

Doximity Inc

4Q23 Pharma Survey: Some early signs of stabilizing macro/budgets

Reiterate Rating: NEUTRAL | PO: 32.00 USD | Price: 31.56 USD

Backdrop could be more favorable to Doximity in CY24

We conducted our seventh survey on advertising spending (see our [October survey](#)). This quarter's survey includes 35 total respondents (prior survey n=35) with an emphasis on top 20 pharma participants, representing 63% of total respondents. Survey takeaways were mixed. On the positive side, macroeconomic trends are stabilizing. The fewest number of respondents reported lowering budgets due to macro since our survey began, and total budgets/digital budget growth was the firmest in several surveys. On the negative side, contributions from Doximity's new modules are expected to be the lowest since we introduced the question, pricing incentives remain at all-time highs, and paid search appears to be taking some mindshare. Overall, the improvement in macro is a positive, and we view DOCS as well positioned to take share. At DOCS' current valuation, this appears reflected in shares. We reiterate our Neutral rating and raise our PO to \$32 from \$29.

The good: Hints of macro stabilizing, budgets stable

Overall, survey results suggest that macro concerns are waning and budgets are improving, even if at the margin. For the first time since our October 2022 survey, respondents expect an increase in marketing budgets over the next 12 months (Exhibit 1). Further, on average, top 20 pharma participants in our survey expect a 3.2% increase in digital marketing budgets, up slightly from our October survey to the highest level since we began the survey in June 2022 (Exhibit 4). Also, the percentage of top 20 pharma respondents noting that budgets were revised lower due to macro dropped from 68% in July and 64% in October to just 55% in our latest survey (Exhibit 3).

The bad: New modules weak, Paid Search a new threat?

New module traction continues to be weak. While commentary on expectations/feedback were largely positive, top 20 pharma respondents expect to spend just 2.7% on new Doximity modules, continuing a trend lower over the past four quarters (Exhibit 6). Further, 32% of top 20 pharma respondents now expect not to spend on new modules, up from 9% in our last two surveys (Exhibit 8). We also see some signs that Paid Search may be gaining traction (Exhibit 12), potentially benefitting from higher ROIs as AI (artificial intelligence) integration improves (something our Internet team suggested in their [Year Ahead note](#)). This could also be a reason why vendor pricing discounts for Paid Search have trended down (Exhibit 11), while overall discounts across channels remain at an all-time high (Exhibit 10).

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.85	0.73	0.87	0.86	0.94
GAAP EPS	0.69	0.52	0.74	0.75	0.82
EPS Change (YoY)	10.4%	-14.1%	19.2%	-1.1%	9.3%
Consensus EPS (Bloomberg)			0.81	0.87	0.99
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	37.1x	43.2x	36.3x	36.7x	33.6x
GAAP P/E	45.7x	60.7x	42.6x	42.1x	38.5x
EV / EBITDA*	40.0x	32.7x	28.1x	25.6x	22.8x
Free Cash Flow Yield*	1.8%	2.6%	3.0%	3.4%	4.0%

* For full definitions of *IQmethod™* measures, see page 39.

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Timestamp: 23 January 2024 05:11AM EST

23 January 2024

Equity

BofA
Data
Analytics

Key Changes

(US\$)	Previous	Current
Price Obj.	29.00	32.00

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Stock Data

Price	31.56 USD
Price Objective	32.00 USD
Date Established	23-Jan-2024
Investment Opinion	C-2-9
52-Week Range	19.71 USD - 40.12 USD
Mkt Val (mn) / Shares Out (mn)	6,829 USD / 216.4
Free Float	86.2%
Average Daily Value (mn)	56.29 USD
BofA Ticker / Exchange	DOCS / NYS
Bloomberg / Reuters	DOCS US / DOCS.N
ROE (2024E)	18.7%
Net Dbt to Eqty (Mar-2023A)	-87.0%
ESGMeter™	NLA

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

NTM: next 12 months

ROI: Return on investment

POC: Point-of-Care

P2P: Peer-to-Peer

AI: Artificial Intelligence

iQprofileSM Doximity Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	25.6%	16.1%	16.3%	14.9%	13.8%
Return on Equity	34.5%	16.8%	18.7%	16.9%	15.4%
Operating Margin	42.5%	42.6%	43.9%	43.3%	44.3%
Free Cash Flow	125	178	204	231	274

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.8x	1.2x	1.1x	1.3x	1.3x
Asset Replacement Ratio	0.2x	0.1x	0.1x	0.1x	0.1x
Tax Rate	NM	16.9%	20.3%	25.0%	25.0%
Net Debt-to-Equity Ratio	-90.8%	-87.0%	-86.2%	-89.0%	-91.6%
Interest Cover	NM	NA	NA	NA	NA

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	344	419	468	514	565
% Change	66.0%	22.0%	11.7%	9.8%	10.0%
Gross Profit	309	376	423	460	506
% Change	75.1%	21.7%	12.7%	8.7%	10.0%
EBITDA	151	184	214	235	264
% Change	132.6%	22.2%	16.2%	9.7%	12.4%
Net Interest & Other Income	1	8	23	23	23
Net Income (Adjusted)	163	155	182	184	205
% Change	120.4%	-5.0%	17.3%	1.3%	11.4%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	163	155	182	184	205
Depreciation & Amortization	5	10	11	12	13
Change in Working Capital	(22)	(26)	6	5	13
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(19)	41	7	32	45
Capital Expenditure	(2)	(2)	(2)	(2)	(2)
Free Cash Flow	125	178	204	231	274
% Change	50.7%	42.7%	14.4%	13.5%	18.5%
Share / Issue Repurchase	565	(71)	(200)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	798	841	842	1,068	1,336
Trade Receivables	81	107	109	113	116
Other Current Assets	25	27	30	33	30
Property, Plant & Equipment	8	11	11	11	10
Other Non-Current Assets	79	150	166	168	171
Total Assets	991	1,137	1,159	1,393	1,664
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	111	140	150	162	175
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	1	31	31	31	31
Total Liabilities	113	171	181	193	206
Total Equity	879	966	978	1,200	1,458
Total Equity & Liabilities	991	1,137	1,159	1,393	1,664

* For full definitions of iQmethodSM measures, see page 39.

Company Sector

Healthcare Technology & Distribution

Company Description

Doximity is a social platform for physicians. Doctors can stay up to date on medical news, manage their career, and utilize free solutions. These free tools include a voice dialer, secure messaging, digital faxing, video visits, and on-call scheduling. Doximity provides these free tools to physicians to drive platform use. The company generates revenue by allowing pharma manufacturers and health systems to advertise on the platform. Doximity also provides Hiring Solutions for health systems.

Investment Rationale

Doximity is an industry leader in the digital transformation of healthcare marketing, changing how pharmaceutical manufacturers and health systems connect with doctors. While growth has slowed, the company exhibits a uniquely high margin profile amongst HCIT peers in a still nascent market. This is offset by a challenging macro that may further pressure growth/margins and concerns about contributions from new modules.

Stock Data

Average Daily Volume 1,783,739

Quarterly Earnings Estimates

	2023	2024
Q1	0.14A	0.19A
Q2	0.17A	0.22A
Q3	0.22A	0.25E
Q4	0.20A	0.21E

4Q'23 Marketing Spending Survey

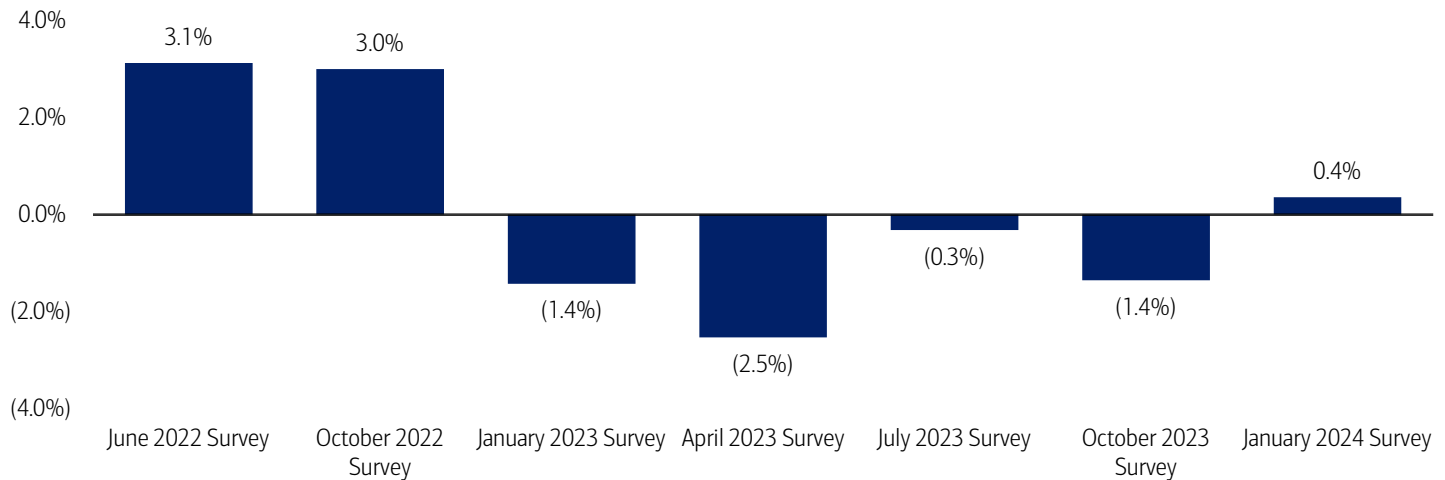
Key Takeaways (The Good 1-2)

1. Marketing budgets show hints of improvement into 2024

- On average, all respondents expect a 0.4% increase in overall marketing budgets over the next 12 months. This is the first expectation for an increase since our October 2022 survey, and up from a 1.4% decrease expected in our October 2023 survey (Exhibit 1).
- On average, top 20 pharma respondents expect a 0.5% decrease to overall marketing budgets over the next 12 months, improving from the 1.3% expected decrease reported in October (Exhibit 2).
- 55% of top 20 pharma noted budgets were revised lower due to macro, but this is down from 64% in our October survey and 68% in our July survey (Exhibit 3).

Exhibit 1: How quickly is your organization's overall marketing budget increasing/decreasing over the next 12 months versus the last 12 months? (all)

On average, all respondents expect a 0.4% increase to overall marketing budgets over the next 12 months vs. a 1.4% decrease in our October survey.

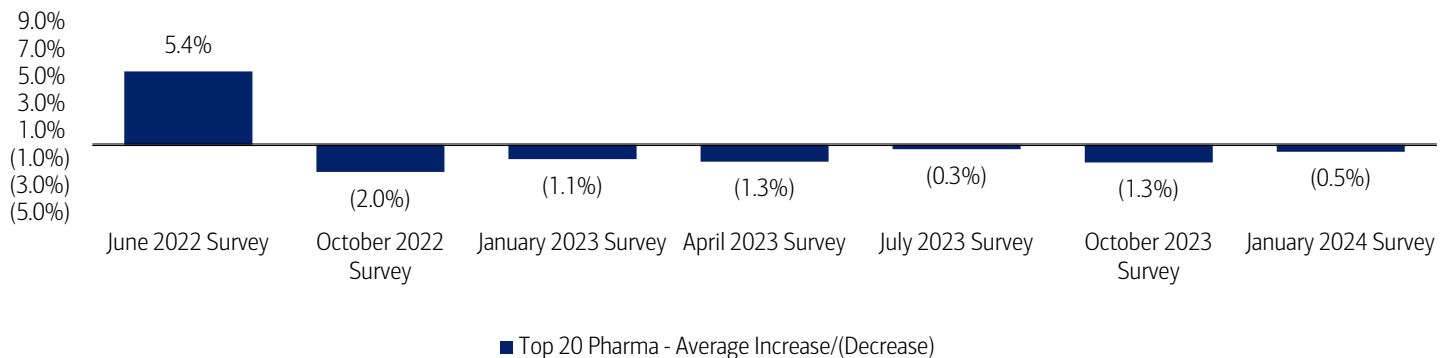


Source: BofA Global Research

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Exhibit 2: How quickly is your organization's overall marketing budget increasing/decreasing over the next 12 months versus the last 12 months? (Top 20)

On average, top 20 pharma respondents expect a 0.5% decrease to overall marketing budgets over the next 12 months, better than the 1.3% decrease reported in Oct.

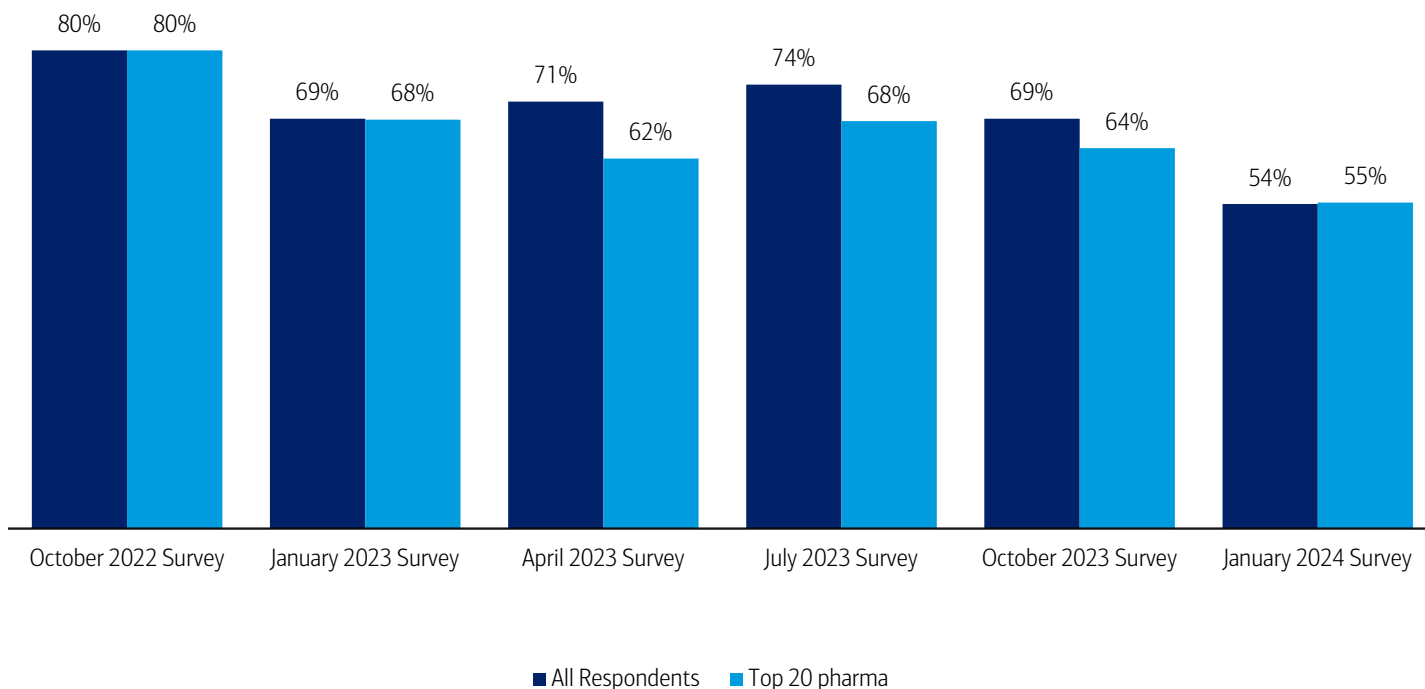


Source: BofA Global Research

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Exhibit 3: Has your total marketing budget over the next 12 months been revised lower due to the recent macroeconomic conditions?

The percentage of respondents noting that budgets have been revised lower due to macroeconomic conditions have gradually decreased since our July 2023 survey



Source: BofA Global Research

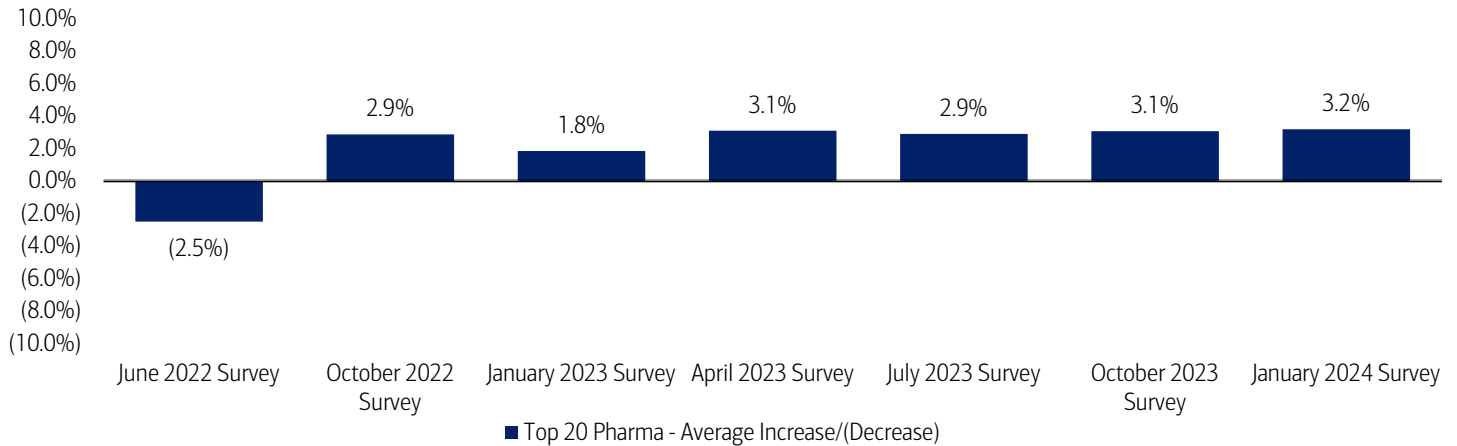
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2. Digital advertising budgets are stable around 3% (Exhibit 4) and *technically* accelerated to the fastest level since we began survey work in June 2022

- Top 20 pharmaceutical manufacturer respondents expect an overall 3.2% increase to digital marketing budgets in the next 12 months versus the prior 12 months. This is a slight improvement from the 3.1% increase reported in our October survey, a 140bps improvement from our January 2023 survey, and the highest since we began the survey in June 2022 (Exhibit 4).
- 71% of all respondents expect an increase in digital marketing budgets in the next 12 months, up from 57% in our October survey and 69% in our July survey.

