

Phreesia Announces Fiscal First Quarter 2021 Results

NEW YORK, June 8, 2020 – Phreesia, Inc. (NYSE: PHR) (“Phreesia”) announced financial results today for the first quarter ended April 30, 2020.

Fiscal First Quarter 2021 Highlights

- Revenue was \$33.4 million in the quarter as compared to \$28.3 million in the same period in the prior year, an increase of 18%.
- Average number of provider clients was 1,632 in the quarter as compared to 1,549 in the same period in the prior year, an increase of 5%.
- Average revenue per provider client was \$16,735 in the quarter compared to \$15,649 in the same period in the prior year, an increase of 7%.
- Adjusted EBITDA was positive \$1.5 million in the quarter compared to negative \$0.3 million in the same period in the prior year.
- Cash on the balance sheet as of April 30, 2020 was \$90.3 million, consistent with January 31, 2020.

Conference Call Information

The Company will hold a conference call on Tuesday, June 9, 2020, at 8:30 a.m. Eastern Time to review the Company's first fiscal quarter financial results. To participate in the Company's live conference call and webcast, please dial (866) 211-4557 (or (647) 689-6750 for international participants) using conference code number 1055118 or visit the “Events & Presentations” section of ir.phreesia.com. A replay of the call will be available via webcast for on-demand listening shortly after the completion of the call, at the same web link, and will remain available for approximately 90 days.

Recent Events

The Company filed a Current Report on Form 8-K on April 6, 2020 (the “8-K”) to provide an update related to the outbreak of a novel strain of Coronavirus (“COVID-19”) and its impact on the Company's business. As set forth in the 8-K, COVID-19 has and could continue to materially and adversely impact Phreesia's business and results of operations. However, the rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. During the interim period since the filing of the 8-K, there has been no change to the information disclosed therein. From the middle of March through the end of April, patient visits declined approximately 50% compared to the beginning of March. The visit decline significantly impacted our payment processing revenue in our fiscal first quarter 2021. Consequently, our average revenue per provider client growth was negatively impacted. We estimate that the impact of these trends on provider revenue to be approximately \$3.0 million or approximately 13 percentage points of year-over-year average revenue per provider client growth. Patient visit trends across our provider network continue to be below their pre-COVID-19 levels. Further, in light of the evolving and unpredictable effects of COVID-19, Phreesia is currently not in a position to forecast the expected impact of COVID-19 on its financial and operating results for the remainder of fiscal 2021.

Phreesia, Inc.
Balance sheets
in thousands, except for shares and per share data

	April 30, 2020	January 31, 2020
	(unaudited)	
Assets		
Current:		
Cash and cash equivalents	\$ 90,252	\$ 90,315
Settlement assets	8,672	12,368
Accounts receivable, net of allowance of \$1,353 and \$943	24,223	21,978
Deferred contract acquisition costs	1,788	1,720
Prepaid expenses and other current assets	5,435	5,157
Total current assets	130,370	131,538
Property and equipment, net of accumulated depreciation and amortization of \$37,813 and \$35,551	14,986	14,487
Capitalized internal-use software, net of accumulated amortization of \$20,847 and \$19,554	9,198	8,735
Operating lease right-of-use assets (1)	2,795	—
Deferred contract acquisition costs	1,715	1,594
Intangible assets, net of accumulated amortization of \$331 and \$271	1,139	1,199
Long-term deferred tax assets	719	775
Goodwill	250	250
Other assets	128	180
Total assets	\$ 161,300	\$ 158,758
Liabilities, Redeemable Preferred Stock and Stockholders' Equity		
Current:		
Settlement obligations	\$ 8,672	\$ 12,368
Current portion of finance lease liabilities (1)	2,366	2,324
Current portion of operating lease liabilities (1)	1,414	—
Accounts payable	7,649	6,017
Accrued expenses	11,374	9,243
Deferred revenue	6,629	5,401
Total current liabilities	38,104	35,353
Long-term debt	19,470	19,444
Finance lease liabilities, noncurrent (1)	2,234	2,096
Operating lease liabilities, noncurrent (1)	1,578	—
Total liabilities	61,386	56,893
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Common stock, \$0.01 par value—500,000,000 shares authorized as of April 30, 2020 and January 31, 2020, respectively; 37,599,441 and 36,610,763 shares issued and outstanding as of April 30, 2020 and January 31, 2020, respectively	376	366
Additional paid-in capital	390,981	386,383
Accumulated deficit	(290,597)	(284,485)
Treasury stock	(846)	(399)
Total stockholders' Equity	99,914	101,865
Total Liabilities, Redeemable Preferred Stock and Stockholders' Equity	\$ 161,300	\$ 158,758

(1) Figures as of April 30, 2020 reflect the Company's February 1, 2020 adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases*.

