

Phreesia Announces Fiscal Second Quarter 2023 Results

RALEIGH, North Carolina, September 7, 2022 – Phreesia, Inc. (NYSE: PHR) ("Phreesia" or the "Company") announced financial results today for the fiscal second quarter ended July 31, 2022.

"I am extremely proud of our team's accomplishments in the second quarter of fiscal year 2023. Phreesia impacts more than one in 10 patient visits in the U.S. each day¹, helping patients become more activated in their health and achieve better health outcomes," said CEO and Co-Founder Chaim Indig. "Our strong network and revenue growth this quarter reinforces our confidence in generating attractive returns on the accelerated investments we made during fiscal years 2021 and 2022."

Fiscal Second Quarter 2023 Highlights

- Revenue was \$67.9 million in the quarter as compared to \$51.0 million in the same period in the prior year, an increase of 33%.
- Average number of healthcare services clients was 2,776 in the quarter as compared to 1,987 in the same period in the prior year, an increase of 40%.
- Average revenue per healthcare services client was \$18,248 in the quarter as compared to \$19,720 in the same period in the prior year, a decrease of 7%. The decline was primarily driven by healthcare services client growth significantly outpacing payment processing volume and revenue growth. Additionally, the mix of solutions used by new clients across Patient Access, Registration, Revenue Cycle and Clinical Support offerings has been a contributing factor to the declining trends in this metric.
- Adjusted EBITDA was negative \$26.0 million in the quarter compared to negative \$11.0 million in the same period in the prior year.
- Cash and cash equivalents as of July 31, 2022 was \$240.7 million, a decrease of \$73.1 million compared to January 31, 2022.

Fiscal Year 2023 Outlook

We are updating our revenue outlook for fiscal year 2023 to a range of \$273 million to \$275 million, up from \$271 million to \$275 million, based on our first half performance and our updated view of our business and the macro environment. Our new revenue outlook implies year-over-year growth of 28% to 29%.

We expect average healthcare services clients to increase by at least 200 in the fiscal third quarter of 2023 ending on October 31, 2022.

We are raising our Adjusted EBITDA outlook for fiscal year 2023 to a range of negative \$109 million to negative \$106 million, from a previous range of negative \$126 million to negative \$122 million, based on our first half performance. This update reflects continued improvements in overall productivity and efficiency across our organization.

We expect our cash outflows in the second half of fiscal year 2023 to result in a January 31, 2023 cash and cash equivalents balance in a range of \$165 million to \$170 million. We continue to expect our Adjusted EBITDA outlook in fiscal year 2023 to be the low annual mark for fiscal years 2023 to 2025.

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). For further information regarding the non-GAAP financial measures included in this press release, including a reconciliation of GAAP to non-GAAP financial measures and an explanation of these measures, please see "Non-GAAP financial measures" below.

¹ Phreesia Fiscal First Quarter 2023 Quarterly Stakeholder Letter and William Blair & Company, LLC, Healthcare Mosaic Report: Analyzing the Clinical Workforce Issue: A Clear and Present Danger for U.S. Healthcare Systems, January 24, 2022.

Fiscal Year 2025 Target

We are maintaining our \$500 million revenue target to be achieved by annualizing our highest-revenue quarter in fiscal year 2025¹ and continue to expect to reach profitability² in fiscal year 2025.

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

¹ For our target revenue, annualized is defined as multiplying the highest-revenue quarter in fiscal year 2025 by four.

² For the purposes of this statement, we define "profitability" in terms of Adjusted EBITDA.

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, cash flows and expected cash balance, average number of healthcare services clients and our ability to reach profitability in fiscal year 2025; our outlook for fiscal year 2023 and fiscal year 2025 targets; our expected increase in average number of healthcare clients for the fiscal quarter ended October 31, 2022; our fiscal year 2023 Adjusted EBITDA outlook; 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; the impact of the COVID-19 pandemic on our business and economic conditions; 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 quarter ended July 31, 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, with the exception of our Adjusted EBITDA outlook for the reasons described above.

