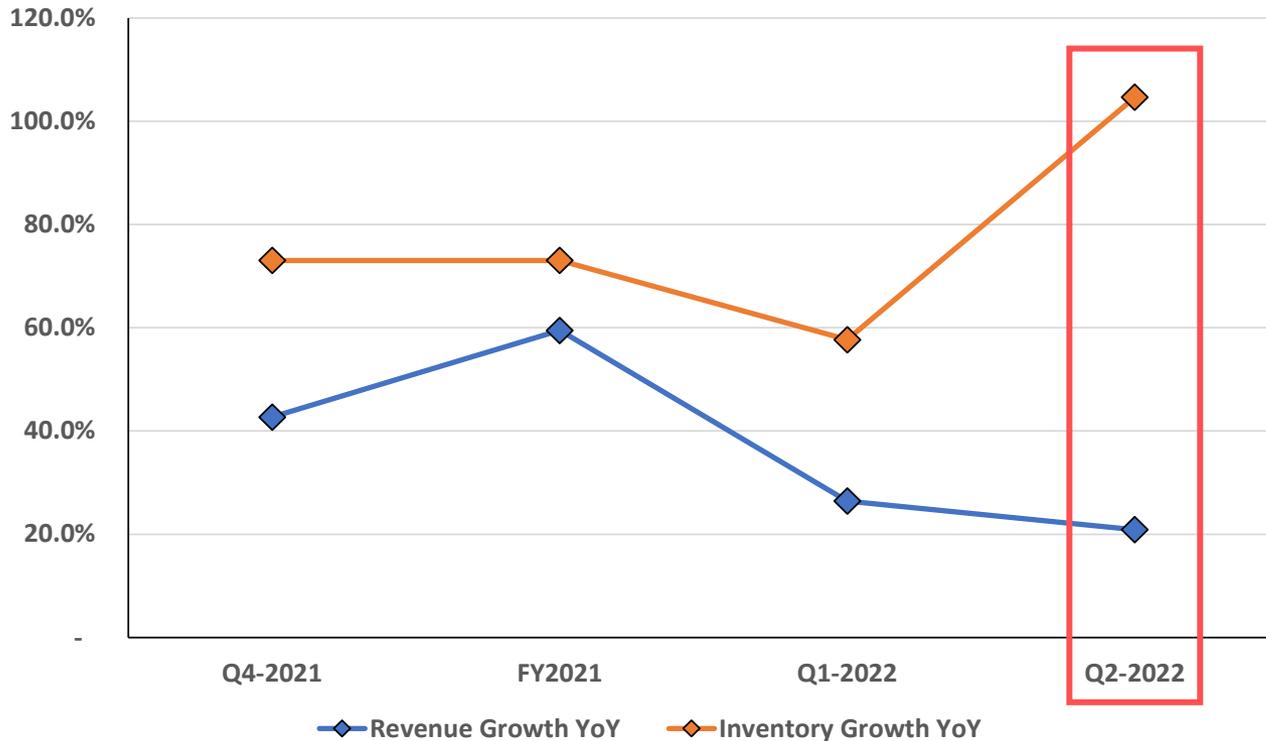
Note: DIOs = (Ending Quarterly Inventory / Ending Quarterly COGS) * (days in quarter)

Significant Inventory Growth Will Make Achieving High Margin Expectations Difficult



Spruce Point observes an alarming departure between revenue growth and inventory growth, which is often a harbinger of material margin compression in the future.

Despite Rapid Inventory Growth, With Revenue Growth Decreasing, The Street Projects Substantial EBITDA Margin Leverage



Quarter	EBITDA Margin
2022 Q2A	9.9%
2022 Q3E	18.5%
2022 Q4E	25.8%
2023 Q1E	30.9%

In contrast to the perception that FIGS is a hypergrowth company on the verge of rapid global expansion into every country, we find evidence that its global headcount growth is stalling, and just twenty eight domestic job openings exist. In addition, FIGS Chief Product Officer recently left in July 2022 according to her LinkedIn profile.⁽¹⁾

Insights Into FIGS Headcount And Hiring Show Stagnation

Total employee count

Based on LinkedIn data.



🕒 Median employee tenure · 1.8 years

New hires

Based on LinkedIn data. Excludes subsidiaries.



Source: LinkedIn Premium

Only 28 Job Openings, All Domestic

FIGS

CURRENT JOB OPENINGS

Department: Office:

All Domestic

DESIGN/PRODUCTION/PRODUCT DEVELOPMENT

<u>Associate Designer, Men's</u>	Santa Monica, CA
<u>Senior Apparel Graphic Designer</u>	Santa Monica, CA
<u>Senior Designer - Women's</u>	Santa Monica, CA
<u>Senior Designer, Women's</u>	Santa Monica, CA
<u>Senior Manager of QC / QA</u>	Santa Monica, CA
<u>Senior Manager of Quality Control</u>	Santa Monica, CA
<u>Technical Designer</u>	Santa Monica, CA

ENGINEERING

Source: [FIGS Career Website](#) as of 8/29/22

1) Karen Pornillos [LinkedIn profile](#)



*We See 45% - 60% Downside Risk
To FIGS Share Price*

FIGS Still Trades At Approximately 4x 2022E Revenue



The market expects FIGS to continue top-line growth in the mid 20% range while accelerating EBITDA margins. As a result, the market ascribes FIGS a rich revenue multiple of approximately 4x. We have shown why we believe there is substantial room for multiple compression.

FIGS Valuation Summary

Valuation (\$ in mm, except per share figures)			Financials and Multiples					
	Market	Spruce Point Adj	(\$ in mm)	2019	2020	2021	2022E	2023E
Stock Price	\$11.04	\$11.04	Revenue	\$110	\$259	\$420	\$514	\$650
Shares Outstanding ⁽¹⁾	158.8	165.3	YoY Growth	103%	134%	62%	23%	26%
Dilutive Shares ⁽²⁾	--	26.6	Adj. EBITDA	\$2	\$69	\$105 ⁽³⁾	\$91	\$127
Fully Diluted Shares Out.	158.8	190.9	Adj. EBITDA Margin	2%	27%	25%	18%	20%
Market Capitalization	\$1,753	\$2,108	Multiples (On Spruce Point Adj EV)					
Less: Cash	(\$170)	(\$170)	EV / Revenue	17.8x	7.6x	4.7x	3.8x	3.0x
Plus: Debt	\$20	\$20	EV / Adj. EBITDA	NM	28.4x	18.6x	21.5x	15.4x
Enterprise Value	\$1,603	\$1,958						

(1) Cover of 10-Q filed 8/4/22, Class A and B

(2) Includes 37.872m options outstanding at \$5.24 average exercise price and 3.668m unvested RSUs outstanding

(3) As reported by FIGS, it adds-back stock compensation expense. However, in 2021 FIGS paid actual cash taxes with employee comp programs of \$21.6m. Therefore, we believe its actual Adj. EBITDA and margin was \$81.3 and 19.3%

Estimates from Bloomberg consensus as of 9/6/22

Financial Data Services Materially Understate FIGS' Share Count And Market Cap

FIGS' fully diluted market cap is approximately \$400 million higher than represented on financial data sites, as each exclude 6.5 million class B shares and the massive dilutive effect of FIGS' 38 million options and 3.7 million unvested RSUs.

