UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __ to __

Commission File Number: 001-38977

PHREESIA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-2275479**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
434 Fayetteville St, Suite 1400 Raleigh, NC	**27601**
(Address of principal executive offices)	**(Zip Code)**

(888) 654-7473
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**PHR**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 27, 2021, 50,875,523 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

PHREESIA, INC.

FORM 10-Q

For the Quarter Ended July 31, 2021

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Summary of Material Risks Associated with our Business

Our business is subject to numerous risks and uncertainties that you should be aware of in evaluating our business. These risks and uncertainties include, but are not limited to, the following:

- Business or economic disruptions or global health concerns have and may continue to seriously harm our business and increase our costs and expenses.
- We have grown rapidly in recent periods, and if we fail to manage our growth effectively, our expenses could increase more than expected, our revenue may not increase and we may be unable to implement our business strategy.
- We have identified a material weakness in our internal controls over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements to our consolidated financial statements or cause us to fail to meet our period reporting obligations.
- We have experienced net losses in the past and we may not achieve profitability in the future.
- We may face intense competition, including with our partners, as we grow, which could limit our ability to maintain or expand market share within our industry and could adversely impact our business.
- Privacy concerns or security breaches relating to our Platform could result in economic loss, damage to our reputation, deterring users from using our products, and our exposure to legal penalties and liability.
- We are subject to data privacy and security laws and regulations governing our collection, use, disclosure, or storage of personally identifiable information, including protected health information and payment card data, which may impose restrictions on us and our operations and subject us to penalties if we are unable to fully comply with such laws.
- As a result of our variable sales and implementation cycles, we may be unable to recognize revenue to offset expenditures, which could result in fluctuations in our quarterly results of operations or otherwise harm our future operating results.
- We typically incur upfront costs in our client relationships, and if we are unable to develop or grow these relationships over time, we are unlikely to recover these costs and our operating results may suffer.
- We depend on our senior management team and certain key employees, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.
- The healthcare industry is rapidly evolving and the market for technology-enabled services that empower healthcare consumers is relatively immature and unproven. If we are not successful in promoting the benefits of our Platform, our growth may be limited.

The summary risk factors described above should be read together with the text of the full risk factors below and in the other information set forth in this Quarterly Report on Form 10-Q, including our consolidated financial statements and the related notes, as well as in other documents that we file with the U.S. Securities and Exchange Commission, (the "SEC"). If any such risks and uncertainties actually occur, our business, prospects, financial condition and results of operations could be materially and adversely affected. The risks summarized above or described in full below are not the only risks that we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance and may contain projections of our future results of operations or of our financial information or state other forward-looking information. In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing,” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our revenue, costs of revenue and operating expenses and cash flows;
- the rapidly evolving industry and the market for technology-enabled services in healthcare in the United States being relatively immature and unproven;
- our reliance on a limited number of clients for a substantial portion of our revenue;
- our anticipated growth and growth strategies and our ability to effectively manage that growth;
- our ability to achieve and grow profitability;
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs;
- our potential competition with our customers or partners;
- our existing clients not renewing their existing contracts with us, renewing at lower fee levels or declining to purchase additional applications from us;
- our failure to adequately expand our direct sales force impeding our growth;
- our ability to recover the significant upfront costs in our customer relationships;
- our ability to determine the size of our target market;
- liability arising from our collection, use, disclosure, or storage of sensitive data collected from or about patients;
- consolidation in the healthcare industry resulting in loss of clients;
- the uncertainty of the regulatory and political framework;
- the impact of the COVID-19 pandemic on our business and our ability to attract, retain and cross-sell to healthcare provider clients;
- our ability to obtain, maintain and enforce intellectual property for our technology and products;
- our reliance on third-party vendors, manufacturers and partners to execute our business strategy;
- our inability to implement our solutions for clients resulting in loss of clients and reputation;
- our dependency on our key personnel, and our ability to attract, hire, integrate, and retain key personnel;
- the possibility that we may become subject to future litigation;
- our future indebtedness and contractual obligations;
- our expectations regarding trends in our key metrics and revenue from subscription fees from our provider clients, payment processing fees and fees charged to our life sciences clients by delivering targeted messages to patients;
- increased expense associated with being a public company;

- our ability to realize the intended benefits of our acquisitions; and
- other risks and uncertainties, including those listed under the caption “Risk Factors.”

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. You should not rely upon forward-looking statements as predictions of future events. We have based our forward-looking statements primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors, including, without limitation, those described in the section titled “Risk Factors” in this Quarterly Report on Form 10-Q.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on 10-Q. We cannot assure you that the results, events and circumstances reflected in these forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

These forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date on which the statements are made. We undertake no obligation to update, and expressly disclaim the obligation to update, any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media and web channels as a means of disclosing information about the company, our platform, our planned financial and other announcements, attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

PHREESIA Twitter Account (https://twitter.com/phreesia)
PHREESIA Facebook Page (https://www.facebook.com/phreesia/)
PHREESIA LinkedIn Page (https://www.linkedin.com/company/phreesia)
PHREESIA News Page (https://www.phreesia.com/news/)

The information we post through these channels may be deemed material. Accordingly, investors should monitor these accounts and our News page, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this quarterly report on Form 10-Q. These channels may be updated from time to time on Phreesia’s investor relations website.

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Phreesia, Inc.
Consolidated Balance Sheets

(in thousands, except share and per share data)

	July 31, 2021	January 31, 2021
	(Unaudited)	
Assets		
Current:		
Cash and cash equivalents	$ 439,854	$ 218,781
Settlement assets	15,503	15,488
Accounts receivable, net of allowance for doubtful accounts of $632 and $699 as of July 31, 2021 and January 31, 2021, respectively	30,356	29,052
Deferred contract acquisition costs	1,817	1,693
Prepaid expenses and other current assets	6,161	7,254
Total current assets	493,691	272,268
Property and equipment, net of accumulated depreciation and amortization of $47,124 and $40,148 as of July 31, 2021 and January 31, 2021, respectively	26,868	26,660
Capitalized internal-use software, net of accumulated amortization of $28,451 and $25,476 as of July 31, 2021 and January 31, 2021, respectively	12,299	10,476
Operating lease right-of-use assets	2,252	2,654
Deferred contract acquisition costs	2,513	1,248
Intangible assets, net of accumulated amortization of $780 and $525 as of July 31, 2021 and January 31, 2021, respectively	2,470	2,725
Deferred tax asset	379	658
Goodwill	8,211	8,307
Other assets	2,543	1,670
Total assets	$ 551,226	$ 326,666
Liabilities and Stockholders' Equity		
Current:		
Settlement obligations	$ 15,503	$ 15,488
Current portion of finance lease liabilities and other debt	4,494	4,864
Current portion of operating lease liabilities	1,133	1,087
Accounts payable	5,483	4,389
Accrued expenses	18,101	18,324
Deferred revenue	12,938	10,838
Total current liabilities	57,652	54,990
Long-term finance lease liabilities and other debt	5,598	6,471
Operating lease liabilities, non-current	1,412	1,899
Total liabilities	64,662	63,360
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Common stock, $0.01 par value - 500,000,000 shares authorized as of both July 31, 2021 and January 31, 2021; 50,892,126 and 44,880,883 shares issued as of July 31, 2021 and January 31, 2021, respectively	509	449
Additional paid-in capital	840,287	579,599
Accumulated deficit	(347,144)	(311,777)
Treasury stock, at cost, 135,918 and 99,520 shares at July 31, 2021 and January 31, 2021, respectively	(7,088)	(4,965)
Total Stockholders' Equity	486,564	263,306
Total Liabilities and Stockholders' Equity	$ 551,226	$ 326,666

See notes to Unaudited Consolidated Financial Statements

Phreesia, Inc.
Unaudited Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three months ended July 31,		Six months ended July 31,	
	2021	**2020**	**2021**	**2020**
Revenue:				
Subscription and related services	$ 22,885	$ 17,129	$ 44,704	$ 32,728
Payment processing fees	16,306	11,828	32,950	23,535
Life sciences	11,816	6,052	21,644	12,142
Total revenues	51,007	35,009	99,298	68,405
Expenses:				
Cost of revenue (excluding depreciation and amortization)	10,032	5,271	18,566	10,005
Payment processing expense	9,648	6,747	19,373	13,595
Sales and marketing	22,167	10,098	37,179	19,532
Research and development	11,443	5,530	19,497	10,535
General and administrative	16,244	9,631	28,915	18,351
Depreciation	3,701	2,410	6,998	4,678
Amortization	1,580	1,632	3,231	2,985
Total expenses	74,815	41,319	133,759	79,681
Operating loss	(23,808)	(6,310)	(34,461)	(11,276)
Other (expense) income, net	(90)	424	(24)	(291)
Interest (expense) income, net	(207)	(419)	(445)	(739)
Total other (expense) income, net	(297)	5	(469)	(1,030)
Loss before provision for income taxes	(24,105)	(6,305)	(34,930)	(12,306)
Provision for income taxes	(288)	(66)	(437)	(177)
Net loss	$ (24,393)	$ (6,371)	$ (35,367)	$ (12,483)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.48)	$ (0.17)	$ (0.73)	$ (0.33)
Weighted-average common shares outstanding, basic and diluted	50,577,614	37,735,155	48,287,305	37,523,966

See notes to Unaudited Consolidated Financial Statements

Phreesia, Inc.
Unaudited Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)

	Common Stock					
	Shares	Amount	APIC	Accumulated Deficit	Treasury stock	Total
Balance, February 1, 2020	36,610,763	$ 366	$ 386,383	$ (284,485)	$ (399)	$ 101,865
Net loss	—	—	—	(6,112)	—	(6,112)
Stock-based compensation	—	—	2,872	—	—	2,872
Exercise of stock options and vesting of restricted stock units	988,678	10	1,727	—	—	1,737
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(447)	(447)
Balance, April 30, 2020	37,599,441	$ 376	$ 390,982	$ (290,597)	$ (846)	$ 99,915
Net loss	—	—	—	(6,371)	—	(6,371)
Stock-based compensation	—	—	3,428	—	—	3,428
Exercise of stock options and vesting of restricted stock units	283,396	3	735	—	—	738
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(23)	(23)
Balance, July 31, 2020	37,882,837	$ 379	$ 395,145	$ (296,968)	$ (869)	$ 97,687
Balance, February 1, 2021	44,880,883	$ 449	$ 579,599	$ (311,777)	$ (4,965)	$ 263,306
Net loss	—	—	—	(10,974)	—	(10,974)
Stock-based compensation	—	—	5,774	—	—	5,774
Exercise of stock options and vesting of restricted stock units	214,346	2	498	—	—	500
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(1,145)	(1,145)
Issuance of common stock in follow-on public offering, net	5,175,000	52	245,761	—	—	245,813
Balance, April 30, 2021	50,270,229	$ 503	$ 831,632	$ (322,751)	$ (6,110)	$ 503,274
Net loss	—	—	—	(24,393)	—	(24,393)
Stock-based compensation	—	—	7,355	—	—	7,355
Exercise of stock options and vesting of restricted stock units	621,897	6	1,300	—	—	1,306
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(978)	(978)
Balance, July 31, 2021	50,892,126	$ 509	$ 840,287	$ (347,144)	$ (7,088)	$ 486,564

See notes to Unaudited Consolidated Financial Statements

Phreesia, Inc.
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	Six months ended July 31,	
	2021	**2020**
Operating activities:		
Net loss	$ (35,367)	$ (12,483)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	10,229	7,663
Stock-based compensation expense	13,047	6,300
Amortization of deferred financing costs and debt discount	144	245
Cost of Phreesia hardware purchased by customers	273	439
Deferred contract acquisition costs amortization	1,152	1,775
Non-cash operating lease expense	483	777
Change in fair value of contingent consideration liabilities	209	—
Deferred tax asset	279	109
Changes in operating assets and liabilities:		
Accounts receivable	(1,304)	(994)
Prepaid expenses and other assets	(1,037)	(2,892)
Deferred contract acquisition costs	(2,541)	(1,401)
Accounts payable	950	(1,275)
Accrued expenses and other liabilities	(275)	1,116
Lease liability	(544)	(755)
Deferred revenue	2,100	856
Net cash used in operating activities	(12,202)	(520)
Investing activities:		
Capitalized internal-use software	(5,023)	(2,737)
Purchase of property and equipment	(5,030)	(4,659)
Net cash used in investing activities	(10,053)	(7,396)
Financing activities:		
Proceeds from issuance of common stock in equity offerings, net of underwriters' discounts and commissions	245,813	—
Proceeds from issuance of common stock upon exercise of stock options	2,678	2,475
Treasury stock to satisfy tax withholdings on stock compensation awards	(1,960)	(869)
Proceeds from employee stock purchase plan	295	—
Insurance financing agreement	—	2,009
Finance lease payments	(2,100)	(1,301)
Principal payments on financing agreements	(873)	(220)
Debt issuance costs	—	(69)
Loan facility fee payment	(125)	(225)
Payment of contingent consideration for acquisitions	(400)	—
Net cash provided by financing activities	243,328	1,800
Net increase (decrease) in cash and cash equivalents	221,073	(6,116)
Cash and cash equivalents – beginning of period	218,781	90,315
Cash and cash equivalents – end of period	$ 439,854	$ 84,199

Supplemental information of non-cash investing and financing information:				
Right-of-use assets obtained in exchange for operating lease liabilities	$	81	$	3,183
Property and equipment acquisitions through finance leases	$	1,980	$	3,657
Capitalized software acquired through vendor financing	$	—	$	174
Cashless transfer of term loan and related accrued fees into increase in debt balance	$	—	$	20,257
Cashless transfer of lender fees through increase in debt balance	$	—	$	406
Purchase of property and equipment and capitalized software included in accounts payable	$	3,503	$	1,358
Capitalized stock-based compensation	$	82	$	—
Cash payments for:				
Interest	$	365	$	833

See notes to Unaudited Consolidated Financial Statements

Phreesia, Inc.
Notes to Unaudited Consolidated Financial Statements
(in thousands, except share and per share data)

1. Background and liquidity

(a) Background

Phreesia, Inc. (the "Company") is a leading provider of comprehensive software solutions that transform the healthcare experience by engaging patients in their care and enabling healthcare provider organizations to optimize operational efficiency, improve profitability and enhance clinical care and safety. Through the SaaS-based Phreesia Platform (the "Phreesia Platform" or "Platform"), the Company offers healthcare provider organizations a robust suite of solutions to manage the patient intake process and a leading payments solution for secure processing of patient payments. The Company's Platform also provides life sciences companies with an engagement channel for targeted and direct communication with patients. In connection with the patient intake and registration process, Phreesia offers its provider customers the ability to lease tablets ("PhreesiaPads") and on-site kiosks ("Arrivals Kiosks") along with their monthly subscription. The Company was formed in May 2005, and has offices in Raleigh, North Carolina and Ottawa, Canada. The Company completed an initial public offering in July 2019.

(b) Follow-on equity offering

On April 12, 2021, the Company closed a follow-on public offering in which the Company issued and sold 5,175,000 shares of its common stock at a public offering price of $50.00 per share, resulting in net proceeds of $245,813 after deducting underwriting discounts and offering expenses.

(c) Liquidity

Since the Company commenced operations, it has not generated sufficient revenue to meet its operating expenses and has continued to incur significant net losses. To date, the Company has primarily relied upon the proceeds from issuances of common stock, debt and preferred stock to fund its operations as well as sales of Company products and services in the normal course of business. Management believes that net losses and negative cash flows will continue for at least the next year.

Management believes that the Company's cash and cash equivalents at July 31, 2021, along with cash generated in the normal course of business, and available borrowing capacity under its Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank (the "Second SVB Facility") (Note 6), are sufficient to fund its operations for at least the next 12 months. The Company will seek to obtain additional financing, if needed, to successfully implement its long-term strategy.

2. Basis of presentation

(a) Consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and include the accounts of Phreesia, Inc., its branch operation in Canada and its subsidiaries (collectively, the "Company").

(b) Fiscal year

The Company's fiscal year ends on January 31. References to fiscal 2022 and 2021 refer to the fiscal years ending on January 31, 2022 and January 31, 2021, respectively.

(c) Unaudited interim financial statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and applicable rules and regulations of the SEC regarding interim financial reporting. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's interim financial position as of July 31, 2021 and the results of its operations, changes in its stockholders' equity and its cash flows for the periods ended July 31, 2021 and 2020. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP

have been condensed or omitted pursuant to such rules and regulations. The results for the interim periods are not necessarily indicative of results to be expected for the full year, any other interim periods, or any future year or period. The Company's management believes that the disclosures herein are adequate to make the information presented not misleading when read in conjunction with the audited financial statements and accompanying notes for the fiscal year ended January 31, 2021.

3. Summary of significant accounting policies

The Company's significant accounting policies are disclosed in the audited financial statements for the fiscal year ended January 31, 2021. Since the date of those audited financial statements, there have been no material changes to the Company's significant accounting policies, including the status of recent accounting pronouncements, other than those detailed below.

(a) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience, known trends and events and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments. Although management believes its estimates and assumptions are reasonable under the circumstances at the time they are made, they are based upon information available at the time they are made. Management evaluates the estimates and assumptions on an ongoing basis and, if necessary, makes adjustments. Actual results could differ from those estimates made under different assumptions or circumstances. The most significant assumptions and estimates relate to the allowance for doubtful accounts, capitalized internal-use software, the determination of the useful lives of property and equipment, the fair value of securities underlying stock-based compensation, the fair value of identifiable assets and liabilities in a business acquisition, and the realization of deferred tax assets.

(b) Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and settlement assets. The Company's cash and cash equivalents are held by established financial institutions. The Company does not require collateral from its customers and generally requires payment within 30 to 60 days of billing. Settlement assets are amounts due from well-established payment processing companies and normally take one or two business days to settle which mitigates the associated risk of concentration. The Company utilizes one third-party payment processor.

The Company's customers are primarily physician's offices located in the United States and pharmaceutical companies. The Company did not have any individual customers that represented more than 10% of total revenues for both the three and six months ended July 31, 2021 and 2020. As of July 31, 2021, we had receivables from one entity that accounted for at least 10% of total accounts receivable.

(c) Risks and uncertainties

Risks Related to the COVID-19 Pandemic

In March 2020, the World Health Organization declared the ongoing outbreak of a novel strain of coronavirus ("COVID-19") a pandemic and the United States declared a national emergency with respect to COVID-19. There continues to be uncertainty as to the extent to which the global COVID-19 pandemic may adversely impact our business operations, financial performance, and results of operations at this time. As more individuals are vaccinated, we expect these impacts to be diminished. However, as the pandemic progresses, including through the emergence of new variants and rules regarding immunization, we may experience stricter protocols.

(d) New accounting pronouncements

Impact of recently adopted accounting pronouncements

During the three and six months ended July 31, 2021, the Company did not adopt any accounting pronouncements that materially impacted the Company's financial statements.

Recent accounting pronouncements not yet adopted

There are no recently issued accounting pronouncements the Company has not yet adopted that will materially impact the Company's financial statements.

4. Composition of certain financial statement captions

(a) Accrued expenses

Accrued expenses as of July 31, 2021 and January 31, 2021 are as follows:

	July 31, 2021	January 31, 2021
Payroll-related expenses and taxes	$ 7,337	$ 8,946
Payment processing fees liability	3,139	2,853
Other	7,625	6,525
Total	$ 18,101	$ 18,324

(b) Property and equipment

Property and equipment as of July 31, 2021 and January 31, 2021 are as follows:

	Useful Life (years)	July 31, 2021	January 31, 2021
PhreesiaPads and Arrivals Kiosks	3	$ 26,072	$ 25,837
Computer equipment	3	40,366	33,558
Computer software	3 to 5	5,248	5,105
Hardware development	3	1,024	1,024
Furniture and fixtures	7	539	539
Leasehold improvements	2	743	745
Total property and equipment		$ 73,992	$ 66,808
Less accumulated depreciation		(47,124)	(40,148)
Property and equipment — net		$ 26,868	$ 26,660

Depreciation expense related to property and equipment amounted to $3,701 and $2,410 for the three months ended July 31, 2021 and 2020, respectively. Depreciation expense related to property and equipment amounted to $6,998 and $4,678 for the six months ended July 31, 2021 and 2020, respectively.

Assets acquired under finance leases included in computer equipment were $21,897 and $19,933 as of July 31, 2021 and January 31, 2021, respectively. Accumulated amortization of assets under finance leases was $12,742 and $10,389 as of July 31, 2021 and January 31, 2021, respectively.

(c) Capitalized internal use software

For the three months ended July 31, 2021 and 2020, the Company capitalized $2,526 and $1,876, respectively, of costs related to the Phreesia Platform. For the six months ended July 31, 2021 and 2020, the Company capitalized $4,798 and $3,632, respectively, of costs related to the Phreesia Platform.

