



INVESTMENT THESIS

I) Industry Leader in a Fast Growing & Underpenetrated Market

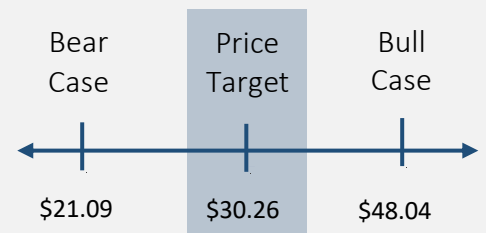
Progyny's Outcome Clinics treatment success rate exceeds that of the US average for all provider clinics. (View Exhibit II) With expected growth in the Femtech industry, particularly within the Fertility Health Market, Progyny is well positioned to capitalize on this growth.

II) Robust Value Proposition

Progyny's proprietary Smart Cycle approach supports their robust value proposition that they offer to their clients and their clients' employees.

III) Clean Balance Sheet

Progyny was able to greatly improve its financial condition at the end of 2019 and pay off its entire long-term and short-term debt as reported in their balance sheet. They have continued to have a clean balance sheet since. This is a solid accomplishment for the company having made an IPO in September 2019.



Current Price	USD \$35.98
52 Week High	\$38.50
52 Week Low	\$15.59
Ticker	NASDAQ: PGNY
Sector	Health Care
Market Cap	3117.1M
Revenue (Last 12m)	309.7M
Est. EPS	0.16
D/E	0.00
P/E	N/A
Dividend Yield	N/A
ROA	2.33
ROE	3.58
ROIC	8.17
Op Margin (Q3)	5.42

52 WEEK PERFORMANCE



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COMPANY OVERVIEW

Founded in 2008 and based out of New York, Progyny operates as the leading fertility benefits management company in the United States where the company aims to reduce healthcare costs for employers and their employees looking to engage in family planning. Progyny holds 167 employees and provides services for 130 companies and 2.1 million employees and their partners.

Progyny envisions a world where anyone who wants to have a child can do so. The company brings life to fertility benefits, for a new generation of companies. Progyny's fertility solutions ensure employers receive the most value from their fertility benefit by enabling members and physicians to focus on outcomes and pursue the most effective treatment from the beginning. When cutting-edge fertility science meets unparalleled member support, stronger fertility benefits are delivered.

BUSINESS SERVICES

SMART-CYCLE APPROACH

This service lets clients pick from 17 unique Smart Cycle plans to increase the likelihood of a successful pregnancy. These provide planning and start to finish support, in addition to diagnostic testing and technology.

The company also assigns a Patient Care Advocate (PCA), who acts as a concierge support to each client, providing education and guidance throughout their fertility experience, as well as access to a network of fertility specialists.

PROGYNY RX

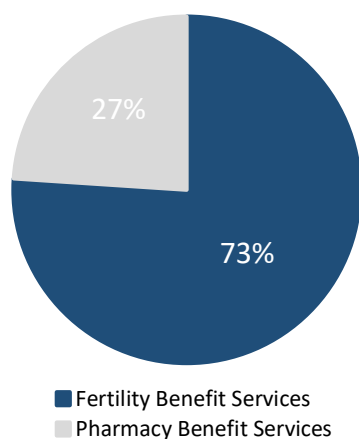
"Progyny RX" is an integrated pharmacy benefit solution. This allows clients to access medications and prescriptions at a quicker pace, reducing risks associated with missed treatment cycles, and educating clients on their medications.

SURROGACY & ADOPTION REIMBURSEMENT PROGRAM

This program is offered for clients looking beyond the traditional fertility path.

REVENUE BREAKDOWN

I. REVENUE BY SERVICE



Clients primarily contract with Progyny to provide fertility benefits solutions and the added-on Progyny RX pharmacy benefits solutions which make up the revenue streams. These streams are further broken down into a utilization-based component and a population-based component. The utilization component refers to when clients pay Progyny for the fertility and pharmacy benefit services used by their employees. Clients who purchase the fertility benefits solution also typically pay a per employee per month (PEPM) fee, which is population-based, representing about 0-2% of revenue. This allows access to PCAs for fertility and family building education and guidance and other digital tools to members, regardless of whether they pursue fertility treatment.

