

Phreesia Announces Fiscal First Quarter 2023 Results

RALEIGH, North Carolina, June 2, 2022 – Phreesia, Inc. (NYSE: PHR) (“Phreesia” or the “Company”) announced financial results today for the fiscal first quarter ended April 30, 2022.

“We started the year strong with gains in new clients and expansion within existing clients across healthcare services and life sciences and began to generate operating leverage from our accelerated investments in fiscal years 2021 and 2022”, said CEO and Co-Founder Chaim Indig.

Fiscal First Quarter 2023 Highlights

- Revenue was \$63.4 million in the quarter as compared to \$48.3 million in the same period in the prior year, an increase of 31%.
- Average number of healthcare services clients was 2,526 in the quarter as compared to 1,902 in the same period in the prior year, an increase of 33%.
- Average revenue per healthcare services client was \$19,193 in the quarter as compared to \$20,222 in the same period in the prior year, a decrease of 5%.
- Adjusted EBITDA was negative \$30.6 million in the quarter compared to positive \$0.1 million in the same period in the prior year.
- Cash and cash equivalents as of April 30, 2022 was \$269.2 million, a decrease of \$44.6 million compared to January 31, 2022, driven primarily by net cash used in operating activities and capital expenditures.

Outlook for Fiscal 2023

We are maintaining our revenue outlook for fiscal 2023 of \$271 million to \$275 million implying year-over-year growth of 27% to 29%.

We are raising our Adjusted EBITDA outlook for fiscal year 2023 to negative \$126 million to negative \$122 million from a previous range of negative \$154 million to negative \$149 million. This change reflects improvements in overall productivity and efficiency across our organization.

We maintain expectations that our Adjusted EBITDA outlook in fiscal year 2023 will be the low annual mark for fiscal years 2023 to 2025 and now expect to reach profitability¹ in fiscal year 2025.

We have not reconciled the Adjusted EBITDA outlook to GAAP Net income (loss) because we do not provide an outlook for GAAP Net income (loss) due to the uncertainty and potential variability of Other (income) expense, net and (Benefit from) provision for income taxes, which are reconciling items between Adjusted EBITDA and GAAP Net income (loss). Because we cannot reasonably predict such items, a reconciliation of the non-GAAP financial measure outlook to the corresponding GAAP measure is not available without unreasonable effort. We caution, however, that such items could have a significant impact on the calculation of GAAP Net income (loss). For further information regarding the non-GAAP financial measures included in this press release, please see “Non-GAAP financial measures” below.

¹For the purposes of this statement, we define “profitability” in terms of Adjusted EBITDA.

Fiscal 2025 Target

We are maintaining our annualized revenue target of \$500 million to be achieved during a quarter of fiscal year 2025.²

We believe our platform and diverse revenue streams offer us multiple paths for achieving our target.

A reconciliation of GAAP to non-GAAP financial measures is provided at the end of this press release. An explanation of these measures is also included below under the heading “Non-GAAP Financial Measures.”

² For our target revenue, annualized is defined as multiplying the highest-revenue quarter in fiscal year 2025 by four.

Recent Events

On March 28, 2022, we entered into the First Loan Modification Agreement to the Second Amended and Restated Loan and Security Agreement (the "Second SVB Facility") with Silicon Valley Bank ("SVB") (as amended, the "Third SVB Facility") to increase the borrowing capacity from \$50.0 million to \$100.0 million. The Third SVB Facility also reduced the interest rate to the greater of 3.25% or the Wall Street Journal Prime Rate minus 0.5%, amended the annual commitment fees to approximately \$0.3 million per year and amended the quarterly fee to 0.15% per annum of the average unused revolving line under the facility.