Conference Call Information

We will hold a conference call on September 7, 2022, at 5:00 p.m. Eastern Time to review our fiscal 2023 second 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 provides 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)

	July 31, 2022 (Unaudited)	January 31, 2022
Assets		
Current:		
Cash and cash equivalents	\$ 240,729	\$ 313,812
Settlement assets	19,725	19,590
Accounts receivable, net of allowance for doubtful accounts of \$1,029 and \$863 as of July 31, 2022 and January 31, 2022, respectively	46,958	40,262
Deferred contract acquisition costs	1,363	1,642
Prepaid expenses and other current assets	7,721	11,043
Total current assets	316,496	386,349
Property and equipment, net of accumulated depreciation and amortization of \$61,661 and \$53,321 as of July 31, 2022 and January 31, 2022, respectively	28,558	34,645
Capitalized internal-use software, net of accumulated amortization of \$33,809 and \$31,139 as of July 31, 2022 and January 31, 2022, respectively	27,522	17,643
Operating lease right-of-use assets	1,315	2,337
Deferred contract acquisition costs	1,988	2,437
Intangible assets, net of accumulated amortization of \$1,864 and \$1,178 as of July 31, 2022 and January 31, 2022, respectively	12,086	12,772
Deferred tax asset	75	515
Goodwill	33,836	33,621
Other assets	4,112	4,157
Total Assets	\$ 425,988	\$ 494,476
Liabilities and Stockholders' Equity		
Current:		
Settlement obligations	\$ 19,725	\$ 19,590
Current portion of finance lease liabilities and other debt	5,717	5,821
Current portion of operating lease liabilities	1,298	1,281
Accounts payable	10,088	5,119
Accrued expenses	17,925	20,128
Deferred revenue	17,195	16,493
Total current liabilities	71,948	68,432
Long-term finance lease liabilities and other debt	4,933	7,423
Operating lease liabilities, non-current	633	1,276
Long-term deferred revenue	10	65
Total Liabilities	77,524	77,196
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value - 500,000,000 shares authorized as of both July 31, 2022 and January 31, 2022; 53,072,838 and 52,095,964 shares issued as of July 31, 2022 and January 31, 2022, respectively	531	521
Additional paid-in capital	896,264	860,657
Accumulated deficit	(527,896)	(429,938)
Treasury stock, at cost, 563,428 and 301,003 shares as of July 31, 2022 and January 31, 2022, respectively	(20,435)	(13,960)
Total Stockholders' Equity	348,464	417,280
Total Liabilities and Stockholders' Equity	\$ 425,988	\$ 494,476

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

	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Revenue:				
Subscription and related services	\$ 31,069	\$ 22,885	\$ 60,170	\$ 44,704
Payment processing fees	19,581	16,306	38,962	32,950
Life sciences	17,217	11,816	32,089	21,644
Total revenues	67,867	51,007	131,221	99,298
Expenses:				
Cost of revenue (excluding depreciation and amortization)	14,873	10,032	29,259	18,566
Payment processing expense	12,554	9,648	24,712	19,373
Sales and marketing	38,341	22,167	78,372	37,179
Research and development	22,542	11,443	43,177	19,497
General and administrative	20,073	16,244	40,928	28,915
Depreciation	4,220	3,701	8,498	6,998
Amortization	1,599	1,580	3,203	3,231
Total expenses	114,202	74,815	228,149	133,759
Operating loss	(46,335)	(23,808)	(96,928)	(34,461)
Other income (expense), net	38	(90)	7	(24)
Interest (expense) income, net	(206)	(207)	(589)	(445)
Total other expense, net	(168)	(297)	(582)	(469)
Loss before provision for income taxes	(46,503)	(24,105)	(97,510)	(34,930)
Provision for income taxes	(213)	(288)	(448)	(437)
Net loss	\$ (46,716)	\$ (24,393)	\$ (97,958)	\$ (35,367)
Net loss per share attributable to common stockholders, basic and diluted⁽¹⁾	\$ (0.89)	\$ (0.48)	\$ (1.88)	\$ (0.73)
Weighted-average common shares outstanding, basic and diluted	52,325,209	50,577,614	52,135,250	48,287,305

(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)

