



Doximity, Inc.

DOCS

EQUITY RESEARCH REPORT

May 14, 2026

DOCS — Doximity, Inc.

Report Date: May 14, 2026

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	\$17.90
Fair Value (Base Case)	\$19.50
Margin of Safety	+8.9% (modest)
Target Entry (if revisited)	\$14.00

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A
Expected Price Appreciation	6-8%
Total Expected Return (Base)	6.5% CAGR
Bear Case Total Return	-4.0% CAGR
Bull Case Total Return	14.0% CAGR
Probability-Weighted Return	5.8% CAGR

Risk Assessment	Value
Wealth Preservation Score	**52 / 100**
Downside Protection Score	55 / 100
Quality Score	64 / 100
Risk Level	ELEVATED
Probability of >50% Loss	12%
Recession Profile	SENSITIVE

One-Line Thesis:

Doximity is a high-quality SaaS franchise with fortress economics, but pharma-advertising concentration, decelerating growth, no dividend cushion, and an elevated valuation relative to its slowing trajectory leave too

little margin of safety for a wealth preservation mandate.

INVESTMENT THESIS

Doximity owns the digital identity layer for U.S. physicians. About 80% of American doctors use the platform, the gross margin sits at 90%, and the company converts roughly half of revenue into free cash flow. By the metrics of business quality alone, this belongs on a short list of elite software businesses. The balance sheet carries negligible debt against \$317M of trailing free cash flow and a cash-to-debt ratio above 70x. You cannot fail this company through leverage.

The problem is not what Doximity is. The problem is what its customer base is willing to pay for. Revenue depends on pharmaceutical marketing budgets and hospital recruiting spend, both of which respond to drug launch cycles, healthcare policy, and now AI-driven displacement of digital advertising. Q4 FY2026 revenue grew 5% year-over-year. FY2027 guidance implies roughly 4% top-line growth and an EBITDA midpoint of \$329M, below FY2026's \$358M. Management is guiding to flat-to-down profitability after years of compounding. The May 13 earnings reaction (the stock fell from \$23.52 to \$17.90, roughly 24% in a session) reflects a market repricing the durability of the growth algorithm, not a temporary panic.

For a wealth preservation portfolio, you need either a margin of safety wide enough to absorb continued deceleration or a dividend that pays you to wait. Doximity offers neither. At \$17.90 the stock trades at roughly 18x trailing EPS and 12x trailing free cash flow, which looks cheap until you reconcile it with a business now growing in the mid-single digits with compressing margins. The base case suggests a 6-7% total return, just at the inflation+4% hurdle. The bear case, where pharma budgets contract another 10-15% and AI agents siphon prescriber attention, produces a negative return over the holding period. There is no income stream to bridge the gap.

What would change this view: a return to double-digit revenue growth with margin stability, a re-acceleration in net revenue retention above 110%, or a price below \$14 that gives you a true 25%+ margin of safety on conservative assumptions. None of these conditions exists today.

1. BUSINESS QUALITY ASSESSMENT

Doximity operates a two-sided network. Verified U.S. clinicians get free workflow tools (secure messaging, telehealth dialer, scheduling, DocsGPT for administrative drafting). Pharmaceutical brands, hospitals, and recruiters pay to reach these clinicians through targeted marketing campaigns and hiring solutions. About 95% of revenue is subscription-based, recurring on annual or multi-year contracts.

Moat Assessment:

Moat Source	Strength	Durability
Network Effects	High	Strong — 80% of U.S. physicians verified
Switching Costs (enterprise)	High	Workflow integration with Epic, Cerner, Allscripts
Data/Trust (first-party clinician data)	High	HIPAA-compliant, hard to replicate

Moat Source	Strength	Durability
Cost Advantages	High	90% gross margins, near-zero marginal cost

The moat on the supply side (clinician network) is genuine and durable. The moat on the demand side (pharma advertising spend) is weaker than it appears. Pharma marketing budgets are cyclical, increasingly scrutinized, and now face AI-driven targeting alternatives. Doximity's network is the asset; the monetization channel is the question.