During the three months ended July 31, 2021 and 2020, amortization expense related to capitalized internal-use software was $1,452 and $1,573, respectively. During the six months ended July 31, 2021 and 2020, amortization expense related to capitalized internal-use software was $2,975 and $2,866, respectively.

(d) Intangible assets and goodwill

The following presents the details of intangible assets as of July 31, 2021 and January 31, 2021:

	Useful Life (years)	July 31, 2021	January 31, 2021
Acquired technology	5	$ 1,410	$ 1,410
Customer relationship	10	1,840	1,840
Total intangible assets, gross carrying value		$ 3,250	$ 3,250
Less accumulated amortization		(780)	(525)
Net carrying value		$ 2,470	$ 2,725

The remaining useful life for acquired technology in years is 4.0 and 4.4 as of July 31, 2021 and January 31, 2021, respectively. The remaining useful life for customer relationships in years is 7.3 and 7.7 as of July 31, 2021 and January 31, 2021, respectively.

Amortization expense associated with intangible assets amounted to $128 and $60 for the three months ended July 31, 2021 and 2020, respectively. Amortization expense associated with intangible assets amounted to $256 and $119 for the six months ended July 31, 2021 and 2020.

The estimated amortization expense for intangible assets for the next five years and thereafter is as follows as of July 31, 2021:

	July 31, 2021
2022 (Remaining six months)	$ 254
Fiscal Years Ending January 31,	
2023	508
2024	494
2025	410
2026 - thereafter	804
Total	$ 2,470

There were no significant changes to the Company's goodwill balance during the six months ended July 31, 2021. The Company did not record any impairments of goodwill during the three and six months ended July 31, 2021 or 2020. Goodwill was $8,211 as of July 31, 2021 and $8,307 as of January 31, 2021.

(e) Accounts receivable

Accounts receivable as of July 31, 2021 and January 31, 2021 are as follows:

	July 31, 2021	January 31, 2021
Billed	$ 30,436	$ 28,464
Unbilled	552	1,287
Total accounts receivable, gross	$ 30,988	$ 29,751
Less accounts receivable allowances	(632)	(699)
Total accounts receivable	$ 30,356	$ 29,052

Activity in our allowance for doubtful accounts was as follows for the six months ended July 31, 2021:

	July 31, 2021
Balance, January 31, 2021	$ 699
Bad debt expense	17
Write-offs and adjustments	(84)
Balance, July 31, 2021	$ 632

The Company’s allowance for doubtful accounts represents the current estimate of expected future losses based on prior bad debt experience as well as considerations for specific customers as applicable. The Company's accounts

receivable are considered past due when they are outstanding past the due date listed on the invoice to the customer. The Company writes off accounts receivable and removes the associated allowance for doubtful accounts when the Company deems the receivables to be uncollectible.

(f) Prepaid and other current assets

Prepaid and other current assets as of July 31, 2021 and January 31, 2021 are as follows:

	July 31, 2021	January 31, 2021
Prepaid software and business systems	$ 2,136	$ 2,322
Prepaid data center expenses	2,074	1,211
Prepaid insurance	—	1,311
Other prepaid expenses and other current assets	1,951	2,410
Total prepaid and other current assets	$ 6,161	$ 7,254

(g) Cloud computing implementation costs

The Company enters into cloud computing service contracts to support our sales and marketing, product development and administrative activities. Subsequent to the adoption of ASU 2018-15, we capitalize certain implementation costs for cloud computing arrangements that meet the definition of a service contract. We include these capitalized implementation costs within Other assets on our consolidated balance sheets. Once placed in service, we amortize these costs over the remaining subscription term to the same expense line as the related cloud subscription. Capitalized implementation costs for cloud computing arrangements accounted for as service contracts were $1,382 as of July 31, 2021. Accumulated amortization of capitalized implementation costs for these arrangements was $61 as of July 31, 2021.

(h) Other (expense) income, net

Other (expense) income, net for the three and six months ended July 31, 2021 was expense of $90 and $24, respectively. Other (expense) income, net was income of $424 for the three months ended July 31, 2020 and expense of $291 for the six months ended July 31, 2020. For all periods presented, other (expense) income, net was composed primarily of foreign exchange losses and gains.

5. Revenue and Contract Costs

The Company generates revenue primarily from providing an integrated SaaS-based software and payment platform for the healthcare industry. The Company derives revenue from subscription fees and related services generated from the Company’s provider customers for access to the Phreesia Platform, payment processing fees based on patient payment volume, and digital patient engagement revenue from life sciences companies to reach, educate and communicate with patients when they are most receptive and actively seeking care.

The amount of subscription and related services revenue recorded pursuant to adoption of Accounting Standards Codification No. 842, *Leases* (ASC 842) for the leasing of the Company’s PhreesiaPads and Arrivals Kiosks was $1,579 and $1,585 for the three months ended July 31, 2021 and 2020, respectively. The amount of subscription and related services revenue recorded pursuant to ASC 842 for the leasing of the Company's PhreesiaPads and Arrivals Kiosks was $3,223 and $3,139 for the six months ended July 31, 2021 and 2020, respectively.

Contract balances

The following table represents a roll-forward of contract assets:

	Contract assets (unbilled accounts receivable)
January 31, 2021	$ 1,287
Amount transferred to receivables from beginning balance of contract assets	(1,196)
Contract asset additions, net of reclassification to receivables	461
July 31, 2021	$ 552

The following table represents a roll-forward of deferred revenue:

	Deferred revenue
January 31, 2021	$ 10,838
Revenue recognized that was included in deferred revenue at the beginning of the period	(9,933)
Revenue recognized that was not included in deferred revenue at the beginning of the period	(9,715)
Increases due to invoicing prior to satisfaction of performance obligations	21,748
July 31, 2021	$ 12,938

Cost to obtain a contract

The Company capitalizes certain incremental costs to obtain customer contracts and amortizes these costs over a period of benefit that the Company has estimated to be three to five years. The Company determined the period of benefit by taking into consideration its customer contracts, its technology and other factors. Amortization expense is included in sales and marketing expenses in the accompanying statements of operations and totaled $577 and $1,250 for the three months ended July 31, 2021 and 2020, respectively. Amortization expense totaled $1,152 and $1,775 for the six months ended July 31, 2021 and 2020, respectively. The Company periodically reviews these deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit. There were no impairment losses recorded during the periods presented.

The following table represents a roll forward of deferred contract acquisition costs:

Beginning balance, January 31, 2021	$ 2,941
Additions to deferred contract acquisition costs	2,541
Amortization of deferred contract acquisition costs	(1,152)
Ending balance, July 31, 2021	4,330
Deferred contract acquisition costs, current (to be amortized in next 12 months)	1,817
Deferred contract acquisition costs, non-current	2,513
Total deferred contract acquisition costs	$ 4,330

6. Finance Leases and Other Debt

As of July 31, 2021 and January 31, 2021, the Company had the following outstanding finance lease liabilities and other debt:

	July 31, 2021	January 31, 2021
Finance leases	$ 9,623	$ 9,702
Financing arrangements	433	1,533
Accrued interest and payments	36	100
Total finance lease liabilities and other debt	10,092	11,335
Less - current portion of finance lease liabilities and other debt	(4,494)	(4,864)
Long term finance lease liabilities and other debt	$ 5,598	$ 6,471

(a) Financing Agreements

On July 21, 2020, the Company entered into an insurance premium financing agreement in order to finance its premium payments for directors' and officers' insurance. As of July 31, 2021 and January 31, 2021, there was no outstanding principal amount under the agreement and $673, respectively. The agreement bore interest at 2.6% per annum. The balance of the financing agreement was paid off during the first quarter of fiscal 2022, and there was no balance outstanding as of July 31, 2021.

On April 10, 2020, the Company entered into a vendor financing agreement with a principal amount of $174 to finance the acquisition of certain internal use software licenses. As of July 31, 2021 and January 31, 2021, the outstanding principal balance of the financing agreement was $89 and $133, respectively. Interest accrues at an annual rate of 2.94%. The remaining annual payments are $46 in May 2022 and May 2023, which includes principal and interest.

On November 2, 2018, the Company entered into a vendor financing agreement with a principal amount of $1,256 to finance the acquisition of certain internal use software licenses. As of July 31, 2021 and January 31, 2021, the outstanding principal balance of the financing agreement was $344 and $504, respectively. Interest accrues at an annual rate of 9.83%. The remaining annual payments are $183 in November 2021 and June 2022, which includes principal and interest.

(b) Finance Leases

See Note 10 - Leases for more information regarding finance leases.

(c) Second Amended and Restated Loan and Security Agreement

On May 5, 2020 (the "Second SVB Effective Date"), the Company entered into the Second SVB Facility with Silicon Valley Bank. The Second SVB Facility modified the First Amended and Restated Loan and Security Agreement, dated February 28, 2019 (the "First SVB Facility"). The Second SVB Facility provides for a revolving credit facility with an initial borrowing capacity of $50,000. The borrowing capacity may be increased to $65,000 at the sole discretion of Silicon Valley Bank. Upon entering into the Second SVB Facility, the Company borrowed $20,663 against the revolving credit facility. The Company used the proceeds from its initial revolving credit borrowing to repay all amounts due under the First SVB Facility term loan.

Borrowings under the Second SVB Facility are payable five years from the Effective Date, which is May 5, 2025 (the "Maturity Date"). Borrowings under the Second SVB Facility bear interest, which is payable monthly, at a floating rate equal to the greater of the Wall Street Journal Prime Rate or 4.5%. The interest rate will decrease by 0.5% upon reaching a defined level of Adjusted EBITDA as defined in the Second SVB Facility. For the three months ended July 31, 2021, the interest rate on the Second SVB Facility was 4.5%. In addition to principal and interest due under the revolving credit facility, the Company is required to pay an annual commitment fee of $125 per year. The Second SVB Facility was paid off in late December 2020. The Company has $50,000 of availability as of July 31, 2021.

In the event that the Company terminates the Second SVB Facility prior to the Maturity Date, the Company will be required to pay a termination fee based on the length of time between termination and maturity. The Company will not be required to pay a termination fee if terminated after the fourth anniversary of the Second SVB Effective Date.

Any Company obligations under the Second SVB Facility are secured by a first priority security interest in substantially all of its assets, other than intellectual property. The Second SVB Facility includes a financial covenant that requires the Company to achieve certain profitability and liquidity thresholds. The financial covenant will not be effective if the Company maintains certain levels of liquidity as defined. The Company was in compliance with all covenants related to the Second SVB Facility as of July 31, 2021.

The Second SVB Facility contains events of default, including, without limitation, events of default upon: (i) failure to make payment pursuant to the terms of the agreement; (ii) violation of covenants; (iii) material adverse changes to the Company's business; (iv) attachment or levy on the Company's assets or judicial restraint on its business; (v) insolvency; (vi) significant judgments, orders or decrees for payments by the Company not covered by insurance; (vii) incorrectness of representations and warranties; (viii) incurrence of subordinated debt; (ix) revocation of governmental approvals necessary for the Company to conduct its business; and (x) failure by the Company to maintain a valid and perfected lien on the collateral securing the borrowing.

As of July 31, 2021, there is no debt outstanding related to the Second SVB Facility. As a result, the Company presented all unamortized deferred costs within other assets as of July 31, 2021. The Company is amortizing the remaining unamortized costs over the remaining term of the Second SVB Facility.

Maturities of finance leases and other debt, in each of the next five years and thereafter are as follows:

	Total	Finance Leases	Other Debt
2022 (Remaining six months)	$ 2,247	$ 2,081	$ 166
Fiscal year ending January 31:			
2023	4,109	3,851	258
2024	2,961	2,916	45
2025	620	620	—
2026	155	155	—
Total long-term debt and finance lease maturities	$ 10,092	$ 9,623	$ 469

The components of interest (expense) income, net are as follows:

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
Interest expense [1]	$ (226)	$ (421)	$ (484)	$ (833)
Interest income	19	2	39	94
Interest (expense) income, net	$ (207)	$ (419)	$ (445)	$ (739)

(1) Includes amortization of deferred financing costs and original issue discount.

7. Stockholders' Equity

(a) Common stock

The Company closed an IPO on July 22, 2019 and filed an Amended and Restated Certificate of Incorporation authorizing the issuance of up to 500,000,000 shares of common stock, par value $0.01 per share.

On April 12, 2021, the Company completed a follow-on offering of its Common Stock. In connection with this offering, the Company issued and sold 5,175,000 shares of common stock at an issuance price of $50.00 per share resulting in net proceeds of $245,813, after deducting underwriting discounts and commissions.

(b) Treasury stock

The Company's equity based compensation plan allows for the grant of non-vested stock options, restricted stock units ("RSUs") and market-based performance-based stock units ("PSUs") to its employees pursuant to the terms of its stock option and incentive plans (See Note 8). Under the provision of the plans, for RSU and PSU awards, unless otherwise elected, participants fulfill their related income tax withholding obligation by having shares withheld at the time of vesting. On the date of vesting of the RSU or PSU, the Company divides the participant's income tax obligation in dollars by the closing price of its common stock and withholds the resulting number of vested shares. The shares withheld are then transferred to the Company's treasury stock at cost.

8. Equity-based compensation

(a) Equity award plans

In January 2018, the Board of Directors adopted the Company's 2018 Stock Option Plan (as amended), which provided for the issuance of options to purchase up to 3,048,490 shares of the Company's common stock to officers, directors, employees, and consultants. The option exercise price per share is determined by the Board of Directors based on the estimated fair value of the Company's common stock.

In June 2019, the Board of Directors adopted the Company's 2019 Stock Option and Incentive Plan (the "2019 Plan"), which replaced the 2018 Stock Option Plan upon the completion of the IPO. The 2019 Plan allows the Compensation Committee to make equity-based incentive awards including stock options, RSUs and PSUs to the Company's officers, employees, directors, and consultants. The initial reserve for the issuance of awards under this plan was 2,139,683 shares of common stock. The initial number of shares reserved and available for issuance automatically increased on February 1, 2020 and automatically increases each February 1 thereafter by 5% of the number of shares of common stock outstanding on the immediately preceding January 31 (or such lesser number of shares determined by the Compensation Committee).

In June 2019, the Board of Directors also adopted the Company's 2019 Employee Stock Purchase Plan (the "ESPP"), which became effective immediately prior to the effectiveness of the registration statement for the Company's initial public offering. The total shares of common stock initially reserved under the ESPP is limited to 855,873 shares.

As of July 31, 2021, there are 3,934,798 shares available for future grant pursuant to the 2019 Plan after factoring in the automatic increase which occurs on February 1 of each fiscal year, as well as an additional 821,023 shares available for future grant pursuant to the ESPP. During the second quarter of Fiscal 2022, the Company activated its ESPP. The first offering period for the ESPP is from July 1, 2021 through December 31, 2021. The ESPP allows eligible employees to purchase shares of the Company's common stock at a 15% discount through payroll deductions.

(b) Summary of stock-based compensation

The following table sets forth stock-based compensation by type of award:

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
RSUs	$ 6,072	$ 2,569	$ 10,842	$ 4,842
Stock options	632	859	1,150	1,458
PSUs	551	—	1,037	—
ESPP	100	—	100	—
Total stock based compensation	$ 7,355	$ 3,428	$ 13,129	$ 6,300

The following table sets forth the presentation of stock-based compensation in our financial statements:

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
Stock-based compensation expense per consolidated statements of operations[1]	$ 7,273	$ 3,428	$ 13,047	$ 6,300
Capitalized as internal-use software	82	—	82	—
Total stock based compensation[2]	$ 7,355	$ 3,428	$ 13,129	$ 6,300

[1]For the six months ended July 31, 2021 and 2020, stock-based compensation expense included in the Company's consolidated statements of cash flows is consistent with these amounts.

[2]Stock-based compensation included in the Company's consolidated statements of stockholders' equity is consistent with these amounts.

(c) Stock options

Options granted under the equity award plans have a maximum term of ten years and vest over a period determined by the Board of Directors (generally four years from the date of grant or the commencement of the grantee's employment with the Company). Options generally vest 25% at the one-year anniversary of the grant date, after which point they generally vest pro rata on a monthly basis.

Stock option activity for the six months ended July 31, 2021 is as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate Intrinsic value
Outstanding — January 31, 2021	3,211,354	$ 4.67		
Granted in six months ended July 31, 2021	—	$ —		
Exercised	(689,623)	$ 2.62		
Forfeited and expired	(33,735)	$ 6.47		
Outstanding and expected to vest — July 31, 2021	2,487,996	$ 5.21	8.30	$ 237,225
Exercisable — July 31, 2021	1,815,941	$ 4.27	7.42	$ 157,087
Amount vested in six months ended July 31, 2021	190,999	$ 6.27		

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's estimated stock price at the time of exercise and the exercise price, multiplied by the number of related in-the-money options) that would have been received by the option holders had they exercised their options at the end of the period. This amount changes based on the market value of the Company's common stock. The total intrinsic value of options exercised for the six months ended July 31, 2021 and 2020 (based on the difference between the Company's estimated stock price on the exercise date and the respective exercise price, multiplied by the number of options exercised), was $36,832 and $32,060, respectively.

As of July 31, 2021, there is $2,699 of total unrecognized compensation cost related to stock options issued to employees that is expected to be recognized over a weighted-average term of 1.37 years.

For the three and six months ended July 31, 2021, stock-based compensation expense for stock options includes $92 and $180, respectively, related to the modification of stock options.

The Company has not recognized and does not expect to recognize in the foreseeable future, any tax benefit related to employee stock-based compensation expense.

(d) Restricted stock units

The Company has issued restricted stock units to employees and directors that vest based on a time-based condition. For RSUs granted prior to January 2021, pursuant to a time-based condition, 10% of the restricted stock units vest after one year, 20% vest after two years, 30% vest after three years and 40% vest after four years. The restricted stock units expire seven years from the grant date. During the three months ended July 31, 2021, the Company modified the vesting of RSUs granted subsequent to January 1, 2021 for employees other than its named executive officers listed in its most recent proxy statement ("NEOs") and other members of our executive management team. Pursuant to the modified vesting schedule, RSUs granted after January 1, 2021 for employees other than NEOs and other members of its executive management team vest 6.25% each quarter over four years based on service.

The Company issued 697,071 time-based restricted stock units during the six months ended July 31, 2021. These time-based restricted stock units vest 6.25% each quarter over four years based on service.

Restricted stock unit activity for the six months ended July 31, 2021 are as follows:

	Restricted stock units
Unvested, February 1, 2020	2,053,038
Granted in three months ended July 31, 2021	697,071
Vested	(148,063)
Forfeited and expired	(70,292)
Unvested, July 31, 2021	2,531,754

As of July 31, 2021, there is $75,404 of total unrecognized compensation cost related to RSU awards that is expected to be recognized over a weighted-average term of 2.89 years. For the three and six months ended July 31, 2021, stock-based compensation expense includes $143 and $298, respectively, related to the modification of restricted stock units.

(e) Market-based restricted stock units (PSUs)

The Company grants PSUs to certain members of our management team. PSUs vest from two to three years from the grant date upon satisfaction of both time-based requirements and market targets based on Phreesia's total shareholder return ("TSR") relative to the TSR of each member of the Russell 3000 Index (the "Peer Group"). Depending on the percentage level at which the market-based condition is satisfied, the number of shares vesting could be between 0% and 200% of the number of PSUs originally granted. To earn the target number of PSUs (which represents 100% of the number of PSUs granted), the Company must perform at the 60th percentile, with the maximum number of PSUs earned if the Company performed at least at the 90th percentile. If Phreesia's TSR for the performance period is negative, the maximum number of PSUs that can be earned will be capped at 100%.

The Company estimated the fair value of the PSUs using a Monte Carlo Simulation model which projected TSR for Phreesia and each member of the Peer Group over the performance period. The Company recognizes the grant date fair value of PSUs as compensation expense over the vesting period.

Market-based PSU activity for the six months ended July 31, 2021 are as follows:

	Performance stock units
Outstanding, February 1, 2020	70,806
Granted in six months ended July 31, 2021	9,664
Vested	—
Forfeited and expired	—
Outstanding, July 31, 2021	80,470

As of July 31, 2021, unrecognized compensation cost related to PSUs was $5,370, to be recognized on a straight-line basis over 2.5 years, subject to the participants' continued employment with the Company.

(f) Employee stock purchase plan

The ESPP is a compensatory plan because it provides participants with terms that are more favorable than those offered to other holders of the Company's common stock. Employees purchase shares at the lesser of (1) 85% of the closing stock price on the first day of the offering period or (2) 85% of the closing stock price on the last day of the offering period. The ESPP is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986.

The fair value of shares granted under the ESPP during the six months ended July 31, 2021 was estimated using a Black-Scholes pricing model with the following assumptions:

	Six Months Ended July 31, 2021
Risk-free interest rate	0.05 %
Expected dividends	none
Expected term (in years)	0.50
Volatility	52.5 %

As of July 31, 2021, unrecognized compensation cost related to the ESPP was $510. The unrecognized compensation cost is expected to be recognized over the next five months.

