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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SEAN RYAN, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

v.

FIGS, INC., HEATHER HASSON,
CATHERINE SPEAR, DANIELLA
TURENSHINE, J. MARTIN
WILLHITE, and JEFFREY D.
LAWRENCE,

Defendants.

No.

CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS

DEMAND FOR JURY TRIAL

1 By and through the undersigned counsel, plaintiff Sean Ryan alleges the
2 following against FIGS, Inc. ("FIGS" or the "Company") and certain of the
3 Company's officers and directors, upon personal knowledge as to those allegations
4 concerning plaintiff and, as to all other matters, upon the investigation of counsel,
5 which included, without limitation: (i) review and analysis of public filings made
6 by FIGS with the U.S. Securities and Exchange Commission ("SEC"); (ii) review
7 and analysis of press releases and other publications disseminated by certain
8 defendants and other related nonparties; (iii) review of news articles, securities
9 analyst reports, and stockholder communications; (iv) review of other publicly
10 available information concerning defendants; and (v) information readily
11 obtainable on the internet. Many of the facts supporting the allegations contained
12 herein are known only to defendants named herein or are exclusively within their
13 custody and control. Plaintiff believes that substantial evidentiary support will exist
14 for the allegations set forth herein after a reasonable opportunity for discovery.

15 **NATURE OF ACTION AND OVERVIEW**

16 1. Plaintiff brings this securities class action on behalf of all persons or
17 entities that purchased or otherwise acquired: (i) FIGS securities between May 27,
18 2021 and May 12, 2022, inclusive (the "Class Period"); and/or (ii) FIGS stock
19 pursuant and/or traceable to the Offering Documents (as defined herein) issued in
20 connection with FIGS' initial public offering (the "IPO").

21 2. The claims asserted herein are alleged against FIGS and certain of the
22 Company's senior officers and directors, and arise under the Securities Act of 1933
23 (the ("Securities Act") and the Securities Exchange Act of 1934 (the "Exchange
24 Act").

25 3. Founded in 2013, FIGS is a direct-to-consumer healthcare apparel and
26 lifestyle brand that primarily sells its products in the United States through the
27 Company's digital platforms. While FIGS is best known for its medical scrubs, it
28 also offers other healthcare apparel such as lab coats, underscrubs, outerwear,

1 activewear, loungewear, compression socks, footwear, and masks.

2 4. On June 1, 2021, FIGS announced the closing of its IPO. Pursuant to
3 the Registration Statement (as defined herein), defendants issued to the public
4 30,344,317 shares of Class A common stock, including the full exercise of the
5 underwriters option to purchase an additional 3,957,954, at the price of \$22 per
6 share. The offering consisted of 4,636,364 shares sold by FIGS and 25,707,953
7 shares sold by Tulco, LLC ("Tulco"), the Company's largest stockholder.

8 5. All the sales were issued pursuant to the Registration Statement.
9 Unfortunately, the Registration Statement contained untrue statements of material
10 fact and omitted to state material facts that were required by applicable law and
11 necessary to make the statements therein not misleading. In particular, the
12 Registration Statement claimed that due to the Company's access to significant
13 customer data, it was able to maintain an efficient and steady supply chain.

14 6. The truth was, however, that the Company's access to data did not
15 allow it to mitigate supply chain problems through predictable sales. Instead, FIGS
16 had to increasingly rely on air freight that costs materially more than the overseas
17 shipping it was previously reliant on.

18 7. While the Registration Statement does contain a mention of air freight,
19 this in itself is misleading. The Registration Statement blamed the COVID-19
20 pandemic for the use of air freight in the time leading up to the IPO. The truth, was,
21 however, that FIGS was continually relying on air freight for its business.

22 8. Even after the IPO, as the Company continued to rely on cost air
23 freight, the defendants continued to claim that air freight was transitory. For
24 example, defendants stated that the use of air freight was at its "peak" during the
25 fourth quarter of 2021, and that "we're pretty confident that we're going to see less
26 airfreight overall than we're seeing it in [the fourth quarter] as we get into [2022]."

27 9. On May 12, 2022, the Company announced disappointing results and
28 slashed its expected sales, gross margin, and adjusted earnings before interest,

1 taxes, depreciation, and amortization ("EBITDA") because of these "supply chain"
2 issues. FIGS also admitted that not only did they continue to rely on air freight
3 during the first quarter of 2022, but that "[f]or the rest of the year, we plan to
4 significantly increase our use of airfreight to reduce our exposure to these
5 unpredictable transit times." On this news, the Company's stock price fell \$3.21 per
6 share, approximately 25%, to just \$9.64 per share.

7 10. As a result of defendants' wrongful acts and omissions, and the
8 precipitous declines in the market value of the Company's shares alleged herein,
9 plaintiff and other Class (as defined herein) members have suffered significant
10 losses and damages.

11 **JURISDICTION AND VENUE**

12 11. The claims asserted herein arise under and pursuant to sections 11 and
13 15 of the Securities Act, 15 U.S.C. §77k and §77o, and sections 10(b) and 20(a) of
14 the Exchange Act, 15 U.S.C. §78j(b) and §78t(a), and Rule 10b-5 promulgated
15 thereunder by the SEC, 17 C.F.R. §240.10b-5.

