

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 September 30, 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 001-40508

Doximity, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation
or Organization)

27-2485512

(I.R.S. Employer Identification Number)

500 3rd St.

Suite 510

San Francisco, CA 94107

(Address of principal executive offices, including zip code)

(650) 549-4330

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Class A common stock, \$0.001 par value per share	DOCS	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 ☒

Non-accelerated filer ☐

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

The registrant had outstanding 118,159,500 shares of Class A common stock and 67,748,282 shares of Class B common stock as of November 2, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which are statements that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our expectations regarding our revenue, expenses, and other operating results;
- our future financial performance;
- our expectations and management of future growth;
- our ability to acquire new members and successfully retain existing members;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to achieve or maintain our profitability;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts, and our ability to promote our brand;
- our ability to effectively manage our growth, including our ability to identify, retain, and recruit personnel, and maintain our culture;
- our ability to comply with laws and regulations;
- our ability to successfully defend litigation brought against us;
- our ability to maintain, protect, and enhance our intellectual property rights and any costs associated therewith;
- our ability to maintain data privacy and data security;
- our ability to respond to rapid technological changes;
- our expectations regarding the impact of uncertainty in the current economic environment and macroeconomic uncertainty;
- our ability to compete effectively with existing competitors and new market entrants;
- the growth rates of the markets in which we compete;
- the increased expenses associated with being a public company;
- the impact of any cost-savings or restructuring activities we have undertaken or may undertake in the future;
- the sufficiency of our cash and cash equivalents and marketable securities to meet our liquidity needs;
- our ability to comply with modified or new laws and regulations applying to our business;
- our ability to successfully identify, acquire, and integrate companies and assets;
- developments and projections relating to our competitors and our industry, including competing solutions;
- impact from future regulatory, judicial, and legislative changes or developments that may affect our customers’ or our business; and
- the risks related to our Class A common stock and our dual class common stock structure.

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 the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, results of operations, financial condition, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 filed with the Securities and Exchange Commission, the SEC, on May 26, 2023, and elsewhere in this Quarterly Report on Form 10-Q, as well as in our other filings with the SEC. 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. The results, events, and circumstances reflected in the forward-looking statements may not 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 made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no 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. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

PART I—FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements (Unaudited)

DOXIMITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	September 30, 2023	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 108,403	\$ 158,027
Marketable securities	621,451	682,972
Accounts receivable, net of allowance for doubtful accounts of \$1,103 and \$887 at September 30, 2023 and March 31, 2023, respectively	97,217	107,047
Prepaid expenses and other current assets	32,789	22,289
Deferred contract costs, current	2,960	5,118
Total current assets	862,820	975,453
Property and equipment, net	11,780	11,279
Deferred income tax assets	39,289	34,907
Operating lease right-of-use assets	12,743	13,819
Intangible assets, net	29,440	31,836
Goodwill	67,940	67,940
Other assets	1,559	1,654
Total assets	<u>\$ 1,025,571</u>	<u>\$ 1,136,888</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 714	\$ 1,272
Accrued expenses and other current liabilities	29,086	31,245
Deferred revenue, current	91,446	105,238
Operating lease liabilities, current	1,935	1,752
Total current liabilities	123,181	139,507
Deferred revenue, non-current	237	198
Operating lease liabilities, non-current	13,119	13,885
Contingent earn-out consideration liability, non-current	10,448	15,942
Other liabilities, non-current	7,119	1,240
Total liabilities	154,104	170,772
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Preferred stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2023 and March 31, 2023, respectively; zero shares issued and outstanding as of September 30, 2023 and March 31, 2023, respectively	—	—
Class A and Class B common stock, \$0.001 par value; 1,500,000 shares authorized as of September 30, 2023 and March 31, 2023, respectively; 188,518 and 193,941 shares issued and outstanding as of September 30, 2023 and March 31, 2023, respectively	188	194
Additional paid-in capital	794,804	762,150
Accumulated other comprehensive loss	(8,928)	(14,083)
Retained earnings	85,403	217,855
Total stockholders' equity	871,467	966,116
Total liabilities and stockholders' equity	<u>\$ 1,025,571</u>	<u>\$ 1,136,888</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 113,612	\$ 102,185	\$ 222,081	\$ 192,824
Cost of revenue	12,759	13,210	25,912	26,287
Gross profit	100,853	88,975	196,169	166,537
Operating expenses:				
Research and development	19,958	19,104	41,889	38,126
Sales and marketing	30,201	29,021	64,656	57,155
General and administrative	8,966	8,749	18,213	17,473
Restructuring	7,936	—	7,936	—
Total operating expenses	67,061	56,874	132,694	112,754
Income from operations	33,792	32,101	63,475	53,783
Other income, net	5,903	908	10,742	1,712
Income before income taxes	39,695	33,009	74,217	55,495
Provision for income taxes	9,093	6,710	15,209	6,813
Net income	<u>\$ 30,602</u>	<u>\$ 26,299</u>	<u>\$ 59,008</u>	<u>\$ 48,682</u>
Net income per share attributable to Class A and Class B common stockholders:				
Basic	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.30</u>	<u>\$ 0.25</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.12</u>	<u>\$ 0.28</u>	<u>\$ 0.23</u>
Weighted-average shares used in computing net income per share attributable to Class A and Class B common stockholders:				
Basic	<u>193,112</u>	<u>193,137</u>	<u>193,813</u>	<u>193,042</u>
Diluted	<u>209,014</u>	<u>213,949</u>	<u>210,681</u>	<u>214,452</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 30,602	\$ 26,299	\$ 59,008	\$ 48,682
Other comprehensive income (loss)				
Change in unrealized gain (loss) on available-for-sale-securities, net of tax benefit (provision) of \$(1,146), \$1,235, \$(1,736), and \$2,130, respectively	3,408	(3,634)	5,155	(6,265)
Comprehensive income	<u>\$ 34,010</u>	<u>\$ 22,665</u>	<u>\$ 64,163</u>	<u>\$ 42,417</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Three Months Ended September 30, 2023

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2023	194,649	\$ 195	\$ 777,772	\$ (12,336)	\$ 225,156	\$ 990,787
Stock-based compensation	—	—	12,348	—	—	12,348
Exercise of stock options	1,129	1	3,960	—	—	3,961
Vesting of restricted stock units	199	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(2,120)	—	—	(2,120)
Repurchase and retirement of common stock, including excise tax	(7,536)	(8)	—	—	(170,355)	(170,363)
Common stock warrant expense	—	—	1,350	—	—	1,350
Issuance of common stock in connection with the employee stock purchase plan	77	—	1,494	—	—	1,494
Other comprehensive income	—	—	—	3,408	—	3,408
Net income	—	—	—	—	30,602	30,602
Balance as of September 30, 2023	<u>188,518</u>	<u>\$ 188</u>	<u>\$ 794,804</u>	<u>\$ (8,928)</u>	<u>\$ 85,403</u>	<u>\$ 871,467</u>

Three Months Ended September 30, 2022

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Stockholders' Equity
	Shares	Amount				
Balance as of June 30, 2022	193,336	\$ 193	\$ 715,282	\$ (17,925)	\$ 204,616	\$ 902,166
Stock-based compensation	—	—	10,177	—	—	10,177
Exercise of stock options	708	1	2,584	—	—	2,585
Vesting of restricted stock units	61	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(1,152)	—	—	(1,152)
Repurchase and retirement of common stock	(1,877)	(2)	—	—	(61,166)	(61,168)
Common stock warrant expense	—	—	1,350	—	—	1,350
Issuance of common stock in connection with the employee stock purchase plan	74	—	2,341	—	—	2,341
Other comprehensive loss	—	—	—	(3,634)	—	(3,634)
Net income	—	—	—	—	26,299	26,299
Balance as of September 30, 2022	<u>192,302</u>	<u>\$ 192</u>	<u>\$ 730,582</u>	<u>\$ (21,559)</u>	<u>\$ 169,749</u>	<u>\$ 878,964</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Six Months Ended September 30, 2023

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Stockholders' Equity
	Shares	Amount				
Balance as of March 31, 2023	193,941	\$ 194	\$ 762,150	\$ (14,083)	\$ 217,855	\$ 966,116
Stock-based compensation	—	—	25,307	—	—	25,307
Exercise of stock options	2,380	2	7,252	—	—	7,254
Vesting of restricted stock units	320	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(4,084)	—	—	(4,084)
Repurchase and retirement of common stock, including excise tax	(8,200)	(8)	—	—	(191,460)	(191,468)
Common stock warrant expense	—	—	2,685	—	—	2,685
Issuance of common stock in connection with the employee stock purchase plan	77	—	1,494	—	—	1,494
Other comprehensive income	—	—	—	5,155	—	5,155
Net income	—	—	—	—	59,008	59,008
Balance as of September 30, 2023	<u>188,518</u>	<u>\$ 188</u>	<u>\$ 794,804</u>	<u>\$ (8,928)</u>	<u>\$ 85,403</u>	<u>\$ 871,467</u>

Six Months Ended September 30, 2022

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Stockholders' Equity
	Shares	Amount				
Balance as of March 31, 2022	192,398	\$ 192	\$ 702,589	\$ (15,294)	\$ 191,107	\$ 878,594
Stock-based compensation	—	—	18,622	—	—	18,622
Exercise of stock options and common stock warrants	1,912	2	5,606	—	—	5,608
Vesting of restricted stock units	69	—	—	—	—	—
Tax withholding on shares under stock-based compensation awards	—	—	(1,261)	—	—	(1,261)
Repurchase and retirement of common stock	(2,151)	(2)	—	—	(70,040)	(70,042)
Common stock warrant expense	—	—	2,685	—	—	2,685
Issuance of common stock in connection with the employee stock purchase plan	74	—	2,341	—	—	2,341
Other comprehensive loss	—	—	—	(6,265)	—	(6,265)
Net income	—	—	—	—	48,682	48,682
Balance as of September 30, 2022	<u>192,302</u>	<u>\$ 192</u>	<u>\$ 730,582</u>	<u>\$ (21,559)</u>	<u>\$ 169,749</u>	<u>\$ 878,964</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 59,008	\$ 48,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,208	4,959
Deferred income taxes	—	105
Stock-based compensation, net of amounts capitalized	27,448	20,859
Non-cash lease expense	1,077	952
Amortization of premium (accretion of discount) on marketable securities, net	(1,794)	2,673
Loss on sale and redemption of marketable securities	142	500
Amortization of deferred contract costs	4,730	4,839
Other	(15)	7
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	9,644	2,194
Prepaid expenses and other assets	(10,504)	3,651
Deferred contract costs	(2,448)	(2,342)
Accounts payable, accrued expenses and other liabilities	(8,063)	(4,474)
Deferred revenue	(13,753)	1,872
Operating lease liabilities	(582)	(211)
Net cash provided by operating activities	70,098	84,266
Cash flows from investing activities		
Cash paid for acquisition	—	(53,500)
Purchases of property and equipment	(111)	(1,476)
Internal-use software development costs	(2,732)	(2,466)
Purchases of marketable securities	(180,226)	(91,177)
Maturities of marketable securities	212,768	24,438
Sales of marketable securities	37,525	64,158
Net cash provided by (used in) investing activities	67,224	(60,023)
Cash flows from financing activities		
Proceeds from issuance of common stock upon exercise of stock options and common stock warrants	7,218	5,584
Proceeds from issuance of common stock in connection with the employee stock purchase plan	1,494	2,341
Taxes paid related to net share settlement of equity awards	(4,084)	(1,261)
Repurchase of common stock	(186,184)	(70,042)
Payment of contingent consideration related to a business combination	(5,390)	—
Net cash used in financing activities	(186,946)	(63,378)
Net decrease in cash and cash equivalents	(49,624)	(39,135)
Cash and cash equivalents, beginning of period	158,027	112,809
Cash and cash equivalents, end of period	\$ 108,403	\$ 73,674
Supplemental disclosures of cash flow information		
Cash paid for taxes, net of refunds	\$ 29,438	\$ 123
Non-cash financing and investing activities		
Fair value of contingent earn-out consideration included in purchase consideration	\$ —	\$ 21,134
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ —	\$ 14,759
Share repurchases included in accrued expenses	\$ 5,003	\$ —
Excise tax payable on share repurchases	\$ 1,030	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business