Exhibit 4: How quickly is your organization's digital marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

Top 20 pharma respondents expect a 3.2% increase to digital marketing budgets vs. 3.1% in our October survey

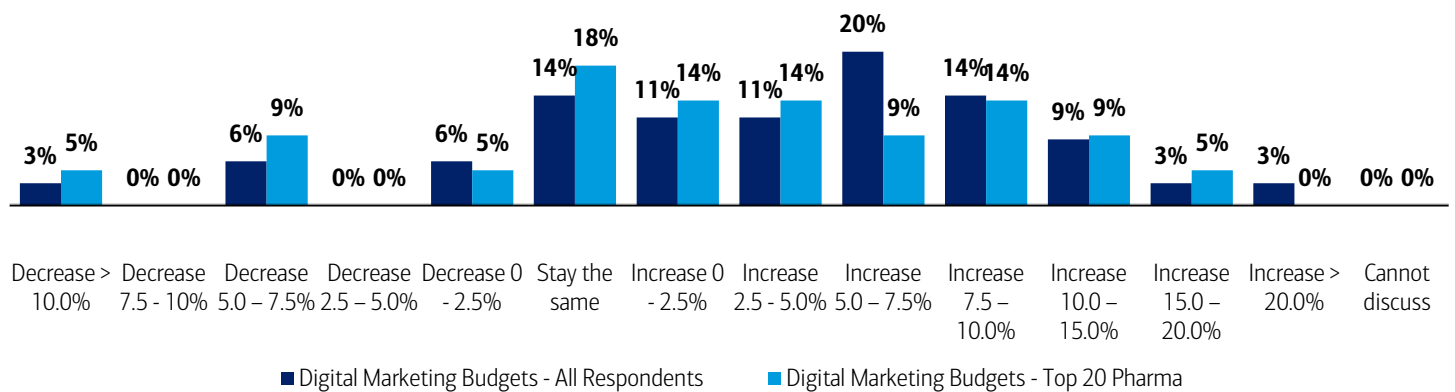


Source: BofA Global Research

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Exhibit 5: How quickly is your organization's digital marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

71% of respondents expect an increase to overall marketing budgets over the next 12 months, while 64% of top 20 pharma expect an increase



Source: BofA Global Research

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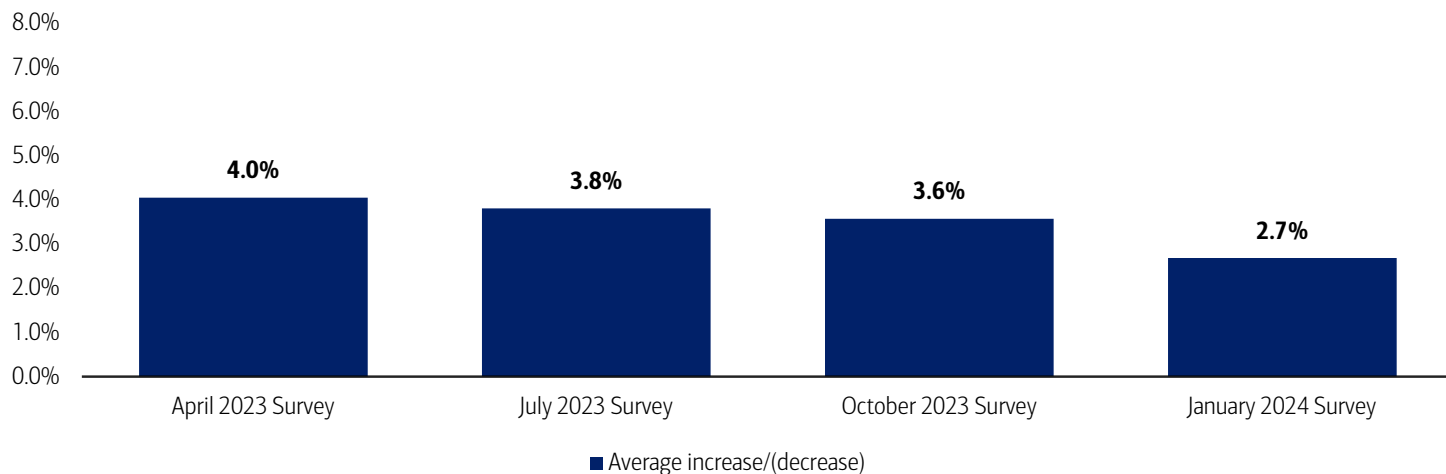
Key Takeaways (The Bad 3-5)

3. New modules don't appear to be gaining much traction

- For Doximity's new modules (Point of Care and Peer to Peer), top 20 pharma participants expect to increase spending by 2.7% over the next year, decelerating from 3.6% in our October survey, and the lowest reading across our past four surveys (Exhibit 6).
- The % of top 20 pharma respondents who do not expect to spend on the new modules increased from 9% in our past two surveys to 32% (Exhibit 8).
- However, 54% of all respondents expect approval for the two new modules within the next six months, up from 43% in our October survey, and 46% in our July 2023 survey (Exhibit 9).

Exhibit 6: How much do you expect to increase spending with Doximity over the next year from Point-of-Care and Peer-to-Peer modules?

Top 20 pharma expects to increase spending on new modules by 2.7% over the next year, a deceleration from 3.6% observed in our October survey

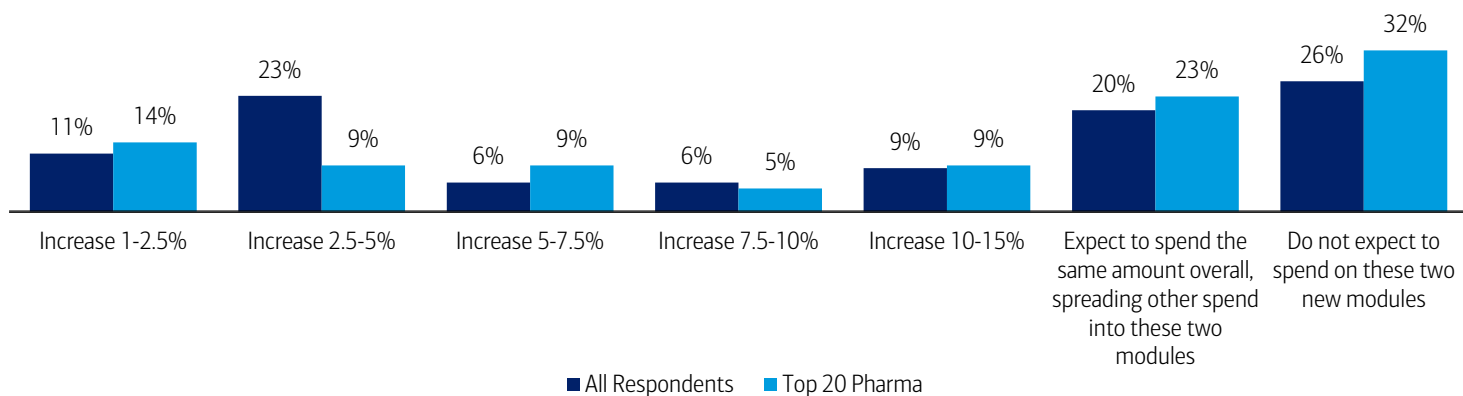


Source: BofA Global Research

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Exhibit 7: How much do you expect to increase spending with Doximity over the next year from Point-of-Care and Peer-to-Peer modules?

26% of all respondents and 32% of top 20 pharma respondents do not expect to spend on these two new modules over the next year

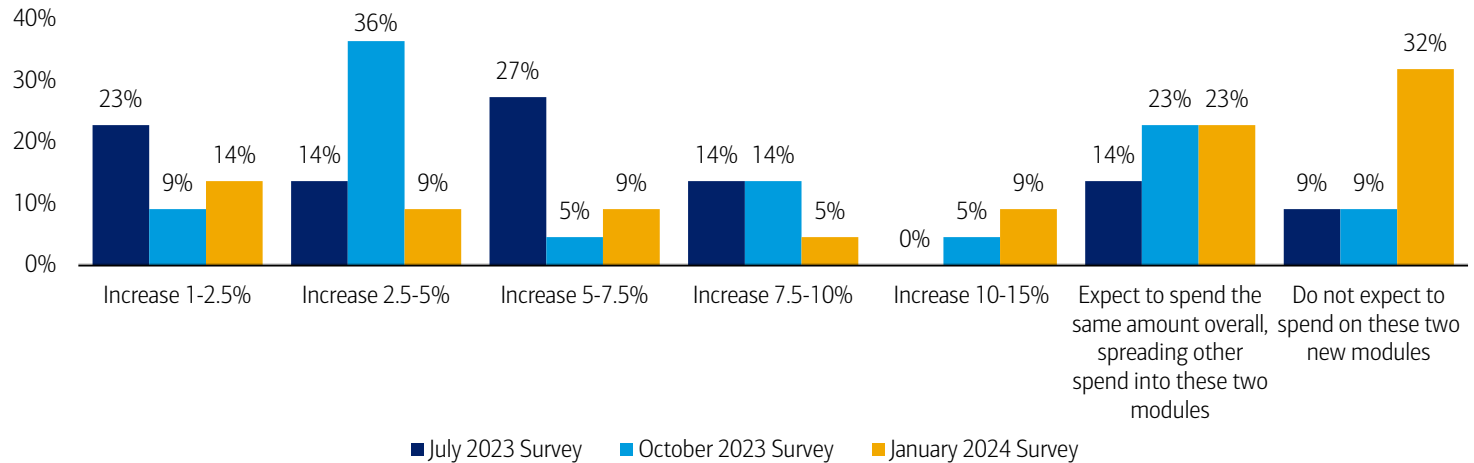


Source: BofA Global Research

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Exhibit 8: How much do you expect to increase spending with Doximity over the next year from Point-of-Care and Peer-to-Peer modules? (Top 20 pharma)

32% of top 20 pharma respondents expect not to spend on these two modules, up from 9% in our past two surveys

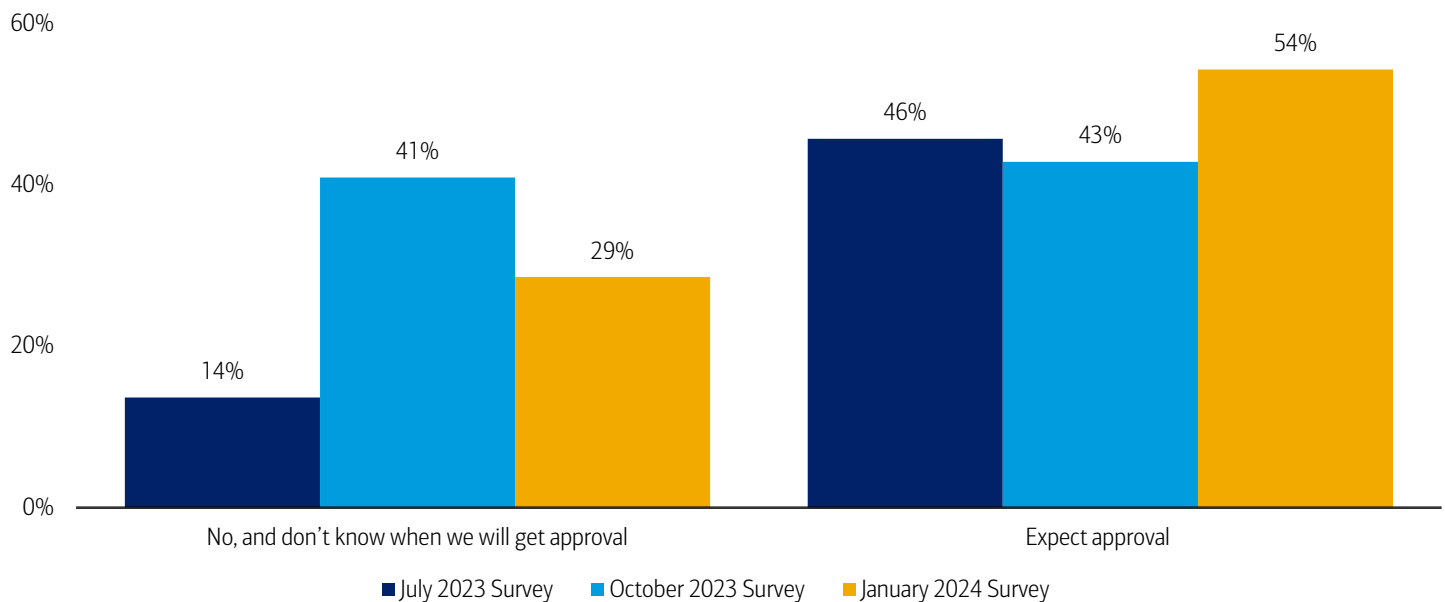


Source: BofA Global Research

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Exhibit 9: Doximity recently released two new modules: POC and P2P. Are you approved to use these modules? (Time series of all respondents)

54% of all respondents expect approval for the two new modules, up from 43% in our October survey, and 46% in our July 2023 survey



Source: BofA Global Research

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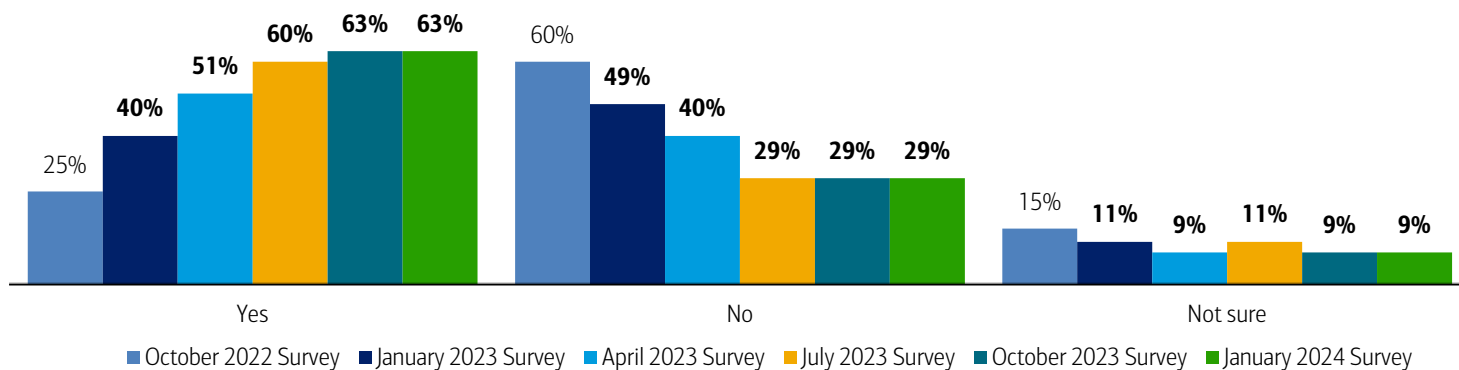
4. Pricing incentives and discounts still at an all-time high

- In the past six months, 63% of all respondents saw an increase in favorable pricing incentives/discounts from digital marketing vendors, in line with our October survey, but an increase from 60%, 51%, 40%, and 25% reported in our prior surveys.
- The percentage of respondents noting discounts for Paid Search has trended down over the course of the last three surveys (Exhibit 11). Meanwhile, the percentage of respondents noting discounts for Doximity, OptimizeRx, and Programmatic advertising has fluctuated, and Medscape has held steady.

- Top 20 pharma respondents continued to see elevated discounts from various vendors, including DOCS, citing volume-based discounts, better pricing terms, and rebates as examples of incentives offered.

Exhibit 10: In the last 6 months, have you seen an increase in favorable pricing incentives or discounts offered by digital marketing vendors?

Respondents have reported a steady increase in discounts over the past year

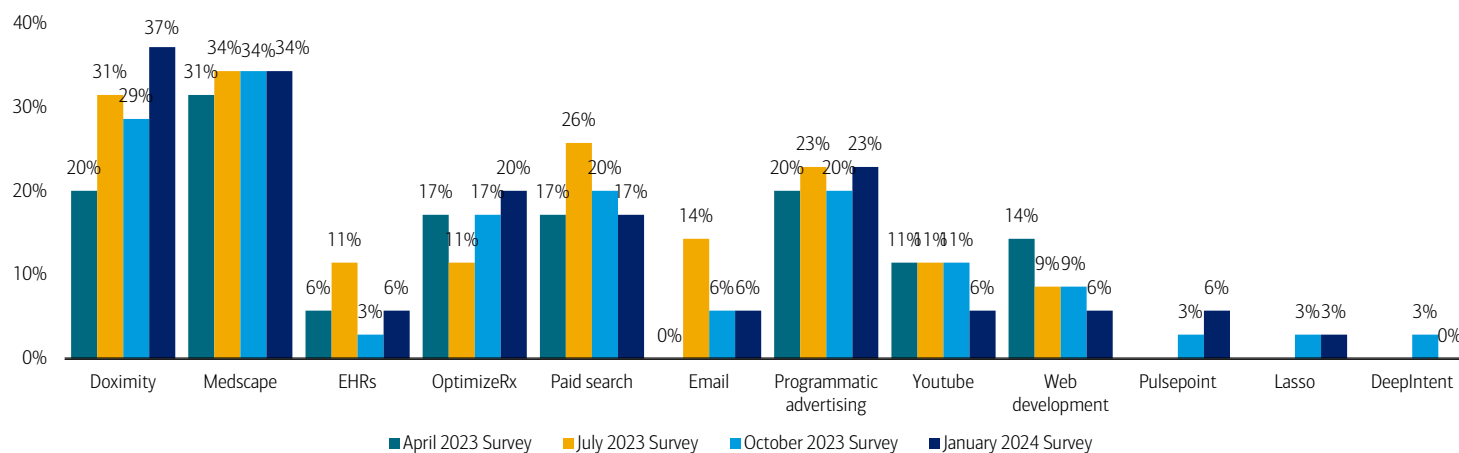


Source: BofA Global Research

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Exhibit 11: Please specify which vendors have offered favorable pricing incentives or discounts (time series, all respondents)

We note that the % of respondents noting discounts for Doximity, OptimizeRx, and Programmatic advertising has fluctuated, while Paid Search has trended down.



Source: BofA Global Research

Note – We started including Pulsepoint, Lasso, and Deeplntent as an option beginning with our October 2023 survey.

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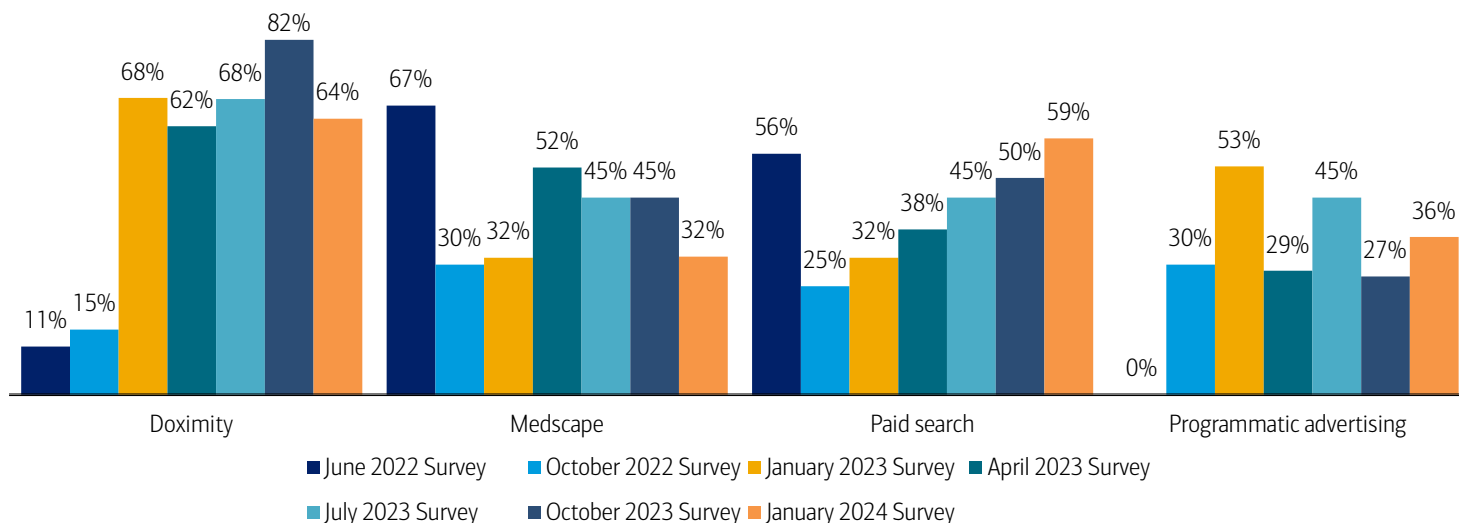
5. Other channels may be gaining some mindshare

- The allocation to Paid Search by top 20 pharma respondents has continued to increase over the past six surveys. 59% of top 20 pharma participants expect to increase allocation to Paid Search in the next 12 months, the highest read across our past seven surveys.
- Interestingly, while the allocation to Paid Search has continued to increase over the past five surveys, the percentage of respondents noting vendor pricing discounts for Paid Search has trended down (Exhibit 11). While Doximity and other walled garden solutions offer a differentiated targeting capability to Paid Search, Paid Search may be benefitting more readily from AI integrations, resulting in higher ROIs (something our Internet team suggested in their [Year Ahead note \(see report\)](#)).