Yahoo! Finance

Share Statistics

Avg Vol (3 month) ³	3.75M
Avg Vol (10 day) ³	3.29M
Shares Outstanding ⁵	158.81M

Source: [Yahoo! Finance](#)

Bloomberg

Mkt Cap (USD)	2,137.9M
Shrs Out/Float	158.8M /123.0M

Source: Bloomberg

Disclosures From FIGS

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss)	\$ 4,852	\$ (40,546)	\$ 13,751	\$ (29,106)
Denominator:				
Weighted-average shares—basic	164,919,979	156,867,484	164,664,480	155,725,959
Effect of dilutive stock options	21,933,701	—	24,246,816	—
Effect of dilutive restricted stock	2,049,872	—	2,231,537	—
Weighted-average shares—diluted	188,903,553	156,867,484	191,142,834	155,725,959

As of July 31, 2022, there were 158,812,240 shares of the registrant's Class A common stock, par value \$0.0001 per share, outstanding and 6,534,491 shares of the registrant's Class B common stock, \$0.0001 par value per share, outstanding.

Source: FIGS [10-Q](#)

FIGS Trades At A Material Premium To Even The Highest Quality Brands And DTC Leaders

Even recognizing that FIGS is projected to grow sales 26% in 2022, it still carries a substantial premium to peers despite our documented concerns around management and its exaggerated financial reporting.

\$ in millions, except per share figures

Name (Ticker)	Dual-Class Stock	Stock Price 9/6/2022	Adj Ent. Value	2022E				Sales Growth '22E-'23E	Earnings Growth '22E-'23E	EV / Sales		EV / EBITDA	
				Gross Margin	Capex Margin	OCF Margin	EBITDA Margin			2022E	2023E	2022E	2023E
lululemon (LULU)	No	\$327.81	\$42,384	56.6%	7.8%	15.0%	25.6%	15.7%	16.3%	5.5x	4.7x	21.2x	18.4x
Revolve Group (RVLV)	No	\$24.48	\$1,606	54.5%	0.5%	6.8%	7.5%	12.1%	31.3%	1.5x	1.5x	19.8x	15.8x
Torrid (CURV)	No	\$5.27	\$1,138	37.1%	2.6%	11.2%	15.0%	1.1%	-4.0%	0.9x	0.4x	5.7x	6.0x
Lands' End (LE)	No	\$10.29	\$737	40.6%	2.1%	1.2%	6.0%	6.0%	50.8%	0.5x	0.2x	7.6x	6.5x
1-800-Flowers (FLWS)	Yes	\$6.73	\$702	37.4%	3.0%	2.9%	5.1%	1.1%	-59.4%	0.3x	0.2x	7.9x	8.5x
Brilliant Earth (BRLT)	Yes	\$6.83	\$590	51.7%	2.0%	9.9%	8.2%	26.8%	83.5%	1.3x	1.1x	15.4x	9.3x
Stitch Fix (SFIX)	Yes	\$5.10	\$496	44.4%	2.3%	1.9%	-0.8%	3.5%	20.6%	0.2x	0.3x	NM	NM
Solo Brands (DTC)	Yes	\$4.20	\$596	63.5%	1.3%	16.0%	16.0%	17.0%	7.7%	1.2x	0.5x	7.4x	5.9x
Allbirds (BIRD)	Yes	\$3.92	\$375	49.7%	8.2%	-23.3%	-14.3%	20.1%	23.0%	1.2x	1.6x	NM	NM
Purple Innovation (PRPL)	Yes	\$2.66	\$331	35.5%	6.8%	-8.8%	-2.1%	9.7%	81.5%	0.6x	0.3x	NM	24.6x
Rent The Runway (RENT)	Yes	\$3.79	\$333	35.5%	12.0%	-19.6%	-5.3%	26.7%	12.1%	1.0x	0.6x	NM	11.2x
Honest Co (HNST)	No	\$3.78	\$322	30.7%	0.5%	-8.3%	-5.3%	8.3%	36.2%	1.0x	1.0x	NM	NM
Lulu's Fashion (LVLU)	No	\$6.16	\$264	45.7%	0.8%	4.8%	8.7%	18.3%	59.8%	0.6x	0.4x	6.6x	5.3x
			Max	63.5%	12.0%	16.0%	25.6%	26.8%	83.5%	5.5x	4.7x	21.2x	24.6x
			Average	44.8%	3.8%	0.7%	5.0%	12.8%	27.6%	1.2x	1.0x	11.4x	11.1x
			Min	30.7%	0.5%	-23.3%	-14.3%	1.1%	-59.4%	0.2x	0.2x	5.7x	5.3x
FIGS, Inc. (FIGS)	Yes	\$11.04	\$1,603	68.4%	1.7%	6.9%	17.7%	26.3%	76.6%	3.1x	2.5x	17.6x	12.6x
Spruce Point Adjusted	Yes	\$11.04	\$1,958	50.5%	1.7%	5.0%	15.0%	20.0%	13.2%	3.9x	3.2x	25.8x	21.5x

FIGS' Management And Major Investors Have Been Large Sellers

We estimate Tulco and FIGS' founders have sold nearly \$1.5 billion in stock since October 2020. Early backer Commonwealth of Pennsylvania, Public School Retirement System also disposed of its entire 7.0% pre-IPO stake quickly after the IPO. Its CIO James Grossman Jr. named in FIGS prospectus departed from his job amidst a federal probe by the US Attorney's Office in the Eastern District of PA.⁽¹⁾ FIGS founders have used their cash windfalls to purchase separate LA mansions totaling \$80 million (Hasson: \$57m / Spear: \$22m).