16 12. This Court has jurisdiction over the subject matter of this action
17 pursuant to 28 U.S.C. §1331 and §1337, section 22 of the Securities Act, 15 U.S.C.
18 §77v, and section 27 of the Exchange Act, 15 U.S.C. §78aa.

19 13. Venue is proper in this District under 28 U.S.C. §1391(b), and section
20 27 of the Exchange Act, 15 U.S.C. §78aa, because FIGS' principal executive office
21 is located in Santa Monica, California, which is situated in this District, and many
22 of the acts giving rise to the violations complained of in this action, including the
23 preparation and dissemination of materially false and misleading statements,
24 occurred in substantial part in this District.

25 14. In connection with the acts alleged herein, defendants, directly or
26 indirectly, used the means and instrumentalities of interstate commerce, including
27 but not limited to the mails, interstate telephone communications, and the facilities
28 of the national securities markets.

1 **THE PARTIES**

2 **Plaintiff**

3 15. As indicated in the certification submitted herewith, plaintiff Sean
4 Ryan purchased FIGS stock at artificially inflated prices during the Class Period
5 and/or FIGS stock pursuant and/or traceable to the Offering Documents issued in
6 connection with the IPO, and suffered damages as a result of the violations of the
7 securities laws alleged herein.

8 **Defendants**

9 16. Defendant FIGS is a Delaware corporation with principal executive
10 offices located at 2834 Colorado Avenue, Suite 100, Santa Monica, California.
11 Defendant FIGS is a direct-to-consumer healthcare apparel and lifestyle brand
12 which creates technically advanced apparel and products for healthcare
13 professionals. The Company's products include scrubwear, lab coats, underscrubs,
14 outerwear, activewear, loungewear, compressions socks, footwear, and masks. As
15 of December 31, 2021, FIGS had 264 employees.

16 17. Defendant Heather Hasson ("Hasson") has been FIGS' Co-Chief
17 Executive Officer and a director since 2013, and also Chairperson of the Board of
18 Directors since at least May 2021. Defendant Hasson co-founded the Company in
19 2013. Defendant Hasson reviewed and signed the Registration Statement.

20 18. Defendant Catherine Spear ("Spear") has been FIGS' Co-Chief
21 Executive Officer and a director since 2013. Defendant Spear co-founded the
22 Company in 2013. Defendant Spear reviewed and signed the Registration
23 Statement.

24 19. Defendant Daniella Turenshine ("Turenshine") has been FIGS' Chief
25 Financial Officer since December 2021. Defendant Turenshine was also FIGS'
26 Senior Vice President of Finance and Strategy from November 2018 to December
27 2021.

1 20. Defendant J. Martin Willhite ("Willhite") has been a FIGS director and
2 has been since February 2019. Defendant Willhite has also been Tulco's Vice
3 Chairman since June 2017. Defendant Willhite reviewed the Registration
4 Statement and authorized defendant Spear to sign on his behalf as attorney-in-fact.

5 21. Defendant Jeffrey D. Lawrence ("Lawrence") was FIGS' Chief
6 Financial Officer from December 2020 to December 2021. Defendant Lawrence
7 reviewed and signed the Registration Statement.

8 22. Defendants FIGS, Hasson, Spear, Willhite, and Lawrence are referred
9 to herein as the "Exchange Act Defendants." Defendants Hasson, Spear, Willhite,
10 and Lawrence are referred to herein as the "Individual Exchange Act Defendants."
11 Defendants FIGS, Spear, Lawrence, and Turenshine are referred to herein as the
12 "Securities Act Defendants." Defendants Spear, Lawrence, and Turenshine are
13 referred to herein as the "Individual Securities Act Defendants." Defendants
14 Hasson, Spear, Turenshine, Willhite, and Lawrence are collectively referred to
15 herein as the "Individual Defendants." The Individual Defendants, because of their
16 positions with the Company, possessed the power and authority to control the
17 contents of FIGS' reports to the SEC, press releases, and presentations to securities
18 analysts, money and portfolio managers, and institutional investors. The Individual
19 Defendants were provided copies of the Company's reports and press releases
20 alleged in this Complaint to be misleading before, or shortly after, their issuance
21 and had the ability and opportunity to prevent their issuance or cause them to be
22 corrected. Because of their positions and access to material nonpublic information
23 available to them, the Individual Defendants knew that the adverse facts and
24 omissions specified in this Complaint had not been disclosed to, and were being
25 concealed from, the public, and that positive representations and omissions which
26 were being made were then materially false and misleading.

27

28

1 **MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED**
2 **IN THE OFFERING DOCUMENTS**

3 23. On or about May 5, 2021 FIGS filed a Registration Statement on Form
4 S-1 (the "Registration Statement") with the SEC, which would be used for the IPO
5 following a series of amendments in response to SEC comments.

6 24. On May 24, 2021, FIGS filed its final amendment to the Registration
7 Statement, which registered FIGS Class A common stock for public sale. The SEC
8 declared the Registration Statement effective on May 26, 2021.