- While the allocation to programmatic advertising by top 20 pharma respondents has continued to fluctuate (Exhibit 12), feedback suggests that pharma manufacturers may increase allocation to programmatic providers (refer to pg. 33).

Exhibit 12: If you plan to spend more on digital marketing over the next 12 months, where is the increase allocated to?

Top 20 pharma expectations for allocation towards programmatic advertising have fluctuated and paid search has trended up. DOCS allocation has remained the highest.



Source: BofA Global Research

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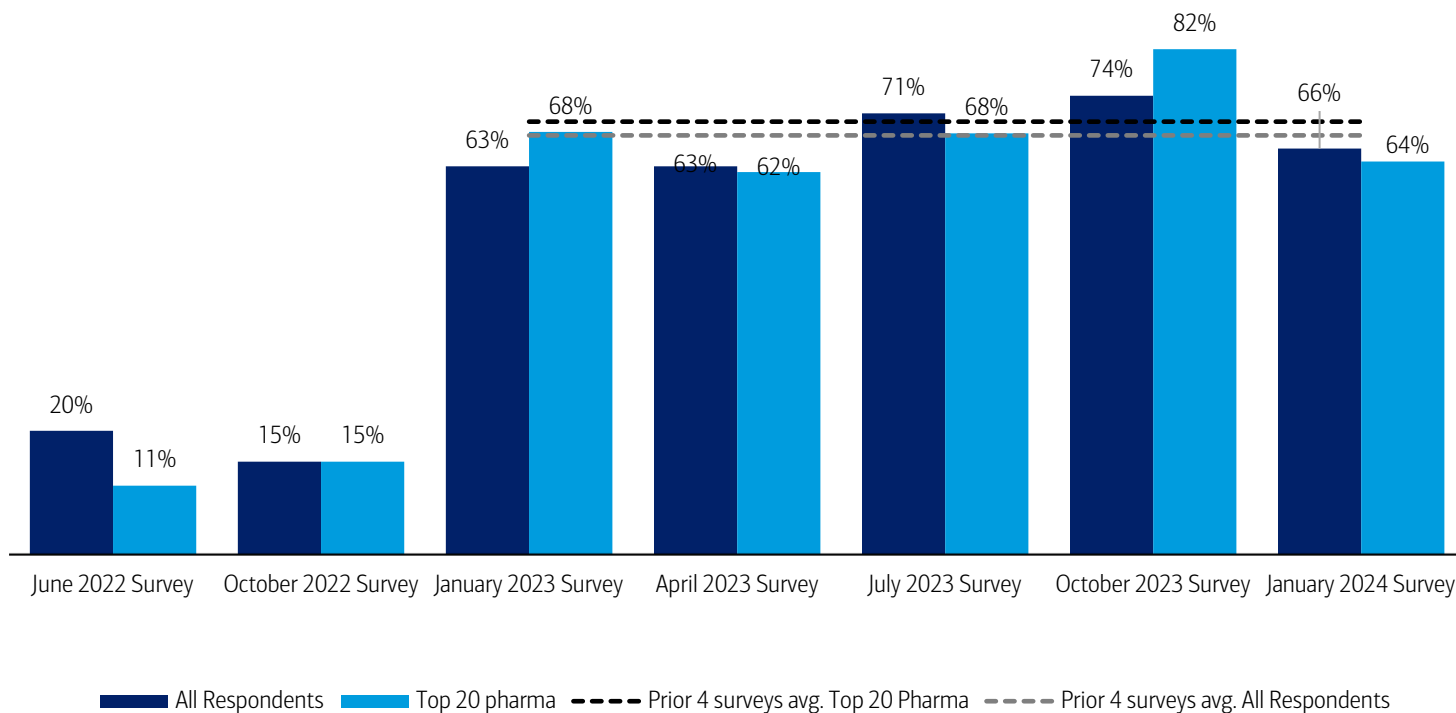
Key Takeaways (Neutral 6-7)

6. Top 20 pharma allocation to Doximity's platform and expected change in spending on DOCS remains steady

- For those planning to spend more next year, the percentage of respondents expecting to allocate a portion of the increased spending to Doximity has remained steady at more than 60% since our January 2023 survey.
- For those planning to spend more next year, 64% expect to spend more on Doximity, which is well above readings for all other peers, such as Medscape, Optimize Rx, Pulsepoint, Lasso, and DeepIntent.
- Top 20 pharma participants expect spending on Doximity's platform to increase by 0.1% in the next 12 months. This is an improvement from the expected 0.3% decrease in our October survey, but still below our four prior surveys.

Exhibit 13: Percentage of respondents noting that an increase in digital marketing spending is expected to be allocated to Doximity over the next 12 months

The percentage of respondents expecting to allocate increased digital marketing spending to Doximity has remained relatively steady since January 2023

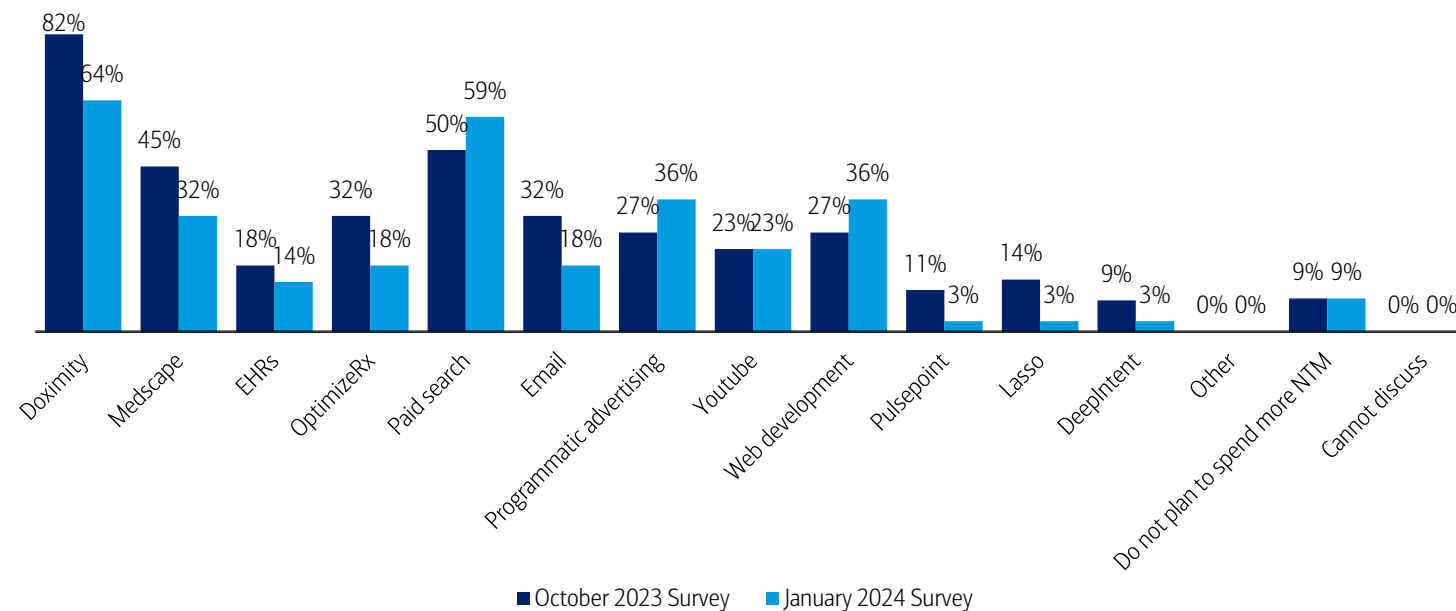


Source: BofA Global Research

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Exhibit 14: If you plan to spend more on digital marketing over the next 12 months, where is the increase allocated to?

Top 20 pharma respondents expect the greatest allocation in spending to Doximity, paid search, and Medscape



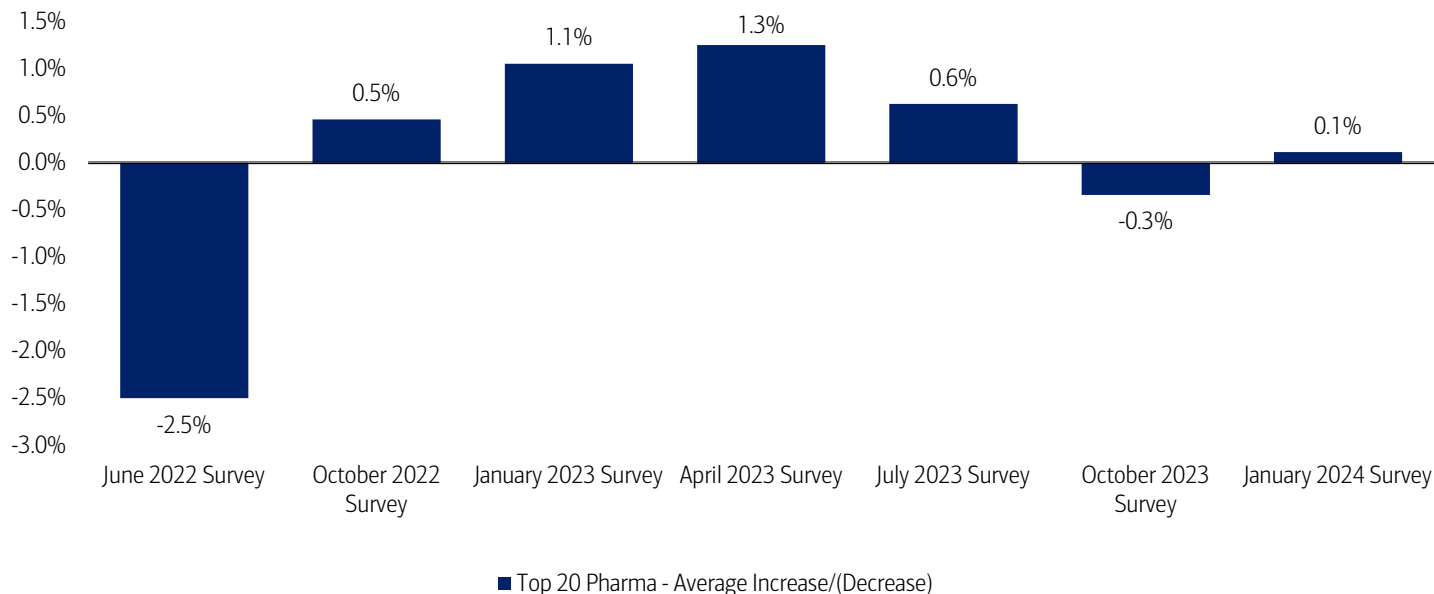
Source: BofA Global Research

Note: Pulsepoint, Lasso, and DeepIntent were introduced as vendors to this question selection in our October 2023 survey

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Exhibit 15: What year-over-year percentage change, if any, in spending on Doximity are you expecting over the next 12 months versus the last 12 months?

On average, top 20 pharma expects to increase spending on Doximity by 0.1% in the next 12 months vs. a 0.3% decrease per our prior survey



Source: BofA Global Research

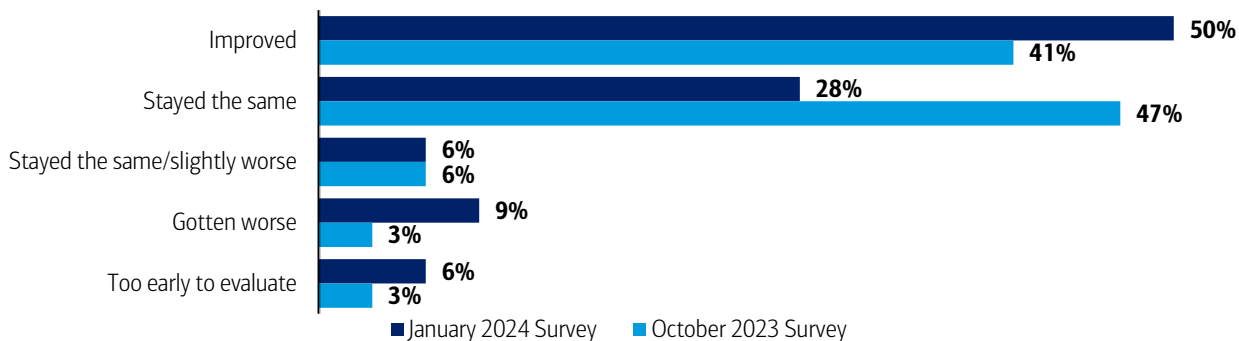
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7. Physician engagement levels on Doximity's platform are improving

- 50% of respondents indicate engagement levels have improved over the past 6-12 months, up from 41% in our prior survey. Meanwhile, 28% report engagement levels have stayed the same.
- However, the percentage of respondents noting that engagement levels are worse is up from 3% in our prior survey to 9%.
- Doximity's platform remains highly relevant for physicians and momentum is not reversing post-COVID.

Exhibit 16: For Doximity's platform, have engagement levels with physicians on advertisements changed at all over the past 6-12 months? Have they improved, gotten worse, stayed the same? Anything to note?

While the % of respondents noting engagement levels improved increased from our prior survey, more respondents also noted that engagement levels got worse.



Source: BofA Global Research

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Pharma commentary: Macro steady heading into 2024

Given Doximity generates the majority of its revenue from top 20 pharma companies, we looked at recent commentary from earnings and company updates for marketing spending trends and expense outlooks. Overall, top 20 pharma outlooks for 4Q'23 were relatively positive, with a majority noting expectations for momentum to continue into 2024. Further, most of top 20 pharma participants cited macro as stable with steady inflation and improving patient trends. Commentary about SG&A was largely idiosyncratic to each firm with some discussions of ongoing cost optimization initiatives. While a few companies cited continued inflationary pressures, no one company outlined specific plans to reduce marketing spending. The general sentiment appears to be one of cautious optimism heading into 2024. While pharma manufacturers will continue to drive cost efficiencies, we expect them to allocate capital to marketing solutions with the highest ROI. As we move through 2024, we look for signs of an inflection in pharma marketing budgets. We look forward to the 4Q'23 earnings season and the 2024 outlooks for further color.

Exhibit 17: Select large pharma commentary on spending trends

The macro environment appears to be improving with the majority of commentary around SG&A being idiosyncratic to each company

Company	3Q'23 Earnings Call or Conference Commentary
AbbVie	Increased FY24 adj. EPS guidance on growth platform outperforming expectations. Expect operating margins to stay same y/y
Amgen	Raised FY23 revenue guidance. SG&A as a % of sales expected to be down y/y in FY23
AstraZeneca	Expect SG&A spending to step up due to pipeline productivity
Bayer	Expect 2024 to be challenging on profitability with negative mix effects. Expecting significant reduction in managerial headcount through 2025.
Biogen	Expect \$1Bn in gross savings through 2025 vs. FY23
BioNTech	Focused on developing the sales and marketing organization to support internal commercialization efforts
Bristol Myers Squibb	Pushed out \$10Bn revenue target by 1-year to 2026
Eli Lilly & Co.	Keeping 2023 guidance unchanged. OpEx trending toward higher end of expected range in 2023.
Gilead Sciences	Increased FY23 guidance. Expect a moderation of expense growth in 2024 and beyond.
GlaxoSmithKline	Increased FY23 guidance, with SG&A growth in-line with sales. Expect SG&A growth to step down in 2024.
Johnson & Johnson	Increased FY23 revenue guidance (up \$600MM). Sales, marketing and administrative margins deleveraged 40bps on increased expenses. Continuing to invest strategically in R&D.
Merck	Increased FY23 revenue guidance (up \$900MM). Expect margin expansion to really come from product mix of revenue. Pointing to operating margin expansion through 2025 but continuing to invest in the business as needed.
Moderna	Increased the FY23 revenue outlook on additional government contract sales. Expect significant volume leverage in cost of sales as a % of revenue in the future. Expect SG&A as a % of sales to be down 13% in 2024 on volume leverage.
Novartis	Increased FY23 operating income guidance. Core productivity programs driving margin expansion with inflation consistent with last year.
Novo Nordisk	FY23 guidance lowered by \$500MM. Expect \$1Bn in targeted savings by 2023 and an additional \$2.5Bn in 2024. SG&A expenses were lower overall but had increases in marketing and promotional expenses for recently acquired and launched products. Cost savings program to be comprehensive across R&D and SG&A.
Pfizer	Expect FY23 to be at higher end of guidance range on sales
Roche	Expect FY23 to be at higher end of guidance range on sales
Sanofi	Reaffirmed FY23 guidance. FY24' and FY'25 initial outlook for continued sales growth, step-up in R&D expenses, and efficiency in procurement.
Takeda	Reaffirmed constant currency FY23 guidance. Had a ramp up in R&D expenses, but plan to wind down some costs.
Viatis	Reaffirmed FY23 EPS guidance. Managing costs well, but impact from inflation still relevant. Expect SG&A to increase in 4Q due to direct to consumer campaigns.

Source: Company filing, BofA Global Research

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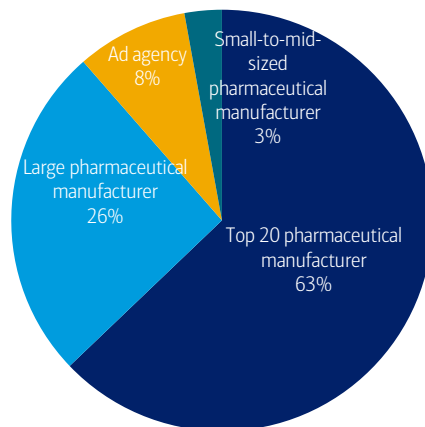
4Q'23 Survey Summary

89% from top 20 or large pharma

We surveyed 35 pharmaceutical manufacturers/ad agencies, and 89% were from top 20 or large pharmaceutical manufacturers. Of the total respondents, 63% were from top 20 pharma, 26% were from large pharma, 8% were from ad agencies, and 3% were from small to mid-sized pharma. Doximity's current customer base is highly skewed towards top 20 pharma, so additional analysis is provided for certain questions for this segment. The goal of the survey was to understand the outlook for marketing trends to physicians, customer response to new modules, and impact of the evolving macroeconomic environment.

Exhibit 18: What type of enterprise do you work at?

63% of respondents work at a top 20 pharmaceutical manufacturing company



Source: BofA Global Research

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54% of all respondents have revised total marketing budgets lower given the macro environment

- Total marketing budgets for all respondents have been revised lower by 3.6% for the next 12 months versus 4.1% lower over the next 12 months from our prior October survey.
- 54% of all respondents decreased total marketing budgets, with 43% reporting no revisions lower vs. 29% in our October survey.