Doximity, Inc. (the “Company”) was incorporated in the state of Delaware in April 2010 as 3MD Communications, Inc. and is headquartered in San Francisco, California. The Company subsequently changed its name to Doximity, Inc. in June 2010. The Company provides an online platform, which enables physicians and other healthcare professionals to collaborate with their colleagues, securely coordinate patient care, conduct virtual patient visits, stay up to date with the latest medical news and research, monitor their work schedules, and manage their careers. The Company’s customers primarily include pharmaceutical companies and health systems that connect with healthcare professionals through the Company’s digital Marketing and Hiring Solutions. Marketing Solutions provide customers with the ability to share tailored content on the network. Hiring Solutions enable customers to identify, connect with, and hire from the network of both active and passive potential physician candidates.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

The accompanying condensed consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of the Company’s management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company’s financial position, results of operations, stockholders’ equity, and cash flows. The results of operations for the three and six months ended September 30, 2023, shown in this report are not necessarily indicative of the results to be expected for the full year ending March 31, 2024.

Fiscal Year

The Company’s fiscal year ends on March 31st. Unless otherwise noted, all references to a particular year shall mean the Company’s fiscal year.

Use of Estimates

The preparation of the Company’s condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts stated in the condensed consolidated financial statements and accompanying notes. These judgments, estimates, and assumptions are used for, but not limited to, revenue recognition, the fair values of acquired intangible assets and goodwill, the useful lives of long-lived assets, the valuation of the Company’s common stock and stock-based awards, fair value of contingent earn-out consideration, and deferred income taxes. The Company bases its estimates on historical experience and on assumptions that management considers reasonable. The Company assesses these estimates on a regular basis; however, actual results could differ from these estimates due to risks and uncertainties, including uncertainty in the current economic environment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, and accounts receivable. The primary focus of the Company’s investment strategy is to preserve capital and meet liquidity requirements. The Company’s investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating. To manage risk exposure, the Company invests cash equivalents and marketable securities in a variety of fixed income securities, including government and investment-grade debt securities and money market funds. The Company places its cash primarily in checking

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

and money market accounts with reputable financial institutions. Deposits held with these financial institutions may exceed the amount of insurance provided on such deposits, if any.

Concentrations of credit risk with respect to accounts receivable are primarily limited to certain customers to which the Company makes substantial sales. The Company's significant customers that represented 10% or more of revenue or accounts receivable, net for the periods presented were as follows:

	Revenue				Accounts Receivable, Net	
	Three Months Ended September 30,		Six Months Ended September 30,		September 30, 2023	March 31, 2023
	2023	2022	2023	2022		
Customer A	*	*	*	*	13 %	18 %
Customer B	*	*	*	*	12 %	*

* Less than 10%

For the purpose of assessing the concentration of credit risk for significant customers, the Company defines a customer as an entity that purchases the Company's services directly or indirectly through marketing agencies.

Restructuring

Restructuring expense primarily consists of severance payments, employee benefits, and stock-based compensation in relation to the modification of equity awards associated with the management-approved plan. One-time employee termination benefits are recognized at the time of communication of the terms of the plan to the employees, unless future service is required, in which case the costs are recognized over the future service period. The Company records these costs in restructuring expense in the condensed consolidated statements of operations.

Other than the description listed above, there have been no material changes to the significant accounting policies of the Company during the six months ended September 30, 2023 as compared to those described in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023 and filed with the SEC on May 26, 2023.

3. Revenue Recognition

The Company's revenue is primarily derived from the sale of subscriptions for the following solutions:

- *Marketing Solutions:* Hosting of customer-sponsored content on the Doximity platform and providing access to the Company's professional database of healthcare professionals for referral or marketing purposes during the subscription period.
- *Hiring Solutions:* Providing customers access to the Company's professional tools where recruiters can access the Company's database of healthcare professionals, allowing customers to send messages for talent sourcing and to share job postings during the subscription period.

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, through the following five steps:

1) Identify the contract with a customer

The Company considers the terms and conditions of its contracts and the Company's customary business practices in identifying its contracts under ASC 606. The Company determines it has a contract with a customer when the contract has been approved by both parties, it can identify each party's rights regarding the services to be transferred and the payment terms for the services, it has determined that the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's payment history or, in the case of a new customer, the customer's credit and financial information.

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Contractual terms for Marketing Solutions contracts are generally 12 months or less. Customers are generally billed for a portion of the contract upon contract execution and then billed throughout the remainder of the contract based on various time-based milestones. Certain Marketing Solutions contracts are cancellable with a customary notice period. The Company does not refund prepaid amounts, and customers are responsible for prorated amounts to cover services that were provided but payment was not made. The contractual term for Hiring Solutions contracts is generally 12 months. Hiring Solutions contracts are noncancellable and customers are billed in annual, quarterly, or monthly installments in advance of the service period.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract.

Marketing Solutions customers may purchase a subscription for a specific module to be used over a defined period of time. These customers may purchase more than one module with either the same or different subscription periods. Modules are the core building blocks of the customers' marketing plan and can be broadly categorized as Awareness, Interactivity, and Peer. As an example, the Company's Awareness modules may include a sponsored article, short animated videos or other short-form content that is presented to the targeted member.

Each module targets a consistent number of Doximity members per month for the duration of the subscription period. The Company treats each subscription to a specific module as a distinct performance obligation because each module is capable of being distinct as the customer can benefit from the subscription to each module on their own and each subscription can be sold standalone. Furthermore, the subscriptions to individual modules are distinct in the context of the contract as (1) the Company is not integrating the services with other services promised in the contract into a bundle of services that represent a combined output, (2) the subscriptions to specific modules do not significantly modify or customize the subscription to another module, and (3) the specific modules are not highly interdependent or highly interrelated. The subscription to each module is treated as a series of distinct performance obligations because it is distinct and substantially the same, satisfied over time, and has the same measure of progress.

Marketing Solutions customers may also purchase integrated subscriptions for a fixed subscription fee that are not tied to a single module but allow customers to utilize any combination of modules during the subscription period, subject to limits on the total number of modules launched in a given period of time, active at any given time, and members targeted. These represent stand-ready obligations in that the delivery of the underlying sponsored content is within the control of the customer and the extent of use in any given period does not diminish the remaining services.

Subscriptions to Hiring Solutions provide customers access to the platform to place targeted job postings and send a fixed number of monthly messages. Each subscription is treated as a series of distinct performance obligations that are satisfied over time.

3) Determine the transaction price

The transaction price is determined based on the consideration the Company expects to be entitled to in exchange for transferring services to the customer. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue recognized under the contract will not occur.

The Company may generate sales through the use of third-party media agencies that are authorized to enter into contracts on behalf of an end customer. The Company acts as the principal in these transactions since it maintains control prior to transferring the service to the customer and is primarily responsible for the fulfillment that occurs through the Company's platform. The Company records revenue for the amount to which it is entitled from the third-party media agencies as the Company does not know and expects not to know the price charged by the third-party media agencies to its customers.

Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental entities.

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4) Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative stand-alone selling price (“SSP”). The determination of a SSP for each distinct performance obligation requires judgment. The Company determines SSP for performance obligations based on historical arrangements sold on a standalone basis. To the extent historical sales are not available or do not provide sufficient evidence, the Company takes into account several different factors, including but not limited to the overall pricing objectives, which take into consideration market conditions and customer-specific factors, including a review of internal discounting tables, the type of services being sold, and other factors. The Company estimates the SSP for arrangements where standalone sales do not provide sufficient evidence of the SSP. The Company believes the use of its estimation approach and allocation of the transaction price on a relative SSP basis to each performance obligation results in revenue recognition in a manner consistent with the underlying economics of the transaction and the allocation principle included in ASC 606.

5) Recognize revenue when or as the Company satisfies a performance obligation

Revenue is recognized when or as control of the promised goods or service is transferred to the customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. Subscriptions represent a series of distinct goods or services because the performance obligations are satisfied over time as customers simultaneously receive and consume the benefits related to the services as the Company performs. In the case of module specific subscriptions, a consistent level of service is provided during each monthly period the sponsored content is available on the Company’s platform. The Company commences revenue recognition when the first content is launched on the platform for the initial monthly period and revenue is recognized over time as each subsequent content period is delivered. The Company’s obligation for its integrated subscriptions is to stand-ready throughout the subscription period; therefore, the Company considers an output method of time to measure progress towards satisfaction of its obligations, with revenue commencing upon the beginning of the subscription period.

The Company treats Hiring Solutions subscriptions as a single performance obligation that represents a series of distinct performance obligations that is satisfied over time. Revenue recognition commences when the customer receives access to the services and is recognized ratably over the subscription period.

Other revenue consists of fees earned from the temporary staffing and permanent placement of healthcare professionals. Revenue is recognized when control of these services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Revenue Disaggregation

Revenue consisted of the following (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Subscription	\$ 106,654	\$ 95,333	\$ 207,909	\$ 179,048
Other	6,958	6,852	14,172	13,776
Total revenue	<u>\$ 113,612</u>	<u>\$ 102,185</u>	<u>\$ 222,081</u>	<u>\$ 192,824</u>

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. A majority of customers are invoiced throughout the contract, while others are billed upfront. Marketing Solutions customers are generally billed for a portion of the contract upon contract execution and then billed throughout the remainder of the contract based on various time-based milestones, starting when the tailored content is first shared on the Doximity platform. The Company’s contracts do not contain significant financing components.

The Company records unbilled revenue when revenue is recognized in amounts for which it is contractually entitled but exceeds the amounts the Company has a right to bill as of the end of the period. The Company records unbilled revenue on the

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condensed consolidated balance sheets within prepaid expenses and other current assets. The Company's unbilled revenue balances were \$1.8 million and \$2.2 million as of September 30, 2023 and March 31, 2023, respectively.

Deferred revenue consists of noncancelable customer billings or payments received in advance of revenue recognition. Deferred revenue balances are generally expected to be recognized within 12 months. Since the majority of the Company's contracts have a duration of one year or less, the Company has elected not to disclose remaining performance obligations in accordance with the optional exemption in ASC 606. Remaining performance obligations for contracts with an original duration greater than one year are not material.