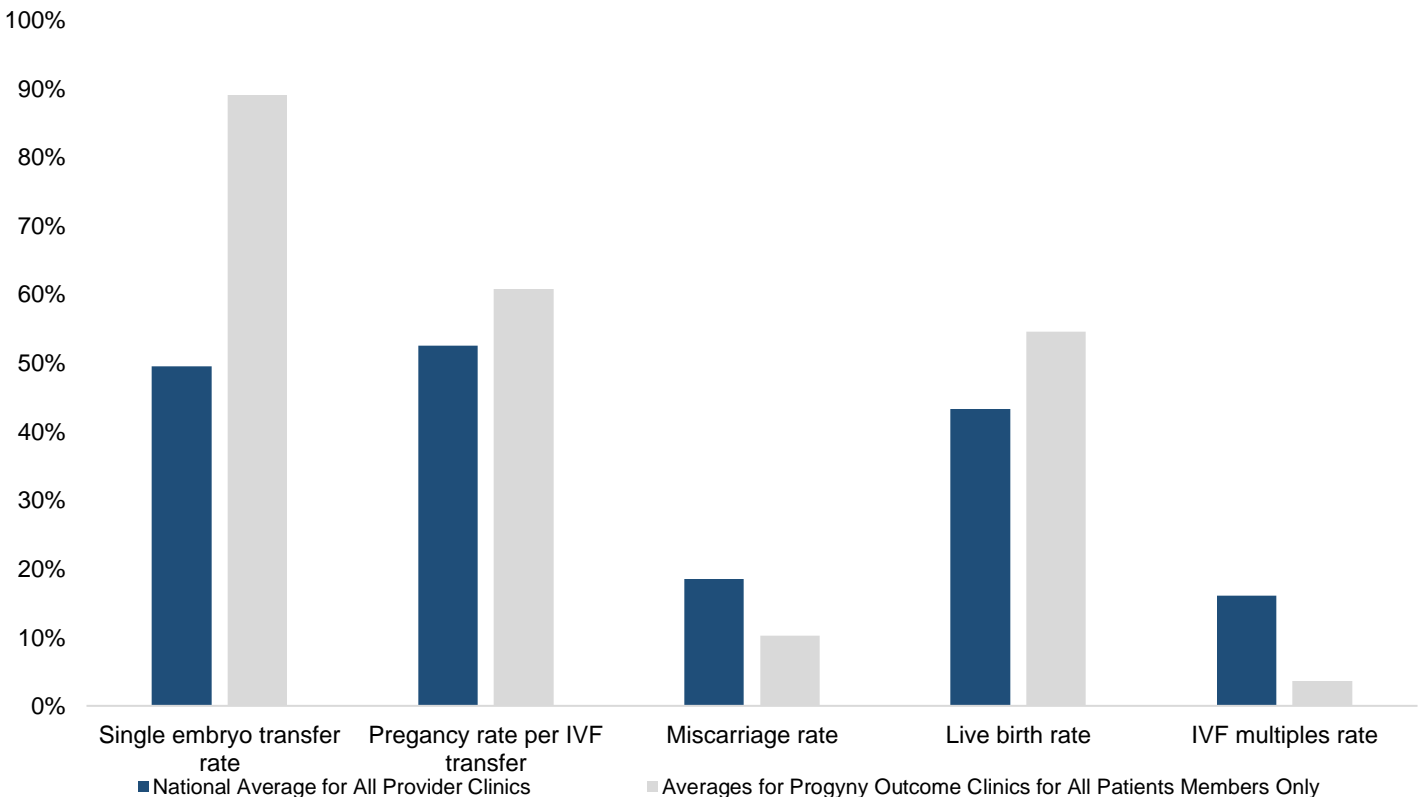
COMPANY OVERVIEW

VALUE PROPOSITION

Progyny’s differentiated services drives superior clinical outcomes at lower overall costs for clients. Progyny differentiates itself from competitors through simplifying the infertility treatment process. The company’s proprietary “Smart Cycle” approach includes all medical services required for a client’s full treatment, including diagnostic testing, in addition to providing each with a PCA as a support system. The company’s benefit plans are designed to improve outcomes, shorten time to pregnancy, and reduce total fertility-related costs.

Progyny is helping employers provide a unique benefit that addresses a generally unrecognized health need that is not typically covered. The company’s value is in cycles of care, not just dollars. Hence, patients and doctors can focus on the best procedures. Progyny is poised to continue to reduce the necessary costs for clients by including the latest cutting-edge technology in one packaged price. Their value proposition ensures members never exhaust coverage mid-treatment, provides equitable access to treatment, and increases the likelihood of pregnancy while keeping client employees satisfied.

II. TREATMENT SUCCESS RATES



Source: Progyny Annual Report

INDUSTRY ANALYSIS

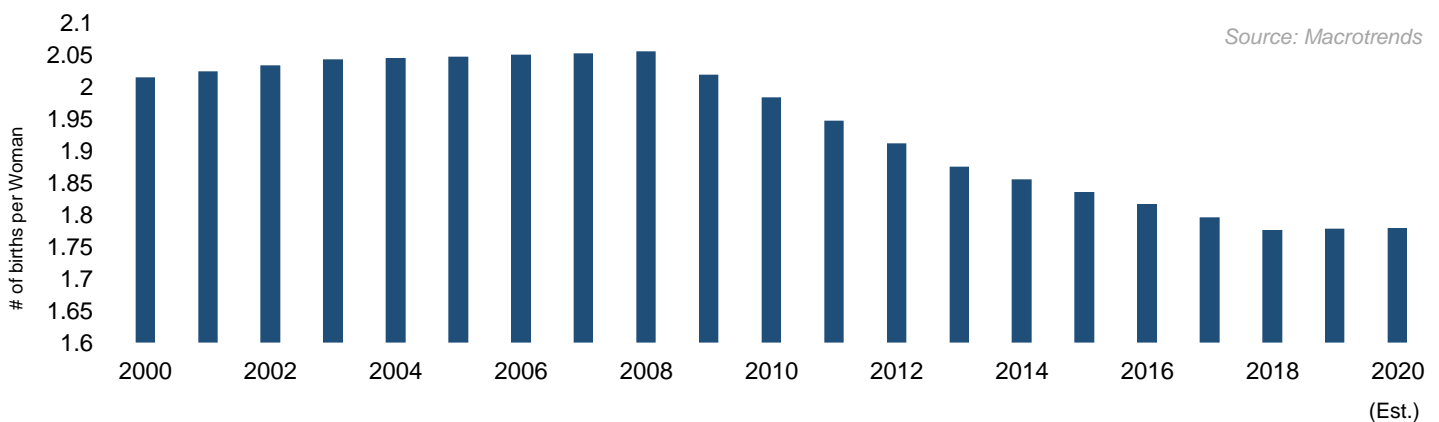
INDUSTRY OPPORTUNITY

LARGE, FAST GROWING FERTILITY HEALTH MARKET

Infertility is common in the US. According to the CDC, 1 in 8 couples suffer from infertility. This is considered a high occurrence. Infertility is also becoming more common with certain social trends. People are starting families later in life, and as individuals age, this increases possibility of infertility. (See Exhibit III)

Fertility health is a fast-growing space within the emerging “Femtech” industry, the area of technology that focuses on women’s health. According to Allied Market Research, the fertility services market is expected to grow at a rate of 8.9% from 2019 to 2026 and reach \$27 billion in total size.

III. US FERTILITY RATE



PORTER’S FIVE FORCES

THREAT OF NEW ENTRANTS – MEDIUM

The difficulty of establishing a reputable network of doctors and clinics mitigates the threat of large insurance legacy providers entering the space. The lack of specialists in the fertility treatment space, along with that lack of accessible clinics can make it difficult for a new benefits manager to enter the space if these specialists and clinics are already members of another managers network. Additionally, the knowledge and experience required to properly manage these benefits is unique and mitigates the threat of entry. However, the ability of large legacy insurance providers (CVS, Cigna, Humana, Molina, etc.) to enter the industry can’t be overlooked. Given their vast financial resources, their knowledge of benefits management, and their existing relationships with companies means many of the assumed barriers are surmountable for them.

COMPETITIVE RIVALRY – LOW

The number of competitors in the fertility benefits management space are few and far between. There are no other publicly traded companies in the space, and there are a few privately backed companies.