9. Fair Value Measurements

The following table presents information about the Company's assets and liabilities that are measured at fair value as of July 31, 2021 and indicates the classification of each item within the fair value hierarchy (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of July 31, 2021
Money market mutual funds	$ 197,561	$ —	$ —	$ 197,561
Total assets	$ 197,561	$ —	$ —	$ 197,561
Acquisition related contingent consideration liabilities	$ —	$ —	$ (1,100)	$ (1,100)
Total liabilities	$ —	$ —	$ (1,100)	$ (1,100)

The following table presents information about the Company's assets and liabilities that are measured at fair value as of January 31, 2021 and indicates the classification of each item within the fair value hierarchy (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of January 31, 2021
Money market mutual funds	$ 197,522	$ —	$ —	$ 197,522
Foreign currency derivative contracts	—	148	—	148
Total assets	$ 197,522	$ 148	$ —	$ 197,670
Acquisition related contingent consideration liabilities	$ —	$ —	$ (1,286)	$ (1,286)
Total liabilities	$ —	$ —	$ (1,286)	$ (1,286)

The carrying value of the Company’s short-term financial instruments, including accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments. The carrying value of the Company's debt approximates fair value because the interest rates approximate market rates and the debt maturities are relatively short-term.

The Company used certain derivative financial instruments as part of its risk management strategy to reduce its foreign currency risk. The Company does not designate any derivatives as hedges in accordance with ASC 815 *Derivatives and Hedging*. The Company recognized all derivatives on the balance sheet at fair value based on quotes obtained from financial institutions. The fair value of its foreign currency contracts as of January 31, 2021 was an asset of $148, which was included in prepaid and other current assets on the accompanying balance sheet. The fair value of the foreign currency contracts were considered Level 2 in the fair value hierarchy as of January 31, 2021. The foreign currency forward contracts matured during the three months ended July 31, 2021, and no forward currency forward contracts remain outstanding as of July 31, 2021.

In connection with the QueueDr acquisition, the Company recorded contingent consideration liabilities within accrued expenses for amounts payable to the selling shareholders based on collections from QueueDr customers. The Company is required to pay the selling shareholders a multiple of the amount collected on certain customer contracts through November 2022. Certain payments are reduced to the amount of customer collections if the customer contract is canceled. The fair value of the Company's contingent consideration liabilities was determined using estimated cash flows and likelihoods of contract cancellation to estimate the expected payout based on collections and active status of the underlying customer contracts. The fair value of the Company's contingent consideration liabilities is determined based on inputs which are not readily available in public markets. Therefore, we have categorized the liabilities as Level 3 in the fair value hierarchy. As of July 31, 2021, the maximum remaining amount payable for the contingent consideration liabilities is $1,148.

The following table presents a roll-forward of our contingent consideration liabilities:

Balance at January 31, 2021	$ 1,286
Adjustment to the acquisition-date value	5
Change in fair value of contingent consideration liabilities	209
Payments	(400)
Balance at July 31, 2021	$ 1,100

The Company did not have any transfers of assets and liabilities between levels of the fair value measurement hierarchy during both the three and six months ended July 31, 2021 and 2020.

10. Leases

(a) Phreesia as Lessee

The Company leases office premises in North Carolina and Ottawa, and data center space in Virginia under operating leases which expire on various dates through March 2024. Certain of these arrangements have escalating rent payment provisions or optional renewal clauses. The table below only considers lease obligations through the renewal date as the Company is not reasonably certain to elect the option to extend its leases beyond the option date. No arrangements contain residual value guarantees or restrictions imposed on the leases. We are also committed to pay a portion of the actual operating expenses under certain of these lease agreements. These operating expenses are not included in the table below.

The operating lease right-of-use assets were calculated as the present value of operating lease liabilities, less the amount of unamortized tenant improvement allowance and deferred rent. The discount rate used was the Company’s incremental borrowing rate given that the implicit rate to each lease was not readily determinable.

The Company also entered into various finance lease arrangements for computer equipment. These agreements are typically for two to three years and are secured by the underlying equipment.

Supplemental balance sheet information related to operating and finance leases as of July 31, 2021 was as follows:

	July 31, 2021
Operating leases:	
Lease right-of-use assets	$ 2,252
Lease liabilities, current	$ 1,133
Lease liabilities, noncurrent	1,412
Total operating lease liabilities	$ 2,545
Finance leases:	
Property and equipment, at cost	$ 21,897
Accumulated depreciation	(12,742)
Property and equipment, net	$ 9,155
Lease liabilities (included in Current portion of finance lease liabilities and other debt)	$ 4,106
Lease liabilities, noncurrent (included in Long-term finance lease liabilities and other debt)	5,517
Total finance lease liabilities	$ 9,623

For office leases and leased equipment, the Company has elected the practical expedient to not separate lease and non-lease components, and as such, the variable lease cost primarily represents variable payments such as common area maintenance, utilities and equipment maintenance.

As of July 31, 2021, for operating leases, the weighted-average remaining lease term is 2.2 years and the weighted-average discount rate is 3.5%. As of July 31, 2021, for finance leases, the weighted-average remaining lease term is 2.5 years, and the weighted-average discount rate is 3.9%.

The components of lease expense for the six months ended July 31, 2021 were as follows:

	July 31, 2021
Operating leases:	
Operating lease cost	$ 483
Variable lease cost	138
Total operating lease cost	$ 621
Finance leases:	
Amortization of right-of-use assets	$ 2,353
Interest on lease liabilities	191
Total finance lease cost	$ 2,544

The following represents a schedule of maturing lease commitments for operating and finance leases as of July 31, 2021:

	July 31, 2021	
	Operating	Finance
Maturity of lease liabilities		
2022 (remaining six months)	$ 615	$ 2,243
Fiscal year ending January 31,		
2023	1,186	4,052
2024	793	2,990
2025	52	635
Thereafter	—	158
Total future minimum lease payments	$ 2,646	$ 10,078
Less: interest	(101)	(455)
Present value of lease liabilities	$ 2,545	$ 9,623

Other supplemental cash flow information for the six months ended July 31, 2021 was as follows:

	July 31, 2021
Supplemental cash flow information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash used for operating leases	$ 544
Operating cash used for finance leases	191
Financing cash used for finance leases	2,100
Total	$ 2,835
Right-of-use assets obtained in exchange for lease liabilities:	
Operating	$ 81
Finance	1,980
Total	$ 2,061

Cash paid for amounts included in the present value of operating lease liabilities was $544 during the six months ended July 31, 2021 and is included in cash used in operating activities.

(b) Phreesia as Lessor

In connection with the patient intake and registration process, Phreesia offers its customers the ability to lease PhreesiaPads and Arrivals Kiosks along with their monthly subscription. These rentals fall under the guidance of ASC 842. The Company elected the practical expedient to not separate lease and non-lease components. More specifically, all contractual hardware maintenance is included with the hardware lease components. The leases contain no variable lease payments, no options to extend the lease that are reasonably certain to be exercised, and do not give the lessee an option to purchase the hardware at the end of the lease term. Additionally, the lease term does not represent a major part of the remaining economic life of the assets, and the present value of the lease payments does not equal or exceed substantially all of the fair value of the assets. As a result, all leased hardware in the SaaS arrangements are classified as operating leases.

During the three and six months ended July 31, 2021, the Company recognized $1,579 and $3,223, respectively, in subscription and related services revenue related to the leasing of PhreesiaPads and Arrivals Kiosks.

Future lease payments receivable under operating leases were immaterial as of July 31, 2021, except for those with terms less than one year.

11. Commitments and contingencies

(a) Indemnifications

The Company's agreements with certain customers include certain provisions for indemnifying customers against liabilities if its services infringe a third party's intellectual property rights. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances that may be involved in each particular agreement. To date, the Company has not incurred any material costs as a result of such provisions and have not accrued any liabilities related to such obligations in our consolidated financial statements.

In addition, the Company has indemnification agreements with its directors and its executive officers that require us, among other things, to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of those persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by us, arising out of that person's services as a director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that may enable it to recover a portion of any future indemnification amounts paid. To date, there have been no claims under any of its directors and executive officers indemnification provisions.

(b) Legal proceedings

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes or claims. Although the Company cannot predict with assurance the outcome of any litigation, the Company does not believe there are currently any such actions that, if resolved unfavorably, would have a material impact on its financial condition, results of operations or cash flows.

(c) Contingent consideration for acquisitions

Consideration transferred for acquisitions includes consideration which is payable contingent upon future events. The Company has recorded a $1,100 contingent consideration liability on its Consolidated Balance Sheet as of July 31, 2021, which is payable based upon future events. This liability is payable during the year ended January 31, 2022, and the final settlement amount is based on the performance of certain acquired customer contracts.

12. Income taxes

For the three and six months ended July 31, 2021, the Company recorded a tax provision of $288 and $437, respectively, compared to a tax provision of $66 and $177, respectively, for the corresponding periods in the prior year. The Company's provision for income taxes was 1.3% and 1.4% of loss before income taxes for the six months ended July 31, 2021 and 2020, respectively. The Company's effective tax rate differs from the U.S. statutory tax rate of 21% primarily because the Company records a valuation allowance against the majority of its deferred tax assets, and due to foreign income tax expense recorded for the Company's Canada branch.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using statutory rates. Management of the Company has evaluated the positive and negative evidence pertaining to the realizability of its deferred tax assets, including the Company's history of losses, and concluded that it is more likely than not that the Company will not recognize the benefits for the majority of its deferred tax assets. On the basis of this evaluation, the Company has recorded a valuation allowance against its deferred tax assets that are not more likely than not to be realized at both July 31, 2021 and January 31, 2021.

13. Net loss per share attributable to common stockholders

(a) Net loss per share attributable to common stockholders

Basic and diluted net loss per share attributable to common stockholders was calculated as follows:

	Three months ended July 31,		Six months ended July 31,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (24,393)	$ (6,371)	$ (35,367)	$ (12,483)
Denominator:				
Weighted-average shares of common stock outstanding, basic and diluted	50,577,614	37,735,155	48,287,305	37,523,966
Net loss per share attributable to common stockholders	$ (0.48)	$ (0.17)	$ (0.73)	$ (0.33)

(b) Potential dilutive securities

The Company's potential dilutive securities, which include stock options, restricted stock units, performance stock units, grants under the Company's ESPP and outstanding warrants to purchase shares of common stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The following potential common shares, presented based on amounts outstanding at each period end, were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	As of July 31,	
	2021	2020
Stock options to purchase common stock, restricted stock units and performance stock units	5,181,284	6,185,126
Employee stock purchase plan	34,850	—
Warrants to purchase common stock	—	75,137
Total	5,216,134	6,260,263

14. Related party transactions

For the three and six months ended July 31, 2021, the Company recognized revenue totaling $129 and $232 for advertisements placed by a pharmaceutical company, respectively. One of the Company's independent members of its board of directors serves on the board of directors for the pharmaceutical company. Accounts receivable from the pharmaceutical company totaled approximately $68 as of July 31, 2021. The Company recognized revenue totaling approximately $988 and $2,425 from an affiliate of a stockholder of the Company for the three and six months ended July 31, 2020, respectively, when this entity was a related party. The entity was a related party for the first half of fiscal 2021 and was no longer a related party as of January 31, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our financial statements and related notes thereto included in our Form 10-K for the fiscal year ended January 31, 2021. In addition to historical financial information, the following discussion and analysis and information set forth elsewhere in this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, including those set forth under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Financial Highlights

- Total revenue increased 46% to $51.0 million in the three months ended July 31, 2021, compared with $35.0 million in the three months ended July 31, 2020.
- Total revenue increased 45% to $99.3 million in the six months ended July 31, 2021, compared with $68.4 million in the six months ended July 31, 2020.
- Net loss was $24.4 million in the three months ended July 31, 2021, compared to $6.4 million in the three months ended July 31, 2020.
- Net loss was $35.4 million in the six months ended July 31, 2021, compared to $12.5 million in the six months ended July 31, 2020.
- Adjusted EBITDA was negative $11.0 million in the three months ended July 31, 2021, compared to positive $1.2 million in the three months ended July 31, 2020.
- Adjusted EBITDA was negative $11.0 million in the six months ended July 31, 2021, compared to positive $2.7 million in the six months ended July 31, 2020.
- Cash used in operating activities was $6.7 million and $12.2 million for the three and six months ended July 31, 2021, respectively.
- Cash used in operating activities was $2.4 million and $0.5 million for the three and six months ended July 31, 2020, respectively.
- Free cash flow was negative $9.9 million and negative $22.3 million for the three and six months ended July 31, 2021, respectively, compared to negative $6.7 million and negative $7.9 million for the three and six months ended July 31, 2020, respectively.
- Cash and cash equivalents as of July 31, 2021 was $439.9 million, an increase of $221.1 million compared to January 31, 2021, driven primarily by our follow-on offering of common stock, which generated net proceeds of $245.8 million, partially offset by cash used for operating activities, capital expenditures and payments of finance leases and other debt.

For a reconciliation of Adjusted EBITDA to net loss and a reconciliation of free cash flow to cash used in operating activities, and for more information as to how we define and calculate such measures, see the section below titled "Non-GAAP financial measures."

Overview

We are a leading provider of comprehensive software solutions that transform the healthcare experience by engaging patients in their care and enabling healthcare provider organizations to optimize operational efficiency, improve profitability and enhance clinical care and safety. As evidenced in industry survey reports from KLAS, we have been recognized as a leader based on our integration capabilities with healthcare provider organizations, the broad adoption of our patient intake functionalities, our response to the COVID-19 pandemic and by overall client satisfaction. Through the SaaS-based Phreesia Platform, which we refer to as the Phreesia Platform or our Platform, we offer provider clients a robust suite of solutions to manage the patient intake process and an integrated payments solution for secure processing of patient payments. Our Platform also provides life sciences companies with an engagement channel for targeted and direct communication with patients.

We serve an array of healthcare provider organizations of all sizes, ranging from single-specialty practices, which include internal and family medicine, urology, dermatology, and orthopedics, to large, multi-specialty groups and

health systems. Our life sciences revenue is generated from clients in the pharmaceutical, biotechnology and medical device industries.

We derive revenue from (i) subscription fees from healthcare provider organizations for access to the Phreesia Platform and related professional services fees, (ii) payment processing fees based on levels of patient payment volume processed through the Phreesia Platform and (iii) fees from life sciences companies to deliver marketing content to patients using the Phreesia Platform. We have strong visibility into our business as the majority of our revenue is derived from recurring subscription fees and re-occurring payment processing fees.

We market and sell our products and services to provider clients throughout the United States using a direct sales organization. Our demand generation team develops content and identifies prospects that our sales development team researches and qualifies to generate high-grade, actionable sales programs. Our direct sales force executes on these qualified sales programs, partnering with client services to ensure prospects are educated on the breadth of our capabilities and demonstrable value proposition, with the goal of attracting and retaining clients and expanding their use of our Platform over time. Most of our Platform solutions are contracted pursuant to annual, auto-renewing agreements. Our sales typically involve competitive processes and sales cycles have, on average, varied in duration from three months to six months, depending on the size of the potential client. In addition, through Phreesia University (Phreesia's in-house training program), events, client conferences and webinars, we help our provider clients optimize their businesses and, as a result, support client retention.

We also sell products and services to pharmaceutical brands and advertising agencies through our direct sales and marketing teams.

Since our inception, we have not marketed or sold our products internationally. Accordingly, all of our revenue from historical periods has come from the United States, and our current strategy is to continue to focus our sales efforts within the United States.

Our revenue growth has been primarily organic and reflects our significant addition of new provider clients and increased revenue from existing clients. New provider clients are defined as clients that go live in the applicable period and existing provider clients are defined as clients that go live in any period before the applicable period.

Recent developments

COVID-19

The impact of the COVID-19 (a novel strain of coronavirus) pandemic has been widespread and rapidly evolving. Over the last six months, several vaccines for COVID-19 received FDA approval and are currently being administered across the country. We believe COVID-19 may continue to impact the normal operations of our clients, which are primarily healthcare providers. As more individuals are vaccinated, we expect these impacts to be diminished. However, as the pandemic progresses, including through the emergence of new variants and rules regarding immunization, we may experience stricter protocols.

Key Metrics

We regularly review the following key metrics to measure our performance, identify trends affecting our business, formulate financial projections, make strategic business decisions and assess working capital needs.

	Three months ended July 31,		Six months ended July 31,	
Unaudited	**2021**	**2020**	**2021**	**2020**
Key Metrics:				
Provider clients (average over period)	1,987	1,668	1,945	1,650
Average revenue per provider client	$ 19,720	$ 17,360	$ 39,932	$ 34,099

- *Provider clients*. We define provider clients as the average number of healthcare provider organizations that generate revenue each month during the applicable period. In cases where we act as a subcontractor providing white-label services to our partner's clients, we treat the 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 the Phreesia platform.

Additional Information

	Three months ended July 31,		Six months ended July 31,	
Unaudited	**2021**	**2020**	**2021**	**2020**
Patient payment volume (in millions)	$ 696	$ 466	$ 1,397	$ 921
Payment facilitator volume percentage	78 %	82 %	78 %	83 %

- *Patient payment volume*. 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. 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 that we process as a payment facilitator as well as cash and check payments and credit and debit transactions for which Phreesia acts as a gateway to other payment processors.
- *Payment facilitator volume percentage*. We define payment facilitator volume percentage as the volume of credit and debit card patient payment volume that we process as a payment facilitator as a percentage of total patient payment volume. Payment facilitator volume is a major driver of our payment processing revenue.

Components of statements of operations

Revenue

We generate revenue primarily from providing an integrated SaaS-based software and payment platform for the healthcare industry. We derive revenue from subscription fees and related services generated from our provider clients for access to the Phreesia Platform, payment processing fees based on the levels of patient payment volume processed through the Phreesia Platform, and from digital marketing revenue from life sciences companies to reach, educate and communicate with patients when they are most receptive and actively seeking care.

Our total revenue consists of the following:

- *Subscription* and *related services.* We primarily generate subscription fees from our provider clients based on the number of providers that subscribe to and utilize the Phreesia Platform. Our provider clients are typically billed monthly in arrears, though in some instances, provider clients may opt to be billed quarterly or annually in advance. Subscription fees are typically auto-debited from provider clients' accounts every month. As we target and add larger enterprise provider clients, these clients may choose to contract differently than our typical per provider subscription model. To the extent we charge in an alternative manner with larger enterprise provider clients, we expect that such a pricing model will recur and, combined with our per provider subscription fees, will increase as a percentage of our total revenue.
- *Payment processing fees.* We generate revenue from payment processing fees based on the number of transactions and the levels of patient payment volume processed on credit and debit cards on the Phreesia Platform through our payment facilitator model. Payment processing fees are generally calculated as a percentage of the total transaction dollar value processed and/or a fee per transaction. Credit and debit patient payment volume processed through our payment facilitator model represented roughly 78% and 82% of our patient payment volume in the three months ended July 31, 2021 and 2020, respectively. Credit and debit patient payment volume processed through our payment facilitator model represented roughly 78% and 83% of our patient payment volume in the six months ended July 31, 2021 and 2020, 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.

- *Life sciences.* We generate revenue from the sale of digital marketing solutions to life sciences companies. As we expand our provider client base, we increase the number of new patients we can reach to deliver targeted marketing content on behalf of our life sciences clients.

Cost of revenue (excluding depreciation and amortization)

Our cost of revenue primarily consists of personnel costs, including salaries, benefits, bonuses and stock-based compensation for implementation and technical support, and costs to verify insurance eligibility and benefits, infrastructure costs to operate our Platform such as hosting fees and fees paid to various third-party partners for access to their technology.

Payment processing expense

Payment processing expense consists primarily of interchange fees set by payment card networks and that are ultimately paid to the card-issuing financial institution, assessment fees paid to payment card networks, and fees paid to third-party payment processors and gateways. Payment processing expense may increase as a percentage of payment processing revenue if card networks raise pricing for interchange and assessment fees or if we reduce pricing to our clients.

Sales and marketing

Sales and marketing expense consists primarily of personnel costs, including salaries, benefits, bonuses, stock-based compensation and commission costs for our sales and marketing personnel. Sales and marketing expense also includes costs for advertising, promotional and other marketing activities, as well as certain fees paid to various third-party partners for sales and lead generation. Advertising is expensed as incurred.

Research and development

Research and development expense consists of costs to develop our products and services that do not meet the criteria for capitalization as internal-use software. These costs consist primarily of personnel costs, including salaries, benefits, bonuses and stock-based compensation for our development personnel. Research and development expense also includes product management, life sciences analytics costs, third-party partner fees and third-party consulting fees, offset by any internal-use software development cost capitalized during the same period.

General and administrative

General and administrative expense consists primarily of personnel costs, including salaries, benefits, bonuses and stock-based compensation for our executive, finance, legal, security, human resources, information technology and other administrative personnel. General and administrative expense also includes consulting, legal, security, accounting services and allocated overhead. We expect general and administrative expense to continue to increase in absolute dollars as we grow our operations and continue to operate as a public company, although we expect such expense to begin to decline as a percentage of total revenue over time.