Revenue recognized for the three months ended September 30, 2023 and 2022 from amounts included in deferred revenue as of the beginning of the period was \$71.4 million and \$64.3 million, respectively. Revenue recognized for the six months ended September 30, 2023 and 2022 from amounts included in deferred revenue as of the beginning of the period was \$97.1 million and \$75.6 million, respectively.

Deferred Contract Costs

The Company capitalizes sales compensation that is considered to be an incremental and recoverable cost of obtaining a contract with a customer.

Sales compensation earned for the renewal of Marketing Solutions contracts is commensurate with compensation earned for a new or expansion Marketing Solutions contract, whereas compensation for the renewal of Hiring Solutions subscription contracts is earned at a lower rate than for new and expansion Hiring Solutions subscription contracts.

Deferred compensation for Marketing Solutions contracts and Hiring Solutions renewal contracts is amortized over the weighted-average contractual term, ranging from 7 months to 14 months. Deferred compensation tied to new and expansion contracts for Hiring Solutions is amortized on a straight-line basis over the expected period of benefit of 4 years, which is determined by the nature of the Company's technology and services, the rate at which the Company continually enhances and updates its technology, and its historical customer retention. The portion of deferred compensation expected to be recognized within one year of the balance sheet date is recorded as deferred contract costs, current, and the remaining portion is recorded as other assets on the condensed consolidated balance sheets. The amortization of deferred contract costs is included in sales and marketing expense in the condensed consolidated statements of operations. Sales compensation that is not considered an incremental cost is expensed in the same period that it was earned.

The Company capitalized \$1.2 million and \$2.4 million of contract acquisition costs for the three and six months ended September 30, 2023, respectively, and \$1.5 million and \$2.3 million of contract acquisition costs for the three and six months ended September 30, 2022, respectively. Amortization of deferred contract costs was \$2.0 million and \$4.7 million for the three and six months ended September 30, 2023, respectively, and \$2.1 million and \$4.8 million for the three and six months ended September 30, 2022, respectively.

Deferred contract costs are periodically analyzed for impairment. There were no impairment losses relating to deferred contract costs during the three and six months ended September 30, 2023 and 2022.

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4. Investments

The cost, gross unrealized gains and losses, and fair value of investments are as follows (in thousands):

	As of September 30, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	\$ 9,988	\$ —	\$ (3)	\$ 9,985
Money market funds	71,842	—	—	71,842
Total cash equivalents	81,830	—	(3)	81,827
Marketable securities:				
Asset-backed securities	6,673	1	(12)	6,662
Certificates of deposit	11,965	1	(15)	11,951
Commercial paper	99,773	4	(41)	99,736
Corporate notes and bonds	66,351	1	(266)	66,086
Sovereign bonds	7,746	—	(269)	7,477
U.S. government and agency securities	440,905	15	(11,381)	429,539
Total marketable securities	633,413	22	(11,984)	621,451
Total cash equivalents and marketable securities	\$ 715,243	\$ 22	\$ (11,987)	\$ 703,278

As of September 30, 2023, the contractual maturities of the Company's available-for-sale debt securities were as follows (in thousands):

	Fair Value
Due within one year	\$ 583,534
Due in one to two years	41,240
Asset-backed securities	6,662
Total	\$ 631,436

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The cost, gross unrealized gains and losses, and fair value of investments were as follows (in thousands):

	As of March 31, 2023			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash equivalents:				
Money market funds	\$ 126,275	\$ —	\$ —	\$ 126,275
Total cash equivalents	126,275	—	—	126,275
Marketable securities:				
Asset-backed securities	7,271	—	(71)	7,200
Certificates of deposit	27,380	—	(80)	27,300
Commercial paper	78,609	6	(126)	78,489
Corporate notes and bonds	119,241	49	(778)	118,512
Sovereign bonds	7,744	—	(360)	7,384
U.S. government and agency securities	461,584	12	(17,509)	444,087
Total marketable securities	701,829	67	(18,924)	682,972
Total cash equivalents and marketable securities	\$ 828,104	\$ 67	\$ (18,924)	\$ 809,247

As of September 30, 2023 and March 31, 2023, the Company has recognized accrued interest of \$2.5 million and \$2.8 million, respectively, which is included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

The unrealized losses associated with the Company's debt securities were \$12.0 million and \$18.9 million as of September 30, 2023 and March 31, 2023, respectively. As the Company does not intend to sell these securities and it is more likely than not that the Company will hold these securities until maturity or until the cost basis is recovered, the Company did not recognize any impairment on these securities as of September 30, 2023 or March 31, 2023. The Company did not recognize any credit losses related to the Company's debt securities as of September 30, 2023 or March 31, 2023. The fair value related to the debt securities with unrealized losses for which no credit losses were recognized was \$588.0 million and \$653.4 million as of September 30, 2023 and March 31, 2023, respectively.

The following tables summarize the gross unrealized losses and fair values of investments in an unrealized loss position, aggregated by security type and length of time that the individual securities have been in a continuous unrealized loss position (in thousands):

	As of September 30, 2023					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Asset-backed securities	\$ 4,569	\$ (8)	\$ 1,018	\$ (4)	\$ 5,587	\$ (12)
Certificates of deposit	11,006	(15)	—	—	11,006	(15)
Commercial paper	96,131	(44)	—	—	96,131	(44)
Corporate notes and bonds	55,618	(139)	6,241	(127)	61,859	(266)
Sovereign bonds	—	—	7,477	(269)	7,477	(269)
U.S. government and agency securities	42,925	(75)	362,967	(11,306)	405,892	(11,381)
Total	\$ 210,249	\$ (281)	\$ 377,703	\$ (11,706)	\$ 587,952	\$ (11,987)

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	As of March 31, 2023					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Asset-backed securities	\$ 2,601	\$ (12)	\$ 4,599	\$ (59)	\$ 7,200	\$ (71)
Certificates of deposit	27,018	(80)	—	—	27,018	(80)
Commercial paper	70,681	(126)	—	—	70,681	(126)
Corporate notes and bonds	42,575	(113)	58,766	(665)	101,341	(778)
Sovereign bonds	—	—	7,384	(360)	7,384	(360)
U.S. government and agency securities	—	—	439,748	(17,509)	439,748	(17,509)
Total	\$ 142,875	\$ (331)	\$ 510,497	\$ (18,593)	\$ 653,372	\$ (18,924)

5. Fair Value Measurements

Available-for-sale debt securities are recorded at fair value on the condensed consolidated balance sheets. The carrying value of cash equivalents, accounts receivable, accounts payable, and accrued expenses and other current liabilities approximate their respective fair values due to their short maturities.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Inputs that are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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The following tables present the fair value hierarchy for the Company's assets and liabilities measured at fair value on a recurring basis (in thousands):

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Commercial paper	\$ —	\$ 9,985	\$ —	\$ 9,985
Money market funds	71,842	—	—	71,842
Total cash equivalents	71,842	9,985	—	81,827
Marketable securities:				
Asset-backed securities	—	6,662	—	6,662
Certificates of deposit	—	11,951	—	11,951
Commercial paper	—	99,736	—	99,736
Corporate notes and bonds	—	66,086	—	66,086
Sovereign bonds	—	7,477	—	7,477
U.S. government and agency securities	415,280	14,259	—	429,539
Total marketable securities	415,280	206,171	—	621,451
Total cash equivalents and marketable securities	<u>\$ 487,122</u>	<u>\$ 216,156</u>	<u>\$ —</u>	<u>\$ 703,278</u>

Liabilities:				
Contingent earn-out consideration liability	\$ —	\$ —	\$ 16,178	\$ 16,178
Total contingent earn-out consideration liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,178</u>	<u>\$ 16,178</u>

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 126,275	\$ —	\$ —	\$ 126,275
Total cash equivalents	126,275	—	—	126,275
Marketable securities:				
Asset-backed securities	—	7,200	—	7,200
Certificates of deposit	—	27,300	—	27,300
Commercial paper	—	78,489	—	78,489
Corporate notes and bonds	—	118,512	—	118,512
Sovereign bonds	—	7,384	—	7,384
U.S. government and agency securities	439,748	4,339	—	444,087
Total marketable securities	439,748	243,224	—	682,972
Total cash equivalents and marketable securities	<u>\$ 566,023</u>	<u>\$ 243,224</u>	<u>\$ —</u>	<u>\$ 809,247</u>

Liabilities:				
Contingent earn-out consideration liability	\$ —	\$ —	\$ 21,862	\$ 21,862
Total contingent earn-out consideration liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 21,862</u>	<u>\$ 21,862</u>

During the six months ended September 30, 2023 and 2022, the Company had no transfers between levels of the fair value hierarchy.

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Contingent Earn-out Consideration Liability

The following table summarizes the changes in the contingent earn-out consideration liability (in thousands):

	Six Months Ended September 30,	
	2023	2022
Beginning fair value	\$ 21,862	\$ —
Additions in the period	—	21,134
Change in fair value	316	(94)
Payments	(6,000)	—
Ending fair value	<u>\$ 16,178</u>	<u>\$ 21,040</u>

The contingent earn-out consideration liability relates to the AMiON acquisition, which closed on April 1, 2022. The fair value of the liability is remeasured at each reporting date until the related contingency is resolved, with any changes to the fair value recognized as sales and marketing expense in the condensed consolidated statements of operations.

To determine the fair value of the contingent earn-out consideration liability, the Company used the discounted cash flow method. The significant inputs used in the fair value measurement of the contingent earn-out consideration liability are the discount rate and the timing and amounts of the future payments, which are based upon estimates of future achievement of the performance metrics. As these inputs are not based on observable market data, they represent a Level 3 measurement within the fair value hierarchy. Changes in the significant inputs used would significantly impact the fair value of the contingent earn-out consideration liability.

See Note 8—Business Combinations for additional discussion regarding the AMiON acquisition.

6. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2023	March 31, 2023
Furniture and equipment	\$ 2,846	\$ 2,816
Computers and software	745	745
Leasehold improvements	982	888
Internal-use software development costs	23,366	20,405
Total property and equipment	<u>27,939</u>	<u>24,854</u>
Less: accumulated depreciation and amortization	(16,159)	(13,575)
Total property and equipment, net	<u>\$ 11,780</u>	<u>\$ 11,279</u>

Depreciation and amortization expense on property and equipment for the three and six months ended September 30, 2023 was \$1.4 million and \$2.8 million, respectively. Included in these amounts was amortization expense for internal-use software development costs of \$1.2 million and \$2.4 million for the three and six months ended September 30, 2023, respectively. Depreciation and amortization expense on property and equipment for the three and six months ended September 30, 2022 was \$1.4 million and \$2.6 million, respectively. Included in these amounts was amortization expense for internal-use software development costs of \$1.2 million and \$2.3 million for the three and six months ended September 30, 2022, respectively. The amortization of the internal-use software development costs is included in cost of revenue in the condensed consolidated statements of operations.

During the three and six months ended September 30, 2023, the Company capitalized \$1.5 million and \$3.3 million, respectively, and during the three and six months ended September 30, 2022, capitalized \$1.2 million and \$2.9 million, respectively, of internal-use software development costs, which are included in property and equipment, net in the condensed consolidated balance sheets.

