



Doximity Fiscal 2024 Third Quarter Earnings Call Prepared Remarks

Jeff Tangney, Co-Founder and CEO

We have three updates today: our financials, product highlights, and a new leadership hire.

First, our topline. I'm pleased to report that we delivered \$135 million in revenue for the third quarter of our fiscal 2024, a 6% beat versus the high end of our guidance and 17% growth year-on-year.

Our bottom line was also strong in Q3 with an adjusted EBITDA margin of 54% or \$73 million, which was 18% above the high end of our guidance.

Looking ahead, we're raising our fiscal 2024 annual revenue guidance midpoint by \$8 million or 2%. We're also raising our EBITDA guidance midpoint by 6% to \$225 million or a 47% margin.

So that's our Q3 financial highlights—a 6% beat, a 2% raise, and a 54% EBITDA margin.

Ok, turning now to our physician network.

Our Q3 engagement reached a new high-water mark. Our unique active users on a quarterly, monthly, weekly, and daily basis were all up double-digit percentages year-on-year. As with last quarter, our daily users grew the most, underscoring how much our EHR-integrated workflow tools continue to gain share and daily use among doctors.

On that front, we're thrilled to announce that for the third year in a row, Doximity has been ranked the #1 Best in KLAS Telehealth Video Platform by health system CIOs and their staff, beating out Microsoft Teams, Zoom, and many others.

This positive word-of-mouth allowed us to add several major new hospital clients in Q3. Go-live's at these hospital systems contributed to a record 560,000 unique prescribers using our workflow software in Q3. We now count 17 of the top 22 U.S. hospitals as enterprise software clients and all of them as marketing clients.

Alongside our workflow products, our personalized physician newsfeed also hit new highs in Q3, with both record reach and usage. We're proud to be the newsfeed of medicine—the place where doctors go when they have a few minutes to check in on the latest news in their field.

Our next phase of growth, we believe, will be AI-fueled. Our HIPAA-compliant GPT product has organically grown to thousands of uses each day, and we love all the ways it's already helping doctors 'cut the scut' and reduce their administrative load.

To that end, we're excited to convene our 12th annual DOCS Tech Summit in San Francisco next month. It'll be 150 of our nation's top digital doctors rolling up their sleeves alongside our engineers, designing software to save time and improve patient care.

We also can't wait for our Pharmaceutical Client Summit in early May to unveil our new client portal. We've opened up the portal now to about 10% of our brand partners, and the early reviews have been great.

Our portal's AI brainstorm bot is a hit, but it's our real-time engagement reports and seamless prescription sales data that keep them coming back.

As one pharma brand manager put it: *"This is great. I can tweak it, run it, tweak it again, until we get the right content to the right doctors."* The portal's transparency and ease-of-use also gets high marks. Another top client told us: *"I love that I can see my results anytime, anywhere without someone else touching it first."*

To be clear, we don't yet allow clients to actually purchase on the portal. But when we do, we think it could unlock the longer tail of small and mid-sized clients that we're not able to reach today.

It'll also make it easier for us to launch new modules that leverage our workflow engagement. As our CFO Anna will share in a moment, our new Point of Care and other modules grew over 100% year-on-year last quarter. So we believe we're still in the early innings of monetizing our workflow platform.

On that note, I'm pleased to announce the addition of Lisa Greenbaum as our new Chief Commercial Officer. Lisa joins us from Google, where she was Verily's Chief Commercial

Officer. Prior to that, she spent 15 years scaling & leading Medscape's go-to-market as their Senior Vice President and General Manager.

Lisa's husband is a pediatrician and long-time Doximity user, so while she's only been here a month, it feels like she's known us for years. The team and I are excited to have her on board. We know our clients will appreciate Lisa's deep relationships and unique insights from being both a successful tech and healthcare executive at market-leading firms.

Ok, I'd like to end by thanking my Doximity teammates, who continue to work incredibly hard to realize our mission. I personally have never been more excited or more proud about what we're building together.

Anna Bryson, CFO

Third quarter revenue grew to \$135.3 million, up 17% year-over-year, and exceeding the high end of our guidance range.