Depreciation

Depreciation represents depreciation expense for PhreesiaPads and Arrivals Kiosks, data center and other computer hardware, purchased computer software, furniture and fixtures and leasehold improvements.

Amortization

Amortization primarily represents amortization of our capitalized internal-use software related to the Phreesia Platform as well as amortization of acquired intangible assets.

Other (expense) income, net

Our other expense and income line items consist of the following:

- *Other (expense) income, net*. Other (expense) income, net consists of foreign currency-related gains and losses and other miscellaneous (expense) income.
- *Interest income*. Interest income consists of interest earned on our cash and cash equivalent balances. Interest income has not been material to our operations to date.
- *Interest expense*. Interest expense consists primarily of the interest incurred on our financing obligations as well as amortization of discounts and deferred financing costs.

Provision for income taxes

Based upon our cumulative pre-tax losses in recent years and available evidence, we have determined that it is more likely than not that certain deferred tax assets as of July 31, 2021 will not be realized in the near term. Consequently, we have established a valuation allowance against its deferred tax assets that are not more likely than not to be realized. In future periods, if we conclude we have future taxable income sufficient to recognize the deferred tax assets, we may reduce or eliminate the valuation allowance.

Comparison of results of operations for the three and six months ended July 31, 2021 and 2020

Revenue (in thousands)

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Subscription and related services	$ 22,885	$ 17,129	$ 5,756	34 %
Payment processing fees	16,306	11,828	4,478	38 %
Life sciences	11,816	6,052	5,764	95 %
Total revenue	$ 51,007	$ 35,009	$ 15,998	46 %

- *Subscription and related services*. Our subscription and related services revenue from healthcare organizations increased $5.8 million to $22.9 million for the three months ended July 31, 2021, as compared to $17.1 million for the three months ended July 31, 2020, primarily due to new provider clients added in fiscal 2022 as well as expansion of and cross-selling to existing provider clients.
- *Payment processing fees*. Our revenue from patient payments processed through the Phreesia Platform increased $4.5 million to $16.3 million for the three months ended July 31, 2021, as compared to $11.8 million for the three months ended July 31, 2020. The increase was due to the addition of new provider clients, expansion of existing provider clients, as well as the reduced impact of COVID-19, which had decreased patient visits in the three months ended July 31, 2020.
- *Life sciences.* Our revenue from life science clients for digital marketing increased $5.8 million to $11.8 million for the three months ended July 31, 2021, as compared to $6.1 million for the three months ended July 31, 2020, due to an increase in new digital marketing solutions programs and deeper patient outreach among the existing programs.

	Six months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Subscription and related services	$ 44,704	$ 32,728	$ 11,976	37 %
Payment processing fees	32,950	23,535	9,415	40 %
Life sciences	21,644	12,142	9,502	78 %
Total revenue	$ 99,298	$ 68,405	$ 30,893	45 %

- *Subscription and related services*. Our subscription and related services revenue from healthcare organizations increased $12.0 million to $44.7 million for the six months ended July 31, 2021, as compared to $32.7 million for the six months ended July 31, 2020, primarily due to new provider clients added as well as expansion of and cross-selling to existing provider clients.
- *Payment processing fees*. Our revenue from patient payments processed through the Phreesia Platform increased $9.4 million to $33.0 million for the six months ended July 31, 2021, as compared to $23.5 million for the six months ended July 31, 2020. The increase was due to the addition of new provider clients, expansion of existing provider clients, as well as the reduced impact of COVID-19, which had decreased patient visits in the six months ended July 31, 2020.
- *Life sciences.* Our revenue from life science clients for digital marketing increased $9.5 million to $21.6 million for the six months ended July 31, 2021, as compared to $12.1 million for the six months ended July 31, 2020, due to an increase in new digital marketing solutions programs and deeper patient outreach among the existing programs.

Cost of revenue (excluding depreciation and amortization)

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Cost of revenue (excluding depreciation and amortization)	$ 10,032	$ 5,271	$ 4,761	90 %

Cost of revenue (excluding depreciation and amortization) increased $4.8 million to $10.0 million for the three months ended July 31, 2021, as compared to $5.3 million for the three months ended July 31, 2020. The increase resulted primarily from higher headcount and associated compensation cost as well as increased costs related to the expansion of our data centers, both driven by customer growth.

Stock compensation expense included in cost of revenue was $0.5 million and $0.1 million for the three months ended July 31, 2021 and 2020, respectively.

	Six months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Cost of revenue (excluding depreciation and amortization)	$ 18,566	$ 10,005	$ 8,561	86 %

Cost of revenue (excluding depreciation and amortization) increased $8.6 million to $18.6 million in the six months ended July 31, 2021, as compared to $10.0 million in the six months ended July 31, 2020. The increase resulted primarily from higher headcount and associated compensation cost as well as increased costs related to the expansion of our data centers, both driven by customer growth.

Stock compensation expense included in cost of revenue was $0.9 million and $0.2 million for the six months ended July 31, 2021 and 2020, respectively.

Payment processing expense

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Payment processing expense	$ 9,648	$ 6,747	$ 2,901	43 %

Payment processing expense increased $2.9 million to $9.6 million for the three months ended July 31, 2021, as compared to $6.7 million for the three months ended July 31, 2020. The increase resulted primarily from an increase in patient payments processed through the Phreesia Platform driven by an increase in patient visits over the prior year.

	Six months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Payment processing expense	$ 19,373	$ 13,595	$ 5,778	43 %

Payment processing expense increased $5.8 million to $19.4 million for the six months ended July 31, 2021, as compared to $13.6 million for the six months ended July 31, 2020. The increase resulted primarily from an increase in patient payments processed through the Phreesia Platform driven by an increase in patient visits over the prior year.

Sales and marketing

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Sales and marketing	$ 22,167	$ 10,098	$ 12,069	120 %

Sales and marketing expense increased $12.1 million to $22.2 million for the three months ended July 31, 2021, as compared to $10.1 million for the three months ended July 31, 2020. The increase was primarily attributable to a $10.8 million increase in total compensation and benefits costs driven by the growth in sales and marketing headcount, as well as higher third-party marketing and advertising costs.

Stock compensation expense included in sales and marketing expense was $2.2 million and $0.8 million for the three months ended July 31, 2021 and 2020, respectively.

	Six months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Sales and marketing	$ 37,179	$ 19,532	$ 17,647	90 %

Sales and marketing expense increased $17.6 million to $37.2 million for the six months ended July 31, 2021, as compared to $19.5 million for the six months ended July 31, 2020. The increase was primarily attributable to a $16.2 million increase in total compensation and benefits costs driven by the growth in sales and marketing headcount, as well as higher third-party marketing and advertising costs.

Stock compensation expense included in sales and marketing expense was $3.9 million and $1.5 million for the six months ended July 31, 2021 and 2020, respectively.

Research and development

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Research and development	$ 11,443	$ 5,530	$ 5,913	107 %

Research and development expense increased $5.9 million to $11.4 million for the three months ended July 31, 2021, as compared to $5.5 million for the three months ended July 31, 2020. The increase resulted primarily from a $2.4 million increase in total compensation and benefits costs driven by an increase in headcount to support our product development efforts, a $2.8 million increase in outside services costs, as well as higher software costs.

Stock compensation expense included in research and development expense was $1.1 million and $0.6 million for the three months ended July 31, 2021 and 2020, respectively.

	Six months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Research and development	$ 19,497	$ 10,535	$ 8,962	85 %

Research and development expense increased $9.0 million to $19.5 million for the six months ended July 31, 2021, as compared to $10.5 million for the six months ended July 31, 2020. The increase resulted primarily from a $5.1 million increase in total compensation costs driven by an increase in headcount to support our product development efforts, a $2.9 million increase in outside services costs, as well as higher software costs.

Stock compensation expense included in research and development expense was $2.0 million and $1.0 million for the six months ended July 31, 2021 and 2020, respectively.

General and administrative

	Three months ended July 31,			
(in thousands)	**2021**	**2020**	**$ Change**	**% Change**
General and administrative	$ 16,244	$ 9,631	$ 6,613	69 %

General and administrative expense increased $6.6 million to $16.2 million for the three months ended July 31, 2021, as compared to $9.6 million for the three months ended July 31, 2020. The increase resulted primarily from a $3.7 million increase in total compensation and benefits costs driven by an increase in headcount to support our growth as a public company, a $1.3 million increase in outside services costs, as well as higher costs for software and equipment costs.

Stock compensation expense included in general and administrative expense was $3.4 million and $1.9 million for the three months ended July 31, 2021 and 2020, respectively.

	Six months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
General and administrative	$ 28,915	$ 18,351	$ 10,564	58 %

General and administrative expense increased $10.6 million to $28.9 million for the six months ended July 31, 2021, as compared to $18.4 million for the six months ended July 31, 2020. The increase resulted primarily from a $6.7 million increase in total compensation costs driven by an increase in headcount to support our growth as a public company, a $1.3 million increase in outside services costs, a $1.1 million increase in software costs, as well as higher recruiting costs.

Stock compensation expense included in general and administrative expense was $6.3 million and $3.5 million for the six months ended July 31, 2021 and 2020, respectively.

Depreciation

	Three months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
Depreciation	$ 3,701	$ 2,410	$ 1,291	54 %

Depreciation expense increased $1.3 million to $3.7 million for the three months ended July 31, 2021 as compared to $2.4 million for the three months ended July 31, 2020. The increase was primarily attributable to higher data center equipment depreciation.

	Six months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
Depreciation	$ 6,998	$ 4,678	$ 2,320	50 %

Depreciation expense increased $2.3 million to $7.0 million for the six months ended July 31, 2021 as compared to $4.7 million for the six months ended July 31, 2020. The increase was primarily attributable to higher data center equipment depreciation.

Amortization

	Three months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
Amortization	$ 1,580	$ 1,632	$ (52)	(3) %

Amortization expense remained consistent with prior year at $1.6 million.

	Six months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
Amortization	$ 3,231	$ 2,985	$ 246	8 %

Amortization expense increased $0.2 million to $3.2 million for the six months ended July 31, 2021, as compared to $3.0 million for the six months ended July 31, 2020. The increase was primarily driven by increased amortization of capitalized internal-use software development costs, as well as higher amortization of acquired intangible assets.

Other (expense) income, net

	Three months ended July 31,			
(in thousands)	2021	2020	$ Change	% Change
Other (expense) income, net	$ (90)	$ 424	$ (514)	(121) %

Other (expense) income, net decreased by $0.5 million to expense of $0.1 million for the three months ended July 31, 2021 as compared to income of $0.4 million for the three months ended July 31, 2020, driven by an increase in foreign exchange losses.

(in thousands)	Six months ended July 31, 2021	2020	$ Change	
Other (expense) income, net	$ (24)	$ (291)	$ 267	(92)%

Other (expense) income, net decreased by $0.3 million to expense of less than $0.1 million for the six months ended July 31, 2021 as compared to expense of $0.3 million for the six months ended July 31, 2020, driven by a decrease in foreign exchange losses.

Interest (expense) income, net

(in thousands)	Three months ended July 31, 2021	2020	$ Change	% Change
Interest (expense) income, net	$ (207)	$ (419)	$ 212	(51) %

Interest expense, net decreased $0.2 million to $0.2 million for the three months ended July 31, 2021, as compared to $0.4 million for the three months ended July 31, 2020. The decrease is primarily attributable to lower average debt balances due to repayment of debt with the proceeds of our equity offerings, as well as higher average cash balances.

(in thousands)	Six months ended July 31, 2021	2020	$ Change	% Change
Interest (expense) income, net	$ (445)	$ (739)	$ 294	(40) %

Interest expense, net decreased $0.3 million to $0.4 million for the six months ended July 31, 2021, as compared to $0.7 million for the six months ended July 31, 2020. The decrease is primarily attributable to lower average debt balances due to repayment of debt with the proceeds of our equity offerings, as well as higher average cash balances.

Provision for income taxes

(in thousands)	Three months ended July 31, 2021	2020	$ Change	% Change
Provision for income taxes	$ (288)	$ (66)	$ (222)	336 %

Provision for income taxes increased by $0.2 million to $0.3 million for the three months ended July 31, 2021, as compared $0.1 million for the three months ended July 31, 2020. Provision for income taxes relates primarily to utilization of Canadian net operating loss carryforwards and state income taxes.

(in thousands)	Six months ended July 31, 2021	2020	$ Change	% Change
Provision for income taxes	$ (437)	$ (177)	$ (260)	147 %

Provision for income taxes increased by $0.3 million to $0.4 million for the six months ended July 31, 2021, as compared $0.2 million for the six months ended July 31, 2020. Provision for income taxes relates primarily to utilization of Canadian net operating loss carryforwards and state income taxes.

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 interest expense (income), net, provision for income taxes, depreciation and amortization, and before stock-based compensation expense, change in fair value of contingent consideration liabilities and other expense (income), net.

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 Quarterly Report on Form 10-Q 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; (3) tax payments that may represent a reduction in cash available to us; or (4) interest expense (income), net; 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:

	Three months ended July 31,		Six months ended July 31,	
(in thousands, unaudited)	2021	2020	2021	2020
Net loss	$ (24,393)	$ (6,371)	$ (35,367)	$ (12,483)
Interest expense (income), net	207	419	445	739
Provision for income taxes	288	66	437	177
Depreciation and amortization	5,281	4,042	10,229	7,663
Stock-based compensation expense	7,273	3,428	13,047	6,300
Change in fair value of contingent consideration liabilities	209	—	209	—
Other expense (income), net	90	(424)	24	291
Adjusted EBITDA	$ (11,045)	$ 1,160	$ (10,976)	$ 2,687

We calculate free cash flow as net cash used in operating activities less capitalized internal-use software development costs and purchases of property and equipment.

Additionally, free cash flow is a supplemental measure of our performance that is not required by, or presented in accordance with, GAAP. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business, making strategic investments, partnerships and acquisitions and strengthening our financial position.

The following table presents a reconciliation of free cash flow from net cash used in operating activities, the most directly comparable GAAP financial measure, for each of the periods indicated:

	Three months ended July 31,		Six months ended July 31,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net cash used in operating activities	$ (6,729)	$ (2,423)	$ (12,202)	$ (520)
Less:				
Capitalized internal-use software	(2,107)	(1,577)	(5,023)	(2,737)
Purchases of property and equipment	(1,047)	(2,742)	(5,030)	(4,659)
Free cash flow	$ (9,883)	$ (6,742)	$ (22,255)	$ (7,916)

Liquidity and capital resources

In April 2021, the Company completed a follow-on offering of its Common Stock. In connection with this offering, the Company issued and sold 5,175,000 shares of common stock at an issuance price of $50.00 per share resulting in net proceeds of $245.8 million, after deducting underwriting discounts and commissions.

As of July 31, 2021 and January 31, 2021, we had cash and cash equivalents of $439.9 million and $218.8 million, respectively. Cash and cash equivalents consist of money market accounts and cash on deposit.

We believe that our existing cash and cash equivalents, along with our available financial resources from our credit facility, will be sufficient to meet our needs for at least the next 12 months. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under “Risk factors.”

In the event that additional financing is required from outside sources, we may be unable to raise the funds on acceptable terms, if at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition could be adversely affected.

Silicon Valley Bank facility

In February 2019, we entered into a loan and security agreement with Silicon Valley Bank ("SVB"), (the "First SVB Facility"), which provided for a secured term loan facility and a revolving credit facility. We borrowed $20.0 million as a term loan under the facility during fiscal 2020. On May 5, 2020, the Company entered into a Second Amended and Restated Loan and Security Agreement with SVB (the "Second SVB Facility"), and transferred the outstanding balance on the First SVB Facility Term Loan into revolving credit borrowings under the Second SVB Facility.

The Company repaid the outstanding balance on the Second SVB Facility in January 2021. As of July 31, 2021, the Company has no outstanding balance on the facility and $50.0 million of available borrowings under the facility.

Borrowings under the Second SVB Facility are payable on May 5, 2025 (the "Maturity Date"). Borrowings under the Second SVB Facility bear interest, which is payable monthly, at a floating rate equal to the greater of the bank's prime rate or 4.5%. The interest rate will be reduced if the Company reaches certain defined Second SVB Facility Adjusted EBITDA levels. As of July 31, 2021, the interest rate on the Second SVB Facility was 4.5%. In addition to principal and interest due under the Second SVB Facility, the Company is required to pay an annual commitment fee of $0.1 million per year. The first facility fee payment of $0.1 million was paid during the year ended January 31, 2021.

In the event that the Company terminates the Second SVB Facility prior to the Maturity Date, the Company will be required to pay a termination fee equal to $0.2 million plus a percent of total borrowing capacity, both of which are reduced based on the amount of time elapsed before the termination.

Any Company obligations under the Second SVB Facility are secured by a first priority security interest in substantially all of the Company's assets, other than intellectual property. The Second SVB Facility includes a financial covenant that requires the Company to achieve specified levels of Adjusted EBITDA, as defined in the Second SVB Facility. This financial covenant will not be effective if the Company maintains certain levels of liquidity as defined. The Company was in compliance with all covenants related to the Second SVB Facility as of July 31, 2021.

The following table summarizes our sources and uses of cash for the six months ended July 31, 2021 and 2020:

	Six months ended July 31,	
(in thousands)	**2021**	**2020**
Cash used in operating activities	$ (12,202)	$ (520)
Cash used in investing activities	(10,053)	(7,396)
Cash provided by financing activities	243,328	1,800
Net increase (decrease) in cash and cash equivalents	$ 221,073	$ (6,116)

Operating activities

The primary source of cash from operating activities is cash received from our customers. The primary uses of cash for operating activities are for payroll, payments to suppliers and employees, payments for operating leases, as well as cash paid for interest on our borrowings and finance leases and cash paid for various sales, property and income taxes.

During the six months ended July 31, 2021, cash used in operating activities was $12.2 million, as our cash paid to employees and suppliers exceeded our cash received from customers in connection with our normal operations.

During the six months ended July 31, 2020 cash used in operating activities was $0.5 million, as our cash received from customers exceeded cash paid to employees and suppliers in connection with our normal operations.

Investing activities

During the six months ended July 31, 2021, cash used in investing activities was $10.1 million, principally resulting from capital expenditures, the majority of which consisted of $5.0 million of purchases of property and equipment including hardware used by clients and the purchase of data center equipment, as well as capitalized internal-use software costs of $5.0 million.

During the six months ended July 31, 2020, cash used in investing activities was $7.4 million, principally resulting from capital expenditures for purchases of property and equipment of $4.7 million and capitalized internal-use software of $2.7 million.

Financing activities

During the six months ended July 31, 2021, net cash provided by financing activities was $243.3 million, primarily consisting of $245.8 million in proceeds from the April 2021 offering of our common stock, net of underwriters' discounts and commissions, and $3.0 million in proceeds from our equity compensation plans, partially offset by $2.0 million used for treasury stock to satisfy tax withholdings on stock compensation awards, $2.1 million used for principal payments on finance leases, $0.9 million used for principal payments on other debt and $0.4 million used for payments of contingent consideration for acquisitions.

During the six months ended July 31, 2020, net cash provided by financing activities was $1.8 million, consisting of $2.5 million in proceeds from the issuance of common stock upon the exercise of stock options as well as $2.0 million in proceeds from an insurance financing arrangement, partially offset by $1.5 million in finance lease and loan facility fee payments, $0.9 million used to purchase treasury stock and $0.1 million used for third-party debt issuance costs.

Contractual obligations and commitments

Our principal commitments consist of finance lease and operating lease obligations, as well as debt obligations, interest on debt and purchase obligations. During the six months ended July 31, 2021, our finance lease obligations decreased by $0.1 million due to $2.1 million of principal payments offset by $2.0 million of new finance leases. Our

debt obligations decreased due to $0.9 million of principal payments.

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Finance lease obligations	$ 10,078	$ 2,243	$ 7,042	$ 793	$ —
Operating lease obligations	2,646	615	1,979	52	—
Long-term debt obligations	469	166	303	—	—
Interest on long-term debt	31	30	1	—	—
Purchase obligations	284	284	—	—	—
Total	$ 13,508	$ 3,338	$ 9,325	$ 845	$ —

Critical accounting policies and estimates

Our unaudited consolidated financial statements are prepared in accordance with GAAP regarding interim financial reporting. The preparation of our unaudited consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies and estimates during the six months ended July 31, 2021 as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

Recent accounting pronouncements

See Note 3 to our unaudited financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Off-balance sheet arrangements

As of July 31, 2021 and January 31, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and in Canada, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate and foreign exchange risks.

