

Thorne HealthTech (THRN): \$2B+ Health Platform Trading For <\$300M

Americans are [fatter than ever](#). 65% of adults and 15% of children are critically overweight. In 2021, 16 states *shattered* previous obesity records. Scoreboard, am I right?

It costs ~\$160-\$190B to treat these overweight health disorders *after* they occur. And since we're discussing inflation, obese people pay ~\$2,700 more in medical spending than healthy adults.

There are two obvious reasons why we're so fat. We're inactive as hell and eat shitty food. Addicted to mindlessly scrolling TikTok while we shovel [ultra-processed foods](#) down our gullet.

15% of Americans were reported as "physically inactive", the highest percentage ever. We're not red-pilling or blue-pilling America. We're poison-pilling it.

Industrialized farming has destroyed US soil over the past century. Scientists now predict we have [less than 60 years of farming left if](#) soil degradation continues at its current pace (it's also why we own [Desert Control \(DSRT:OSL\)](#)).

In return, consumers are forced to take supplements in order to make-up for the nutrients they don't get through our broken food system.

However, most vitamins and supplements resemble everything we *hate* about our food. Low-quality ingredients sold in a [non-regulated industry](#) littered with frauds, [snake-oil salesmen](#) promising the latest fat-loss pill, and [deadly phonies](#).

So we're stuck. We eat low-quality food and supplement with low-quality, unregulated, generic supplements.

Luckily, there's a company fighting to upend the \$160B+ traditional healthcare treatment market and bring high-quality, trusted vitamins and supplements to millions of consumers. A company focused on preventative care with low-friction tests, the highest-quality supplements, and an AI-enabled healthtech platform that personalizes supplement, exercise, and diet recommendations.

The company boasts a 70+ NPS score with its 4M+ customers and 46K+ healthcare partners.

Moreover, this company is in the early innings of creating a powerful, personalized healthtech online platform globally. A platform that knows *what* your body needs; *how much* exercise, rest, and nutrition is optimal for you, and *what type* of supplements you need in order to live your best healthy life.

We believe this company will be worth over \$1B in the next few years. We can buy it today for <\$300M. That company is **Thorne Healthcare (THRN)**.

The One-Page Thesis Tear-Sheet

Quick Hits (based on 2021 financials):

- Market Capitalization: \$280M (\$28M net cash position)
- Shares Outstanding: 53M
- Annual Revenue: \$209M
- Annual EBIT: \$11.32M (6% margin)
- Gross Margin: 52%

THRN founder Paul Jacobson knew there had to be a better way to help people *before* the issue starts. So he asked a board member of a large pharmaceutical company about it and this was his response...

“If you think you’re so smart, go start a natural products company. Natural products probably work, but you need proof, and we hate them because you cannot secure patents. Consumers would probably prefer them, and if someone ever does it right, they could be very successful.”

The rest, as they say, is history.

What Does The Company Do: THRN provides clinically tested, [high-quality](#) nutritional supplements, health tests, and personalized plans to over 4M consumers to improve sleep, stress, weight management, gut health, biological age, and more. THRN aims to be the one-stop-shop for personalized supplementation through its *Thorne*-branded supplements and online AI-enabled platform, *Onegevity*.

The platform houses consumers' personalized health data, biological age, unique healthy aging plan, and recommended supplementation and exercise/diet plans. More consumer data allows THRN to develop more personalized supplements for its consumers, which leads to higher retention and longer lifetime values.

How THRN Makes Money: The company sells supplements, test kits, bundles, and subscriptions) through two distribution channels: **Direct-to-Consumer (DTC)** and **Professional Network**

Why The Opportunity Exists: THRN is a broken IPO, with the stock down over 30% from its IPO debut in 2021. Nobody's following the stock on Twitter or Seeking Alpha. Plus, it operates in the highly competitive vitamins/supplements space, which many see as commoditized.

What's the prize if we're right: THRN is a \$2B+ business if we're directionally right on the company's long-term growth and margin targets. Targets we believe are reasonable thanks to THRN's premium-priced products, sticky personalized data platform, and growing LTV/CAC.