Founder and Tulco Share Sales

\$ in mm	Date	Price	Hasson		Spear		Tulco		Total	
			Shares Sold	Value	Share Sold	Value	Share Sold	Value	Share Sold	Value
Secondary	10/23/20	\$8.55	Not Disclosed						57.0	\$487.8
IPO	5/26/21	\$20.68	--	--	--	--	25.7	\$531.6	25.7	\$531.6
Secondary	9/15/21	\$38.84	2.4	\$94.0	1.5	\$57.0	6.4	\$247.3	10.3	\$398.3
Open Market	11/15/21	\$34.29	0.1	\$2.6	0.1	\$3.1	--	--	0.2	\$5.6
Open Market	11/29/21	\$32.79	0.0	\$0.1	0.0	\$0.1	--	--	0.0	\$0.2
Open Market	12/2/21	\$30.60	0.1	\$2.2	0.1	\$2.6	--	--	0.2	\$4.8
Total			2.6	\$98.8	1.6	\$62.8	32.1	\$778.9	93.3	\$1,428.3

Source: FIGS SEC filings including Form 4 stock sales
Note: Stock sale prices for the IPO and Sept 21 secondary are net of fees

Founders Purchase Two Mansions For \$80M Total



Source: 'FIGS Founders Pay Nearly \$80M for L.A. Mansions', [Dirt.com](https://www.dirt.com)

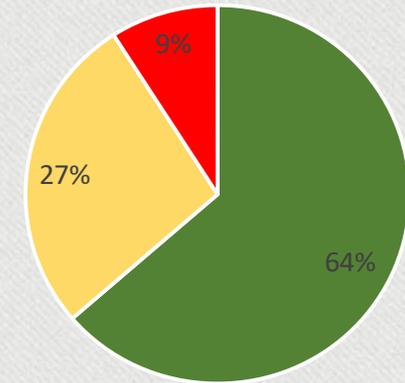
¹⁾ "PennPSERS CIO, executive director to depart amid federal probe", [PIONline.com](https://www.pionline.com), Nov 18, 2021

FIGS Stock Promoters Are Mixed

A majority of the FIGS stock promoters are bullish and on average see 34% upside from the current price. In fact, FIGS is currently trading above the three most skeptical analyst price targets. Goldman Sachs, FIGS lead left underwriter, is the most bearish and forecasting 32% downside.

Broker	Recommendation	Price Target
Oppenheimer	Outperform	\$22.00
Guggenheim	Buy	\$20.00
Telsey	Outperform	\$17.00
Raymond James	Strong Buy	\$15.00
Credit Suisse	Outperform	\$15.00
Piper Sandler	Overweight	\$15.00
Barclays	Overweight	\$15.00
Morgan Stanley	Equal / In-Line	\$11.00
Cowen	Market Perform	\$10.00
Goldman Sachs	Sell	\$7.50
Keybank	Sector Weight	--
Average Price Target		\$14.75
% Upside From Current		+34%

Ratings Distribution



■ Buy ■ Hold ■ Sell

Warning: Goldman Sachs, the lead left underwriter is the biggest bear on the stock



FIGS trades at a material premium to DTC and retail/apparel peers at approximately 4.0x 2022E revenues. Investors appear to be enamored with its 26% projected revenue growth, but we find many other retailers growing this quickly, with lower valuations. We believe FIGS will have to sacrifice EBITDA margin – with higher customer acquisition cost and marketing spend, if it has a chance to hit its lofty revenue objectives. Furthermore, we believe FIGS should trade at a discount to peers given its dual-class share structure and our documented concerns about its financial reporting, transparency, and management structure.

FIGS Price Target Range		
(\$ in millions, except per share figures)	Low	High
2022E Revenue (1)	\$505	\$514
EV / 2022 Revenues	1.5x	2.0x
Enterprise Value	\$758	\$1,028
Plus: Cash	\$170	\$170
Less: Debt	(\$20)	(\$20)
Market Capitalization	\$907	\$1,178
FD Shares Outstanding	190.9	190.9
Implied Stock Price	\$4.75	\$6.17
Current Price	\$11.04	\$11.04
<i>% Downside From Current</i>	<i>-57%</i>	<i>-44%</i>

Final Thought: "Sell The Truth"

Trina Spear

"I grew up in Miami. You gotta be a hustler a little bit when you grow up in Miami."





*Appendix:
The Evidence Behind Accusations of
False Claims by FIGS is Compelling*

We Reference Records From The Strategic Partners (SPI) Lawsuit With Appropriate Caveats

Launched in February 2019 and amended multiple times, Strategic Partners (SPI, now named Careismatic Brands) filed suit against FIGS alleging false advertising in violation of the Lanham Act, 15 U.S.C. § 1125(a); unfair business practices in violation of Cal. Bus. & Prof. Code § 17200; untrue and misleading advertising in violation of Cal. Bus. & Prof. Code § 17500; intentional interference with prospective economic relations; conversion; breach of fiduciary duty; and aiding and abetting breach of fiduciary duty. FIGS has denied the allegations and is defending its case. In assessing some elements of our thesis, we rely, in part, on documentation surfaced as part of this lawsuit.

We openly acknowledge that this case remains unsettled in the courts (trial is scheduled for October 2022). However, we assume that some, if not most, investors have failed to thoroughly review the claims made by SPI, perhaps accepting unquestioningly the FIGS narrative that the lawsuit amounts to a disrupted incumbent simply seeking to harm an upstart competitor.

The legal case has progressed for three years, so the record is long and complex. We, and most investors, are not lawyers. However, we do believe that the case materials include numerous important insights that, while perhaps not meeting a specific legal standard, present materially negative information about FIGS management and operations.

The record of this lawsuit contains significant conflicts between the parties as it regards the discovery process. Recognizing the case remains unresolved, we believe it relevant to note that SPI accused FIGS on numerous occasions of discovery misconduct, and the court has sanctioned FIGS for discovery violations at least twice. As recently as September 2021, new information came to light that suggested FIGS withheld material evidence. Unfortunately, this new information, including email evidence, has been redacted.

We highlight internal communications and other materials from FIGS that we believe sheds insights into management and the Company's operations, irrespective of the legal matters at issue. The court of investor opinion is not wholly bound by the strict parameters imposed on formal legal judgments. Therefore, we publish these materials confident that our audience can make their own decisions on their credibility, relevance, and materiality.



The record indicates that FIGS made two central claims regarding the health-related efficacy of its products. Specifically, FIGS claimed that its products: (1) “kill bacteria and infections immediately on contact”; and (2) “reducing the spread of bacteria and infection by 66%”

Miami Herald 11/1/15 (Doc 179-3)

“We were the first company to develop an anti-microbial treatment so that bacteria and infection and fluids aren’t seeping through and harming the medical professional. That was important to us,” Spear said. “Our fabric is stain-repellent and has moisture-wicking abilities. Think about what Dry-Fit did for athletics: We are the company that is bringing performance elements and technical elements to this industry that has never existed before.”

FIGS Key Messaging Document April 2017 (Doc 193-3)

- Specific product features include:
 - Antimicrobial - Antimicrobial technology is woven directly into FIGS fabric to kill bacteria immediately upon contact and prevent the spread of infection

FIGS Brand Book as of August 2017 (Doc 193-3)

Antimicrobial
Woven directly into our fabric to kill bacteria immediately upon contact and prevent the spread of infection.