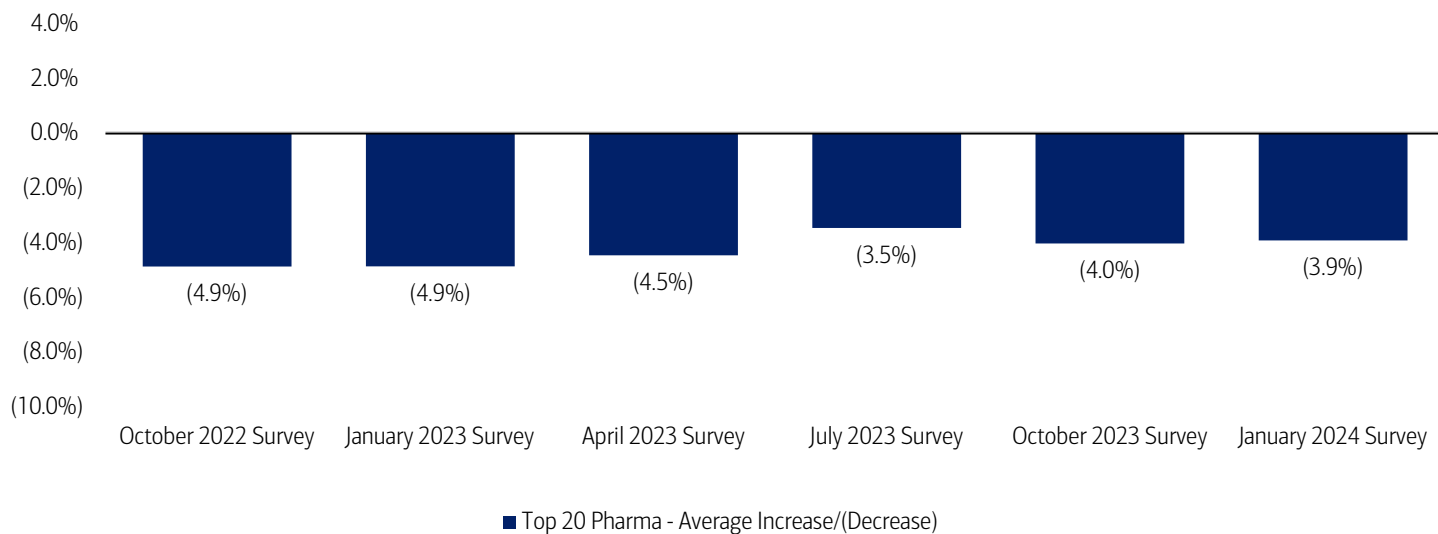
Similarly, top 20 pharma marketing budgets revised down

- Total marketing budgets for top 20 pharmaceutical manufacturer respondents have been revised lower by 3.9%. This is largely unchanged, improving just 100bps from the 4.0% average decrease reported in our October survey.
- 55% of top 20 pharma respondents decreased total marketing budgets, down from 64% in our October survey and 68% in our July survey. 41% reported no revisions lower vs. 32% in our October survey.



Exhibit 19: Has your total marketing budget over the next 12 months been revised lower due to the recent macroeconomic conditions?

Average total marketing budgets for top 20 pharma are expected to decline 3.9%, a 100bps improvement from our October survey results

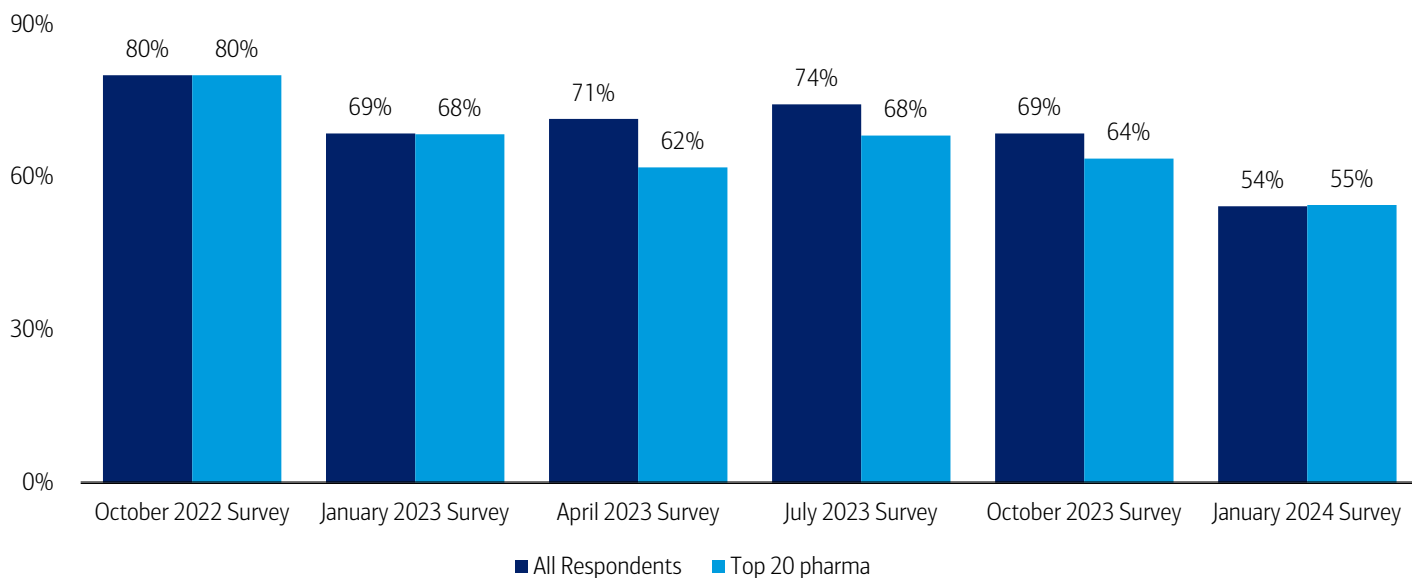


Source: BofA Global Research

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Exhibit 20: Has your total marketing budget over the next 12 months been revised lower due to the recent macroeconomic conditions?

The percentage of respondents noting that budgets have been revised lower due to macro have gradually decreased since our July 2023 survey

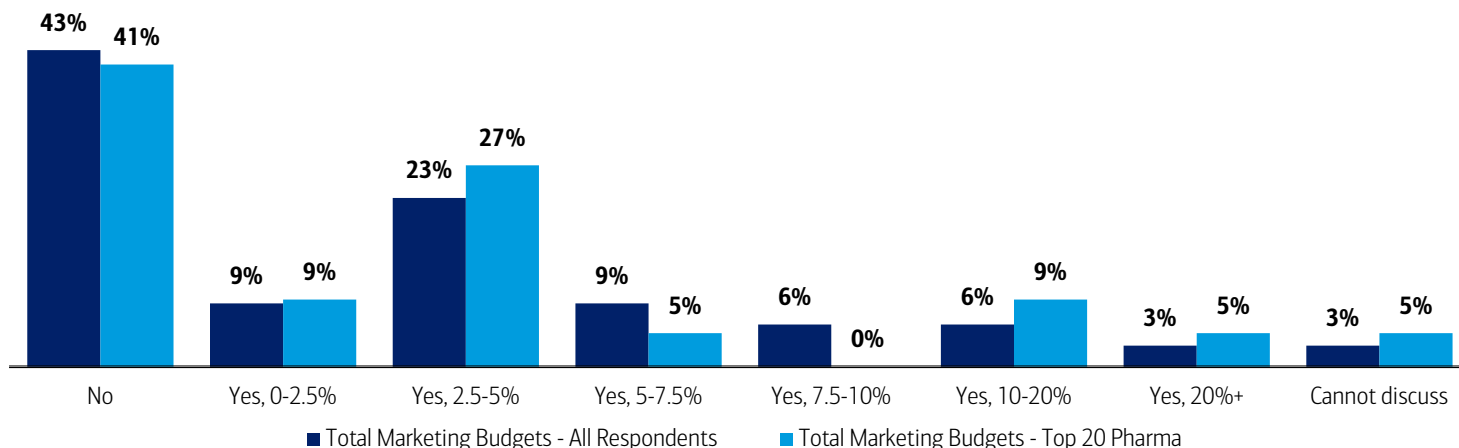


Source: BofA Global Research

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Exhibit 21: Has your total marketing budget over the next 12 months been revised lower due to the recent macroeconomic conditions?

~54% of all respondents and ~55% of top 20 pharma respondents have revised total marketing budgets lower for the next 12 months



Source: BofA Global Research

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43% of respondents expect a modest increase and 34% expect a modest decrease in total marketing budgets over the next 12 months

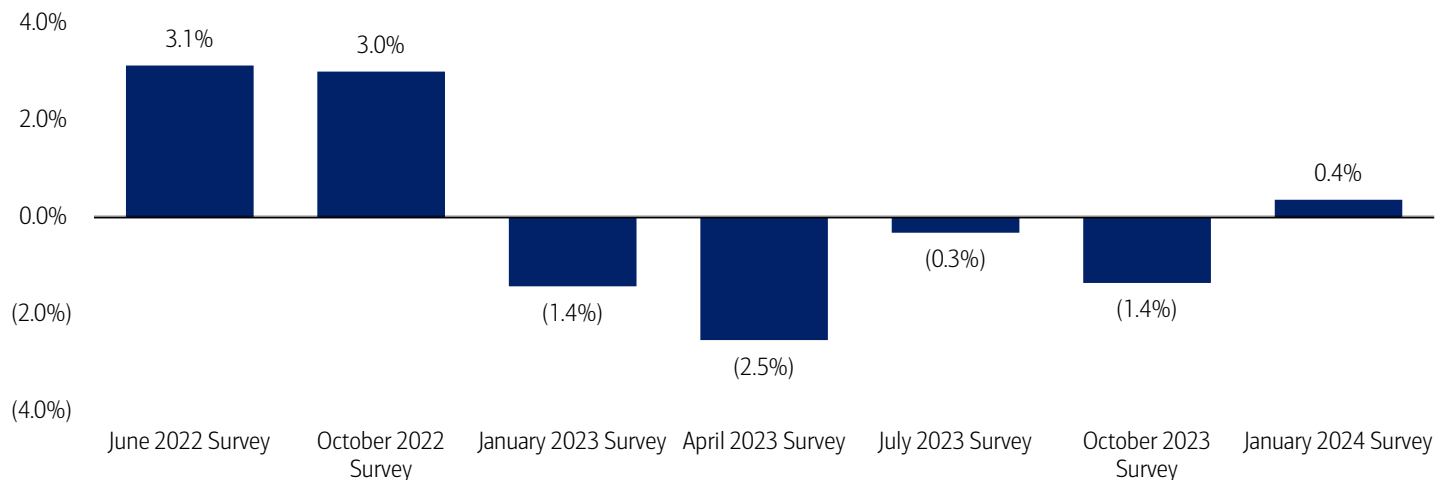
- In aggregate, respondents expect an overall 0.4% increase to total marketing budgets in the next 12 months versus the prior 12 months. This compares to a 1.4% decrease reported in our October survey, and the first expectation for an increase since our October 2022 survey.
- Of the 43% of respondents who expect an increase to overall marketing budgets over the next 12 months, 31% expect the increase to be 0-5%, 9% expect the increase to be 5-7.5% and just 3% expect a 15%+ increase. Of the 34% of respondents who expect a decrease, 26% expect the decrease to be 0-5%, 3% increase a decrease of 5-7.5% and 6% expect a decrease of greater than 10%. Additionally, 23% expect overall marketing budgets to remain the same.

Within top 20 pharma, 41% expect a decrease to marketing budgets over the next 12 months

- Top 20 pharmaceutical manufacturer respondents expect an overall 0.5% decrease to total marketing budgets in the next 12 months versus the prior 12 months. This represents an improvement from the 1.3% decrease reported in our October survey.
- The % of top 20 pharma respondents expecting a decrease to overall marketing budgets of 41% is down from 59% in our October survey.
- Of the 41% of top 20 pharma respondents who expect a decrease to overall marketing budgets over the next 12 months, 14% expect the decrease to be 5% or greater. Of the 34% of top 20 pharma respondents who expect an increase, 14% expect the increase to be 5% or greater. Additionally, 27% of top 20 pharma respondents expect overall marketing budgets to stay the same.

Exhibit 22: How quickly is your organization's overall marketing budget increasing/decreasing over the next 12 months versus the last 12 months? (all)

On average, all respondents expect a 0.4% increase to overall marketing budgets over the next 12 months vs. a 1.4% decrease in our October survey.

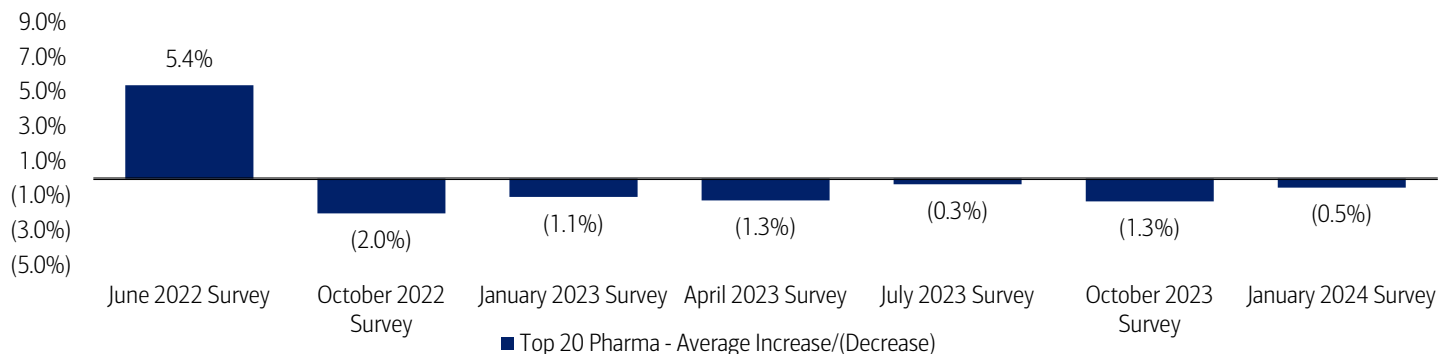


Source: BofA Global Research

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Exhibit 23: How quickly is your organization's overall marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

On average, top 20 pharma respondents expect a 0.5% decrease to overall marketing budgets over the next 12 months, better than the 1.3% decrease reported in Oct.

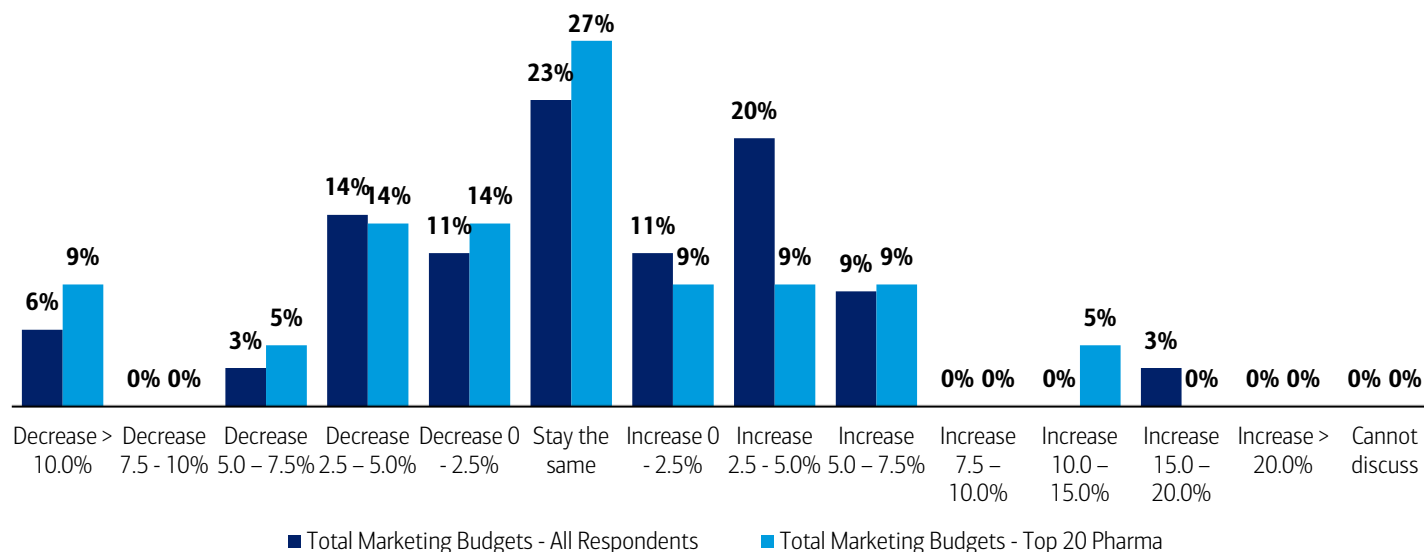


Source: BofA Global Research

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Exhibit 24: How quickly is your organization's overall marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

43% of respondents expect an increase to overall marketing budgets over the next 12 months, while 34% expect a decrease



Source: BofA Global Research

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71% of all respondents expect a modest increase to digital marketing budgets over the next 12 months

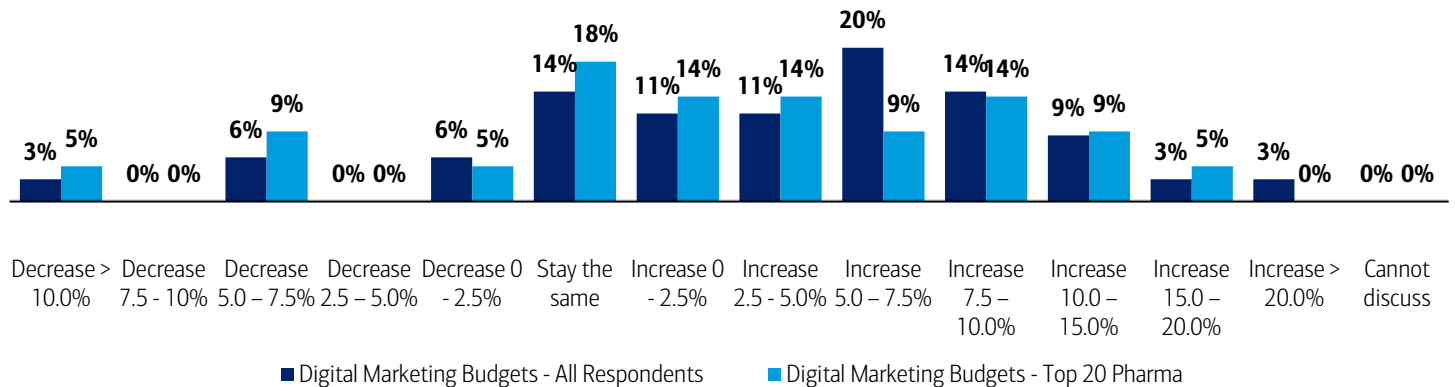
- Respondents expect an overall 4.6% increase to digital marketing budgets in the next 12 months versus the prior 12 months. This compares to a 3.2% increase in our prior October survey.
- Of the 71% of respondents who expect an increase to digital marketing budgets over the next 12 months, 49% expect the increase to be 5% or greater. Of the 14% of respondents who expect a decrease, 9% expect the decrease to be 5% or greater. Additionally, 14% expect digital marketing budgets to remain the same.

Within top 20 pharma, 64% expect an increase to digital marketing budgets over the next 12 months

- Top 20 pharmaceutical manufacturer respondents expect an overall 3.2% increase to digital marketing budgets in the next 12 months versus the prior 12 months. This is a slight improvement from the 3.1% increase reported in our October survey, a 140bps improvement from our January 2023 survey, and the highest technical reading since we began the survey.
- Of the 64% of top 20 pharma respondents who expect an increase to digital marketing budgets over the next 12 months, 36% expect the increase to be 5% or greater. Of the 18% of top 20 pharma respondents who expect a decrease, 14% expect the decrease to be 5% or greater. Additionally, 18% of top 20 pharma respondents expect digital marketing budgets to stay the same.

