Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2023

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.)**
1521 Concord Pike Suite 301 PMB 221 Wilmington, DE[1]	**19803**
(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.:

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 September 1, 2023, 55,201,674 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

[1] Phreesia, Inc. is a fully remote company and no longer maintains its principal executive office. The address listed here is the mailing address that we maintain. For purposes of compliance with applicable requirements of the Securities Act of 1933, as amended, and Securities Exchange Act of 1934, as amended, stockholder communications required to be sent to our principal executive offices should be directed to the email address set forth in our proxy materials and/or identified on our investor relations website.

PHREESIA, INC.

FORM 10-Q

For the Quarter Ended July 31, 2023

TABLE OF CONTENTS

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:

- We have grown rapidly in recent periods, and as a result, our expenses have continued to increase. If we fail to manage our growth effectively, our revenue may not increase, and we may be unable to implement our business strategy.
- We operate in a highly competitive industry, and if we are not able to compete effectively, including with the electronic health records ("EHR") and practice management ("PM") systems with which we integrate, our business and results of operations will be harmed.
- We have experienced net losses in the past and we may not achieve profitability in the future.
- Privacy concerns or security breaches or incidents relating to our SaaS-based technology platform (the "Phreesia Platform" or 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.
- Business or economic disruptions or global health concerns have harmed and may continue to harm our business and increase our costs and expenses.
- 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.
- 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 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.
- We have made, and in the future, make acquisitions and investments which may be difficult to integrate, divert management resources, result in unanticipated costs or dilute our stockholders.
- We are subject to health care laws and 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, require us to change our business practices and put in place additional compliance mechanisms, and subject us to fines, penalties, lawsuits, adverse publicity, reputational harm, loss of customer trust or government enforcement actions if we are unable to fully comply with such laws.
- We rely on our third-party contractors, vendors and partners, including some outside of the United States, 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.

The summary risk factors described above should be read together with the text of the full risk factors below in the section titled "Risk Factors" 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 express or implied statements that are not historical facts and are considered 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. Forward-looking statements 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, cash flows, costs of revenue and operating expenses;
- 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 maintain our direct sales force, impeding our growth;
- our ability to recover the significant upfront costs in our customer relationships;
- liability arising from our collection, use, disclosure, or storage of sensitive data collected from or about patients;
- our reliance on third-party vendors, manufacturers and partners such as Rayden Design Studio Private Limited (“Rayden”) and DataArt Solutions, Inc. ("DataArt") to execute our business strategy;
- consolidation in the healthcare industry resulting in loss of clients;
- the uncertainty and ongoing flux of the regulatory and political framework;
- our ability to determine the size of our target market;
- the impact of pandemics or epidemics, market volatility, including the recent high inflationary and high interest rate environment, bank failures and measures taken in response thereto, economic slowdowns and recessions, 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 obtain, maintain and enforce intellectual property for our technology and products;
- 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, including as a result of being a fully remote company;
- 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 healthcare services clients, payment processing fees and fees charged to our life sciences and payer clients for delivering direct communications to help activate, engage and educate patients about topics critical to their health;
- our ability to realize the intended benefits of our acquisitions, including that of Comsort, Inc., d/b/a MediFind ("MediFind") on June 30, 2023 and Access eForms, LLC ("Access") on August 11, 2023; and
- other risks and uncertainties, including those listed under the section titled "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 Form 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.

The 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 products and services, 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 Instagram Account (https://www.instagram.com/phreesia.co)
PHREESIA News Page (https://www.phreesia.com/news/)
PHREESIA Life Sciences Twitter Account (https://twitter.com/PhreesiaLifeSci)
PHREESIA Life Sciences Facebook Page (https://www.facebook.com/PhreesiaLifeSciences/)
PHREESIA Life Sciences LinkedIn Page (https://www.linkedin.com/company/phreesia-life-sciences/)
PHREESIA Life Sciences Page (https://lifesciences.phreesia.com)
INSIGNIA Health website (https://www.insigniahealth.com/)
MEDIFIND website (https://www.medifind.com/)
ACCESS EFORMS website (https://accessefm.com/)

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, 2023	January 31, 2023
	(Unaudited)	
Assets		
Current:		
Cash and cash equivalents	$ 127,677	$ 176,683
Settlement assets	25,158	22,599
Accounts receivable, net of allowance for doubtful accounts of $770 and $1,053 as of July 31, 2023 and January 31, 2023, respectively	53,913	51,394
Deferred contract acquisition costs	820	1,056
Prepaid expenses and other current assets	11,662	10,709
Total current assets	219,230	262,441
Property and equipment, net of accumulated depreciation and amortization of $68,044 and $59,847 as of July 31, 2023 and January 31, 2023, respectively	22,816	21,670
Capitalized internal-use software, net of accumulated amortization of $41,552 and $37,236 as of July 31, 2023 and January 31, 2023, respectively	41,205	35,150
Operating lease right-of-use assets	227	569
Deferred contract acquisition costs	1,370	1,754
Intangible assets, net of accumulated amortization of $3,256 and $2,549 as of July 31, 2023 and January 31, 2023, respectively	12,994	11,401
Deferred tax asset	—	81
Goodwill	40,611	33,736
Other assets	1,989	3,255
Total Assets	$ 340,442	$ 370,057
Liabilities and Stockholders' Equity		
Current:		
Settlement obligations	$ 25,158	$ 22,599
Current portion of finance lease liabilities and other debt	7,112	5,172
Current portion of operating lease liabilities	416	934
Accounts payable	7,948	10,836
Accrued expenses	27,794	21,810
Deferred revenue	16,441	17,688
Total current liabilities	84,869	79,039
Long-term finance lease liabilities and other debt	8,055	2,725
Operating lease liabilities, non-current	216	349
Long-term deferred revenue	99	125
Long-term deferred tax liabilities	183	—
Total Liabilities	93,422	82,238
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Common stock, $0.01 par value - 500,000,000 shares authorized as of both July 31, 2023 and January 31, 2023; 55,364,795 and 54,187,172 shares issued as of July 31, 2023 and January 31, 2023, respectively	554	542
Additional paid-in capital	971,120	926,957
Accumulated deficit	(680,382)	(606,084)
Treasury stock, at cost, 1,300,430 and 971,236 shares as of July 31, 2023 and January 31, 2023, respectively	(44,272)	(33,596)
Total Stockholders' Equity	247,020	287,819
Total Liabilities and Stockholders' Equity	$ 340,442	$ 370,057

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,	
	2023	**2022**	**2023**	**2022**
Revenue:				
Subscription and related services	$ 39,301	$ 31,069	$ 77,188	$ 60,170
Payment processing fees	23,631	19,581	47,884	38,962
Network solutions	22,898	17,217	44,603	32,089
Total revenues	85,830	67,867	169,675	131,221
Expenses:				
Cost of revenue (excluding depreciation and amortization)	14,449	14,873	29,356	29,259
Payment processing expense	15,852	12,554	31,942	24,712
Sales and marketing	37,244	38,341	74,657	78,372
Research and development	27,471	22,542	53,940	43,177
General and administrative	20,988	20,073	40,865	40,928
Depreciation	4,244	4,220	8,748	8,498
Amortization	2,537	1,599	5,023	3,203
Total expenses	122,785	114,202	244,531	228,149
Operating loss	(36,955)	(46,335)	(74,856)	(96,928)
Other income, net	50	38	8	7
Interest income (expense), net	786	(206)	1,504	(589)
Total other income (expense), net	836	(168)	1,512	(582)
Loss before provision for income taxes	(36,119)	(46,503)	(73,344)	(97,510)
Provision for income taxes	(648)	(213)	(954)	(448)
Net loss	$ (36,767)	$ (46,716)	$ (74,298)	$ (97,958)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.68)	$ (0.89)	$ (1.39)	$ (1.88)
Weighted-average common shares outstanding, basic and diluted	53,794,060	52,325,209	53,574,584	52,135,250

See notes to unaudited consolidated financial statements

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

	Common Stock					
	Shares	Amount	APIC	Accumulated Deficit	Treasury stock	Total
Balance, February 1, 2022	52,095,964	$ 521	$ 860,657	$ (429,938)	$ (13,960)	$ 417,280
Net loss	—	—	—	(51,242)	—	(51,242)
Stock-based compensation	—	—	12,594	—	—	12,594
Exercise of stock options and vesting of restricted stock units	326,624	4	544	—	—	548
Issuance of stock for share-settled bonus awards	233,135	2	6,772	—	—	6,774
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(4,735)	(4,735)
Balance, April 30, 2022	52,655,723	$ 527	$ 880,567	$ (481,180)	$ (18,695)	$ 381,219
Net loss	—	—	—	(46,716)	—	(46,716)
Stock-based compensation	—	—	13,236	—	—	13,236
Exercise of stock options and release of restricted stock units	321,148	3	422	—	—	425
Issuance of common stock for employee stock purchase plan	95,967	1	2,039			2,040
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(1,740)	(1,740)
Balance, July 31, 2022	53,072,838	$ 531	$ 896,264	$ (527,896)	$ (20,435)	$ 348,464
Balance, February 1, 2023	54,187,172	$ 542	$ 926,957	$ (606,084)	$ (33,596)	$ 287,819
Net loss	—	—	—	(37,531)	—	(37,531)
Stock-based compensation	—	—	14,950	—	—	14,950
Exercise of stock options and vesting of restricted stock units	404,012	4	151	—	—	155
Issuance of stock for share-settled bonus awards	175,688	2	5,295	—	—	5,297
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(7,079)	(7,079)
Balance, April 30, 2023	54,766,872	$ 548	$ 947,353	$ (643,615)	$ (40,675)	$ 263,611
Net loss	—	$ —	$ —	$ (36,767)	$ —	$ (36,767)
Stock-based compensation	—	—	16,747	—	—	16,747
Exercise of stock options and release of restricted stock units	374,128	3	423	—	—	426
Issuance of stock for share-settled bonus awards	2,886	—	86	—	—	86
Issuance of common stock for employee stock purchase plan	70,123	1	1,837	—	—	1,838
Issuance of common stock as consideration in business combinations	150,786	2	4,674	—	—	4,676
Treasury stock from vesting of restricted stock units - satisfaction of tax withholdings	—	—	—	—	(3,597)	(3,597)
Balance, July 31, 2023	55,364,795	$ 554	$ 971,120	$ (680,382)	$ (44,272)	$ 247,020

See notes to unaudited consolidated financial statements

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

	Six months ended July 31,	
	2023	**2022**
Operating activities:		
Net loss	$ (74,298)	$ (97,958)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,771	11,701
Stock-based compensation expense	35,786	28,709
Amortization of deferred financing costs and debt discount	169	144
Cost of Phreesia hardware purchased by customers	650	546
Deferred contract acquisition costs amortization	620	905
Non-cash operating lease expense	342	1,022
Deferred taxes	142	440
Changes in operating assets and liabilities:		
Accounts receivable	(2,370)	(6,696)
Prepaid expenses and other assets	769	3,190
Deferred contract acquisition costs	—	(177)
Accounts payable	(2,415)	3,715
Accrued expenses and other liabilities	6,061	983
Lease liabilities	(652)	(647)
Deferred revenue	(1,565)	647
Net cash used in operating activities	(22,990)	(53,476)
Investing activities:		
Acquisitions, net of cash acquired	(3,873)	—
Capitalized internal-use software	(9,820)	(10,242)
Purchases of property and equipment	(2,102)	(2,634)
Net cash used in investing activities	(15,795)	(12,876)
Financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	675	1,141
Treasury stock to satisfy tax withholdings on stock compensation awards	(10,725)	(6,309)
Proceeds from employee stock purchase plan	1,863	1,949
Finance lease payments	(3,427)	(2,899)
Constructive financing	1,688	—
Principal payments on financing agreements	(45)	(216)
Debt issuance costs and loan facility fee payments	(250)	(397)
Net cash used in financing activities	(10,221)	(6,731)
Net decrease in cash and cash equivalents	(49,006)	(73,083)
Cash and cash equivalents – beginning of period	176,683	313,812
Cash and cash equivalents – end of period	$ 127,677	$ 240,729

Supplemental information of non-cash investing and financing information:		
Property and equipment acquisitions through finance leases	$ 7,067	$ 526
Purchase of property and equipment and capitalized software included in current liabilities	$ 1,509	$ 2,379
Capitalized stock-based compensation	$ 714	$ 695
Issuance of stock to settle liabilities for stock-based compensation	$ 7,221	$ 8,814
Issuance of stock as consideration in business combinations	$ 4,676	$ —
Issuance of liabilities as consideration in business combinations	$ 91	$ —
Capitalized software acquired through vendor financing	$ 2,047	$ —
Cash paid for:		
Interest	$ 354	$ 446

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 improve the operational and financial performance of healthcare organizations by activating patients in their care to optimize patient health outcomes. Through the SaaS-based technology platform (the "Phreesia Platform" or "Platform"), the Company offers healthcare services clients a robust suite of integrated solutions that manage patient access, registration and payments. The Company's Platform also provides life sciences companies, health plans and other payer organizations (payers), patient advocacy, public interest and other not-for-profit organizations with a channel for direct communication with patients. In connection with the patient intake and registration process, Phreesia offers its healthcare services clients the ability to lease tablets ("PhreesiaPads") and on-site kiosks ("Arrivals Kiosks") along with their monthly subscription. The Company was formed in May 2005.

(b) 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.

On March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, actions were approved enabling the FDIC to complete its resolutions of SVB in a manner that fully protects all depositors. On March 27, 2023, SVB was acquired by and became a division of First Citizens Bank. Prior to these events, on March 9, 2023, the Company transferred a substantial portion of its cash and cash equivalents from SVB to other financial institutions. The Company has determined that all of its cash and cash equivalents continue to be available for use by the Company.

The Company is also party to the Second Amended and Restated Loan and Security Agreement with SVB, as amended by the First Loan Modification Agreement (the "Third SVB Facility"), which contains certain restrictive covenants including a covenant that limits the Company's ability to retain specified levels of cash in accounts outside of SVB. On March 10, 2023, the Company obtained consent from SVB to hold up to $165 million of cash in accounts outside SVB until May 15, 2023. On May 8, 2023, the Company obtained an extension of the consent through September 15, 2023, provided the Company continues to hold at least $17 million of cash in accounts at SVB. On August 21, 2023, the Company obtained a further extension of the consent through November 15, 2023, provided the Company continues to hold at least $17 million of cash in accounts at SVB. The consent serves to permit the Company to borrow against the Third SVB Facility once the cash and cash equivalents retained outside of SVB are compliant with the covenant and so long as the Company remains in compliance with all other covenants under the Third SVB Facility. With the exception of this consent, the SVB developments and related FDIC actions noted above have not materially impacted the Company's financial position or its operations.

The Company may 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 ("GAAP") and regulations of the Securities and Exchange Commission ("SEC") regarding quarterly financial reporting and include the accounts of Phreesia, Inc., its branch operation in Canada and its consolidated subsidiaries (or collectively, the "Company").

(b) Fiscal year

The Company's fiscal year ends on January 31. References to fiscal 2024 and 2023 refer to the fiscal years ending on January 31, 2024 and January 31, 2023, respectively.

(c) Unaudited interim financial statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with 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, 2023 and the results of its operations, changes in its stockholders' equity and its cash flows for the periods ended July 31, 2023 and 2022. 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, 2023.