FIGS Press Kit from January 2018 (Doc 193-3)

— Every set of FIGS is made from the yarn up. FIGS technical fabric features four-way stretch fabrication that is wrinkle resistant, breathable, ridiculously soft, liquid repellent, and antimicrobial - reducing the spread of bacteria and infection by 66%.

CURRENT Hasson RXART Bio

line in Italy for 7 years before creating FIGS. FIGS also operates the Threads for Threads initiative, which donates sets of scrubs to countries with limited access to medical apparel and accessories, helping to outfit healthcare workers in need and reduce hospital-acquired infection with their 100% anti-microbial fabric.

FIGS Has Claimed That The Use of SILVADUR Was One Basis For Its Antimicrobial Claims



FIGS products incorporate SILVADUR, a polymer technology that contains silver that was produced at the time by DuPont. Other scrubs suppliers at the time, including Strategic Partners, incorporated SILVADUR into their products, but their claims were less sensational.

Excerpts From Spear Interrogatories, Excluding Lengthy Objections (Document 193-6)

INTERROGATORY NO. 17:

Please set forth all evidence FIGS has which supports the statement that FIGS's Medical Apparel reduced HAIs' by 66%.

RESPONSE TO INTERROGATORY NO. 17:

Defendant responds as follows: Various studies and information that FIGS reviewed have shown that scrubs worn by hospital staff are infected by many types of bacteria. As a result, utilizing FIGS antimicrobial fabric in conjunction with normal preventative measures will decrease bacterial infection rates. Silver ions have consistently demonstrated strong antibacterial properties, and silver impregnation of fabrics has powerful antibacterial and antifungal effects, which has led to widespread clinical use of silver nanoparticles as an antimicrobial. FIGS uses Silvadur™ in its scrubwear fabric. Silvadur™ is described by DuPont as a patented antimicrobial polymer technology that delivers silver ions when organisms land or form on a treated fabric, and prevents microorganism reproduction. DuPont also describes Silvadur™ as inhibiting bacteria growth and buildup of microbes on fabric surfaces, with testing showing >99% bacterial reduction when compared directly to the untreated control (after contact time) both before and after 20 washes. In 2009, a *Wall Street Journal* article titled *Hospital Scrubs Are a Germy,*

INTERROGATORY NO. 18:

Who determined that FIGS's Medical Apparel killed bacteria immediately upon contact?

RESPONSE TO INTERROGATORY NO. 18:

Subject to and without waiving any of the foregoing objections, Defendant responds as follows: Heather Hasson per Silvadur™ guidance.

INTERROGATORY NO. 20:

Please set forth all evidence FIGS has which supports the statement that FIGS's Medical Apparel kills bacteria immediately upon contact.

RESPONSE TO INTERROGATORY NO. 20:

the foregoing objections, Defendant responds as follows: Silvadur™ guidance on the issue.

Spear seems to point the finger at Hasson as being the FIGS employee accountable for the interpretation of SILVADUR's technical capabilities.

Hasson Inc. interview about dropping out of pre-med⁽¹⁾
"Medicine wasn't my strength, so I went into design."

However, SILVADUR Brand Guidelines Suggest FIGS Overstated Its Capabilities



Although SILVADUR does have some antimicrobial properties, claims that it kills “germs, bacteria, virus(s) or pathogens” are not approved claims according to its product literature.

SILVADUR Brand Guidelines

Case 2:19-cv-02286-JWH-KS Document 193-3 Filed 01/08/21 Page 156 of 274 Page ID #:5505



SILVADUR™ Brand, Trademark, Logo Usage: Brand, Logo, Trademark Usage Guidelines

- to provide intelligent freshness protection
- to provide anti-odor protection
- to provide Freshness Protection
- to provide enhanced Odor Control
- to provide Built in Freshness Protection
- to control odor formation
- to inhibit odor causing bacteria
- to minimize odor

B. Approved Odor Protection Claims for the treated products without “antimicrobial” generic term and/or use of antimicrobial registered pesticide products include the following statements:

- Treated with SILVADUR™ odor protection
- Freshness Protection provided by SILVADUR™
- Advanced Odor Control enabled by SILVADUR™
- With SILVADUR™ Advanced Odor Control technology
- SILVADUR™ Freshness Protection Built In

4. NOT APPROVED CLAIMS: The following claims are not permitted for treated articles:

- Claims that the treated product controls specific pathogens such as Streptococcus, Staphylococcus aureus, E. Coli, or HIV
- Claims that the treated product kills germs, bacteria, virus(s) or pathogens
- Antibacterial, Germicidal, or Bactericidal claims
- Provides a ‘germ’ resistant surface
- Provides a ‘bacterial’ resistant surface

In Addition, An SPI Expert Testified That FIGS Scrubs Do Not Have The Antimicrobial Properties Claimed



Skip Palenik, a materials analysis expert on behalf of SPI, testified that the test used by FIGS to support its antimicrobial claim is inadequate to test whether bacteria is killed “on contact.” Using an alternative test method, Palenik determined that FIGS scrubs contain virtually no silver and could not kill bacteria “on contact” as claimed.

Sworn Testimony of Materials Analysis Expert Skip Palenik

9 2. In my experience, the AATCC TM-100 test method referenced by Dr.
10 Hardwick, and other methods currently approved by the AATCC, do not test the
11 truth of claims FIGS makes on its scrub labels: that its scrubs are “antimicrobial”
12 and “kill bacteria immediately on contact.” The current AATCC method for
13 testing fabric’s antimicrobial properties—which was proposed, voted on, and
14 approved in 1960—is conducted by placing fabric cuttings on a culture medium in
15 a Petri dish, inoculated with up to four (specified) species of bacteria. The culture
16 media are examined after 24 hours to determine if bacterial colonies have grown or
17 diminished to determine if the fabric possesses antimicrobial qualities. However,
18 the problem with this method is that it can only demonstrate that a fabric has
19 microbiological efficacy over time. It cannot (and is not designed to) determine
20 whether a treated fabric kills bacteria *immediately* on contact.

21 3. As such, my laboratory employed a well-established and recognized
22 viability test, which employs fluorescence microscopy and fluorescent stains to
23 visualize cell death as it actually occurs, to test whether FIGS’s fabric kills bacteria
24 immediately on contact. In this microscopical method, a microscopist applies
25 specially developed fluorescent dyes to the bacteria and can immediately observe if
26 it is living or dead based on its fluorescent color. Since this method works in real-
27 time, the scientist can observe the moment of death, as the image of the bacterial

1 cells changes color depending on whether they are alive or dead. Our laboratory is
2 experienced in using this technique.