No impairment was recognized on property and equipment during the three and six months ended September 30, 2023 and 2022.

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7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2023	March 31, 2023
Accrued commissions	\$ 3,570	\$ 5,733
Accrued payroll, bonus, and related expenses	7,444	8,739
Employee contributions under employee stock purchase plan	529	589
Rebate liabilities	681	3,348
Sales and other tax liabilities	2,210	1,504
Current portion of contingent earn-out consideration liability	5,730	5,920
Restructuring liability	541	—
Share repurchase liability	5,003	748
Other	3,378	4,664
Total accrued expenses and other current liabilities	<u>\$ 29,086</u>	<u>\$ 31,245</u>

8. Business Combinations

AMiON Acquisition

On April 1, 2022, the Company completed the acquisition of the assets of the AMiON on-call scheduling and messaging application used by scheduling staff and physicians (“the AMiON acquisition”) to further expand our physician cloud platform. The acquisition-date fair value of the consideration was \$74.6 million, consisting of \$53.5 million in cash and \$21.1 million in fair value of contingent earn-out consideration.

Under the definitive agreement for the AMiON acquisition, the Company will pay contingent earn-out consideration of up to \$24.0 million, of which \$4.0 million is a minimum guarantee and the remaining \$20.0 million is subject to the achievement of certain operational performance metrics over the next four years. The contingent earn-out consideration is payable in cash in annual installments over the next four years. The contingent earn-out consideration is classified as a liability, the short-term portion of which is included in accrued expenses and other current liabilities and the long-term portion is in contingent earn-out consideration liability, non-current in the condensed consolidated balance sheets. During the six months ended September 30, 2023, \$6.0 million of the contingent earn-out consideration was settled. See Note 5—Fair Value Measurements for additional information regarding the valuation of the contingent earn-out consideration liability.

Additionally, in May 2022, 93,458 RSUs with a grant date fair value of \$32.99 per share were granted to the eligible employees joining the Company in connection with the AMiON acquisition. The shares will vest on a quarterly basis over four years based on continued service. The aggregate grant date fair value of these RSUs is accounted for as post-acquisition stock-based compensation expense and is recognized on a straight-line basis over the requisite service period.

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The AMiON acquisition was accounted for as a business combination. The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill as shown below. The purchase consideration allocation was as follows (in thousands):

Assets acquired:	
Accounts receivable	\$ 447
Customer relationships	27,200
Developed technology	820
Trademark	700
Total assets acquired	<u>\$ 29,167</u>
Liabilities assumed:	
Deferred revenue	\$ 2,925
Other liabilities	633
Net assets acquired, excluding goodwill	25,609
Goodwill	\$ 49,025
Total purchase consideration	<u>\$ 74,634</u>

Goodwill generated from the AMiON acquisition represents the future benefits from the development of future customer relationships and the assembled workforce. Goodwill from this business combination is deductible for income tax purposes.

Intangible assets acquired are comprised of customer relationships, trademarks, and developed technology with estimated useful lives of 9 years, 3 years, and 18 months, respectively. The fair value assigned to the customer relationships was determined primarily using the multiple period excess earnings method cost approach, which estimates the direct cash flows expected to be generated from the existing customers acquired. The results of operations of this business combination have been included in the condensed consolidated financial statements from the acquisition date.

The acquisition-related costs were not material and were recorded as general and administrative expense in the condensed consolidated statements of operations.

Separate operating results and pro forma results of operations for AMiON have not been presented as the effect of this acquisition was not material to the Company's financial results.

9. Intangible Assets and Goodwill

Intangible Assets

Intangible assets, net consisted of the following (in thousands):

	September 30, 2023	March 31, 2023
Customer relationships	\$ 37,069	\$ 37,069
Other intangibles	1,531	1,531
Total intangible assets	38,600	38,600
Less: accumulated amortization	(9,160)	(6,764)
Total intangible assets, net	<u>\$ 29,440</u>	<u>\$ 31,836</u>

Amortization expense for intangible assets was \$1.2 million and \$2.4 million for the three and six months ended September 30, 2023 and 2022, respectively.

No impairment charges on intangible assets were recorded during the three and six months ended September 30, 2023 and 2022.

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As of September 30, 2023, future amortization expense is as follows (in thousands):

Year Ending March 31,	Amount
Remainder of 2024	\$ 2,123
2025	4,245
2026	4,012
2027	4,010
2028	4,010
2029	4,010
Thereafter	7,030
Total future amortization expense	<u>\$ 29,440</u>

Goodwill

As of September 30, 2023 and March 31, 2023, the Company's goodwill balance was \$67.9 million. No impairment charges on goodwill were recorded during the three and six months ended September 30, 2023 and 2022.

10. Equity

Preferred Stock

In connection with the IPO, the Company's amended and restated certificate of incorporation became effective, which authorized the issuance of 100,000,000 shares of undesignated preferred stock with a par value of \$0.001 per share with rights and preferences, including voting rights, designated from time to time by the board of directors. As of September 30, 2023 and March 31, 2023, there were no shares of preferred stock issued and outstanding.

Common Stock and Creation of Dual-Class Structure

The Company has two classes of common stock authorized: Class A common stock and Class B common stock, and are collectively referred to as common stock throughout the notes to the condensed consolidated financial statements, unless otherwise noted. On June 8, 2021, the Company's board of directors and stockholders approved an amendment to the Company's amended and restated certificate of incorporation which authorized 1,000,000,000 shares of Class A common stock with par value of \$0.001 and one vote per share, and 500,000,000 shares of Class B common stock with par value of \$0.001 and ten votes per share. The holders of common stock are entitled to receive dividends, as may be declared by the board of directors. Each of the Company's 85,523,836 shares of then-existing common stock outstanding was reclassified into Class B common stock. Each outstanding share of Class B common stock may be converted at any time at the option of the holder into one share of Class A common stock. As of September 30, 2023, there were 120,768,274 shares of Class A common stock, and 67,750,282 shares of Class B common stock outstanding.

Stock Repurchase Program

On May 12, 2022, the Company's board of directors authorized a program to repurchase up to \$70 million of the Company's Class A common stock. As of September 30, 2022, the Company repurchased and retired 2,150,982 shares of Class A common stock for an aggregate purchase price of \$70 million, thereby completing this share repurchase program.

On October 28, 2022, the Company's board of directors authorized an additional program to repurchase up to \$70 million of the Company's Class A common stock over a period of 12 months. In addition, on June 1, 2023, the Company's board of directors authorized a program to repurchase up to \$200 million of the Company's Class A common stock over a period of 24 months. The repurchases are subject to general business and market conditions and other investment opportunities and may be executed through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. Immediately upon the repurchase of any shares of Class A common stock, such shares shall be retired by the Company and shall automatically return to the status of authorized but unissued shares of Class A common stock. As of September 30, 2023, the Company repurchased and retired 8,723,200 shares of Class A common stock for an aggregate purchase price of \$207.5 million under these repurchase programs, which includes excise taxes and the cost of commissions of \$1.2 million. As of September 30, 2023, \$63.7 million remained available and authorized for repurchase, excluding commissions and excise taxes.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Common Stock Warrants

In March 2017, the Company issued a warrant to purchase 250,000 shares of common stock at an exercise price of \$0.72 per share in connection with a contract signed between the Company and U.S. News & World Report, L.P., or U.S. News. The warrant expires 10 years from the date of grant. As of September 30, 2023, the warrant was fully vested. 125,000 shares with an intrinsic value of \$4.0 million were exercised under the warrant during the six months ended September 30, 2022, while no shares were exercised during the six months ended September 30, 2023. The remaining 125,000 shares under the warrant were outstanding as of September 30, 2023.

In October 2021, the Company issued a warrant to U.S. News (the “U.S. News Warrant”) to purchase 516,000 shares of Class A common stock with an exercise price of \$12.56 per share in connection with the execution of a commercial agreement with U.S. News (the “Commercial Agreement”). The U.S. News Warrant expires 10 years from the date of grant. The first tranche of the U.S. News Warrant vested on May 1, 2022 and the remainder will vest on a monthly basis over approximately 6 years. The grant-date fair value of the U.S. News Warrant was \$34.7 million, which was determined using the Black-Scholes option-pricing model on the date of grant using the following assumptions: fair value of common stock of \$76.50, volatility of 46.9%, risk-free interest rate of 1.61%, contractual term of 10 years, and an expected dividend of 0%. The fair value of the warrant is recognized as expense in cost of revenue in the condensed consolidated statements of operations on a straight-line basis over its vesting term of 6.48 years. During the six months ended September 30, 2023 and 2022, \$2.7 million was recognized as stock-based compensation expense relating to the U.S. News Warrant, respectively. As of September 30, 2023, unamortized stock-based compensation expense, net of estimated forfeitures, related to the unvested warrants was \$24.1 million, which is expected to be recognized over the remaining vesting period of 4.50 years.

Equity Incentive Plans

The Company maintains three equity incentive plans: the 2010 Equity Incentive Plan (the “2010 Plan”), the 2021 Stock Option and Incentive Plan (the “2021 Plan”), and the 2021 Employee Stock Purchase Plan (the “ESPP”). Upon IPO, the 2021 Plan became effective and the 2010 Plan was terminated. The 2010 Plan continues to govern the terms of outstanding awards that were granted prior to the termination of the 2010 Plan. The 2021 Plan provides for the granting of incentive stock options, nonstatutory stock options, restricted stock units, and restricted stock awards to employees, non-employee directors, and consultants of the Company.

The Company granted stock options under the terms of the Plans and outside of the Plans, as approved by the board of directors. During fiscal 2018, the Company granted 4,682,582 options outside of the Plans, of which 2,027,917 options were exercised and 2,654,665 were outstanding as of September 30, 2023.

The Company has shares of common stock reserved for issuance as follows (in thousands):

	<u>September 30, 2023</u>
Common stock warrants	641
2010 Plan	
Options outstanding	16,664
2021 Plan	
Awards outstanding	2,159
Shares available for future grant	41,195
2021 ESPP	8,104
Options outstanding outside the plans	2,655
Total	<u>71,418</u>

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Stock Options

Stock options granted generally vest over four years with service-based, performance-based, and/or market-based conditions and expire ten years from the date of grant.

Stock option activities within the Plans as well as outside of the Plans were as follows:

	Number of Shares (in thousands)	Weighted- Average Exercise Price	Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance, March 31, 2023	22,407	\$ 4.39	6.56	\$ 627,187
Options exercised	(2,380)	3.05		
Options forfeited or expired	(708)	5.47		
Balance, September 30, 2023	19,319	4.51	6.12	322,735
Vested and exercisable as of September 30, 2023	11,804	2.93	5.40	215,941
Vested and expected to vest as of September 30, 2023	18,740	4.44	6.09	314,519

The aggregate intrinsic value of options exercised during the six months ended September 30, 2023 and 2022 was \$61.8 million and \$60.2 million, respectively.

As of September 30, 2023, unamortized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options was \$27.6 million, which is expected to be recognized over a weighted-average period of 2.77 years.