Exhibit 25: How quickly is your organization's digital marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

71% of respondents expect an increase to overall marketing budgets over the next 12 months, while 64% of top 20 pharma expect an increase

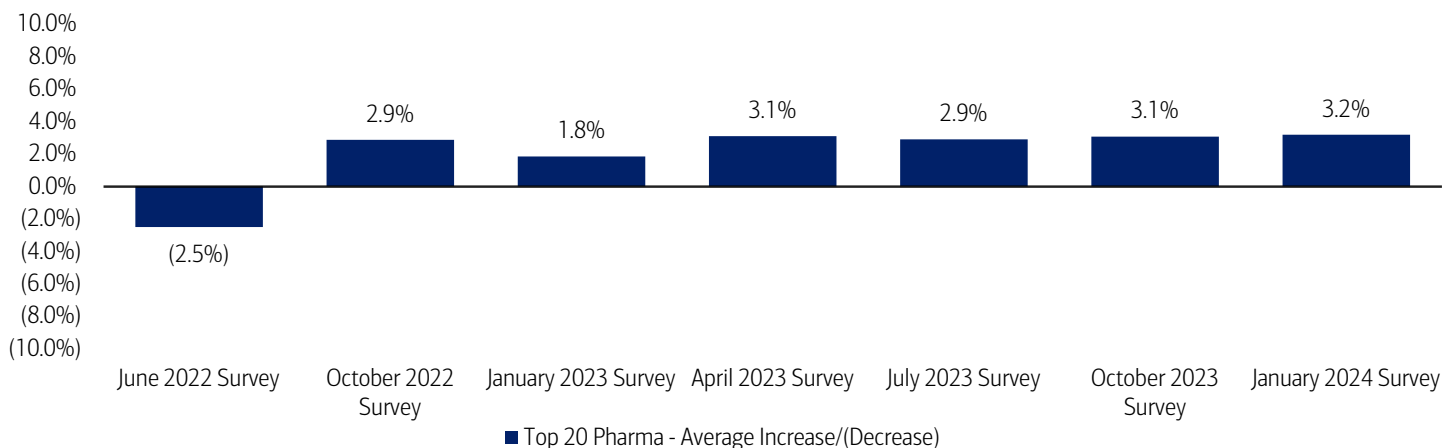


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 26: How quickly is your organization's digital marketing budget increasing/decreasing over the next 12 months versus the last 12 months?

Top 20 pharma respondents expect a 3.2% increase to digital marketing budgets vs. 3.1% in our October survey



Source: BofA Global Research

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Greater portion of ad budgets shifting to digital spending over the next 12 months for all respondents

- Respondents expect increased advertising budget allocations to digital marketing, with a 37% average allocation to digital over the next 12 months versus 30% in the last 12 months.
- 31% of all respondents expect to allocate >40% of total advertising budgets to digital marketing spending in the next 12 months versus 26% in the last 12 months.

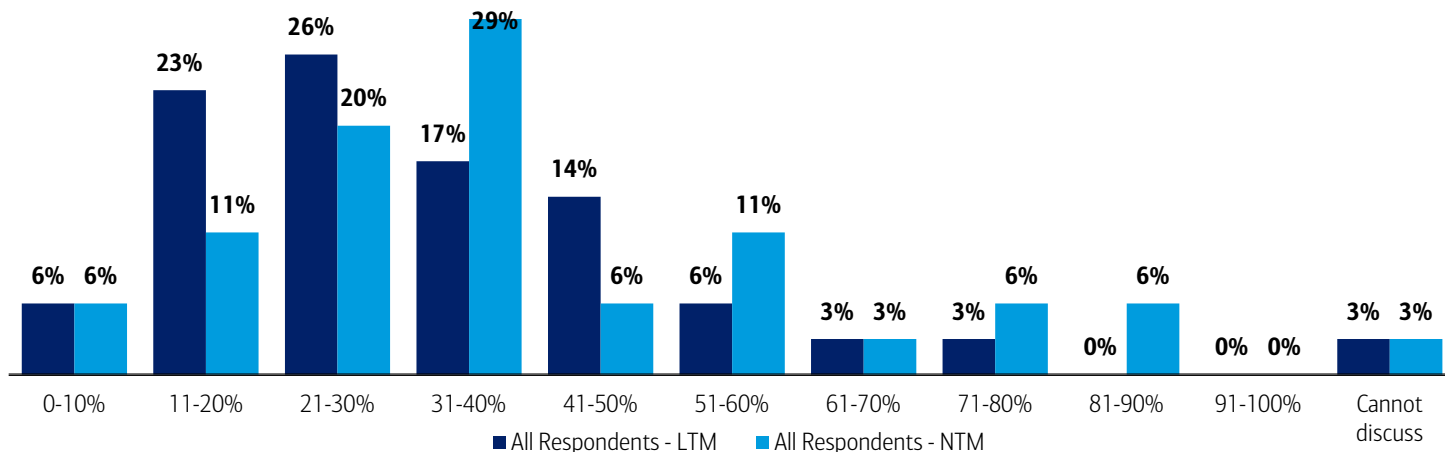
32% of top 20 pharma expect to allocate >40% of total ad budgets to digital marketing in the next 12 months

- Top 20 pharma respondents also expect a similar shift, with a 36% average allocation to digital over the next 12 months versus 30% in the last 12 months.

- 32% of top 20 pharma respondents expect to allocate >40% of total advertising budgets to digital marketing spending in the next 12 months compared to 9% in the last 12 months.

Exhibit 27: What percentage of your organization's total advertising budget was allocated to digital marketing spending over the last 12 months, and what are your expectations for that allocation over the next 12 months? (all respondents)

Overall, respondents expect to allocate a greater portion of total advertising spending to digital marketing, with 31% expecting a >40% allocation in the next 12 months

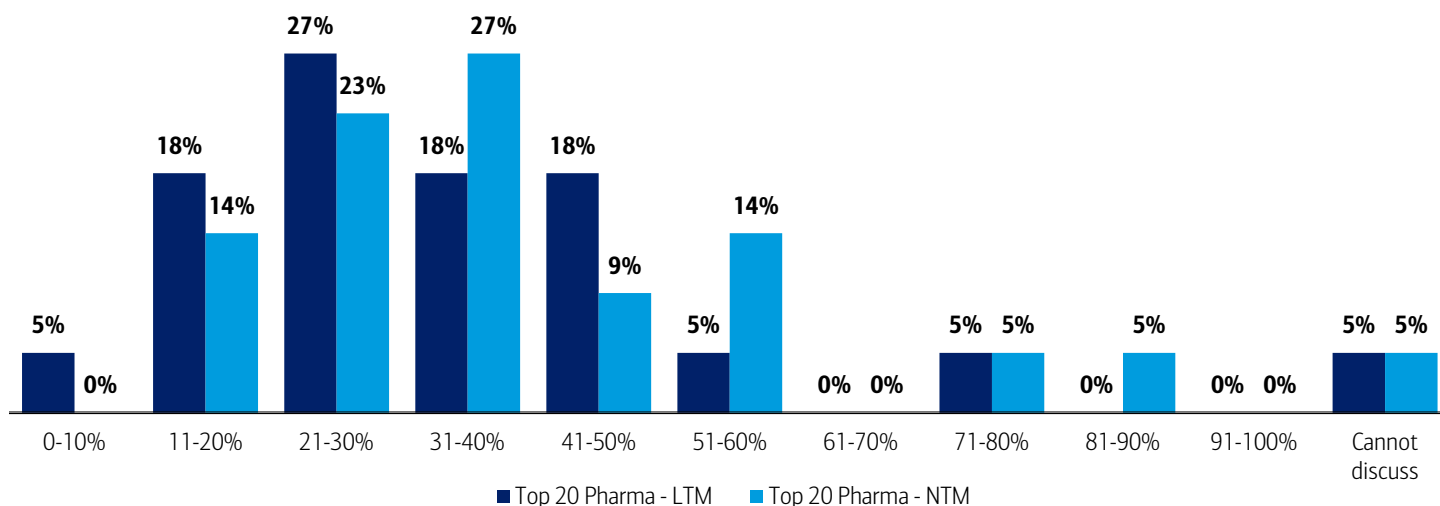


Source: BofA Global Research

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Exhibit 28: What percentage of your organization's total advertising budget was allocated to digital marketing spending over the last 12 months, and what are your expectations for that allocation over the next 12 months? (top 20 pharma)

Top 20 pharma respondents expect a greater shift to digital marketing spending, with 32% expecting a >40% allocation in the next 12 months



Source: BofA Global Research

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The highest expected allocation is to Doximity, Medscape, and paid search across all respondents

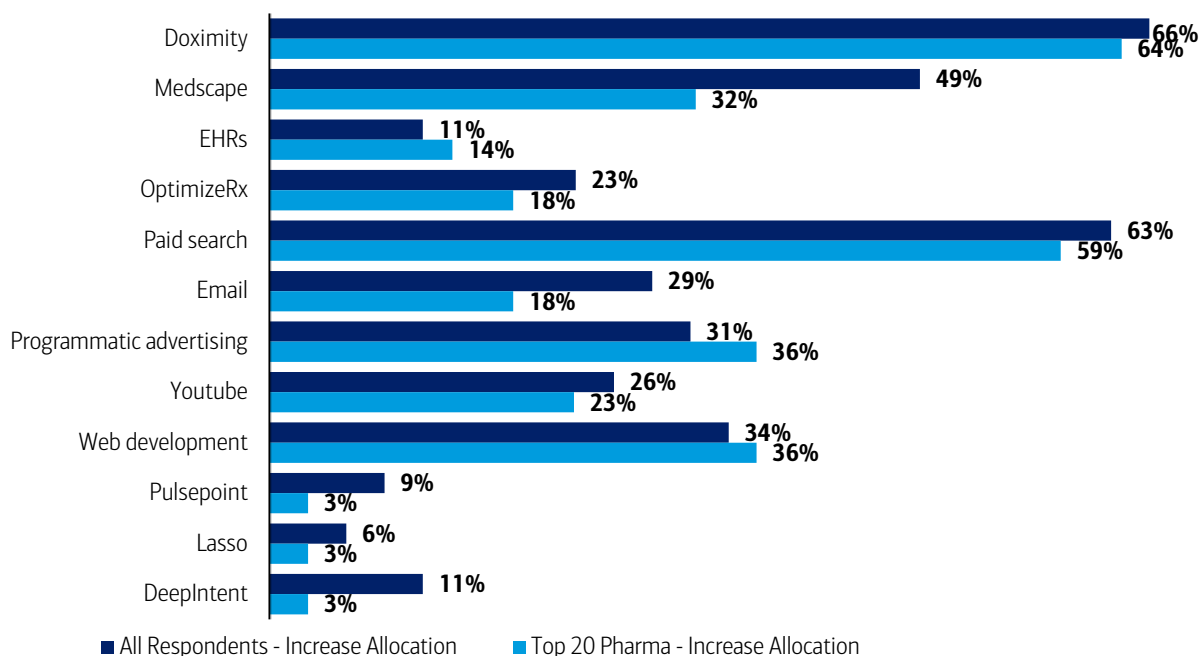
- 66% of all respondents expect an increased allocation to digital marketing spending to Doximity. 63% expect to increase allocation to paid search, and 49% expect to increase allocation to Medscape.

For top 20 pharma, 64% of respondents expect to increase spending on Doximity

- For top 20 pharma, 64% of respondents expect to increase allocation to Doximity, a decrease from 82% reported in our October survey.
- For those planning to spend more next year, the percentage of respondents expecting to allocate a portion of the increased spending to Doximity has remained steady at over 60% since our January 2023 survey.
- 32% of top 20 pharma respondents expect to increase allocation to Medscape, down from the 45% reported in our October survey.
- 9% of top 20 pharma respondents reported no plans to spend more on digital marketing over the next 12 months, in line with our October survey.

Exhibit 29: If you plan to spend more on digital marketing over the next 12 months, where is the increase allocated to?

Respondents expect the greatest increases to Doximity, followed by paid search then Medscape

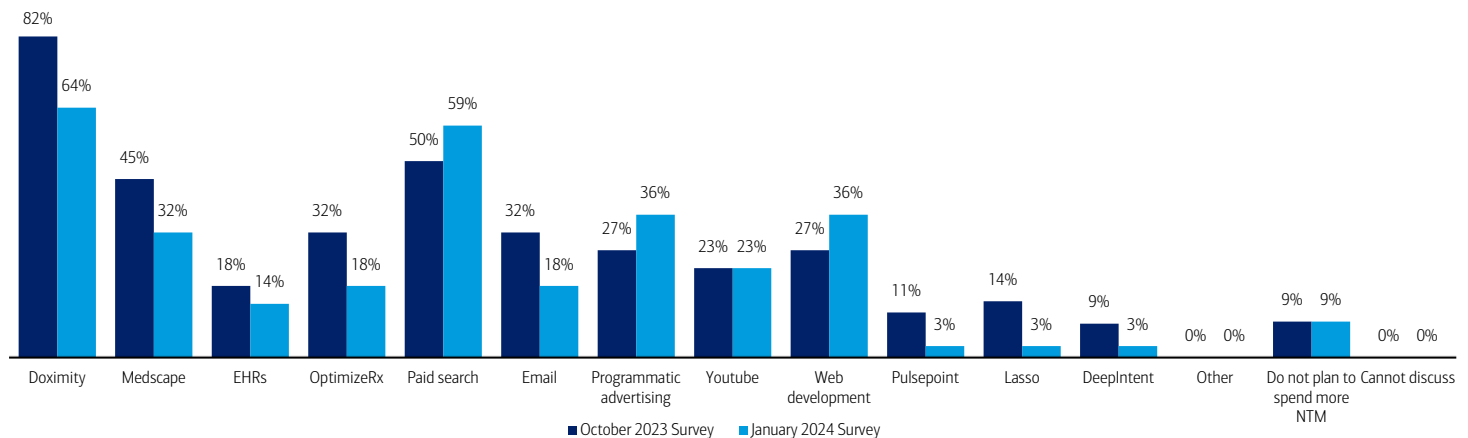


Source: BofA Global Research

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Exhibit 30: If you plan to spend more on digital marketing over the next 12 months, where is the increase allocated to? (top 20 pharma)

64% of top 20 pharma respondents expect to increase allocation to Doximity, down from the 82% reported in our October survey



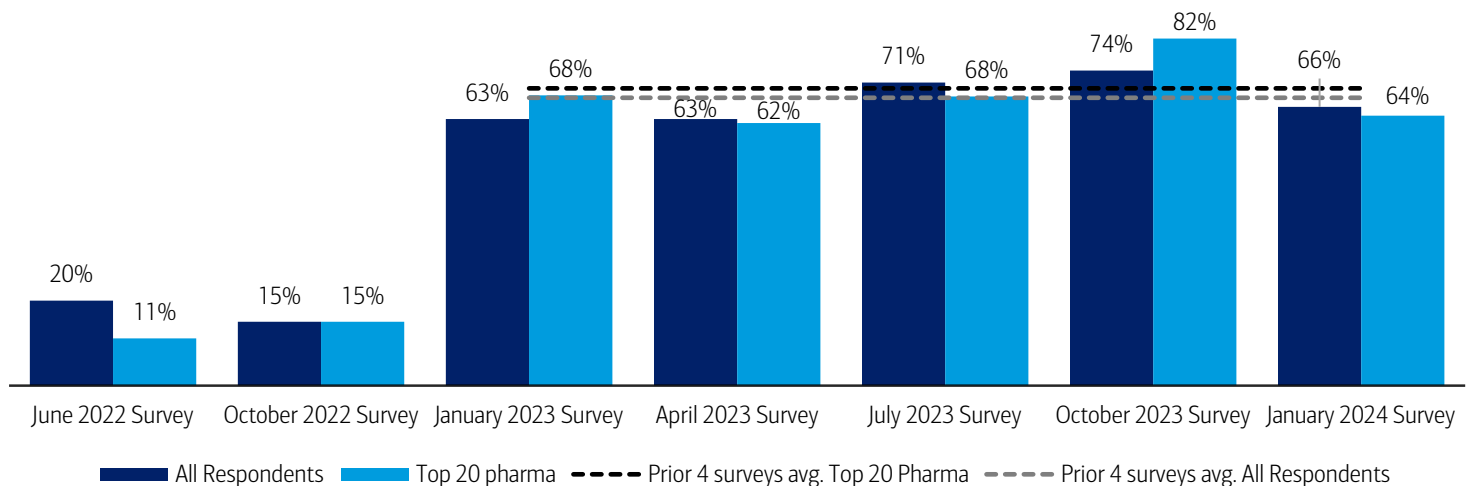
Source: BofA Global Research

Note: Pulsepoint, Lasso, and DeepIntent were introduced as vendors to this question selection in our October 2023 survey

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Exhibit 31: Percentage of respondents noting that an increase in digital marketing spending is expected to be allocated to Doximity over the next 12 months

The percentage of respondents noting an allocation to Doximity has remained relatively steady since January 2023



Source: BofA Global Research

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Across all respondents, the greatest decrease to digital ad spending is expected to be for email

- 29% of all respondents expect to decrease allocation to email over the next 12 months, followed by 26% for YouTube.
- 14% of all respondents do not expect to spend less on digital marketing over the next 12 months.

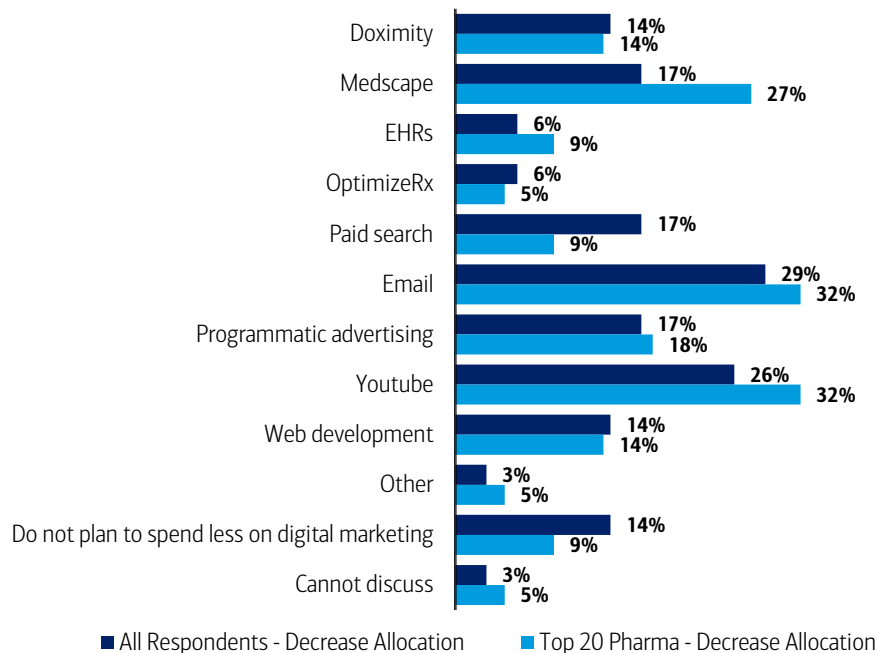
9% of top 20 pharma do not expect to decrease digital ad spending

- 32% of top 20 pharma respondents expect to decrease digital marketing spending on email as well as YouTube over the next 12 months.



Exhibit 32: If you plan to spend less on digital marketing over the next 12 months, where is the decrease allocated to?