9 25. On May 28, 2021, FIGS filed a Prospectus on Form 424B4 (and,
10 collectively, with the Registration Statement, the "Offering Documents"), which
11 explained that the Company was offering 4,636,364 shares of Class A common
12 stock and Tulco was offering an additional 21,749,999 shares of Class A common
13 stock for \$22 per share. The total amount raised in the IPO would be approximately
14 \$580.5 million, with nearly \$96 million going to the Company and approximately
15 \$450 million going to Tulco, after the underwriting discount, but before expenses.

16 26. On June 1, 2021, the Company completed the IPO, which, upon the
17 underwriters' decision to exercise their option to purchase additional shares, issued
18 and sold a total of 4.6 million shares, generating approximately \$95.1 million in
19 gross proceeds

20 27. The Registration Statement contained untrue statements of material
21 fact and omitted material facts required by governing regulations and necessary to
22 make the statements therein made not materially misleading.

23 28. The Registration Statement claimed that the Company had real-time
24 customer data that allowed it to "reliably predict buying patterns," which in turn
25 would lead to "operational efficiencies throughout our supply chain." In particular,
26 the Registration Statement stated:

27 Our DTC [direct-to-consumer] strategy also gives us access to valuable
28 real-time customer data that allows us to better acquire and retain

1 customers and reliably predict buying patterns. This leads to
2 operational efficiencies throughout our supply chain, inventory
3 management and new product development.

4 * * *

5 We capture demographic, geographic and psychographic data that
6 enables us to reliably predict buying patterns, leading to operational
7 efficiencies throughout our supply chain, inventory management and
8 new product development.

9 * * *

10 Data is an essential and embedded capability throughout our
11 organization. We have centralized Data Science and Data Engineering
12 teams and decentralized Data Analysts working directly within each
13 key functional area. This approach enables the harvesting and
14 management of extensive data, the development of a suite of
15 proprietary tools, and the direct and rapid application of data science in
16 core operating activities and decision-making processes throughout the
17 company.

18
19 The scale of our data is vast and growing. A rich set of hundreds of data
20 attributes is associated with millions of customers; the customer data
21 set is a blend of first-party, deterministic and observed behaviors along
22 with a complementary, expanded set of enriched elements derived from
23 data science. In addition, we have established a unique approach to
24 capturing and tracking precise and granular data from all stages of the
25 order journey. These extensive data sets are used to build proprietary
26 data science solutions applied to key functions across the company,
27 including product, supply chain, merchandising and inventory
28 management, marketing and customer experience.

1 * * *

2 ***Supply Chain***

3 We have built a proprietary integration for our product lifecycle from
4 purchase order to manufacturing to shipping. This deep integration
5 enables extensive management and oversight of the product flow and
6 also fuels a variety of prediction models (e.g., inventory planning and
7 analytics). By combining the product lifecycle data integration with
8 sophisticated demand predictions, we are able to continuously assess
9 the supply chain and improve efficiency.

10 * * *

11 **Supply Chain**

12 We have built a supply chain that is optimized for our business and
13 through which we control the design, development and fulfillment of
14 our products.

15 29. The truth was, however, that the Company's data did not provide it
16 with the predicable ability to discern buying patterns and provide sufficient lead
17 time on its supply. Instead, FIGS was increasingly turning to air freight, a more
18 costly alternative to its normal ocean shipping method, in order to meet customer
19 needs.

20 30. While the Registration Statement does mention the Company's use of
21 air freight, this mention is itself misleading, as it blames the use of air freight on
22 COVID-19 pandemic disruptions. Thus, the Registration Statement makes the
23 increased use of air freight appear as a short-term issue, not the consistent part of
24 the business in which air freight had become. In particular, the Registration
25 Statement stated:

26 Certain of the Company's suppliers experienced delays and shutdowns
27 due to the COVID-19 pandemic. In order to manage the impact of these
28 disruptions and meet its customers' expectations, the Company

1 increased the use of more costly air freight during 2020 and during the
2 three months ended March 31, 2021, which increased cost of goods
3 sold. The Company has not experienced the pandemic's adverse
4 impacts in any additional material respect.

5 31. FIGS' founders had little to no experience running a public company.
6 As a result, the Company hired defendant Lawrence on December 31, 2020, just six
7 months before the IPO. The Registration Statement repeatedly touted defendant
8 Lawrence, his previous service as the Chief Financial Officer of Domino's Pizza,
9 and his "over 25 years of experience from his prior roles driving technology and
10 digital strategies, international expansion and overall financial success." Defendant
11 Lawrence was the only employee identified other than Co-Founders and Co-Chief
12 Executive Officers, defendants Hasson and Spear. The Registration Statement also
13 identifies as a key risk the loss of members of the senior management team. In
14 particular, the Registration Statement stated:

15 We are dependent on our ability to continue to identify, attract, develop,
16 integrate and retain qualified and highly skilled personnel, including
17 senior management, designers, product managers, engineers, data
18 scientists and logistics and supply chain personnel. In particular, we are
19 highly dependent on the services of our co-founders and co-Chief
20 Executive Officers, Heather Hasson and Trina Spear, who are critical
21 to the development of our business, future vision and strategic
22 direction. We also heavily rely on the continued service and
23 performance of other members of our senior management team, who
24 provide leadership, contribute to the core areas of our business and help
25 us to efficiently execute our business. If the senior management team,
26 including any new hires that we make, fails to work together effectively
27 and to execute our plans and strategies on a timely basis, our business
28 and future growth prospects could be harmed.