Available Information

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

Forward Looking Statements

This press release includes express or implied statements that are not historical facts and are considered forward-looking 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. 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. These statements include, but are not limited to, statements regarding: our future financial and operating performance, including our revenue, Adjusted EBITDA and our ability to reach profitability in fiscal year 2025; our outlook for fiscal year 2023 and fiscal year 2025 targets, our anticipated growth and operating leverage and successful implementation of our solutions under development. 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. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, including, without limitation, risks associated with: our ability to effectively manage our growth and meet our growth objectives; our focus on the long-term and our investments in growth; the competitive environment in which we operate; our ability to develop and release new products and services, and develop and release successful enhancements, features and modifications to our existing products and services; our ability to maintain the security and availability of our platform; changes in laws and regulations applicable to our business model; our ability to make accurate predictions about our industry; and the impact of the COVID-19 pandemic and other global financial, economic and political events on our business and our ability to attract, retain and cross-sell to healthcare services clients; our ability to continue to operate effectively with a primarily remote workforce and attract and retain key talent; our ability to realize the intended benefits of our acquisitions; and other general, market, political, economic and business conditions (including as a result of the warfare and/or political and economic instability in Ukraine). The forward-looking statements contained in this press release are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022 and in our Quarterly Report on Form 10-Q for the fiscal first quarter ended April 30, 2022 that will be filed with the SEC following this press release. The forward-looking statements in this press release 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 press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

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

Conference Call Information

We will hold a conference call on June 2, 2022, at 5:00 p.m. Eastern Time to review our fiscal 2023 first quarter financial results. To participate in our live conference call and webcast, please dial (888) 350-3437 (or (646) 960-0153 for international participants) using conference code number 4000153 or visit the “Events & Presentations” section of our Investor Relations website at ir.phreesia.com. A replay of the call will be available via webcast for on-demand listening shortly after the completion of the call, at the same web link, and will remain available for approximately 90 days.

ABOUT PHREESIA

Phreesia gives healthcare organizations a suite of robust applications to manage the patient intake process. Our innovative SaaS platform engages patients in their healthcare and provides a modern, convenient experience, while enabling our clients to enhance clinical care and drive efficiency.

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Phreesia, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	<u>April 30, 2022</u>	<u>January 31, 2022</u>
	(Unaudited)	
Assets		
Current:		
Cash and cash equivalents	\$ 269,190	\$ 313,812
Settlement assets	21,305	19,590
Accounts receivable, net of allowance for doubtful accounts of \$914 and \$863 as of April 30, 2022 and January 31, 2022, respectively	46,354	40,262
Deferred contract acquisition costs	1,520	1,642
Prepaid expenses and other current assets	10,853	11,043
Total current assets	349,222	386,349
Property and equipment, net of accumulated depreciation and amortization of \$57,594 and \$53,321 as of April 30, 2022 and January 31, 2022, respectively	31,807	34,645
Capitalized internal-use software, net of accumulated amortization of \$32,400 and \$31,139 as of April 30, 2022 and January 31, 2022, respectively	22,807	17,643
Operating lease right-of-use assets	2,048	2,337
Deferred contract acquisition costs	2,198	2,437
Intangible assets, net of accumulated amortization of \$1,521 and \$1,178 as of April 30, 2022 and January 31, 2022, respectively	12,429	12,772
Deferred tax asset	291	515
Goodwill	33,621	33,621
Other assets	4,669	4,157
Total Assets	\$ 459,092	\$ 494,476
Liabilities and Stockholders' Equity		
Current:		
Settlement obligations	\$ 21,305	\$ 19,590
Current portion of finance lease liabilities and other debt	6,100	5,821
Current portion of operating lease liabilities	1,304	1,281
Accounts payable	5,872	5,119
Accrued expenses	18,416	20,128
Deferred revenue	17,782	16,493
Total current liabilities	70,779	68,432
Long-term finance lease liabilities and other debt	5,999	7,423
Operating lease liabilities, non-current	947	1,276
Long-term deferred revenue	148	65
Total Liabilities	77,873	77,196
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value - 500,000,000 shares authorized as of both April 30, 2022 and January 31, 2022; 52,655,723 and 52,095,964 shares issued as of April 30, 2022 and January 31, 2022, respectively	527	521
Additional paid-in capital	880,567	860,657
Accumulated deficit	(481,180)	(429,938)
Treasury stock, at cost, 474,656 and 301,003 shares as of April 30, 2022 and January 31, 2022, respectively	(18,695)	(13,960)
Total Stockholders' Equity	381,219	417,280
Total Liabilities and Stockholders' Equity	\$ 459,092	\$ 494,476