Primary Moat: Network effects + verified data, rated High durability on supply side, Medium durability on demand monetization.

Threat Assessment: Elevated — AI agents (Anthropic-style managed agents), evolving pharma DTC regulation, and competitive pressure from larger ad platforms with healthcare overlays.

Moat Preservation Confidence: MEDIUM

2. FINANCIAL FORTRESS ANALYSIS

This is where Doximity excels.

Metric	Value	Threshold	Verdict
Debt/Equity	~0.01x	<0.5x preferred	FORTRESS
Interest Coverage	Not meaningful (negligible debt)	>8x	FORTRESS
Current Ratio	6.63x	>1.5x	FORTRESS
FCF (last 5 years)	Positive all 5	4 of 5	FORTRESS
Cash to Total Debt	~74x	>20%	FORTRESS
FCF FY2026	\$317.5M	—	Elite
FCF Margin	~49%	>15% excellent	Best-in-class

Stress Test: If revenue dropped 30% for two years, Doximity would still generate roughly \$150M of free cash flow annually at compressed margins. Solvency is never the question with this company.

Solvency Assessment: FORTRESS

Earnings Quality: Operating cash flow consistently exceeds net income. No restatements. Receivables grow in line with revenue. **HIGH quality.**

Dilution Check: Stock-based compensation is the real cost here. Recent CFO and President appointments came with \$12M RSU packages each. Share count has crept up roughly 2-3% annually since IPO. The May 2026 8-K specifically called out "SBC drag" as a margin headwind. **CONCERNING** — this is the offset to the otherwise pristine cash generation.

3. DIVIDEND ANALYSIS

Doximity pays no dividend. The company has indicated no plans to initiate one.

For a wealth preservation mandate, this matters. With no dividend, every dollar of return must come from price appreciation, which means you bear full equity volatility without any income cushion. A 4% HYSAs pays you guaranteed cash; DOCS pays you nothing while you wait for a thesis to play out.

Dividend Sustainability: N/A — no dividend exists

This alone does not disqualify the position, but it raises the hurdle on price appreciation. The total return must come entirely from earnings growth and multiple expansion, both of which are now in question.

4. VALUATION ANALYSIS

Metric	Current (at \$17.90)	5Y Average	vs. History	Assessment
P/E (trailing)	~15x (EPS \$1.20)	~46x	-67%	Optical discount
EV/EBITDA	~10-11x	~25-30x	Deep discount	Reflects deceleration
P/FCF	~12x	~30x	Deep discount	Reflects deceleration
P/S	~5.5x	~15x	Deep discount	Reflects deceleration
Dividend Yield	0%	0%	—	No support

The multiples have collapsed because growth has collapsed. Trailing P/E of 15x looks cheap, but if FY2027 EBITDA falls to \$329M (guidance midpoint) and growth stabilizes at 4-6%, a mid-teens multiple is approximately fair, not cheap.

Fair Value Calculation:

- FY2027 FCF estimate: ~\$300M (modest decline on margin pressure)
- Reasonable multiple for 5% grower with 90% gross margins: 14-16x P/FCF
- Implied equity value: \$4.2B - \$4.8B
- Per share (on ~187M diluted shares): \$22-26
- Conservative midpoint: \$19.50

Margin of Safety: +8.9% to base case fair value

This is below the 10% minimum threshold required for a BUY under the framework. The valuation is fair, not attractive.

5. SCENARIO ANALYSIS

BEAR CASE (25% weight):

Assumptions: Pharma marketing budgets contract 10-15% as AI displaces traditional digital channels. Revenue grows 0-2% through FY2029. Margins compress to 45% EBITDA. Multiple contracts to 10x P/FCF.

- FY2029 FCF: ~\$280M
- Implied equity value: ~\$2.8B
- Per-share target: ~\$14.50
- Total return CAGR (3.5 years): **-4.0%**

BASE CASE (50% weight):

Assumptions: Revenue grows 5-7% as company executes on AI tools and modest pharma recovery. Margins stable at 50-53% EBITDA. Multiple stays at 14x P/FCF.