1 Additionally, the loss of any key personnel could make it more difficult
2 to manage our operations research, development, production and
3 marketing activities, reduce our employee retention and net revenues
4 and impair our ability to compete. Although we have entered into
5 employment offer letters or agreements with certain of our key
6 personnel, these agreements have no specific duration and constitute at-
7 will employment. We have not obtained key man life insurance policies
8 on any of our senior management team. As a result, we would have no
9 way to cover the financial loss if we were to lose the services of
10 members of our senior management team.

11 32. The Registration Statement misleadingly omits that defendant
12 Lawrence was only brought on to bring the Company public and would leave FIGS
13 soon after.

14 **MATERIALLY FALSE AND MISLEADING STATEMENTS**
15 **DURING THE CLASS PERIOD**

16 33. On August 12, 2021, the Company filed its second quarter 2021
17 financial statements with the SEC. The same day, FIGS held its earnings
18 conference call with analysts and investors to discuss its results. During the
19 earnings call, defendant Lawrence, in response to analyst questions, claimed that
20 the Company planned to use almost exclusive ocean freight due to FIGS' "inventory
21 plan and capabilities." In particular, he stated:

22 Yes, Brian, thanks. I'll take the second part of that first, just around
23 airfreight. We have a very well-healed and sophisticated inventory
24 planning capabilities. And in normal times, airfreight is something
25 that's more of an exception to the rule because normally, you're able to
26 plan effectively, you put it on a boat. And with the lack of variability
27 that we've seen, you generally get it in time. You don't have to worry
28 about it. Obviously, COVID has upended that entire system.

1 So going forward, on the other side of the pandemic, again, given our
2 inventory plan and capabilities we have today, continued investments
3 that we'll do there, this is largely going to be ocean in the out-years. I
4 will also tell you, though, that if we get incremental demand that we
5 didn't forecast, if we're launching an injection color that we're really
6 excited about, those might be decisions where we at least consider
7 airfreighting kind of on the other side of the pandemic.

8 34. On September 14, 2021, FIGS issued a press release announcing that
9 it would hold a secondary offering where Tulco and defendants Hasson and Spear
10 would sell approximately 8.8 million shares of FIGS' Class A common stock into
11 the market. The sales were possible because these defendants were released early
12 from their lock-up agreements due to the price of the Company's stock.

13 35. The Company filed a Prospectus on Form 424B4 for the secondary
14 offering on September 17, 2021 (the "Secondary Prospectus), with the SEC. Again,
15 the Secondary Prospectus touted the claimed operational efficiencies in FIGS'
16 supply chain due to its use of real-time customer data. In particular, the Secondary
17 Prospectus claimed:

18 Our DTC strategy also gives us access to valuable real-time customer
19 data that allows us to better acquire and retain customers and reliably
20 predict buying patterns. This leads to operational efficiencies
21 throughout our supply chain, inventory management and new product
22 development.

23 * * *

24 Our business is powered by a digitally native DTC strategy, which
25 offers significant competitive advantages. Unlike most incumbent
26 scrubs manufacturers, who sell through legacy distribution channels
27 and do not have direct touchpoints with the end customer, we directly
28 engage with and serve medical professionals through our digital

1 platform. By owning all aspects of the customer experience, including
2 website and app design, marketing content, storytelling and post-
3 purchase customer engagement, we deliver an elevated, personalized
4 and seamless experience. Our DTC strategy also gives us access to
5 valuable real-time customer data that we leverage in all aspects of our
6 business, including apparel design and merchandising, customer
7 acquisition and retention, demand forecasting and inventory
8 optimization. We are able to use data to tailor the digital experience to
9 healthcare professionals based on a number of factors, including
10 whether that individual has purchased from us before, which products
11 they have purchased, what size they wear, which colors they prefer and
12 what type of healthcare professional they are. We capture demographic,
13 geographic and psychographic data that enables us to reliably predict
14 buying patterns, leading to operational efficiencies throughout our
15 supply chain, inventory management and new product development.

16 * * *

17 *Supply Chain*

18 We have built a proprietary integration for our product lifecycle from
19 purchase order to manufacturing to shipping. This deep integration
20 enables extensive management and oversight of the product flow and
21 also fuels a variety of prediction models (e.g., inventory planning and
22 analytics). By combining the product lifecycle data integration with
23 sophisticated demand predictions, we are able to continuously assess
24 the supply chain and improve efficiency.

25 36. Again, the Secondary Prospectus blamed the use of air freight on the
26 COVID-19 pandemic and limited it to the increased use in 2020, not mentioning
27 that FIGS continued to use air freight for a material amount of its supply chain in
28 2021, and likely going forward. In particular, the Secondary Prospectus stated:

1 In response to public health directives and orders and to help minimize
2 the risk of the virus to employees, the Company has taken precautionary
3 measures, including implementing work from home policies for certain
4 employees. The COVID-19 pandemic has the potential to significantly
5 impact the Company's manufacturing supply chain, distribution,
6 logistics and other services. Certain of the Company's suppliers
7 experienced delays and shut-downs due to the COVID-19 pandemic. In
8 order to manage the impact of these disruptions and meet its customers'
9 expectations, the Company increased the use of more costly air freight
10 during 2020, which increased cost of goods sold. The Company has not
11 experienced the pandemic's adverse impacts in any additional material
12 respect.