Phreesia, Inc.
Statements of Operation
(Unaudited)
in thousands, except for shares and per share data

	Three months ended April 30,	
	2020	2019
Revenue:		
Subscription and related services	\$ 15,599	\$ 12,683
Payment processing fees	11,707	11,557
Life sciences	6,090	4,070
Total revenues	33,396	28,310
Expenses:		
Cost of revenue (excluding depreciation and amortization)	4,734	3,996
Payment processing expense	6,848	6,949
Sales and marketing	9,434	7,702
Research and development	5,005	4,299
General and administrative	8,720	6,245
Depreciation	2,268	2,155
Amortization	1,353	1,219
Total expenses	38,362	32,564
Operating loss	(4,966)	(4,255)
Other income (expense)	(715)	(1,145)
Change in fair value of warrant liability	—	(423)
Interest income (expense)	(320)	(804)
Total other income (expense)	(1,035)	(2,372)
Loss before provision for income taxes	(6,001)	(6,627)
Provision for income taxes	(111)	(68)
Net loss	\$ (6,112)	\$ (6,695)
Accretion of redeemable preferred stock	—	(7,863)
Net loss attributable to common stockholders, basic and diluted	\$ (6,112)	\$ (14,558)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.16)	\$ (7.23)
Weighted-average common shares outstanding, basic and diluted	37,308,084	2,013,839

Phreesia, Inc.
Statements of Cash Flows
(Unaudited)
in thousands, except for shares and per share data

	For the three months ended April 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (6,112)	\$ (6,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,621	3,374
Stock-based compensation expense	2,872	599
Change in fair value of warrants liability	—	423
Amortization of debt discount	126	108
Loss on extinguishment of debt	—	1,073
Cost of Phreesia hardware purchased by customers	172	84
Deferred contract acquisition costs amortization	525	484
Non-cash operating lease expense	389	—
Deferred tax asset	56	—
Changes in operating assets and liabilities		
Accounts receivable	(2,245)	137
Prepaid expenses and other assets	1,614	(585)
Deferred contract acquisition costs	(714)	(455)
Accounts payable	(998)	1,285
Accrued expenses and other liabilities	1,871	2,297
Lease liability	(502)	—
Deferred revenue	1,228	(98)
Net cash provided by operating activities	1,903	2,033
Cash flows used in investing activities:		
Capitalized internal-use software	(1,160)	(1,411)
Purchase of property and equipment	(1,917)	(1,314)
Net cash used in investing activities	(3,077)	(2,725)
Cash flows from financing activities:		
Proceeds from revolving line of credit	—	7,376
Proceeds from term loan	—	20,000
Repayment of term loan	—	(1,042)
Repayment of loan payable	—	(20,000)
Finance lease payments	(525)	(518)
Debt extinguishment costs	—	(300)
Debt issuance costs	—	(112)
Proceeds from issuance of common stock upon exercise of stock options	1,736	37
Payment of offering costs	—	(378)
Loan facility fee payment	(100)	—
Net cash provided by financing activities	1,111	5,062
Net increase in cash and cash equivalents	(63)	4,370
Cash and cash equivalents – beginning of period	90,315	1,543
Cash and cash equivalents – end of period	\$ 90,252	\$ 5,913
Supplemental information of non-cash investing and financing information:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 3,185	\$ —

Property and equipment acquisitions through finance leases	\$	827	\$	—
Deferred issuance costs included in accounts payable and accrued expenses	\$	—	\$	1,658
Purchase of property and equipment and capitalized software included in accounts payable	\$	791	\$	471
Issuance of warrants related to debt	\$	—	\$	833
Cash payments for:				
Interest	\$	306	\$	924

Non-GAAP financial measures

Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income or loss or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity. We define Adjusted EBITDA as net income or loss, before net interest expense (income), provision for income taxes, depreciation and amortization, and before non-cash based compensation expense, non-cash change in fair value of warrant liability and net other income (expense).