Embedded Expectations: Commoditized Products w/ Fierce Competition

Vitamins and supplements are generally seen as commoditized products where consumers shop on price. This is true for generic vitamins like Vitamin C, D, and B-12. Stuff you'd find at a Costco.

In the generics world, THRN can't survive against the behemoths like Nestle, Costco's Kirkland Brand, and Amazon's "Essentials" line.

This is the market's current **Embedded Expectation**: THRN **sells commoditized vitamins and supplements but cannot compete on price or distribution. This reality eliminates any chance THRN has at creating a durable brand/competitive advantage, ultimately leading to its demise.**

These are logical arguments against THRN because that's how *most* of the vitamin/supplement industry looks. But the current embedded expectations are wrong. And here's why.

THRN Is Way More Than A Supplement Company

If we were to invert the standard vitamin/supplement business model, it would look something like this:

- Charge a premium price for your product, so consumers view your brand as a luxury/trustworthy brand
- Market the products to healthcare professionals and professional sports teams/teams to gain social proof with target customers
- Vertically integrate and produce the highest-quality supplements that consumers can't find elsewhere
- Create a platform that allows you to analyze how consumers react to your supplements so that you can improve and create new products over time

THRN does *all the above* and more. That's why it's more than just a supplement company.

They're creating a personalized healthtech platform that learns from consumer biological/molecular data. Recommends specific supplements based on that data and iterates over time to provide more specific recommendations. All through its two business segments: **Thorne** and **Onegevity**.

Let's dive deeper into THRN's four-step process of **Test, Teach, Transform, and Iterate**.

The Consumer Journey: Reinforcing THRN's Data Platform

THRN gets data from consumers through five health tests:

- **Biological Age**
- **Gut Health**
- **Sleep**
- **Stress**
- **Weight Management**

If you're THRN, you want these tests as low-friction as possible. The lower the friction, the more people will complete tests. More tests equals more data.

Stool samples are an excellent example. It's a gross process of pooping in a bucket and scooping excrement into a bottle.

Instead, THRN created a patented Microbiome wipe. Participants wipe like normal, put the wipe in a bottle, and then shake the bottle until the wipe dissolves.

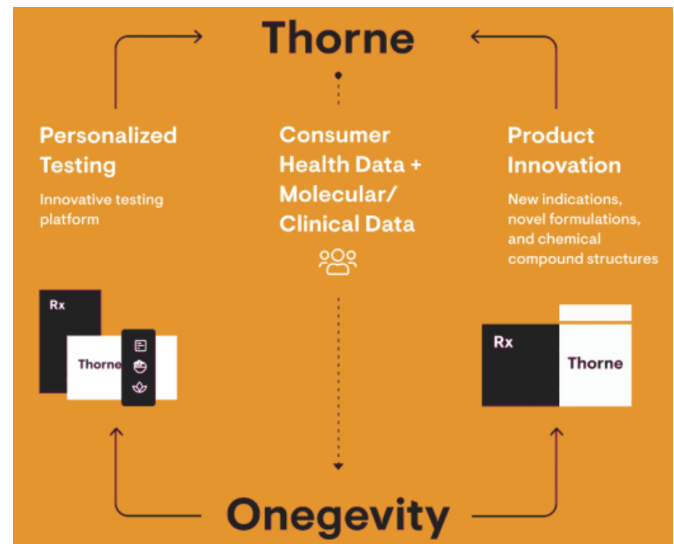
These tests allow THRN to capture personalized molecular data, which it uses to feed its Onegevity Healthtech platform. Onegevity uses AI/ML to analyze the consumer's test results.

THRN then has a board-certified physician review every health test and Onegevity analysis before sending supplement recommendations and test results to the customer.

From here, customers can buy the Onegevity-recommended Thorne supplements, transform certain aspects of their lifestyle, and re-test their metrics.

Everything starts with lower friction tests. THRN collects over 600 health tests daily. That's 600 personalized datasets THRN uses to [create new products](#), test new compounds/formulations, and gain an ever-increasing data advantage against the competition.

Onegevity capitalizes on the [four major trends](#) in personalized health and wellness:



- Access to big data = **personalized health data**
- AI/ML to interpret that data and provide personalized insights = **Onegevity AI models**
- Widespread automation = **Automatic refills / recurring subscriptions**
- Proactive Treatment = **Creating products to encourage healthy aging *before* issues arise**

Currently, 97% of healthcare spending is on *postdisease*. That means consumers spend ~3% on preventative measures like THRN supplements.