3 4. While my previous declaration did not specify how many FIGS
4 products my laboratory tested, we have tested two FIGS scrubs sets consisting of
5 one scrub top and one scrub bottom each (i.e., a total of four FIGS items).

6 5. Based on my experiments, there is not enough silver present on the
7 tested FIGS scrubs to kill bacteria on contact. Only a couple of discrete particles of
8 silver were detected on the FIGS fabric when analyzed using scanning electron
9 microscopy coupled with energy dispersive X-ray spectroscopy (SEM-EDS). The
10 majority of the fabric contained no detectable levels of silver by this method of
11 analysis. Additionally, silver was not detected on the FIGS fabric when analyzed
12 by X-ray fluorescence spectroscopy (XRF). Both SEM-EDS and XRF are
13 recognized as appropriate analytical techniques for the detection and
14 characterization of silver in textiles by ASTM in E3025: Standard Guide for Tiered
15 Approach to Detection and Characterization of Silver Nanomaterials in Textiles.

16 6. My laboratory performed liquid repellency testing on both sides of
17 FIGS scrubs, and microscopically examined both sides.

FIGS Management Also Appears To Have Embraced A General Conclusion Regarding The Use of Scrubs As A Specific FIGS Product Attribute



Regarding the 66% reduction in HAI claim, one reference FIGS provided was a study in a 2009 Wall Street Journal article. However, that study's conclusions related simply to the benefits of wearing scrubs (and thus had nothing to do with FIGS scrubs specifically) and seems less relevant upon reading the entire reference (below).

Excerpts From Spear Interrogatories, Excluding Lengthy Objections (Document 193-6)

20 **INTERROGATORY NO. 15:**
 21 Who determined that FIGS's Medical Apparel reduced HAIs by 66%?
 22 **RESPONSE TO INTERROGATORY NO. 15:**
 11 without waiving any of the foregoing objections, Defendant responds as follows:
 12 Heather Hasson.

Spear points to Hasson as being the FIGS employee accountable for the interpretation of studies regarding the 66% reduction in HAIs.

A single British surgeon? Should this have been the basis for FIGS' health claims?

4 **INTERROGATORY NO. 17:**
 5 Please set forth all evidence FIGS has which supports the statement that
 6 FIGS's Medical Apparel reduced HAIs' by 66%.
 7 **RESPONSE TO INTERROGATORY NO. 17:**
 10 washes. In 2009, a *Wall Street Journal* article titled *Hospital Scrubs Are a Germ,*
 11 *Deadly Mess* by Betsy McCaughey cited a British study to state that a surgeon
 12 "reduced postoperative infections by two-thirds at her hospital by protecting
 13 patients from contaminated uniforms." In addition, purchasers of FIGS scrubs, as
 14 medical professionals, would not have understood this assertion to mean that the
 15 antimicrobial fabric reduced all infections from all sources, but rather that scrubs
 16 made with antimicrobial fabric would reduce bacterial growth and promote general
 17 cleanliness.

Wall Street Journal Article "Hospital Scrubs Are a Germ, Deadly Mess" 1/8/2009 Excerpt

"Across the pond, a British study found that one-third of medical personnel did not launder their uniforms before coming to work. One British surgeon who specializes in hip and knee replacements reduced postoperative infections by two-thirds at her hospital by protecting patients from contaminated uniforms. Before approaching any patient's bed, nurses put on disposable, clear plastic aprons that were pulled off rolls like dry cleaning bags. Each one costs a nickel. In response to this evidence and public outrage over infections, the cash-strapped British National Health Service is providing nurses with hospital-laundered "smart scrubs." The smart design includes short sleeves, because long sleeves spread germs from patient to patient."

In Fact, A FIGS Public Relations Advisor Appears Uncomfortable With The 66% HAI Reduction Claim



Internal emails surfaced during discovery indicate Spear also attempted to point to a CDC study to support its 66% HAI reduction claim, but an email from the Company's own public relations firm appears to suggest some reservations with the conclusions Spear was attempting draw.

Internal Emails Between FIGS and LUCID PR Firm

From: Ebony Simpson
Sent: Tuesday, December 03, 2013 4:49 PM
To: Ben Cooke; LUCID
Subject: RE: CDC Study

I agree. Page 12 mentions a 68% reduction via » Maximal barrier precautions....not sure if that's referring to the scrubs or what.

Maybe they will be sending more reports since Trina mentioned this is one report.

Overall, I think saying that clean scrubs help reduce the spreading of germs and diseases is an option as that's common sense...clean anything reduces the spreading of germs/diseases.
I think, Ben, you also came up with another option in the email you sent to Trina and Heather regarding the way you reworded their Forbes article. Ill see if I can find the language you used.

From: Ben Cooke
Sent: Tuesday, December 03, 2013 4:37 PM
To: LUCID
Subject: FW: CDC Study

So here's the study that FIGS is basing their claims on. I'm not seeing it. Unless someone sees otherwise here I think we best stay away from the stat of 66% they are claiming on their website.

From: Trina Spear [mailto:trina@wearfigs.com]
Sent: Tuesday, December 03, 2013 3:29 PM
To: Ben Cooke; Ebony Simpson
Cc: Heather Hasson
Subject: CDC Study

This is one of the reports:

http://www.cdc.gov/hai/pdfs/toolkits/clabsitoolkit_white020910_final.pdf



Ben Cooke

Head of Media Relations at Hyperloop Transportation Technologies, Inc, Founder of Benjamin Cooke Communications.

Experience



Head Of Media Relations

[Hyperloop Transportation Technologies Inc](#)

Nov 2014 - Present · 7 yrs 4 mos
Greater Los Angeles Area

Facilitate all media relations globally for HyperloopTT including all pitch and press release writing and interview coordination with CEO and co-founders.



President

[Lucid Public Relations](#)

May 2009 - Jun 2014 · 5 yrs 2 mos
Greater Los Angeles Area

Our mission at Lucid Public Relations is to understand your vision with the utmost clarity. Whether your audience consists of potential clients, customers, students or patients they deserve to know about ...see more

FIGS Also Claims It Has Done Its Own Independent Research To Support Its Claims, But It Has Yet To Produce It After Nearly Three Years of Discovery



FIGS has stated that it has conducted its own research studies on the issue. Despite years of legal maneuvers and debate regarding discovery, FIGS has yet to produce copies of its own research. The trail seems to end with an email in which Spear states she has “the study”.