INDUSTRY ANALYSIS

PORTER'S FIVE FORCES

THREAT OF SUBSTITUTION – LOW

In the fertility health benefits space, the threat of substitution is low. With companies integrating fertility benefits into their employees plans, this reduces the costs for fertility health services that would otherwise have to be exhausted at a greater cost. According to Benefit News, 68% of employees are willing to switch jobs to ensure they have infertility coverage and 60% of employees would opt for a company that offers fertility benefits over a company that does not. To participate in fertility treatment, the average cost is around \$70,000 which can be covered if a company offers the benefit, hence, consumers switching costs are high. According to the International Foundation of Employee Benefit Plans, 7% of companies cover egg harvesting and freezing services, 9% cover visits with counselors, 13% cover non-IVF fertility treatments, 15% cover genetic testing to determine infertility, 18% cover fertility medication and 23% cover IVF treatments. If not in reach of fertility benefits, there are substitutions for those wanting to engage in family planning however at a much higher cost that consumers would rather not pay. Looking at Progyny, Progyny negotiates contracts for fertility treatments, bundles those services as well as incorporates access to a network of fertility specialists into coverage plans, and offers these to large, self-insured companies. Essentially, Progyny offers robust plans with high degrees of effectiveness at low cost. If not employed by one of these companies with benefits, consumers are on their own to find and pay off any services desired.

SUPPLIER POWER – HIGH

Suppliers to fertility treatment providers have significant power. Given the high degree of specialization among doctors and clinics to properly treat those dealing with infertility and seeking alternative methods of pregnancy, it can be very difficult for a benefits manager to access and acquire the right supplier. In addition, to the unique skills necessary for fertility treatment, there is a lack of quantity of clinics and doctors in this field. As fertility treatment is a relatively new field, many regions across the United States lack sufficient clinics and specialists making it more difficult and expensive for firms operating in the industry to establish a sufficient network for clients.

BUYER POWER – LOW/MEDIUM

Buyers in the fertility health benefits market are client companies who want to purchase fertility benefits packages for their employees. The bargaining power of buyers is low/medium. Due to the fact that a large percent of employees would switch jobs or select an employer based on the fertility benefits offered, client companies have no other choice than to turn to fertility benefits management if they strive to retain employees and attract new ones. Hence, buyers switching costs are high. However, to a degree, when partaking in arranging fertility benefits, there is some leeway for the client companies in terms of selecting which services or packages they would like to offer to their employees. This can range in price and quantity per company participating.

GROWTH AND RISK ANALYSIS

GROWTH OUTLOOK

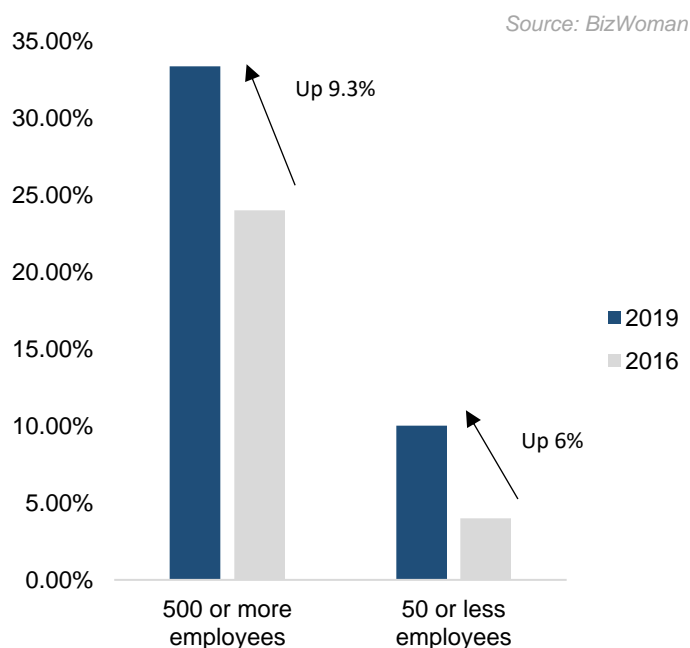
HIGH DEMAND FOR FERTILITY MANAGEMENT

There is a high demand and need for fertility benefits management in companies to provide support for the costs associated with infertility.

The value proposition for employers is that employees who need and value the benefit will be less inclined to leave their jobs, keeping the company's workforce happy and saving the employer money in replacing good employees. According to RMAN, 68% of people look for fertility benefits when job searching and 9/10 people facing fertility issues would switch jobs for these benefits.

In 2019, the International Foundation of Employee Benefit Plans reported about one-third of companies with 500 or more employees provide some sort of fertility benefit, and 10% of companies with 50 or fewer employees offer some fertility benefits. (See Exhibit IV)

IV. US COMPANIES OFFERING FERTILITY BENEFITS



EXPANDING BASE OF DIVERSIFIED CLIENTS

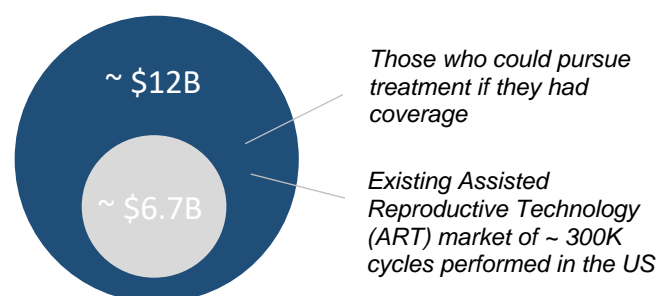
Progyny serves 132 employer clients which are dispersed over 20 different industries. Within these client organizations, Progyny is serving over 2.1M members. According to Progyny's Annual Report, 35% of Progyny clients had no prior fertility coverage before Progyny and 65% left their carrier for Progyny. Along with this, Progyny has demonstrated a robust client retention rate of near 100%.

With this diverse client space in combination with admirable retention rates, Progyny is poised for significant growth in their customer base. This includes taking on new self-insured clients and new types of clients and the complemented employee growth within existing client organizations.

INFERTILITY RECOGNITION AS A DISEASE

Infertility has been recognized as a disease by the World Health Organization (WHO) and the American Society for Reproductive Medicine (ASRM). With this recognition, infertility is poised for the potential to become widely acknowledged in mandated insurance offerings which could be beneficial to Progyny as companies will place greater emphasis on getting this benefit for their employees.

V. MARKET POTENTIAL



Source: Progyny Annual Report

GROWTH AND RISK ANALYSIS

GROWTH OUTLOOK (CONTINUED)

REPRODUCTION DURING AND POST COVID-19

The rate of reproduction during COVID-19 can be viewed two-fold. It is considered that many people are contemplating delaying starting families to after the pandemic because they are having difficulty meeting potential partners. Alternatively, it is considered that people who are thriving in the pandemic environment with work from home life, view COVID-19 as the perfect time to start a family.