Across all respondents, the greatest decrease in digital spending is allocated to email



Source: BofA Global Research

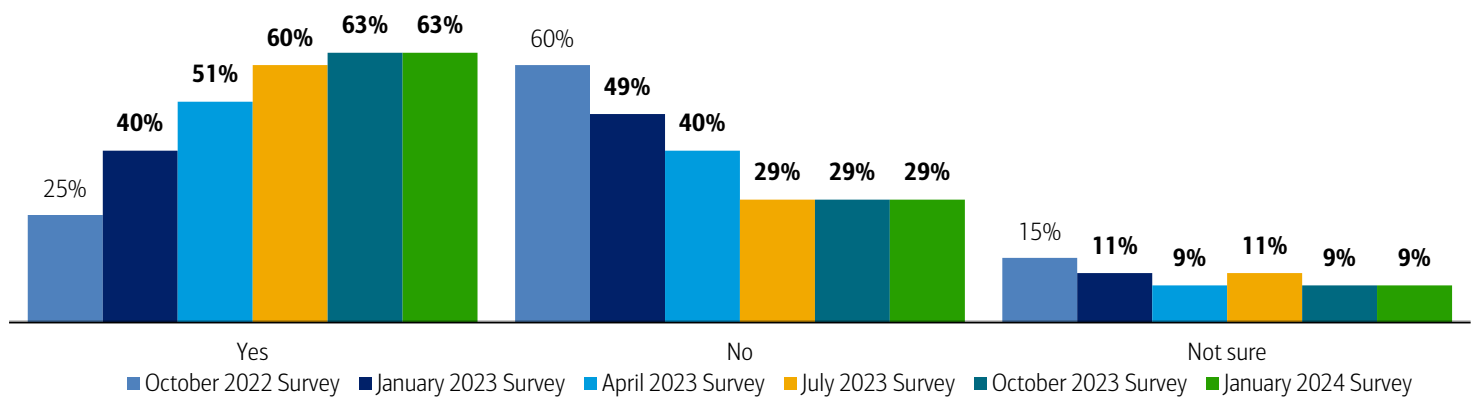
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Respondents continue to see increased discounts offered by digital marketing vendors

- In the past six months, 63% of all respondents saw an increase in favorable pricing incentives/discounts from digital marketing vendors, in line with our October survey.
- Across all respondents, 37% reported DOCS offering discounts, up from 29% in our October survey. 34% reported Medscape offering discounts, and 23% reported discounts for programmatic advertising.
- While the % of respondents noting discounts for DOCS, OptimizeRx, and Programmatic Advertisers has fluctuated over time, Medscape has been relatively steady and Paid Search has trended down.
- Top 20 pharma respondents reported seeing an increase in discounts from various vendors, including DOCS citing mostly volume-based or bulk discounts, with other incentives such as rebates/additional consulting hours offered as incentives as well.

Exhibit 33: In the last 6 months, have you seen an increase in favorable pricing incentives or discounts offered by digital marketing vendors?

Respondents have reported a steady increase in discounts over the past year

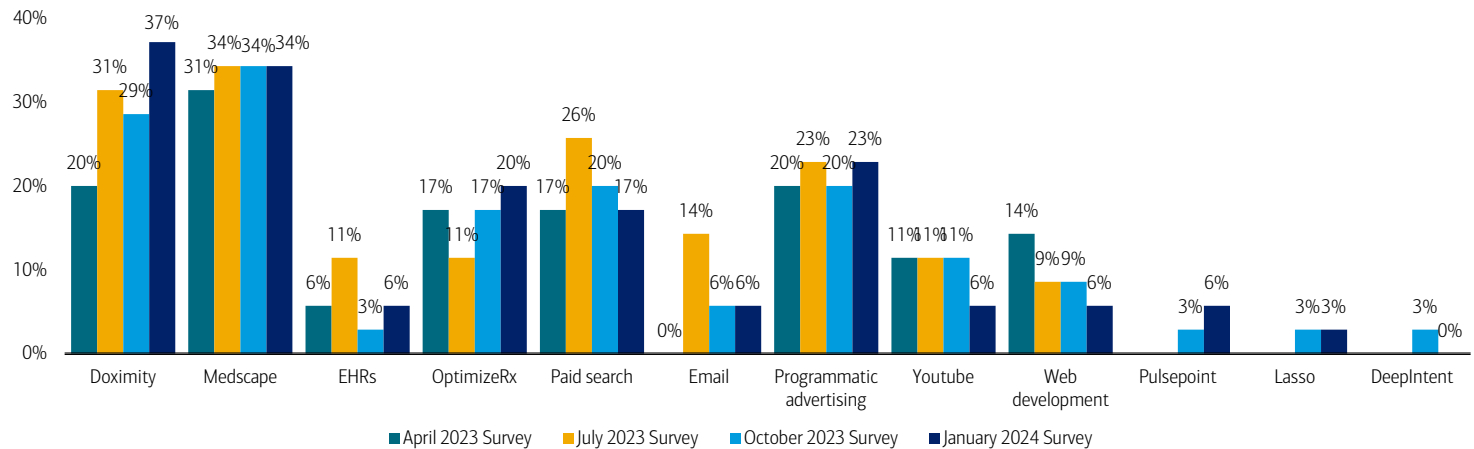


Source: BofA Global Research

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Exhibit 34: Please specify which vendors have offered favorable pricing incentives or discounts (time series, all respondents)

We note that the % of respondents noting discounts for Doximity, OptimizeRx, and Programmatic advertising has fluctuated, while Paid Search has trended down.



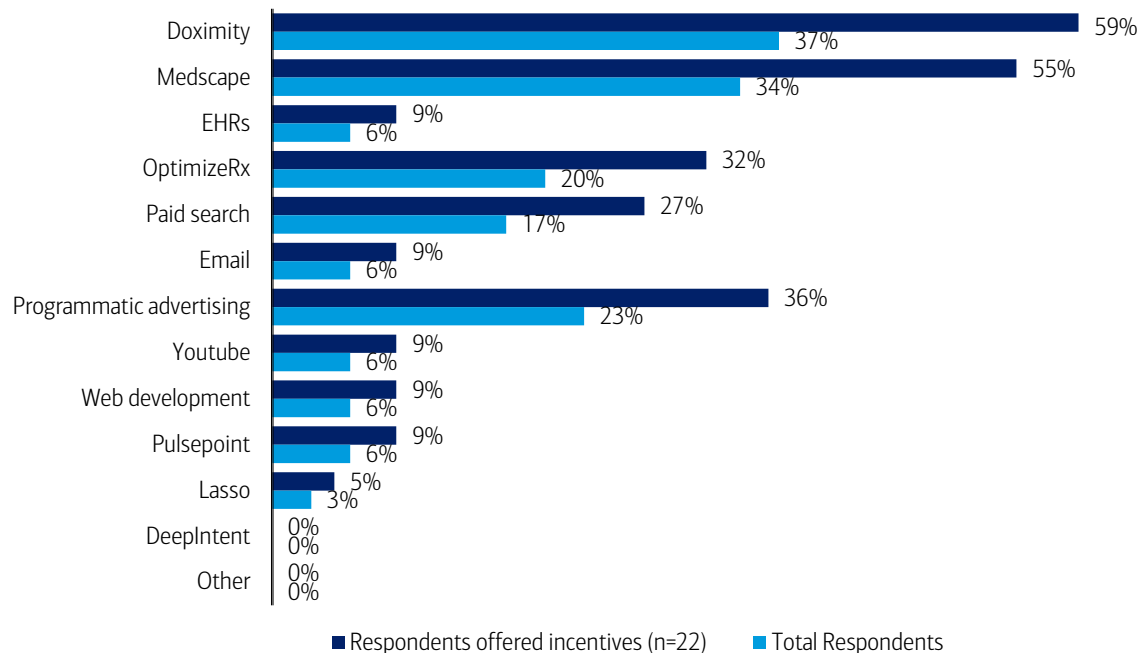
Source: BofA Global Research

Note – We started including Pulsepoint, Lasso, and DeepIntent as an option beginning with our October 2023 survey.

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Exhibit 35: Please specify which vendors have offered favorable pricing incentives or discounts.

37% of total respondents reported seeing favorable pricing incentives or discounts from Doximity



Source: BofA Global Research

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Please describe the pricing incentive or discount offered.

- Price incentive based on volume
- 5% to 20% discount
- Discount for a package of product or services
- Discounts reflect increased supply
- Rebates based on total spent
- Our firm is very interested in using it as we have heard most our peers get good performance
- purchasing combination of offerings; minimal price increases for highly targeted efforts
- Bulk deals
- Decrease in price
- discounts in single-digit numbers
- 10% discount
- Volume discounting
- 5-10% was the discount offered
- Additional consulting hours

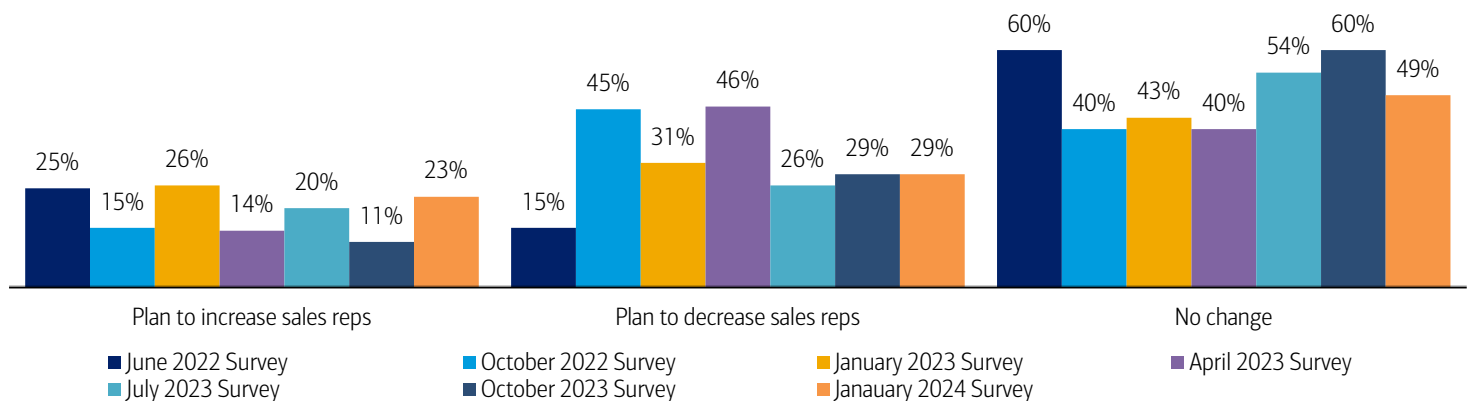
- 5% if we spend a certain amount
- Volume-based discounts offered
- Incentives directly related to quantity of marketing.
- 10% off our ad buys
- Pay to play
- New initiatives being discussed to drive up engagement
- Price discounts include multiple licenses or bulk subscriptions. Discounts and incentives also include frequency of ad units discounts, co-marketing discounts, net spending discounts depending on spending level ranging from 0.5% to up to 5% for over \$5M, insertion and co-run and multi-platform or multiple media discounts.
- Low price and / or more for the same price

49% of all respondents expect no change to sales rep hiring

- 29% of respondents reported plans to decrease sales rep hiring over the next 12 months, flat from our October survey. 23% plan to increase sales reps, up from the 11% in our prior survey. Finally, 49% expect no change to sales reps hiring, down from 60% reported in our prior survey.

Exhibit 36: How do you see your hiring of pharmaceutical sales reps changing in the next 12 months, if at all?

29% of all respondents plan to decrease sale rep hiring while 49% expect no change over the next 12 months



Source: BofA Global Research

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46% of all respondents expect to increase spending on DOCS over the next 12 months

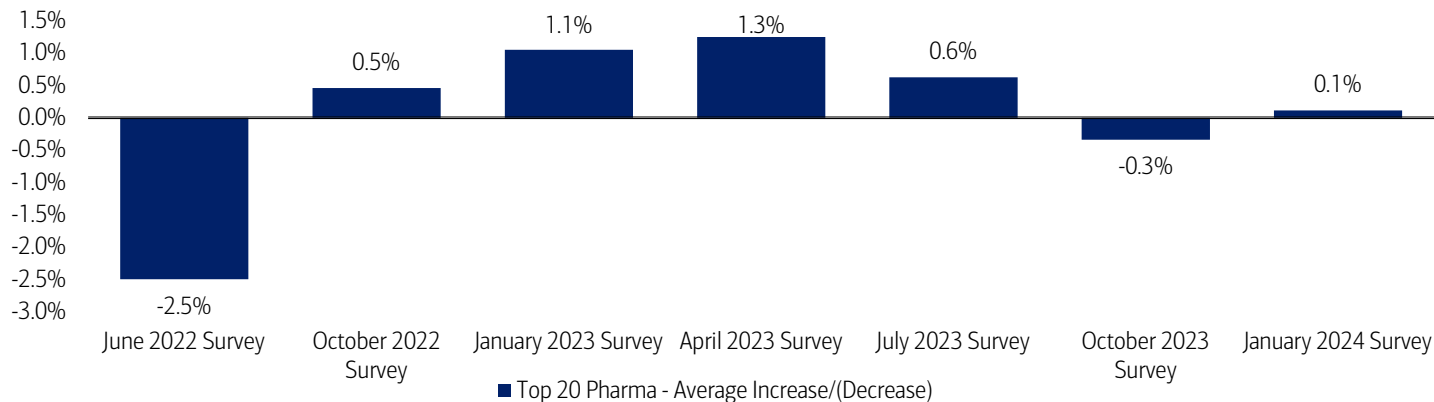
- Respondents expect an overall 0.5% increase in spending on DOCS in the next 12 months versus the prior 12 months. This compares to a 0.4% increase in our October survey.
- Of the 46% of respondents who expect an increase to DOCS spending over the next 12 months, 9% expect the increase to be 5% or greater. Of the 20% who expect a decrease to DOCS spending over the next 12 months, 9% expect the decrease to be 5% or greater. Additionally, 34% respondents expect spending on DOCS to remain the same over the next 12 months.

On average, top 20 pharma expects to increase spending on DOCS by 0.1%

- Top 20 pharmaceutical manufacturer respondents expect an overall 0.1% increase to spending on DOCS in the next 12 months versus the prior 12 months. This compares to a 0.3% decrease reported in our October survey.
- Of the 41% of top 20 pharma respondents who expect an increase to DOCS spending over the next 12 months, 9% expect the increase to be 5% or greater. Of the 23% who expect a decrease, 14% expect the decrease to be 5% or greater. Additionally, 36% expect DOCS spending to stay the same over the next 12 months.

Exhibit 37: What year-over-year percentage change, if any, in spending on Doximity are you expecting over the next 12 months versus the last 12 months?

On average, top 20 pharma expects to increase spending on Doximity by 0.1% in the next 12 months vs. a 0.3% decrease per our prior survey

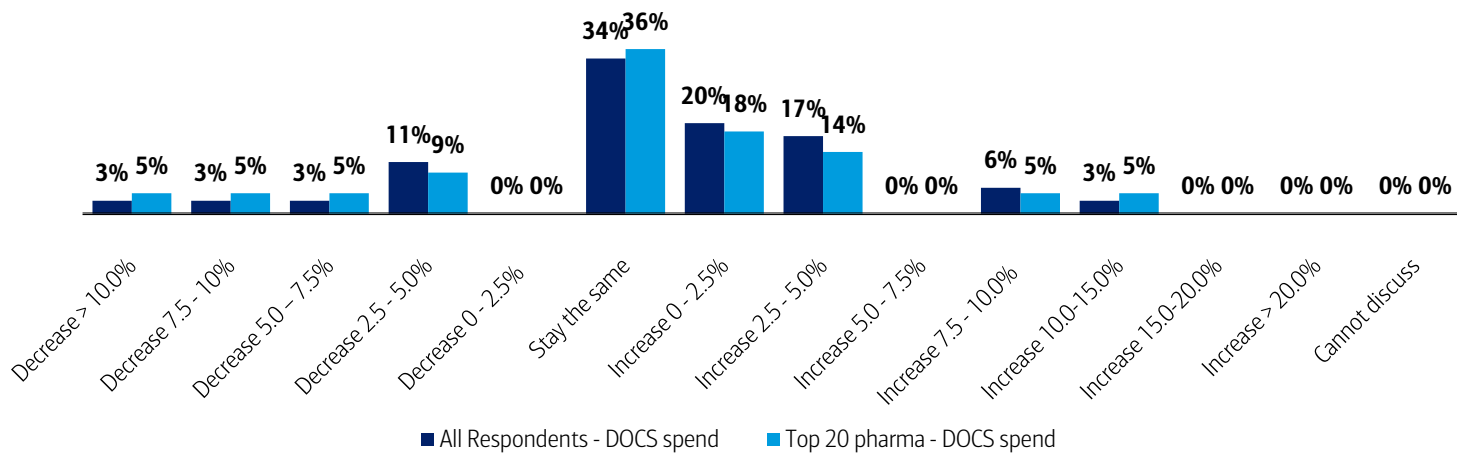


Source: BofA Global Research

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Exhibit 38: What year-over-year percentage change, if any, in spending on Doximity are you expecting over the next 12 months versus the last 12 months?

34% of all respondents expect spending on Doximity to stay the same compared to 36% for top 20 pharma respondents

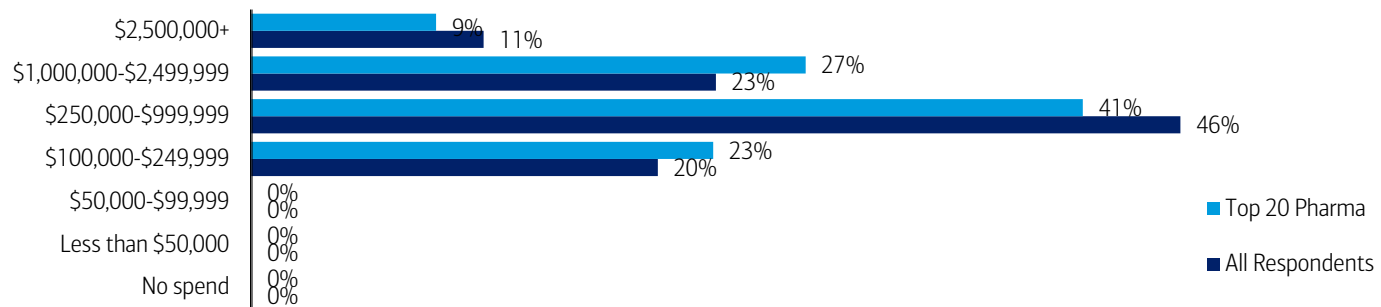


Source: BofA Global Research

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Exhibit 39: How much do you estimate your spending per brand on Doximity per year?

46% of all respondents spend \$250K-\$999K annually on Doximity, while 41% of top 20 pharma spend in that range



Source: BofA Global Research

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41% of all respondents expect spending on Medscape over the next 12 months to stay the same

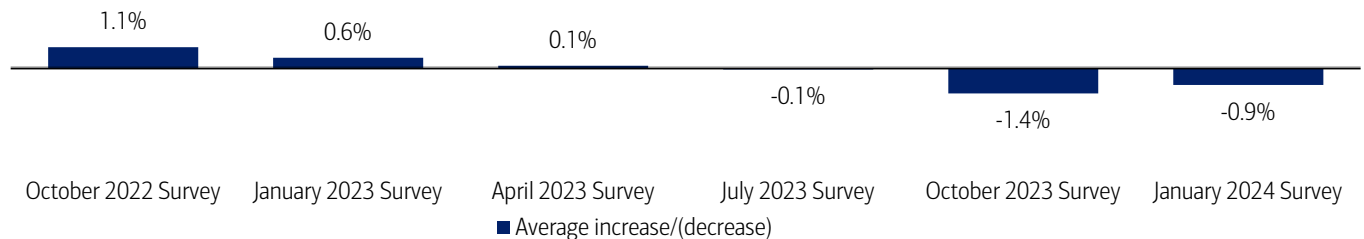
- Respondents expect an overall 0.1% decrease in spending on Medscape in the next 12 months versus the prior 12 months. This a deceleration from 1.3% decrease per our October survey.
- Of the 40% of respondents who expect an increase to Medscape spending over the next 12 months, 6% expect the increase to be 5% or greater. Of the 23% who expect a decrease, 9% expect the decrease to be 5% or greater. Additionally, 37% of respondents expect spending on Medscape to remain the same over the next 12 months.