(d) Network solutions revenue

During the year ended January 31, 2023, the Company relabeled its Life sciences category of revenue presented on its Consolidated Statements of Operations to Network solutions revenue. The Company's Network solutions revenue includes fees from life sciences and payer clients for delivering direct communications to help activate, engage and educate patients about topics critical to their health using the Phreesia Platform. During the three and six months ended July 31, 2022, the Company's Network solutions revenue was generated by its life sciences clients. There have been no changes to previously reported revenues.

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, 2023. 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 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 and contingent consideration in business acquisitions, and the realization of deferred tax assets.

(b) Concentrations of credit risk

Financial instruments that 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 and other healthcare services organizations located in the United States as well as pharmaceutical companies. The Company did not have any individual customers that represented more than 10% of total revenues for the three and six months ended July 31, 2023 and 2022. As of both July 31, 2023 and January 31, 2023, the Company had receivables from at least one entity that accounted for at least 10% of total accounts receivable.

(c) Risks and uncertainties

The Company is subject to a variety of risk factors, including the economy, data privacy and security laws and government regulations. Additionally, the Company is subject to other risks associated with the markets in which it operates including reliance on third-party vendors, partners, and service providers. The Company supplements its

workforce with contractors and consultants, including a substantial number of contractors and consultants in international locations. Certain of the Company's service providers, including certain third-party software developers, are located in international locations subject to warfare and/or political and economic instability, such as Ukraine and India. As with any business, operation of the Company involves risk, including the risk of service interruption impacting the operations of the Company's business and the Company's customer's facilities below expected levels of operation, shut downs due to the breakdown or failure of information technology and communications systems, changes in laws or regulations, political and economic instability, or catastrophic events such as fires, earthquakes, floods, explosions, global health concerns such as pandemics or other similar occurrences affecting the delivery of our productions and services. The occurrence of any of these events could significantly reduce or eliminate revenues generated, or significantly increase the expenses of the Company's operations, adversely impacting the Company's operating results and the Company's ability to meet the Company's obligations and commitments.

(d) New accounting pronouncements

Impact of recently adopted accounting pronouncements

During the three and six months ended July 31, 2023, 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 consolidated financial statements.

4. Composition of certain financial statement captions

(a) Accrued expenses

Accrued expenses as of July 31, 2023 and January 31, 2023 are as follows:

	July 31, 2023	January 31, 2023
Payroll-related expenses and taxes	$ 10,335	$ 10,345
Payment processing fees liability	4,817	4,796
Acquisition-related liabilities	241	96
Tax liabilities	2,993	1,491
Information technology	5,359	2,249
Other	4,049	2,833
Total	$ 27,794	$ 21,810

(b) Property and equipment

Property and equipment as of July 31, 2023 and January 31, 2023 are as follows:

	Useful Life (years)	July 31, 2023	January 31, 2023
PhreesiaPads and Arrivals Kiosks	3	$ 17,906	$ 17,932
Computer equipment	3	61,707	54,485
Computer software	3 to 5	10,719	8,571
Hardware development	3	528	529
Total property and equipment		$ 90,860	$ 81,517
Less accumulated depreciation		(68,044)	(59,847)
Property and equipment — net		$ 22,816	$ 21,670

Depreciation expense related to property and equipment amounted to $4,244 and $4,220 for the three months ended July 31, 2023 and 2022, respectively. Depreciation expense related to property and equipment amounted to $8,748 and $8,498 for the six months ended July 31, 2023 and 2022, respectively.

Assets acquired under finance leases included in computer equipment were $34,880 and $27,813 as of July 31, 2023 and January 31, 2023, respectively. Accumulated amortization of assets under finance leases was $24,035 and $20,657 as of July 31, 2023 and January 31, 2023, respectively.

(c) Capitalized internal use software

For the three months ended July 31, 2023 and 2022, the Company capitalized $5,225 and $5,970, respectively, of costs related to the Phreesia Platform. For the six months ended July 31, 2023 and 2022, the Company capitalized $10,371 and $12,395, respectively, of costs related to the Phreesia Platform.

During the three months ended July 31, 2023 and 2022, amortization expense related to capitalized internal-use software was $2,173 and $1,255, respectively. During the six months ended July 31, 2023 and 2022, amortization expense related to capitalized internal-use software was $4,316 and $2,516, respectively.

(d) Intangible assets and goodwill

On June 30, 2023, the Company entered into an agreement to acquire Comsort, Inc. d/b/a MediFind ("MediFind") (the "MediFind Acquisition"). The Company acquired certain intangible assets and goodwill in connection with the MediFind Acquisition. See Note 15 - Acquisitions for additional information regarding the MediFind Acquisition. The tables set forth below include intangible assets and goodwill acquired in all of the Company's acquisitions.

The following presents the details of intangible assets as of July 31, 2023 and January 31, 2023:

	Useful Life (years)	July 31, 2023	January 31, 2023
Acquired technology	5 to 7	$ 2,610	$ 1,410
Customer relationship	7 to 10	6,740	6,340
License	15	6,200	6,200
Trademark	15	$ 700	$ —
Total intangible assets, gross carrying value		$ 16,250	$ 13,950
Less accumulated amortization		(3,256)	(2,549)
Net carrying value		$ 12,994	$ 11,401

The remaining useful life for acquired technology in years was 5.6 and 2.7 as of July 31, 2023 and January 31, 2023, respectively. The remaining useful life for customer relationships in years was 8.0 and 8.3 as of July 31, 2023 and January 31, 2023, respectively. The remaining useful life for the license to the Patient Activation Measure ("PAM"®) in years was 13.4 and 13.8 as of July 31, 2023 and January 31, 2023, respectively. The remaining useful life for the trademark in years was 14.9 as of July 31, 2023.

Amortization expense associated with intangible assets amounted to $364 and $344 for the three months ended July 31, 2023 and 2022, respectively. Amortization expense associated with intangible assets amounted to $707 and $687 for the six months ended July 31, 2023 and 2022, respectively.

The estimated amortization expense for intangible assets for the next five years and thereafter is as follows as of July 31, 2023:

	July 31, 2023
2024 (Remaining six months)	$ 803
Fiscal Years Ending January 31,	
2025	1,531
2026	1,500
2027	1,207
2028 - thereafter	7,953
Total	$ 12,994

The following table presents a roll-forward of goodwill for the six months ended July 31, 2023:

Balance at January 31, 2023	$ 33,736
Goodwill acquired during the period ended July 31, 2023	6,875
Balance at July 31, 2023	$ 40,611

(e) Accounts receivable

Accounts receivable as of July 31, 2023 and January 31, 2023 are as follows:

	July 31, 2023	January 31, 2023
Billed	$ 48,273	$ 51,458
Unbilled	6,410	989
Total accounts receivable, gross	$ 54,683	$ 52,447
Less accounts receivable allowances	(770)	(1,053)
Total accounts receivable	$ 53,913	$ 51,394

Activity in the Company's allowance for doubtful accounts was as follows for the three months ended July 31, 2023:

	July 31, 2023
Balance, January 31, 2023	$ 1,053
Bad debt expense	64
Write-offs and adjustments	(347)
Balance, July 31, 2023	$ 770

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, 2023 and January 31, 2023 are as follows:

	July 31, 2023	January 31, 2023
Prepaid software and business systems	$ 4,055	$ 3,426
Prepaid data center expenses	3,947	2,389
Prepaid insurance	93	1,552
Other prepaid expenses and other current assets	3,567	3,342
Total prepaid and other current assets	$ 11,662	$ 10,709

(g) Cloud computing implementation costs

The Company enters into cloud computing service contracts to support its sales and marketing, product development and administrative activities. The Company capitalizes certain implementation costs for cloud computing arrangements that meet the definition of a service contract. The Company includes these capitalized implementation costs within Prepaid expenses and other current assets and within other assets on its consolidated balance sheets. Once placed in service, the Company amortizes these costs over the remaining subscription term to the same caption in the consolidated statements of operations as the related cloud subscription. As of both July 31, 2023 and January 31, 2023 capitalized implementation costs for cloud computing arrangements accounted for as service contracts were $1,532. Accumulated amortization of capitalized implementation costs for these arrangements was $814 and $610 as of July 31, 2023 and January 31, 2023, respectively.

(h) Other income, net

Other income, net for the three months ended July 31, 2023 and 2022 was $50 and $38, respectively. Other income, net for the six months ended July 31, 2023 and 2022 was $8 and $7, respectively. For all periods presented, other income, net was composed primarily of foreign exchange gains and other miscellaneous income.

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 healthcare services clients for access to the Phreesia Platform, payment processing fees based on patient payment volume, and fees from life sciences and payer clients for delivering direct communications to patients using the Phreesia Platform.

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 $2,603 and $2,482 for the three months ended July 31, 2023 and 2022, 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 $5,265 and $4,974 for the six months ended July 31, 2023 and 2022, respectively.

Contract balances

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

January 31, 2023	$ 989
Amount transferred to receivables from beginning balance of contract assets	(975)
Contract asset additions, net of reclassification to receivables	6,396
July 31, 2023	$ 6,410

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

January 31, 2023	$ 17,813
Revenue recognized that was included in deferred revenue at the beginning of the period	(13,095)
Net increase in current period deferred revenue	11,530
Deferred revenue added in acquisitions	292
July 31, 2023	$ 16,540

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 $280 and $438 for the three months ended July 31, 2023 and 2022, respectively. Amortization expense is included in sales and marketing expenses in the accompanying statements of operations and totaled $620 and $905 for the six months ended July 31, 2023 and 2022, 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, 2023	$ 2,810
Amortization of deferred contract acquisition costs	(620)
Ending balance, July 31, 2023	2,190

Deferred contract acquisition costs, current (to be amortized in next 12 months)	820
Deferred contract acquisition costs, non-current	1,370
Total deferred contract acquisition costs	$ 2,190

6. Finance leases and other debt

As of July 31, 2023 and January 31, 2023, the Company had the following outstanding finance lease liabilities and other debt:

	July 31, 2023	January 31, 2023
Finance leases	$ 11,292	$ 7,651
Financing arrangements	3,800	46
Accrued interest and payments	75	200
Total finance lease liabilities and other debt	15,167	7,897
Less - current portion of finance lease liabilities and other debt	(7,112)	(5,172)
Long-term finance lease liabilities and other debt	$ 8,055	$ 2,725

(a) Finance leases

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

(b) Financing agreements

On June 8, 2023, the Company entered into a software licensing financing agreement (the "financing agreement") in order to finance its software, equipment and service licenses. As of July 31, 2023, there was $3,800 in outstanding principal and interest due under the financing agreement. The financing agreement requires the Company to pay $123 per month for 36 months beginning August 2023. The effective interest rate on the financing agreement is 10.5% per annum.

(c) Amended and Restated Loan and Security Agreement

On February 28, 2019 (the "Effective Date"), the Company entered into the Amended and Restated Loan and Security Agreement (the "First SVB Facility") that provided for a $20,000 term loan.

On May 5, 2020 (the "Second SVB Effective Date"), the Company entered into the Second SVB Facility. The Second SVB Facility modified the First SVB Facility. The Second SVB Facility provided for a revolving credit facility with an initial borrowing capacity of $50,000. The borrowing capacity could 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 and used the proceeds to repay all amounts due under the First SVB Facility term loan. The Company repaid the balance on the Second SVB Facility during the fiscal year ended January 31, 2021.

On March 28, 2022 (the "Third SVB Effective Date"), the Company entered into a First Loan Modification Agreement to the Second SVB Facility (as amended, the "Third SVB Facility") to increase the borrowing capacity from $50,000 to $100,000 and to reduce the interest rate on the facility. Borrowings under the Third SVB Facility are payable on May 5, 2025. Borrowings under the Third SVB Facility bear interest, which is payable monthly, at a floating rate

equal to the greater of 3.25% or the Wall Street Journal Prime Rate minus 0.5%. As of July 31, 2023, the interest rate on the Third SVB Facility was 8.00%. In addition to principal and interest due under the revolving credit facility, the Company is required to pay an annual commitment fee of approximately $250 per year and a quarterly fee of 0.15% per annum of the average unused revolving line under the facility. The Company had $100,000 of availability under the facility as of July 31, 2023.

In the event that the Company terminates the Third SVB Facility prior to May 5, 2024, the Company will be required to pay a termination fee of up to 1.5% of borrowing capacity based on the length of time between termination and maturity. Any Company obligations under the Third SVB Facility are secured by a first priority security interest in substantially all of its assets, other than intellectual property. The Third SVB Facility includes a financial covenant that requires the Company to maintain a minimum Adjusted Quick Ratio as defined in the Third SVB Facility. The Third SVB Facility also 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. Additionally, the Third SVB Facility contains a covenant limiting the amount of cash and cash equivalents the Company can hold outside SVB. The Third SVB Facility also contains customary events of default. The Company was in compliance with all covenants related to the Third SVB Facility as of July 31, 2023.

As of July 31, 2023 and January 31, 2023, there was no debt outstanding related to the Third SVB Facility and the Second SVB Facility, respectively. As a result, the Company presented all unamortized deferred costs within other assets as of July 31, 2023 and January 31, 2023, respectively. The Company is amortizing the remaining unamortized costs over the remaining term of the Third 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
2024 (Remaining six months)	$ 3,806	$ 3,358	$ 448
Fiscal year ending January 31:			
2025	6,241	4,863	1,378
2026	3,990	2,660	1,330
2027	1,131	412	719
2028	—	—	—
Total maturities of finance leases and other debt	$ 15,167	$ 11,292	$ 3,875

The following table presents the components of interest income (expense), net:

	Three months ended July 31,		Six months ended July 31,	
	2023	2022	2023	2022
Interest expense [1]	$ (420)	$ (292)	$ (713)	$ (694)
Interest income	1,206	86	2,217	105
Interest income (expense), net	$ 786	$ (206)	$ 1,504	$ (589)

[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.

In connection with the MediFind Acquisition, on June 30, 2023, the Company issued 150,786 shares of common stock, par value $0.01 per share to the former owners of MediFind as partial consideration to acquire MediFind. On July 3, 2023, the Company filed a prospectus supplement to register the shares with the SEC. See Note 15 - Acquisitions for additional information regarding the MediFind Acquisition.

(b) Treasury stock

The Company's equity-based compensation plan allows for the grant of non-vested stock options, restricted stock units ("RSUs") and total shareholder return ("TSR") 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 estimated 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, the "2018 Stock Option Plan") 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 of the Board of Directors (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). As the 2018 Stock Option Plan was replaced by the 2019 Plan, all grants of stock options, RSUs and PSUs during the six months ended July 31, 2023 were made pursuant to the 2019 plan, respectively.

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 was limited to 855,873 shares.

The Company's fiscal 2023 and fiscal 2024 incentive bonuses allow eligible employees to elect to receive all or a portion of their fiscal 2023 and fiscal 2024 incentive compensation in the form of immediately vested restricted stock units instead of cash.

In July 2023, the Board of Directors also adopted the Company's 2023 Inducement Award Plan (the "Inducement Plan"). The Inducement Plan allows the Compensation Committee of the Board of Directors (the "Compensation Committee") or its delegates to make equity-based incentive awards including stock options, RSUs and PSUs to employees of acquired companies to induce them to join the Company. The total shares of common stock initially reserved under the Inducement Plan was 500,000 shares.