Spear Comment on FIGS Study

Launch Pad, from Penn Wharton Entrepreneurship, entitled “Karl Ulrich talks with Trina Spear, Founder of FIGS”

*“What we’ve done with Project CURE we’ve been able to, uh, identify actually how much we’ve been able to reduce the infection rate in the areas that we’re in. **And after the first study that we did with them it was 66% reduction in the spreading of infection, uh, from doctor to patient and back, which was a really amazing thing and a really big deal that we are very proud of.**”*

Emails Between Spear and Seyfried

On Fri, Dec 14, 2018 at 2:19 PM Trina Spear <trina@wearfigs.com> wrote:
Yes, I have the study - what do we need this for?

TRINA SPEAR
CO-CEO//CO-FOUNDER

 FIGS

11399 W Olympic Blvd, Suite 350
Los Angeles, California 90064

Cell: 646-510-4880

www.wearFIGS.com | [newsletter sign-up](#) | [@wearfigs](#)

On Fri, Dec 14, 2018 at 9:22 AM Jenny Seyfried <jenny@wearfigs.com> wrote:

Proving that our scrubs reduce hospital acquired infection rates by 66%?

If I could have the study that we did, it'd be super!

If not, no problemo!

Thanks,

Jenny
JENNY SEYFRIED
VP of Brand

Email Traffic Provides An Example of How FIGS Crafted Its Antimicrobial Messaging

SPI alleges FIGS made exaggerated representations regarding its products' antimicrobial properties, at times failing to definitively respond to requests for scientific support for its claims. In the exchange below, a legitimate request for proof of effectiveness is answered with the generic 66% HAI reduction claim from the WSJ article.

Customer Inquiry Regarding Antimicrobial Properties and Spear Response

██████████ today 01:49
Location: USA (Mt Meadows Area, CA)
Referred from: <https://www.google.com/>
On page: <https://www.wearfigs.com/blogs/news/how-do-you-make-antimicrobial-scrubs>
IP address: ██████████
name: ██████████
email: ██████████
Message: Hello, I have ordered a few pairs of Figs to wear for work in the hospital and love them. One of my favorite features is the SILVADUR technology in the scrubs. Me and my classmates are doing a capstone project on antimicrobial scrubs and found research that says antimicrobial scrubs are not effective and that bacteria like MRSA can be transmitted. Is the antimicrobial polymer technology something that is unique to Figs? How have you measured the effectiveness of the scrubs? Please and thank you in advance! I would love to be able to add in our presentation and inservices that FIGS offers a top notch quality that decrease the amount of bacteria being transmitted

On Wed, Feb 14, 2018 at 3:33 PM, Trina Spear <trina@wearfigs.com> wrote:
Hi ██████████

Thank you very much for reaching out to us. Our proprietary fabrication and its antimicrobial properties are essential to what we do here at FIGS. The method in which our antimicrobial technology is woven into our fabrication is unique and proprietary to FIGS. We have performed third party studies that demonstrate the effectiveness of our SILVADUR antimicrobial technology and its benefits to the medical community. Through our threads for threads initiative, we have decreased the infection rate by 66% in the countries in which we have donated.

Hope this is helpful for your presentation and we are so happy that you love your FIGS!

Thank you,
Sheryl

TRINA SPEAR
CO-CEO//CO-FOUNDER

Not only does FIGS reference third party studies that it has yet to produce in discovery, but it also extends its 66% HAI reduction claim as applicable to all the scrubs it has donated as part of its Threads For Threads program, thus taking credit for decreasing infection rates around the globe.

Nov 24, 2021 – Former Manager on Tegus

“They claim that their fabrics are antimicrobial. And I feel like the fabrics aren't like antimicrobial.”

FIGS Claims To Revere Medical Professionals, So Why Would They Put Them At Risk With Allegedly False Claims?

In Spear's interrogatories, FIGS claims that healthcare professionals would understand that the its products' antimicrobial properties were limited, despite the Company's marketing claims otherwise. Unfortunately, message traffic received by FIGS customer service representatives suggests its customers had real questions about it.

Excerpts From Spear Interrogatories, Excluding Lengthy Objections (Document 193-6)

INTERROGATORY NO. 17:

Please set forth all evidence FIGS has which supports the statement that

FIGS's Medical Apparel reduced HAIs' by 66%.

RESPONSE TO INTERROGATORY NO. 17:

washes. In 2009, a *Wall Street Journal* article titled *Hospital Scrubs Are a Germy,*

Deadly Mess by Betsy McCaughey cited a British study to state that a surgeon

"reduced postoperative infections by two-thirds at her hospital by protecting

patients from contaminated uniforms." In addition, purchasers of FIGS scrubs, as

medical professionals, would not have understood this assertion to mean that the

antimicrobial fabric reduced all infections from all sources, but rather that scrubs

made with antimicrobial fabric would reduce bacterial growth and promote general

cleanliness.

Product Questions Submitted by Customers Regarding Health Claims (Document 193-3)

Redacted

Jun 9, 2010 MET

Im curious what product or techniques are used to make your scrubs antimicrobial.

Features: Plenty of pockets of different sizes and a dedicated pen pocket. Antimicrobial properties give some peace of mind.

Hi there,

My name is [Redacted] and I am considering buying some Figs for work. Could you please inform me of how you are making your scrubs antimicrobial?

Awesome.

Do you have any technical data on kill time for certain pathogens?

Outcomes data?

I have reviewed your website regarding antimicrobial properties of your scrubs. Can you tell me more about the agent that is responsible for antimicrobial properties of your scrubs?

>Does the antimicrobial feature wash out of the garment...and do you know
>if
>it is affective against the MRSA bacteria?

Just our opinion, but it strikes us as irresponsible that FIGS would make health claims that impact the health and safety of its customers based on such limited evidence and the presumption that customers could properly discount the Company's marketing claims.

FIGS Withdrew Its Health-Related Claims in 2019, After SPI Filed Its Lawsuit



Recognizing the SPI lawsuit remains outstanding and there can be different interpretations of the record, we believe the most important data point is that FIGS withdrew its health claims in 2019, after SPI filed its lawsuit claiming false advertising and FIGS hired its first general counsel, Danielle Warner, in May 2019.

Excerpt from FIGS COO Devon Duff Gago Interrogatories

1 I, Devon Duff Gago, pursuant to 28 U.S.C. § 1746, declare as follows:

2 1. I am the Chief Operating Officer of FIGS, Inc. (“FIGS”). I am over
3 the age of 18 and attest, to the best of my knowledge and after reasonable inquiry,
4 to the following:

FIGS’ Bacteria and Infection Elimination Statement

5
6 2. Beginning in or around 2015, FIGS began advertising that its
7 antimicrobial technology kills bacteria and/or infection immediately on contact.