With these considerations, the two possible outcomes both benefit Progyny. Those who delay having children are more likely to need fertility treatment the older they become. Considering a large demographic that leans to fertility treatment services are those who have aged, waiting till post pandemic would make these people the optimal candidates to undergo fertility treatment. All else equal, those who are viewing the pandemic as the ideal time to have children, are also ideal candidates for fertility treatment given the difficulties involved in undergoing a successful pregnancy to begin with. Either way, pursuing fertility treatment both during COVID-19 and post COVID-19 brings promising market share for Progyny.

POTENTIAL RISKS

THIRD PARTY RISK

Progyny is reliant on collaborations with fertility specialists and pharmaceutical manufacturers where they have various contractual agreements. The continued management and oversight of these agreements requires considerable financial commitment in order to ensure compliance with regulatory requirements. Should third parties fail to meet standards, this can have a significant impact on Progyny's services and reputation.

Progyny's success is dependent on their ability to maintain top tier services and results which includes a network of high-quality fertility specialists. There is risk of fertility specialists refusing to contract, demanding higher payment, or taking other actions that could result in higher medical costs, less attractive services for members or difficulty meeting regulatory or accreditation requirements. If Progyny cannot maintain positive relationships with their high-quality fertility specialists, these specialists may refuse to renew their contracts and potential competitors may onboard them. Additionally, the perceived value of Progyny's solutions may be negatively impacted if the services provided by one or more of the fertility specialists are not satisfactory for members. This includes results as well.

Progyny's success is also dependent on its agreements with select pharmaceutical manufacturers. There is risk of late prescriptions which contradicts Progyny RX's reputation of quick and efficient services. There is risk of drug shortages, as well as risk of failure to renew contracts.

GROWTH AND RISK ANALYSIS

POTENTIAL RISKS (CONTINUED)

MARKET PENETRATION

Although Progyny faces no significant competition as it is the only public fertility benefits management company in the US, there is the risk of current private fertility companies going public and penetrating this market. A few key private companies in the US that could compete with Progyny include Maven, Carrot, Optum, WIN Fertility, and Ovia Health. (View Exhibit VI)

Given that the fertility health market is growing and quite underpenetrated, this market attractiveness creates an opportunity for fertility companies to be driven to enter the benefits space and compete with Progyny. New entrant fertility companies offering competing plans bring the possibility of Progyny losing clients which can reduce their overarching market share. Companies working with competing fertility benefits management organizations can offer differentiated plans to their employees, which may cause other companies to lose employees due to the benefits offered. Hence, Progyny must continue to grow and innovate to negate the risk of set companies dropping Progyny as their benefits manager for a competitor.

Equally, this risk also comes from large insurance companies who have not yet entered the fertility benefits space. (See Porter's Five Forces) As mentioned above, given that infertility is now recognized as a disease, this gives both reason and opportunity for large insurance companies to enter the space. For example, fertility-focused pharmacy benefits managers could emerge and compete with Progyny's RX solution.

VI. PRIVATE COMPANY COMPETITORS

MAVEN: A leading women's and family healthcare company that offers full coverage to women during parenthood. Maven partners with employers and health plans to improve maternal outcomes.

CARROT: A fertility care company that provides flexible coverage that meets the demand for fertility benefits of employees located in 40 countries.

OPTUM: A Pharmacy benefit manager and care services group. Competitor for Progyny's Progyny RX service.

WIN FERTILITY: A family-building benefits management company that offers solutions to employers, health plans, and individual patients regarding fertility management, including medical treatment, pharmacy & genetics, surrogacy & adoption.

Ovia Health: A data-driven solution company that helps women and families navigate fertility, pregnancy and parenting.

Sources: Wonder, Parentology

LACK OF PATENTS

Progyny's proprietary Smart Cycle approach doubles as both its value proposition and a competitive advantage for Progyny given the effectiveness it has tolled along with the lower costs involved. However, given Progyny holds a Trademark over their Smart Cycle approach as opposed to a patent, the company faces the risk of the trademark expiration and a competitor diving in to replicate.

FINANCIAL STATEMENT ANALYSIS

GROWTH

Since going public in 2019, Progyny has demonstrated significant growth in a short span of time. The company's year over year revenue growth has been outstanding. In 2019, Progyny's fertility benefit services revenue came to \$229.7M, a 117% increase from the \$105.4M reported in the prior year. (View Exhibit VII) Management is projecting revenue growth between 41 and 48% by 2020.

PROFITABILITY

Progyny has been able to greatly improve its profitability. From 2017 to 2020, they have been able to increase their gross margin to approximately 21.06% in Q3 of 2020 from 15.23% at year-end of 2017. Additionally, Progyny has been able to visibly outperform the S&P 500 over the last 52 Week period in terms of total return. (View Exhibit IX)

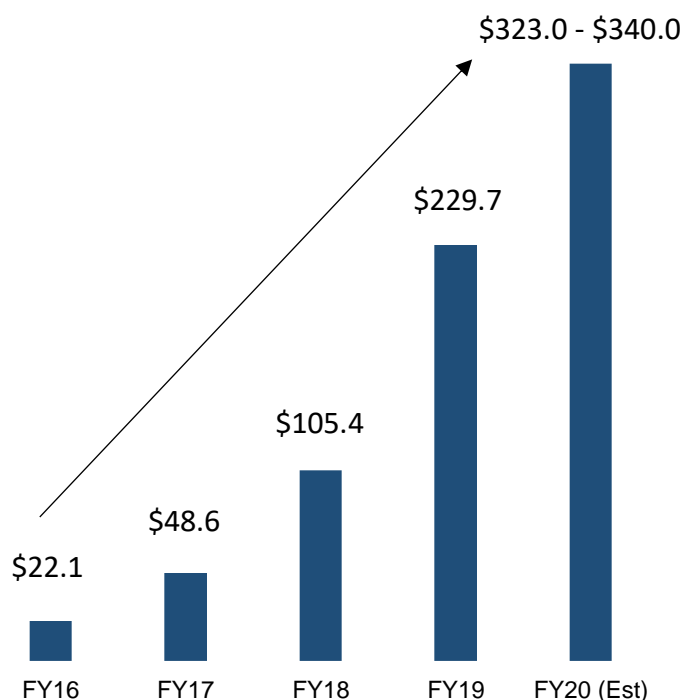
ACTIVITY

Progyny has shown an increase in their A/R turnover ratio beginning in 2017, and then a slightly lower ratio in Q3 of 2020. This is most likely due to the pandemic posing a roadblock in contact for a short period. As for their A/P turnover ratio, Progyny demonstrated a slight increase beginning in 2017, and later demonstrates a proficient increase as of Q3 of 2020. As for Asset Turnover, Progyny has demonstrated a steady decrease from 2017 to Q3 of 2020.