Interest rate risk

Our cash and cash equivalents consist primarily of money market accounts and cash on deposit. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash equivalents have a short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Foreign currency exchange risk

We have foreign currency risks related to our expenses denominated in Canadian dollars, which are subject to fluctuations due to changes in foreign currency exchange rates. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statements of operations. In previous periods, we entered into foreign currency forward contracts as economic hedges to minimize those fluctuations. As of July 31, 2021, no foreign currency forward contracts remain outstanding. To date, foreign currency transaction gains and losses have not been material to our financial statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the date of this Quarterly Report of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms due to the material weakness in internal control over financial reporting, described below. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In light of

the material weakness described below, management performed additional analysis and other procedures to ensure that our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Accordingly, management believes that the consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Material Weakness in Internal Control Over Financial Reporting

In connection with the audit of our financial statements as of and for the fiscal year ended January 31, 2021, we identified a material weakness in our internal control over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We determined that we had a material weakness because we did not maintain effective user access and program change controls. Our controls over user access and program change management were ineffective in that they didn’t adequately restrict user and privileged access and program changes related to certain information technology ("IT") systems that support our financial reporting processes. User and privileged access were not appropriately provisioned and program changes were not adequately reviewed prior to being placed in production. As a result, process level automated controls and manual controls that are dependent on the completeness and accuracy of information derived from the affected IT systems were also ineffective because they could have been adversely impacted. We believe that these control deficiencies were a result of an insufficient number of IT personnel to identify and assess risks associated with changes in IT environments resulting in inappropriate assignment of user and privileged access as well as insufficient documentation for control operations over user access and program change controls. Accordingly, internal controls over our financial statement close process were not designed appropriately to detect a material error in the financial statements in a timely manner.

Management’s Plan to Remediate the Material Weakness

With the oversight of senior management and our audit committee, we have been implementing and will continue to implement measures designed to ensure that the control deficiencies contributing to the material weakness are remediated. The remediation actions include: (i) hiring additional IT personnel including an IT compliance oversight function; (ii) developing enhanced risk assessment policies and procedures and developing and implementing enhanced controls with a focus on those related to user and privileged access and change management over IT systems impacting financial reporting; and (iii) enhancing documentation underlying information technology controls related to user access and change management on systems supporting financial reporting processes. The above remediation will not be considered complete until such time that the controls put in place have a reasonable time to operate and we have been able to test their operating effectiveness. While we are implementing a plan to remediate this material weakness, we cannot predict the success of such plan or the outcome of our assessment of these plans at this time. These improvements to our internal control infrastructure are ongoing, including during the preparation of our financial statements as of the end of the period covered by this report. As such, the remediation initiatives outlined above were not sufficient to fully remediate the material weakness in internal control over financial reporting as discussed above. We are committed to continuing to improve our internal control processes and will continue to diligently review our financial reporting controls and procedures.

Changes in Internal Control Over Financial Reporting

During the second quarter of fiscal 2022, we implemented a new Enterprise Resource Planning system ("ERP"). As a result of this implementation, we modified certain existing internal controls as well as implemented new controls and procedures related to the new ERP.

Except for the changes in connection with our implementation of the remediation plans above and the implementation of the ERP, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of the controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all

control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 11 to the Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference herein.

ITEM 1A. RISK FACTORS

Risk factors

A description of the risks and uncertainties associated with our business and industry is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited financial statements and notes thereto and the "Management's discussion and analysis of financial condition and results of operations" section of this Quarterly Report on Form 10-Q before deciding whether to purchase shares of our common stock. If any of the following risks are realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, perhaps significantly. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operation. Certain statements in this Quarterly Report on Form 10-Q are forward-looking statements. See the section of this Quarterly Report on Form 10-Q titled "Special Note Regarding Forward-Looking Statements."

Risks relating to our business

Business or economic disruptions or global health concerns have harmed and may continue to seriously harm our business and increase our costs and expenses.

Broad-based business or economic disruptions could adversely affect our business. The COVID-19 pandemic has materially changed how we and our customers operate our businesses, including our company's shift to a fully remote work environment. The pandemic has and may continue to materially and adversely impact our business and results of operations due to, among other factors:

- a general decline in business activity, including the impact of our clients' office closures earlier in the pandemic;
- the potential for closures and restrictions to be re-implemented as a result of certain areas continuing to experience renewed outbreaks and surges in infection rates, the emergence of new variants, and difficulties with vaccine distribution;
- a disproportionate impact on the provider clients with whom we contract;
- disruptions to our supply chains and our third-party vendors, partners, and suppliers;
- difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions that could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis;
- the potential negative impact on the health or productivity of employees, especially if a significant number of them are impacted;
- a deterioration in our ability to ensure business continuity during a disruption; and
- social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate.

The continuation of the pandemic could decrease healthcare industry spending, adversely affect demand for our technology and services, cause one or more of our customers to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, affect the ability of our sales team to travel to potential customers and the ability of our professional services teams to conduct in-person services and trainings, impact expected spending from new customers, negatively impact collections of accounts receivable, and harm our business, results of operations, and financial condition.

Market volatility and economic uncertainty remain widespread, making it potentially very difficult for our clients and us to accurately forecast and plan future business activities. During challenging economic times, our clients and patients may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect our revenue. If that were to occur, our financial results could be harmed. Further, challenging economic conditions may impair the ability of our clients to pay for the applications and services they already have purchased from us and, as a result, our write-offs of accounts receivable could increase.

We have grown rapidly in recent periods, and if we fail to manage our growth effectively, our expenses could increase more than expected, our revenue may not increase and we may be unable to implement our business strategy.

We have experienced significant growth in recent periods, which puts strain on our business, operations and employees. We anticipate that our operations will continue to rapidly expand. To manage our current and anticipated future growth effectively, we must continue to maintain and enhance our IT infrastructure, financial and accounting systems and controls and continue to build our qualified work force in key areas of our company. A key element of how we manage our growth is our ability to scale our capabilities and satisfactorily implement our solution for our clients' needs. Our provider clients often require specific features or functions unique to their organizational structure, which, at a time of significant growth or during periods of high demand, may strain our implementation capacity and hinder our ability to successfully implement our solution to our clients in a timely manner. If we are unable to address the needs of our provider clients or our provider clients are unsatisfied with the quality of our solution or services due to our inability to manage our rapid growth, they may not renew their contracts, seek to cancel or terminate their relationship with us or renew on less favorable terms, any of which could adversely affect our business.

Failure to effectively manage our growth could also lead us to over-invest or under-invest in development and operations, result in weaknesses in our infrastructure, systems or controls, give rise to operational mistakes, financial losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. In addition, our growth is expected to require significant capital expenditures and may divert financial resources from other projects such as the development of new applications and services. We may also need to make further investments in our technology and automate portions of our solution or services to decrease our costs. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our revenue may not increase or may grow more slowly than expected and we may be unable to implement our business strategy.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting.

In connection with the audit of our consolidated financial statements as of and for each of the fiscal years ended January 31, 2020 and 2021, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We determined that we had a material weakness for the fiscal year ended January 31, 2020 because we had deficiencies in our internal controls over several areas, including segregation of duties and review and approval of manual journal entries. These deficiencies were partially due to our not maintaining a sufficient complement of

personnel with an appropriate degree of knowledge, experience, and training, commensurate with our accounting and reporting requirements. As a result of the lack of personnel, we had inappropriate segregation of duties throughout several control processes, including the review and approval of manual journal entries. Accordingly, internal controls over our financial statement close process were not designed appropriately to detect a material error in the financial statements in a timely manner.

We believe we made significant progress in remediating the material weakness in accounting personnel and internal controls over the financial statement close process that we identified in fiscal year 2020, during fiscal year 2021, and in the first and second quarters of fiscal 2022. To address our fiscal 2020 material weakness, we have hired and will continue to hire additional accounting personnel and implement process level and management review controls. However, we determined that a portion of the material weakness that we identified in fiscal year 2020 was not resolved by the second quarter of fiscal 2022.

We determined that we continue to have material weakness for the fiscal year ended January 31, 2021 because we did not maintain effective internal control over user and privileged access and program change management. User and privileged access and program changes were not adequately reviewed prior to being placed in production. As a result, process level automated controls and manual controls that are dependent on the completeness and accuracy of information derived from the affected IT systems were also ineffective because they could have been adversely impacted.

To address our material weakness, we have hired and are continuing to hire additional IT personnel including an IT compliance oversight function; we are enhancing risk assessment policies and procedures and developing and implementing enhanced controls with a focus on those related to administrative access and change management over IT systems impacting financial reporting; and we are enhancing documentation underlying information technology controls related to administrative access and change management on systems supporting financial reporting processes. While we intend to implement a plan to remediate the material weakness identified in connection with our fiscal 2021 audit, we cannot predict the success of such plans or the outcome of our assessment of these plans at this time. If our steps are insufficient to successfully remediate the material weaknesses and otherwise establish and maintain an effective system of internal control over financial reporting, the reliability of our financial reporting, investor confidence in us and the value of our common stock could be materially and adversely affected. We can give no assurance that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our consolidated financial statements, causing us to fail to meet our reporting obligations.

Effective internal control over financial reporting is necessary for us to provide reliable and timely financial reports and, together with adequate disclosure controls and procedures, are designed to reasonably detect and prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations.

We have experienced net losses in the past and we may not achieve profitability in the future.

We have incurred significant operating losses since our inception. For the three and six months ended July 31, 2021 and the years ended January 31, 2021 and January 31, 2020, we had net losses of $24.4 million, $35.4 million, $27.3 million, $20.3 million, respectively, and losses from operations of $23.8 million, $34.5 million, $25.7 million and $15.3 million, respectively. Our operating expenses may increase substantially in the foreseeable future as we continue to invest to grow our business and build relationships with our clients and partners, develop the Phreesia Platform, develop new solutions and comply with being a public company. In addition, to the extent we are successful in increasing our client base, we could incur increased losses because significant costs associated with entering into client agreements are generally incurred up front, while revenue is generally recognized ratably over the term of the agreement. As a result, we may need to raise additional capital through equity and debt financings in order to fund our operations. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We typically incur significant upfront costs in our client relationships, and if we are unable to develop or grow these relationships over time, we are unlikely to recover these costs and our operating results may suffer.

We devote significant resources to establish relationships with new clients and deepen relationships with existing clients. Our sales cycle for our services can be variable, typically ranging from three to six months from initial contact to contract execution. However, there is potential for our sales cycle to extend beyond this range as a result of COVID-19. Our efforts involve educating our clients and patients about the use, technical capabilities and benefits of our products and services. We do not provide access to the Platform and do not charge fees during this initial sales period. For clients that decide to enter into a contract with us, some of these contracts may provide for a preliminary trial period where a subset of providers from the client is granted access to our Platform. Following any such trial period, we aim to increase the number of providers within the client that utilize the Platform. Accordingly, our operating results depend in substantial part on our ability to deliver a successful client and patient experience and persuade our clients and patients to grow their relationship with us over time. As we expect to grow rapidly, our client acquisition costs could outpace revenue growth, and we may be unable to reduce our total operating costs through economies of scale such that we are unable to achieve profitability. Any increased or unexpected costs or unanticipated delays, including delays caused by factors outside of our control, could cause our operating results to suffer.

As a result of our variable sales and implementation cycles, we may be unable to recognize revenue to offset expenditures, which could result in fluctuations in our quarterly results of operations or otherwise harm our future operating results.

The sales cycle for our services can be variable, typically ranging from three to six months from initial contact to contract execution. During the sales cycle, we expend time and resources, and we do not recognize any revenue to offset such expenditures. Our implementation cycle is also variable, typically ranging from one to 24 months from contract execution to completion of implementation. The variability of our sales and implementation cycle is dependent on numerous factors, including the size and complexity of the applicable customer. Some of our new-client set-up projects are complex and require a lengthy delay and significant implementation work, including to educate prospective clients about the uses and benefits of our Platform. Each customer's situation is different, and unanticipated difficulties and delays may arise as a result of failure by us or by the client to meet our respective implementation responsibilities. During the implementation cycle, we expend substantial time, effort and financial resources implementing our service, but accounting principles do not allow us to recognize the resulting revenue until the service has been implemented, at which time we begin recognition of subscription and related implementation revenue over the life of the contract. This could harm our future operating results. Despite the fact that we typically require a deposit in advance of implementation for our larger clients, some clients have cancelled before our service has been started. In addition, we may not recognize revenue due to variable contract start dates, and implementation may be delayed or the target dates for completion may be extended into the future for a variety of reasons. If implementation periods are extended, our revenue cycle will be delayed and our financial condition may be adversely affected. In addition, cancellation of any implementation after it has begun may involve loss to us of time, effort and expenses invested in the cancelled implementation process and lost opportunity for implementing paying clients in that same period of time.

These factors may contribute to substantial fluctuations in our quarterly operating results, particularly in the near term and during any period in which our sales volume is relatively low. As a result, in future quarters our operating results could fall below the expectations of securities analysts or investors, in which event our stock price would likely decrease.

The growth of our business relies, in part, on the growth and success of our clients and certain revenues from our engagements, which is difficult to predict and is subject to factors outside of our control.

We enter into agreements with our provider clients, under which a significant portion of our fees are variable, including fees which are dependent upon the number of add-on features to the Phreesia Platform subscribed for by our clients and the number of patients utilizing our payment processing tools. If there is a general reduction in spending by healthcare provider organizations on healthcare technology solutions, it may result in a reduction in fees generated from our provider clients or a reduction in the number of add-on features subscribed for by our provider clients. This could lead to a decrease in our revenue, which could harm our business, financial condition and results of operations.

In addition, the number of patients utilizing our payment processing tools, and the amounts those patients pay to their healthcare providers directly for services, is often impacted by factors outside of our control, such as the number of patients with high deductible health plans. Accordingly, revenue under these agreements can be uncertain and unpredictable. If the number of patients utilizing our payment systems, or the aggregate amounts paid by such patients directly to their healthcare providers through the Phreesia Platform, were to be reduced by a

material amount, such decrease would lead to a decrease in our revenue, which could harm our business, financial condition and results of operations.

We also generate revenue through fees charged to our life sciences clients by delivering targeted messages to patients who opt-in to such communications. These messages enable life sciences companies to engage with patients and deliver relevant, targeted messages at the point when such patients are actively seeking care. The growth of our life sciences revenue stream is driven, in part, by our ability to grow our provider network and available population of patients to target, achieve adequate patient opt-in rates, the number of newly approved drugs and the success of newly launched drugs, each of which is impacted by factors outside of our control. If there is a reduction in newly approved drugs, or newly launched drugs are not successful, this could negatively affect the ability of our life sciences clients to deliver relevant, targeted messages to patients who would have otherwise been candidates to receive such drugs, and accordingly may reduce patient opt-in rates. A reduction in the available population of patients to target or a decline in patient opt-in rates could lead to a decrease in our life sciences revenues, which could harm our business, financial condition and results of operations.

We may face intense competition, including with our partners, as we grow, which could limit our ability to maintain or expand market share within our industry and could adversely impact our business.

The market for our products and services is fragmented, competitive and characterized by rapidly evolving technology standards, client needs and the frequent introduction of new products and services. Our competitors range from smaller niche companies to large, well-financed and technologically-sophisticated entities. As costs fall and technology improves, increased market saturation may change the competitive landscape in favor of competitors with greater scale than we currently possess.

In addition, as we and our partners, including our integration partners for EHR and PM solutions, grow and expand our product offerings, our partners could offer more competitive services. Some of our partners offer, or may begin to offer, services, including patient intake and engagement services, payment processing tools and targeted patient communication services, in the same or similar manner as we do. Although there are many potential opportunities for, and applications of, these services, our partners may seek opportunities or target new clients in areas that may overlap with those that we have chosen to pursue. Such competition from our partners may adversely affect our business and results from operations.

We compete on the basis of several factors, including breadth, depth and quality of product and service offerings, ability to deliver clinical, financial and operational performance improvement through the use of products and services, quality and reliability of services, ease of use and convenience, brand recognition, price and the ability to integrate our Platform solutions with various PM and EHR systems and other technology. Some of our competitors have greater name recognition, longer operating histories and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or client requirements. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their products to the marketplace. Accordingly, new competitors or alliances may emerge that have greater market share, larger client bases, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than we have, which could put us at a competitive disadvantage. We also may be subject to pricing pressures as a result of, among other things, competition within the industry, consolidation of healthcare industry participants, practices of managed care organizations, government action and financial stress experienced by our clients. If our pricing experiences significant downward pressure, our business will be less profitable and our results of operations will be adversely affected. We cannot be certain that we will be able to retain our current clients or expand our client base in this competitive environment. If we do not retain current clients or expand our client base, or if we have to renegotiate existing contracts, our business, financial condition and results of operations will be harmed. Moreover, we expect that competition will continue to increase as a result of consolidation in both the healthcare information technology and healthcare industries. If one or more of our competitors or potential competitors were to merge or partner with another of our competitors, the change in the competitive landscape could also adversely affect our ability to compete effectively and could harm our business, financial condition and results of operations.

If our existing clients are not satisfied with our services, it could have a material adverse effect on our business, financial condition, results of operations and reputation.

We depend on our existing clients' satisfaction with our products and services. We expect to derive a significant portion of our revenue from renewal of existing clients' contracts and sales of additional applications and services to existing clients. As part of our growth strategy, we have recently focused on expanding our services amongst current clients. As a result, achieving a high client retention rate, expanding within clients and selling additional

applications and services are critical to our future business, revenue growth and results of operations. We also believe that maintaining and enhancing our reputation and brand recognition is critical to our relationships with existing clients and the patients that they serve and to our ability to attract new clients. The promotion of our brand may require us to make substantial investments, and we anticipate that, as our market becomes increasingly competitive, these marketing initiatives may become increasingly difficult and expensive. In addition, the loss or dissatisfaction of any client could substantially harm our brand and reputation, inhibit widespread adoption of our solution and impair our ability to attract new clients.

Factors that may affect our client satisfaction and our ability to sell additional applications and services include, but are not limited to, the following:

- the price, performance and functionality of our Platform;
- patient acceptance and adoption of services and utilization of our payment processing tools;
- the availability, price, performance and functionality of competing solutions;
- our ability to develop and sell complimentary applications and services;
- the stability, performance and security of our hosting infrastructure and hosting services;
- changes in healthcare laws, regulations or trends;
- the business environment of our clients; and
- our ability to maintain and enhance our reputation and brand recognition.

We typically enter into annual contracts with our clients, which have a stated initial term of one year and automatically renew for one-year subsequent terms. Most of our clients have no obligation to renew their subscriptions for our Platform solution after the initial term expires. In addition, our clients may negotiate terms less advantageous to us upon renewal, which may reduce our revenue from these clients and may decrease our annual revenue. If our clients fail to renew their contracts, renew their contracts upon less favorable terms or at lower fee levels or fail to purchase new products and services from us, our revenue may decline or our future revenue growth may be constrained. Should any of our clients terminate their relationship with us after implementation has begun, we would not only lose our time, effort and resources invested in that implementation, but we would also have lost the opportunity to leverage those resources to build a relationship with other clients over that same period of time.

If the estimates and assumptions we use to determine the size of our target market are inaccurate, our future growth rate may be impacted and our business would be harmed.

Market estimates and growth forecasts that we disclose are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts relating to the size and expected growth of the market for our services may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all. Accordingly, any forecasts of market growth that we disclose should not be taken as indicative of our future growth.

The principal assumptions relating to our market opportunity include the number of healthcare providers currently taking appointments, the amount of annual out of pocket consumer spend for healthcare-related services, and the amount of annual spend by life sciences companies on digital patient engagement at the point of care. Our market opportunity is also based on the assumption that the strategic approach that our solution enables for our potential clients will be more attractive than competing solutions.

If these assumptions prove inaccurate, our business, financial condition and results of operations could be adversely affected.

If we experience interruptions or failure of our information technology and communication systems or we cannot implement our solution for clients or resolve any technical issues in a timely manner, we may lose clients and our reputation may be harmed.

Our clients utilize a variety of data formats, applications and infrastructure and our solution must support our clients' data formats. Furthermore, the healthcare industry has shifted towards digitalized record keeping, and accordingly, many of our provider clients have developed their own software, or utilize third-party software, for practice management and secure storage of electronic medical records. Our ability to develop and maintain logic-based and scalable technology for patient intake management and engagement and payment processing that successfully integrates with our clients' software systems for practice management and storage of electronic medical records is critical. If our Platform does not currently support a client's required data format or appropriately integrate with clients' systems, then we must configure our Platform to do so, which could increase our expenses. Additionally, we do not control our clients' implementation schedules. As a result, if our clients do not allocate the internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the

implementation may be delayed. If the client implementation process is not executed successfully or if execution is delayed, we could incur significant costs, clients could become dissatisfied and decide not to increase utilization of our solution or not to implement our solution beyond an initial period prior to their term commitment or, in some cases, revenue recognition could be delayed. In addition, competitors with more efficient operating models with lower implementation costs could jeopardize our client relationships.

