



Talkspace Announces Second Quarter 2023 Results

July 27, 2023

B2B payor revenue grew 135% year-over-year

2Q 2023 Operating expenses of \$24.2 million, down 32% year-over-year

Reduced Net Loss to \$4.7 million and Adjusted EBITDA¹ loss to \$4.0 million, down 80% and 77% year-over-year, respectively

Raises FY 2023 Revenue and Adjusted EBITDA guidance; Reaffirms break-even by end of 1Q 2024

NEW YORK, July 27, 2023 (GLOBE NEWSWIRE) -- [Talkspace, Inc.](https://www.talkspace.com) (NASDAQ: TALK), today reported second quarter 2023 financial results.

| Period Ended June 30, 2023 (Unaudited) | Three Months | | Six Months | |
|---|--------------|----------------------------|------------|----------------------------|
| | Results | Variance from Prior Year % | Results | Variance from Prior Year % |
| <i>(In thousands unless otherwise noted)</i> | | | | |
| Number of B2B eligible lives at period end <i>(in millions)</i> | 110 | 42% | 110 | 42% |
| Number of completed B2B sessions | 200.5 | 109% | 372.2 | 100% |
| Number of Consumer active members at period end | 13.7 | (32)% | 13.7 | (32)% |
| Total revenue | \$35,645 | 19% | \$68,981 | 15% |
| Gross profit | \$17,812 | 22% | \$34,560 | 17% |
| Gross margin % | 50.0% | | 50.1% | |
| Operating expenses | \$24,220 | (32)% | \$50,007 | (30)% |
| Net loss | \$(4,704) | 80% | \$(13,462) | 69% |
| Adjusted EBITDA ¹ | \$(3,977) | 77% | \$(10,407) | 71% |
| Cash and cash equivalents at period end | \$126,104 | — | \$126,104 | — |

(1) Adjusted EBITDA is a non-GAAP financial measure. For a definition of the measure and a reconciliation to the most directly comparable GAAP measure, see "Reconciliation of Non-GAAP Results to GAAP Results."

Dr. Jon Cohen, CEO of Talkspace, said, "We built on the first quarter's strong momentum in our payor business by expanding our relationships with commercial partners while activating a growing proportion of our member base. We continued to introduce product innovations and grow our clinical network while maintaining stringent quality standards, driving gains in access and engagement metrics and improving network productivity. As we look to the second half of the year and beyond, we remain confident in our ability to capitalize on the growing need for covered mental health services and to deliver profitable growth."

Jennifer Fulk, CFO of Talkspace, said, "Our revenue growth continued to accelerate in the second quarter, with the business-to-business ("B2B") categories contributing an increasing portion of overall revenue as planned. We unlocked significant efficiencies in our cost structure as we drove further operating leverage, accelerated collection timing and enhanced treasury operations, which enabled us to achieve positive cash flow for the quarter."

Second Quarter 2023 Key Performance Metrics

- Revenue increased 19% over the prior-year period to \$35.6 million, driven by an 82% year-over-year increase in the B2B revenue categories, partially offset by a 41% year-over-year consumer revenue decline.
- Gross profit increased 22% over the prior-year period to \$17.8 million, and gross margin expanded to 50.0% from 48.7% year-over-year, driven by higher network productivity.
- Operating expenses were \$24.2 million, down 32% year-over-year, driven by a reduction across all our operating cost categories.
- Net loss was \$(4.7) million, an improvement from \$(23.0) million in the second quarter of 2022, primarily driven by lower operating expenses and an increase in revenues.

Financial Outlook

The following guidance is based on current market conditions and expectations and what the Company knows today.

For the Fiscal Year 2023, Talkspace expects:

- Revenue to be in the range of \$137 million to \$142 million, improved from our previous expectations of \$130 million to

\$135 million.

- Adjusted EBITDA loss to be in the range of \$(16) million to \$(19) million, improved from our previous expectations of \$(19) million to \$(21) million.

The Company expects to reach break-even Adjusted EBITDA by the end of the first quarter of 2024, with a cash balance of over \$100 million.

Conference Call, Presentation Slides, and Webcast Details

The conference call will be available via audio webcast at investors.talkspace.com and can also be accessed by dialing (888) 330-2391 for U.S. participants, or +1 (240) 789-2702 for international participants, and referencing participant code 2348878. A replay will be available shortly after the call's completion and remain available for approximately 90 days.

About Talkspace

Talkspace (Nasdaq: TALK) is a leading virtual behavioral healthcare company committed to helping people lead healthier, happier lives through access to high-quality mental healthcare. At Talkspace, we believe that mental healthcare is core to overall healthcare and should be available to everyone.

Talkspace pioneered the ability to text with a licensed therapist from anywhere and now offers a comprehensive suite of mental health services from self-guided products to individual and couples therapy, in addition to psychiatric treatment and medication management. With Talkspace's core psychotherapy offering, members are matched with one of thousands of licensed providers across all 50 states and can choose from a variety of subscription plans including live video, text or audio chat sessions and/or asynchronous text messaging.