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

	Three months ended April 30,	
	2022	2021
Revenue:		
Subscription and related services	\$ 29,101	\$ 21,819
Payment processing fees	19,381	16,644
Life sciences	14,872	9,828
Total revenues	63,354	48,291
Expenses:		
Cost of revenue (excluding depreciation and amortization)	14,386	8,534
Payment processing expense	12,158	9,725
Sales and marketing	40,031	15,012
Research and development	20,635	8,054
General and administrative	20,855	12,671
Depreciation	4,278	3,297
Amortization	1,604	1,651
Total expenses	113,947	58,944
Operating loss	(50,593)	(10,653)
Other (expense) income, net	(31)	66
Interest (expense) income, net	(383)	(238)
Total other expense, net	(414)	(172)
Loss before provision for income taxes	(51,007)	(10,825)
Provision for income taxes	(235)	(149)
Net loss	\$ (51,242)	\$ (10,974)
Net loss per share attributable to common stockholders, basic and diluted⁽¹⁾	\$ (0.99)	\$ (0.24)
Weighted-average common shares outstanding, basic and diluted	51,938,887	45,416,431

(1) Our potential dilutive securities 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.

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

Three months Ended
April 30,

	2022	2021
Operating activities:		
Net loss	\$ (51,242)	\$ (10,974)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,882	4,948
Stock-based compensation expense	14,151	5,774
Amortization of deferred financing costs and debt discount	77	72
Cost of Phreesia hardware purchased by customers	277	135
Deferred contract acquisition costs amortization	467	575
Non-cash operating lease expense	289	256
Deferred tax asset	224	125
Changes in operating assets and liabilities:		
Accounts receivable	(6,092)	(912)
Prepaid expenses and other assets	(450)	(809)
Deferred contract acquisition costs	(106)	(1,967)
Accounts payable	123	(1,068)
Accrued expenses and other liabilities	1,701	(3,678)
Lease liability	(306)	(335)
Deferred revenue	1,372	2,385
Net cash used in operating activities	(33,633)	(5,473)
Investing activities:		
Capitalized internal-use software	(5,239)	(2,916)
Purchases of property and equipment	(1,785)	(3,983)
Net cash used in investing activities	(7,024)	(6,899)
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	709	1,356
Treasury stock to satisfy tax withholdings on stock compensation awards	(4,307)	(1,145)
Payment of offering costs	—	(30)
Proceeds from employee stock purchase plan	1,214	—
Finance lease payments	(1,468)	(1,050)
Principal payments on financing agreements	—	(673)
Debt issuance costs and loan facility fee payments	(113)	—
Net cash (used in) provided by financing activities	(3,965)	244,271
Net (decrease) increase in cash and cash equivalents	(44,622)	231,899
Cash and cash equivalents – beginning of period	313,812	218,781
Cash and cash equivalents – end of period	\$ 269,190	\$ 450,680

Supplemental information of non-cash investing and financing information:

Right-of-use assets recorded in exchange for operating lease liabilities	\$	—	\$	81
Property and equipment acquisitions through finance leases	\$	140	\$	203
Deferred offering costs included in accounts payable and accrued expenses	\$	—	\$	362
Purchase of property and equipment and capitalized software included in accounts payable	\$	1,755	\$	351
Capitalized stock-based compensation	\$	348	\$	—
Issuance of stock to settle liability classified stock-based compensation awards	\$	6,774	\$	—
Cash paid for:				
Interest	\$	128	\$	156

Non-GAAP financial measures

This press release and statements made during the above-referenced webcast may include certain non-GAAP financial measures as defined by SEC rules.