Our clients and patients depend on our support services to resolve any technical issues relating to our solution and services, and we may be unable to respond quickly enough to accommodate short-term increases in demand for support services, particularly as we increase the size of our client bases (including healthcare provider organizations and the number of patients that they serve). We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict client and patient demand for technical support services, and if client or patient demand increases significantly, we may be unable to provide satisfactory support services to our clients. Further, if we are unable to address the needs of our clients and their patients in a timely fashion or further develop and enhance our solution, or if a client or patient is not satisfied with the quality of work performed by us or with the technical support services rendered, then we could incur additional costs to address the situation or be required to issue credits or refunds for amounts related to unused services, and our profitability may be impaired and clients' or patients' dissatisfaction with our solution could damage our ability to expand the number of applications and services purchased by such clients. These clients may not renew their contracts, seek to terminate their relationship with us or renew on less favorable terms. Moreover, negative publicity related to our client and patient relationships, regardless of its accuracy, may further damage our business by affecting our reputation or ability to compete for new business with current and prospective clients. If any of these were to occur, our revenue may decline and our business, financial condition and results of operations could be adversely affected.

We historically derive a significant portion of our revenues from our largest clients.

Historically, we have relied on a limited number of clients for a substantial portion of our total revenue and accounts receivable. The sudden loss of any of our larger clients, or the renegotiation of any of their contracts on less favorable terms, could adversely affect our operating results. Because we rely on a limited number of clients for a significant portion of our revenues, we depend on the creditworthiness of these clients. If the financial condition of our larger clients declines, our credit risk could increase. Should one or more of our significant clients declare bankruptcy, it could adversely affect the collectability of our accounts receivable and affect our bad debt reserves and net income.

We depend on our senior management team and certain key employees, and the loss of one or more of our executive officers or key employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our success depends, in part, on the skills, working relationships and continued services of our founders, Chaim Indig (Chief Executive Officer) and Evan Roberts (Chief Operating Officer), and senior management team and other key personnel. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. The departure and replacement of one or more of our executive officers or other key employees would likely involve significant time and costs, may significantly delay or prevent the achievement of our business objectives and could materially harm our business.
In addition, we must attract, train and retain a significant number of highly skilled employees, including sales and marketing personnel, client support personnel, professional services personnel, software engineers, technical personnel and management personnel, and the availability of such personnel, in particular software engineers, may be constrained. We also believe that our future growth will depend on the continued development of our direct sales force and its ability to obtain new clients and to manage our existing client base. If we are unable to hire and develop sufficient numbers of productive direct sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, sales of our services will suffer and our growth will be impeded.

Competition for qualified management and employees in our industry is intense, and identifying and recruiting qualified personnel and training them requires significant time, expense and attention. Many of the companies with which we compete for personnel have greater financial and other resources than we do. While we have entered into offer letters or employment agreements with certain of our executive officers, all of our employees are "at-will" employees, and their employment can be terminated by us or them at any time, for any reason and without notice, subject, in certain cases, to severance payment rights. The departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to hire other personnel to manage and operate our

business, and there can be no assurance that we would be able to employ a suitable replacement for the departing individual, or that a replacement could be hired on terms that are favorable to us.

We may make future acquisitions and investments which may be difficult to integrate, divert management resources, result in unanticipated costs or dilute our stockholders.

We have in the past acquired, and we may in the future acquire or invest in, businesses, products or technologies that we believe could complement or expand our products and services, enhance our technical capabilities or otherwise offer growth opportunities.

There are inherent risks in integrating and managing acquisitions, and the pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses related to identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. We cannot assure you that we will realize the anticipated benefits of these or any future acquisitions. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including, without limitation:

- difficulty integrating the purchased operations, products or technologies and maintaining the quality and security standards consistent with our brand;
- the need to integrate or implement additional controls, procedures and policies;
- unanticipated costs or liabilities associated with the acquisition;
- our inability to comply with the regulatory requirements applicable to the acquired business;
- substantial unanticipated integration costs;
- assimilation of the acquired businesses, which may divert significant management attention and financial resources from our other operations and could disrupt our ongoing business;
- use of substantial portions of our available cash or the incurrence of debt to consummate the acquisition;
- the loss of key employees, particularly those of the acquired operations;
- difficulty retaining or developing the acquired business' customers;
- adverse effects on our existing business relationships;
- failure to realize the potential cost savings or other financial benefits or the strategic benefits of the acquisitions, including failure to consummate any proposed or contemplated transaction; and
- liabilities from the acquired businesses for infringement of intellectual property rights or other claims and failure to obtain indemnification for such liabilities or claims.

Acquisitions also increase the risk of unforeseen legal liability, including for potential violations of applicable law or industry rules and regulations, arising from prior or ongoing acts or omissions by the acquired businesses which are not discovered by due diligence during the acquisition process. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our business, results of operations or financial condition. Even if we are successful in completing and integrating an acquired business, the acquired business may not perform as we expect or enhance the value of our business as a whole.

Certain of our operating results and financial metrics, including the key metrics included in this report, may be difficult to predict as a result of seasonality.

We believe there are significant seasonal factors that may cause us to record higher revenue in some quarters compared with others. We believe this variability is largely due to our focus on the healthcare industry. For example, with respect to our provider clients, we receive a disproportionate increase in payment processing revenue from such clients during the first two to three months of the calendar year relative to the other months of the year, which is driven, in part, by the resetting of patient deductibles at the beginning of each calendar year. Sales for our life sciences solutions are also seasonal, primarily due to the annual spending patterns of our clients. This portion of our sales is usually the highest in the fourth quarter of each calendar year. While we believe we have visibility into the seasonality of our business, our rapid growth rate over the last several years may have made seasonal fluctuations more difficult to detect. If our rate of growth slows over time, seasonal or cyclical variations in our operations may become more pronounced, and our business, results of operations and financial position may be adversely affected.

Our business and growth strategy depend on our ability to maintain and expand a network of provider clients. If we are unable to do so, our future growth would be limited and our business, financial condition and results of operations would be harmed.

Our success is dependent upon our continued ability to maintain a network of qualified provider clients. If we are unable to recruit and retain qualified provider clients, it would have a material adverse effect on our business and ability to grow and would adversely affect our results of operations. In any particular market, healthcare groups and

professionals could demand higher payments or take other actions that could result in higher medical costs, less attractive service for our clients and the patients that they serve or difficulty meeting regulatory or accreditation requirements. Our ability to develop and maintain satisfactory relationships with qualified healthcare groups and professionals also may be negatively impacted by other factors not associated with us, such as changes in Medicare and/or Medicaid reimbursement levels and other pressures on healthcare providers and consolidation activity among hospitals, physician groups and healthcare providers. The failure to maintain or to secure new cost-effective client contracts may result in a loss of or inability to grow our client base, higher costs, healthcare provider network disruptions, less attractive service for our clients and/or difficulty in meeting regulatory or accreditation requirements, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

We operate in a rapidly changing industry. Accordingly, our risk management policies and procedures may not be fully effective to identify, monitor and manage all risks our business encounters. If our policies and procedures are not fully effective or we are not successful in identifying and mitigating all risks to which we are or may be exposed, we may suffer uninsured liability, harm to our reputation or be subject to litigation or regulatory actions that could adversely affect our business, financial condition or results of operations.

Our ability to limit our liabilities by contract or through insurance may be ineffective or insufficient to cover our future liabilities.

We attempt to limit, by contract, our liability for damages arising from our negligence, errors, mistakes or security breaches. Contractual limitations on liability, however, may not be enforceable or may otherwise not provide sufficient protection to us from liability for damages and we are not always able to negotiate meaningful limitations. We maintain liability insurance coverage, including coverage for cyber security and errors and omissions. It is possible, however, that claims could exceed the amount of our applicable insurance coverage, if any, or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. Even if these claims do not result in liability to us, investigating and defending against them could be expensive and time-consuming and could divert management's attention away from our operations. In addition, negative publicity caused by these events may delay market acceptance of our products and services, any of which could materially and adversely affect our reputation and our business.

We may become subject to litigation, which could have a material adverse effect on our business, financial condition and results of operations.

We may become subject to litigation in the future. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which we are not, or cannot be, insured against. We generally intend to defend ourselves vigorously; however, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having a material adverse effect on our business, financial condition, results of operations, cash flow and per share trading price of our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured and adversely impact our ability to attract directors and officers.

Our operating results have in the past and may continue to fluctuate significantly and if we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.

Our operating results are likely to fluctuate, and if we fail to meet or exceed the expectations of securities analysts or investors, the trading price of our common stock could decline. Moreover, our stock price may be based on

expectations of our future performance that may be unrealistic or that may not be met. Some of the important factors that could cause our revenues and operating results to fluctuate from quarter to quarter include:

- the extent to which our services achieve or maintain market acceptance;
- our ability to introduce new services and enhancements to our existing services on a timely basis;
- new competitors and the introduction of enhanced products and services from new or existing competitors;
- the length of our contracting and implementation cycles;
- the financial condition of our current and potential clients;
- the ability of our Platform to integrate with the systems, including EHR and PM systems, utilized by our provider clients;
- changes in client budgets and procurement policies;
- amount and timing of our investment in research and development activities;
- technical difficulties or interruptions in our services;
- our ability to hire and retain qualified personnel, including the rate of expansion of our sales force;
- changes in the regulatory environment related to healthcare;
- regulatory compliance costs;
- the timing, size and integration success of potential future acquisitions; and
- unforeseen legal expenses, including litigation and settlement costs.

Many of these factors are not within our control, and the occurrence of one or more of them might cause our operating results to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenues and operating results may not be meaningful and should not be relied upon as an indication of future performance.

A significant portion of our operating expense is relatively fixed in nature and planned expenditures are based in part on expectations regarding future revenue. Accordingly, unexpected revenue shortfalls may decrease our margins and could cause significant changes in our operating results from quarter to quarter.

Risks relating to our payments business

Our payments platform is a core element of our business. If our payments platform is limited, restricted, curtailed or degraded in any way, or if we fail to continue to grow and develop our payments platform, our business may be materially and adversely affected.

Our payments platform is a core element of our business. For the fiscal year ended January 31, 2021, our payments platform generated 34% of our total revenue. Our future success depends in large part on the continued growth and development of our payments platform. If such activities are limited, restricted, curtailed or degraded in any way, or if we fail to continue to grow and develop our payments platform, our business may be materially and adversely affected. The utilization of our payment processing tools may be impacted by factors outside of our control, such as disruptions in the in the payment processing industry generally. If the number of patients utilizing our payments platform, or the aggregate amounts paid by such patients directly to their healthcare providers through our payments platform, were to be reduced as a result of disruptions in the payment processing industry, it could result in a decrease to our revenue, which could harm our business, financial condition and results of operations.

The continued growth and development of our payment processing activities will also depend on our ability to anticipate and adapt to changes in client behavior. Any failure to timely integrate emerging payment methods (e.g. ApplePay or Bitcoin) into our software, anticipate client behavior changes, or contract with payment processing partners that support such emerging payment technologies could cause us to lose traction among our clients, resulting in a corresponding loss of revenue, in the event such methods become popular among their customers.

Increases in card network fees and other changes to fee arrangements may result in the loss of clients who use our payment processing services or a reduction in our earnings.

From time to time, card networks, including Visa, MasterCard, American Express and Discover, increase the fees that they charge acquirers, which would be passed down to processors, payment facilitators and merchants. We could attempt to pass these increases along to our clients, but this strategy might result in the loss of clients to competitors who do not pass along the increases. If competitive practices prevent us from passing along the higher fees to our clients in the future, we may have to absorb all or a portion of such increases, which may increase our operating costs and reduce our earnings.

If we fail to comply with the applicable requirements of card networks, they could seek to fine us, suspend us or terminate our payment facilitator status. If our clients or sales partners incur fines or penalties that we cannot collect from them, we may have to bear the cost of such fines or penalties.

We provide a payments solution for the secure processing of patient payments. Our payment processing tools can connect to multiple clearinghouses and can also connect directly with patients. We have developed partnerships with primary credit card processors in the United States to facilitate payment processing, and we are registered with Visa, MasterCard, American Express, Discover and other card networks as service providers for acquiring member institutions. These card networks set the operating rules and standards with which we must comply. The termination of our status as a certified service provider, a decision by the card networks to exclude payment facilitators or bar us from serving as such, or any changes in network rules or standards, including interpretation and implementation of the operating rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our clients or partners, could adversely affect our business, financial condition or results of operations.

As such, we and our clients are subject to card network rules that could subject us or our clients to a variety of fines or penalties that may be levied by card networks for certain acts or omissions by us. The rules of card networks are set by their boards, which may be influenced by card issuers. Many banks directly or indirectly sell processing services to clients in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members including our businesses. If a client or sales partner fails to comply with the applicable requirements of card networks, it could be subject to a variety of fines or penalties that may be levied by card networks. If we cannot collect processing fees from the applicable client, we may have to bear the cost of such fines or penalties, resulting in lower earnings for us. The termination of our registration, including a card network barring us from acting as a payment facilitator, or any changes in card network rules that would impair our registration, could require us to stop providing payment processing services relating to the affected card network, which would adversely affect our ability to conduct our business.

Changes in laws and regulations relating to interchange fees on payment card transactions would adversely affect our revenue and results of operations.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") known as the Durbin Amendment empowered the Federal Reserve Board, ("FRB"), to establish and regulate a cap on the interchange fees that merchants pay banks for electronic clearing of debit card transactions. The final rule implementing the Durbin Amendment established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions, and it established a maximum permissible interchange fee that an issuer may receive for an electronic debit transaction, limiting the fee revenue to debit card issuers and payment processors. HSA-linked payment cards are currently exempt from the rule, assuming the card is the only means of access to the underlying funds (except when all remaining funds are provided to the cardholder in a single transaction). The FRB is empowered to issue amendments to the rule, or a state or federal legislative body could enact new legislation, which could change the scope of the current rule and the basis upon which interchange rate caps are calculated. To the extent that HSA-linked payment cards and other exempt payment cards used on our Platform (or their issuing banks) lose their exempt status under the current rules or if the current interchange rate caps applicable to other payment cards used on our Platform are increased, any such amendment, rule making, or legislation could impact interchange rates applicable to payment card transactions processed through our Platform. As a result, this could decrease our revenue and profit and could have a material adverse effect on our financial condition and results of operations.

Risk related to our data and intellectual property

Privacy concerns or security breaches relating to our Platform could result in economic loss, damage to our reputation, deterring users from using our products, and our exposure to legal penalties and liability.

We collect, process and store significant amounts of data concerning our clients, including data pertaining to personally identifiable information, such as payment data and protected health information, of patients received in connection with the utilization of our Platform by patients of our healthcare provider and life sciences clients. While we have taken reasonable steps to protect such data, techniques used to gain unauthorized access to data and systems, disable or degrade service, or sabotage systems, are constantly evolving, and we may be unable to anticipate such techniques or implement adequate preventative measures to avoid unauthorized access or other adverse impacts to such data or our systems.

We may be subject to state laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA. Furthermore, certain health privacy laws, data breach notification laws, consumer protection laws and genetic testing laws may apply directly to our business and/or those of our collaborators and may impose restrictions on our collection, use and dissemination of individuals' health information. Patients about whom we obtain health information, as well as the providers who share this information with us, may have statutory or contractual rights that limit our ability to use and disclose the information. We may be required to expend significant capital and other resources to ensure ongoing compliance with applicable privacy and data security laws. Claims that we have violated individuals' privacy rights or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Like all internet services, our service is vulnerable to software bugs, computer viruses, internet worms, break-ins, phishing attacks, attempts to overload servers with denial-of-service, or other attacks or similar disruptions from unauthorized use of our and third-party computer systems, any of which could lead to system interruptions, delays, or shutdowns, causing loss of critical data or the unauthorized access of data. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security and availability of our products, or failure to prevent software bugs, to the satisfaction of our clients or the health and safety of their patients, such events may harm our reputation and our ability to retain existing clients, and negatively affect our clients and their patients. We have in place systems and processes that are designed to protect our data, prevent data loss, disable undesirable accounts and activities on our Platform and prevent or detect security breaches, we cannot assure you that such measures will provide absolute security. If an actual or perceived breach of security occurs to our systems or a third party's systems, we also could be required to expend significant resources to mitigate the breach of security, pay any applicable fines and to address matters related to any such breach, including notifying users or regulators.

We are subject to data privacy and security laws and regulations governing our collection, use, disclosure, or storage of personally identifiable information, including protected health information and payment card data, which may impose restrictions on us and our operations and subject us to penalties if we are unable to fully comply with such laws.

Numerous federal and state laws and regulations govern the collection, use, disclosure, storage and transmission of personally identifiable information, including protected health information. These laws and regulations, including their interpretation by governmental agencies, are subject to frequent change and could have a negative impact on our business. In addition, in the future, industry requirements or guidance, contractual obligations, and/or legislation at both the federal and the state level may limit, forbid or regulate the use or transmission of health information outside of the United States. These developments, if adopted, could render our use of Canadian employees for work related to such data impracticable or substantially more expensive.

We are a "Business Associate" as defined under the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") and their implementing regulations, collectively referred to as HIPAA. The U.S. Department of Health and Human Services, ("HHS"), Office of Civil Rights, ("OCR"), may impose civil penalties on a Business Associate for a failure to comply with any HIPAA requirement. The U.S. Department of Justice (the "DOJ") is responsible for criminal prosecutions under HIPAA. A Business Associate can also face criminal penalties for HIPAA violations. Penalties can vary significantly depending on a number of factors, such as whether the Business Associate's failure to comply was due to willful neglect. State attorneys general also have the right to prosecute HIPAA violations committed against residents of their states. While HIPAA does not create a private right of action that would allow individuals to sue in civil court for HIPAA violations, its standards have been used as the basis for the duty of care in state civil suits, such as those for recklessness in misusing individuals' health information.

Other federal and state laws restrict the use and protect the privacy and security of personally identifiable information are, in many cases, not preempted by HIPAA and may be subject to varying interpretations by the courts and government agencies. These varying interpretations can create complex compliance issues for us and our partners and potentially expose us to additional expense, adverse publicity and liability, any of which could adversely affect our business.

Federal and state consumer protection laws are increasingly being applied by the United States Federal Trade Commission ("FTC") and states' attorneys general to regulate the collection, use, storage and disclosure of personal or personally identifiable information, through websites or otherwise, and to regulate the presentation of website content.

The security measures that we and our third-party vendors and subcontractors have in place to ensure compliance with privacy and data protection laws may not protect our facilities and systems from security breaches, acts of vandalism or theft, computer viruses, misplaced or lost data, programming and human errors or other similar events. Under the HITECH Act, as a Business Associate we may also be liable for privacy and security breaches and failures of our subcontractors. Even though we provide for appropriate protections through our agreements with our subcontractors, we still have limited control over their actions and practices. A breach of privacy or security of individually identifiable health information by a subcontractor may result in an enforcement action, including criminal and civil liability, against us. We are not able to predict the extent of the impact such incidents may have on our business. Our failure to comply may result in criminal and civil liability because the potential for enforcement action against Business Associates is now greater. Enforcement actions against us could be costly and could interrupt regular operations, which may adversely affect our business. While we have not received any notices of violation of the applicable privacy and data protection laws and believe we are in compliance with such laws, there can be no assurance that we will not receive such notices in the future.

There is ongoing concern from privacy advocates, regulators and others regarding data privacy and security issues, and the number of jurisdictions with data privacy and security laws has been increasing. Also, there are ongoing public policy discussions regarding whether the standards for de-identification, anonymization or pseudonymization of health information are sufficient, and the risk of re-identification sufficiently small, to adequately protect patient privacy. We expect that there will continue to be new proposed and amended laws, regulations and industry standards concerning privacy, data protection and information security in the United States, such as the California Consumer Privacy Act ("CCPA") which went into effect on January 1, 2020 and has been amended several times. Further, a new California privacy law, the California Privacy Rights Act ("CPRA") was passed by California voters on November 3, 2020. The CPRA will create additional obligations with respect to processing and storing personal information that are scheduled to take effect on January 1, 2020 (with certain provisions having retroactive effect to January 1, 2022). Other U.S. states also are considering omnibus privacy legislation and industry organizations regularly adopt and advocate for new standards in these areas. While the CCPA and CRA contain exceptions for certain activities involving PHI under HIPAA, we cannot yet determine the impact the CCPA, CRA or other such future laws, regulations and standards may have on our business. Other U.S. states also are considering omnibus privacy legislation and industry organizations regularly adopt and advocate for new standards in these areas. While the CCPA contains an exception for certain activities involving PHI under HIPAA, we cannot yet determine the impact the CCPA or other such future laws, regulations and standards may have on our business.

Future laws, regulations, standards, obligations amendments, and changes in the interpretation of existing laws, regulations, standards and obligations could impair our or our clients' ability to collect, use or disclose information relating to consumers, which could decrease demand for our Platform, increase our costs and impair our ability to maintain and grow our client base and increase our revenue. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards and contractual obligations could impair our or our customers' ability to collect, use or disclose information relating to patients or consumers, which could decrease demand for our platform offerings, increase our costs and impair our ability to maintain and grow our client base and increase our revenue. Accordingly, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our software or platform and otherwise adapt to these changes.

