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Doximity Fiscal 2025 Second Quarter Earnings Call Prepared Remarks

Jeff Tangney, Co-Founder and CEO

We have three updates today: our financials, network growth, and Client Portal.

Financials

First, our topline. We delivered $137 million in revenue for the second quarter of our fiscal 2025, which represents 20% year-on-year growth, and a 7% beat from the high end of our guidance range.

Of note, our top 20 clients once again grew the fastest for us, up 24% on a trailing twelve month basis. These clients are the largest, most sophisticated Pharma companies who employ entire teams of analysts to measure their marketing effectiveness. We believe our continued growth with them is proof of our value to the broader marketplace.

Our bottom line was also strong in Q2 with a record adjusted EBITDA margin of 56% or $76 million, which was 41% year-on-year growth and 20% above the high end of our guidance.

In short, we had a better-than-expected first half of our fiscal year, with 19% topline growth and 54% margins. Our CFO Anna will provide details and guidance in a minute.

Network Growth

OK, turning now to our network growth and engagement.

Q2 was another record engagement quarter for us. Our unique active users on a quarterly, monthly, weekly, and daily basis were all up double-digit percentages year-over-year.

Drilling down to our biggest revenue driver, our Newsfeed did particularly well in Q2, setting a new record for articles read. We're proud to put our 12 years of proprietary data to use to personalize each newsfeed for each of our more than 2 million members.

Our workflow tools also set new records in Q2, with over 600,000 unique active prescribers. As a reminder, our workflow tools include our telehealth, fax, scheduling, and AI assistants. Our AI tools grew the fastest with over 1 million Doximity GPT prompts in Q2, but our telehealth tools grew nicely as well. In this age of increasing burnout, we're proud to help doctors save time, be more mobile, and provide the best care for their patients.

While we're still in the early innings of monetizing these workflow tools, our Point-of-Care and Formulary products continue to gain traction. Indeed, 20% of our Pharma sales in Q2 came from our workflow-related modules.

As healthcare shifts to be more digital, more mobile, and more AI-powered, we're proud to be leading the way.

Client Portal

OK, turning now to our new Client Portal.

In September, we hosted our annual Pharma Client Showcase in NYC, where we were joined by over 150 marketing leaders from our largest brand and agency partners.

The hit of the day was our panel of top digital doctors describing how our AI and Point-of-Care tools are already transforming their practices (and lives) for the better. Our clients were excited to hear how we allow doctors to focus more on patients, and less on paperwork.

Excitement was also high for our new Client Portal, which is now open to more than 40% of our Pharma brand clients among whom our sales growth has been the strongest.

In part, that's because upsells are easier in our Portal. Our best-selling add-on to date has been nurse practitioner (or NP) audience extensions. The Portal identifies NPs who work for our clients' top physicians and then can add them (at a modest cost!) to existing programs. NPs conducted over 1 billion patient visits in the US last year, and Pharma knows they are an important high-growth audience to reach. Thankfully, they're also heavy Doximity users.

Over the last quarter, we've also seen that ad agencies can be key Portal allies for us. They help existing clients use the Portal and introduce us to new SMB clients as well. So we've created an Agency Partners program to offer them more training. We've signed a handful of agencies so far, and they've already referred us to new six-figure clients.

Based on this positive feedback and sales growth, we plan to roll out our Client Portal to ALL of our Pharma clients starting early next year. Of note, we are now prioritizing agency partnerships over SMB self-service as we see better sales leverage there. That said, our Client Portal remains a multi-year initiative, and we'll continue to learn and adapt as we onboard more clients and partners.

Anna Bryson, CFO

Fiscal Second Quarter 2025 Results

Second quarter revenue grew to $136.8 million, up 20% 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 116% on a trailing twelve-month basis, up from 114% in Q2 of last year. Our top 20 customers remained our fastest growing, with a net revenue retention rate of 124%, up from 119% in Q2 of last year.

We ended the quarter with 103 customers contributing at least $500,000 each in subscription-based revenue on a trailing twelve-month basis. This is a 12% increase from the 92 customers we had in this cohort a year ago, and these customers accounted for 83% of our total revenue.

Turning to our profitability, non-GAAP gross margin in the second quarter was 92% versus 91% in the prior year period.

Adjusted EBITDA for the second quarter was $76.1 million and adjusted EBITDA margin was 56%, compared to $54.2 million and a 48% margin in the prior year period. This represents adjusted EBITDA growth of 41% year-over-year as we continue to run a very profitable business with high incremental margins.

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

We generated free cash flow in the second quarter of $66.8 million compared to $11.6 million in the prior year period, an increase of 475% year-over-year, primarily driven by higher profits and the timing of quarterly tax payments. Consistent with last year, we expect to pay roughly 20-25% in cash taxes annually, and given those payments may vary quarter to quarter, we believe annual free cash flow growth is the best measure of performance.

We ended the quarter with $806 million of cash, cash equivalents, and marketable securities.

During the second quarter, we repurchased $22.1 million dollars worth of shares at an average price of $29.85. We believe repurchasing our shares is a valuable use of the incremental cash we generate above what's needed to reinvest in the business. These share repurchase efforts have decreased our fully diluted shares outstanding by roughly 4% since Q2 of last year.

As of September 30th, we had $470 million remaining in our existing repurchase program.

Guidance for Third Quarter and Fiscal 2025

Now moving on to our outlook. For the third fiscal quarter of 2025, we expect revenue in the range of $152 to $153 million, representing 13% growth at the midpoint, and we expect adjusted EBITDA in the range of $83 to $84 million, representing a 55% adjusted EBITDA margin.

For the full fiscal year, we now expect revenue in the range of $535 to $540 million, representing 13% growth at the midpoint. This is an increase of roughly 4%, or $19 million, at the midpoint after outperforming our Q2 guidance by roughly $10 million. We now expect adjusted EBITDA in the range of $274 to $279 million, representing a 51% adjusted EBITDA margin. This is an increase of roughly 9%, or $24 million, at the midpoint after outperforming our Q2 guidance by roughly $13 million.

Our increased outlook is due to all businesses performing better than expected this past quarter as well as the continued momentum we are seeing into Q3.

Specific to our Pharma customers, our upsell season has shown strong growth driven by a combination of new product traction, Client Portal insights, and market stabilization.

In Q2, sales for our new Point-of-Care and Formulary products were each up more than 100% year-over-year. These products are becoming essential modules for our clients, and we are excited by the potential to see additional growth here during our upfront season.

We also continued to see success with the cohort of brands tapping into our Client Portal to track and enhance their program performance. From real-time insights to program expansion recommendations, our clients are leaning into new opportunities to scale their programs on Doximity.

We’re pleased that this upsell momentum has also continued into Q3.

As you consider our implied Q4 revenue guidance, please keep in mind two factors. First, as we've mentioned before, our customers are getting more disciplined about completing their annual programs and upsells by calendar year-end. Second, as we go to launch next year's programs, we anticipate we may see longer launch timelines due to the traction of our new workflow products.

Given the evolution in how our customers deploy their annual budgets, we continue to believe our annual growth rate is the best metric to measure the performance of our business.

Looking ahead, we believe we are entering the upfront season in a strong competitive position, and we look forward to continuing to deliver value for both our customers and members.

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