Similar to prior quarters, our existing customers continued to lead our growth. We finished the quarter with a net revenue retention rate of 115% on a trailing twelve-month basis. For our top 20 customers, net revenue retention was higher at 122%, so our biggest, most sophisticated customers remain our fastest growing.

We ended the quarter with 289 customers contributing at least \$100,000 each in subscription-based revenue on a trailing twelve-month basis. This is a 2% increase from the 282 customers we had in this cohort a year ago, and these customers accounted for 89% of our total revenue.

Turning to our profitability, non-GAAP gross margin in the third quarter was 93% versus 91% in the prior year period.

Adjusted EBITDA for the third quarter was \$73.3 million and adjusted EBITDA margin was 54%, compared to \$55.5 million and a 48% margin in the prior year period.

These represent new highs for non-GAAP gross and adjusted EBITDA margins. This margin strength was driven by our Q3 revenue outperformance, continued optimization of our

infrastructure costs and customer support engines, and a strategic application of AI across our R&D and G&A teams.

Now turning to our cash flow, balance sheet, and an update on our share repurchase program.

We generated free cash flow in the third quarter of \$48.7 million compared to \$47.5 million in the prior year period, an increase of 3% year-over-year. As a reminder, we have utilized our NOLs and are now paying cash taxes at a rate of roughly 25-30%.

We ended the third quarter with \$710 million of cash, cash equivalents, and marketable securities.

During the third quarter, we repurchased 3.2 million shares at an average price of \$22.08, representing \$71.7 million.

Fiscal year to date, we have repurchased \$262 million worth of shares at an average price of \$22.89. These share repurchase efforts have decreased our fully diluted shares outstanding by roughly 6% from the quarter ending March 31, 2023, to the quarter ending December 31, 2023. We still have over \$60 million of our most recent share repurchase authorization remaining.

Share repurchases have been funded by our free cash flow, and as a reminder, our IPO proceeds remain untouched and available to invest in the business and M&A.

Now I'll turn to a recap of our annual buying season. As a reminder, our December quarter represents our largest sales quarter, by a significant amount. This is when our pharma customers sign on for next year's programs, committing the majority of their annual marketing budgets. While we sign these contracts in Q3, we will primarily recognize revenue over the next 12 months depending on the timing of program launches.

This upfront season we saw strong growth with our brand partners, particularly amongst the number of brands spending at least \$1 million with us. This cohort grew to 75 brands this selling season, an increase of roughly 30% year-over-year. Of these \$1 million-plus brands, we had three brands that spent at least \$10 million each, an increase from the one \$10 million-plus brand we had last year.

We also saw strength in our modules that often sit outside of traditional marketing budgets, such as Peer to Peer, Point of Care, and Formulary. These modules, combined, grew by more than 100% year-over-year during our upfront season. We have benefitted from our increased focus on selling newer modules on a packaged basis, as our customers continue to expand their reach across our entire platform.

Now moving on to our outlook. For the fourth fiscal quarter of 2024, we expect revenue in the range of \$115.9 to \$116.9 million, representing 5% growth at the midpoint, and we expect adjusted EBITDA in the range of \$50.5 to \$51.5 million, representing a 44% adjusted EBITDA margin.

For the full fiscal year, we are raising our revenue guidance to the range of \$473.3 to \$474.3 million, representing 13% growth at the midpoint. We are raising our adjusted EBITDA guidance to the range of \$224.5 to \$225.5 million, representing a 47% adjusted EBITDA margin.

The increased annual outlook reflects stronger-than-expected upsells at calendar year end. As mentioned previously, incremental budgets unlocked later than typical this past year. As those dollars became available, we are encouraged that Doximity remained a top choice for our customers, which is evident in the large step-up in our Q3 revenue.

Looking ahead, we're excited that our upfront selling season saw deeper investment in our newer modules and the addition of several large new brands. In fiscal Q4, we are focused on getting these new programs live, which in many cases will require new content. As a result, our Q4 revenue outlook reflects growth more indicative of program launch timing than underlying sales growth.

We expect the overall pharma HCP (healthcare professional) digital market to grow roughly 5-7% in calendar year 2024. Based on our upfront selling season, we are confident our pharma business can once again outpace the market.

We are encouraged by the level of investment our customers are making in Doximity and are excited by the opportunity to continue delivering innovative solutions, real-time insights, and industry-leading ROI.

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