13 37. The Secondary Prospectus further downplayed the materiality of the
14 air freight, claiming only that FIGS may "from time to time" need to use it.

15 38. On September 20, 2021, defendants Hasson and Spear sold 3,888,322
16 shares of FIGS stock at a price of \$40.25 per share for proceeds of \$156,504,960.50.

17 39. On November 10, 2021, the Company filed its third quarter 2021
18 financial statements with the SEC and participated in its subsequent earnings
19 conference call with analysts and investors. During the earnings call, defendant
20 Spear stated that FIGS would always "have a steady supply of products that health
21 care professionals come back all year round to replenish."

22 40. In response to a question of how the Company was planning to address
23 any holiday season supply chain issues, defendant Spear also stated:

24 Okay. So from a supply chain perspective, we're in a really strong
25 position because we have 3 structural advantages: number one, we're a
26 uniform company, which means that our customers need our products
27 in order to do their jobs, so demand is predictable. We have a
28 nonseasonal business and we have a replenishment-driven business.

1 This gives us an incredible amount of visibility into the products we
2 need to make when we need to make them and the quantities in which
3 to make them in. So in turn, that allows us to lock in costing and
4 capacity and bring in goods farther in advance.

5
6 Second, we have a highly consistent fabrication and style profile. As
7 we've discussed, more than 90% of our product is made with the same
8 fabrication, FIONx, and more than 80% of our volume comes from 13
9 core scrubwear styles. What does that do? It results in a very consistent
10 high volume, low SKU count production, which makes us essentially a
11 supplier's dream.

12
13 Third, we're a direct-to-consumer company. Because of that, we're able
14 to forecast even more accurately and farther in advance because we
15 have a direct relationship with our 1.7 million customers. And we have
16 all this data that helps us to know what product they need and when
17 they need it. This allows us to provide 12- to 18-month rolling forecasts
18 to our suppliers, and it also means we could adjust our calendar and our
19 launch schedule, if there is any delay. We're not waiting on a PO from
20 a wholesaler that, then, we have to get from our supply chain.

21
22 All these structural advantages allow us to be highly efficient from a
23 production and supply chain standpoint and allow us to weather any
24 macro challenges much better than other companies.

25 41. On the same earnings call, defendant Lawrence downplayed that FIGS
26 was becoming more dependent on air freight. In particular, he falsely mitigated
27 cost concerns to investors by stating "we're pretty confident that we're going to see
28

1 less airfreight overall than we're seeing it in [the fourth quarter] as we get into
2 [2022]."

3 42. On December, 10, 2021, the Company announced defendant
4 Lawrence's retirement. FIGS' stock price fell 21% on this news on unusually heavy
5 trading.

6 43. During FIGS' presentation at the ICR Conference held on January 10,
7 2022, defendant Spear reiterated that the Company's dependency on air freight was
8 a thing of the past. Specifically, she stated:

9 I think in terms of the business, from a supply chain perspective, we
10 saw in the fourth quarter we utilized airfreight to get our goods in, and
11 we're happy that we did that. We met the demand, right? And we were
12 able to get our products in to meet the demand and get them to our
13 health care professionals. Going forward -- and we really do view that
14 as the peak. And so we've moved a lot of the shipments to ocean freight.
15 We have seen rates be a bit elevated or continue to be a little bit elevated
16 on that front. But going forward, we're excited to utilize more ocean
17 and really continue to navigate and be best-in-class as it relates to
18 operational excellence and supply chain excellence.

19 44. These claims were subsequently echoed by FIGS' Chief Financial
20 Officer, Daniella Turenshine ("Turenshine"), who not only provided a 70% plus
21 gross margin target for 2022, but who also stated during the same conference:

22 But what I can tell you is that we really do see Q4 as a peak in terms of
23 air freight spend. And for the full year 2022, we do not anticipate
24 needing to use the same level of airfreight that we did in the prior year.

25 * * *

26 [S]o we are reducing the amount of air freight that we're using, and this
27 is also because we put strategies in place in Q4 to be able to do that,
28 right? We increased lead times to accommodate longer ocean transit

1 times, and we began to hold more weeks of supply of our seasonless
2 core product that we're really uniquely able to do as a uniform business.
3 So that said, continuing to navigate macro supply chain issues, just like
4 the rest of the companies in our industry.

5
6 So for example, as Trina mentioned, we're expecting to see kind of
7 continued elevated ocean freight rates, like we saw in the back half of
8 2021, continue to permeate into 2022. So expecting that to offset some
9 of the benefits that we're seeing from reductions in air freight. But even
10 with all this uncertainty, we're supremely confident in our ability to
11 maintain that 70%-plus gross margin target.