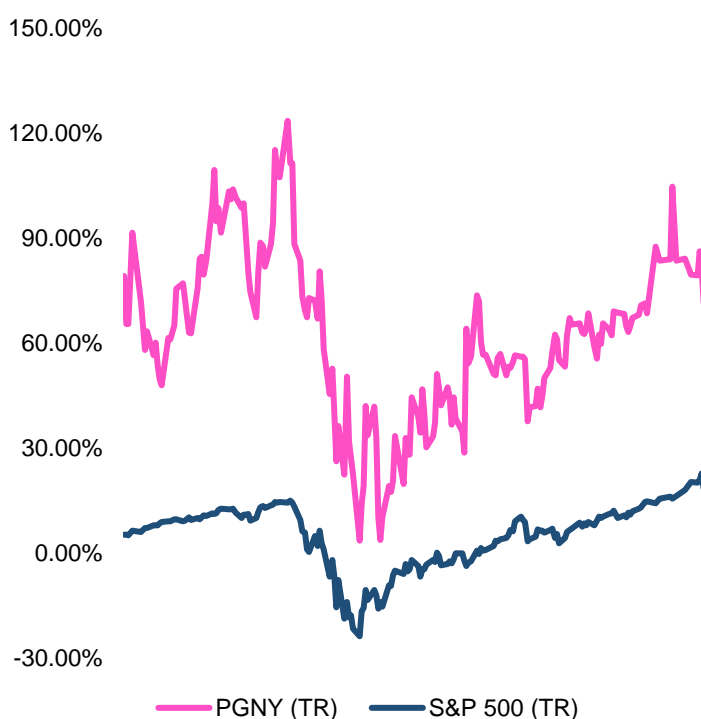
SHAREHOLDER RATIOS

EPS figures have drastically improved from the end of 2019, where basic and diluted EPS were both at -0.41 and are now 0.06 and 0.05 respectfully as of Q3 of 2020. This follows a slightly lower Q1 and Q2 in the midst of the global pandemic.

VII: REVENUE (MM USD)



IX. PGNY VS S&P 500 - 52 WEEK TOTAL RETURN



Source: Seeking Alpha

FINANCIAL STATEMENT ANALYSIS

LIQUIDITY

Progyny has shown a tremendous increase in its liquidity ratios through the elimination of their outstanding debt over the last year. The decrease in their current, quick and cash ratios beginning in Q1 of 2020 and following through to Q3 of 2020 can be easily explained by the impacts of COVID19 on the firm and the uncertainty surrounding the comfort of clients and their demands to undergo treatment.

FINANCIAL LEVERAGE

Progyny was able to greatly improve its financial condition at the end of 2019 and pay-off its entire long term and short-term debt. This is a solid accomplishment for the firm and demonstrates its impressive solvency. With this outstanding solvency, Progyny is in a solid position to increase their spending on R&D and innovation to maintain competitiveness. Progyny also has the potential to make acquisitions which management has hinted at. Alternatively, low debt and high cash make Progyny a solid acquisition target as well.

X. FINANCIAL RATIOS

FINANCIAL CONDITION	2017A	2018A	2019A	2020Q		
				Q1	Q2	Q3
PROFITABILITY						
Gross Profit Margin	15.23	18.44	19.81	20.49	18.50	21.06
Operating Profit Margin	-22.7	-3.3	4.2	4.76	-2.80	4.20
Net Profit Margin	-25.6	0.6	-3.73	5.01	-2.80	5.41
EBITDA Margin	-19.44	-1.49	5.65	5.40	-1.30	5.89
EBIT Margin	-25.64	-6.54	-3.73	5.15	-2.80	5.41
ROA	-	1.73	-8.94	-	-	2.33
ROIC	-	-12.6	8.33	-	-	8.17
ROE	-	-	90.1152	-	-	3.5882
SHAREHOLDER RATIOS						
Dividend Payout Ratio	-	-	-	-	-	-
Diluted EPS	-	-	-0.41	0.04	-0.02	0.05
Basic EPS	-	-	-0.41	0.05	-0.02	0.06
ACTIVITY						
Inventory Turnover	-	-	-	-	-	-
Receivables Turnover	-	6.08	6.53	-	-	5.05
Payables Turnover	-	3.4	10.53	-	-	72.47
Total Asset Turnover	-	2.76	2.4	-	-	2.26
LIQUIDITY						
Current Ratio	0.94	0.81	3.66	2.74	2.77	2.49
Quick Ratio	0.9	0.78	3.52	2.67	2.71	2.47
Cash Ratio	0.26	-	2.22	1.55	1.58	1.42
FINANCIAL LEVERAGE						
Long Term Debt to Equity	15.27	-	-	-	-	-
Total Debt to Assets	19.54	11.72	-	-	-	-
Total Debt to Equity	63.92	43.54	-	-	-	-
Total Debt to Capital	38.99	30.33	-	-	-	-
Total Debt to EBITDA	-	-	-	-	-	-
Leverage Ratio	-	-	10.08	1.4	1.49	1.54

Source: Bloomberg

VALUATION

DCF

Using a Discounted Cash Flow valuation, I gained valuable insight into Progyny's business model and their dependence on client and membership growth and pursuance of treatment. As a general scope, growth was forecasted based on the assumption that Progyny will have high growth in the first few years, and then later grow at a constant rate. This assumption is made based on the fundamental perspective that the fertility health market is coming into high demand, making fertility benefits highly demanded. I make the assumption that a significant number of companies will sign Progyny to provide fertility benefits over the next few years, and eventually a high degree of companies will have Progyny's benefits for their employees which will make the growth plateau as it will have become a norm as part of employee benefits packages. As valuation methods, I used the Terminal Multiple Method and Gordon Growth Method. A Relative Valuation was not done given that Progyny has no concrete competition in the market right now. However, as Fertility Benefits becomes more visible and the market becomes more penetrated, I recommend a Relative Valuation be performed. In determining the price target, the intrinsic value from the exit multiple method was used. This is because the Gordon growth method did not fully capture the high growth nature of the company.