The Company has not granted any stock options since the first quarter of fiscal 2022.

Restricted Stock Units (“RSUs”)

RSUs granted by the Company generally vest over four years based on continued service.

The following table summarizes RSU activity (in thousands, except per share information):

	Number of Shares	Weighted- Average Grant Date Fair Value
Unvested balance, March 31, 2023	1,951	\$ 40.08
Granted	749	30.02
Vested	(392)	38.44
Forfeited	(372)	44.59
Unvested balance, September 30, 2023	1,936	35.46

The total fair value of RSUs vested during the six months ended September 30, 2023 and 2022 was \$11.3 million and \$3.3 million, respectively.

As of September 30, 2023, total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested RSUs was \$54.3 million, which is expected to be recognized over a weighted-average period of 2.99 years.

Performance-Based Restricted Stock Units (“PSUs”)

The PSUs have service-based and performance-based vesting conditions that are satisfied upon meeting certain financial performance targets.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

The following table summarizes PSU activity (in thousands, except per share information):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance, March 31, 2023	206	\$ 34.68
Granted	156	33.74
Vested	(78)	36.96
Forfeited	(61)	35.07
Unvested balance, September 30, 2023	223	33.10

The total fair value of PSUs vested during the six months ended September 30, 2023 and 2022 was \$1.8 million and \$0.4 million, respectively.

As of September 30, 2023, unamortized stock-based compensation expense, net of estimated forfeitures, related to unvested PSUs that are probable of vesting was \$1.9 million, and is expected to be recognized over a weighted-average period of 1.54 years.

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in the condensed consolidated statements of operations was as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 2,278	\$ 2,392	\$ 4,739	\$ 4,514
Research and development	2,538	2,862	5,794	5,414
Sales and marketing	2,697	3,982	8,692	7,056
General and administrative	2,288	2,117	4,577	3,875
Restructuring	3,646	—	3,646	—
Total stock-based compensation expense	\$ 13,447	\$ 11,353	\$ 27,448	\$ 20,859

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

11. Net Income Per Share Attributable to Common Stockholders

The following table presents the reconciliation of the numerator and denominator for calculating basic and diluted net income per share (in thousands, except per share data):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Numerator				
Net income	\$ 30,602	\$ 26,299	\$ 59,008	\$ 48,682
Denominator				
Weighted-average shares used in computing net income per share attributable to Class A and Class B common stockholders, basic	193,112	193,137	193,813	193,042
Dilutive effect of stock options	15,673	20,595	16,573	21,178
Dilutive effect of common stock warrants	122	123	122	155
Dilutive effect of other share-based awards	107	94	173	77
Weighted-average shares used in computing net income per share attributable to Class A and Class B common stockholders, diluted	209,014	213,949	210,681	214,452
Net income per share attributable to Class A and Class B common stockholders:				
Basic	\$ 0.16	\$ 0.14	\$ 0.30	\$ 0.25
Diluted	\$ 0.15	\$ 0.12	\$ 0.28	\$ 0.23

The dilutive effect of stock options, common stock warrants, RSUs, PSUs, and the ESPP is reflected in diluted earnings per share using the treasury stock method.

Certain potentially dilutive securities have been excluded from the calculation of diluted net income per share during the applicable periods because their inclusion would have been anti-dilutive (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Other share-based awards	1,665	511	911	512
Common stock warrants	516	516	516	516
Total	2,181	1,027	1,427	1,028

12. Restructuring

In August 2023, the Company announced a restructuring plan (the “Restructuring Plan”) intended to simplify the Company’s operations and better align the Company’s resources with its priorities. The Restructuring Plan included a reduction of the Company’s workforce by approximately 10%. The actions associated with the workforce reduction under the Restructuring Plan were substantially completed as of September 30, 2023. The Company incurred \$7.9 million in restructuring expense in the second quarter of fiscal 2024 in connection with the workforce reduction under the Restructuring Plan, consisting of \$4.3 million of severance payments and employee benefits and \$3.6 million of stock-based compensation expense for the accelerated vesting of equity awards.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following table summarizes the activities related to the Restructuring Plan as of September 30, 2023 (in thousands):

	Workforce Reduction
Liability as of July 1, 2023	\$ —
Charges	4,289
Payments	(3,748)
Liability as of September 30, 2023	<u>\$ 541</u>

The liability as of September 30, 2023 for restructuring charges is included in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

13. Commitments and Contingencies

Minimum Guarantees

On October 8, 2021, the Company signed an amended agreement to revise and extend the existing partnership with U.S. News for six years. This agreement can be terminated after three years by either party. Under this amended agreement, the Company pays U.S. News a portion of the revenue generated with the end customers, subject to annual minimum guarantees. As of September 30, 2023, the remaining annual minimum guarantees ranged from \$3.6 million to \$6.2 million. The total minimum guarantee for the remaining noncancelable period of one year was \$3.6 million, which is expected to be paid within one year.

Other Contractual Commitments

Other contractual commitments relate mainly to third-party cloud infrastructure agreements and subscription agreements used to facilitate the Company's operations.

The Company has a web hosting arrangement for 3 years ending December 31, 2024, with an annual commitment of \$5.2 million. As of September 30, 2023, the total remaining commitment was \$5.2 million, which is expected to be paid within one year.

Indemnification

The Company enters into indemnification provisions under agreements with other companies in the ordinary course of business, including, but not limited to, clients, business partners, landlords, and other parties involved in the performance of the Company's services. Pursuant to these arrangements, the Company has agreed to indemnify, hold harmless, and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Company's activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. The Company maintains commercial general liability insurance and product liability insurance that may offset certain of its potential liabilities under these indemnification provisions.

In addition, the Company has agreed to indemnify its officers and directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no material claims under these indemnification provisions.

Legal Matters

From time to time, the Company has become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. Although claims are inherently unpredictable, the Company is currently not aware of any matters that, if determined adversely to the Company, would individually or taken together have a material effect on its results of operations, financial position, or cash flows. No material loss contingencies were recorded for the three and six months ended September 30, 2023 and 2022.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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14. Leases

The Company has non-cancelable operating leases for the rental of office space with various expiration dates through 2030.

The components of lease expense were as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 701	\$ 701	\$ 1,402	\$ 1,190
Variable lease cost	45	133	65	173
Total lease cost	<u>\$ 746</u>	<u>\$ 834</u>	<u>\$ 1,467</u>	<u>\$ 1,363</u>

Supplemental cash flow information related to leases was as follows (in thousands):

	Six Months Ended September 30,	
	2023	2022
Cash paid for amounts included in measurement of lease liabilities—Operating cash flows	\$ 907	\$ 389

Supplemental balance sheet information related to leases was as follows:

	September 30, 2023	March 31, 2023
Weighted-average remaining lease term (in years)	6.68	7.06
Weighted-average discount rate	4.19 %	4.18 %

Maturities of operating lease liabilities as of September 30, 2023 were as follows (in thousands):

Remainder of 2024	\$ 1,331
2025	2,411
2026	2,458
2027	2,497
2028	2,605
Thereafter	6,052
Total future lease payments	<u>\$ 17,354</u>
Less: imputed interest	(2,300)
Present value of lease liabilities	<u>\$ 15,054</u>

15. Other Income, net

Other income, net consisted of the following (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Interest income	\$ 5,822	\$ 1,419	\$ 10,840	\$ 2,269
Realized gain (loss) on sale and redemption of marketable securities	131	(463)	(142)	(463)
Other income (expense)	(50)	(48)	44	(94)
Other income, net	<u>\$ 5,903</u>	<u>\$ 908</u>	<u>\$ 10,742</u>	<u>\$ 1,712</u>

16. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any.

DOXIMITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

The Company's effective tax rates for the three and six months ended September 30, 2023 were 22.9% and 20.5%, respectively, and for three and six months ended September 30, 2022 were 20.3% and 12.3%, respectively. The Company's effective tax rate differs from the U.S. federal statutory rate, primarily due to state income taxes, stock-based compensation related tax benefits, which are subject to limitations for certain executive officers under IRC section 162(m), and federal and state research and development tax credits. The Company's effective tax rate is based on forecasted annual income before income taxes which may fluctuate through the rest of the year.

The Company is only subject to income taxes in the United States. Significant judgment is required in evaluating the Company's uncertain tax positions and determining the provision for income taxes. As of September 30, 2023 and March 31, 2023, the Company had unrecognized tax benefits ("UTBs") of \$8.7 million and \$7.9 million, respectively. If realized, \$6.5 million would impact the effective tax rate while the remainder would reduce deferred tax assets subject to a full valuation allowance. The Company does not expect any material changes to its UTBs within the next 12 months.

17. Segment and Geographic Information

The Company considers operating segments to be components of the Company in which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The chief operating decision maker reviews financial information on a consolidated basis to make decisions about how to allocate resources and how to measure the Company's performance. As such, the Company has determined that it has one operating and reportable segment.

Substantially all of the Company's long-lived assets were based in the United States as of September 30, 2023 and March 31, 2023. No country outside of the United States accounted for more than 10% of total revenue for the three and six months ended September 30, 2023 and 2022. Substantially all of the Company's revenue was derived in the United States for the three and six months ended September 30, 2023 and 2022.

18. Subsequent Events

On October 26, 2023 the Company's board of directors authorized another program to repurchase up to \$70 million of the Company's Class A common stock. The repurchases are expected to be executed from time to time over the next 12 months, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. Immediately upon the repurchase of any shares of Class A common stock, such shares shall be retired by the Company and shall automatically return to the status of authorized but unissued shares of Class A common stock. All prior repurchase programs were completed as of October 2023.

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 together with our condensed consolidated financial statements and accompanying notes that are included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K, filed with the SEC on May 26, 2023. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, as described under the heading "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors" in Part 1, Item 1 A of our Annual Report on Form 10-K or in other parts of this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results that may be expected for the full fiscal year or any other period. The last day of our fiscal year is March 31st. Our fiscal quarters end on June 30th, September 30th, December 31st, and March 31st. Fiscal 2024, our current fiscal year, will end on March 31, 2024.

Overview

We are the leading digital platform for U.S. medical professionals, as measured by the number of U.S. physician members. Our members include more than 80% of physicians across all 50 states and every medical specialty.

Our mission is to help every physician be more productive and provide better care for their patients. We are physicians-first, putting technology to work for doctors instead of the other way around. That guiding principle has enabled Doximity to become an essential and trusted professional platform for physicians. Our cloud-based platform provides our members with tools specifically built for medical professionals, enabling them to collaborate with their colleagues, securely coordinate patient care, conduct virtual patient visits, stay up-to-date with the latest medical news and research, monitor their work schedules, and manage their careers. Doximity membership is free for physicians. Our revenue-generating customers, primarily pharmaceutical manufacturers and healthcare systems, have access to a suite of commercial solutions that benefit from broad physician usage.

At the core of our platform is the largest medical professional network in the nation, which creates proximity within our community of doctors and hundreds of thousands of other medical professionals. Verified members can search and connect with colleagues and specialists, which allows them to better coordinate patient care and streamline referrals. Our newsfeed addresses the ever increasing sub-specialization of medical expertise and volume of medical research by delivering news and information that is relevant to each physician's clinical practice. We also support physicians in their day-to-day practice of medicine with mobile-friendly and easy-to-use clinical workflow tools such as voice and video dialer, secure messaging, and digital faxing.