Onegevity makes it easy for consumers to shift spending from treatment to prevention by outsourcing the difficult parts of the process (i.e., choosing the right supplement, going to the doctor for health tests, picking a supplement/exercise/diet plan, etc.).

THRN is making the bet that reducing consumer friction is the key to unlocking the massive shift in healthcare spending away from treatment towards prevention.

Next, we'll discuss THRN's leading go-to-market strategy and industry-leading CAC.

THRN's Go-To-Market: A Premium Product and Professional Social Proof

THRN is a premium brand in the supplement space with an average product price of ~\$30. Charging a premium is one way to differentiate in a commoditized industry. People will gladly pay a higher price in the name of health, especially if they think a higher price indicates higher quality ingredients.

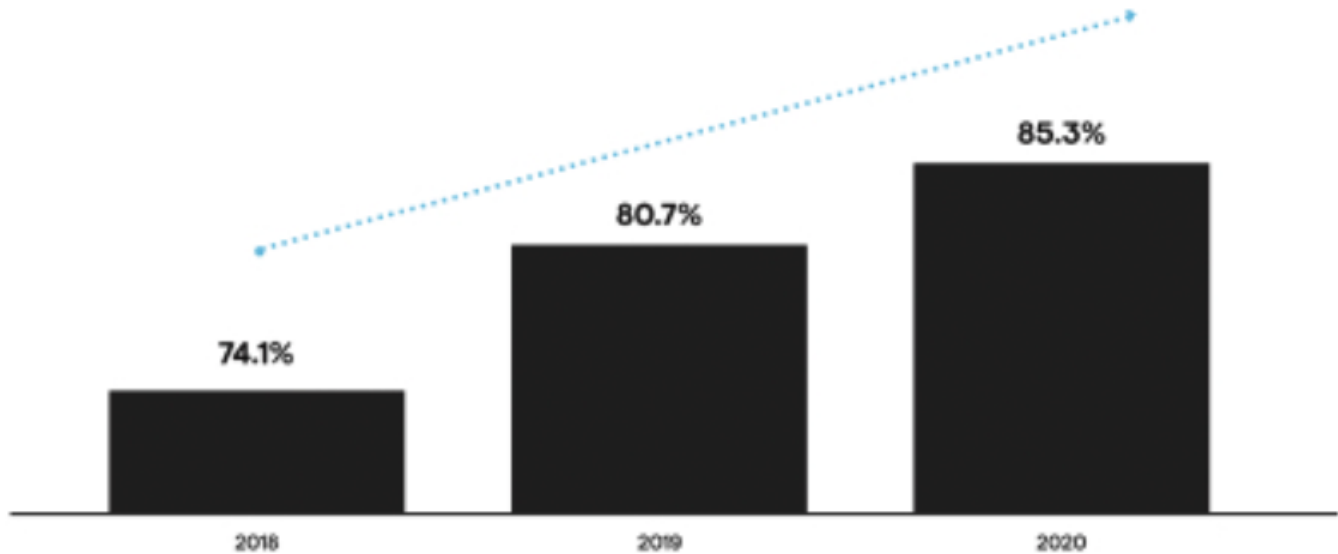
But you need more than just a high price. You need high-priced *social proof*. In this case, doctors, hospitals, and professional sports teams/leagues.

Targeting Professional/B2B was an excellent move for several reasons. First, the supplement space contains phonies, frauds, and dangerous products. Second, hundreds of thousands of supplements are available to choose from, which leads to paralysis by analysis.

THRN solved both of these issues by partnering with healthcare and sports professionals. It's *much easier* to select a supplement your doctor or favorite UFC fighter uses than to do your own research. And if it's good enough for *them*, it *must* be good enough for you.

So far, the premium price + professional social proof strategy is working. The company generates 61% of its revenues from the Professional/B2B segment. And Professional Retention rates have increased from 74% in 2019 to 85% in 2021.

Health Professional Retention Rate



We can argue that THRN's dedication to the Professional/B2B segment is responsible for its 7+ LTV/CAC ratio.