12 45. On March 8, 2022, the Company issued a press release announcing its
13 much anticipated fourth quarter and full year 2021 financial results and held a
14 subsequent earnings conference call. During the earnings call, defendants Spear
15 and Hasson and Turenshine praised FIGS' performance touting its delivery of "an
16 exceptional combination of revenue growth, profitability, and free cash flow."

17 46. Similar to previous earnings calls, defendant Spear stated that, among
18 other things, the success of FIGS was due to its "unique business model [which] has
19 several key differentiators that enabled us to better withstand the macro supply
20 chain challenges."

21 47. In addition to the above statements, during the same earnings call,
22 Turenshine provided stockholders with a promising 2022 financial outlook.
23 Turenshine claimed that FIGS' "strategic road map" included expected revenues of
24 approximately \$550 million to \$560 million, an adjusted EBITDA margin of 20%+,
25 and a gross margin of 70%+.

26 48. The above statements were materially false and/or misleading, and
27 failed to disclose material adverse facts about the Company's business operations
28 and prospects. Specifically, defendants: (i) inflated the Company's true ability to

1 successfully secure repeat customers; (ii) failed to disclose the Company's
2 increasing dependence on air freight; (iii) inflated the expected net revenues, gross
3 margin, and adjusted EBITDA margin for 2022; and (iv) that, as a result, of the
4 foregoing, defendants' statements about the Company's business, operations, and
5 prospects were materially misleading and/or lacked a reasonable basis.

6 **THE TRUTH IS REVEALED**

7 49. On May 12, 2022, FIGS issued a press release announcing its first
8 quarter 2022 financial results as well as an update to the full year outlook for 2022.
9 Not only did expected 2022 net revenues drop to a range of \$510 million to \$530
10 million compared to the previous outlook of \$550 million to \$560 million, expected
11 gross margin decreased to a range of 67% to 68% compared to the previous outlook
12 of 70%+ as well as a drop in its adjusted gross EBITDA margin to a range of 16%
13 to 18% in comparison to its original estimate of 20%+.

14 50. The decrease in expected gross margin was "primarily due to a
15 significant increase in the Company's use of air freight to help mitigate supply chain
16 challenges." Notably, FIGS' gross margin for the first quarter of 2022 was
17 reportedly 71.2%, representing a forty basis-point decrease year-over-year. The
18 Company also attributed this drop to higher air freight spend and increased ocean
19 and air freight rates despite previously assuring stockholders that FIGS' dependence
20 on air freight had "peak[ed]" in the fourth quarter of 2021.

21 51. On this news, shares of FIGS stock dropped nearly 25% from a close
22 of \$12.85 per share on May 12, 2022 to \$9.64 per share on May 13, 2022.

23 **LOSS CAUSATION**

24 52. During the Class Period, as detailed herein, defendants made
25 materially false and misleading statements and omissions, and engaged in a scheme
26 to deceive the market. This artificially inflated the price of FIGS common stock
27 and operated as a fraud or deceit on the Class. Later, when the truth concealed by
28 defendants' prior misrepresentations and omissions was disclosed to the market,

1 including after the close of the market on May 12, 2022, the price of FIGS stock
2 fell precipitously. As a result of the defendants' material misstatements and
3 omissions—plaintiff and other members of the Class suffered economic loss, i.e.,
4 damages, under the federal securities laws.

5 CLASS ACTION ALLEGATIONS

6 53. Plaintiff brings this action as a class action pursuant to Rule 23 of the
7 Federal Rules of Civil Procedure on behalf of all persons who purchased or
8 otherwise acquired FIGS common stock during the Class Period. Excluded from
9 the Class are defendants and their families, directors, and officers of FIGS and their
10 families and affiliates.

11 54. The members of the Class are so numerous that joinder of all members
12 is impracticable. The disposition of their claims as a class action will provide
13 substantial benefits to the parties and the Court. As of July 31, 2022, FIGS had tens
14 of millions of shares and approximately 158.8 million shares of common stock
15 outstanding, owned by hundreds or thousands of investors.

16 55. There is a well-defined community of interest in the questions of law
17 and fact involved in this case. Questions of law and fact common to the members
18 of the Class which predominate over questions which may affect individual Class
19 members include:

- 20 (a) whether defendants violated federal securities laws;
- 21 (b) whether the Offering Documents and Secondary Prospectus were
22 negligently prepared and contained inaccurate statements of material fact and
23 omitted material information required to be stated therein
- 24 (c) whether defendants omitted and/or misrepresented material
25 facts;
- 26 (d) whether defendants' statements omitted material facts necessary
27 in order to make the statements made, in light of the circumstances under which they
28 were made, not misleading;

1 (e) whether the Individual Defendants are personally liable for the
2 alleged misrepresentations and omissions described herein;

3 (f) whether defendants knew or recklessly disregarded that their
4 statements and/or omissions were false and misleading;

5 (g) whether defendants' conduct impacted the price of FIGS
6 common stock;

7 (h) whether defendants' conduct caused the members of the Class to
8 sustain damages; and

9 (i) the extent of damages sustained by Class members and the
10 appropriate measure of damages.

11 56. Plaintiff's claims are typical of those of the Class because plaintiff and
12 the Class sustained damages from defendants' wrongful conduct.