Our business model has delivered high revenue growth at scale with profitability. For the three months ended September 30, 2023 and 2022, we recognized revenue of \$113.6 million and \$102.2 million, respectively, representing a year-over-year growth rate of 11%. For the six months ended September 30, 2023 and 2022, we recognized revenue of \$222.1 million and \$192.8 million, respectively, representing a year-over-year growth rate of 15%. For the three months ended September 30, 2023 and 2022, our net income was \$30.6 million and \$26.3 million and our adjusted EBITDA was \$54.2 million and \$46.0 million, respectively. For the six months ended September 30, 2023 and 2022, our net income was \$59.0 million and \$48.7 million and our adjusted EBITDA was \$100.7 million and \$79.5 million, respectively. We have accomplished this while focusing on our core mission to help every physician be more productive and provide better care for their patients.

Key Business and Financial Metrics

We monitor a number of key business and financial metrics to assess the health and success of our business, including:

Customers with Trailing 12-Month Subscription Revenue Greater than \$100,000. The number of customers with trailing 12-month (“TTM”) subscription revenue greater than \$100,000 is a key indicator of the scale of our business, and is calculated by counting the number of customers that contributed more than \$100,000 in subscription revenue in the TTM period. Our customer count is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity, and we present our total customer count for historical periods reflecting these adjustments.

The number of customers with at least \$100,000 of revenue has grown steadily in recent years as we have engaged new customers and expanded within existing ones. This cohort of customers accounted for approximately 88% of our revenue for the TTM ended September 30, 2023.

	September 30,	
	2023	2022
Number of customers with at least \$100,000 of revenue	290	281

Net Revenue Retention Rate. Net revenue retention rate is calculated by taking the TTM subscription-based revenue from our customers that had revenue in the prior TTM period and dividing that by the total subscription-based revenue for the prior TTM period. For the purposes of this calculation, subscription revenue excludes subscriptions for individuals and small practices and other non-recurring items. Our net revenue retention rate compares our subscription revenue from the same set of customers across comparable periods, and reflects customer renewals, expansion, contraction, and churn. Our net revenue retention rate is directly tied to our revenue growth rate and thus fluctuates as that growth rate fluctuates.

	September 30,	
	2023	2022
Net revenue retention rate	114 %	128 %

Non-GAAP Financial Measures

We use adjusted EBITDA and free cash flow to measure our performance, identify trends, formulate financial projections, and make strategic decisions.

Adjusted EBITDA

We define adjusted EBITDA as net income before interest, income taxes, depreciation, and amortization, and as further adjusted for acquisition and other related expenses, stock-based compensation expense, restructuring expense, change in fair value of contingent earn-out consideration liability, and other income, net. Net income margin represents net income as a percentage of revenue and adjusted EBITDA margin represents adjusted EBITDA as a percentage of revenue.

Adjusted EBITDA is a key measure we use to assess our financial performance and is also used for internal planning and forecasting purposes. We believe adjusted EBITDA is helpful to investors, analysts, and other interested parties because it can assist in providing a more consistent and comparable overview of our operations across our historical financial periods.

Adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures and are presented for supplemental informational purposes only and should not be considered as alternatives or substitutes to the financial information presented in accordance with GAAP. These measures have certain limitations in that they do not include the impact of certain expenses that are reflected in our condensed consolidated statements of operations that are necessary to run our business. Other companies, including other companies in our industry, may not use these measures or may calculate these measures differently than as presented in this Quarterly Report on Form 10-Q, limiting their usefulness as comparative measures.

The following table presents a reconciliation of net income to adjusted EBITDA, adjusted EBITDA margin, and net income margin (in thousands, except percentages):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 30,602	\$ 26,299	\$ 59,008	\$ 48,682
Adjusted to exclude the following:				
Acquisition and other related expenses	—	—	—	30
Stock-based compensation	9,801	11,353	23,802	20,859
Depreciation and amortization	2,604	2,589	5,208	4,959
Provision for income taxes	9,093	6,710	15,209	6,813
Restructuring expense	7,936	—	7,936	—
Change in fair value of contingent earn-out consideration liability	47	(40)	316	(94)
Other income, net	(5,903)	(908)	(10,742)	(1,712)
Adjusted EBITDA	<u>\$ 54,180</u>	<u>\$ 46,003</u>	<u>\$ 100,737</u>	<u>\$ 79,537</u>
Revenue	\$ 113,612	\$ 102,185	\$ 222,081	\$ 192,824
Net income margin	27 %	26 %	27 %	25 %
Adjusted EBITDA margin	48 %	45 %	45 %	41 %

Free Cash Flow

Free cash flow is a key performance measure that our management uses to assess our overall performance. 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 acquisitions, and strengthening our financial position.

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

Although we believe free cash flow is a useful indicator of business performance, free cash flow is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. Free cash flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of free cash flow are that it may not properly reflect future contractual commitments that have not been realized in the current period. Our free cash flow may not be comparable to similarly titled measures of other companies because they may not calculate free cash flow in the same manner as we calculate the measure, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of our free cash flow to the most comparable GAAP measure, net cash provided by operating activities, for each of the periods indicated (in thousands):

	Six Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 70,098	\$ 84,266
Purchases of property and equipment	(111)	(1,476)
Internal-use software development costs	(2,732)	(2,466)
Free cash flow	<u>\$ 67,255</u>	<u>\$ 80,324</u>
Other cash flow components:		
Net cash provided by (used in) investing activities	\$ 67,224	\$ (60,023)
Net cash used in financing activities	\$ (186,946)	\$ (63,378)

Components of Results of Operations

Revenue

Marketing Solutions. Our customers purchase a subscription to Marketing Solutions, either directly or through marketing agencies, for the ability to share tailored content on the Doximity platform via a variety of modules for defined time periods. We generally bill customers a portion of the contract upon contract execution and then bill throughout the remainder of the contract based on various time-based milestones. Generally, we bill in advance of revenue recognition. When revenue is recognized in advance of billings, we record unbilled revenue. Unbilled revenue is recorded on the condensed consolidated balance sheets within prepaid expenses and other current assets. Subscriptions to Marketing Solutions include the following contractual arrangements:

- Subscriptions for specific modules delivered on a monthly basis to a consistent number of targeted Doximity members during the subscription period. Pricing is based on the number and composition of the targeted Doximity members, and on the specific modules purchased.
- Integrated subscriptions for a fixed subscription fee that are not tied to a single module, allowing customers to utilize any combination of modules during the subscription period.

For these subscription-based contractual arrangements, we recognize revenue over time as control of the service is transferred to the customer.

Hiring Solutions. We provide customers access to our platform which enables them to post job openings or deliver a fixed number of monthly messages to our network of medical professionals. Hiring Solutions contracts are noncancellable and customers are billed in annual, quarterly, or monthly installments in advance of the service period, and revenue is recognized ratably over the contractual term.

We also generate revenue from temporary and permanent medical recruiting services which we charge on an hourly-fee, and retainer and placement-fee basis, respectively. Revenue for temporary placement services is recognized net of third-party contractor fees. For the three and six months ended September 30, 2023 and 2022, the revenue from temporary and permanent medical recruiting services was not significant to our total revenue.

For a description of our revenue accounting policies, see Note 2—Summary of Significant Accounting Policies included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 and filed with the SEC on May 26, 2023.

Cost of Revenue

Cost of revenue is primarily comprised of expenses related to cloud hosting, personnel-related expenses for our customer success team, costs for third-party platform access, information technology and software-related services and contractors, and other services used in connection with the delivery and support of our platform. Our cost of revenue also includes the amortization of internal-use software development costs, editorial and other content-related expenses, and allocated overhead. Cost of revenue is driven by the growth of our member network and utilization of our telehealth tools. We intend to continue to invest additional resources in our cloud infrastructure and our customer support organizations to support the growth of our business and expect these expenses to increase on an absolute dollar basis.

Gross Profit and Gross Margin

Gross profit is total revenue less total cost of revenue. Gross margin is gross profit expressed as a percentage of total revenue. Gross profit and gross margin has been and will continue to be affected by a number of factors, including the timing of our acquisition of new customers and sales of additional solutions to existing customers, the timing and extent of our investments in our operations, cloud hosting costs, growth in our customer success team, and the timing of amortization of internal-use software development costs. We expect our gross margin to remain relatively steady over the near term, although our quarterly gross margin is expected to fluctuate from period to period depending on the interplay of these and other factors.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, general and administrative, and restructuring expenses.

Research and Development

Research and development expense is primarily comprised of personnel-related expenses associated with our engineering and product teams who are responsible for building new products and improving existing products. Research and development expense also includes costs for third-party services and contractors, information technology and software-related costs, and allocated overhead. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development expenses will increase on an absolute dollar basis as we continue to grow our platform and product offerings.

Sales and Marketing

Sales and marketing expense is primarily comprised of personnel-related expenses, sales incentive compensation, travel, and other event expenses. Sales and marketing expense also includes costs for third-party services and contractors, information technology and software-related costs, allocated overhead, amortization of intangible assets, and change in fair value of contingent earn-out consideration liability. We capitalize sales incentive compensation that is considered to be an incremental and recoverable cost of obtaining a contract with a customer. These sales incentive compensation costs are amortized over the period of benefit. We expect sales and marketing expense to increase and to be our largest expense on an absolute basis.

General and Administrative

General and administrative expense is primarily comprised of personnel-related expenses associated with our executive, finance, legal, human resources, information technology, and facilities employees. General and administrative expense includes fees for third-party legal and accounting services, insurance expense, information technology and software-related costs, and allocated overhead. We expect that general and administrative expense will increase on an absolute dollar basis as we incur compliance costs associated with being a publicly-traded company, including legal, audit, and consulting fees.

Restructuring

Restructuring expense primarily consists of severance payments, employee benefits, and stock-based compensation in relation to the modification of equity awards associated with the management-approved plan. One-time employee termination benefits are recognized at the time of communication of the terms of the plan to the employees, unless future service is required, in which case the costs are recognized over the future service period.

Other Income, Net

Other income, net consists primarily of investment income earned on our cash equivalents and marketable securities.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in U.S. federal, state, and local jurisdictions in which we conduct business. We calculate income taxes in interim periods by applying an estimated annual effective tax rate to income before income taxes and by calculating the tax effect of discrete items recognized during the period. Our effective income tax rate generally differs from the U.S. statutory tax rate of 21.0% primarily due to U.S. federal and state research and development tax credits, stock-based compensation related tax benefits, and state income taxes.