As of July 31, 2023, there are 4,988,341 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 508,343 shares available for future grant pursuant to the ESPP. The ESPP has two six-month offering periods each calendar year beginning in January and July. The ESPP allows eligible employees to purchase shares of the Company's common stock at a 15% discount through payroll deductions. As of July 31, 2023, there were 13,161 outstanding restricted stock units and 486,839 shares available for future grant under the Inducement Plan.

(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,	
	2023	2022	2023	2022
RSUs	$ 13,703	$ 10,752	$ 26,602	$ 20,701
Liability awards	2,278	1,669	4,803	3,574
PSUs	2,751	1,805	4,395	3,447
ESPP	286	321	655	808
Stock options	7	358	45	874
Total stock based compensation	$ 19,025	$ 14,905	$ 36,500	$ 29,404

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

	Three months ended July 31,		Six months ended July 31,	
	2023	2022	2023	2022
Stock-based compensation expense recorded to additional paid-in capital	$ 16,747	$ 13,236	$ 31,697	$ 25,830
Stock-based compensation expense recorded to accrued expenses	2,278	1,669	4,803	3,574
Total stock-based compensation	19,025	14,905	36,500	29,404
Less stock-based compensation expense capitalized as internal-use software	(377)	(347)	(714)	(695)
Stock-based compensation expense per consolidated statements of operations	$ 18,648	$ 14,558	$ 35,786	$ 28,709

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.

(c) Restricted stock units

The Company has issued restricted stock units to employees and independent directors that vest based on a time-based condition. For RSUs granted to employees 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 year ended January 31, 2023, the Company modified the vesting of RSUs granted subsequent to January 1, 2021 for employees other than its named executive officers listed in its 2022 proxy statement ("2022 NEOs") and other members of its executive management team. Pursuant to the modified vesting schedule, RSUs granted after January 1, 2021 for employees other than 2022 NEOs and other members of its executive management team vest 6.25% each quarter over four years based on continued service. For 2022 NEOs and other members of the Company's executive management team, RSUs granted from January 1, 2022 vest 6.25% each quarter over four years based on continued service. Beginning January 2023, all new RSUs granted generally vest 25% each year over four years based on continued service.

Additionally, at the beginning of each fiscal year, the Company provides certain employees the option to settle their incentive bonus in immediately vested RSUs. In April 2023, the Company issued 178,574 immediately vested RSUs to settle full-year fiscal 2023 share-settled bonus awards. The RSUs granted to settle bonus awards are included in RSUs granted and vested in the table below. See section (g) Liability awards below for additional information regarding share-settled bonus awards.

	Restricted stock units
Unvested, January 31, 2023	3,917,753
Granted in six months ended July 31, 2023[1]	1,813,611
Vested	(834,220)
Forfeited and expired	(328,219)
Unvested, July 31, 2023	4,568,925

[1] Includes 13,161 awards granted pursuant to the 2023 Inducement Award Plan.

As of July 31, 2023, there is $128,352 remaining of total unrecognized compensation cost related to these awards. The total unrecognized costs are expected to be recognized over a weighted-average term of 2.85 years.

(d) 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, 2023 is as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Aggregate Intrinsic value
Outstanding — January 31, 2023	1,385,193	$ 6.26		
Granted in three months ended July 31, 2023	—	$ —		
Exercised	(147,764)	$ 3.88		
Forfeited and expired	(415)	$ 4.71		
Outstanding and expected to vest — July 31, 2023	1,237,014	$ 6.54	4.78	$ 31,146
Exercisable — July 31, 2023	1,236,358	$ 6.53	4.78	$ 31,143
Amount vested in three months ended July 31, 2023	23,909	$ 13.05		

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, 2023 and 2022 (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 $4,214 and $4,029, respectively.

(e) TSR performance-based restricted stock units (PSUs)

The Company grants PSUs to certain members of its management team. PSUs vest over approximately three years from the grant date upon satisfaction of both time-based requirements and market targets based on Phreesia's 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 220% 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, 2023 are as follows:

	Performance stock units
Outstanding, January 31, 2023	648,233
Granted in six months ended July 31, 2023	13,492
Vested	—
Forfeited and expired	(74,472)
Outstanding, July 31, 2023	587,253

As of July 31, 2023, unrecognized compensation cost related to PSUs was $18,609, to be recognized on a straight-line basis over a weighted average term of 2.0 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. In the U.S., the ESPP is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986.

During the three and six months ended July 31, 2023, the Company issued 70,123 shares of common stock under the ESPP. In connection with these issuances, the Company recorded increases of $1,838 to common stock and additional paid-in capital within stockholders' equity. As of July 31, 2023, unrecognized compensation cost related to the ESPP was $507, to be recognized over the next five months.

(g) Liability awards

At the beginning of each year, the Company provides eligible employees the option to elect to receive all or a portion of their incentive compensation in the form of immediately vested restricted stock units instead of cash. Restricted stock units issued to settle liability awards are covered by the 2019 Plan. Share-settled bonus awards will be settled at a value equal to 115% of the bonuses converted. These share-settled bonus awards vest based on the achievement of the Company's predefined performance targets. As share-settled bonus awards will be settled in a variable number of shares, the Company classifies share-settled bonus awards as liabilities within accrued expenses in the accompanying consolidated balance sheets until they are settled in shares and included in stockholders' equity. During the six months ended July 31, 2023, the Company settled $5,383 of share-settled bonus awards by issuing 178,574 immediately vested RSUs. See (c) Restricted Stock Units above for additional discussion regarding RSUs.

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, 2023 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, 2023
Money market mutual funds	$ 95,615	$ —	$ —	$ 95,615
Total assets	$ 95,615	$ —	$ —	$ 95,615

The following table presents information about the Company's assets and liabilities that are measured at fair value as of January 31, 2023 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, 2023
Money market mutual funds	$ 163,563	$ —	$ —	$ 163,563
Total assets	$ 163,563	$ —	$ —	$ 163,563

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 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, 2023 and 2022.

10. Leases

(a) Phreesia as Lessee

The Company leases several office premises and third-party data center space in the U.S. and Canada under operating leases which expire on various dates through March 2027. Certain of these arrangements have escalating rent payment provisions or optional renewal clauses. The Company has also entered into various finance lease

arrangements for computer equipment. These agreements are typically three years and are secured by the underlying equipment.

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, 2023, for operating leases, the weighted-average remaining lease term is 1.3 years and the weighted-average discount rate is 3.5%. As of July 31, 2023, for finance leases, the weighted-average remaining lease term is 2.1 years, and the weighted-average discount rate is 5.9%.

The components of lease expense for the six months ended July 31, 2023 were as follows:

	July 31, 2023
Operating leases:	
Operating lease cost	$ 363
Variable lease cost	31
Total operating lease cost	$ 394
Finance leases:	
Amortization of right-of-use assets	$ 3,379
Interest on lease liabilities	280
Total finance lease cost	$ 3,659

The following represents a schedule of maturing lease commitments for operating and finance leases as of July 31, 2023:

	July 31, 2023	
	Operating	Finance
Maturity of lease liabilities		
2024 (remaining six months)	$ 297	$ 3,593
Fiscal year ending January 31,		
2025	225	5,204
2026	86	2,847
2027	42	440
Thereafter	7	—
Total future minimum lease payments	$ 657	$ 12,084
Less: interest	(25)	(792)
Present value of lease liabilities	$ 632	$ 11,292

As of July 31, 2023, the Company has signed a finance lease for computer equipment which is not expected to commence until the fiscal quarter ended October 31, 2023. Total undiscounted payments through the fiscal year ended January 31, 2027 related to the lease are $338 and are excluded from the table above but are included in our other contractual purchase commitments. See Note 11 - Commitments and contingencies for additional information regarding other contractual purchase commitments. Other supplemental cash flow information for the six months ended July 31, 2023 was as follows:

	July 31, 2023
Supplemental cash flow information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash used for operating leases	$ 703
Operating cash used for finance leases	236
Financing cash used for finance leases	3,427
Total	$ 4,366
Right-of-use assets obtained in exchange for lease liabilities:	
Operating	$ —
Finance	7,067
Total	$ 7,067

(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, 2023, the Company recognized $2,603 and $5,265, 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, 2023, except for those with terms of one year or less.

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 its consolidated financial statements.

In addition, the Company has indemnification agreements with its directors and its executive officers that require it, 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) Other contractual commitments

Other contractual commitments consist primarily of non-cancelable purchase commitments to support our technology infrastructure.

During fiscal 2023, the Company signed a finance lease which commenced during the six months ended July 31, 2023. Total undiscounted payments through the fiscal year ended January 31, 2027 related to the lease of $7,720 were included in other contractual commitments as of January 31, 2023 and were added at present value to finance lease liabilities during the six months ended July 31, 2023.

During the six months ended July 31, 2023, the Company entered into a new non-cancelable purchase commitment to support its technology infrastructure. Total undiscounted payments through the fiscal year ended January 31, 2026 are $2,114.

During the six months ended July 31, 2023, there were no other significant changes in the Company's material cash requirements as compared to the material cash requirements from known contractual and other obligations described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, filed with the SEC on March 23, 2023.

12. Income taxes

For the three and six months ended July 31, 2023, the Company recorded tax provision of $648 and $954, respectively, compared to a tax provision of $213 and $448, respectively, for the corresponding periods in the prior year. The Company's provision for income taxes was 1.3% and 0.5% of loss before income taxes for the six months ended July 31, 2023 and 2022, 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 its U.S. deferred tax assets, and due to foreign income tax expense primarily related to the use of its Canadian net operating loss carry forwards attributable to the Company's Canadian 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 its U.S. 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, 2023 and January 31, 2023.

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,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (36,767)	$ (46,716)	$ (74,298)	$ (97,958)
Denominator:				
Weighted-average shares of common stock outstanding, basic and diluted	53,794,060	52,325,209	53,574,584	52,135,250
Net loss per share attributable to common stockholders	$ (0.68)	$ (0.89)	$ (1.39)	$ (1.88)

(b) Potential dilutive securities

The Company's potential dilutive securities, which include stock options, restricted stock units, performance stock awards and grants under the Company's ESPP, 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,	
	2023	2022
Stock options to purchase common stock, restricted stock and performance stock awards	7,167,904	6,623,285
Employee stock purchase plan	72,501	76,634
Total	7,240,405	6,699,919

14. Related party transactions

For the three months ended July 31, 2023 and 2022, the Company recognized revenue totaling $261 and $197, respectively, for advertisements placed by a pharmaceutical company, respectively. For the six months ended July 31, 2023 and 2022, the Company recognized revenue totaling $549 and $351, respectively. One of the Company's independent members of its board of directors serves on the board of directors for this pharmaceutical company. As of July 31, 2023 and January 31, 2023, accounts receivable from the pharmaceutical company totaled approximately $271 and $339, respectively.

For the three months ended July 31, 2022, the Company recognized general and administrative expenses totaling $77 for software agreements with a software company. For the six months ended July 31, 2023 and 2022, the Company recognized general and administrative expenses totaling $118 and $220, respectively. One of the Company's independent members of its board of directors served as the chief executive officer and on the board of directors for this software company until May 2023. This Company is no longer a related party subsequent to May 2023. As of January 31, 2023, prepaid expenses and other current assets included approximately $51 of payments made to this software company. The expense and asset amounts presented above include amounts incurred while the entity was a related party.

One of the Company's independent members of its board of directors has served as the chief financial officer of a software company since April 2022. The Company recognized de minimis expenses during both the three and six months ended July 31, 2023 and 2022 under software agreements with this software company.

15. Acquisitions

Acquisition of MediFind

On June 30, 2023, the Company entered into an agreement to acquire 100% of the outstanding equity of MediFind for aggregate consideration payable of $8,871 (the "MediFind Acquisition"). A portion of the consideration was paid in cash at closing (subject to a customary working capital adjustment) with the remainder of the consideration settled through the issuance of 150,786 shares of the Company's Common Stock to certain MediFind stockholders. MediFind is a consumer-facing healthcare product that helps patients - especially those with serious, chronic and rare diseases - find better care faster. The MediFind Acquisition was accounted for as a business combination. The Company acquired MediFind to reinforce its commitment to patient-centered care and expand its offerings to consumers.

The following table summarizes the purchase price consideration based on the estimated acquisition-date fair value of the acquisition consideration:

Cash consideration paid to sellers	$	4,104
Equity consideration paid to sellers		4,676
Liabilities incurred to sellers		91
Total fair value of acquisition consideration	$	8,871

The following table summarizes the calculation of cash paid for the MediFind Acquisition, net of cash acquired per the Company's consolidated statement of cash flows for the six months ended July 31, 2023:

Cash consideration paid to sellers	$	4,104
Less: Cash acquired		(231)
Cash paid for MediFind Acquisition net of cash acquired per statement of cash flows	$	3,873

The purchase price was allocated to the tangible assets acquired, the identifiable intangible assets acquired and the liabilities assumed based on their acquisition-date estimated fair values or other measurement bases specified by ASC 805 - Business Combinations.

The following table summarizes the final allocation of the purchase price to the assets acquired and liabilities assumed at the date of acquisition:

Cash	$	231
Accounts receivable		149
Other current assets		722
Identified intangible assets acquired		2,300
Goodwill		6,875
Total assets acquired		10,277
Accounts payable		(84)
Accrued liabilities		(907)
Deferred revenue		(292)
Deferred income tax liabilities		(123)
Total purchase price	$	8,871

The components of intangible assets acquired were as follows:

	Estimated Useful Life (in Years)	Fair Value
Technology	7	$ 1,200
Trademark	15	700
Customer relationships	10	400
Total identifiable intangible assets acquired		$ 2,300

The weighted average amortization period for acquired intangible assets as of the date of acquisition is 10 years.

The Company, with the assistance of a third-party appraiser, assessed the fair value of the assets of MediFind. The fair value of the acquired technology and trademark assets were estimated using the relief from royalty method. The fair value of customer relationships was estimated using a multi-period excess earnings method. To calculate fair value, the Company used cash flows discounted at a rate considered appropriate given the inherent risks associated with each asset.

The useful lives of the intangible assets were estimated based on the expected future economic benefit of the assets and are being amortized over the estimated useful life in proportion to the economic benefits consumed using the straight-line method. The amortization of intangible assets is not expected to be deductible for income tax purposes.

The goodwill recognized in the MediFind Acquisition is primarily attributable to expected synergies of the combined businesses driven by integrating the technology into the Phreesia Platform and engaging with patients and providers, as well as the acquisition of an assembled workforce. The goodwill is not expected to be deductible for tax purposes.

During the six months ended July 31, 2023, the Company incurred $699 of acquisition related costs for the MediFind Acquisition. These costs are primarily included within general and administrative expenses in our consolidated statements of operations.

16. Subsequent events

On August 11, 2023, the Company acquired Access, an innovative electronic forms management and automation provider that helps hospitals across the country streamline workflows, improve compliance and deliver a better patient experience, for total consideration of $38,374, subject to customary purchase price adjustments. Consideration transferred included $6,480 of cash, 1,096,436 shares of Phreesia common stock with an acquisition-date value of $30,645, and liabilities of $1,249. The Company acquired Access to enhance and build on its existing functionality in the acute care space and to expand its network of clients and partners.