In addition to government regulation and the securities laws, we are subject to self-regulatory standards and industry certifications that may legally or contractually apply to us. These include the Payment Card Industry Data Security Standards ("PCI-DSS") and Security Organization Control 2 ("SOC 2"), with which we are currently compliant. In the event we fail to comply with the PCI-DSS or fail to maintain our Security Organization Control 2 or receive recertification from HITRUST, we could be in breach of our obligations under customer and other contracts, fines and other penalties could result, and we may suffer reputational harm and damage to our business. Further, our clients may expect us to comply with more stringent privacy and data security requirements than those imposed by laws, regulations or self-regulatory requirements, and we may be obligated contractually to comply with additional or different standards relating to our handling or protection of data.

Any failure or perceived failure by us to comply with federal or state laws or regulations, industry standards or other legal obligations, or any actual or suspected privacy or security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personally identifiable information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our clients to lose trust in us, which could have an adverse effect on our reputation and business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited. Any of these developments could harm our business, financial condition and results of operations. Privacy and data security concerns, whether valid or not valid, may

inhibit retention of our Platform by existing clients or adoption of our Platform by new clients.

If our intellectual property is not adequately protected, we may not be able to build name recognition, protect our technology and products, and our business may be adversely affected.

Our business depends on proprietary technology and content, including software, databases, confidential information and know-how, the protection of which is crucial to the success of our business. We rely on a combination of trademark, trade-secret and copyright laws, confidentiality procedures and contractual provisions to protect our intellectual property rights in our proprietary technology, content and brand. We are pursuing the registration of our trademarks and service marks in the United States. We may, over time, increase our investment in protecting our intellectual property through additional trademark, patent and other intellectual property filings that could be expensive and time-consuming. Effective trademark, trade-secret and copyright protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. These measures, however, may not be sufficient to offer us meaningful protection. If we are unable to protect our intellectual property and other proprietary rights, our brand, competitive position and business could be harmed, as third parties may be able to dilute our brand or commercialize and use technologies and software products that are substantially the same as ours without incurring the development and licensing costs that we have incurred. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated, our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties, or our intellectual property rights may not be sufficient to permit us to take advantage of current market trends or otherwise provide us with competitive advantages, which could result in costly redesign efforts, discontinuance of certain offerings or other competitive harm.

Monitoring unauthorized use of our intellectual property is difficult and costly. From time to time, we seek to analyze our competitors' products and services, and may in the future seek to enforce our rights against potential infringement. However, the steps we have taken to protect our proprietary rights may not be adequate to prevent infringement or misappropriation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Any inability to meaningfully protect our intellectual property rights could result in harm to our brand or our ability to compete and reduce demand for our technology and products. Moreover, our failure to develop and properly manage new intellectual property could adversely affect our market positions and business opportunities. Also, some of our products and services rely on technologies and software developed by or licensed from third parties. Any disruption or disturbance in such third-party products or services, which we have experienced in the past, could interrupt the operation of our Platform. We may not be able to maintain our relationships with such third parties or enter into similar relationships in the future on reasonable terms or at all.

We may also be required to protect our proprietary technology and content in an increasing number of jurisdictions, a process that is expensive and may not be successful, or which we may not pursue in every location. In addition, effective intellectual property protection may not be available to us in every country, and the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States and elsewhere, and from interpretations of intellectual property laws by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to obtain and maintain the intellectual property rights necessary to provide us with a competitive advantage. Our failure to obtain, maintain and enforce our intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

Our use of "open source" software could adversely affect our ability to offer our services and subject us to possible litigation.

We may use open source software in connection with our products and services. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the use of open source software and/or compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or claiming noncompliance with open source licensing terms. Some open source software licenses require users who distribute software containing open source software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code, which could include valuable proprietary code of the user, on unfavorable terms or at no cost. While we monitor the use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract could have a material adverse effect on our business, financial condition and results of operations and could help our

competitors develop products and services that are similar to or better than ours.

Any restrictions on our use of, or ability to license, data, or our failure to license data and integrate third-party technologies, could have a material adverse effect on our business, financial condition and results of operations.

We depend upon licenses from third parties for some of the technology and data used in our applications, and for some of the technology platforms upon which these applications are built and operate. We expect that we may need to obtain additional licenses from third parties in the future in connection with the development of our products and services. In addition, we obtain a portion of the data that we use from government entities, public records and our partners for specific partner engagements. We believe that we have all rights necessary to use the data that is incorporated into our products and services. However, we cannot assure you that our licenses for information will allow us to use that information for all potential or contemplated applications and products. In addition, certain of our products depend on maintaining our data and analytics platform, which is populated with data disclosed to us by healthcare providers, life sciences companies and their respective patients and other partners with their consent. If these clients, patients or partners revoke their consent for us to maintain, use, de-identify and share this data, consistent with applicable law, our data assets could be degraded.

In the future, data providers could withdraw their data from us or restrict our usage for any reason, including if there is a competitive reason to do so, if legislation is passed restricting the use of the data or if judicial interpretations are issued restricting use of the data that we currently use in our products and services. In addition, data providers could fail to adhere to our quality control standards in the future, causing us to incur additional expense to appropriately utilize the data. If a substantial number of data providers were to withdraw or restrict their data, or if they fail to adhere to our quality control standards, and if we are unable to identify and contract with suitable alternative data suppliers and integrate these data sources into our service offerings, our ability to provide products and services to our partners would be materially adversely impacted, which could have a material adverse effect on our business, financial condition and results of operations.

We also integrate into our proprietary applications and use third-party software to maintain and enhance, among other things, content generation and delivery, and to support our technology infrastructure. Some of this software is proprietary and some is open source software. Our use of third-party technologies and open source software exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs. These technologies may not be available to us in the future on commercially reasonable terms or at all and could be difficult to replace once integrated into our own proprietary applications. Most of these licenses can be renewed only by mutual consent and may be terminated if we breach the terms of the license and fail to cure the breach within a specified period of time. Our inability to obtain, maintain or comply with any of these licenses could delay development until equivalent technology can be identified, licensed and integrated, which would harm our business, financial condition and results of operations.

Most of our third-party licenses are non-exclusive and our competitors may obtain the right to use any of the technology covered by these licenses to compete directly with us. If our data suppliers choose to discontinue support of the licensed technology in the future, we might not be able to modify or adapt our own solutions.

Third parties may initiate legal proceedings alleging that we are infringing or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on our business, financial condition and results of operations.

Our commercial success depends on our ability to develop and commercialize our services and use our proprietary technology without infringing the intellectual property or proprietary rights of third parties. Intellectual property disputes can be costly to defend and may cause our business, operating results and financial condition to suffer. As the market for healthcare in the United States expands and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we must challenge to continue our operations as currently contemplated. Whether merited or not, we may face allegations that we, our partners, our licensees or parties indemnified by us have infringed or otherwise violated the patents, trademarks, copyrights or other intellectual property rights of third parties. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. We may also face allegations that our employees have misappropriated the intellectual property or proprietary rights of their former employers or other third parties. It

may be necessary for us to initiate litigation to defend ourselves in order to determine the scope, enforceability and validity of third-party intellectual property or proprietary rights, or to establish our respective rights. Regardless of whether claims that we are infringing patents or other intellectual property rights have merit, such claims can be time-consuming, divert management's attention and financial resources and can be costly to evaluate and defend. Results of any such litigation are difficult to predict and may require us to stop commercializing or using our products or technology, obtain licenses, modify our services and technology while we develop non-infringing substitutes or incur substantial damages, settlement costs or face a temporary or permanent injunction prohibiting us from marketing or providing the affected products and services. If we require a third-party license, it may not be available on reasonable terms or at all, and we may have to pay substantial royalties, upfront fees or grant cross-licenses to intellectual property rights for our products and services. We may also have to redesign our products or services so they do not infringe third-party intellectual property rights, which may not be possible or may require substantial monetary expenditures and time, during which our technology and products may not be available for commercialization or use. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations. If we cannot or do not obtain a third-party license to the infringed technology, license the technology on reasonable terms or obtain similar technology from another source, our revenue and earnings could be adversely impacted.

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business with respect to intellectual property. We are not currently subject to any claims from third parties asserting infringement of their intellectual property rights. Some third parties may be able to sustain the costs of complex litigation more effectively than we can because they have substantially greater resources. Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Moreover, any uncertainties resulting from the initiation and continuation of any legal proceedings could have a material adverse effect on our ability to raise the funds necessary to continue our operations. Assertions by third parties that we violate their intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

Interruption or failure of our information technology and communications systems could impair our ability to effectively deliver our products and services, which could cause us to lose clients and harm our operating results.

Our business depends on the continuing operation of our technology infrastructure and systems. Proprietary software development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles in enhancing our existing software and developing new software, and it is possible that we may discover additional problems that prevent our proprietary applications from operating properly. In addition, any damage to or failure of our existing systems could result in interruptions in our ability to deliver our products and services. Interruptions in our service could reduce our revenue and profits, and our reputation could be damaged if people believe our systems are unreliable.

Our systems and operations are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, break-ins, hardware or software failures, telecommunications failures, computer viruses or other attempts to harm our systems and similar events. Any unscheduled interruption in our service would result in an immediate loss of revenue. Frequent or persistent system failures that result in the unavailability of our Platform or slower response times could reduce our clients' ability to access our Platform, impair our delivery of our products and services and harm the perception of our Platform as reliable, trustworthy and consistent. Our insurance policies provide only limited coverage for service interruptions and may not adequately compensate us for any losses that may occur due to any failures or interruptions in our systems.

If our services fail to provide accurate and timely information, or if our content or any other element of our service is associated with errors or malfunctions, we could have liability to clients, providers or patients which could adversely affect our results of operations.

Our software, content and services are used to assist medical groups, health systems and payers with managing the patient intake process and to empower patients and healthcare organizations as they navigate the challenges of an evolving healthcare system. If our software, content or services fail to provide accurate and timely information or are associated with errors or malfunctions, then clients, providers or patients could assert claims against us that could result in substantial costs to us, harm our reputation in the industry and cause demand for our services to decline.

Our proprietary service is utilized in patient intake and engagement and to help healthcare providers better understand patients through medical histories, insurance benefits and socio-economic indicators. If our service fails to provide accurate and timely information, or if our content or any other element of our service is associated with errors or malfunctions, we could have liability to clients, providers or patients. We attempt to limit by contract our liability for damages and to require that our clients assume responsibility for medical care and approve key system rules, protocols and data. Despite these precautions, the allocations of responsibility and limitations of liability set forth in our contracts may not be enforceable, may not be binding upon patients or may not otherwise protect us from liability for damages.

Our proprietary software may contain errors or failures that are not detected until after the software is introduced or updates and new versions are released. It is challenging for us to test our software for all potential problems because it is difficult to simulate the wide variety of computing environments or methodologies that our clients may deploy or rely upon. From time to time we have discovered defects or errors in our software, and such defects or errors can be expected to appear in the future. Defects and errors that are not timely detected and remedied could expose us to risk of liability to clients, providers and patients and cause delays in introduction of new services, result in increased costs and diversion of development resources, require design modifications or decrease market acceptance or client satisfaction with our services. If any of these risks occur, they could materially adversely affect our business, financial condition or results of operations.

We may be liable for use of incorrect or incomplete data we provide which could harm our business, financial condition and results of operations.

We store and display data for use by healthcare providers in handling patient intake and engagement, including patient health information. Our clients, their patients, or third parties provide us with most of this data. If this data is incorrect or incomplete or if we make mistakes in the capture or input of this data, adverse consequences may occur and give rise to product liability and other claims against us. In addition, a court or government agency may take the position that our storage and display of health information exposes us to liability for wrongful delivery or handling of healthcare services or erroneous health information. While we maintain insurance coverage, we cannot be certain that this coverage will prove to be adequate or will continue to be available on acceptable terms, if at all. Even unsuccessful claims could result in substantial costs and diversion of management resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

Risks related to regulation

The healthcare regulatory and political framework is uncertain and evolving.

Healthcare laws and regulations are rapidly evolving and may change significantly in the future, which could adversely affect our financial condition and results of operations. For example, in March 2010, the Patient Protection and Affordable Care Act ("ACA") was adopted, which is a healthcare reform measure that provides healthcare insurance for approximately 30 million additional Americans. The ACA includes a variety of healthcare reform provisions and requirements that became effective at varying times through 2018 and substantially changes the way healthcare is financed by both governmental and private insurers, which may significantly impact our industry and our business. Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. Various portions of the ACA are currently undergoing legal and constitutional challenges in federal court, including a constitutional challenge in the U.S. Supreme Court, which is expected to rule on the case in Spring 2021. Pending the Supreme Court’s decision, the ACA remains in effect, but it is unclear how this decision, and other efforts to repeal or further modify the ACA, particularly given the new administration, will impact the ACA and our business.

Further, on March 9, 2020, the HHS, Office of the National Coordinator for Health Information Technology ("ONC") and CMS promulgated final rules aimed at supporting seamless and secure access, exchange, and use of electronic health information ("EHI"), by increasing innovation and competition by giving patients and their healthcare providers secure access to health information and new tools, allowing for more choice in care and treatment. The final rules are intended to clarify and operationalize provisions of the 21st Century Cures Act ("Cures Act"), regarding interoperability and “information blocking,” and create significant new requirements for health care industry participants. Information blocking is defined as activity that is likely to interfere with, prevent, or materially discourage access, exchange, or use of EHI, where a health information technology developer, health information network or health information exchange knows or should know that such practice is likely to interfere with access to, exchange or use of EHI. The new rules create significant new requirements for health care industry participants,

and require certain electronic health record technology to incorporate standardized application programming interfaces ("APIs") to allow individuals to securely and easily access structured EHI using smartphone applications. The ONC will also implement provisions of the Cures Act requiring that patients can electronically access all of their EHI (structured and/or unstructured) at no cost. Finally, to further support access and exchange of EHI, the final ONC rule implements the information blocking provisions of the Cures Act and identified eight “reasonable and necessary activities” as exceptions to information blocking activities, as long as specific conditions are met. In light of the COVID-19 public health emergency, on October 29, 2020, HHS released an interim final rule delaying compliance dates for certain aspects of the final rule in light of pressures placed on the healthcare industry by the ongoing COVID-19 pandemic. Additionally, the Biden administration’s moratorium on Trump-era regulations that are not yet effective may further impact this rule. We continue to monitor the impact of these rules and any delays that may take place. However, it is unclear how the Biden administration’s moratorium on Trump-era regulations that are not yet effective may further impact this rule. As currently drafted, certified API Developers must comply with new administrative requirements by April 5, 2021 and must provide all certified API technology by December 31, 2022.

The final CMS rule focuses on patients enrolled in Medicare Advantage plans, Medicaid and Children's Health Insurance Program ("CHIP") fee-for-service programs, Medicaid managed care plans, CHIP managed care entities, and qualified health plans on the federally-facilitated exchanges, and enacts measures to enable patients to have both their clinical and administrative information travel with them. By January 1, 2021, payors had to make patient data dating back to January 1, 2016 available through an APO. As a result of COVID-19 and to provide additional flexibility to payors, CMS will exercise enforcement discretion for a period of six months in connection with the Patient Access API and Provider Directory API provisions of the final CMS rule and therefore will not enforce these new requirements until July 1, 2021.

These rules constitute a significant departure from previous regulations regarding patient data. While these rules may benefit us in that certain EHR vendors will no longer be permitted to interfere with our attempts at integration, they may also make it easier for other similar companies to enter the market, creating increased competition and reducing our market share. It is unclear at this time what the costs of compliance with the final rules will be, and what additional risks there may be to our business.

In addition, we are subject to various other laws and regulations, including, among others, the Stark Law relating to self-referrals, anti-kickback laws, antitrust laws and the privacy and data protection laws described below.

If we or our clients fail to comply with federal and state laws governing submission of false or fraudulent claims to government healthcare programs and financial relationships among healthcare providers, we or our clients may be subject to civil and criminal penalties or loss of eligibility to participate in government healthcare programs.

As a participant in the healthcare industry, our operations and relationships, and those of our clients, are regulated by a number of federal, state and local governmental entities. The impact of these regulations can adversely affect us even though we may not be directly regulated by specific healthcare laws and regulations. We must ensure that our products and services can be used by our clients in a manner that complies with those laws and regulations. Inability of our clients to do so could affect the marketability of our products and services or our compliance with our client contracts, or even expose us to direct liability under the theory that we had assisted our clients in a violation of healthcare laws or regulations.

A number of federal and state laws, including anti-kickback restrictions and laws prohibiting the submission of false or fraudulent claims, apply to healthcare providers and others that make, offer, seek or receive referrals or payments for products or services that may be paid for through any federal or state healthcare program and, in some instances, any private program. For example, the federal Anti-Kickback Statute prohibits any person or entity from offering, paying, soliciting or receiving anything of value, directly or indirectly, covertly or overtly, in cash or in kind, for the referral of patients covered by Medicare, Medicaid and other federal healthcare programs or the leasing, purchasing, ordering or arranging for or recommending the lease, purchase or order of any item, good, facility or service covered by these programs.

On December 2, 2020, the OIG published further modifications to the federal Anti-Kickback Statute in the Federal Register. Under the final rule, the OIG added safe harbor protections under the Anti-Kickback Statute for certain coordinated care and value-based arrangements among clinicians, providers, and others. On the same day, CMS published a final rule that provides a safe harbor for value-based compensation agreements under the Stark Law. However, the U.S. Government Accountability Office ("GAO") found that these final rules did not meet the sixty-day delay required under the Congressional Review Act ("CRA"). Additionally, on January 20, 2021, the Biden administration issued a moratorium on all Trump-era rules that have not yet taken effect. Due to the CRA delay and the Biden administration moratorium, it is not clear when these safe harbors and exceptions will be effective. HIPAA,

as amended by the HITECH Act, and their respective implementing regulations, also impose criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program (including private payers) or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payer (public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity can be found guilty of violating HIPAA without actual knowledge of the statute or specific intent to violate it.

Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. Moreover, both federal and state laws forbid bribery and similar behavior. These laws are complex and their application to our specific services and relationships may not be clear and may be applied to our business in ways that we do not anticipate. Determination by a court or regulatory agency that our services violate these laws could subject us to civil or criminal penalties, could invalidate all or portions of some of our client contracts, could require us to change or terminate some portions of our business, could require us to refund portions of our services fees, could cause us to be disqualified from serving clients doing business with government payers and could have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

There are federal and state laws that forbid the offering or giving of remuneration, which includes, without limitation, any transfer of items or services for free or for less than fair market value (with limited exceptions), in exchange for patient referrals, patient brokering, remuneration of patients or billing based on referrals between individuals and/or entities that have various financial, ownership or other business relationships. In many cases, billing for care arising from such actions is illegal. These limitations can vary widely from state to state, and application of these state laws, the federal anti-inducement law and the Stark Law is very complex. Any determination by a state or federal regulatory agency that any of our clients violate or have violated any of these laws may result in allegations that claims that we have processed or forwarded are improper. This could subject us to civil or criminal penalties, could require us to change or terminate some portions of our business, could require us to refund portions of our services fees and could have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

Federal and state regulatory and law enforcement authorities have recently increased enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other healthcare reimbursement laws and rules. From time to time, participants in the healthcare industry receive inquiries or subpoenas to produce documents in connection with government investigations. We could be required to expend significant time and resources to comply with these requests, and the attention of our management team could be diverted by these efforts. The occurrence of any of these events could give our clients the right to terminate our contracts with us and result in significant harm to our business and financial condition.

These laws and regulations may change rapidly, and it is frequently unclear how they apply to our business. Any failure of our products or services to comply with these laws and regulations could result in substantial civil or criminal liability and could, among other things, adversely affect demand for our services, force us to expend significant capital, research and development and other resources to address the failure, invalidate all or portions of some of our contracts with our clients, require us to change or terminate some portions of our business, require us to refund portions of our revenue, cause us to be disqualified from serving clients doing business with government payers, and give our clients the right to terminate our contracts with them, any one of which could have an adverse effect on our business.

The U.S. Food and Drug Administration may in the future determine that our technology solutions are subject to the Federal Food, Drug, and Cosmetic Act and we may face additional costs and risks as a result.

The FDA may promulgate a policy or regulation that affects our products and services. FDA regulations govern among other things, product development, testing, manufacture, packaging, labeling, storage, clearance or approval, advertising and promotion, sales and distribution and import and export. Non-compliance with applicable FDA requirements can result in, among other things, public warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant marketing approvals, withdrawal of marketing approvals, a recommendation by the FDA to disallow us from entering into government contracts and criminal prosecutions. The FDA also has the authority to request repair, replace or refund of the cost of any device.

Individuals may claim our text messaging services are not compliant with the Telephone Consumer Protection Act.