Results of Operations

The following tables set forth our condensed consolidated results of operations data and such data as a percentage of revenue for the periods presented.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Revenue	\$ 113,612	\$ 102,185	\$ 222,081	\$ 192,824
Cost of revenue ⁽¹⁾	12,759	13,210	25,912	26,287
Gross profit	100,853	88,975	196,169	166,537
Operating expenses:				
Research and development ⁽¹⁾	19,958	19,104	41,889	38,126
Sales and marketing ⁽¹⁾	30,201	29,021	64,656	57,155
General and administrative ⁽¹⁾	8,966	8,749	18,213	17,473
Restructuring ⁽¹⁾	7,936	—	7,936	—
Total operating expenses	67,061	56,874	132,694	112,754
Income from operations	33,792	32,101	63,475	53,783
Other income, net	5,903	908	10,742	1,712
Income before income taxes	39,695	33,009	74,217	55,495
Provision for income taxes	9,093	6,710	15,209	6,813
Net income	\$ 30,602	\$ 26,299	\$ 59,008	\$ 48,682

(1) Costs and expenses include stock-based compensation expense as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 2,278	\$ 2,392	\$ 4,739	\$ 4,514
Research and development	2,538	2,862	5,794	5,414
Sales and marketing	2,697	3,982	8,692	7,056
General and administrative	2,288	2,117	4,577	3,875
Restructuring	3,646	—	3,646	—
Total stock-based compensation expense	\$ 13,447	\$ 11,353	\$ 27,448	\$ 20,859

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(percentages of revenue)			
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	11	13	12	14
Gross profit	89	87	88	86
Operating expenses:				
Research and development	18	18	19	19
Sales and marketing	27	28	29	30
General and administrative	7	9	7	9
Restructuring	7	—	4	—
Total operating expenses	59	55	59	58
Income from operations	30	32	29	28
Other income, net	5	1	5	1
Income before income taxes	35	33	34	29
Provision for income taxes	8	7	7	4
Net income	27 %	26 %	27 %	25 %

Comparison of the three and six months ended September 30, 2023 and 2022.

Revenue

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Revenue	\$ 113,612	\$ 102,185	\$ 11,427	11 %	\$ 222,081	\$ 192,824	\$ 29,257	15 %

Revenue for the three months ended September 30, 2023 increased \$11.4 million as compared to the same period in 2022. The increase was primarily driven by a \$11.3 million increase in subscription revenue. Of the increase in subscription revenue, \$5.1 million was driven by the addition of new subscription customers¹ and \$6.2 million was due to the expansion of existing customers. The expansion of existing customers was primarily driven by average revenue per existing Marketing Solutions customers increasing by 17% as a result of adding new and growing existing brands and service lines. Approximately 94% of our revenue for the three months ended September 30, 2023 was derived from subscription customers. The remaining increase in revenue was driven by an increase in medical recruiting services.

Revenue for the six months ended September 30, 2023 increased \$29.3 million as compared to the same period in 2022. The increase was primarily driven by a \$28.9 million increase in subscription revenue. Of the increase in subscription revenue, \$8.8 million was driven by the addition of new subscription customers¹ and \$20.1 million was due to the expansion of existing customers. The expansion of existing customers was primarily driven by average revenue per existing Marketing Solutions customers increasing by 20% as a result of adding new and growing existing brands and service lines. Approximately 94% of our revenue for the six months ended September 30, 2023 was derived from subscription customers. The remaining increase in revenue was driven by an increase in medical recruiting services.

Cost of revenue, gross profit and gross margin

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Cost of revenue	\$ 12,759	\$ 13,210	\$ (451)	(3)%	\$ 25,912	\$ 26,287	\$ (375)	(1)%
Gross profit	\$ 100,853	\$ 88,975	\$ 11,878	13 %	\$ 196,169	\$ 166,537	\$ 29,632	18 %
Gross margin	89 %	87 %			88 %	86 %		

Cost of revenue for the three months ended September 30, 2023 decreased \$0.5 million as compared to the same period in 2022. The decrease was primarily driven by a \$0.4 million decrease in personnel-related costs as a result of a reduction in average headcount due to the Company's restructuring plan executed in August 2023, offset by merit increases.

Cost of revenue for the six months ended September 30, 2023 decreased \$0.4 million as compared to the same period in 2022. The decrease was primarily driven by a \$0.4 million decrease in personnel-related costs as a result of a reduction in average headcount due to the Company's restructuring plan executed in August 2023, offset by merit increases.

The gross margin for the three and six months ended September 30, 2023 increased due to the growth in our revenue as well as lower costs of revenue as a result of the Company's restructuring plan executed in August 2023.

Operating Expenses

Research and development

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Research and development	\$ 19,958	\$ 19,104	\$ 854	4 %	\$ 41,889	\$ 38,126	\$ 3,763	10 %

¹ We define new subscription customers as revenue-generating subscription customers in the current fiscal period who did not contribute any revenue for the same period in the prior fiscal year.

Research and development expense for the three months ended September 30, 2023 increased \$0.9 million as compared to the same period in 2022. Employee compensation costs increased by \$0.3 million as compared to same period last year as a result of merit increases, offset by reduction in average headcount due to the Company's restructuring plan that was executed in August 2023. The increase in research and development expense was also driven by a \$0.5 million increase in employee events and travel-related expenses and an increase in third-party consulting services.

Research and development expense for the six months ended September 30, 2023 increased \$3.8 million as compared to the same period in 2022. The increase was primarily driven by a \$2.1 million increase in personnel-related costs as a result of merit increases offset by reduction in average headcount due to the Company's restructuring plan executed in August 2023. The increase was also driven by a \$0.7 million increase in third-party contractor costs and a \$0.6 million increase in third-party software costs as a result of increased research and development activities.

Sales and marketing

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Sales and marketing	\$ 30,201	\$ 29,021	\$ 1,180	4 %	\$ 64,656	\$ 57,155	\$ 7,501	13 %

Sales and marketing expense for the three months ended September 30, 2023 increased \$1.2 million as compared to the same period in 2022. The increase was primarily driven by a \$1.0 million increase in marketing expense related to marketing activities and trade shows. There was also a \$0.6 million increase in personnel-related costs as a result of merit increases offset by reduction in average headcount due to the Company's restructuring plan executed in August 2023. In addition, there was a \$2.1 million increase in stock-based compensation due to awards granted to new and existing employees. These increases were offset by a \$2.9 million decrease in stock-based compensation expense, primarily due to the forfeiture of awards as a result of the restructuring plan.

Sales and marketing expense for the six months ended September 30, 2023 increased \$7.5 million as compared to the same period in 2022. The increase was primarily driven by a \$2.5 million increase in personnel-related costs due to merit increases while average headcount remained relatively flat as a result of the Company's restructuring plan that was executed in August 2023. The increase was also due to a \$1.6 million net increase in stock-based compensation from new awards granted to new and existing employees, offset by the forfeiture of awards as a result of the restructuring plan. In addition, there was a \$1.6 million increase in marketing expenses related to marketing activities and trade shows and a \$0.4 million increase as a result of fair value changes on the earn-out consideration liability.

General and administrative

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
General and administrative	\$ 8,966	\$ 8,749	\$ 217	2 %	\$ 18,213	\$ 17,473	\$ 740	4 %

General and administrative expense for the three months ended September 30, 2023 remained materially consistent as compared to the same period in 2022.

General and administrative expense for the six months ended September 30, 2023 increased \$0.7 million as compared to the same period in 2022. The increase was driven by a \$0.4 million increase in employee compensation costs driven by merit increases, while headcount remained relatively flat. There was a \$0.7 million increase in stock-based compensation expense primarily due to new awards granted to new and existing employees. These increases were partially offset by a reduction in insurance and other taxes.

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Restructuring	\$ 7,936	\$ —	\$ 7,936	NM	\$ 7,936	\$ —	\$ 7,936	NM

In August 2023, the Company initiated a restructuring plan to better align the Company's resources with its priorities, and reduced its workforce by 10%. The \$7.9 million in restructuring charges incurred during the three and six months ended September 30, 2023 consisted of \$4.3 million of severance payments and employee benefits and \$3.6 million of stock-based compensation expense for the accelerated vesting of equity awards.

Other income, net

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Other income, net	\$ 5,903	\$ 908	\$ 4,995	550 %	\$ 10,742	\$ 1,712	\$ 9,030	527 %

Other income, net for the three and six months ended September 30, 2023 increased \$5.0 million and \$9.0 million, respectively, as compared to the same period in 2022, primarily driven by increases in interest income due to higher yields earned on our cash equivalents and marketable securities portfolio and a higher average portfolio balance.

Provision for income taxes

	Three Months Ended September 30,		Change		Six Months Ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(in thousands, except percentages)								
Provision for income taxes	\$ 9,093	\$ 6,710	\$ 2,383	36 %	\$ 15,209	\$ 6,813	\$ 8,396	123 %

Income tax expense increased for the three and six months ended September 30, 2023 by \$2.4 million and \$8.4 million, respectively, as compared to the same period in 2022, primarily driven by higher income before taxes and decreased tax deductions from stock option activities.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through proceeds received from sales of equity securities and payments received from our customers. As of September 30, 2023, our principal sources of liquidity were cash and cash equivalents and marketable securities of \$729.9 million. Our marketable securities consist of U.S. government and agency securities, corporate notes and bonds, commercial paper, certificates of deposit, asset-backed securities, and sovereign bonds.

On May 12, 2022, the Company's board of directors authorized a program to repurchase up to \$70 million of the Company's Class A common stock. As of September 30, 2022, the Company repurchased and retired 2,150,982 shares of Class A common stock for an aggregate purchase price of \$70 million, thereby completing this share repurchase program.

On October 28, 2022, the Company's board of directors authorized an additional program to repurchase up to \$70 million of the Company's Class A common stock over a period 12 months. In addition, on June 1, 2023, the Company's board of directors authorized a program to repurchase up to \$200 million of the Company's Class A common stock over a period of 24 months. The repurchases are subject to general business and market conditions and other investment opportunities and may be executed through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans. Immediately upon the repurchase of any shares of Class A common stock, such shares shall be retired by the Company and shall automatically return to the status of authorized but unissued shares of Class A common stock. As of September 30, 2023, the Company repurchased and retired 8,723,200 shares of Class A common stock for an aggregate purchase price of \$207.5 million under these repurchase programs, which includes excise taxes and the cost of commissions of \$1.2 million. As of September 30, 2023, \$63.7 million remained available and authorized for repurchase, excluding commissions and excise taxes.

We believe that our existing cash and cash equivalents and marketable securities will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, timing of share repurchases, and the timing and extent of spending to support research and development efforts. Further, we may in the future enter into arrangements to acquire or invest in businesses and technologies. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition, and results of operations could be adversely affected.