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 Annual Report on Form 10-K for the fiscal year ended January 31, 2023, filed with the SEC on March 23, 2023. 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 26% to $85.8 million in the three months ended July 31, 2023, as compared with $67.9 million in the three months ended July 31, 2022.
- Total revenue increased 29% to $169.7 million in the six months ended July 31, 2023, as compared with $131.2 million in the six months ended July 31, 2022.
- Net loss was $36.8 million in the three months ended July 31, 2023, as compared to a net loss of $46.7 million in the three months ended July 31, 2022.
- Net loss was $74.3 million in the six months ended July 31, 2023, as compared to a net loss of $98.0 million in the six months ended July 31, 2022.
- Adjusted EBITDA was negative $11.5 million in the three months ended July 31, 2023, as compared to negative $26.0 million in the three months ended July 31, 2022.
- Adjusted EBITDA was negative $25.3 million in the six months ended July 31, 2023, as compared to negative $56.5 million in the six months ended July 31, 2022.
- Net cash used in operating activities was $9.3 million for the three months ended July 31, 2023, as compared to net cash used in operating activities of $19.8 million for the three months ended July 31, 2022.
- Net cash used in operating activities was $23.0 million for the six months ended July 31, 2023, as compared to net cash used in operating activities of $53.5 million for the six months ended July 31, 2022.
- Free cash flow was negative $15.2 million and negative $34.9 million for the three and six months ended July 31, 2023, respectively, compared to negative $25.7 million and negative $66.4 million for the three and six months ended July 31, 2022, respectively.
- Cash and cash equivalents as of July 31, 2023 was $127.7 million, a decrease of $49.0 million compared to January 31, 2023.

For a reconciliation of Adjusted EBITDA to net loss and a reconciliation of free cash flow to net 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 improve the operational and financial performance of healthcare organizations by activating patients in their care to optimize patient health outcomes. As evidenced in industry survey reports from KLAS, we have been recognized as a leader based on our integration capabilities with healthcare services client organizations, the broad adoption of our patient intake functionalities and by overall client satisfaction. Through our SaaS-based technology platform, which we refer to as the Phreesia Platform or our Platform, we offer healthcare services clients a robust suite of integrated solutions that manage patient access, registration and payments. Our Platform also provides life sciences companies, health plans and other payer organizations (payers), patient advocacy, public interest and other not-for-profit organizations with a channel for direct communication with patients.

We serve an array of healthcare services clients of all sizes across over 25 specialties, ranging from single-specialty practices, including internal and family medicine, urology, dermatology, and orthopedics, to large, multi-specialty groups, and health systems as well as regional and national payers and other organizations that provide other types

of healthcare-related services. Our network solutions revenue (as described below) is generated from clients in the pharmaceutical, biotechnology and medical device industries as well as payers, patient advocacy, public interest and other not-for-profit organizations seeking to activate, engage and educate patients about topics critical to their health.

We derive revenue from (i) subscription fees from healthcare services clients 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 and payer clients for delivering direct communications to help activate, engage and educate patients about topics critical to their health 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 healthcare services 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 leads, 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 healthcare services clients optimize their businesses and, as a result, support client retention.

We also sell products and services to life sciences and payer organizations as well as advertising agencies through our direct sales and marketing teams.

Since our inception, we have focused substantially all of our sales efforts within the United States. Accordingly, substantially all of our revenue from historical periods has come from the United States, and our current strategy is to continue to focus substantially all of our sales efforts within the United States.

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

Recent developments and current economic conditions

Acquisitions

On June 30, 2023, we acquired MediFind for total cash and equity consideration of $8.9 million. MediFind is a consumer-facing healthcare product that helps patients - especially those with serious, chronic and rare diseases - find better care faster. We acquired MediFind to reinforce our commitment to patient-centered care and expand our offerings to consumers.

See Note 15 - Acquisitions in Part I - Item 8 of this Quarterly Report on Form 10-Q for additional information regarding the MediFind Acquisition.

Macroeconomic environment and geopolitical conditions

Our business is directly and indirectly affected by macroeconomic conditions, geopolitical conditions and the state of global financial markets. Recent geopolitical uncertainty resulting, in part, from military conflict between Russia and Ukraine as well as other macro-economic conditions, such as the impact of pandemics, increased interest rates, inflation in the cost of goods, services and labor, or a recession or an economic slowdown in the U.S. or internationally have contributed to significant volatility and declines in global financial markets. The uncertainty over the extent and duration of the ongoing conflict and these macroeconomic conditions continues to cause disruptions to businesses and markets worldwide. While none of these factors individually has had a material impact on our

business to date, it is difficult to predict the potential impact these factors may have on our future business results, and each could adversely impact our business operations, financial performance and results of operations.

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	2023	2022	2023	2022
Key Metrics:				
Average number of healthcare services clients ("AHSCs")	3,445	2,776	3,377	2,651
Healthcare services revenue per AHSC	$ 18,268	$ 18,248	$ 37,036	$ 37,397
Total revenue per AHSC	$ 24,914	$ 24,448	$ 50,244	$ 64,004

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. We believe the investments we make to grow, strengthen and sustain our network of healthcare services clients lead to growth in all of our revenue categories. As disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, during the fourth quarter of the year ended January 31, 2023, we relabeled and expanded our key metrics related to revenue and AHSCs to more clearly depict the value of our network of healthcare services clients. We relabeled our key metric "Average revenue per healthcare services client" to "Healthcare services revenue per AHSC". We did not make any changes to the calculation of this metric in relabeling this metric, and we have not changed any previously reported amounts. Additionally, we added a key metric for "Total revenue per AHSC". The definitions of our key metrics are presented below.

- *AHSCs.* We define AHSCs as the average number of clients that generate subscription and related services or payment processing 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 AHSCs 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 AHSCs 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 AHSC growth. For example, as AHSCs increase, 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.
- *Healthcare services revenue per AHSC.* We define Healthcare services revenue as the sum of subscription and related services revenue and payment processing revenue. We define Healthcare services revenue per AHSC as healthcare services revenue in a given period divided by AHSCs during that same period. We are focused on continually delivering value to our healthcare services clients and believe that our ability to increase healthcare services revenue per AHSC is an indicator of the long-term value of the Phreesia Platform. Healthcare services revenue per AHSC remained relatively flat at $18,268 in the three months ended July 31, 2023 as compared to $18,248 in the same period in the prior year.
- *Total revenue per AHSC.* We define Total revenue per AHSC as Total revenue in a given period divided by AHSCs during that same period. Our healthcare services clients directly generate subscription and related services and payment processing revenue. Additionally, our relationships with healthcare services clients who subscribe to the Phreesia Platform give us the opportunity to engage with life sciences companies, health plans and other payer organizations, patient advocacy, public interest and other not-for-profit organizations who deliver direct communication to patients through our Platform. As a result, we believe that our ability to increase Total revenue per AHSC is an indicator of the long-term value of the Phreesia Platform. Total revenue per AHSC was $24,914 in the three months ended July 31, 2023 as compared to $24,448 in the same period in the prior year, an increase of 2%. The increase was driven primarily by network solutions revenue growth that outpaced AHSC growth.

Additional Information

Unaudited	Three months ended July 31, 2023	Three months ended July 31, 2022	Six months ended July 31, 2023	Six months ended July 31, 2022
Patient payment volume (in millions)	$ 989	$ 811	$ 2,005	$ 1,648
Payment facilitator volume percentage	82 %	80 %	82 %	80 %

- *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.

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 healthcare services 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 fees from life sciences and payer clients for delivering direct communications to help activate, engage and educate patients about topics critical to their health using the Phreesia Platform.

Our total revenue consists of the following:

- *Subscription and related services.* We primarily generate subscription fees from our healthcare services clients based on the number of healthcare services clients that subscribe to and utilize the Phreesia Platform. Our healthcare services clients are typically billed monthly in arrears, though in some instances, healthcare services clients may opt to be billed quarterly or annually in advance. Subscription fees are typically auto-debited from healthcare services clients' accounts every month. As we target and add larger enterprise healthcare services clients, these clients may choose to contract differently than our typical per healthcare services client subscription model. To the extent we charge in an alternative manner with larger enterprise healthcare services clients, we expect that such a pricing model will recur and, combined with our per healthcare services client subscription fees, will increase as a percentage of our total revenue. In addition, we receive certain fees from healthcare services clients for professional services associated with our implementation services as well as travel and expense reimbursements, shipping and handling fees, sales of hardware (PhreesiaPads and Arrivals Kiosks), on-site support and training.
- *Payment processing fees.* We generate revenue from payment processing fees based on the number of transactions and the levels of patient payment volume processed through the Phreesia Platform. 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 82% and 80% of our patient payment volume in the three months ended July 31, 2023 and 2022, respectively. Credit and debit patient payment volume processed through our payment facilitator model represented 82% and 80% of our patient payment volume in the six months ended July 31, 2023 and 2022, 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. Utilization trends have been dynamic through the pandemic, diverging from our pre-pandemic seasonality. We expect the environment to remain dynamic through fiscal year 2024.
- *Network solutions.* We generate revenue from life sciences and payer clients for delivering direct communications to patients. As we expand our healthcare services client base, we increase the number of new patients we can reach to deliver our direct communications that help activate, engage and educate patients about topics critical to their health on behalf of life sciences and payer clients.

Cost of revenue (excluding depreciation and amortization)

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

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, stock-based compensation, commissions, bonuses and benefits 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, stock-based compensation, benefits and bonuses for our development personnel. Research and development expense also includes 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, stock-based compensation, bonuses and benefits for our executive, finance, legal, security, human resources, information technology and other administrative personnel. General and administrative expense also includes software costs to support our finance, legal and human resources operations, insurance costs as well as fees to third-party providers for accounting, legal and consulting services, costs for various non-income-based taxes and allocated overhead.

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 income, net

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

- *Other income, net*. Other income, net consists of foreign currency-related gains and losses and other miscellaneous income (expense).
- *Interest income*. Interest income consists of interest earned on our cash and cash equivalent balances.
- *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 substantially all of our U.S. deferred tax assets as of July 31, 2023 will not be realized in the near term. Consequently, we have established a valuation allowance against our 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 realize 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, 2023 and 2022

Revenue

(in thousands)	Three months ended July 31, 2023	2022	$ Change	% Change
Subscription and related services	$ 39,301	$ 31,069	$ 8,232	26 %
Payment processing fees	23,631	19,581	4,050	21 %
Network solutions	22,898	17,217	5,681	33 %
Total revenue	$ 85,830	$ 67,867	$ 17,963	26 %

- *Subscription and related services*. Our subscription and related services revenue from healthcare services organizations increased $8.2 million to $39.3 million for the three months ended July 31, 2023, as compared to $31.1 million for the three months ended July 31, 2022, primarily due to the addition of new healthcare services clients as well as expansion of and cross-selling to existing healthcare services clients.
- *Payment processing fees*. Our revenue from patient payments processed through the Phreesia Platform increased $4.1 million to $23.6 million for the three months ended July 31, 2023, as compared to $19.6 million for the three months ended July 31, 2022, due to the addition of more healthcare services clients, which drove increases in patient visits and patient payments processed through the Phreesia Platform.
- *Network solutions.* Our revenue from life science and payer clients increased $5.7 million to $22.9 million for the three months ended July 31, 2023, as compared to $17.2 million for the three months ended July 31, 2022, due to an increase in new activation, engagement and education programs and deeper patient outreach among the existing programs.

(in thousands)	Six months ended July 31, 2023	2022	$ Change	% Change
Subscription and related services	$ 77,188	$ 60,170	$ 17,018	28 %
Payment processing fees	47,884	38,962	8,922	23 %
Network solutions	44,603	32,089	12,514	39 %
Total revenue	$ 169,675	$ 131,221	$ 38,454	29 %

- *Subscription and related services*. Our subscription and related services revenue from healthcare services organizations increased $17.0 million to $77.2 million for the six months ended July 31, 2023, as compared to $60.2 million for the six months ended July 31, 2022, primarily due to the addition of new healthcare services clients as well as expansion of and cross-selling to existing healthcare services clients.
- *Payment processing fees*. Our revenue from patient payments processed through the Phreesia Platform increased $8.9 million to $47.9 million for the six months ended July 31, 2023, as compared to $39.0 million for the six months ended July 31, 2022, due to the addition of more healthcare services clients, which drove increases in patient visits and patient payments processed through the Phreesia Platform.
- *Network solutions.* Our revenue from life science and payer clients increased $12.5 million to $44.6 million for the six months ended July 31, 2023, as compared to $32.1 million for the six months ended July 31, 2022, due to an increase in new activation, engagement and education programs and deeper patient outreach among the existing programs.

Cost of revenue (excluding depreciation and amortization)

(in thousands)	Three months ended July 31, 2023	2022	$ Change	% Change
Cost of revenue (excluding depreciation and amortization)	$ 14,449	$ 14,873	$ (424)	(3)%

Cost of revenue (excluding depreciation and amortization) decreased $0.4 million to $14.4 million for the three months ended July 31, 2023, as compared to $14.9 million for the three months ended July 31, 2022. The decrease resulted primarily from a $1.2 million decrease in employee compensation and benefits costs driven by lower average headcount, partially offset by a $0.8 million increase in third-party costs driven by growth in revenue.

Stock compensation expense incurred related to cost of revenue was $1.2 million and $1.0 million for the three months ended July 31, 2023 and 2022, respectively.

	Six months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Cost of revenue (excluding depreciation and amortization)	$ 29,356	$ 29,259	$ 97	— %

Cost of revenue (excluding depreciation and amortization) increased $0.1 million to $29.4 million for the six months ended July 31, 2023, as compared to $29.3 million for the six months ended July 31, 2022. The increase resulted primarily from a $2.3 million increase in third-party costs driven by growth in revenue, partially offset by a $2.2 million decrease in employee compensation and benefits costs driven by lower average headcount.

Stock compensation expense incurred related to cost of revenue was $2.2 million and $1.8 million for the six months ended July 31, 2023 and 2022, respectively.

Payment processing expense

	Three months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Payment processing expense	$ 15,852	$ 12,554	$ 3,298	26 %

Payment processing expense increased $3.3 million to $15.9 million for the three months ended July 31, 2023, as compared to $12.6 million for the three months ended July 31, 2022. The increase resulted primarily from an increase in payment processing fees revenue and patient payments processed through the Phreesia Platform, each driven by an increase in patient visits over the prior year.

	Six months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Payment processing expense	$ 31,942	$ 24,712	$ 7,230	29 %

Payment processing expense increased $7.2 million to $31.9 million for the six months ended July 31, 2023, as compared to $24.7 million for the six months ended July 31, 2022. The increase resulted primarily from an increase in payment processing fees revenue and patient payments processed through the Phreesia Platform, each driven by an increase in patient visits over the prior year.

Sales and marketing

	Three months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Sales and marketing	$ 37,244	$ 38,341	$ (1,097)	(3)%

Sales and marketing expense decreased $1.1 million to $37.2 million for the three months ended July 31, 2023, as compared to $38.3 million for the three months ended July 31, 2022. The decrease was primarily attributable to a $2.0 million decrease in total compensation and benefits costs driven by lower average headcount, partially offset by a $1.0 million increase in third-party sales and marketing costs.