XI: HISTORICAL AND PROJECTED CASH FLOWS TO THE FIRM

(Units)	Historical			Projected											Term
	2017A	2018A	2019A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Term
EBIT	-11.03	-3.45	9.69	18.74	30.46	43.69	63.71	89.74	113.83	130.15	151.36	175.26	200.61	227.27	257.32
Taxes	0.00	-1.78	0.01	3.98	6.44	9.22	13.44	18.93	24.02	27.49	31.99	37.07	42.45	48.13	54.52
EBIT(1-Tax)	-11.03	-1.67	9.68	14.77	24.02	34.46	50.27	70.81	89.81	102.66	119.37	138.20	158.16	179.14	202.80
Plus: Depreciation and Amortization	1.56	1.88	2.13	1.08	1.92	2.92	3.99	5.22	6.67	8.33	9.21	9.21	9.21	9.21	9.21
Plus: Capex	-0.61	-0.58	-3.96	-6.07	-7.43	-8.41	-8.76	-10.88	-12.39	-14.10	-15.14	-14.96	-17.01	-18.17	-21.61
Plus Changes in NWC		-1.50	-19.93	-19.99	-14.04	-12.82	-14.21	-21.01	-18.32	-17.73	-21.19	-23.99	-26.38	-28.89	-31.78
Unlevered FCF	-10.08	1.13	28.79	29.77	32.55	41.78	59.70	86.15	102.41	114.61	136.63	156.43	176.73	198.07	222.17
WACC (%)															8.50%
Discount Period (Years)				0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	10.5

TERMINAL MULTIPLE METHOD

An exit multiple of 16 was assumed for this valuation. This exit multiple was chosen as Progyny's multiple is around 14x-16x based off of recent transactions in managed care. As for the WACC, in this case, it is equivalent to the Cost of Equity as Progyny has no debt so the CAPM model was used as calculation. Using the exit multiple method, Progyny was found to have an intrinsic value of \$30.26, representing 16% downside from its current price of \$35.98 as of November 30th, 2020. Under a bull case, Progyny was found to have an intrinsic value of \$48.04, representing 34% upside from its current price. Under a bear case, Progyny was found to have an intrinsic value of \$21.09, representing 41% downside from its current price.

XII: TERMINAL MULTIPLE METHOD – BASE CASE

Terminal Multiple Method

Cumulative PV of FCF	1134.84
Terminal Value EBITDA	266.53
Exit Multiple	16.00
Terminal Value	4264.40
Discount Period	10.5
PV of Terminal Value	1811.26
Enterprise Value	2946.10
Add Cash	80.382
Implied Equity Value	3026.48
Implied Growth Rate	3.29%

Shares Outstanding	100
Intrinsic Value / Share	\$ 30.26
Current Share Price	\$ 35.98

Upside (Downside)	-16%
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VALUATION

XIII: SENSITIVITY ANALYSIS

Exit Multiple VS WACC

	14.00	14.50	15.00	15.60	16.00	16.50	17.00	17.50	18.00
7%	30.49	31.14	31.80	32.59	33.11	33.76	34.42	35.07	35.73
7.5%	29.61	30.24	30.86	31.61	32.11	32.73	33.36	33.98	34.60
8.0%	28.78	29.38	29.97	30.68	31.16	31.75	32.35	32.94	33.53
8.5%	28.00	28.56	29.13	29.81	30.26	30.83	31.39	31.96	32.52
9.0%	27.25	27.79	28.33	28.97	29.41	29.95	30.48	31.02	31.56
9.5%	26.54	27.05	27.57	28.19	28.60	29.11	29.62	30.14	30.65
10%	25.87	26.36	26.85	27.44	27.83	28.32	28.81	29.30	29.79

GORDON GROWTH METHOD

A terminal growth rate of 2.5% was assumed for the base case of this valuation, a 3% terminal growth rate for the bull case, and a 2% growth rate for the bear case. These were determined based on the historical inflation rate in the US. Using the Gordon Growth method, Progyny was found to have an intrinsic value of \$23.54, representing a 35% downside from its current price of \$35.98 as of November 30th, 2020. Under a bull case, Progyny was found to have an intrinsic value of \$37.57, representing a 4% upside from its current price. Under a bear case, Progyny was found to have an intrinsic value of \$16.26, representing a 55% downside from its current price.

XIV: GORDON GROWTH METHOD – BASE CASE

Gordon Growth Method

Terminal Growth Rate	2.5%
Cumulative PV of FCF	1134.84
Terminal Value	2680.14
PV of Terminal Value	1138.36
Enterprise Value	2273.20
Add: Cash	80.382
Implied Equity Value	2353.59
Shares Outstanding	100
Intrinsic Value / Share	23.54
Current Share Price	\$35.98
Upside (Downside)	-35%

INVESTMENT RECOMMENDATION

BUY

As the economy is in the midst of the global pandemic and recovering from an economic recession, Progyny is in a solid state to adapt to this new world and indicates sustainable positioning in holding their value moving forward in the pandemic and post-pandemic. As mentioned in the growth outlook, Progyny is in a strong position given a degree of consumers are choosing the pandemic as an ideal time to have children while another degree feels post pandemic is the appropriate time to have children.

Given Progyny is the current leader in the fertility benefits industry, this offers a strong competitive advantage and confidence in continued clients. However, Health Insurance companies, currently Private Fertility companies, and large Healthcare companies should not be overlooked. Given the underpenetrated market, this opens opportunity for these companies to penetrate the market and compete with Progyny.

As previously mentioned, the company demonstrates proficient runway for growth and is fundamentally a good investment. The research and analysis contained in this report points Progyny in a positive direction. Given the valuation methods performed indicate Progyny 's intrinsic value demonstrates that the security is currently overvalued, the recommendation is still placed at a **BUY** given the strong fundamentals and growth opportunity.