Measuring What Matters: LTV, CAC, and Orders Per Customer

THRN has grown revenue at a 30% CAGR over the past three years through professional social proof, targeted marketing campaigns, and word-of-mouth advertising.

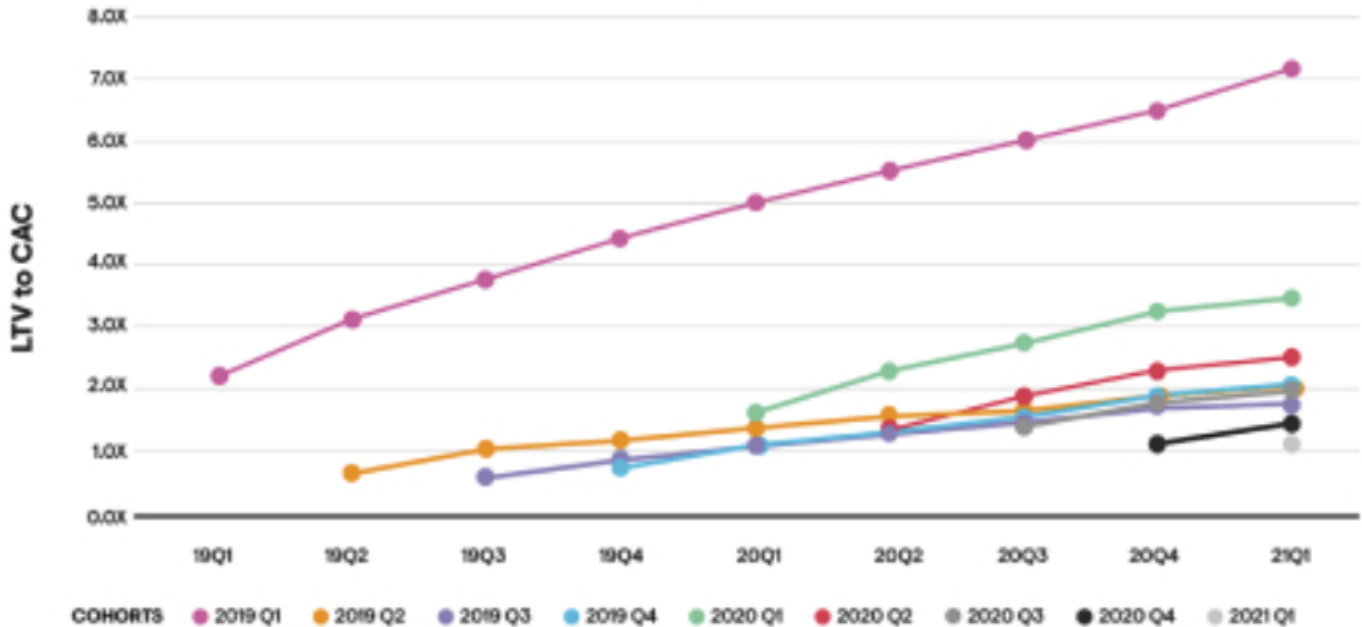
The company spends ~10-15% of its revenue on marketing, with long-term targets of 16-17% of revenues.

THRN has reduced its CAC each of the last three years. In 2019 it cost the company ~\$30 to acquire a customer. Today, it cost them \$26. It [costs HIMS, THRN's closest public comparable, ~\\$110](#) to acquire customers. And according to [TheMarketingSage](#), the average CAC for consumer goods like supplements is ~\$85.

This means THRN customers are profitable from the first order as the average new customer spends ~\$30 without a test kit (\$210 with a test kit). Not only do test kits provide THRN with more personalized data, but it increases their first-order LTV/CAC to 8+.

Check out THRN's LTV/CAC cohort data below.

LTV to CAC Multiple by Cohort



THRN demonstrates an ability to cheaply acquire customers, retain them for a long time, and generate substantial lifetime values.

If anything, THRN's cohort data also means the company could spend *more than* 16-17% of revenues to acquire customers and still operate with healthy profits.

Let's discuss Lifetime Value. LTV is a function of **customer retention** and the **number of ordered products**.