Stock compensation expense incurred related to sales and marketing expense was $7.1 million and $5.4 million for the three months ended July 31, 2023 and 2022, respectively.

(in thousands)	Six months ended July 31, 2023	2022	$ Change	% Change
Sales and marketing	$ 74,657	$ 78,372	$ (3,715)	(5)%

Sales and marketing expense decreased $3.7 million to $74.7 million for the six months ended July 31, 2023, as compared to $78.4 million for the six months ended July 31, 2022. The decrease was primarily attributable to a $5.8 million decrease in total compensation and benefits costs driven by lower average headcount, partially offset by a $1.7 million increase in third-party sales and marketing costs.

Stock compensation expense incurred related to sales and marketing expense was $13.5 million and $11.1 million for the six months ended July 31, 2023 and 2022, respectively.

Research and development

(in thousands)	Three months ended July 31, 2023	2022	$ Change	% Change
Research and development	$ 27,471	$ 22,542	$ 4,929	22 %

Research and development expense increased $4.9 million to $27.5 million for the three months ended July 31, 2023, as compared to $22.5 million for the three months ended July 31, 2022. The increase resulted primarily from a $4.2 million increase in total compensation and benefits costs driven by higher compensation for existing employees and increased headcount, as well as a $0.7 million increase in software and other third-party research and development costs.

Stock compensation expense incurred related to research and development expense was $4.6 million and $3.0 million for the three months ended July 31, 2023 and 2022, respectively.

(in thousands)	Six months ended July 31, 2023	2022	$ Change	% Change
Research and development	$ 53,940	$ 43,177	$ 10,763	25 %

Research and development expense increased $10.8 million to $53.9 million for the six months ended July 31, 2023, as compared to $43.2 million for the six months ended July 31, 2022. The increase resulted primarily from an $8.3 million increase in total compensation and benefits costs driven by higher compensation for existing employees and increased headcount, as well as a $0.9 million increase in outside services costs and higher software costs.

Stock compensation expense incurred related to research and development expense was $8.4 million and $5.5 million for the six months ended July 31, 2023 and 2022, respectively.

General and administrative

(in thousands)	Three months ended July 31, 2023	2022	$ Change	% Change
General and administrative	$ 20,988	$ 20,073	$ 915	5 %

General and administrative expense increased $0.9 million to $21.0 million for the three months ended July 31, 2023, as compared to $20.1 million for the three months ended July 31, 2022. The increase resulted primarily from higher outside services costs associated with current year acquisitions.

Stock compensation incurred related to general and administrative expense was $5.7 million and $5.2 million for the three months ended July 31, 2023 and 2022, respectively.

(in thousands)	Six months ended July 31, 2023	2022	$ Change	% Change
General and administrative	$ 40,865	$ 40,928	$ (63)	— %

General and administrative expense remained relatively flat at $40.9 million for the six months ended July 31, 2023, as compared to $40.9 million for the six months ended July 31, 2022. The $0.1 million decrease resulted primarily from lower travel and entertainment costs, as well as lower insurance costs, partially offset by higher outside services costs associated with current year acquisitions.

Stock compensation incurred related to general and administrative expense was $11.6 million and $10.3 million for the three months ended July 31, 2023 and 2022, respectively.

Depreciation

	Three months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Depreciation	$ 4,244	$ 4,220	$ 24	1 %

Depreciation expense remained relatively flat at $4.2 million for the three months ended July 31, 2023, as compared to $4.2 million for the three months ended July 31, 2022.

	Six months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Depreciation	$ 8,748	$ 8,498	$ 250	3 %

Depreciation expense increased $0.3 million to $8.7 million for the six months ended July 31, 2023, as compared to $8.5 million for the six months ended July 31, 2022. The increase was primarily attributable to higher data center and computer equipment depreciation.

Amortization

	Three months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Amortization	$ 2,537	$ 1,599	$ 938	59 %

Amortization expense increased $0.9 million to $2.5 million for the three months ended July 31, 2023 as compared to $1.6 million for the three months ended July 31, 2022. The increase was primarily driven by higher amortization of capitalized internal-use software development costs.

	Six months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Amortization	$ 5,023	$ 3,203	$ 1,820	57 %

Amortization expense increased $1.8 million to $5.0 million for the six months ended July 31, 2023 as compared to $3.2 million for the six months ended July 31, 2022. The increase was primarily driven by higher amortization of capitalized internal-use software development costs.

Other income, net

	Three months ended July 31,			
(in thousands)	**2023**	**2022**	**$ Change**	**% Change**
Other income, net	$ 50	$ 38	$ 12	32 %

Other income, net was not significant and remained relatively flat during the three months ended July 31, 2023 and 2022.

	Six months ended July 31,			
(in thousands)	2023	2022	$ Change	% Change
Other income, net	$ 8	$ 7	$ 1	14 %

Other income, net was not significant and remained relatively flat during the six months ended July 31, 2023 and 2022.

Interest income (expense), net

	Three months ended July 31,			
(in thousands)	2023	2022	$ Change	% Change
Interest income (expense), net	$ 786	$ (206)	$ 992	(482)%

Interest income (expense), net was comprised of income of $0.8 million for the three months ended July 31, 2023, as compared to expense of $0.2 million for the three months ended July 31, 2022. The $1.0 million change is primarily attributable to higher interest income earned from our cash and cash equivalent balances.

	Six months ended July 31,			
(in thousands)	2023	2022	$ Change	% Change
Interest income (expense), net	$ 1,504	$ (589)	$ 2,093	(355)%

Interest income (expense), net was comprised of income of $1.5 million for the six months ended July 31, 2023, as compared to expense of $0.6 million for the six months ended July 31, 2022. The $2.1 million change is primarily attributable to higher interest income earned from our cash and cash equivalent balances.

Provision for income taxes

	Three months ended July 31,			
(in thousands)	2023	2022	$ Change	% Change
Provision for income taxes	$ (648)	$ (213)	$ (435)	204 %

Provision for income taxes increased by $0.4 million to $0.6 million for the three months ended July 31, 2023 compared to $0.2 million for the three months ended July 31, 2022. Provision for income taxes relates primarily to Canadian and U.S. federal and state income taxes.

	Six months ended July 31,			
(in thousands)	2023	2022	$ Change	% Change
Provision for income taxes	$ (954)	$ (448)	$ (506)	113 %

Provision for income taxes increased by $0.5 million to $1.0 million for the six months ended July 31, 2023 compared to $0.4 million for the six months ended July 31, 2022. Provision for income taxes relates primarily to utilization of Canadian net operating loss carryforwards and U.S. federal 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 (income) expense, net, provision for income taxes, depreciation and amortization, and before stock-based compensation expense and other 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 (income) expense, 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)	**2023**	**2022**	**2023**	**2022**
Net loss	$ (36,767)	$ (46,716)	$ (74,298)	$ (97,958)
Interest (income) expense, net	(786)	206	(1,504)	589
Provision for income taxes	648	213	954	448
Depreciation and amortization	6,781	5,819	13,771	11,701
Stock-based compensation expense	18,648	14,558	35,786	28,709
Other income, net	(50)	(38)	(8)	(7)
Adjusted EBITDA	$ (11,526)	$ (25,958)	$ (25,299)	$ (56,518)

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:

(in thousands, unaudited)	Three months ended July 31, 2023	Three months ended July 31, 2022	Six months ended July 31, 2023	Six months ended July 31, 2022
Net cash used in operating activities	$ (9,331)	$ (19,843)	$ (22,990)	$ (53,476)
Less:				
Capitalized internal-use software	(5,088)	(5,003)	(9,820)	(10,242)
Purchases of property and equipment	(755)	(849)	(2,102)	(2,634)
Free cash flow	$ (15,174)	$ (25,695)	$ (34,912)	$ (66,352)

Liquidity and capital resources

As of July 31, 2023 and January 31, 2023, we had cash and cash equivalents of $127.7 million and $176.7 million, respectively. Cash and cash equivalents consist of money market mutual funds and cash on deposit.

We believe that our existing cash and cash equivalents, along with cash generated in the normal course of business, will be sufficient to meet our needs for at least the next 12 months.

In addition, we also have potential borrowing capacity under our credit agreement subject to certain restrictive covenants. See Closure of SVB below and Note 1 - Background and liquidity within Item 1 - Financial Statements (unaudited) for additional information regarding our credit agreement with SVB.

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

Second Amended and Restated Loan and Security Agreement

On May 5, 2020, we entered into the Second SVB Facility. The Second SVB Facility provided for a revolving line of credit of up to $50.0 million (with options to increase up to $65.0 million). We transferred the $20.0 million outstanding balance on a previous SVB Facility, the First SVB Facility term loan, plus related prepayment fees, into the revolving credit borrowings outstanding under the Second SVB Facility. As of January 31, 2022, the interest rate on the Second SVB Facility was 4.5%. Borrowings under the Second SVB Facility were payable on May 5, 2025. We repaid the outstanding balance on the Second SVB Facility in January 2021.

Third SVB Facility

On March 28, 2022, we entered into 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. Borrowings under the Third SVB Facility are payable on May 5, 2025. As of July 31, 2023, the interest rate on the Third SVB Facility was 8.00%.

In the event that we terminate the Third SVB Facility prior to the Maturity Date and do not replace the facility with another SVB facility, we are required to pay a termination fee equal to $0.2 million plus a percent of total borrowing capacity, both of which would be reduced based on the amount of time elapsed before the termination.

Any of our obligations under the Third SVB Facility are secured by a first priority security interest in substantially all of our assets, other than intellectual property. The Third SVB Facility includes financial covenants including, but not limited to requiring us to maintain a minimum Adjusted Quick Ratio and limiting the amount of cash and cash equivalents we hold outside SVB, each as defined in the Third SVB Facility.

Closure of SVB

On March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, actions were approved enabling the FDIC to complete its resolutions of SVB in a manner that fully protects all

depositors. On March 27, 2023, SVB was acquired by and became a division of First Citizens Bank. Prior to these events, on March 9, 2023, we transferred a substantial portion of our cash and cash equivalents from SVB to other financial institutions. We have determined that all of our cash and cash equivalents continue to be available for our use.

We are also party to the Third SVB Facility, which contains certain restrictive covenants including a covenant that limits our ability to retain specified levels of cash in accounts outside of SVB. On March 10, 2023, we obtained consent from SVB to hold up to $165 million of cash in accounts outside SVB until May 15, 2023. On May 8, 2023, we obtained an extension of the consent through September 15, 2023, provided we continue to hold at least $17 million of cash in accounts at SVB. On August 21, 2023, we obtained a further extension of the consent through November 15, 2023, provided we continue to hold at least $17 million of cash in accounts at SVB. The consent serves to permit us to borrow against the Third SVB Facility once the cash and cash equivalents retained outside of SVB are compliant with the covenant and so long as we remain in compliance with all other covenants under the Third SVB Facility. With the exception of this consent, the SVB developments and related FDIC actions noted above have not materially impacted our financial position or our operations.

We believe that our cash and cash equivalents along with cash generated in the normal course of business, are sufficient to fund our operations for at least the next 12 months.

Financing agreements

On June 8, 2023, we entered into a financing agreement to obtain financing for internal-use software and related software support. As of July 31, 2023, there was $3,800 in outstanding principal and interest due under the agreement. The financing agreement requires us to pay $123 per month for 36 months beginning August 2023. The effective interest rate on the agreement is 10.5% per annum.

Shares issued as consideration for acquisition

On June 30, 2023, the Company entered into an agreement to acquire 100% of the outstanding equity of MediFind for total consideration of $8,871, which included the issuance of 150,786 shares of the Company's Common Stock to certain MediFind stockholders.

The following table summarizes our sources and uses of cash for each of the periods presented:

	Three months ended July 31,	
(in thousands, unaudited)	**2023**	**2022**
Net cash used in operating activities	$ (22,990)	$ (53,476)
Net cash used in investing activities	(15,795)	(12,876)
Net cash used in financing activities	(10,221)	(6,731)
Net decrease in cash and cash equivalents	$ (49,006)	$ (73,083)

Operating activities

The primary sources of cash from operating activities are cash received from our customers and interest earned on our money market mutual funds. 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 finance leases and other borrowings and cash paid for various sales, property and income taxes.

During the six months ended July 31, 2023, net cash used in operating activities was $23.0 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, 2022, net cash used in operating activities was $53.5 million, as our cash paid to employees and suppliers exceeded our cash received from customers in connection with our normal operations.

The change in net cash used in operating activities was driven primarily by an increase in cash received from customers driven by higher revenues as well as higher interest income on money market mutual funds we held during the period ended July 31, 2023.

Investing activities

During the six months ended July 31, 2023, net cash used in investing activities was $15.8 million, principally resulting from $9.8 million of capitalized internal-use software costs, $3.9 million of net cash paid for the MediFind Acquisition, as well as $2.1 million of purchases of property and equipment, principally for software.

During the six months ended July 31, 2022, net cash used in investing activities was $12.9 million, principally resulting from capital expenditures, the majority of which consisted of $10.2 million of capitalized internal-use software costs, as well as $2.6 million of purchases of property and equipment, principally the purchase of data center equipment.

Financing activities

During the six months ended July 31, 2023, net cash used in financing activities was $10.2 million, primarily consisting of $10.7 million used for treasury stock to satisfy tax withholdings on stock compensation awards and $3.4 million used for principal payments on finance leases, partially offset by $2.5 million in proceeds from our equity compensation plans and $1.7 million constructive financing related to our software financing arrangement.

During the six months ended July 31, 2022, net cash used in financing activities was $6.7 million, primarily consisting of $6.3 million used for treasury stock to satisfy tax withholdings on stock compensation awards and $2.9 million used for principal payments on finance leases, partially offset by $3.1 million in proceeds from our equity compensation plans and $0.4 million of financing fees related to the Third SVB Facility.

Material Cash Requirements

Our material cash requirements relate to leases, financing arrangements and contractual purchase commitments and human capital.

During the six months ended July 31, 2023, the Company recorded a finance lease with total undiscounted payments of $7,720 through the fiscal year ended January 31, 2027. As of January 31, 2023, undiscounted payments for this lease were included in contractual purchase commitments as the lease had not yet commenced. Additionally, during the six months ended July 31, 2023, the Company entered into a new non-cancelable purchase commitment to support our technology infrastructure. Total undiscounted payments through the fiscal year ended January 31, 2026 are $2,114.

During the six months ended July 31, 2023, there were no other significant changes in our material cash requirements as compared to the material cash requirements from known contractual and other obligations described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, filed with the SEC on March 23, 2023.

See "Liquidity and Capital Resources - Silicon Valley Bank facility - Closure of SVB" above for information regarding the closure of SVB and its impact on our cash and cash equivalents, liquidity and sources of funds available for our material cash requirements.

Critical accounting policies and estimates

The preparation of the consolidated financial statements in conformity with GAAP requires us to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of revenue and expenses during the reporting period. Our most significant estimates and judgments involve revenue recognition, the fair value of assets acquired in business combinations, capitalized internal-use software, income taxes, and valuation of our stock-based compensation. Actual results may differ from these estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no significant changes in our critical accounting policies and estimates during the three months ended July 31, 2023 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, 2023, filed with the SEC on March 23, 2023.