REFERENCES

- [1] Seeking Alpha
- [2] Macro Trends
- [3] Progyny Annual Report
- [4] Fertility IQ
- [5] Carrot
- [6] BizWoman
- [7] Allied Market Research
- [8] Progyny Quarterly Results
- [9] Investor's Business Daily
- [10] Bloomberg
- [11] Wonder
- [12] Parentology

*Reference numbers are hyperlinked

XV. BASE CASE SCENARIO

Progyny Inc. Scenarios

Scenario Switch:	1	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	CV
<i>Drivers</i>													
Client Growth		60	61	62	64	60	55	50	45	45	45	45	45
Base Case		60	61	62	64	60	55	50	45	45	45	45	45
Bull Case		65	66	67	69	65	60	55	50	50	50	50	50
Bear Case		55	57	58	59	55	50	45	40	40	40	40	40
Membership Growth	(%)	70%	25%	15%	15%	15%	10%	10%	10%	10%	10%	9%	9%
Base Case		70%	25%	15%	15%	15%	10%	10%	10%	10%	10%	9%	9%
Bull Case		75%	28%	17%	17%	17%	13%	13%	13%	13%	13%	11%	11%
Bear Case		65%	22%	13%	13%	13%	9%	9%	9%	9%	9%	8%	8%
Average Revenue per Member Growth		4%	5%	6%	7%	8%	4%	4%	4%	4%	3%	3%	3%
Base Case		4%	5%	6%	7%	8%	4%	4%	4%	4%	3%	3%	3%
Bull Case		5%	6%	7%	8%	9%	5%	5%	5%	5%	4%	4%	4%
Bear Case		3%	4%	5%	6%	7%	3%	3%	3%	3%	2%	2%	2%
Gross Margin	(%)	20%	21%	22%	23%	24%	25%	25%	25%	25%	25%	25%	25%
Base Case		20%	21%	22%	23%	24%	25%	25%	25%	25%	25%	25%	25%
Bull Case		21%	22%	23%	24%	25%	26%	26%	26%	26%	26%	26%	26%
Bear Case		19%	20%	21%	22%	23%	24%	24%	24%	24%	24%	24%	24%
<i>Operating Expenses</i>													
Selling/Marketing/Advertising Expenses		5.1%	5.0%	5.0%	4.9%	4.8%	4.8%	4.7%	4.7%	4.6%	4.6%	4.6%	4.6%
Base Case		5.1%	5.0%	5.0%	4.9%	4.8%	4.8%	4.7%	4.7%	4.6%	4.6%	4.6%	4.6%
Bull Case		5.0%	4.9%	4.9%	4.8%	4.7%	4.7%	4.6%	4.6%	4.5%	4.5%	4.5%	4.5%
Bear Case		5.2%	5.1%	5.1%	5.0%	4.9%	4.9%	4.8%	4.8%	4.7%	4.7%	4.7%	4.7%
General and Administrative Expenses		10.0%	9.9%	9.8%	9.6%	9.6%	9.5%	9.5%	9.3%	9.3%	9.3%	9.3%	9.3%
Base Case		10.0%	9.9%	9.8%	9.6%	9.6%	9.5%	9.5%	9.3%	9.3%	9.3%	9.3%	9.3%
Bull Case		9.8%	9.6%	9.6%	9.4%	9.4%	9.4%	9.4%	9.2%	9.2%	9.2%	9.2%	9.2%
Bear Case		10.2%	10.2%	10.0%	9.8%	9.8%	9.6%	9.6%	9.4%	9.4%	9.4%	9.4%	9.4%
<i>Capex (as % of Revenue)</i>													
Capital Expenditures		1.5%	1.4%	1.3%	1.1%	1.1%	1.1%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%
Base Case		1.5%	1.4%	1.3%	1.1%	1.1%	1.1%	1.1%	0.9%	0.9%	0.9%	0.9%	0.9%
Bull Case		1.3%	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
Bear Case		1.7%	1.6%	1.5%	1.3%	1.3%	1.3%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%
<i>Valuation</i>													
Terminal Growth		2.5%											
Base Case		2.5%											
Bull Case		3%											
Bear Case		2%											

XVI. PROFORMA FINANCIAL STATEMENTS UNDER BASE CASE

Progny Inc. Statement of Income

(Units)		Historical			Projected										Term				
		2017A	2018A	2019A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		2030			
	Revenue																		
	Total Revenue (US\$MM)	48.6	105.4	229.7	404.55	530.97	647.25	796.44	989.18	1126.18	1282.16	1459.74	1661.91	1890.26	2130.44	2401.13			
	Cost of Services (US\$MM)	41.18	85.97	184.18	323.64	419.47	504.86	613.26	751.28	844.64	961.62	1094.80	1246.43	1417.69	1597.83	1800.85			
	Gross Profit	7.42	19.43	45.52	80.91	111.50	142.40	183.18	237.40	281.55	320.54	364.93	415.48	472.56	532.61	600.28			
	Operating Expenses																		
	Selling/Marketing/Advertising Expenses (US\$MM)	4.30	7.30	11.90	20.63	26.55	32.36	39.03	47.48	54.06	60.26	68.61	76.45	86.95	98.00	110.45			
	General and Administrative Expenses (US\$MM)	12.59	13.70	21.80	40.45	52.57	63.43	76.46	94.56	106.99	121.81	135.76	154.56	175.79	198.13	223.30			
	Total Operating Expenses	16.89	21.00	33.70	61.09	79.11	95.79	115.48	142.44	161.04	182.07	204.36	231.01	262.75	296.13	333.76			
	EBITDA	(US\$MM)	-9.47	-1.57	11.82	19.82	32.39	46.60	67.70	94.96	120.50	138.47	160.57	184.47	209.82	236.48	266.53		
	DEA																		
	Depreciation & Amortization (US\$MM)	1.56	1.88	2.13	1.08	1.92	2.92	3.99	5.22	6.67	8.33	9.21	9.21	9.21	9.21	9.21			
	EBIT	(US\$MM)	-11.03	-3.45	9.69	18.74	30.46	43.69	63.71	89.74	113.83	130.15	151.36	175.26	200.61	227.27	257.32		
	Non-Operating Expenses																		
	Net Interest Expenses (US\$MM)	0.74	0.50	0.06	-0.19	-0.20	-0.24	-0.31	-0.41	-0.56	-0.76	-0.98	-1.25	-1.56	-1.90	-2.29			
	Other (US\$MM)	0.71	2.86	18.18	0	0	0	0	0	0	0	0	0	0	0	0			
	Total Other Expenses	(US\$MM)	1.45	3.35	18.23	-0.19	-0.20	-0.24	-0.31	-0.41	-0.56	-0.76	-0.98	-1.25	-1.56	-1.90	-2.29		
	EBT	(US\$MM)	-12.49	-6.80	-8.55	18.94	30.66	43.92	64.02	90.16	114.39	130.90	152.35	176.51	202.17	229.17	259.61		
	Income Tax Expense																		
	Current Income Tax (US\$MM)	0	0	0	3.54	6.07	8.93	13.24	18.83	24.04	27.65	32.14	37.04	42.22	47.65	53.76			
	Deferred Income Tax (US\$MM)	-0.003	-1.777	0.012	0.44	0.37	0.30	0.21	0.10	-0.02	-0.16	-0.15	0.02	0.23	0.48	0.76			
	Total Income Tax Expense	(US\$MM)	-0.003	-1.777	0.012	3.98	6.44	9.22	13.44	18.93	24.02	27.49	31.99	37.07	42.45	48.13	54.52		
	Net Extraordinary Losses (Gains)																		
	Net Income	(US\$MM)	-12.48	0.78	-8.56	14.96	24.22	34.70	50.57	71.22	90.37	103.41	120.35	139.45	159.71	181.05	205.09		
	Avg. Diluted Shares				100	100	100	100	100	100	100	100	100	100	100	100	100		
	Earnings per Share				\$ 0.15	\$ 0.24	\$ 0.35	\$ 0.51	\$ 0.71	\$ 0.90	\$ 1.03	\$ 1.20	\$ 1.39	\$ 1.60	\$ 1.81	\$ 2.05			
	EBITDA (%)				4.9%	6.1%	7.2%	8.5%	9.6%	10.7%	10.8%	11.0%	11.1%	11.1%	11.1%	11.1%			
	EBIT Margin (%)				4.6%	5.7%	6.7%	8.0%	9.1%	10.1%	10.2%	10.4%	10.5%	10.6%	10.7%	10.7%			
	Gross Profit Margin (%)				20.0%	21.0%	22.0%	23.0%	24.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%			