13 57. Plaintiff will adequately protect the interests of the Class and has
14 retained counsel experienced in class action securities litigation. Plaintiff has no
15 interests which conflict with those of the Class.

16 58. A class action is superior to other available methods for the fair and
17 efficient adjudication of this controversy. Joinder of all Class members is
18 impracticable.

19 **INAPPLICABILITY OF STATUTORY SAFE HARBOR**

20 59. FIGS' "Safe Harbor" warnings accompanying its forward-looking
21 statements issued during the Class Period were ineffective to shield those statements
22 from liability.

23 60. Defendants are also liable for any false or misleading forward-looking
24 statements pleaded herein because, at the time each such statement was made, the
25 speaker knew the statement was false or misleading and the statement was
26 authorized and/or approved by an executive officer of FIGS who knew that the
27 statement was false. None of the historic or present tense statements made by
28 defendants were assumptions underlying or relating to any plan, projection, or

1 statement of future economic performance, as they were not stated to be such
2 assumptions underlying or relating to any projection or statement of future
3 economic performance when they were made, nor were any of the projections or
4 forecasts made by defendants expressly related to, or stated to be dependent on,
5 those historic or present tense statements when made.

6 **PRESUMPTION OF RELIANCE**

7 61. At all relevant times, the market for FIGS common stock was an
8 efficient market for the following reasons, among others:

9 (a) FIGS common stock met the requirements for listing, and was
10 listed and actively traded on the NYSE, a highly efficient and automated market;

11 (b) FIGS filed periodic public reports with the SEC and the NYSE;

12 (c) FIGS regularly and publicly communicated with investors via
13 established market communication mechanisms, including through regular
14 disseminations of press releases on the national circuits of major newswire services
15 and through other wide-ranging public disclosures, such as communications with the
16 financial press and other similar reporting services; and

17 (d) FIGS was followed by several securities analysts employed by
18 numerous major brokerage firms, who wrote reports which were distributed to the
19 sales force and certain customers of their respective brokerage firms. Each of these
20 reports was publicly available and entered the public marketplace.

21 62. As a result of the foregoing, the market for FIGS common stock
22 promptly digested current information regarding FIGS from all publicly available
23 sources and reflected such information in the price of FIGS shares. Under these
24 circumstances, all purchasers of FIGS common stock during the Class Period
25 suffered similar injury through their purchase of FIGS shares at artificially inflated
26 prices and the presumption of reliance applies.

27 63. A Class-wide presumption of reliance is also appropriate in this action
28 under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United*

1 *States*, 406 U.S. 128 (1972), because the Class' claims are grounded on defendants'
2 material omissions. Because this action involves defendants' failure to disclose the
3 true, material, negative financial impact facing the Company, as well as FIGS' true
4 increasing reliance on air freight and its effect on meeting customer demand—
5 information that defendants were obligated to disclose—positive proof of reliance
6 is not a prerequisite to recovery. All that is necessary is that the facts withheld be
7 material in the sense that a reasonable investor might have considered them
8 important in making investment decisions. Given the importance of the
9 sustainability of FIGS' financial results and growth and the Company's inventory
10 levels, and the impact that could have on the Company's near-term and long-term
11 financial condition, that requirement is satisfied here.

12 **COUNT I**

13 **(For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5**
14 **Promulgated Thereunder Against the Exchange Act Defendants)**

15 64. Plaintiff repeats and realleges each and every allegation contained
16 above, as if fully set forth herein.

17 65. During the Class Period, the Exchange Act Defendants carried out a
18 plan, scheme, and course of conduct which intended to and, throughout the Class
19 Period, did (i) deceive the investing public, including plaintiff and other Class
20 members, as alleged herein; and (ii) cause plaintiff and other members of the Class
21 to purchase FIGS common stock at artificially inflated prices.

22 66. The Exchange Act Defendants: (i) employed devices, schemes, and
23 artifices to defraud; (ii) made untrue statements of material fact and/or omitted to
24 state material facts necessary to make the statements not misleading; and (iii)
25 engaged in acts, practices, and a course of business which operated as a fraud and
26 deceit upon the purchasers of the Company's common stock in an effort to maintain
27 artificially high market prices for FIGS shares in violation of section 10(b) of the
28 Exchange Act and SEC Rule 10b-5, promulgated thereunder.

1 67. The Exchange Act Defendants, individually and in concert, directly
2 and indirectly, by the use, means, or instrumentalities of interstate commerce and/or
3 of the mails, engaged and participated in a continuous course of conduct to conceal
4 adverse material information about the Company's financial well-being, operations,
5 and prospects.

6 68. During the Class Period, the Exchange Act Defendants made the false
7 statements specified above, which they knew to be or recklessly disregarded the
8 truth that they were false and misleading in that they contained misrepresentations
9 and failed to disclose material facts necessary in order to make the statements made,
10 in light of the circumstances under which they were made, not misleading.

11 69. The Exchange Act Defendants had actual knowledge of the
12 misrepresentations and omissions of material fact set forth herein, or recklessly
13 disregarded the true facts that were available to them. The Exchange Act
14 Defendants engaged in this misconduct to conceal FIGS' true condition from the
15 investing public and to support the artificially inflated prices of the Company's
16 common stock.