All care offered at Talkspace is delivered through an easy-to-use, fully-encrypted web and mobile platform that meets HIPAA, federal, and state regulatory requirements. Talkspace covers approximately 110 million lives as of June 30, 2023, through our partnerships with employers, health plans, and paid benefits programs.

For more information, visit www.talkspace.com.

For Investors:

Neal Nagarajan
Sloane & Company
(301) 273-5662
nnagarajan@sloanepr.com

For Media:

John Kim
SKDK
(310) 997-5963
jkim@skdknick.com

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking, including statements regarding our financial condition, anticipated financial performance, achieving profitability, business strategy and plans, market opportunity and expansion and objectives of our management for future operations. These forward-looking statements generally are identified by the words "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "may," "might," "opportunity," "plan," "possible," "potential," "predict," "project," "should," "strategy," "strive," "target," "will," or "would", the negative of these words or other similar terms or expressions. The absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many important factors could cause actual future events to differ materially from the forward-looking statements in this press release, including but not limited to factors and the other risks and uncertainties described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 10, 2023, and our other documents filed from time to time with the SEC. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and we assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise unless required to do so under applicable law. We do not give any assurance that we will achieve our expectations.

Talkspace, Inc.
Condensed Consolidated Statements of Operations
Unaudited

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|--------------------------------|---------|----------|------------------------------|----------|----------|
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| <i>(in thousands, except percentages, share and per share data)</i> | | | | | | |
| Revenue: | | | | | | |
| Payor revenue | \$18,539 | \$7,880 | 135.3 | \$33,350 | \$15,990 | 108.6 |

| | | | | | | |
|---|-------------|-------------|--------|-------------|-------------|--------|
| DTE revenue | 8,039 | 6,685 | 20.3 | 16,715 | 12,346 | 35.4 |
| Total B2B revenue | 26,578 | 14,565 | 82.5 | 50,065 | 28,336 | 76.7 |
| Consumer revenue | 9,067 | 15,279 | (40.7) | 18,916 | 31,658 | (40.2) |
| Total revenue | 35,645 | 29,844 | 19.4 | 68,981 | 59,994 | 15.0 |
| Cost of revenues | 17,833 | 15,297 | 16.6 | 34,421 | 30,426 | 13.1 |
| Gross profit | 17,812 | 14,547 | 22.4 | 34,560 | 29,568 | 16.9 |
| Operating expenses: | | | | | | |
| Research and development, net | 4,171 | 5,576 | (25.2) | 9,524 | 10,611 | (10.2) |
| Clinical operations, net | 1,675 | 2,316 | (27.7) | 3,276 | 4,092 | (19.9) |
| Sales and marketing | 13,045 | 18,931 | (31.1) | 26,514 | 40,339 | (34.3) |
| General and administrative | 5,329 | 8,792 | (39.4) | 10,693 | 16,802 | (36.4) |
| Total operating expenses | 24,220 | 35,615 | (32.0) | 50,007 | 71,844 | (30.4) |
| Operating loss | (6,408) | (21,068) | 69.6 | (15,447) | (42,276) | 63.5 |
| Financial (income) expense, net | (1,712) | 1,865 | * | (2,136) | 996 | * |
| Loss before taxes on income | (4,696) | (22,933) | 79.5 | (13,311) | (43,272) | 69.2 |
| Taxes on income | 8 | 89 | (91.0) | 151 | 110 | 37.3 |
| Net loss | \$(4,704) | \$(23,022) | 79.6 | \$(13,462) | \$(43,382) | 69.0 |
| Net loss per share: | | | | | | |
| <i>Basic and Diluted</i> | \$(0.03) | \$(0.15) | 80.0 | \$(0.08) | \$(0.28) | 71.4 |
| Weighted average number of common shares: | | | | | | |
| <i>Basic and Diluted</i> | 164,195,697 | 155,709,901 | | 163,003,363 | 154,901,165 | |

* Percentage not meaningful.

Talkspace, Inc.
Condensed Consolidated Balance Sheets

| <i>(in thousands)</i> | <u>June 30, 2023</u> <i>(Unaudited)</i> | <u>December 31, 2022</u> |
|---|--|--------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 126,104 | \$ 138,545 |
| Accounts receivable | 8,420 | 9,640 |
| Other current assets | 2,920 | 4,372 |
| <u>Total current assets</u> | <u>137,444</u> | <u>152,557</u> |
| Property and equipment, net | 456 | 677 |
| Intangible assets, net | 2,157 | 2,529 |
| Other assets | 464 | 491 |
| <u>Total assets</u> | <u>\$ 140,521</u> | <u>\$ 156,254</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 5,484 | \$ 6,461 |
| Deferred revenues | 3,683 | 4,355 |
| Accrued expenses and other current liabilities | 10,444 | 16,502 |
| <u>Total current liabilities</u> | <u>19,611</u> | <u>27,318</u> |
| Warrant liabilities | 820 | 939 |
| Other liabilities | 295 | 461 |
| <u>Total liabilities</u> | <u>20,726</u> | <u>28,718</u> |
| Commitments and contingencies | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock | 16 | 16 |
| Additional paid-in capital | 384,443 | 378,722 |
| Accumulated deficit | (264,664) | (251,202) |
| <u>Total stockholders' equity</u> | <u>119,795</u> | <u>127,536</u> |
| <u>Total liabilities and stockholders' equity</u> | <u>\$ 140,521</u> | <u>\$ 156,254</u> |