	Six months ended July 31,	
	2022	2021
Operating activities:		
Net loss	\$ (97,958)	\$ (35,367)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,701	10,229
Stock-based compensation expense	28,709	13,047
Amortization of deferred financing costs and debt discount	144	144
Cost of Phreesia hardware purchased by customers	546	273
Deferred contract acquisition costs amortization	905	1,152
Non-cash operating lease expense	1,022	483
Change in fair value of contingent consideration liabilities	—	209
Deferred tax asset	440	279
Changes in operating assets and liabilities:		
Accounts receivable	(6,696)	(1,304)
Prepaid expenses and other assets	3,190	(1,037)
Deferred contract acquisition costs	(177)	(2,541)
Accounts payable	3,715	950
Accrued expenses and other liabilities	983	(275)
Lease liability	(647)	(544)
Deferred revenue	647	2,100
Net cash used in operating activities	(53,476)	(12,202)
Investing activities:		
Capitalized internal-use software	(10,242)	(5,023)
Purchases of property and equipment	(2,634)	(5,030)
Net cash used in investing activities	(12,876)	(10,053)
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	1,141	2,678
Treasury stock to satisfy tax withholdings on stock compensation awards	(6,309)	(1,960)
Proceeds from employee stock purchase plan	1,949	295
Finance lease payments	(2,899)	(2,100)
Principal payments on financing agreements	(216)	(873)
Debt issuance costs and loan facility fee payments	(397)	(125)
Payment of contingent consideration for acquisitions	—	(400)
Net cash (used in) provided by financing activities	(6,731)	243,328
Net (decrease) increase in cash and cash equivalents	(73,083)	221,073
Cash and cash equivalents – beginning of period	313,812	218,781
Cash and cash equivalents – end of period	\$ 240,729	\$ 439,854

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	\$	526	\$	1,980
Purchase of property and equipment and capitalized software included in accounts payable	\$	2,379	\$	3,503
Capitalized stock-based compensation	\$	695	\$	82
Issuance of stock to settle liabilities for stock-based compensation	\$	8,814	\$	—
Cash paid for:				
Interest	\$	446	\$	365

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, change in fair value of contingent consideration liabilities and other (income) expense, 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 July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Net loss	\$ (46,716)	\$ (24,393)	\$ (97,958)	\$ (35,367)
Interest expense (income), net	206	207	589	445
Provision for income taxes	213	288	448	437
Depreciation and amortization	5,819	5,281	11,701	10,229
Stock-based compensation expense	14,558	7,273	28,709	13,047
Change in fair value of contingent consideration liabilities	—	209	—	209
Other (income) expense, net	(38)	90	(7)	24
Adjusted EBITDA	<u>\$ (25,958)</u>	<u>\$ (11,045)</u>	<u>\$ (56,518)</u>	<u>\$ (10,976)</u>

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

(in thousands)	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
GAAP operating expenses				
General and administrative	\$ 20,073	\$ 16,244	\$ 40,928	\$ 28,915
Sales and marketing	38,341	22,167	78,372	37,179
Research and development	22,542	11,443	43,177	19,497
Cost of revenue (excluding depreciation and amortization)	14,873	10,032	29,259	18,566
	<u>\$ 95,829</u>	<u>\$ 59,886</u>	<u>\$ 191,736</u>	<u>\$ 104,157</u>
Stock compensation included in GAAP operating expenses				
General and administrative	\$ 5,206	\$ 3,376	\$ 10,334	\$ 6,294
Sales and marketing	5,423	2,231	11,077	3,877
Research and development	2,967	1,144	5,528	1,988
Cost of revenue (excluding depreciation and amortization)	962	522	1,770	888
	<u>\$ 14,558</u>	<u>\$ 7,273</u>	<u>\$ 28,709</u>	<u>\$ 13,047</u>
Adjusted operating expenses				
General and administrative	\$ 14,867	\$ 12,868	\$ 30,594	\$ 22,621
Sales and marketing	32,918	19,936	67,295	33,302
Research and development	19,575	10,299	37,649	17,509
Cost of revenue (excluding depreciation and amortization)	13,911	9,510	27,489	17,678
	<u>\$ 81,271</u>	<u>\$ 52,613</u>	<u>\$ 163,027</u>	<u>\$ 91,110</u>

Phreesia, Inc.
Key Metrics
(Unaudited)

	Three months ended July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Key Metrics:				
Healthcare services clients (average over period)	2,776	1,987	2,651	1,945
Average revenue per healthcare services client	\$ 18,248	\$ 19,720	\$ 37,397	\$ 39,932

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 July 31,		Six months ended July 31,	
	2022	2021	2022	2021
Patient payment volume (in millions)	\$ 811	\$ 696	\$ 1,648	\$ 1,397
Payment facilitator volume percentage	80 %	78 %	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.