For top 20 pharma, 32% expect spending on Medscape to decrease

- Top 20 pharmaceutical manufacturer respondents expect an overall 0.9% decrease in spending on Medscape in the next 12 months versus the prior 12 months. This compares to a 1.4% decrease reported in our October survey.
- Of the 27% of top 20 pharma respondents who expect an increase to Medscape spending over the next 12 months, 5% expect the increase to be 5% or greater. Of the 32% who expect a decrease, 14% expect the decrease to be 5% or greater. Additionally, 41% expect Medscape spending to stay the same over the next 12 months.

Exhibit 40: What year-over-year percentage change, if any, in spending on Medscape are you expecting over the next 12 months versus the last 12 months?

Top 20 pharma respondents expect an average decrease of 0.9% in spending on Medscape over the next 12 months vs. 1.4% decrease in our prior survey

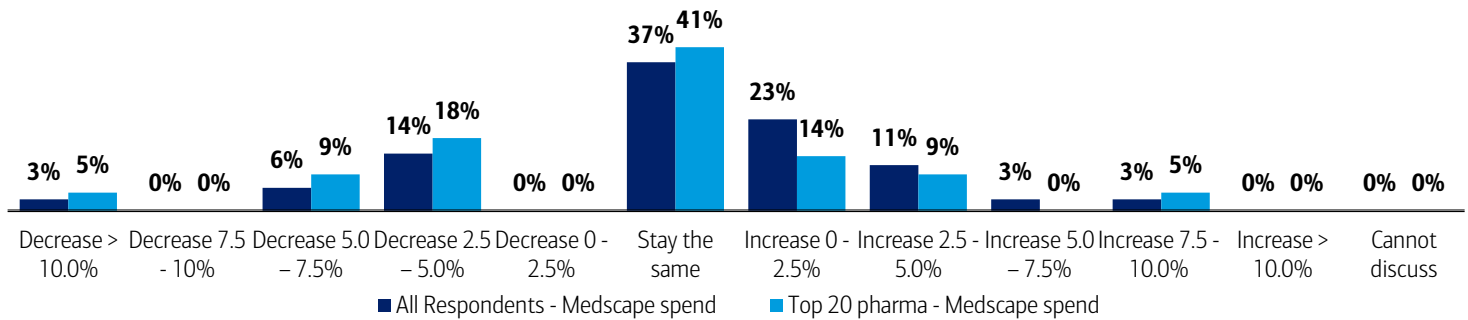


Source: BofA Global Research

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Exhibit 41: What year-over-year percentage change, if any, in spending on Medscape are you expecting over the next 12 months versus the last 12 months?

37% of all respondents expect spending on Medscape to stay the same, while 41% of top 20 pharma respondents expect no change

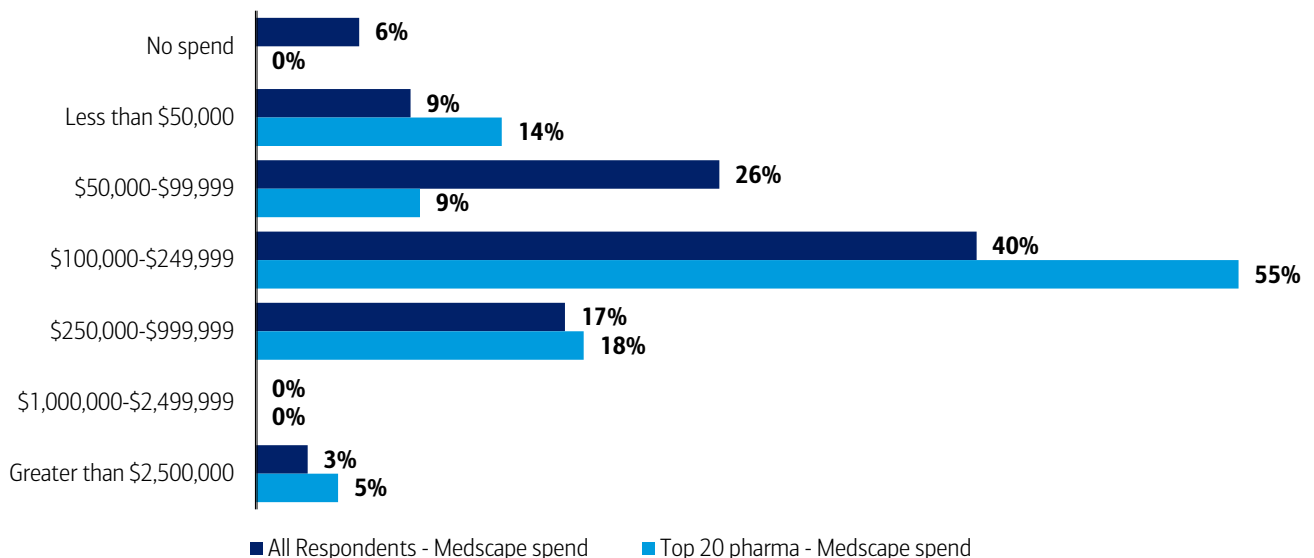


Source: BofA Global Research

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Exhibit 42: How much do you estimate your spending per brand on Medscape per year?

40% of all respondents spend \$100-\$249K on Medscape per year, while 55% of top 20 pharma spend in that range annually



Source: BofA Global Research

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Timing of Point-of-Care and Peer-to-Peer approvals still in question

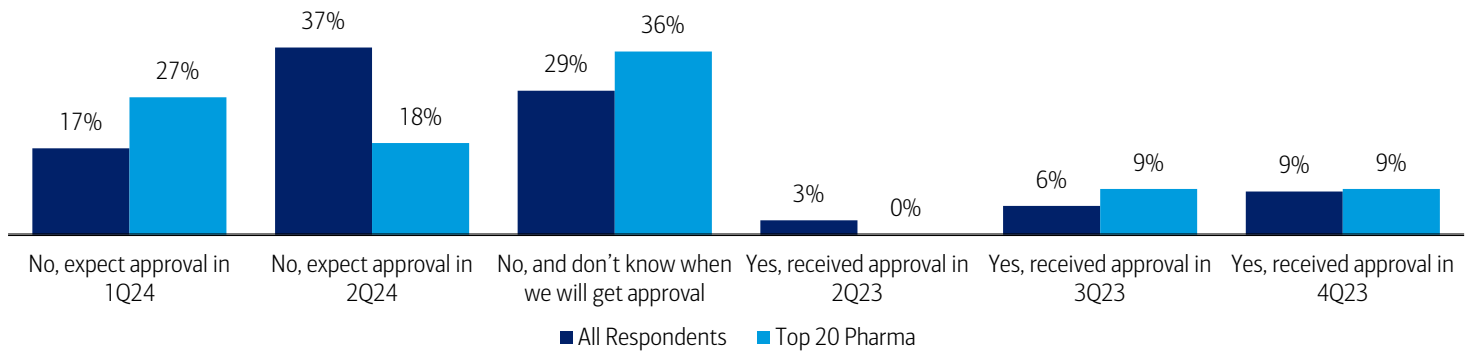
- 83% of all respondents have not yet received approval for new modules, Point-of-Care and Peer-to-Peer. Of those respondents, 29% do not know when they will be approved to use the new modules while 17% expect approval in 1Q'24 and 37% expect approval in 2Q'24.

For top 20 pharma respondents, timing of approvals also remains uncertain

- For top 20 pharma respondents, 82% have not yet been approved to use new modules, Point-of-Care and Peer-to-Peer. Of top 20 pharma respondents, 36% do not know when they will be approved to use the new modules, 27% expect approval in 1Q'24 and 18% expect approval in 2Q'24.

Exhibit 43: Doximity recently released two new modules: Point-of-Care and Peer-to-Peer. Are you approved to use these modules?

54% of all respondents expect to receive approval for Doximity modules in 1H'24

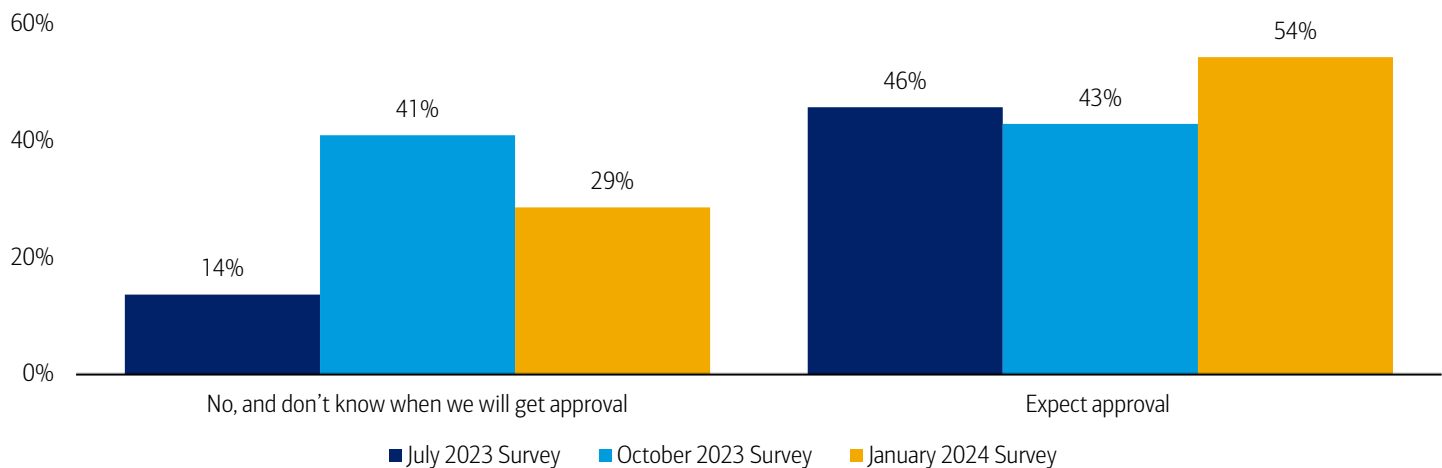


Source: BofA Global Research

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Exhibit 44: Doximity recently released two new modules: POC and P2P. Are you approved to use these modules? (Time series of all respondents)

54% of all respondents expect approval for the two new modules, up from 43% in our October survey, and 46% in our July 2023 survey



Source: BofA Global Research

BofA GLOBAL RESEARCH

21% of all respondents expect to spend the same amount overall, spreading spending into new modules

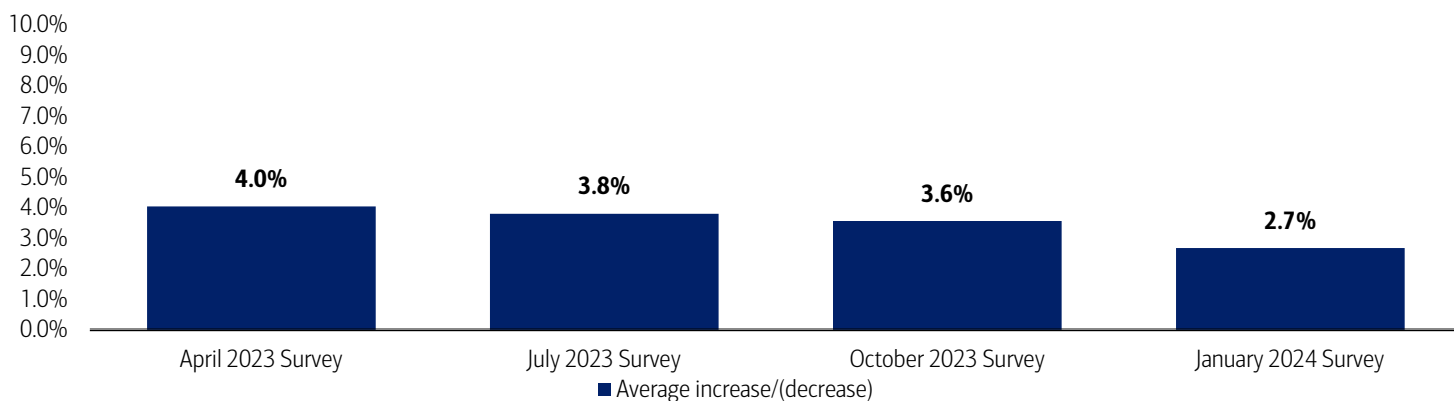
- Respondents expect on average 3.0% incremental increase in spending on new Doximity Point-of-Care and Peer-to-Peer modules over the next year, in line with the 3.0% reported in our October survey.
- 11% expect an increase of 1-2.5% on new Doximity modules, 23% expect to increase by 2.5-5%, 6% expect to increase by 5-7.5%, 6% expect to increase by 10-15%, 20% expect to spend the same amount, and 26% do not expect to spend on these modules.

32% of top 20 pharma do not expect to spend on new modules over the next year

- Top 20 pharmaceutical manufacturer respondents expect on average a 2.7% incremental increase to spending on new Doximity Point-of-Care and Peer-to-Peer modules over the next year, a decline from 3.6% reported in our October survey.
- 32% of top 20 pharma do not expect to spend on these two new modules, up from 9% in our prior two surveys.
- 14% of top 20 pharma expect an increase of 1-2.5% on new Doximity modules, 9% expect to increase by 2.5-5%, 9% expect to increase by 5-7.5%, 5% expect to increase by 7.5-10%, 9% expect to increase by 10-15%, 23% expect to spend the same amount overall, spreading other spending into these two modules, and 32% do not expect to spend on these modules.

Exhibit 45: How much do you expect to increase spending with Doximity over the next year from Point of Care and Peer to Peer modules? (top 20 pharma)

Top 20 pharma expects to increase spending on new modules by 2.7% over the next year, a deceleration from 3.6% in our October survey

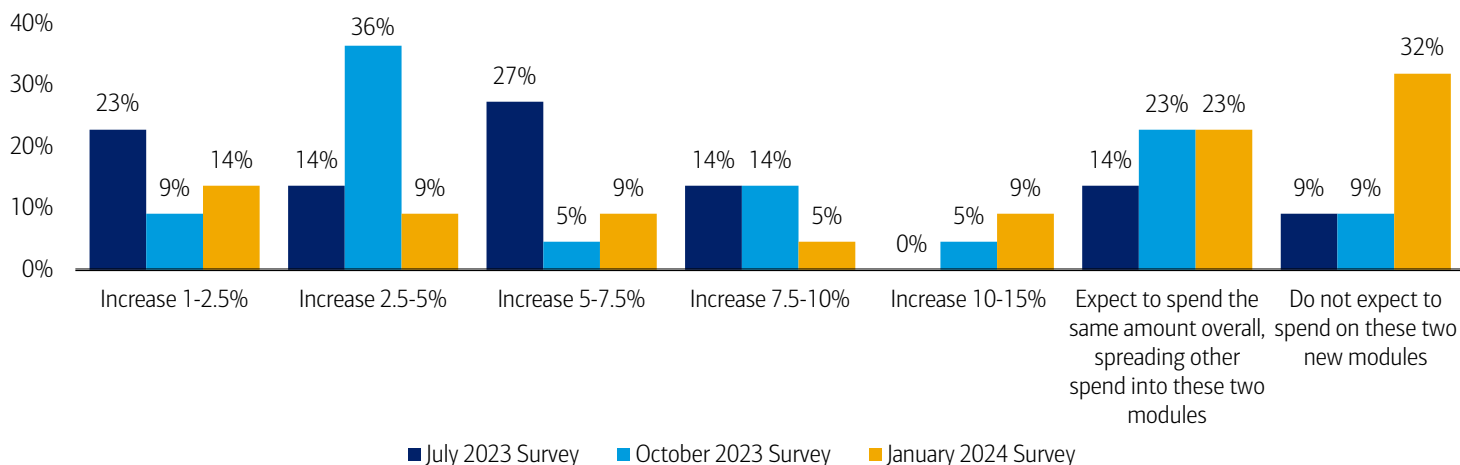


Source: BofA Global Research

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Exhibit 46: How much do you expect to increase spending with Doximity over the next year from Point-of-Care and Peer-to-Peer modules? (Top 20 pharma)

32% of top 20 pharma respondents expect not to spend on these two modules, up from 9% in our past two surveys

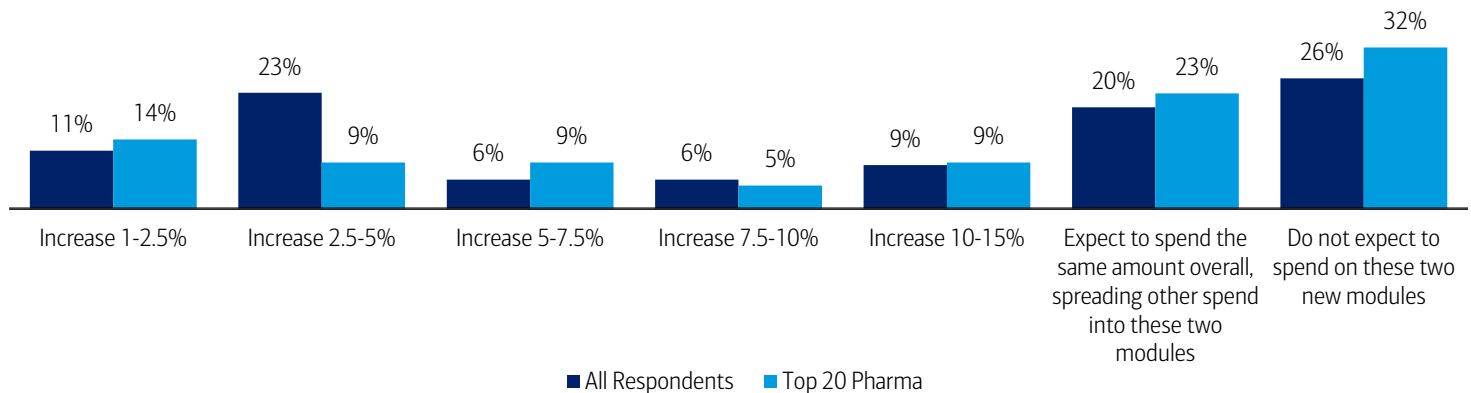


Source: BofA Global Research

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Exhibit 47: How much do you expect to increase spending with Doximity over the next year from Point-of-Care and Peer-to-Peer modules?

26% of all respondents and 32% of top 20 pharma respondents do not expect to spend on these two new modules over the next year



Source: BofA Global Research

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What are your initial thoughts on Doximity's new Point-of-Care module? What is your interest/excitement level?