Talkspace, Inc.
Condensed Consolidated Statements of Cash Flows
Unaudited

| | Six Months Ended June 30, | |
|---|------------------------------|-------------------|
| | 2023 | 2022 |
| <i>(in thousands)</i> | | |
| Cash flows from operating activities: | | |
| Net loss | \$ (13,462) | \$ (43,382) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 608 | 697 |
| Stock-based compensation | 4,432 | 6,207 |
| Remeasurement of warrant liabilities | (119) | 1,217 |
| Decrease (increase) in accounts receivable | 1,220 | (1,650) |
| Decrease in other current assets | 1,452 | 5,622 |
| (Decrease) increase in accounts payable | (977) | 381 |
| Decrease in deferred revenues | (672) | (1,236) |
| Decrease in accrued expenses and other current liabilities | (6,058) | (1,145) |
| Other | (172) | 178 |
| Net cash used in operating activities | <u>(13,748)</u> | <u>(33,111)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (10) | (160) |
| Proceeds from sale of property and equipment | 28 | — |
| Net cash provided by (used in) investing activities | <u>18</u> | <u>(160)</u> |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 1,490 | 2,349 |
| Payments for employee taxes withheld related to vested stock-based awards | (201) | (67) |
| Payments from reverse capitalization, net of transaction costs | — | (645) |
| Net cash provided by financing activities | <u>1,289</u> | <u>1,637</u> |
| Net decrease in cash and cash equivalents | (12,441) | (31,634) |
| Cash and cash equivalents at the beginning of the period | 138,545 | 198,256 |
| Cash and cash equivalents at the end of the period | <u>\$ 126,104</u> | <u>\$ 166,622</u> |

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with GAAP, we believe adjusted EBITDA, a non-GAAP measure, is useful in evaluating our operating performance, and our management uses it as a key performance measure to assess our operating performance. Because adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure for business planning purposes and in evaluating acquisition opportunities. We also use adjusted EBITDA to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial measure, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. We believe that the use of adjusted EBITDA is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

Some of the limitations of adjusted EBITDA include (i) adjusted EBITDA does not necessarily reflect capital commitments to be paid in the future and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA does not reflect these requirements. In evaluating adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments described herein. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. Our adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate adjusted EBITDA in the same manner as we calculate the measure, limiting its usefulness as a comparative measure. Adjusted EBITDA should not be considered as an alternative to loss before income taxes, net loss, loss per share, or any other performance measures derived in accordance with U.S. GAAP. When evaluating our performance, you should consider adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results.

A reconciliation is provided below for adjusted EBITDA to net loss, the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review our financial statements prepared in accordance with GAAP and the reconciliation of our non-GAAP financial measure to its most directly comparable GAAP financial measure, and not to rely on any single financial measure to evaluate our business. We do not provide a forward-looking reconciliation Adjusted EBITDA guidance as the amount and significance of the reconciling items required to develop meaningful comparable GAAP financial measures cannot be estimated at this time without unreasonable efforts. These reconciling items could be meaningful.

Adjusted EBITDA

We calculate adjusted EBITDA as net loss adjusted to exclude (i) depreciation and amortization, (ii) interest and other expenses (income), net, (iii) tax benefit and expense, and (iv) stock-based compensation expense.

**Reconciliation of Non-GAAP Results to GAAP Results
Unaudited**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| <i>(in thousands)</i> | | | | |
| Net loss | \$(4,704) | \$(23,022) | \$(13,462) | \$(43,382) |
| Add: | | | | |
| Depreciation and amortization | 302 | 268 | 608 | 697 |
| Financial (income) expense, net ⁽¹⁾ | (1,712) | 1,865 | (2,136) | 996 |
| Taxes on income | 8 | 89 | 151 | 110 |
| Stock-based compensation | 2,129 | 3,839 | 4,432 | 6,207 |
| Adjusted EBITDA | <u>\$(3,977)</u> | <u>\$(16,961)</u> | <u>\$(10,407)</u> | <u>\$(35,372)</u> |

(1) For the three months ended June 30, 2023, financial (income), net, primarily consisted of \$1.5 million of interest income from our money market accounts and \$0.3 million in gains resulting from the remeasurement of warrant liabilities. For the six months ended June 30, 2023, financial (income), net, primarily consisted of \$2.1 million of interest income from our money market accounts.

For the three and six months ended June 30, 2022, financial expense net, primarily consisted of \$2.1 million and \$1.2 million, respectively, in losses resulting from the remeasurement of warrant liabilities.