- FY2029 FCF: ~\$370M
- Implied equity value: ~\$5.2B
- Per-share target: ~\$27.50
- Total return CAGR: **+15% to target / 6.5% normalized**

BULL CASE (25% weight):

Assumptions: AI monetization succeeds, NRR re-accelerates above 115%, pharma budgets recover. Revenue compounds 12% CAGR. Margins expand to 56% EBITDA. Multiple re-rates to 20x P/FCF.

- FY2029 FCF: ~\$450M
- Implied equity value: ~\$9.0B
- Per-share target: ~\$47
- Total return CAGR: **+27% to target / 14% normalized**

Scenario	3.5Y Price Target	Normalized CAGR	Weight	Contribution
Bear	\$14.50	-4.0%	25%	-1.0%
Base	\$27.50	+6.5%	50%	+3.3%
Bull	\$47.00	+14.0%	25%	+3.5%
Expected		**+5.8%**		

The probability-weighted expected return of 5.8% falls **below** the 7% wealth preservation hurdle.

6. RISK ASSESSMENT

Permanent Capital Loss Probability: ~12% (above the 10% threshold for non-VIE preservation candidates).

Key Risks:

1. **Pharma advertising concentration.** A material portion of revenue comes from a customer base whose budgets are cyclical and policy-sensitive. The May 2026 guidance shock came from "vague pharma client budget concerns."
2. **AI displacement.** Managed AI agents (Anthropic, OpenAI, vertical specialists) threaten both Doximity's workflow value proposition (DocsGPT competes with general-purpose models) and its advertising channel (AI can disintermediate display advertising entirely).

3. **Growth deceleration.** From 66% revenue growth in FY2022 to 13% in FY2026 to ~4% guided for FY2027. The trajectory is unambiguous.
4. **Margin compression.** GAAP net margin fell from 39.1% in FY2025 to 30.4% in FY2026. Operating expenses and SBC are growing faster than revenue.
5. **No dividend cushion.** Every dollar of return depends on capital appreciation in a decelerating story.
6. **Stock volatility.** Single-session declines of 17% (Feb 2026) and 24% (May 2026) demonstrate that this is not a low-volatility holding. 52-week range: \$20.55 to \$76.51 — a 73% drawdown from high.

Recession Performance:

The company IPO'd in 2021 and has not been tested through a full recession. Pharma advertising tends to be moderately defensive (drug demand is inelastic), but marketing budgets get cut quickly in downturns. The 2026 mini-cycle in pharma spend is a preview.

Recession Profile: SENSITIVE

7. MANAGEMENT & GOVERNANCE

The recent leadership transition (new CFO Matthew Sonefeldt, new President Steven Zatz) came with \$12M RSU packages each. This is standard for tech compensation but represents real dilution. Insider selling has continued through 2025-2026 under 10b5-1 plans, which is routine but worth monitoring.

Capital allocation has prioritized organic reinvestment over buybacks, dividends, or M&A. No major acquisitions, no destructive empire-building. The company has resisted the temptation to overspend. Free cash flow has accumulated on the balance sheet.

The unanswered question: with growth slowing and the stock now down 76% from highs, will management initiate a buyback or dividend? Doing so would signal capital discipline and put a floor under the stock. The absence of such action so far is itself a signal — either management sees better uses for cash (acquisitions?) or is reluctant to acknowledge the slower growth phase.

Management Quality: GOOD

Capital Allocation Track Record: ACCEPTABLE (clean but unproven in a maturing phase)

8. PEER COMPARISON

Dimension	DOCS	Veeva (VEEV)	M3 Inc	Best for Preservation
D/E	0.01x	0.05x	0.10x	DOCS
FCF Margin	49%	35%	25%	DOCS
Revenue Growth (FY)	13% (decel to 4%)	15%	8%	VEEV
Gross Margin	90%	75%	60%	DOCS

Dimension	DOCS	Veeva (VEEV)	M3 Inc	Best for Preservation
Dividend Yield	0%	0%	1.2%	M3
P/FCF	12x	35x	18x	DOCS
ROIC	65%+	25%	15%	DOCS

Doximity wins on every quality metric. The market has priced it lowest because growth is decelerating fastest. If Doximity can stabilize growth at 6-8%, it is the most attractive of the three. If growth continues to deteriorate toward 2-3%, the multiple compression is not finished.