17 70. Plaintiff and the Class have suffered damages in that, in reliance on the
18 integrity of the market, they paid artificially inflated prices for FIGS shares of
19 common stock. Plaintiff and the Class would not have purchased the Company's
20 common stock at the prices they paid, or at all, had they been aware that the market
21 prices for FIGS common stock had been artificially inflated by defendants'
22 fraudulent course of conduct.

23 71. As a direct and proximate result of defendants' wrongful conduct,
24 plaintiff and the other members of the Class suffered damages in connection with
25 their respective purchases of the Company's shares during the Class Period.

26 72. By virtue of the foregoing, defendants violated section 10(b) of the
27 Exchange Act and SEC Rule 10b-5 promulgated thereunder.

28

1 **COUNT II**

2 **(For Violation of Section 20(a) of the Exchange Act**
3 **Against the Individual Exchange Act Defendants)**

4 73. Plaintiff repeats and realleges each and every allegation contained
5 above, as if fully set forth herein.

6 74. The Individual Exchange Act Defendants acted as controlling persons
7 of FIGS within the meaning of section 20(a) of the Exchange Act, 15 U.S.C.
8 §78t(a). By virtue of their high-level positions, participation in and awareness of
9 the Company's operations, direct involvement in the day-to-day operations of the
10 Company, and intimate knowledge of the Company's actual performance, and their
11 power to control public statements about FIGS, the Individual Exchange Act
12 Defendants had the power and ability to control the actions of FIGS and its
13 employees. By reason of this conduct, the Individual Exchange Act Defendants are
14 liable under Section 20(a) of the Exchange Act.

15 **COUNT III**

16 **(For Violation of Section 11 of the Securities Act Against the**
17 **Securities Act Defendants)**

18 75. Plaintiff repeats and realleges each and every allegation contained
19 above as if fully set forth herein.

20 76. This Count is brought pursuant to section 11 of the Securities Act, 15
21 U.S.C. §77k, on behalf of the Class, against all defendants.

22 77. The Offering Documents contained untrue statements of material facts,
23 omitted to state other facts necessary to make the statements made not misleading,
24 and omitted to state material facts required to be stated therein.

25 78. The Securities Act Defendants are strictly liable to plaintiff and
26 members of the Class for the misstatements and omissions.

27 79. None of the defendants named herein made a reasonable investigation
28 or possessed reasonable grounds for the belief that the statements contained in the

1 Offering Documents were true and without omissions of any material facts and were
2 not misleading.

3 80. By reason of the conduct herein alleged, each Securities Act Defendant
4 violated or controlled a person who violated section 11 of the Securities Act.

5 81. Plaintiff acquired FIGS common stock issued pursuant to the Offering
6 Documents.

7 82. Plaintiff and members of the Class have sustained damages. The value
8 of FIGS common stock has declined substantially subsequent to and due to
9 defendants' violations.

10 83. At the time of their purchases of FIGS common stock, plaintiff and
11 other members of the Class were without knowledge of the facts concerning the
12 wrongful conduct alleged herein and could not have reasonably discovered those
13 facts prior to the disclosures herein. Less than one year has elapsed from the time
14 that plaintiff discovered or reasonably could have discovered the facts upon which
15 this Complaint is based to the time that plaintiff commenced this action. Less than
16 three years has elapsed between the time that the securities upon which this Count
17 is brought were offered to the public and the time plaintiff commenced this action.

18 **COUNT IV**

19 **(For Violation of Section 15 of the Securities Act Against the**
20 **Individual Securities Act Defendants)**

21 84. Plaintiff repeats and realleges each and every allegation contained
22 above as if fully set forth herein.

23 85. This Count is brought pursuant to section 15 of the Securities Act, 15
24 U.S.C. §77o, against the Individual Securities Act Defendants.

25 86. The Individual Securities Act Defendants were controlling persons of
26 FIGS by virtue of their positions as directors or senior officers of FIGS. The
27 Individual Securities Act Defendants each had a series of direct and indirect
28

1 business and personal relationships with other directors and officers and major
2 stockholders of FIGS.

3 87. The Individual Securities Act Defendants' positions made them privy
4 to and provided them with actual knowledge of the material facts concealed from
5 plaintiff and the Class.

6 88. By virtue of the conduct alleged herein, the Individual Securities Act
7 Defendants are liable for the aforesaid wrongful conduct and are liable to plaintiff
8 and the Class for damages suffered.

9 **PRAYER FOR RELIEF**

10 WHEREFORE, plaintiff prays for judgment as follows:

11 A. Determining that this action is a proper class action under Rule 23 of
12 the Federal Rules of Civil Procedure;

13 B. Awarding compensatory damages in favor of plaintiff and other Class
14 members against all defendants, jointly and severally, for all damages sustained as
15 a result of defendants' wrongdoing, in an amount to be proven at trial, including
16 interest thereon;

17 C. Awarding plaintiff and the Class their reasonable costs and expenses
18 incurred in this action, including attorneys' fees and expert fees; and

19 D. Awarding such equitable/injunctive or other further relief as the Court
20 may deem just and proper.

21 **JURY DEMAND**

22 Plaintiff demands a trial by jury.

23 Dated: November 1, 2022

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