Progny Inc. Statement of Financial Position

(Units)		Historical			Projected										Term				
		2017A	2018A	2019A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		2030			
	ASSETS																		
	Current Assets																		
	Cash and Cash Equivalents (US\$MM)	4.69	0.13	80.38	74.92	84.11	104.92	140.86	189.65	260.11	344.00	443.22	557.09	687.00	833.80	999.61			
	A/R (US\$MM)	11.37	23.33	47.06	83.13	108.81	131.22	159.29	191.89	215.98	245.89	279.95	318.72	361.52	408.58	460.49			
	Prepaid Expenses and other current assets (US\$MM)	0.71	0.89	5.00	4.07	3.14	2.20	1.27	0.34	-0.60	-1.53	-2.46	-3.40	-4.33	-5.26	-6.20			
	Assets of discontinued operations (US\$MM)	0	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Total Current Assets	(US\$MM)	16.77	24.537	132.444	162.11	196.06	238.35	301.42	381.88	475.50	588.36	720.71	872.42	1044.19	1237.11	1453.90		
	Non-Current Assets																		
	PP&E, net	0.6	0.8	3.1	8.1	13.6	19.1	23.9	29.5	35.3	41.0	45.0	50.7	58.5	68.5	80.9			
	Goodwill (US\$MM)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9			
	Intangible Assets, net (US\$MM)	5.34	3.86	2.38	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375			
	Other assets (US\$MM)	0.37	0.28	0.55	0.652	0.652	0.652	0.652	0.652	0.652	0.652	0.652	0.652	0.652	0.652	0.652			
	Total Noncurrent Assets	(US\$MM)	18.191	16.796	17.99	23.04	28.55	34.05	38.82	44.48	50.20	55.98	60.91	65.66	73.46	83.43	95.83		
	Total Assets	(US\$MM)	35.0	41.3	150.4	185.2	224.6	272.4	340.2	426.4	525.7	644.3	781.6	938.1	1117.7	1320.5	1549.7		
	LIABILITIES																		
	Current Liabilities																		
	A/P (US\$MM)	5.13	15.59	19.39	35.47	47.12	56.71	70.57	82.16	87.93	100.11	113.98	129.77	147.19	166.35	187.49			
	Accrued expenses and other currents (US\$MM)	7.44	9.78	16.78	19.98	23.19	26.39	29.60	32.80	36.01	39.21	42.42	43.63	45.83	48.04	50.24			
	Short Term Debt (US\$MM)	5.23	4.59	0.00	0	0	0	0	0	0	0	0	0	0	0	0			
	Other Current Liabilities (US\$MM)	0.00	0.25	0.00	0	0	0	0	0	0	0	0	0	0	0	0			
	Total Current Liabilities	(US\$MM)	17.802	30.211	36.163	55.45	70.30	83.10	100.16	114.96	123.94	139.33	156.40	173.39	193.02	214.39	237.73		
	Non-Current Liabilities																		
	Long Term Debt (US\$MM)	1.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Deferred Tax Liabilities (US\$MM)	0	0	0	0.44	0.81	1.10	1.31	1.41	1.39	1.24	1.09	1.11	1.34	1.82	2.58			
	Other Non Current Liabilities (US\$MM)	4.87	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Total Non-Current Liabilities	(US\$MM)	6.469	0	0	0.44	0.81	1.10	1.31	1.41	1.39	1.24	1.09	1.11	1.34	1.82	2.58		
	Total Liabilities	(US\$MM)	24.271	30.211	36.163	55.88	71.11	84.21	101.47	116.37	125.34	140.57	157.49	174.50	194.37	216.21	240.31		
	SHAREHOLDERS' EQUITY																		
	Common Stock (US\$MM)	0.00	0.00	0.01	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008			
	Additional Paid in Capital (US\$MM)	6.80	10.62	228.76	228.75	228.75	228.75	228.75	228.75	228.75	228.75	228.75	228.75	228.75	228.75	228.75			
	Treasury Stock (US\$MM)	0.00	-0.88	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01	-1.01			
	Retained Earnings (US\$MM)	-104.56	-104.85	-113.48	-98.48	-74.25	-39.56	11.02	82.24	172.61	276.02	396.38	535.83	695.54	876.58	1081.67			
	Convertible Preferred Stock (US\$MM)	108.44	195.24	0.00	0	0	0	0	0	0	0	0	0	0	0	0			
	Total SHE	(US\$MM)	10.69	11.122	114.271	129.27	153.49	188.19	238.77	309.99	400.36	503.77	624.13	763.57	923.29	1104.33	1309.42		
	Total Liabilities and SHE	(US\$MM)	35.0	41.3	150.4	185.2	224.6	272.4	340.2	426.4	525.7	644.3	781.6	938.1	1117.7	1320.5	1549.7		

Progny Inc. Statement of Cash Flows

(Units)		Historical			Projected										Term			
		2017A	2018A	2019A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		2030		
	OPERATING ACTIVITIES																	
	Net Income (US\$MM)	-12.48	0.78	-8.56	15.0	24.2	34.7	50.6	71.2	90.4	103.4	120.4	139.4	159.7	181.0	205.1		
	Less Income from discontinued operations (US\$MM)	-0.06	-5.78	0.00	0													