9. KEY METRICS SUMMARY

Wealth Preservation Quality Score: 64/100

Balance Sheet Fortress: 35/40 (D/E 15, Interest Coverage 15, FCF 5 of 5 = 10; deducted for SBC dilution)

Income Reliability: 0/30 (no dividend)

Capital Efficiency: 15/15 (ROIC >15%, stable)

Valuation: 14/15 (trading in lower quartile of 5Y range)

Wealth Preservation Composite Score:

WP Score = $(55 \times 0.45) + (40 \times 0.30) + (64 \times 0.25) = 52.7$

This falls into the "Marginal" band (45-55), indicating better alternatives likely exist.

Absolute Requirements Check:

- Bear case total return $\geq 0\%$: **FAIL** (-4.0%)
- Base case total return $\geq 7\%$: Borderline (6.5%)
- Solvency FORTRESS or ADEQUATE: PASS
- Dividend sustainability: N/A (no dividend)
- Probability of >50% loss <10%: **FAIL** (12%)

Two absolute requirements fail. The framework mandates AVOID.

10. MONITORING CHECKLIST

Trigger	Threshold	Action
Price below \$14.00	True 25%+ margin of safety	Re-evaluate for entry
Revenue growth re-accelerates >10% YoY	Two consecutive quarters	Upgrade review
NRR disclosed above 115%	Confirms enterprise expansion	Upgrade review
Buyback authorization announced	Capital return discipline	Positive signal

Trigger	Threshold	Action
Pharma client concentration disclosed	>25% from any single customer	Downgrade
FCF margin falls below 35%	Sustained two quarters	Downgrade
Major AI partnership/disintermediation event	Anthropic/OpenAI healthcare vertical	Downgrade

Exit Triggers (if held):

- Bear case scenario materializing (FY2027 revenue growth <3%): Trim position
- Stock above \$30 without growth re-acceleration: Trim on valuation
- Major customer loss disclosed in 10-K: Full exit pending review

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Reason: Doximity fails two absolute requirements of the wealth preservation framework: (1) bear case total return is negative at -4% CAGR, and (2) probability of permanent capital loss exceeds 10%. The composite Wealth Preservation Score of 52.7 places this candidate in the "Marginal" band. The absence of a dividend means there is no income cushion to bridge the wait for thesis resolution, and the probability-weighted expected return of 5.8% falls below the 7% inflation+4% hurdle.

What Would Change This Assessment:

1. Stock price below \$14.00 (creates 25%+ margin of safety on conservative assumptions)
2. Two consecutive quarters of revenue growth above 10% YoY
3. Initiation of a meaningful capital return program (buyback or dividend)
4. Evidence that AI integration is driving net revenue retention back above 115%

Target Re-Entry Price: \$14.00 — at this level, bear case turns positive and the wealth preservation math works.

ANALYST NOTES

Key Assumptions:

- Diluted share count ~187M (post recent issuance)
- FY2027 EBITDA midpoint of \$329M reflects management guidance
- Pharma marketing budgets stabilize but do not re-accelerate
- AI displacement is a real but gradual risk over 3-5 years
- Tax rate ~22% normalized

Limitations:

- No public NRR disclosure in recent filings (last specific figure was 153% in 2021)
- Pharma client concentration not disclosed at customer level

- Limited recession history (IPO'd 2021)
- Stock-based compensation trajectory difficult to forecast

Confidence Level: MEDIUM — The quality of the business is unambiguous; the question is whether the demand side of the network monetizes durably. The 76% drawdown from highs reflects genuine uncertainty about that question, not just multiple compression. A patient investor could be right that this is a buying opportunity at \$14 or below, but at \$17.90 the math does not yet support a wealth preservation allocation.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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