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

As of July 31, 2023, our cash and cash equivalents consisted primarily of money market funds 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 financial condition. Changes in interest rates impact the amount of interest income we record on our cash equivalents. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

As of July 31, 2023, we had no debt outstanding under the Third SVB Facility. See Closure of SVB below and Note 1 - Background and liquidity and Note 6 - Finance leases and other debt within Item 1 - Financial Statements (unaudited) for additional information regarding the Third SVB Facility, the closure of SVB and its impact on the Third SVB Facility.

Although we had no debt outstanding under the Third SVB Facility as of January 31, 2023, changes in interest rates would affect interest expense if we borrow against the Third SVB Facility in the future. Additionally, changes in interest rates will impact the discount rate and resulting interest expense for any new finance leases or software financing arrangements.

During the six months ended July 31, 2023, there were no significant changes in our quantitative and qualitative disclosures about market risk described in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, filed with the SEC on March 23, 2023.

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, including our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation as of the end of the period covered by this Quarterly Report of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of July 31, 2023, our disclosure controls and procedures were 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. 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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended July 31, 2023 that have 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 Chief Executive Officer and Chief 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

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

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 consolidated 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 operations. 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 and industry

We have grown rapidly in recent periods, and as a result, our expenses have continued to increase. If we fail to manage our growth effectively, 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 expand. As we continue to grow, both organically and through acquisitions, we must effectively integrate, develop, and manage an increasingly distributed employee base in a fully remote working environment. We may find it challenging to maintain the same level of employee productivity while executing our growth plan, fostering collaboration, and maintaining the beneficial aspects of our culture, and any such failures could negatively affect our future success, including our ability to attract and retain highly qualified employees and to achieve our business objectives.

In addition, 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 the Phreesia Platform for our clients' needs. Our healthcare services 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 the Phreesia Platform to our clients in a timely manner. If we are unable to address the needs of our healthcare services clients or our healthcare services clients are unsatisfied with the quality of the Phreesia Platform or our 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 has required and 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 the Phreesia Platform or our services to decrease our costs. If our management is unable to effectively manage our growth, our revenue may not increase (including sufficiently to offset our expenses) or may grow more slowly than expected, and we may be unable to implement our business strategy.

We operate in a highly competitive industry, and if we are not able to compete effectively, including with the EHR and PM systems with which we integrate, our business and results of operations will be harmed.

The market for our products and services is fragmented, competitive and characterized by rapidly evolving technology standards, evolving regulatory requirements, changes in 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, including the EHR and PM systems with which we integrate. 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 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.

The success of our business and growth strategy depend upon our continued ability to maintain and expand a network of healthcare services clients. If we are unable to attract and retain healthcare services clients, it would have a material adverse effect on our business and ability to grow and would adversely affect our results of operations.

Our success also depends on providing high-quality products and services that healthcare services clients use to improve clinical, financial and operational performance and that are used and positively received by patients. If we cannot adapt to rapidly evolving industry standards and technology and increasingly sophisticated and varied healthcare services organization 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. Our ability to streamline the intake process and critical workflows in order to improve healthcare services organization, 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 healthcare services 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 develop more slowly than we expect, which could adversely affect our operating results.

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

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, 2023 and the years ended January 31, 2023 and January 31, 2022, we had net losses of $36.8 million, $74.3 million, $176.1 million and $118.0 million, respectively, and losses from operations of $37.0 million $74.9 million, $176.6 million and $116.8 million respectively. Our operating expenses may increase 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 operate as 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, which may not be available to us on favorable terms or at all. If we are unable to effectively manage these risks and difficulties as we encounter them or effectively access the capital markets, our business, financial condition and results of operations may suffer.

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 products and services achieve or maintain market acceptance;
- our ability to introduce new products and services and enhancements to our existing products and 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;
- our ability to integrate our Platform with the systems utilized by our healthcare services clients, including but not limited to, EHR and PM systems;
- changes in client budgets and procurement policies;
- patients' desires to receive communications from Phreesia and/or our partners, the extent to which they opt-in to such communications, and our ability to deliver a consistent volume of such communications;
- amount and timing of our investment in research and development activities and other areas of our business;
- 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 recent and potential future acquisitions;
- unforeseen legal expenses, including litigation and settlement costs; and
- buying patterns of our clients and the related seasonality impacts on our business.

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.

Privacy concerns or security breaches or incidents 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 sensitive, confidential and proprietary information, including personally identifiable information, such as payment data and protected health information, of patients received in connection with the utilization of our Platform. Attacks on information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and they are being conducted by increasingly sophisticated and organized groups and individuals with a wide range of motives and expertise. In addition to extracting sensitive information, such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. The prevalent use of mobile devices also increases the risk of data security incidents. While we believe 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. In addition, some of our third-party service providers and partners also collect and/or store our sensitive information and our clients' data on our behalf, and these service providers and partners are subject to similar threats of cyber-attacks and other malicious internet-based activities, which could also expose us to risk of loss, litigation, and potential liability. The risk of state-supported and geopolitical-related cyber-attacks may increase in connection with the war in Ukraine and any related political or economic responses and counter-responses. We may not discover all such incidents or activity or be able to respond or otherwise address them promptly, in sufficient respects or at all.

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 (as defined below). 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 healthcare services clients 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, violated applicable privacy laws and regulations 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, however, we cannot assure you that such measures will provide absolute security.

Further, the security systems in place at our employees' and service providers' offices and homes may be less secure than those used in our offices, and while we have implemented technical and administrative safeguards to help protect our systems as our employees and service providers work from their offices, homes and other remote locations, we may be subject to increased cybersecurity risk, which could expose us to risks of data or financial loss, and could disrupt our business operations. There is no guarantee that the data security and privacy safeguards we have put in place will be completely effective or that we will not encounter risks associated with employees and service providers accessing company data and systems remotely. 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 address matters related to any such breach, including notifying users or regulators, and address reputational harm.

Business or economic disruptions or global health concerns could harm our business and increase our costs and expenses.

Broad-based business or economic disruptions or global health concerns could materially and adversely impact our business and results of operations due to, among other factors:

- a general decline in business activity, such as clients' office closures during the COVID-19 pandemic;
- a potentially disproportionate impact on the healthcare services 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; and
- social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate.

In addition, the lingering effects of the COVID-19 pandemic, recent macroeconomic challenges (including high levels of inflation and high interest rates) and the tight labor market continue to adversely affect workforces, organizations, governments, clients, economies, and financial markets globally and have disrupted the normal operations of many businesses, including our business, making it potentially very difficult for our clients and us to accurately forecast and plan future business activities. These factors have and could further decrease healthcare industry spending, adversely affect demand for our products and services, impair the ability of our clients to pay for the products and services they have already purchased from us, cause one or more of our clients to file for bankruptcy protection or go out of business, cause one or more of our clients to fail to renew, terminate, or renegotiate their contracts, impact expected spending from new clients, negatively impact collections of accounts receivable, and harm our business, results of operations, and financial condition.

Further, market volatility as a result of future failures of financial institutions, similar to the failures of Silicon Valley Bank and Signature Bank, could lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs and create additional market and economic uncertainty. During challenging economic times, our clients and patients may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms and may face increased costs or other negative financial impacts, each of which could impair their ability to make timely payments to us and adversely affect our revenue, which could harm our business, financial condition and results of operations.

We are a fully remote company that does not maintain a physical office presence, which subjects us to unique operational risks.

Being a fully remote company subjects us to unique operational risks. For example, technologies in our employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees and service providers to be more limited or less reliable than in our offices. Further, the security systems in place at our employees' homes may be less secure than those used in our offices, and while we have implemented technical and administrative safeguards to help protect our systems as our employees and service providers work from home, we may be subject to increased cybersecurity risk, which could expose us to risks of data or financial loss and could disrupt our business operations. There is no guarantee that the data security and privacy safeguards we have put in place will be completely effective or that we will not encounter risks associated with employees accessing company data and systems remotely. In addition, operating remotely may negatively impact our corporate culture, including employee engagement and productivity.

If our internal controls over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

As a public company, we are required to maintain internal control over financial reporting and disclosure controls and procedures. 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. Our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be

material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, including SEC enforcement actions, and we could be required to restate our financial results, any of which would require additional financial and management resources.

If material weaknesses in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the material weakness, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

We continue to invest in more robust technology and resources to manage those reporting requirements. Implementing the appropriate changes to our internal controls may distract our officers and employees, result in substantial costs and require significant time to complete. Any difficulties or delays in implementing these controls could impact our ability to timely report our financial results. For these reasons, we may encounter difficulties in the timely and accurate reporting of our financial results, which would impact our ability to provide our investors with information in a timely manner. As a result, our investors could lose confidence in our reported financial information, and our stock price could decline.

In addition, any such changes do not guarantee that we will be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy could prevent us from accurately reporting our financial results.

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 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 our Platform and do not charge fees during this initial sales period. For clients that decide to enter into a contract with us, most of these contracts may provide for a preliminary trial period where a subset of healthcare services locations from the client is granted access to our Platform. Following any such trial period, we aim to increase the number of healthcare services locations within the client that utilize our 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 discretionary nature of potential clients' purchasing and budget decisions and the size and complexity of the applicable client. 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. 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 healthcare services 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 services organizations on healthcare technology solutions, it may result in a reduction in fees generated from our healthcare services clients or a reduction in the number of add-on features subscribed for by our healthcare services 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 directly to our healthcare services clients 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 our healthcare services clients 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 network solutions revenue through fees charged to our life sciences and payer clients by delivering direct communications to help activate, engage and educate patients who authorize the delivery of, or "opt-in" to, such communications about topics critical to their health. The growth of our revenue stream from life sciences and payer clients is driven, in part, by our ability to grow our network of healthcare services clients and available population of patients to engage, our ability to 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 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 engage or a decline in patient opt-in rates or a lack of relevant content could lead to a decrease in our network solutions revenue, which 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 the Phreesia Platform 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 including healthcare staffing shortages and headcount reductions by 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.

The estimates and assumptions we use to determine the size of our target market may prove to be inaccurate, and even if the markets in which we compete meet our size estimates and forecasted growth, our business may not grow at similar rates, or at all.

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. These estimates and forecasts may be impacted by economic uncertainty that is outside our control, including international conflicts that may impact international trade and global economic performance and other macroeconomic trends, such as international and domestic supply chain risks, inflationary pressure, interest rate increases and declines in consumer confidence that impact our customers.

The principal assumptions relating to our market opportunity include the number of healthcare services organizations 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 and payer companies on direct communications with patients at the point of care. Our market opportunity is also based on the assumption that the strategic approach that the Phreesia Platform enables for our potential clients will be more attractive in creating efficiencies in patient care than competing solutions.

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

If we cannot implement the Phreesia Platform for clients or resolve any technical issues in a timely manner, we may incur costs in the form of service credits or other remedial steps and/or lose clients, and our reputation may be harmed.

Our clients utilize a variety of data formats, applications and infrastructure and the Phreesia Platform must support our clients' data formats. Furthermore, the healthcare industry has shifted towards digitalized record keeping, and accordingly, many of our healthcare services 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 the Phreesia Platform or not to implement the Phreesia Platform 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 the Phreesia Platform and our 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 services clients 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 the Phreesia Platform, 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 the Phreesia Platform 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 relationships with us or renew on less favorable terms. Moreover, negative publicity related to our client and patient relationships, or regarding patient confidentiality and privacy in the context of technology-enabled healthcare, 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.

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 services organizations and life sciences companies consolidate to create larger and more integrated healthcare delivery systems with greater market power, these healthcare services organizations 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 services clients 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.

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. In addition, our shift to a remote work environment could make it increasingly difficult to manage our business and adequately oversee our employees and business functions, potentially resulting in harm to our company culture, increased employee attrition, and the loss of key personnel.

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 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, volatility or lack of performance in our stock price may affect our ability to attract replacement should key personnel depart.

We have made, and may in the future, make 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 continue to acquire or invest in, businesses, products or technologies that we believe could complement or expand our products and services, enhance our market coverage or technical capabilities or otherwise offer growth opportunities. This may include acquiring or investing in companies, businesses, products or technologies that are tangential to our current business and/or in which we have limited or no prior operating experience.

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;
- 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 equity securities 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, it 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 healthcare services 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 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.

Risks relating to our payments 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 three and six months ended July 31, 2023 and the fiscal year ended January 31, 2023, our payments platform generated 28%, 28% and 28% of our total revenue, respectively. Our future success depends in 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 payment processing industry generally. If the number of patients utilizing our payments platform, or the aggregate amounts paid by such patients directly to our healthcare services clients through our payments platform, were to be reduced as a result of disruptions in the payment processing industry or other factors, it could result in a decrease to our revenue, which could harm our business, financial condition and results of operations. In addition, some potential or existing clients may not desire to use our payment processing services or to switch from their existing payment processing vendors for a variety of reasons, such as transition costs, business disruption, and loss of accustomed functionality. There can be no assurance that our efforts to overcome these factors will be successful, and this resistance may adversely affect our growth.

The attractiveness of our payment processing services may also depend on our ability to integrate emerging payment technologies, including crypto-currencies, other emerging or alternative payment methods, and credit card systems that we or our processing partners may not adequately support or for which we or they do not provide adequate processing rates. In the event such methods become popular among consumers, any failure to timely integrate emerging payment methods (such as ApplePay) into our software, anticipate client behavior changes, or contract with payment processing partners that support such emerging payment technologies could reduce the attractiveness of our payment processing services, potentially resulting in a corresponding loss of revenue.

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 a service provider (payment facilitator or the equivalent) 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 disallow 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.

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 or our clients. If a client or sales partner fails to comply with the applicable requirements of card networks, we could be subject to a variety of fines or penalties that may be levied by card networks. We may have to bear the cost of such fines or penalties if we cannot collect them from the applicable client or sales partner, resulting in lower earnings or losses for us. Our violation of the network rules may result in the termination or suspension of our registration with the affected network. 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.

In addition, 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 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 us.

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

We pay interchange fees to the card networks or the card issuers for each transaction we process. The card networks may increase, from time to time, the fees that they charge members or service providers. Although we may attempt to pass these increases along to our clients, this may result in the loss of clients to our competitors that do not pass along the increases. 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. 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 relating to our data and intellectual property

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 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, our ability to use data to support existing products and services and to develop new products and services is largely dependent upon the contractual rights we secure. For example, certain of our products depend on maintaining our data and analytics platform, which is populated with data disclosed to us by healthcare services clients, 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 the Phreesia Platform, 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 natural disasters or man-made problems, such as earthquakes, floods, fires, political unrest, acts of terrorism, armed conflict or war (such as the current Russian invasion of Ukraine), 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 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 healthcare services clients 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 services organizations 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 healthcare services clients 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 healthcare services clients 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 collect, store and display data, including patient health information, for use by healthcare services clients in handling patient intake and engagement. 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 arising out of our intake, storage and display of 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 relating to laws and regulations applicable to our industry

We are subject to health care laws and data privacy and security laws and regulations governing our collection, use, disclosure, storage and transmission of personally identifiable information, including protected health information and payment card data, which may impose restrictions on us and our operations, require us to change our business practices and put in place additional compliance mechanisms, and subject us to fines, penalties, lawsuits, adverse publicity, reputational harm, loss of customer trust or government enforcement actions if we are unable to fully comply with such laws.