- Still evaluating
- Very positive impact overall
- Have not had a chance to test them
- Better connection with real time and interoperability capability are attractive features
- New approach to our clients. Customer experience!!
- Need to review Point-of-Care
- High expectations based on the initial preview and our own Marketing Plan
- Looks promising and interesting especially with our planned new launches
- Very exciting as we see the data showing it has over 40 percent of US doctors on the platform
- I would say stayed the same level of engagement as not really differentiating versus platforms competitors
- Interested, but I'm working on a rare disease product so we're trying to see if this is a good mix for us
- Excited to explore
- Interested, still under evaluation by our team
- User friendly
- I am excited about integrating these two modules
- It seems to be a nice engagement tool and I have very good references on it

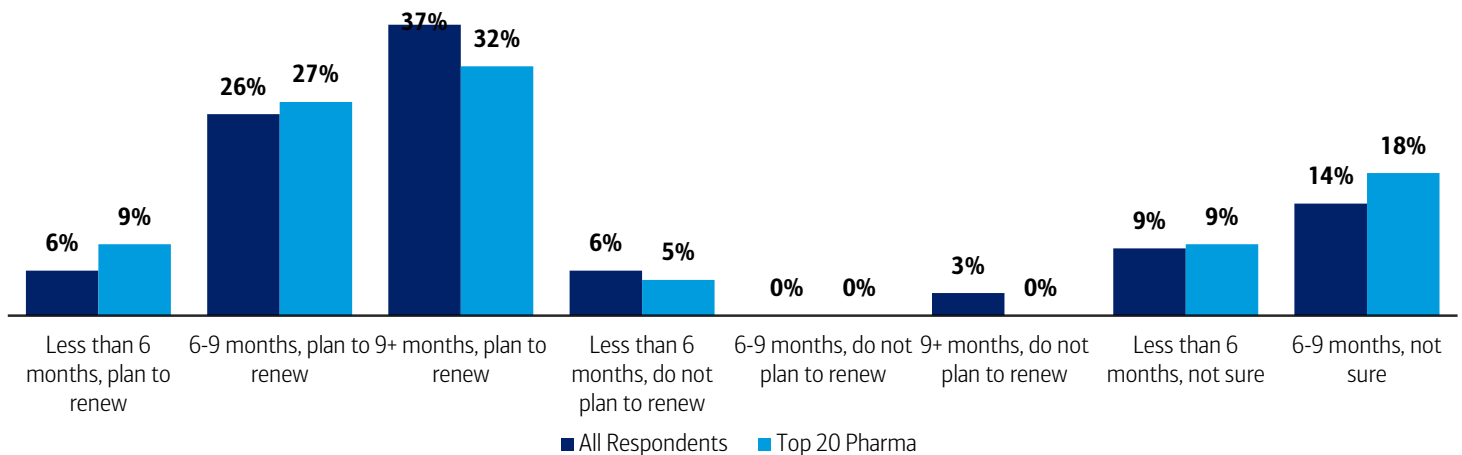
- “Ehh”
- It's a novel way to engage with patients
- Intuitive and contextual
- It is new and would require more real-world experience
- Not sure
- No opinion, will not be using it any time soon
- I haven't seen the final pieces
- very innovative and interesting, very excited
- Am not sufficiently aware of the advantages
- We're excited to see expectations met
- Not very excited
- Haven't used it yet so cannot provide POV
- It will be helpful for us [as] an extra source for leads
- Very interesting. Will evaluate
- Increase our reach
- I think the point of care module is a great idea to capture the golden moment while a patient is waiting to see the doctor, or the doctor or medical professional is in-between patient visits to capture the heart and mind of the doctor or medical professional in this traditional down time, while enhancing the digital speed of medical care. We are very excited about POC module as well as our are doctors and physicians. The Doximity Point-of-Care module is a valuable resource for healthcare professionals who need quick and easy access to evidence-based information at the point of care easily via web or smartphone app
- Plan to wait and see. Will re-evaluate for 2025
- Fairly excited, should be good

Increase in contracts shifting to 9+ months for new modules

- 37% of all respondents expect new contracts for Point of Care or Peer to Peer to be 9+ months in length and cited plans to renew while 26% expect new contracts to be 6-9 months with plans to renew.
- 32% of top 20 pharma expects 9+ month contracts compared to 27% in our October survey. 27% expect 6-9 month contracts with plans to renew, compared to from 50% in our October survey.

Exhibit 48: What is the expected length for your new Point of Care or Peer to Peer contracts and do you expect to renew?

63% of all respondents expect 6-9 or 9-month contracts with plans to renew

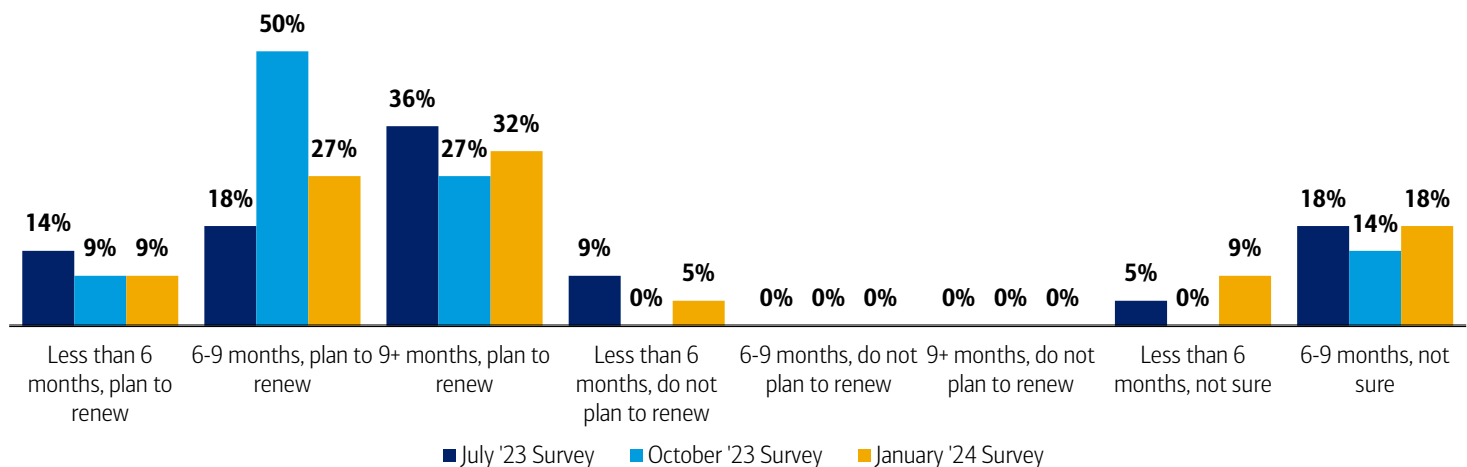


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 49: What is the expected length for your new Point of Care or Peer to Peer contracts and do you expect to renew? (top 20 pharma)

27% of top 20 pharma respondents expect to renew with 6-9-month contracts, down from 50% in our October survey. 32% expect to renew with 9-month+ contracts



Source: BofA Global Research

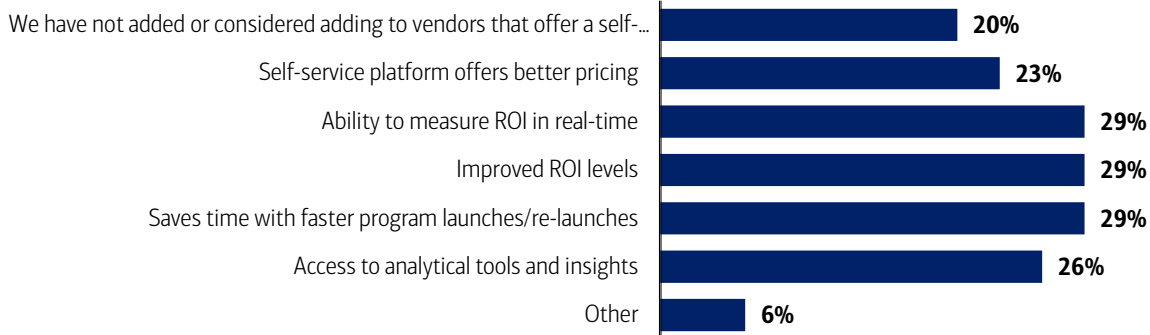
BofA GLOBAL RESEARCH

Across all respondents 29% increased spending on self-service platforms due to the ability to measure ROI

- 29% of all respondents have increased spending with a vendor that offers an automated self-service platform due to the ability to measure ROI in real-time, Improved ROI levels, or due to faster program launch times. This was followed by 26% due to access to analytics tools self-service platforms and 23% due to self-service platforms offering better pricing.
- 20% of all respondents have not added or considered vendors offering an automated self-service platform, down from 34% in our October survey.

Exhibit 50: Over the past 6 months, if you have increased spending with a vendor that offers an automated self-service platform please select or describe the reason(s)

While results across all respondents were mixed, 20% reported not having added or considered vendors that offer self-service platforms



Source: BofA Global Research

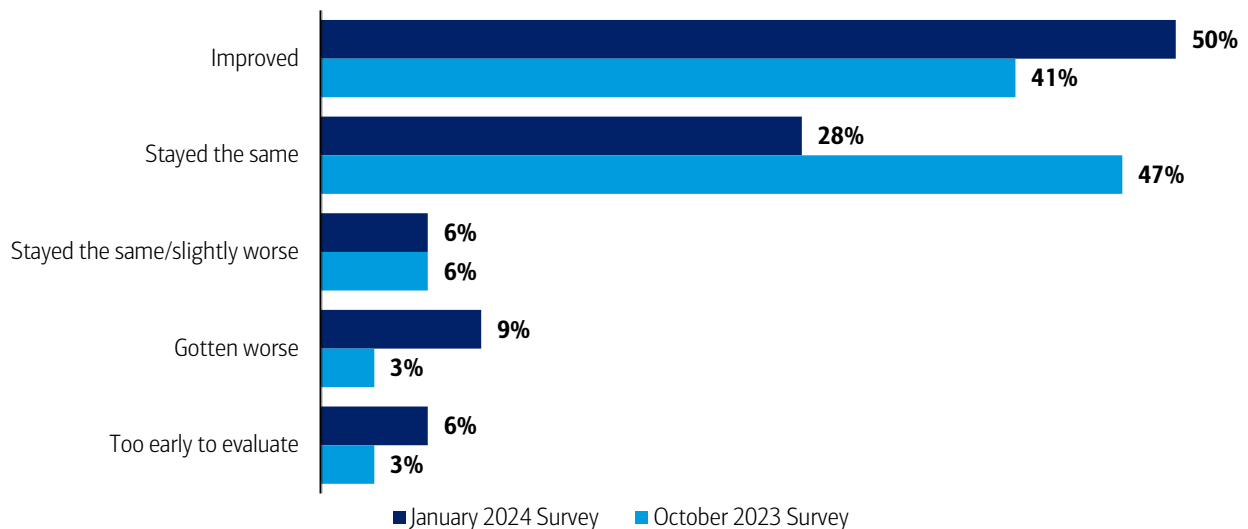
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Almost half of all respondents observed that physician engagement levels on ads improved

- 50% of respondents indicate engagement levels have improved over the past 6-12 months, up from 41% in our prior survey. Meanwhile, 28% report engagement levels have stayed the same.
- However, the percentage of respondents noting that engagement levels got worse was up from 3% in our prior survey to 9%.
- Doximity's platform remains highly relevant for physicians and momentum is not reversing post-COVID.

Exhibit 51: For Doximity's platform, have engagement levels with physicians on advertisements changed at all over the past 6-12 months? Have they improved, gotten worse, stayed the same? Anything to note?

The % of respondents noting that engagement levels improved increased from our prior survey, but more respondents also noted that engagement levels got worse.



Source: BofA Global Research

BofA GLOBAL RESEARCH

43% of all respondents expect no change to marketing strategies as a result of the phasing of third-party cookies

- 43% of all respondents do not anticipate a change to their marketing strategies as a result of the phasing of third-party cookies.

- 34% anticipate an increase in spending to reach the same goals, 31% of respondents anticipate the phasing will impact the ability to track the right data, and 11% expect a negative impact in the ability to generate revenue.

The majority of all respondents are taking a wait and see approach in response to the third-party cookie phase out

- 77% of respondents currently expect to make no changes to their marketing strategies in response to the phase out of third-party cookies while 23% are looking to implement alternative solutions.

Exhibit 52: Google is phasing out support for third-party cookies starting from midway through 2024. Do you expect any challenges around this? If so, what are they?

43% of all respondents don't anticipate an impact to their marketing strategies as a result of the phase out of third-party cookies.



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 53: Do you anticipate any changes to your marketing strategy in response to the phase out?

77% of all respondents expect to make no change to their marketing strategies in response to the third-party cookie phase out and will wait and see



Source: BofA Global Research

BofA GLOBAL RESEARCH

68% of top 20 pharma note a focus on building internal capabilities for targeted HCP digital marketing

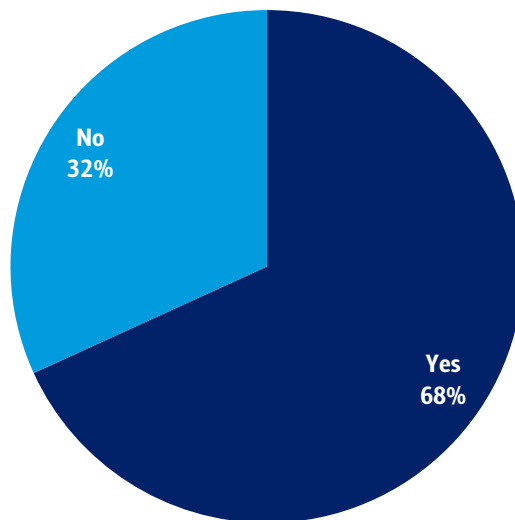
- 68% of all respondents note a focus on building internal capabilities for targeted HCP digital marketing.



- Overall, respondents expect a build out of internal capabilities to impact vendor selection, contracting, and spending in a multitude of ways (see below). Feedback suggests that it could result in more demand for data vendors and programmatic advertising.

Exhibit 54: Is your organization focused on building internal capabilities that support targeted Healthcare Professional (HCP) digital marketing?

68% of top 20 pharma respondents noted a focus on building internal capabilities that support targeted HCP digital marketing



Source: BofA Global Research

BofA GLOBAL RESEARCH

How do you expect the improvement in internal capabilities to impact the use of vendors across the HCP marketing journey? (e.g., change in spending across vendors, change in contract structure)

Expected changes if building out internal capabilities:

- Contract. More programmatic.
- Increase the use of data vendors
- IQVIA as strategic partner
- Unable to discuss at this time
- I believe spend would become more flexible. I believe Doximity could see more demand, Medscape a little bit less
- More focused on innovation
- Not sure but might switch but within an expanding expenditure envelope
- Yes, we expect to switch some part to programmatic providers as pilot test
- Better HCP tracking/identification, potentially trying personal and non-personal data together. AI tools to identify next best target
- Expecting to build inhouse specialists to manage these accounts. Also will experiment more with newer technologies

- We will have a new spend stream for vendors like IQVIA. But no impact on spends on Doximity
- Increase budget for digital marketing, decrease for non-digital activities in general, e.g., MedReps
- No change
- Spending to become more flexible
- Not much as it is piloting at this point
- Flexibility in a changing landscape
- We are certainly thinking about IQVIA and Medscape as they offer very innovative solutions
- We look to switch more programmatic providers vs Doximity
- Less reliance on external vendors as we build out internal capabilities, use more AI, etc.
- Yes, we're running a full account-based marketing program
- Some spend will switch to programmatic, OTT vendors, and data specific marketing vendors such as IQVIA.

Reasons for not building out internal capabilities:

- We have been using external resources and they have been effective
- We don't have the know-how and it is not one of our core capabilities
- We are in discussion with potential outsourcing partners
- Other tools
- 3rd party options exist and no internal bandwidth.
- Currently evaluating
- Too costly
- Ok with current approach
- We are not a digital marketing organizing so we hire externally for this expertise
- We prefer to use vendors

Price objective basis & risk

Doximity Inc (DOCS)

Our \$32 price objective is based on c25.5x CY24E EV/EBITDA, ahead of profitable health IT peers (group average of 17x) and below Software/Internet peers (group average 31x). We believe that DOCS should trade at a premium to HCIT peers on a EBITDA multiple basis given a peer topping margin profile and at a discount to Software/Internet peers with more sustainable revenue profiles. We believe our target multiple of c25.5x is warranted when considering DOCS low double-digit growth and high margin profile.

Downside risks are slower-than-expected revenue growth through the remainder of FY24 and into FY25. According to our survey, Doximity remains a share gainer in the space, but if programmatic peers take more share, it could hinder revenue growth. Additionally, EBITDA margins could decline in FY25 if pricing pressure persists as our survey indicates an increase in pricing incentives offered across market. Physicians may also choose to engage less with Doximity's platform or leave it altogether, which would weaken engagement rates with Doximity's core customer base and reduce the utility of the platform for advertisers. Lastly, valuation could contract if revenue growth slows further or margins contract.

Upside risks are faster reacceleration of revenue growth if macro pressure on large pharma abates quickly, and margins expand beyond current expectations driven by better revenue growth and incremental margin pull through.

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US - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accolade	ACCD	ACCD US	Allen Lutz, CFA
	American Well Corp	AMWL	AMWL US	Allen Lutz, CFA
	Cencora Inc	COR	COR US	Allen Lutz, CFA
	CVS Health	CVS	CVS US	Allen Lutz, CFA
	Definitive Healthcare Corp	DH	DH US	Allen Lutz, CFA
	dentalcorp	YDNTL	DNTL CN	Allen Lutz, CFA
	Envista	NVST	NVST US	Allen Lutz, CFA
	HealthEquity Inc	HQY	HQY US	Allen Lutz, CFA
	Hims & Hers	HIMS	HIMS US	Allen Lutz, CFA
	McKesson	MCK	MCK US	Allen Lutz, CFA
	Omnicell Inc.	OMCL	OMCL US	Allen Lutz, CFA
	Patterson Companies	PDCO	PDCO US	Allen Lutz, CFA
	Progyny	PGNY	PGNY US	Allen Lutz, CFA
	R1 RCM	RCM	RCM US	Allen Lutz, CFA
NEUTRAL				
	Cardinal Health	CAH	CAH US	Allen Lutz, CFA
	Dentsply Sirona, Inc.	XRAY	XRAY US	Allen Lutz, CFA
	Doximity Inc	DOCS	DOCS US	Allen Lutz, CFA
	Teladoc Health	TDOC	TDOC US	Allen Lutz, CFA
UNDERPERFORM				
	GoodRx	GDRX	GDRX US	Allen Lutz, CFA
	Henry Schein	HSIC	HSIC US	Allen Lutz, CFA
	Owens & Minor	OMI	OMI US	Allen Lutz, CFA
	Premier, Inc.	PINC	PINC US	Allen Lutz, CFA
	Walgreens Boots Alliance	WBA	WBA US	Allen Lutz, CFA

US - Healthcare Technology & Distribution Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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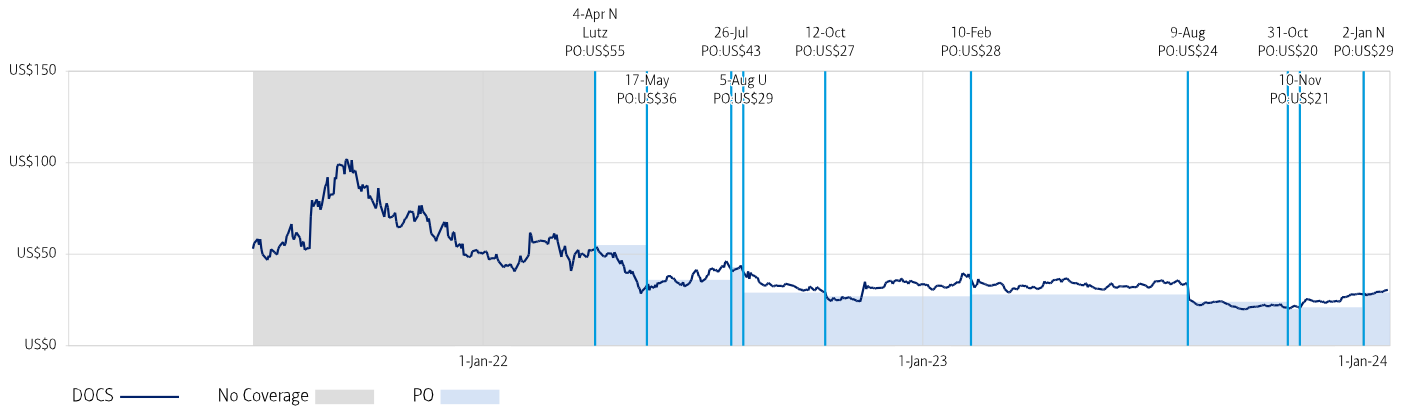
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Doximity (DOCS) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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