We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. We have presented Adjusted EBITDA in this release and our Annual Report on Form 10-K because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short and long-term operational plans. In particular, we believe that the exclusion of the amounts eliminated in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are as follows:

- Although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect: (1) changes in, or cash requirements for, our working capital needs; (2) the potentially dilutive impact of non-cash stock-based compensation; or (3) tax payments that may represent a reduction in cash available to us; (4) other interest (expense); and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA along with other GAAP-based financial performance measures, including various cash flow metrics, net loss, and our GAAP financial results. The following table presents a reconciliation of Adjusted EBITDA to net loss for each of the periods indicated:

Phreesia, Inc.
Adjusted EBITDA

(in thousands, unaudited)	Three months ended April 30,	
	2020	2019
Net loss	\$ (6,112)	\$ (6,695)
Interest (income) expense	320	804
Depreciation and amortization	3,621	3,374
Stock-based compensation expense	2,872	599
Change in fair value warrant liability	—	423
Provision for income taxes	111	68
Other (income) expense	715	1,145
Adjusted EBITDA	\$ 1,527	\$ (282)

Phreesia, Inc.
Reconciliation of GAAP and Adjusted Operating Expenses (Unaudited)

(in thousands)	Three months ended April 30,	
	2020	2019
GAAP operating expenses		
General and administrative	\$ 8,720	\$ 6,245
Sales and marketing	9,434	7,702
Research and development	5,005	4,299
Cost of revenue	4,734	3,996
	\$ 27,893	\$ 22,242
Stock compensation included in GAAP operating expenses		
General and administrative	\$ 1,606	\$ 321
Sales and marketing	728	156
Research and development	452	89
Cost of revenue	86	33
	\$ 2,872	\$ 599
Adjusted operating expenses		
General and administrative	\$ 7,114	\$ 5,924
Sales and marketing	8,706	7,546
Research and development	4,553	4,210
Cost of revenue	4,648	3,963
	\$ 25,021	\$ 21,643

Phreesia, Inc.
Key Metrics

Key Metrics:	Three months ended April 30,	
	2020	2019
Provider clients (average over period)	1,632	1,549
Average revenue per provider client	\$ 16,735	\$ 15,649
Patient payment volume (in millions)	\$ 454	\$ 461

- *Provider clients.* We define provider clients as the average number of healthcare provider organizations that generate revenue each month during the applicable period. In one specific case wherein we act as a subcontractor providing white-label services to our partner's clients, we treat this contractual relationship as a single provider client. We believe growth in the number of provider clients is a key indicator of the performance of our business and depends, in part, on our ability to successfully develop and market our Platform to healthcare provider organizations that are not yet clients. While growth in the number of provider clients is an important indicator of expected revenue growth, it also informs our management of the areas of our business that will require further investment to support expected future provider client growth. For example, as the number of provider clients increases, we may need to add to our customer support team and invest to maintain effectiveness and performance of our Platform and software for our provider clients and their patients.
- *Average revenue per provider client.* We define average revenue per provider client as the total subscription and related services and payment processing revenue generated from provider clients in a given period divided by the average number of provider clients that generate revenue each month during that same period. We are focused on continually delivering value to our provider clients and believe that our ability to increase average revenue per provider client is an indicator of the long-term value of our existing provider client relationships.
- *Patient payment volume.* We measure patient payment volume as the total dollar volume of transactions between our provider clients and their patients utilizing our payment platform, including via credit and debit cards, cash and check. Patient payment volume is a major driver of our payment processing revenue, and we believe that patient payment volume is an indicator of both the underlying health of our provider clients' businesses and the continuing shift of healthcare costs to patients. Credit and debit patient payment volume processed through our payment facilitator model represented 84% and 83% of our patient payment volume in the three months ended April 30, 2020 and 2019, respectively. The remainder of our patient payment volume is composed of credit and debit transactions for which Phreesia acts as a gateway to another payment processor, and cash and check transactions.

Available Information

Phreesia intends to use its Company website (including its Investor Relations website) as well as its Facebook, Twitter and LinkedIn accounts as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Forward Looking Statements

Statements we make in this press release may include statements which are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "going to," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern Phreesia's plans, intentions, expectations, strategies and prospects. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, including, without limitation, statements about our future financial performance, including our revenue, costs of revenue and operating expenses; our anticipated growth; our predictions about our industry; the impact of the COVID-19 pandemic on our business and our ability to attract, retain and cross-sell to healthcare provider clients. The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in Phreesia's filings with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 and in our Quarterly Report on Form 10-Q that will be filed with the SEC following this earnings release. The forward-looking statements in this release are based on information available to Phreesia as of the date hereof, and Phreesia disclaims any obligation to update any forward-looking statements, except as required by law.

This press release includes certain non-GAAP financial measures as defined by SEC rules. We have provided a reconciliation of those measures to the most directly comparable GAAP measures.

ABOUT PHREESIA

Phreesia gives healthcare organizations a suite of robust applications to manage the patient intake process. Our innovative SaaS platform engages patients in their care and provides a modern, consistent experience, while enabling healthcare organizations to optimize their staffing, boost profitability and enhance clinical care.

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