Numerous complex federal and state laws and regulations govern the collection, use, disclosure, storage and transmission of personally identifiable information, including protected health information. State laws may be even more restrictive and not preempted by HIPAA (as defined below), and may be subject to varying interpretations by the courts and government agencies. These laws and regulations, including their interpretation by governmental agencies, are subject to frequent change and could have a negative impact on our business. Further, these varying interpretations could create complex compliance issues for us and our partners and potentially expose us to additional expense, liability, penalties, negatively impact our client relationships, and lead to adverse publicity, and all of these risks could adversely affect our business in the short and long term. In addition, contractual obligations and in the future, legislation may limit, forbid or regulate the use or transmission of health information outside of the United States or across other national borders. These developments, if adopted, could render our use of Canadian employees and other non-U.S. resources 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 for Civil Rights, may impose civil penalties on a Business Associate for a failure to comply with HIPAA requirements. The U.S. Department of Justice is responsible for criminal prosecutions under HIPAA. 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. If we are subject to investigation or litigation related to an alleged violation of HIPAA, then we may elect to resolve the matter through a settlement. Such settlement could require payment of a civil penalty or damages, corrective action and/or monitoring of our business by a third party.

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 or incidents, acts of vandalism or theft, computer viruses, misplaced or lost data, malfeasance, 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.

Even when HIPAA does not apply, according to the Federal Trade Commission, or the FTC, failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, or the FTCA, 15 U.S.C. § 45(a). The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards. The FTC's current guidance for appropriately securing consumers' personal information is similar to what is required by the HIPAA security regulations, but this guidance may change in the future, resulting in increased complexity and the need to expend additional resources to ensure we are complying with the FTCA.

Other federal and state laws restrict the use and protect the privacy and security of personally identifiable information are, in many cases, are 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 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.

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 CCPA, as amended by the California Privacy Rights Act, or CPRA, which amendments went into effect on January 1, 2023. The CCPA creates specific obligations with respect to processing and storing personal information, and the CPRA amendments created a new state agency that is vested with authority to implement and enforce the CCPA. Additionally, a similar law went into effect in Virginia on January 1, 2023, and further US-state comprehensive privacy laws are set to go into effect throughout 2023, including laws in Colorado, Connecticut, and Utah. Iowa and Indiana have also enacted privacy laws that will go into effect in 2025 and 2026, respectively. Further, Washington has adopted the My Health, My Data Act, a privacy law that imposes new state restrictions and requirements on the processing and sale of consumer health data and creates a private right of action, which will take effect as to the

substantial majority of the legislation on March 31, 2024. A number of other states have proposed new privacy laws, which could impose similar or more restrictive requirements than these recently passed laws.

We cannot yet determine the full impact these laws or other such future laws, regulations and standards may have on our current or future business. Any of these laws may broaden their scope in the future, and similar laws have been proposed on both a federal level and in various states in the U.S. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. The existence of comprehensive privacy laws in different states in the country, and the heightened scrutiny associated with the enforcement of such laws, could make our compliance obligations more complex and costly and may increase the likelihood that we may be subject to enforcement actions or otherwise incur liability for noncompliance.

We also expect that there will continue to be new or amended laws, regulations, standards and obligations proposed and enacted in various jurisdictions. Many countries around the world have enacted comprehensive privacy and data protection laws that can impact our business. For example, in May 2018, the General Data Protection Regulation, or GDPR, went into effect in the European Union, or EU. The GDPR imposes more stringent data protection requirements and requires businesses subject to it to give more detailed disclosures about how they collect, use, and share personal information; contractually commit to data protection measures in contracts; maintain adequate data security measures; notify regulators and affected individuals of certain data breaches; obtain consent to collect sensitive personal information such as health information; meet extensive privacy governance and documentation requirements; and honor individuals' data protection rights, including their rights to access, correct, and delete their personal information. The GDPR also imposes strict rules on the transfer of personal information to countries outside of the European Economic Area, or EEA, including the United States. A recent judicial decision from the EU and recent announcements from European regulators regarding transfers of personal information outside of the EEA have increased the legal risks and liabilities, and compliance and operational costs, of lawfully making such transfers. Companies that violate the GDPR can face private litigation, restrictions, or prohibitions on data processing, and fines of up to the greater of 20 million Euros or 4% of worldwide annual revenue.

In addition, further to the UK's exit from the EU on January 31, 2020, the GDPR ceased to apply in the UK at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the UK's European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020 but subject to certain UK specific amendments) into UK law, referred to as the UK GDPR. The UK GDPR and the UK Data Protection Act 2018 set out the UK's data protection regime, which is independent from but aligned to the EU's data protection regime. Non-compliance with the UK GDPR may result in monetary penalties of up to £17.5 million or 4% of worldwide revenue, whichever is higher. Although the GDPR and the UK GDPR currently impose substantially similar obligations, it is possible that over time the UK GDPR could become less aligned with the GDPR. The UK government has announced plans to reform the data protection legal framework in the UK in its Data Reform Bill but those have been put on hold. This lack of clarity on future UK laws and regulations and their interaction with EU laws and regulations could add legal risk, uncertainty, complexity and cost to our handling of EU personal information and our privacy and data security compliance programs and could require us to implement different compliance measures for the UK and the EU.

Although the UK is regarded as a third country under the EU's GDPR, the European Commission (the "EC"), has now issued a decision recognizing the UK as providing adequate protection under the EU GDPR and, therefore, transfers of personal data originating in the EU to the UK remain unrestricted. Like the EU GDPR, the UK GDPR restricts personal data transfers outside the UK to countries not regarded by the UK as providing adequate protection. The UK government has confirmed that personal data transfers from the UK to the EEA remain free flowing. To enable the transfer of personal data outside of the EEA or the UK, adequate safeguards must be implemented in compliance with European and UK data protection laws. On June 4, 2021, the EC issued new forms of standard contractual clauses for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). The new standard contractual clauses replace the standard contractual clauses that were adopted previously under the EU Data Protection Directive. The UK is not subject to the EC's new standard contractual clauses but has published the UK International Data Transfer Agreement and International Data Transfer Addendum to the new standard contractual clauses (the "IDTA"), which enable transfers from the UK. For new transfers, the IDTA already needs to be in place, and must be in place for all existing transfers from the UK from March 21, 2024. Following a ruling from the Court of Justice of the EU, in Data Protection Commissioner v Facebook Ireland Limited and Maximillian Schrems, Case C-311/18 ("Schrems II"), companies relying on standard contractual clauses to govern transfers of personal data to third countries (in particular the United States) will need to assess whether the data importer can

ensure sufficient guarantees for safeguarding the personal data under GDPR. This assessment includes assessing whether third-party vendors can also ensure these guarantees. The same assessment is required for transfers governed by the IDTA. We will be required to implement these new safeguards when conducting restricted data transfers under the GDPR and doing so will require significant effort and cost.

On March 25, 2022, the European Commission and the U.S. White House announced that an agreement on Privacy Shield 2.0 has been reached. However, it is too soon to tell how the future of Privacy Shield 2.0 will evolve and what impact it will have on our cross-border activities.

Some of the businesses we have acquired are subject to additional laws and regulations in jurisdictions outside of the United States, including those in the EEA and UK, such as the GDPR and UK GDPR. Compliance with such laws and regulations requires resources and could be more costly and take more time than we anticipate, and could involve new fines or penalties for non-compliance, all of which could adversely affect our business.

The UK has additional privacy and consumer protection laws, such as the Privacy and Electronic Communications Regulations, to which our marketing messages to actual or potential UK-based customers may be subject.

We have operations in Canada, where our collection, use, disclosure, and management of personal information must comply with both federal and provincial privacy laws, which impose separate requirements, but may overlap in some instances. The Personal Information Protection and Electronic Documents Act ("PIPEDA") applies in all Canadian provinces except Alberta, British Columbia and Québec, as well as to the transfer of consumer data across provincial borders. PIPEDA imposes stringent consumer data protection obligations, requires privacy breach reporting, and limits the purposes for which organizations may collect, use, and disclose consumer data. The provinces of Alberta, British Columbia, and Québec have enacted separate data privacy laws that are substantially similar to PIPEDA, but all three additionally apply to our handling of our own employees' personal data within their respective provinces. Notably, Québec's Act respecting the protection of personal information in the private sector, or the Private Sector Act, was amended by Bill 64, an Act to modernize legislative provisions as regards the protection of personal information, which introduced major amendments to the Private Sector Act, notably, to impose significant and stringent new obligations on Québec businesses while increasing the powers of Quebec's supervisory authority. We may incur additional costs and expenses related to compliance with these laws and may incur significant liability if we are not able to comply with these laws. We are also subject to Canada's anti-spam legislation, or CASL, which includes rules governing commercial electronic messages, which include marketing emails, text messages, and social media advertisements. Under these rules, we must follow certain standards when sending marketing communications, are prohibited from sending them to customers without their consent and can be held liable for violations.

Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we or our customers must comply. Cross-border data transfers and other future developments regarding local data residency and access could increase the cost and complexity of delivering our services in some markets and may lead to governmental enforcement actions, litigation, fines, and penalties or adverse publicity, which could adversely affect our business and financial position could greatly increase our cost of providing our products and services, require significant changes to our operations or even prevent us from offering certain services in specific jurisdictions. In addition, any limitation on our ability to use or transmit health information outside of the U.S. could impose restrictions on our ability to recruit and maintain employees residing outside of the U.S., which could, in turn, adversely affect 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.

We are also 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 AICPA Security Organization Control 2 ("SOC 2"), with which we are currently compliant, and HITRUST certification, which we currently maintain. In the event we fail to comply with the PCI-DSS or fail to maintain our SOC 2 or HITRUST certification, 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, data storage 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 domestic or foreign 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 or services by existing clients or adoption of our Platform or services by new clients.

Existing laws regulate our ability to engage in direct marketing and changes in privacy laws could adversely affect our ability to market our products effectively and could impact our results from operations or result in costs and fines.

We rely on a variety of direct marketing techniques, including email marketing. These activities are regulated by legislation such as the Controlling the Assault of Non-Solicited Pornography and Marketing (CAN-SPAM) Act of 2003. Any failure by us to comply fully with the CAN-SPAM Act may leave us subject to substantial fines and penalties. In addition, any future restrictions in laws such as the CAN-SPAM Act, and various United States state laws, or new federal laws regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of our marketing efforts and could force changes in our marketing strategies. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could have a material adverse impact on our results of operations.

Any failure by us to comply fully with website accessibility standards could result in us being subject to considerable fines and penalties.

We conduct business through various Internet websites and web-based applications that are subject to accessibility requirements. Courts have ruled that the Americans with Disabilities Act (ADA) applies to Internet websites and other digital experiences and litigation related to ADA website accessibility has soared in recent years. Failing to comply with those requirements could leave our Company subject to claims, litigation, lawsuits and, ultimately, substantial fines and penalties.

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 millions of 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. It is unclear how other healthcare reform measures of the Biden administration or other efforts, if any, to challenge, repeal or replace the ACA will impact our business.

Further, in 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"), referred to as the Final Rule, by increasing innovation and competition by giving patients and their healthcare service providers secure access to health information and new tools, allowing for more choice in care and treatment. The Final Rules is 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. In April 2023, the ONC issued a notice of proposed rulemaking that would

modify certain components of the Final Rule, including modifying and expanding certain exceptions to the information blocking regulations, which are intended to support information sharing.

The Final 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.

Recent regulatory reform constitutes a significant departure from previous regulations regarding patient data. While these rules 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 Rule 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, anti-kickback laws, antitrust laws and the privacy and data protection laws described below.

We conduct business in a heavily regulated industry, and any failure to comply with applicable healthcare laws and government regulations, could result in financial penalties, exclusion from participation in government healthcare programs and adverse publicity, or could require us to make significant operational changes, any of which could harm our business.

Our current and future arrangements with healthcare professionals, principal investigators, consultants, customers and third-party payors subject us to various federal and state fraud and abuse laws and other healthcare laws, including, without limitation, the federal Anti-Kickback Statute, the federal civil and criminal false claims laws, HIPAA and regulations promulgated under such laws. These laws will impact, among other things, our clinical research, proposed sales, marketing and educational programs, and other interactions with healthcare professionals. For more information regarding the risks related to these laws and regulations please see "*Business – Regulatory Matters – U.S. Federal and State Fraud and Abuse Laws*."

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Because of the breadth of these laws and the narrowness of their statutory or regulatory exceptions and safe harbors, some of our business activities may be subject to challenge under one or more of them.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Achieving and sustaining compliance requires us to implement controls across our entire organization which may prove costly and challenging to monitor and enforce. The risk of our being found in violation of healthcare laws and regulations is increased by the fact that their provisions are sometimes complex and open to a variety of interpretations.

It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, the exclusion from participation in federal and state healthcare programs, individual imprisonment, reputational harm, and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws. Likewise, if any of the physicians or other providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment as well. Further, defending against any such actions can be costly and time consuming, and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. If any of the above occur, our ability to operate our business and our results of operations could be adversely affected.

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 for regulated drugs, biologics and devices. 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 calling or text messaging services are subject to, and are not compliant with the Telephone Consumer Protection Act or similar state laws.

Our clients may use our products to place various short message service, or SMS, text messages and calls to patients. The Telephone Consumer Protection Act ("TCPA") is a federal statute that protects consumers from unwanted telephone calls, faxes and text messages. There are a number of federal and state statutes and regulations that govern such telecommunications, the use of automatic telephone dialing systems (“ATDS”) or other automated systems to make such telecommunications, and the use of artificial voice or pre-recorded messages in certain telecommunications. These laws include the Telephone Consumer Protection Act (TCPA), Telemarketing Sales Rule (TSR), and various other state laws. The U.S. Federal Communications Commission (FCC), and the Federal Trade Commissions have responsibility for regulating various aspects of some of the TCPA, TSR and other federal laws. Among other requirements, the TCPA requires callers to obtain prior express written consent for certain telemarketing calls and to adhere to “do-not-call” registry requirements which, in part, mandate that callers maintain and regularly update lists of consumers who have chosen not to be called and restrict calls to consumers who are on the national do-not-call list. Florida, Oklahoma and other states also have mini-TCPA and other similar consumer protection laws regulating calls and texts directed to their residents. As currently construed, the TCPA does not distinguish between voice and data, and, as such, text and SMS/MMS messages are also “calls” for the purpose of TCPA (and, in some cases, state mini-TCPA) obligations and restrictions.

For violations of the TCPA, the law provides for a private right of action under which a plaintiff may recover monetary damages of $500 for each call or text made in violation of the prohibitions on certain calls made using an artificial or pre-recorded voice or an ATDS and certain calls made to numbers properly registered on the federal “do-not-call” list. A court may treble the $500 amount upon a finding of a willful or knowing violation. There is no statutory cap on maximum aggregate exposure (although some courts have applied in TCPA class actions constitutional limits on excessive penalties). An action may be brought by the FCC, a state attorney general, an individual, or a class of individuals. As with the TCPA, Florida’s mini-TCPA, for example, restricts certain calls and calls and texts made using an automated system to Florida residents without prior consent, allows a plaintiff to obtain $500 for each call or text made in violation of its prohibitions, and permits a court to treble the $500 amount for willful or knowing violations of the statute. The TCPA, TSR, mini-TCPA laws and other similar state laws are subject to interpretations that may change. We regularly evaluate how they may apply to our business. The FCC, FTC, a state attorney general or other regulator, or a court, however, may disagree with our interpretation of these laws and conclude that we are not in compliance and impose damages, civil penalties and other consequences upon us for noncompliance. Determination by a court or regulatory agency that our services did not comply also 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. Further, we could be subject to putative class action lawsuits alleging violations of the TCPA, state mini-TCPA laws and other similar state laws. Our call and SMS texting services are potential sources of risk for class action lawsuits and liability for our Company. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct call and SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. 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.