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 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 press release and our 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. We have not reconciled our Adjusted EBITDA outlook to GAAP Net income (loss) because we do not provide an outlook for GAAP Net income (loss) due to the uncertainty and potential variability of Other (income) expense, net and (Benefit from) provision for income taxes, which are reconciling items between Adjusted EBITDA and GAAP Net income (loss). Because we cannot reasonably predict such items, a reconciliation of the non-GAAP financial measure outlook to the corresponding GAAP measure is not available without unreasonable effort. We caution, however, that such items could have a significant impact on the calculation of GAAP Net income (loss).

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:

Phreesia, Inc.
Adjusted EBITDA
(Unaudited)

(in thousands)	Three months ended April 30,	
	2022	2021
Net loss	\$ (51,242)	\$ (10,974)
Interest expense (income), net	383	238
Provision for income taxes	235	149
Depreciation and amortization	5,882	4,948
Stock-based compensation expense	14,151	5,774
Other expense (income), net	31	(66)
Adjusted EBITDA	\$ (30,560)	\$ 69

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

(in thousands)	Three months ended April 30,	
	2022	2021
GAAP operating expenses		
General and administrative	\$ 20,855	\$ 12,671
Sales and marketing	40,031	15,012
Research and development	20,635	8,054
Cost of revenue (excluding depreciation and amortization)	14,386	8,534
	\$ 95,907	\$ 44,271
Stock compensation included in GAAP operating expenses		
General and administrative	\$ 5,128	\$ 2,918
Sales and marketing	5,654	1,646
Research and development	2,561	844
Cost of revenue (excluding depreciation and amortization)	808	366
	\$ 14,151	\$ 5,774
Adjusted operating expenses		
General and administrative	\$ 15,727	\$ 9,753
Sales and marketing	34,377	13,366
Research and development	18,074	7,210
Cost of revenue (excluding depreciation and amortization)	13,578	8,168
	\$ 81,756	\$ 38,497

Phreesia, Inc.
Key Metrics
(Unaudited)

	Three months ended April 30,	
	2022	2021
Key Metrics:		
Healthcare services clients (average over period)	2,526	1,902
Average revenue per healthcare services client	\$ 19,193	\$ 20,222

We remain focused on building secure and reliable products that derive a strong return on investment for our clients and implementing them with speed and ease. This strategy continues to enable us to grow our network of healthcare services clients. As disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022, during the fourth quarter of fiscal year 2022, we renamed our key metric "provider clients (average over period)" to "healthcare services clients (average over period)". We also renamed our key metric "average revenue per provider client" to "average revenue per healthcare services client."

- Healthcare services clients.* We define healthcare services clients as the average number of healthcare services client 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 healthcare services client. We believe growth in the number of healthcare services 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 services organizations that are not yet clients. While growth in the number of healthcare services 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 healthcare services client growth. For example, as the number of healthcare services 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 healthcare services clients and their patients.
- Average revenue per healthcare services client.* We define average revenue per healthcare services client as the total subscription and related services and payment processing revenue generated from healthcare services clients in a given period divided by the average number of healthcare services clients that generate revenue each month during that same period. We are focused on continually delivering value to our healthcare services clients and believe that our ability to increase average revenue per healthcare services client is an indicator of the long-term value of the Phreesia platform.

Additional Information
(Unaudited)

	Three months ended April 30,	
	2022	2021
Patient payment volume (in millions)	\$ 837	\$ 701
Payment facilitator volume percentage	80 %	78 %

- Patient payment volume.* We believe that patient payment volume is an indicator of both the underlying health of our healthcare services 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 healthcare services 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 we act 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. Our payment facilitator volume percentage could decline slightly over time should we increase our penetration of enterprise customers that are less likely to use Phreesia as a payment facilitator.