8 Around summer of 2019, FIGS removed this claim from its hangtags and marketing
9 materials.

FIGS’ Hospital Acquired Infection Rate Reduction Statement

10
11 3. From approximately May 10, 2018 to March 22, 2019, FIGS’
12 “Threads for Threads” webpage, accessible at [http://www.wearfigs.com/pages/](http://www.wearfigs.com/pages/threads-for-threads)
13 threads-for-threads (“Threads for Threads Page”) included the statement that “FIGS
14 antimicrobial fabric reduces hospital acquired infection rates by 66%” (the “66%

15 Statement”). In 2019, FIGS removed the 66% Statement from its Threads for
16 Threads Page.

While it can be argued that the withdrawal of its health claims did not hurt FIGS’ growth momentum, we believe: (1) that resolution of the case in SPI’s favor could damage the FIGS brand, (2) that FIGS’ constant narrative of caring for its healthcare customers is now in question, and (3) it provides an example of a management team willing to behave in aggressive practices.

FIGS’ Retraction Seemed to Follow Soon After The Hiring of Its First General Counsel



Danielle Warner

General Counsel at FIGS

Experience



General Counsel

FIGS

May 2019 - Present · 2 yrs 10 mos

Greater Los Angeles Area

SPI Also Claims That FIGS, And Specifically Spear, Misappropriated Trade Secrets



SPI claims that Spear took confidential information regarding SPI while still employed at Blackstone, which was a creditor to the Company. In our opinion, the evidence seems pretty clear, as Spear is on record confirming her actions on several occasions, even confirming her knowledge of its confidentiality.

Interview Comments by Spear Regarding Potential Misappropriation of Confidential Documents Regarding SPI

“Miami Hustle Series” episode “042: The FIGS story – Trina Spear and making healthcare more comfortable for everyone.”

*“She [Heather] had just had the idea for it. And I said Scrubs, **that's interesting because we [Blackstone] were looking to acquire the largest company in the industry. So I had sent Heather the like 300 page report that I had worked on and she was like "what is this?" "how do you have this?"** So it was very fascinating I think for her to see – you know – a lot of information about the market and the players that are in the market, not from a primary perspective which is mainly what she was working with.”*

Source: [here](#)

“Refresh Miami,” interview with Trina Spear dated April 8, 2018

*“I'm in New York, was working at Blackstone. I did a private equity deal in the medical apparel space. Random. **Sent her [Hasson] all the materials I'd worked on. That can't leave this room. They are super confidential. I will end up somewhere, so, everyone do not Tweet about that . . .** So, we talked on a Monday. Fly out to LA on a Friday. We start working together. Spent about 6 months. Wait until I get my bonus at Blackstone. Liquidate my 401(k). Move to LA. Put all my money into the business.”*

Source: [here](#)

Launch Pad, from Penn Wharton Entrepreneurship, entitled “Karl Ulrich talks with Trina Spear, Founder of FIGS”

*“So I started my career in finance on Wall Street in CitiGroup in investment banking and private equity. And then went to Harvard Business School followed by, um, working at Blackstone. While I was in private equity at CitiGroup, **I worked on one of the, uh, did diligence on the company, one of the largest companies in the space. Uh, learned a lot about it. And felt like there was, you know, they were doing so well, and were extremely profitable and had a horrible product and very outdated distribution model. Um, and I thought we could do better.”***

Note: Spear has refused to identify the company referenced in this interview.

Source: [here](#)



As noted, there is significant debate between the parties as to whether the documents, if they were taken and used as Spear has stated, constitutes sufficient foundation for a California Uniform Trade Secrets Act (CUTSA) case. However, at the very least, Spear's actions seem to have violated the Blackstone Code of Ethics.

Blackstone Code of Ethics

1 “Because all Confidential Information constitutes a valuable asset of the Firm,
2 without the prior written consent of the Firm (which may be given or withheld in
3 the Firm’s sole discretion) or unless legally mandated, no employee or member of
4 the Firm may, while he or she is employed by or associated with the Firm or at
5 any time thereafter, (a) disclose any Confidential Information to any person
6 except in furtherance of the business of the Firm, (b) make any other use of any
7 Confidential Information except in the business of the Firm and in a manner
which at all times is intended to serve the interests of the Firm. . . .”

(Code of Ethics of Distributor, Blackstone Group, filed with the SEC, dated 10/2011, emphasis added.)

SPI Also Alleges That FIGS Misrepresented Who Was On Its Advisory Board in Investor Materials



The lawsuit between SPI and FIGS has been marked by contentious debate surrounding discovery. In the course of serving subpoenas to FIGS' purported seven Advisory Board members, SPI discovered that "two were never actually on the advisory board, two were ex-boyfriends of FIGS Co-CEO, and one was an elderly mother of a former employee." We believe that, if true as alleged in the legal case, such misrepresentation is highly troubling.

SPI Response to FIGS Discovery Objection Regarding Subpoenas (Document 156-2)

23 **Third**, the Court should disregard FIGS's new and improper arguments
 24 concerning the Subpoenas because they are misleading and mischaracterize the
 25 purpose and nature of the requested materials. FIGS's main argument against the
 26 Subpoenas is that they "were issued to ex-boyfriends of FIGS' co-founder and co-
 27 CEO, and one to the elderly mother of a former employee of FIGS." See Reply, at p.
 28 1. To be sure, FIGS offers no facts or evidence to suggest that SPI subpoenaed these

3

PLAINTIFF'S OBJECTION TO DEFENDANT FIGS, INC.'S REPLY IN SUPPORT OF MOTION
 FOR REVIEW OF MAGISTRATE ORDER DENYING REQUEST FOR PROTECTIVE ORDER

Case 2:19-cv-02286-JWH-KS Document 156-2 Filed 08/21/20 Page 5 of 11 Page ID #:3768

1 individuals based on their personal (or prior personal) relationships with the
 2 Defendants **because there is none and SPI did not**. Rather, as FIGS well-knows and
 3 deliberately conceals from this Court to further its false narrative, these subpoenaed
 4 individuals were identified in **FIGS's own** investor materials as **members of its**
 5 **Advisory Board** who had access to key and relevant evidence concerning the claims
 6 and allegations in this lawsuit.³

7 A representative list of these subpoenaed individuals as identified in **FIGS's**
 8 **own documents** is set forth as follows:

9 FIGS Documents Bates Number - FIGS0001781
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20



21 ³ In fact, SPI has discovered that some of the subpoenaed Advisory Board members as
 22 represented in FIGS's own documents sent to third parties, including [REDACTED]
 23 and [REDACTED], were never actually members of FIGS's Advisory Board at
 24 all. They never gave FIGS permission to use their name and likeness to promote its
 25 business, and had no idea FIGS was representing to investors that they were Advisory
 26 Board members with the company, duping investors and all third parties who received
 27 and reviewed FIGS's marketing and investment decks. To be clear, of the seven
 28 subpoenas SPI issued to purported Advisory Board members that FIGS represented to
 third parties and investors in order to raise millions of dollars, SPI has learned so far
 that two were never actually on the advisory board, two were ex-boyfriends of FIGS
 Co-CEO, and one was an elderly mother of a former employee. But for the issued
 Subpoenas, SPI would not have discovered these misrepresentations which
 corroborate FIGS's pattern and practice of deceiving consumers, customers, charities,
 investors, and the public at large about its business and products.