If in the future we are found to have violated such laws in a class action, the amount of damages and potential liability could be extensive and adversely impact our business. Accordingly, were such a class certified or if we are unable to successfully defend such a suit, then the damages could have a material adverse effect on our results of operations and financial condition.

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.

Due to the particular nature of certain services we provide or the manner in which we provide them, we may be subject to additional government regulation and foreign government regulation.

While our Platform is primarily subject to government regulations pertaining to healthcare, certain aspects of our Platform may require us to comply with regulatory schema from other areas. Examples of such regulatory schema include:

- *Foreign Corrupt Practices Act ("FCPA") and foreign anti-bribery laws*. The FCPA makes it illegal for U.S. persons, including U.S. companies, and their subsidiaries, directors, officers, employees, and agents, to promise, authorize or make any corrupt payment, or otherwise provide anything of value, directly or indirectly, to any foreign official, any foreign political party or party official, or candidate for foreign political office to obtain or retain business. Violations of the FCPA can also result in violations of other U.S. laws, including anti-money laundering, mail and wire fraud, and conspiracy laws. There are severe penalties for violating the FCPA. In addition, the Company may also be subject to other non-U.S. anti-corruption or anti-bribery laws, such as the U.K. Bribery Act 2010. If our employees, contractors, vendors, or partners fail to comply with the FCPA and/or foreign anti-bribery laws, we may be subject to penalties or sanctions, and our ability to develop new prospects and retain existing customers could be adversely affected.
- *Economic sanctions and export controls*. Economic and trade sanctions programs that are administered by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) prohibit or restrict transactions to or from, and dealings with specified countries and territories, their governments, and in certain circumstances, with individuals and entities that are located in or nationals of those countries, and other sanctioned persons, including specially designated nationals, narcotics traffickers and terrorists or terrorist organizations. As federal, state and foreign legislative regulatory scrutiny and enforcement actions in these areas increase, we expect our costs to comply with these requirements will increase as well. Failure to comply with any of these requirements could result in the limitation, suspension or termination of our services, imposition of significant civil and criminal penalties, including fines, and/or the seizure and/or forfeiture of our assets.

Further, our Platform incorporates encryption technology. The U.S. Export Administration Regulations require authorization for the export of certain encryption items, including by a license, a license exception or other appropriate government authorizations. Such solutions may also be subject to certain regulatory reporting requirements. While we believe our products meet certain exceptions that reduce the scope of export control restrictions applicable to such products, these exceptions may be determined not to apply to our products and our products and underlying technology may become subject to export control restrictions.

Risks relating to our dependence on third parties

We rely on our third-party contractors, vendors and partners, including some outside of the United States, 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 contractors and 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, and we outsource certain of our software development and design, quality assurance and operations activities to third-party contractors that have employees and consultants in international locations that may be subject to political and economic instability, including India and Ukraine. For example, we have entered into a Master Services Agreement with Rayden, pursuant to which Rayden's India-based personnel exclusively support our business through various functions including, but not limited to finance and accounting, sales and marketing, customer operations, product management and support, and research and development. We are also a party to a Consulting and Development Agreement with DataArt, pursuant to which we primarily outsource certain software development services to DataArt.

Our dependence on Rayden, DataArt and other third-party contractors to support key functions of our business creates numerous risks, in particular, the risk that we may not maintain service quality, control or effective management with respect to these operations. 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. Our reputation and our customers' willingness to purchase our products and partners' willingness to use our products depend, in part, on our third-party contractors' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. If our third-party contractors fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed and we could be exposed to litigation and additional costs that would harm our business, reputation, and results of operations.

The ability of our third-party contractors to effectively satisfy our business requirements could be impacted by financial difficulty of our third-party contractors or damage to their operations caused by fire, terrorist attack, natural disaster, or other events. It would be difficult to replace some of our third-party contractors and 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. For example, the continued Russian invasion of Ukraine has, and may continue to, impact macroeconomic conditions, give rise to regional instability, increase the threat of cyberwarfare and result in heightened economic sanctions from the U.S. and the international community in a manner that adversely affects us and our third-party contractors that have employees and consultants located in Ukraine. Further, although the length and impact of the continuing conflict are highly unpredictable, individuals located in these areas have been and could continue to be forced to evacuate or voluntarily choose to relocate, making them unavailable to provide services, such as software engineering, to support our business. It could also disrupt or delay our communications with such resources or the flow of funds to support their operations, or otherwise render some of our resources unavailable. While we have risk mitigation efforts in place, the realization of any of these risks could adversely affect our product development, operations, business and/or financial results and may require us to shift some of our development activities to other jurisdictions and/or third-party contractors, which may result in significant disruption, including delays in releases of new versions or updates of our software and incurrence of additional costs. We anticipate that we will continue to depend on these and other third-party relationships in order to grow our business for the foreseeable future. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services could be impaired, and, as a result, our competitive position or our results of operations could suffer.

We also 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 healthcare services 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 addition, we have entered into contracts with providers of EHR and PM solutions, and we intend to pursue such agreements in the future. These contracts are typically structured as commercial and technical 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 providers of EHR and PM solutions. Our ability to form and maintain these agreements in order to facilitate the integration of our Platform into the EHR and PM systems used by our healthcare services 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 agreements with us, we may need to seek other ways of integrating our Platform with the EHR and PM systems of our healthcare services clients, which could be costly and time consuming, and could adversely affect our business results.

We or the providers of EHR and PM solutions with which we contract may terminate or seek to amend our agreements in order to incorporate the Final Rules promulgated in 2020 by the HHS, ONC, and CMS, which is further described above and is aimed at supporting seamless and secure access, exchange, and use of EHI by increasing innovation and competition by giving patients and their healthcare service providers secure access to health information and new tools, allowing for more choice in care and treatment.

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

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 subscription, payment 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.

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 on our services. 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, 2023, we had U.S. federal and state net operating loss carryforwards ("NOLs") of $493.3 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 ("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. We have completed a Section 382 study and as a result of the analysis, it is more likely than not that we have experienced an "ownership change." In addition, it is more likely than not that our existing NOLs are 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 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 financing needs

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit, and there can be no assurance that we will be able to access uninsured funds in a timely manner or at all in the event of a failure of these financial institutions. If any such depositary institution fails to return our deposits, or if a depository institution is subject to other adverse conditions in the financial or credit markets, this could further impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

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, 2023 our net cash used in operating activities was $23.0 million. As of July 31, 2023, we had $127.7 million of cash and cash equivalents, which are held for working capital purposes. We are party to a credit facility with Silicon Valley Bank ("SVB") pursuant to which we have the ability to borrow up to $100.0 million under a revolving line of credit. The credit facility contains a covenant limiting our ability to retain certain levels of cash in accounts outside SVB. As of January 31, 2023, we were in compliance with all covenants in the credit facility. However, in connection with the closure of SVB, we transferred substantially all of our cash and cash equivalents from SVB to other financial institutions. On Friday March 10, 2023, we obtained consent from SVB to retain up to $165 million of cash outside SVB until May 15, 2023 provided we do not borrow against the credit facility. On May 8, 2023, we obtained an extension of the consent through September 15, 2023, provided we continue to hold at least $17 million of cash in accounts at SVB. On August 21, 2023, we obtained a further extension of the consent through November 15, 2023, provided we continue to hold at least $17 million of cash in accounts at SVB. As a result, we are unable to borrow against our credit facility until we return sufficient cash and cash equivalents to SVB to comply with the covenant discussed above and maintain compliance with the other covenants in the credit facility.

Borrowings under the facility are secured by substantially all of our properties, rights and assets, excluding intellectual property. As of July 31, 2023, we had no outstanding borrowings under our revolving line of credit.

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 our credit facility with SVB contains, and any future credit agreements we may enter into may contain, 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 such covenants could result in a default under the applicable loan agreement, which could cause all of the outstanding indebtedness under such 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.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and our financial condition and results of operations.

Adverse developments that affect financial institutions, transactional counterparties or other third parties, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. The U.S. Department of the Treasury, the Federal Reserve and the FDIC released a statement that indicated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts. We had a minimal amount of exposure to the SVB closure and did not experience any adverse impact to our liquidity or to our current and projected business operations, financial condition or results of operations. However, uncertainty remains over liquidity concerns in the broader financial services industry, and there may be additional impacts to our business and our industry that we cannot predict. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Although the U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to $25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediately liquidity may exceed the capacity of such program. There is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion.

Although we assess our banking relationships as we believe necessary or appropriate, our access to cash in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have banking relationships, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

The results of events or concerns that involve one or more of these factors could include a variety of material and adverse impacts on our current and projected business operations and our financial condition and results of operations. These could include, but may not be limited to, the following:

- delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- loss of access to revolving existing credit facilities or other working capital sources and/or the inability to refund, roll over or extend the maturity of, or enter into new credit facilities or other working capital resources; or

- potential or actual breach of financial covenants in our credit agreements or credit arrangements.

Widespread investor concerns regarding the U.S. or international financial systems could also result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our financial and/or contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our current and/or projected business operations and financial condition and results of operations.

In addition, a partner or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on the Company, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. Any partner or supplier bankruptcy or insolvency, or the failure of any partner to make payments when due, or any breach or default by a partner or supplier, or the loss of any significant supplier relationships, may have a material adverse impact on our business.

Risks relating to ownership of our common stock

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, but not limited to:

- market conditions in the broader stock market in general, or in our industry in particular, which create highly variable and unpredictable pricing of equity securities;
- actual or anticipated fluctuations in our quarterly financial reports and results of operations;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- our ability to satisfy our ongoing capital needs and unanticipated cash requirements;
- indebtedness incurred in the future;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally, including introduction of new products and services by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- additions or departures of key personnel;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- regulatory developments;
- litigation and governmental investigations;
- the impact of public health concerns, such as the COVID-19 pandemic, on the economy, our company, our customers, suppliers or employees;
- macroeconomic conditions, such as rising interest and inflation rates and economic slowdowns and recessions, and political conditions or events including those resulting from geopolitical uncertainty and instability or war, such as the ongoing military conflict between Russia and Ukraine; and
- our sale of common stock or other securities in the future.

In addition, on March 10, 2023, the FDIC took control and was appointed receiver of SVB. At the time SVB entered into receivership, a large number of companies, including many technology companies, held cash deposits with SVB. Although such companies had access to their deposits as of March 13, 2023, companies may continue to face financing uncertainty as a result of SVB's entry into receivership, which may cause significant volatility with respect to technology company stocks. This, in turn, could negatively impact the trading price of our common stock.

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.

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.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and our financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership, followed by First Republic Bank on May 1, 2023. Although a statement by the U.S. Department of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank, First Republic Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. We had a minimal amount of exposure to the SVB closure and did not experience any adverse impact to our liquidity or to our current and projected business operations, financial condition or results of operations. However, uncertainty remains over liquidity concerns in the broader financial services industry, and there may be additional impacts to our business and our industry that we cannot predict. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Although the U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to $25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediate liquidity may exceed the capacity of such program. Additionally, there is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion.

Although we assess our banking relationships as we believe necessary or appropriate, our access to cash in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have banking relationships, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

The results of events or concerns that involve one or more of these factors could include a variety of material and adverse impacts on our current and projected business operations and our financial condition and results of operations. These could include, but may not be limited to, the following:

- delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- delayed or loss of access to revolving existing credit facilities or other working capital sources and/or the inability to refund, roll over or extend the maturity of, or enter into new credit facilities or other working capital resources; or
- potential or actual breach of financial covenants in our credit agreements or credit arrangements.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our financial and/or contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our current and/or projected business operations and financial condition and results of operations.

In addition, a customer, partner or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on us, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. Any customer, partner or supplier bankruptcy or insolvency, or the failure of any customer or partner to make payments when due, or any breach or default by a customer, partner or supplier, or the loss of any significant customer, partner or supplier relationships, may have a material adverse impact on our business.

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 seventh amended and restated certificate of incorporation (as amended, our "certificate of incorporation") and our third amended and restated by-laws ("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 will 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 federal district courts of the United States 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 in our bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our 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 the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court and other states courts have upheld the validity of federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court, 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 federal district courts of the United States 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.

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

There were no sales of unregistered securities during the quarter ended July 31, 2023 that were not previously reported on a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On July 18, 2023, David Linetsky, the Company's Senior Vice President of Life Sciences, terminated a Rule 10b5-1 Trading Plan he had previously adopted with respect to the sale of the Company's common stock. Mr. Linetsky's Rule 10b5-1 Trading Plan was intended to satisfy the affirmative defense conditions of Exchange Act Rule

10b5-1(c). It was adopted on October 10, 2022, established a plan with an end date of December 31, 2024 and provided for the sale of up to 91,919 shares of common stock pursuant to the terms of the plan. As of the date of termination of his Rule 10b5-1 Trading Plan, Mr. Linetsky had sold 49,592 shares of common stock under its terms.

In addition, on July 19, 2023, Mr. Linetsky adopted a new Rule 10b5-1 Trading Plan that is intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c). Mr. Linetsky's Rule 10b5-1 Trading Plan establishes a plan end date of June 30, 2024 and provides for the sale of up to 77,473 shares of common stock, plus an additional number of shares that he could receive upon the future vesting of certain outstanding equity awards, net of any shares withheld by the Company to satisfy applicable taxes, pursuant to the terms of the plan. The number of shares to be withheld, and thus the exact number of shares to be sold pursuant to Mr. Linetsky's Rule 10b5-1 Trading Plan, can only be determined upon the occurrence of the future vesting events. For purposes of this disclosure, without subtracting any shares to be withheld upon future vesting events, the aggregate number of shares to be sold pursuant to Mr. Linetsky's 10b5-1 Trading Plan is 125,037.

ITEM 6. EXHIBITS.

Exhibit Number	Description
3.1	Seventh 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	Amendment to the Seventh Amended and Restated Certificate of Incorporation of the Registrant (filed herewith)
3.3	Third 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 23, 2023)
10.1#	Phreesia, Inc. 2023 Inducement Award Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (file No. 001-38977) filed with the Securities and Exchange Commission on July 13, 2023)
10.2#	Form of RSU Award Agreement under the Phreesia, Inc. 2023 Inducement Award Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (file No. 001-38977) filed with the Securities and Exchange Commission on July 13, 2023)
10.3#	Form of Stock Option Grant Agreement under the Phreesia, Inc. 2023 Inducement Award Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (file No. 001-38977) filed with the Securities and Exchange Commission on July 13, 2023)
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 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 7, 2023

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

Date: September 7, 2023

By: /s/ Balaji Gandhi
Balaji Gandhi
Chief Financial Officer
(Principal Financial Officer)