The Telephone Consumer Protection Act ("TCPA") is a federal statute that protects consumers from unwanted telephone calls and faxes. Since its inception, the TCPA's purview has extended to text messages sent to consumers. We must ensure that our services that leverage text messaging comply with TCPA regulations and agency guidance. While we strive to adhere to strict policies and procedures, the Federal Communications Commission ("FCC") as the agency that implements and enforces the TCPA, may disagree with our interpretation of the TCPA and subject us to penalties and other consequences for noncompliance. Determination by a court or regulatory agency that our services violate the TCPA could subject us to civil penalties, could invalidate all or portions of some of our client contracts, could require us to change or terminate some portions of our business, could require us to refund portions of our services fees, and could have an adverse effect on our business. Even an unsuccessful challenge by consumers or regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

Our employees in Canada are subject to the laws and regulations of the government of Canada and its subdivisions.

Certain of our employees are based in Canada and are subject to additional laws and regulations by the government of Canada, as well as its provinces. These include Canadian federal and local corporation requirements, restrictions on exchange of funds, employment-related laws and qualification for tax status. If we fail to comply with Canadian laws and regulations, or if the government of Canada or its provinces determines that our corporate actions do not comply with applicable Canadian law, we could face sanctions or fines, which could have a material adverse effect on our business.

Risks relating to our dependence on third parties

We rely on a limited number of third-party suppliers and contract manufacturers to support our products, and a loss or degradation in performance of these suppliers and contract manufacturers could have a negative effect on our business, financial condition and results of operations.

We rely on third-party suppliers and contract manufacturers for the materials and components used to operate our Phreesia Platform and product offerings, and to manufacture and assemble our hardware, including the PhreesiaPad and our on-site kiosks, which we refer to as Arrivals Kiosks. We rely on a sole supplier, for example, as the manufacturer of our PhreesiaPads and Arrivals Kiosks, which help drive our business and support our provider, patient processing and life sciences offerings. In connection with these services, our supplier builds new hardware for us and refurbishes and maintains existing hardware.

Any of our other suppliers or third-party contract manufacturers may be unwilling or unable to supply the necessary materials and components or manufacture and assemble our products reliably and at the levels we anticipate or that are required by the market. Our ability to supply our products commercially and to develop any future products depends, in part, on our ability to obtain these materials, components and products in accordance with regulatory requirements and in sufficient quantities for commercialization. If we are required to change contract manufacturers due to any change in or termination of our relationships with these third parties, or if our manufacturers are unable to obtain the materials they need to produce our products at consistent prices or at all, (including, without limitation, because of the effect of tariffs or other trade restrictions), we may lose sales, experience manufacturing or other delays, incur increased costs or otherwise experience impairment to our client relationships. We cannot guarantee that we will be able to establish alternative relationships on similar terms, without delay or at all.

If our third-party suppliers fail to deliver the required quantities of materials on a timely basis and at commercially reasonable prices, and we are unable to find one or more replacement suppliers capable of production at a substantially equivalent cost in substantially equivalent volumes and quality on a timely basis, the supply of our products to clients and the development of any future products will be delayed, limited or prevented, which could have material adverse effect on our business, financial condition and results of operations.

We rely on Internet infrastructure, bandwidth providers, data center providers, other third parties and our own systems for providing services to our clients, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and negatively impact our relationships with clients, adversely affecting our brand and our business.

Our ability to deliver our products and services, particularly our cloud-based solutions, is dependent on the development and maintenance of the infrastructure of the Internet and other telecommunications services by third parties. This includes maintenance of a reliable network connection with the necessary speed, data capacity and security for providing reliable Internet access and services and reliable telephone and facsimile services. Our services are designed to operate without interruption in accordance with our service level commitments.

However, we have experienced limited interruptions in these systems in the past, including server failures that temporarily slow down the performance of our services, and we may experience more significant interruptions in the future. We rely on internal systems as well as third-party suppliers, including bandwidth and telecommunications equipment providers, to provide our services. We do not maintain redundant systems or facilities for some of these services. Interruptions in these systems, whether due to system failures, computer viruses, physical or electronic break-ins or other catastrophic events, could affect the security or availability of our services and prevent or inhibit the ability of our partners to access our services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could result in substantial costs to remedy those problems or negatively impact our relationship with our clients, our business, results of operations and financial condition.

Any disruption in the network access, telecommunications or co-location services provided by third-party providers or any failure of or by third-party providers' systems or our own systems to handle current or higher volume of use could significantly harm our business. We exercise limited control over our third-party suppliers, which increases our vulnerability to problems with services they provide. We have experienced failures by third-party providers' systems which resulted in a limited interruption of our system, although this failure did not result in any claims against us. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services or our own systems could negatively impact our relationships with clients and adversely affect our business and could expose us to third-party liabilities.

The reliability and performance of our Internet connection may be harmed by increased usage or by denial-of-service attacks. The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as the availability of the Internet to us for delivery of our Internet-based services.

We rely on our third-party vendors and partners to execute our business strategy. Replacing them could be difficult and disruptive to our business. If we are unsuccessful in forming or maintaining such relationships on terms favorable to us, our business may not succeed.

We have entered into contracts with third-party vendors to provide critical services relating to our business, including initial software development and cloud hosting. We also rely on third-party providers to enable automated eligibility and benefits verification through our Platform. We depend on our third-party processing partners to perform payment processing services, which generate almost all of our payments revenue. Our processing partners may go out of business or otherwise be unable or unwilling to continue providing such services, which could significantly and materially reduce our payments revenue and disrupt our business. A number of our processing contracts require us to assume liability for any losses our processing partners may suffer as a result of losses caused by our provider clients and their patients, including losses caused by chargebacks and fraud. Thus, in the event of a significant loss by our processing partners, we may be required to pay-out a large amount of cash in one or two business days following such event and, if we do not have sufficient cash on hand, may be deemed in breach of such contracts. A contractual dispute with our processing partners could adversely impact our revenue. Certain contracts may expire or be terminated, and we may not be able to enter into a new payment processor relationship that replicates the associated revenue for a considerable period of time.

In the event that these service providers fail to maintain adequate levels of support, do not provide high quality service, increase the fees they charge us, discontinue their lines of business, terminate our contractual arrangements or cease or reduce operations, we may suffer additional costs and be required to pursue new third-party relationships, which could materially disrupt our operations and our ability to provide our products and services, and could divert management's time and resources. It would be difficult to replace some of our third-party vendors in a timely manner if they were unwilling or unable to provide us with these services in the future, and our

business and operations could be adversely affected. If these services fail or are of poor quality, our business, reputation and operating results could be harmed.

In addition, we have entered into strategic alliances with providers of EHR and PM solutions, and we intend to pursue such alliances in the future. These strategic alliance agreements are typically structured as commercial and technical partnership agreements, pursuant to which we integrate certain of our Platform solutions into the EHR and PM systems that are utilized by many of our clients, for agreed payments or provision of services to such integration partners. Our ability to form and maintain these alliances with such partners in order to facilitate the integration of our Platform into the EHR and PM systems used by our provider clients and their patients is important to the success of our business. If providers of EHR or PM solutions amend, terminate or fail to perform their obligations under their strategic alliance agreements with us, we may need to seek other ways of integrating our Platform with the EHR and PM systems of our provider clients, which could be costly and time consuming, and could adversely affect our business results.

We or our EHR and PM partners may terminate or seek to amend our strategic alliance agreements in order to incorporate new final rules promulgated on March 9, 2020 by the HHS, ONC, and CMS, which are further described above and are aimed at supporting seamless and secure access, exchange, and use of EHI by increasing innovation and competition by giving patients and their healthcare providers secure access to health information and new tools, allowing for more choice in care and treatment.

We may also seek new strategic alliances in the future, and we may not be successful in entering into future alliances on terms favorable to us. Any delay in entering into strategic alliances with providers of EHR or PM solutions or other technology partners could either delay the development and adoption of our products and services and reduce their competitiveness. Any such delay could adversely affect our business.

Risks relating to taxes and accounting standards

Changes in tax regulations and accounting standards, or changes in related judgments or assumptions could materially impact our financial position and results of operation.

We are subject to federal and state income, sales, use, value added and other taxes in the United States and other countries in which we conduct business, and such laws and rates vary by jurisdiction. We are now registered in all states that assess sales taxes. Although we believe our tax practices and provisions are reasonable, the final determination of tax audits and any related litigation, changes in the taxation of our activities and proposed changes in tax laws could cause the ultimate settlement of our tax liabilities to be materially different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net income or cash flows in the period or periods for which that determination is made, which could materially impact our financial results. Further, any changes in the taxation of our activities, including certain proposed changes in U.S. tax laws, may increase our effective tax rate and adversely affect our financial position and results of operations. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

Furthermore, changes in accounting rules and interpretations or in our accounting assumptions and/or judgments could significantly impact our consolidated financial statements. In some cases, we could be required to delay the filing of our consolidated financial statements, or to apply a new or revised standard retroactively, resulting in restating prior period consolidated financial statements. Any of these circumstances could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of January 31, 2021, we had U.S. federal and state net operating loss carryforwards, ("NOLs"), of $199.1 million due to prior period losses, which, subject to the following discussion, are generally available to be carried forward to offset a portion of our future taxable income, if any, until such NOLs are used or expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-ownership change NOLs to offset future taxable income. Similar rules may apply under state tax laws. Our existing NOLs may be subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. In addition, under the Tax Cuts and Jobs Act of

2017, as amended by The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, of 2020, the amount of post 2017 NOLs that we are permitted to utilize in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs. We have a valuation allowance related to our NOLs to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

Risks relating to our indebtedness

In order to support the growth of our business, we may need to incur additional indebtedness under our current credit facilities or seek capital through new equity or debt financings, which sources of additional capital may not be available to us on acceptable terms or at all.

Our operations have consumed substantial amounts of cash since inception and we intend to continue to make significant investments to support our business growth, respond to business challenges or opportunities, develop new applications and services, enhance our existing solution and services, enhance our operating infrastructure and potentially acquire complementary businesses and technologies. For the six months ended July 31, 2021 our net cash used in operating activities was $12.2 million. As of July 31, 2021, we had $439.9 million of cash and cash equivalents, which are held for working capital purposes. As of July 31, 2021, we had no outstanding borrowings under our revolving line of credit, with the ability to borrow up to $50.0 million under the revolving line of credit included in the Second SVB Facility. Borrowings under our credit facility are secured by substantially all of our properties, rights and assets, excluding intellectual property.

Our future capital requirements may be significantly different from our current estimates and will depend on many factors, including the need to:

- finance unanticipated working capital requirements;
- develop or enhance our technological infrastructure and our existing products and services;
- fund strategic relationships, including joint ventures and co-investments;
- fund additional implementation engagements;
- respond to competitive pressures; and
- acquire complementary businesses, technologies, products or services.

Accordingly, we may need to engage in equity or debt financings or collaborative arrangements to secure additional funds. Additional financing may not be available on terms favorable to us, or at all. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve additional restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, during times of economic instability, it has been difficult for many companies to obtain financing in the public markets or to obtain debt financing, and we may not be able to obtain additional financing on commercially reasonable terms, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, it could have a material adverse effect on our business, financial condition and results of operations.

Restrictive covenants in the agreements governing our credit facility may restrict our ability to pursue our business strategies.

The credit agreement governing the Second SVB Facility contains certain customary restrictive covenants that limit our ability to incur additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, create subsidiaries, enter into certain transactions with affiliates, and transfer or dispose of assets as well as financial covenants requiring us to maintain a specified level of recurring revenue growth, a specified maximum funded debt to recurring revenue ratio and a specified amount of minimum liquidity.

Our ability to comply with these covenants may be affected by events beyond our control, and we may not be able to meet those covenants. A breach of any of these covenants could result in a default under the loan agreement, which could cause all of the outstanding indebtedness under our credit facility to become immediately due and payable and terminate all commitments to extend further credit. These covenants could also limit our ability to seek capital through the incurrence of new indebtedness or, if we are unable to meet our obligations, require us to repay

any outstanding amounts with sources of capital we may otherwise use to fund our business, operations and strategy.

Risks relating to ownership of our common stock

Risks related to investment in our securities

Our share price has been and may in the future be volatile, and you could lose all or part of your investment.

The trading price of our common stock has been and may be volatile and subject to wide price fluctuations in response to various factors, including:

- market conditions in the broader stock market in general, or in our industry in particular;
- the impact of COVID-19 on the economy, our company, our customers, suppliers or employees;
- actual or anticipated fluctuations in our quarterly financial reports and results of operations;
- our ability to satisfy our ongoing capital needs and unanticipated cash requirements;
- indebtedness incurred in the future;
- introduction of new products and services by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- sales of large blocks of our common stock;
- additions or departures of key personnel;
- regulatory developments;
- litigation and governmental investigations;
- economic and political conditions or events; and
- our sale of common stock or other securities in the future.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business.

The trading market for our common stock is also influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more securities or industry analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more of the analysts who cover us downgrades our common stock or provides more favorable recommendations about our competitors, or if our results of operations do not meet their expectations, our stock price could decline.

Sales of a substantial number of shares of our common stock by our existing stockholders in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market could occur at any time, subject to certain restrictions described below. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

Additionally, the number of shares of our common stock reserved for issuance under our 2019 Stock Option and Incentive Plan (the "2019 Plan") automatically increased on February 1, 2020 and will automatically increase each February 1 thereafter by 5% of the number of shares of common stock outstanding on the immediately preceding January 31 or such lesser number of shares determined by the administrator of the 2019 Plan. As a result, our stockholders may experience additional dilution.

In addition, certain of our employees, executive officers, and directors have entered or may enter into Rule 10b5-1 trading plans providing for sales of shares of our common stock from time to time. Under a Rule 10b5-1 trading plan, a broker executes trades pursuant to parameters established by the employee, director, or officer when entering into the plan, without further direction from the employee, officer, or director. A Rule 10b5-1 trading plan may be amended or terminated in some circumstances. Our employees, executive officers, and directors also may

buy or sell additional shares outside of a Rule 10b5-1 trading plan when they are not in possession of material, nonpublic information.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to compliance requirements, including establishing and maintaining internal controls over financial reporting. We may be exposed to potential risks if we are unable to comply with these requirements.

As a public company, we are subject to the periodic reporting requirements of the Exchange Act and incur significant legal, accounting and other expenses under the Sarbanes-Oxley Act of 2002, together with rules implemented by the SEC and applicable market regulators. These rules impose various requirements on public companies, including requiring certain corporate governance practices. Our management and other personnel devote a substantial amount of time to these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. We have limited experience complying with Section 404, and such compliance may require that we incur substantial accounting expenses and expend significant management efforts. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements, we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities and our business could be harmed.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could have a material

adverse effect on our business, financial condition or results of operations.

Risks relating to our bylaws and certificate of incorporation

Anti-takeover provisions under our incorporation documents and Delaware law could delay or prevent a change of control which could limit the market price of our common stock and may prevent or frustrate attempts by our stockholders to replace or remove our current management.

Our amended and restated certificate of incorporation ("certificate of incorporation") and our second amended and restated bylaws ("bylaws") contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions include:

- a board of directors divided into three classes serving staggered three-year terms, such that not all members of the board will be elected at one time;
- a prohibition on stockholder action through written consent, which requires that all stockholder actions be taken at a meeting of our stockholders;

- a requirement that special meetings of stockholders be called only by the board of directors acting pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office;
- advance notice requirements for stockholder proposals and nominations for election to our board of directors;
- a requirement that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than 75% of all outstanding shares of our voting stock then entitled to vote in the election of directors;
- a requirement of approval of not less than 75% of all outstanding shares of our voting stock to amend any bylaws by stockholder action or to amend specific provisions of our certificate of incorporation; and
- the authority of the board of directors to issue preferred stock on terms determined by the board of directors without stockholder approval and which preferred stock may include rights superior to the rights of the holders of common stock.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporate Law ("DGCL"), which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These anti-takeover provisions and other provisions in our certificate of incorporation and our bylaws could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors and could also delay or impede a merger, tender offer or proxy contest involving our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors or cause us to take other corporate actions. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

Our bylaws designate certain specified courts as the sole and exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (the "Chancery Court") will be the sole and exclusive forum for state law claims for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws, or (v) any action asserting a claim governed by the internal affairs doctrine (the "Delaware Forum Provision"). The Delaware Forum Provision does not apply to any causes of action arising under the Securities Act of 1933, as amended (the "Securities Act"), or Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Our bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the U.S. District Court for the Southern District of New York will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Provision"). Our bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision may impose additional litigation costs on stockholders in pursuing the claims identified above, particularly if the stockholders do not reside in or near the State of Delaware or the State of New York. Additionally, the Delaware Forum Provision and the Federal Forum Provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable in an action, we may incur additional costs associated with resolving such an action. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Chancery Court or the U.S. District Court for the Southern District of New York may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

Risks relating to our industry

The healthcare industry is rapidly evolving and the market for technology-enabled services that empower healthcare consumers is relatively immature and unproven. If we are not successful in promoting the benefits of our Platform, our growth may be limited.

The market for our products and services is subject to rapid and significant changes. In addition, there may be a limited-time opportunity to achieve and maintain a significant share of this market due in part to the rapidly evolving nature of the healthcare and technology industries and the substantial resources available to our existing and potential competitors.

In order to remain competitive, we are continually involved in a number of projects to compete with new market entrants by developing new services, growing our client base and penetrating new markets. These projects carry risks, such as cost overruns, delays in delivery, performance problems and lack of acceptance by our clients.

Our success depends on providing high-quality products and services that healthcare providers use to improve clinical, financial and operational performance and which are used and positively received by patients. If we cannot adapt to rapidly evolving industry standards and technology and increasingly sophisticated and varied healthcare provider and patient needs, our existing technology could become undesirable, obsolete or harm our reputation.

We believe demand for our products and services has been driven in large part by increasing patient responsibility, engagement and consumerism, high deductible health plans and declining reimbursements. Our ability to streamline the intake process and critical workflows in order to improve provider and staff efficiency and patient engagement to allow for optimal allocation of resources will be critical to our business. Our success also depends on the ability of our Platform to increase patient engagement, and our ability to demonstrate the value of our Platform to provider clients, patients and life sciences companies. If our existing clients do not recognize or acknowledge the benefits of our Platform or our Platform does not drive patient engagement, then the market for our products and services might not develop at all, or it might develop more slowly than we expect, either of which could adversely affect our operating results.

Consolidation in the healthcare industry could have a material adverse effect on our business, financial condition and results of operations.

Many healthcare industry participants are consolidating to create larger and more integrated healthcare delivery systems with greater market power. We expect regulatory and economic conditions to result in additional consolidation in the healthcare industry in the future. As consolidation accelerates, the economies of scale of our clients' organizations may grow. If a client experiences sizable growth following consolidation, it may determine that it no longer needs to rely on us and may reduce its demand for our products and services. In addition, as healthcare providers and life sciences companies consolidate to create larger and more integrated healthcare delivery systems with greater market power, these providers may try to use their market power to negotiate fee reductions for our products and services. Finally, consolidation may also result in the acquisition or future development by our healthcare provider and life sciences clients of products and services that compete with our products and services. Any of these potential results of consolidation could have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds from Initial Public Offering of Common Stock

On July 17, 2019, our Registration Statement on Form S-1 (File No. 333-232264) was declared effective by the SEC for our initial public offering.

There has been no material change in the planned use of proceeds from our initial public offering as described in the final prospectus, dated July 17, 2019 and filed with the SEC on July 19, 2019 pursuant to Rule 424(b) of the Securities Act.

(c) Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q (file No 001-38977) filed with the Securities and Exchange Commission on September 10, 2019)
3.2	Second Amended and Restated By-laws of the Registrant (incorporated by reference to exhibit 3.2 to the Registrant's Annual Report on Form 10-K (file No. 001-38977) filed with the Securities and Exchange Commission on March 31, 2021)
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\# Indicates a management contract or any compensatory plan, contract or arrangement.

\+ This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHREESIA, INC.

Date: September 2, 2021

By: /s/ Chaim Indig
Chaim Indig
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: September 2, 2021

By: /s/ Randy Rasmussen
Randy Rasmussen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chaim Indig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phreesia, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) {Paragraph omitted pursuant to SEC Release Nos. 33-8238-34-47986 and 33-8392/34-49313}

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2021

By: /s/ Chaim Indig
Chaim Indig
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Randy Rasmussen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phreesia, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) {Paragraph omitted pursuant to SEC Release Nos. 33-8238-34-47986 and 33-8392/34-49313}
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2021

By: /s/ Randy Rasmussen
Randy Rasmussen
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Phreesia, Inc. (the "Company") for the fiscal quarter ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chaim Indig, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 2, 2021

By: /s/ Chaim Indig
Chaim Indig
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Phreesia, Inc. (the "Company") for the fiscal quarter ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randy Rasmussen, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 2, 2021

By: /s/ Randy Rasmussen
Randy Rasmussen
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)