FIGS' "Threads for Threads" Program is a Key Element of Its Marketing Pitch



From its start, FIGS has promoted its "Threads for Threads" program. Originally, the Company committed to donate a pair of scrubs for every pair sold, but it altered the program in 2017 to provide general philanthropic support.

FIGS Website

Threads for Threads

Giving back is ingrained in everything we do at FIGS, and has been from the beginning.

When we started FIGS, we created our Threads for Threads initiative to donate scrubs to healthcare professionals who work in resource-poor countries and lack the proper uniforms to do their jobs safely. By providing clean scrubs to these individuals, we aim to empower them and improve the quality of care they provide. We also partner with amazing organizations and Awesome Humans who help us deliver the scrubs — as well as donate their time, expertise, and care.

Spear Comments on Threads for Threads

brandchannel: Figs is a certified B-Corp, and for every set of scrubs sold, you give a set to a healthcare provider in need around the world. How does this define the brand to your customers and stakeholders?

Trina Spear: This is at the core of our company and our brand. It's the thing that gets us all out of bed in the morning and inspires us. Our 'threads for threads' initiative is ingrained in all that we do, from product naming—all of our products are named after places we've donated, such as our Casma scrub top, named for Casma, Peru—to our brand values to our storytelling.

FIGS is not disclosed as a public benefit corporation in its IPO prospectus.

However, the Feel-Good Story Behind “Threads for Threads” Has Been Called Into Question by SPI



As part of its false advertising lawsuit against FIGS, SPI alleges that FIGS misrepresented the volume of its donations. We note the challenges faced by a start-up giving away half its product and believe FIGS’ responses in discovery lack credibility.

Review of FIGS Discovery Regarding History of Threads for Threads Donations

4. Documents and Interrogatories Regarding FIGS’s False Donation Claim (Ex. 7 – FIGS’ Resp to SPI’s ROGS, Nos. 32, 34, 39; Ex. 8 – FIGS’ Resp to SPI’s ROGS, No. 40; and Ex. 9 – SPI’s RFP to FIGS, Nos. 564, 582, 584):

SPI requests that the Court compel FIGS to produce documents and answer interrogatories regarding its claim that it donated 610,000 sets of scrubs through its Threads for Threads program.

A key claim in this lawsuit is that FIGS falsely advertised that it donates a set of scrubs for every set of scrubs sold (the “one-for-one” claim or “Threads for Threads”). To test the veracity of this claim, SPI requested documents that substantiate FIGS’s one-for-one claim. To date, FIGS has produced a single-page document prepared by its attorneys that provides as follows: “Sets Donated: 610,000.” See (Exhibit 10 – FIGS0032675). SPI is entitled to discover the source documents that FIGS’s Counsel used to prepare the one-page document that FIGS donated 610,000 sets of scrubs. Nor is the request overly burdensome as SPI is not seeking mailing labels of donations, but simply the accounting records that support FIGS’s purported donation figure. Indeed, Federal Rules of Evidence 1006 provides that all source documents and data used to prepare a summary be made available for examination and copying.

FIGS contends that no further written discovery into its donations are warranted. Incredibly, FIGS has produced no contemporaneous records or documents accounting for any of its donations, no source documents for how FIGS derived at the “610,000” figure, and no documents that show the dates the donations were made.

These materials are critical for SPI to, among other things:

- (i) verify that donations were in fact made;
- (ii) verify the 610,000 donation figure; and
- (iii) compare with SPI’s financial records to determine whether donations were made “one-for-one” as advertised.

FIGS’s objections to SPI’s requests are based on its erroneous construction of this Court’s order dated August 28, 2020 that the Court has foreclosed any discovery into FIGS’s one-for-one donation claim. Indeed, during the later discovery conference held on February 5, 2021, Your Honor clarified that discovery underlying FIG’s donation figures were discoverable, stating the Court “understand[s] the rationality of trying... to pin down the veracity or the quantities of the so-called ‘donated scrubs.’” See 2-5-21 Telephonic Conference Transcript at 14:18-20. SPI is simply not required to take FIGS’s 610,000 donation figure at face value. SPI is entitled to discover the documents FIGS relied upon to come up with the 610,000 donation figure, which are relevant and proportionate to the needs of this case.

2 To establish the falsity of this T4T Claim, SPI requested documents to substantiate
 3 FIGS’s purported one-for-one donations, including the donation accounting and tracking
 4 records kept by FIGS. See Kim Decl. at Ex. 16 (SPI’s RFP to FIGS Nos. 564, 582, and 584);
 5 Ex. 18 (SPI’s ROGS to FIGS, Set Five, Nos. 32 and 34). Spear admits in interviews that
 6 FIGS tracked its donations every three months, and FIGS’s specifically touts the amount of
 7 its donations through its marketing materials. See Kim Decl. at ¶ 9 with the relevant excerpt
 8 beginning on 19:50 to 20:40 mark (Spear: “It is a *one-for-one model*. We literally, we are
 9 accountable – and we’re a B corp, by the way which keeps us accountable – um, *so every*
 10 *three months we see how many units were sold, and you know, basically calculate how*
 11 *many units we gave during that time period.*) FIGS’s advertisements touting the specific
 12 number of scrubs that it donated further confirm that FIGS had some mechanism to track
 13 these donations. See e.g., Kim Decl. at Ex. 1 [FIGS0001678 ██████████]
 14 ██████████ Ex. 26 [FIGS0015183 ██████████]
 15 ██████████ Ex. 25 [FIGS0002876 ██████████]
 16 ██████████

11 In response to these Requests and Interrogatories, FIGS produced a single, one-page
 12 document prepared for this litigation consisting of the following conclusory statement: “Sets
 13 Donated: 610,000.” See Kim Decl. at Ex. 20 (FIGS0032675).

HIGHLY CONFIDENTIAL

Sets Donated: 610,000



While the volume of FIGS Threads for Threads donations has been questioned, management has openly admitted to donating flawed product. This anecdote strikes us as tone deaf and disingenuous. Were these units included in the donation totals?

Hasson on Donating Flawed Scrubs to Poor Countries

Hasson in 2018 Inc. Interview

*“Our technical designer checked some of the returned pants and figured out that **12,000 pairs had been constructed with a women's front sewn to a men's back.** That was when we realized we needed a quality-control team on the sewing side at all of our factories. **We ended up donating the whole lot of pants--that was more than \$100,000 in inventory.**”*