THRN is well-positioned to multiply both of these functions. Greater personalization creates stickier customers and more personalized supplement recommendations. Moreover, consumers naturally take more supplements as they age and health naturally declines.

Here's why this matters: **You can create an alternate reality where THRN retains customers for decades while consumers order more products as they age.**

The best part is that you pay *nothing* for this future growth.

THRN is Wildly Mispriced

As we mentioned above, THRN is growing revenues at a 30% CAGR with increasing margins thanks to vertical integration and operational leverage (spreading fixed costs across more units sold).

Since 2019, the company has expanded Gross Margins from 47% to 55% in 2021 and EBIT margins from -13% to +6.1% during the same period.

THRN outlined its long-term growth targets in its December 2021 Investor Presentation (see below):

% of Sales	2019A	2020A	2020 Q1-Q3	2021 Q1-Q3	Long-Term Target ⁽¹⁾
Revenue Growth Rate		35%		32%	30+%
Gross Margins	44%	47%	46%	53%	56-58%
Marketing	10%	8%	6%	15%	16-17%
Adj. EBITDA Margin ⁽²⁾	8%	11%	14%	11%	18-20%



There are three main levers THRN can pull to reach its long-term growth and margin targets.

- Retain its current customers
- Continue charging a premium price while maintaining professional social proof
- Increase the average number of products ordered per customer (from ~2 to 3+)

THRN built a business model to execute on each of the above levers.

Onegevity increases customer retention through greater personalization while recommending Throne-branded supplements. THRN charges a premium price on its supplements, further validating its position as a market leader/premium product in the supplement space.

This premium product positioning should bring more customers into THRN's platform, instantiating more data, and enabling THRN to create even more personalized supplement regimens. Which leads to increased stickiness. You get the point.

Let's translate this into numbers.

THRN should grow revenues at a 30% CAGR over the next few years and reach ~\$550M in annual sales by 2025.

The company will also benefit from operating leverage during that period as they spread their fixed costs across more products, helping them generate over \$100M in EBIT at 18% margins.

Historically, companies have paid ~2-2.5x sales in private transactions for vitamin/supplement companies. Assuming THRN hits its growth and margin targets, we believe that the company should trade for a slight premium of ~3x sales and 16x EBIT.

The above scenario gets us ~\$1.6B in shareholder value compared to the current market price of \$280M. That's 5x upside from the current price.

Our valuation doesn't even include THRN's ability to monetize its Onegevity platform, such as:

- Corporations benefiting from insights on population health
- Pharma companies seeking additional data for new drug discovery and patient ID for clinical trials
- CPG companies creating new health-focused products

We get all of that as a free call option at today's market price.

Here's the most important thing to remember regarding THRN's growth: **THRN can grow revenues at 30% for years and barely scratch the surface of its \$160B+ addressable market.**

Concluding Thoughts

Throne began as a small company dedicated to being a "thorn" in the side of the traditional supplement industry. Today, it sells the highest quality products to over 4M customers, 46K health professionals, 110+ professional sports leagues/teams, and 11 US Olympic Teams.

Paul Jacobson bought the company in 2010. He surrounded himself with exceptional talent from Bristol Myers Squibb, Amazon, The Mayo Clinic, Harvard, and Goldman Sachs.

Think about that for a second. Jacobson convinced people from high-profile, multi-billion dollar institutions to join a small, \$300M supplement company out in Charleston, SC. Management believes in the long-term vision of the company. So much so that they're willing to leave cushy, high-status jobs to do it.

The company has a long runway for tremendous revenue growth and margin expansion.

Additionally, THRN's defensible personalized dataset will grow over time, leading to more significant competitive advantages, stickier customers, and higher lifetime values.

Today's market price is absurdly cheap. Investors can pay ~1x NTM sales and 14x EBIT for the current business and get free future Onegevity monetization revenue and/or profits.

Jacobson is determined to create the world's largest healthtech platform for healthy aging. Remember these words ...

“If you think you’re so smart, go start a natural products company. Natural products probably work, but you need proof, and we hate them because you cannot secure patents. Consumers would probably prefer them, and if someone ever does it right, they could be very successful.”

We believe THRN is *that* company.

Your Value Operator,

Brandon