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

For further details regarding our cash requirements from noncancelable operating lease obligations and other contractual commitments, see Note 13—Commitments and Contingencies and Note 14—Leases included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flows

	Six Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 70,098	\$ 84,266
Net cash provided by (used in) investing activities	\$ 67,224	\$ (60,023)
Net cash used in financing activities	\$ (186,946)	\$ (63,378)

Net cash provided by operating activities

Cash provided by operating activities was \$70.1 million for the six months ended September 30, 2023. This consisted of net income of \$59.0 million, adjusted for non-cash items of \$36.8 million and a net outflow from operating assets and liabilities of \$25.7 million. Non-cash items primarily consisted of stock-based compensation expense of \$27.4 million, depreciation and amortization expense of \$5.2 million, amortization of deferred contract costs of \$4.7 million, non-cash lease expense of \$1.1 million, partially offset by the accretion of discount on marketable securities of \$1.8 million. The net outflow from operating assets and liabilities was driven by a \$13.8 million decrease in deferred revenue due to the timing of customer billings and program launches, a \$10.5 million increase in prepaid expenses and other assets primarily due to prepayment of income taxes, an \$8.1 million decrease in accounts payable, accrued expenses, and other liabilities which was primarily due to the timing of commissions and agency rebate payments, and a \$2.4 million increase in deferred contract costs. These outflows were partially offset by a \$9.6 million decrease in accounts receivable due to the timing of billings and collections. During the six months ended September 30, 2023 and 2022, the Company made \$29.4 million and \$0.1 million, respectively, in payments for taxes. The increase in cash paid for income taxes was partially related to the Tax Cuts and Jobs Act of 2017, which eliminated the option to deduct research and development expenditures and required taxpayers to capitalize and amortize them over five or fifteen years. Although Congress is considering legislation that would defer the amortization requirement to later years, we have no assurance that the provision will be so deferred, repealed or otherwise modified. If the requirement is not modified, our cash flows from operating activities are expected to be reduced by approximately \$15.7 million in the fiscal year ended March 31, 2024. The requirement may also reduce our cash flows from operating activities in future periods, the amounts and specific periods of which we are unable to estimate at this time.

Cash provided by operating activities was \$84.3 million for the six months ended September 30, 2022. This consisted of net income of \$48.7 million, adjusted for non-cash items of \$34.9 million and a net inflow from operating assets and liabilities of \$0.7 million. Non-cash items primarily consisted of stock-based compensation expense of \$20.9 million, depreciation and amortization expense of \$5.0 million, amortization of deferred contract costs of \$4.8 million, and amortization of the premium on marketable securities of \$2.7 million. The net inflow from operating assets and liabilities was driven by a \$3.7 million decrease in prepaid expenses and other assets due to prepaid taxes, a \$2.2 million decrease in accounts receivable due to the timing of billings and collections, and a \$1.9 million increase in deferred revenue due to the timing of customer billings and program launches. These inflows were partially offset by a \$2.3 million increase in deferred contract costs and a \$4.5 million decrease in accounts payable, accrued expenses, and other liabilities, which was primarily a result of the timing of \$7.2 million commissions and agency rebate payments, offset by a \$3.8 million increase in income and other tax liabilities.

Net cash provided by (used in) investing activities

Cash provided by investing activities was \$67.2 million for the six months ended September 30, 2023, which primarily consisted of proceeds from the maturities of marketable securities of \$212.8 million and proceeds from the sale of marketable securities of \$37.5 million. These inflows were partially offset by \$180.2 million of marketable securities purchases and \$2.7 million for internal-use software development costs.

Cash used in investing activities was \$60.0 million for the six months ended September 30, 2022, which primarily consisted of \$91.2 million of marketable securities purchases, \$53.5 million paid for the acquisition of AMiON, \$2.5 million for internal-use software development costs, and \$1.5 million for purchases of property and equipment. These payments were partially offset by proceeds from the sale of marketable securities of \$64.2 million and proceeds from the maturities of marketable securities of \$24.4 million.

Net cash used in financing activities

Cash used in financing activities was \$186.9 million for the six months ended September 30, 2023, which primarily consisted of common stock repurchases of \$186.2 million, \$5.4 million of payments for contingent consideration related to the AMiON acquisition, and \$4.1 million of taxes paid related to the net share settlement of equity awards. These payments were partially offset by \$7.2 million of proceeds from the exercise of stock options and \$1.5 million of proceeds from the issuance of common stock related to the employee stock purchase plan.

Cash used in financing activities was \$63.4 million for the six months ended September 30, 2022, which primarily consisted of common stock repurchases of \$70.0 million and \$1.3 million of taxes paid related to the net share settlement of equity awards. These payments were partially offset by \$5.6 million of proceeds from the exercise of stock options and common stock warrants and \$2.3 million of proceeds from the issuance of common stock related to the employee stock purchase plan.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of our financial statements also requires us to make estimates and assumptions that affect the amounts stated in the condensed consolidated financial statements and accompanying notes. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. 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 material changes to our critical accounting policies and estimates during the three and six months ended September 30, 2023 as compared to those described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 and filed with the SEC on May 26, 2023.

Recent Accounting Pronouncements

Refer to Note 2—Summary of Significant Accounting Policies included in Part I, Item 1 of this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Substantially all of our operations are within the United States and we do not have any foreign currency exposure. We are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and inflation.

Interest Rate Risk

Our cash and cash equivalents and marketable securities primarily consist of cash on hand and highly liquid investments in money market funds, corporate notes and bonds, asset-backed securities, commercial paper, certificates of deposit, U.S. government and agency securities, and sovereign bonds. As of September 30, 2023, we had cash and cash equivalents of \$108.4 million and marketable securities of \$621.5 million. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair value of our investments. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these

factors, our future investment income may fall short of expectation due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

A hypothetical 100 basis point increase in interest rates would have resulted in a decrease of \$3.4 million and \$5.0 million, respectively, in the market value of our cash equivalents and marketable securities as of September 30, 2023 and March 31, 2023. Fluctuations in the value of our investments caused by a change in interest rates are recorded in other comprehensive income and are realized in net income only if we sell the underlying securities.

Impact of Inflation

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating our disclosure controls and procedures, our management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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, within the Company have been detected. The design of any system of controls also is 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 the policies or procedures may deteriorate. Because of the 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

For a discussion of our legal proceedings, please refer to Note 13—Commitments and Contingencies included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

We are subject to various risks that could have a material adverse impact on our financial position, results of operations, or cash flows. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our financial position, results of operations, or cash flows. There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Share Repurchases

The following table presents information with respect to the repurchases of our Class A common stock during the three months ended September 30, 2023:

Period	Total Number of Shares Repurchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
July 1 - 31, 2023	60,795	\$ 32.66	60,795	\$ 230,902
August 1 - 31, 2023	3,096,898	\$ 23.61	3,096,898	\$ 157,785
September 1 - 30, 2023	4,378,286	\$ 21.49	4,378,286	\$ 63,706
Total	<u>7,535,979</u>		<u>7,535,979</u>	

- (1) On October 28, 2022, the Company’s board of directors authorized a program to repurchase up to \$70 million of the Company’s Class A common stock over a period of 12 months. In addition, on June 1, 2023 the Company’s board of directors authorized an additional program to repurchase up to \$200 million of the Company’s Class A common stock over a period of 24 months. The repurchases under both programs can be executed through open market purchases or privately negotiated transactions, including through Rule 10b5-1 plans.

Use of Proceeds

On June 28, 2021, we closed our IPO of 22,505,750 shares of our Class A common stock sold by us, including 3,495,000 shares pursuant to the exercise of the underwriters’ option to purchase additional shares of our Class A common stock, and 4,289,250 shares of Class A common stock sold by an existing stockholder, at an offering price of \$26.00 per share, resulting in proceeds to us of \$548.5 million after deducting underwriting discounts and commissions as well as deferred offering costs. All of the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-256584), which was declared effective by the SEC on June 23, 2021. Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Piper Sandler & Co., William Blair & Company, L.L.C., Canaccord Genuity LLC, Needham & Company, LLC, Raymond James & Associates, Inc., and SVB Leerink LLC acted as underwriters for the offering. We incurred offering expenses of approximately \$5.5 million. No payments for such expenses were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities, or to our affiliates. Upon completion of the sale of the shares of our Class A common stock referenced in the preceding sentences, the IPO terminated. There has been no material change in the planned use of proceeds from our IPO from those disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Rule 10b5-1 Trading Plans

On August 24, 2023, Ms. Kira Wampler, a director of the Company, adopted a Rule 10b5-1 trading arrangement for the sale of securities of the Company's common stock (a "Rule 10b5-1 Trading Plan") that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c). Ms. Wampler's Rule 10b5-1 Trading Plan, which has a term from August 24, 2023 to November 29, 2024, provides for the exercise and sale of 37,500 shares of common stock pursuant to a series of market orders.

On August 30, 2023, Ms. Phoebe Yang, a director of the Company, adopted a Rule 10b5-1 Trading Plan that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c). Ms. Yang's Rule 10b5-1 Trading Plan, which has a term from August 30, 2023 to August 14, 2024, provides for the sale of 35% of net vested shares of common stock pursuant to a series of market orders. On the date of the execution of Ms. Yang's Rule 10b5-1 Trading Plan, Ms. Yang held 2,889 net vested shares. Ms. Yang's net vested share amount will change as additional equity awards vest or shares are subsequently purchased or sold.

Other than Ms. Wampler and Ms. Yang's adoptions of the Rule 10b5-1 Trading Plans noted above, during the quarter ended September 30, 2023, none of our directors or executive officers as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

Exhibit Number	Exhibit Title	Form	Incorporated by Reference		
			File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A	333-256584	3.2	June 15, 2021
3.2	Amended and Restated Bylaws of the Registrant	S-1/A	333-256584	3.4	June 15, 2021
4.1	Form of Class A common stock certificate of the Registrant.	S-1	333-256584	4.1	May 28, 2021
4.2	Amended and Restated Investors' Rights Agreement, dated April 10, 2014, by and among the Registrant and certain of its stockholders.	S-1	333-256584	4.2	May 28, 2021
4.3	Warrant to Purchase Shares of Common Stock issued to U.S. News & World Report, L.P., dated March 10, 2017.	S-1	333-256584	4.3	May 28, 2021
4.4	Warrant to Purchase Shares of Class A Common Stock issued to U.S. News & World Report, L.P., dated June 14, 2021.	10-Q	001-40508	4.2	August 12, 2021
4.5	Amendment to Warrant to Purchase Shares of Class A Common Stock issued to U.S. News & World Report, L.P., dated September 2, 2021.	10-Q	001-40508	4.3	November 10, 2021
4.6	Second Amendment to Warrant to Purchase Shares of Class A Common Stock issued to U.S. News & World Report, L.P., dated October 8, 2021.	10-Q	001-40508	4.4	November 10, 2021
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-256584	10.1	June 15, 2021
10.2#	2010 Equity Incentive Plan, as amended, and forms of agreements thereunder.	S-1/A	333-256584	10.2	June 15, 2021
10.3#	2021 Stock Option and Incentive Plan, and forms of agreements thereunder.	10-K	001-40508	10.3	May 27, 2022
10.4#	2021 Employee Stock Purchase Plan.	S-1/A	333-256584	10.4	June 15, 2021
10.5#	Senior Executive Cash Incentive Bonus Plan.	S-1/A	333-256584	10.5	June 15, 2021
10.6#	Non-Employee Director Compensation Policy.	S-1/A	333-256584	10.6	June 15, 2021
10.7#	Craig Overpeck Offer Letter	10-K	001-40508	10.7	May 26, 2023
10.8#	Jennifer Chaloeintiarana Offer Letter	10-Q	001-40508	10.8	August 8, 2023
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith			
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith			
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith			
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith			
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith			

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101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Indicates management contract or compensatory plan, contract or agreement.

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.

DOXIMITY, INC.

Date: November 9, 2023

By: /s/ Jeffrey Tangney

Jeffrey Tangney
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2023

By: /s/ Anna Bryson

Anna Bryson
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)